

**146th Annual Meeting**  
**Wednesday, March 10, 2021**

**REPORT OF THE BOARD OF DIRECTORS**

**John Reynolds, Chairman**

I am pleased to report that even with the tumult visited on the world during 2020, to include a deadly pandemic and a sui generis Presidential Election, last year saw the Maritime Exchange and the Delaware River ports it represents nevertheless moving full steam ahead on a successful trajectory.

At the onset of the COVID crisis, the Exchange transitioned most employees to a work-at-home environment. Prior business continuity planning contributed toward a successful conversion of staff, all of whom are to be commended for their efforts in ensuring the Exchange mission of promoting regional commerce skipped nary a beat.

Due to the effects of the pandemic on the global economy, the 2021 budget, approved by the Board of Directors on November 11, 2020, reflected a more conservative approach than usual.

In 2020, 2,195 ships arrived at Delaware River port facilities, a 6.6% decrease in vessel calls over 2019. This compares to declines at our nearest competitors to the south and north of 13.97% and 12.45% respectively, highlighting the fact that the Delaware River region fared better than others. The number of ships discharging cargo dropped, but ships loading cargo for export increased, in some cases dramatically. Last year saw 41 export steel vessels, a 41.4% gain over 2019. Export gas products continued to hold strong, growing from 185 ships in 2019 to 239 in 2020, a 29.2% increase.

Of note is that both public and private regional port facilities remained open and fully operational during the COVID pandemic, a true testament to the dedication of the labor workforce and the terminal operators. Critical products such as PPE and other medical supplies, fruits and vegetables, and an exploding number of e-commerce purchases, all safely found their way to market ensuring the continued viability of an increasingly fragile supply chain.

A flurry of nonstop activity surrounding COVID-19 news and developments saw the Exchange taking the lead in several areas, particularly in the promotion of communications designed to ensure our local maritime community was well-informed and safe, and to shine the dual lights of recognition and acknowledgement on the plight of industry seafarers.

**Seafarer Status Still Critical but Improving** – Throughout 2020, an estimated 200,000 seafarers worldwide sailed under expired contracts and were denied rotating off their ships due

to immigration restrictions and port closures. Some stranded seafarers spent as long as 15 months or more on board, well beyond the limits specified by the Maritime Labor Convention. The Exchange went to bat for these seafarers, meeting with CBP to discuss key issues of a lack of CBP standard guidelines, the agency's unwillingness to provide reasons for denying crew change requests, allowing flights with domestic connections for offsigning crew, and the need for CBP Philadelphia to enter and clear ships for Wilmington when Wilmington CBP is not available.

After several months of discussion with CBP officials at all levels, in September the Exchange coordinated a letter signed by numerous members of the local port community to the tristate Congressional delegation outlining the concerns and requesting assistance. The Exchange followed up with a similar letter to House and Senate Homeland Security Chairs and Ranking Members signed by several national and international trade groups and a third letter to the House and Senate committee leadership signed by over 50 stakeholders from ports throughout the U.S.

These efforts, most notably the earlier discussions with CBP locally and in Washington, raised awareness among elected and appointed federal officials and led to a lessening of some restrictions that prevented timely crew repatriations, and sparked CBP headquarters to issue national guidance that supports local decisions on measures taken to facilitate crew changes. We appreciate CBP's responsiveness to this humanitarian crisis.

Complementing these efforts was the good news that in September, the Philadelphia Airport re-opened to international travelers. This welcome move represented both a boon to the local economy and the removal of yet another barrier to getting crewmembers home.

Make no mistake that we must remain vigilant. This worldwide crisis is far from over. In a welcome move, the UN General Assembly acted and adopted a resolution urging member states to designate seafarers and other marine personnel as key workers and seek international cooperation to effect change. In conjunction with sister maritime exchanges and national associations, the Exchange will continue efforts to reduce the undiminished backlog of seafarers desperately looking to go home.

**Corona Virus Impacts** – Throughout 2020, spiking cases in the U.S. and throughout the globe heightened the potential for economic turmoil. The imminent emergence of three potentially viable vaccines gave some hope that a full recovery starting as soon as mid-2021 was a possibility. The Exchange went to work to ensure that decision makers had the necessary information to conclude that port workers, who are essential to the supply chain, be given the highest priority when dispensing vaccine.

The Exchange added its voice to that of Federal Maritime Commissioners Carl Bentzel and Daniel Maffei, who wrote to MARAD Administrator Mark Buzby and CDC Director Robert Redfield urging them to ensure that the "often overlooked" maritime labor force and other port workers are included among the highest priority essential workers to receive vaccines.

Throughout 2020 the Exchange stayed in close contact with its tristate Congressional delegation about this issue, and contacted governors and health agency heads in the three states, informing them of the need to swiftly protect these critical supply chain workers.

There is perhaps one bright spot that shines in an otherwise dreary COVID landscape: now, more than ever before, the world is focused on — and may even gain an understanding of — the importance of the global supply chain. Determining vaccine shipping routes, keeping vaccines stored at the appropriate temperatures during transit, and getting them to the end users as safely and quickly as possible has finally begun to dominate the consciousness of the general public and high-level policy decision-makers.

## **PUBLIC POLICY/GOVERNMENT AFFAIRS**

### **On the way to completion of the 45-foot Deepening Project . . .**

The roller coaster ride we've all been on for the past two decades was no less gripping in 2020. We began the year using a combination of drilling, blasting, hydraulic hammering, and bucket dredging to dismantle rock pinnacles in seven separate areas of the channel. We ended the year with project priorities shifting from construction to maintenance dredging, and a Corps work plan that includes \$53.2 million in supplemental funding for Delaware River operations. This in addition to the \$22.5 million operations and maintenance funding included in the FY21 budget. The supplemental funds will work to upgrade a number of dredge material placement facilities critical to efficient maintenance activities.

New in 2020 was the decision to forge a series of monthly meetings comprised of the Exchange, the Corps, the Pilots' Association, the Mariners' Advisory Committee, PhilaPort, and other key stakeholders. Working together to stay abreast of needed steps to secure the completion of the 45-foot deepening, this group shows the promise of a winning and coordinated effort to complement the project's shift from construction to maintenance dredging.

The promise of a deeper channel has fueled substantial infrastructure improvements on the Delaware River, and the realization of this project is certain to bring gains in cargo volumes now and for many years to come.

**"McFarland" Replacement on the Horizon** – After years of speculation, in November, the Corps posted a pre-solicitation notice for the replacement of the medium class hopper dredge "McFarland." If her walls could talk, what stories she could tell.

**Tariffs Need to End!** – In early December, over 150 trade associations and companies under the Americans for Free Trade banner, including the Exchange, sent a letter to President-elect Biden and his transition team encouraging the removal of current trade policies negatively affecting the American economy. To date, the previous administration's tariffs have cost American businesses, farmers, manufacturers, and consumers over \$68 billion.

**SCOTUS Rejects AIIS Challenge** – On June 22, we received the unwelcome news that the U.S. Supreme Court declined to hear the American Institute for International Steel case that challenged the 25% tariffs on imported steel products, tariffs that function as taxes on millions of hard-working American consumers and jeopardize jobs across a broad cross-section of U.S. ports and industries.

The former administration claimed the tariffs were necessary for national security purposes, citing Section 232 of the Trade Expansion Act of 1962. The AIIIS petition argued the validity of the steel tariffs because Section 232 "unconstitutionally delegates legislative power to the President." Unfortunately, the Trump administration successfully argued that the Supreme Court rejected a similar challenge to Section 232 in a 1976 opinion.

In response to this ruling, AIIIS issued a statement saying it a) rightfully represented steel supply chain interests and ignited a national conversation concerning separation of powers; and b) it is Congress' job and duty to place limits on presidential decision-making.

**Canadian Tariffs** – In June, the former president resurrected the 10% "security" tariff on aluminum imports from Canada, which was removed to pave the way for the U.S.-Mexico-Canada trade agreement, then reversed the position in September. The decision followed Canada's September 15 announcement of plans to impose dollar-for-dollar equivalent tariffs against the U.S. totaling about \$2.7 billion.

## Staying on Top of Agriculture Issues

**Ag Committee Reviews WPM Test Results** – The executive director of Animal and Plant Health Inspection Service (APHIS) office of Plant Protection and Quarantine formally notified the Exchange in a letter dated March 10, 2020 that the program to test alternative treatments for non-compliant wood packing material ended on February 29.

**Exchange Supports Aid to USDA-APHIS** – The Exchange met with officials from USDA APHIS to discuss the severe drop in Agricultural Quarantine Inspection (AQI) revenues driven by the COVID pandemic. These revenues fund both USDA and CBP inspection activities, and the prospect of a projected revenue shortfall of approximately \$650 million in FY21 was daunting to say the least. The Exchange went to work and contacted its tristate Congressional delegation, requesting their support of funding for continued APHIS operations, and reminding them that curtailed AQI operations could jeopardize revenues of \$143 million in fruit trade and other perishable cargoes moving through Delaware River ports.

Then some excellent news: the 2021 Consolidated Appropriations Act signed into law on December 27 included up to \$635 million through the end of FY22 to fund the pandemic-driven shortfall in the APHIS AQI program

Of further interest was the news that APHIS plans to begin a 12- to 24-month rulemaking process in 2021 concerning future fee increases. The Exchange has been assured of a place at the table during these discussions, with a goal of raising fees by smaller amounts every five years or so rather than the dramatic increases that went into effect in December of 2015.

**IWG Kicks Off in October** – At the suggestion of USDA officials, the Exchange convened an Innovations Working Group last fall. The group's mission is to identify cost-saving ideas for existing processes, explore the use of technologies to address those needs, and determine how best to test feasibility and applicability in the field. The members hope their work translates into

increased efficiencies that can reduce agency costs, ultimately resulting in lower user fees or at a minimum a slower rate of fee increases.

## CBP – LH

## MISCELLANEOUS

**Philly Shipyard Wins MARAD Contract** – An exceptionally good bit of news for our region in 2020 centered on the Delaware River’s very own Philly Shipyard. In April, PSI was awarded a contract for the construction of up to five National Security Multi-Mission Vessels from TOTE Services. TOTE is managing the vessel construction on behalf of the U.S. Department of Transportation’s Maritime Administration. These ships will offer a world-class maritime training platform for our nation’s future mariners and support humanitarian assistance and disaster relief efforts.

So far, TOTE has ordered the first four ships in the NSMV program. These ships are destined for the state maritime academies in New York, Massachusetts, Maine and Texas. TOTE retains an option for the fifth vessel for the state maritime academy in California. If all five NSMVs are ordered, then the total contract value is about \$1.5 billion with deliveries lasting into 2025 supporting 1,200 local jobs.

**Publications** – Given the majority of people worked from home during 2020, we made the decision to curtail USPS mailing of our quarterly newsletter, *The Beacon*, opting instead for the promotion of strictly an online version. It was a success. Summer online readership of the publication grew by 184% over the spring issue, and the number of people who downloaded the PDF version increased by 125%.

## MEMBER PROGRAMS AND SERVICES

**Engagement a Priority** – Again, due to pandemic-related restrictions, the Exchange developed a series of activities to be implemented this year, designed to engage and connect with members, and retain their interest in our efforts. The program includes more frequent email communications from the president, monthly and quarterly virtual meetings on topics of interest, regular Maritime On-Line user group meetings, and other tactics.

**New Renewal Option** – We successfully offered members a new renewal option this past November. We distributed membership renewal notices and invoices for 2021 via email only, and provided members the opportunity to pay online via credit card.

**Private Berth Dredge Review Panel** – On behalf of the panel, the Maritime Exchange issued a Request for Proposals in May to complete a River Ecosystem Data Gathering project. We received seven bids, and the panel selected Mott MacDonald to undertake the data gathering initiative. DGI’s purpose is to streamline permit application and review processes for berth maintenance, pile driving, and similar waterside operations. Throughout the latter half of last year, the Exchange and review panel members worked to expand solicitation efforts, solidify previous commitments, and secure necessary project funding.

## **OPERATIONS AND INFORMATION TECHNOLOGY**

2021 proved a challenging year for the IT and Operations departments. First and foremost, the Exchange was able to transition many of the staff to a remote workforce as the pandemic made working from home the new reality. Previous work on business continuity plans and disaster recovery testing contributed to this successful migration. Virtual radios, remote PC connectivity, IP phones, and online meetings have allowed the Exchange to maintain 24/7 operations throughout the ongoing crisis.

And the pandemic did not stop the organization from implementing other projects in 2020. The Exchange strengthened its infrastructure by implementing new storage and switching hardware to provide enhanced redundancy and performance, and it upgraded its servers system-wide to be industry compliant and help maintain a strong cybersecurity posture. It also conducted a comprehensive audit of the firewall and intrusion detection and protection system which led to several important security improvements.

On the Maritime On-Line side, the Exchange updated the back-end components that control all user interactivity. And when CBP began flooding the trade community with additional cargo status messages related to its Section 321 initiative, the team quickly upgraded its communications software and made other procedural and system changes to help ensure that TRACS handled the additional CBP messages for the many system participants.

In addition to system wide MOL upgrades, the Exchange continued working with its developers on the export manifest component of TRACS. Staff worked diligently with CBP testing and identifying bugs on the CBP side and looks forward to working with our own customers in the coming year transmitting electronic export manifest data for the first time.

## **IN CLOSING**

Heading into 2021, it is clear that COVID, while a most worthy opponent, was no match for the determination of the Exchange and its members. Our mission remains steadfast: to protect and promote commerce on the Delaware River and Bay. With the continued support of our Board and our valued membership, we are poised to once again successfully meet this mission. With all the pending challenges on our plate, we nonetheless look forward to continued and effective representation of our members and Delaware River ports. Rolling up our collective sleeves, and working together, we will face whatever obstacles 2021 has in store.