

## May 30, 2017 – LEFT POLICIES = RUIN

Writing in City Journal, [John Tierney](#) provides a good example of how the Left ruins the lives of ordinary people. He writes about the refusal of New York City to allow Wal-Marts.

*If budget-cutters in Washington decided to eliminate food-stamp benefits to New Yorkers, the city's politicians would be denouncing the cruelty of the "Republican war on the poor." Yet Mayor Bill De Blasio and the city council are already inflicting the same sort of pain on low-income New Yorkers by denying them access to one of the nation's most effective anti-poverty programs: Walmart.*

*When he was mayor, Michael Bloomberg supported Walmart's efforts to open a store in New York, but the company faced unremitting resistance from unions and elected officials, and it gave up the fight once de Blasio moved into Gracie Mansion. "I have been adamant that I don't think Walmart—the company, the stores—belong in New York City," de Blasio said.*

*Walmart's benefits are obvious to shoppers and to economists like Jason Furman, who served in the Clinton administration and was chairman of the Council of Economic Advisers under President Obama. In a paper, "[Walmart: A Progressive Success Story](#)," Furman cited estimates that Walmart, by driving down prices, saved the typical American family more than \$2,300 annually. That was about the same amount that a family on food stamps then received from the federal government.*

*How could any progressive with a conscience oppose an organization that confers such benefits? How could de Blasio and the city council effectively take money out of the pockets of the poorest families in New York? Because—though they would deny it—they care a lot more about pleasing powerful labor interests, especially the United Food and Commercial Workers (UFCW), which helped lead the long fight to keep Walmart out of the five boroughs. ...*

More on the Left's war on ordinary people comes from [Hot Air's](#) report on the types of restaurants that are failing in San Francisco as a result of the higher minimum wage.

*... The Washington Examiner [takes a look](#) at a new study by the Harvard Business School this week which specifically digs into the restaurant business in San Francisco, where they have been jacking up their minimum wage like a golden escalator. The results pretty much speak for themselves.*

*San Francisco's higher minimum wage **is causing an increasing number of restaurants to go out of business** even before it is fully phased in, a new study by the Harvard Business School found.*

*The closings were concentrated among struggling, lower-rated restaurants. The higher minimum **also caused fewer new restaurants to open**, it found.*

*"We provide suggestive evidence that higher minimum wage increases overall exit rates among restaurants, where a \$1 increase in the minimum wage leads to approximately a 4 to 10 percent increase in the likelihood of exit," report Dara Lee and Michael Luca, authors of "Survival of the*

*Fittest: The Impact of the Minimum Wage on Firm Exit.” The study used as a case study San Francisco, which has an estimated 6,000 restaurants in the Bay Area and is ratcheting up its minimum wage. Restaurants are one of the largest employers of minimum wage workers. ...*

More on the subject from [American Interest](#).

*... More interesting, though, are the study’s findings about which restaurants are forced to leave by the higher wage floors. The authors compared rates of departure of restaurants across different Yelp ratings, and found that the policy hit low and mid-quality restaurants much harder than top-tier restaurants. “Our point estimates suggest that a \$1 increase in the minimum wage leads to an approximate 14 percent increase in the likelihood of exit for the median 3.5-star restaurant but the impact falls to zero for five-star restaurants.” ...*

*... this study puts the appeal of superficially progressive measures like the minimum wage hike among the wealthy into sharp relief: It will help clear out the restaurant scene of establishments they don’t want to go to while taking jobs away from people they don’t know.*

[American Interest](#) has more on California's war on the working poor. this time using traffic fines. For example, \$490 for stop light violations

*Pressed to come up with the money to stave off its public employee pension time bomb, the state of California is jacking up the cost of traffic tickets. Reuters [reports](#):*

*California legislators have raised fines for traffic infractions to some of the highest in the United States to generate revenue, and the poor are bearing an unfair burden, losing cars and jobs because they cannot pay them, civil rights activists said on Friday.*

*The Lawyers’ Committee for Civil Rights of the San Francisco Bay Area said in a new report that the \$490 fine for a red light ticket in California was three times the national average. The cost was even higher if motorists wanted to attend traffic school in lieu of a conviction or were late paying.*

*This is a variation of what we call the “blue civil war”—the way the tightening fiscal vise around state and local governments end up pitting Democratic constituencies against one another. In this case, poor and minority Californians, who tend to need to drive further to work, are paying the brunt of the increased traffic fines—which are going to cover the retirement hole for unionized public employees. ...*

Zimbabwe shows another way governments ruin lives. [AP reports](#) on farmers there cheated by the state.

*Farmer Simon Kahari recently sold tobacco worth more than \$6,000 at an auction in Zimbabwe, a small fortune reflecting the golden leaf’s resurgence in this southern African country. Yet because of Zimbabwe’s dire economic problems he ended up sleeping in an auction house toilet that night, hungry and wondering if and when he would be able to access his earnings.*

*"I don't have any money for food or anything," Kahari said. "I came here expecting to be paid, so now I will have to borrow."*

*Many of Zimbabwe's tobacco farmers share the same plight during the ongoing selling season of the crop, Zimbabwe's second biggest earner after gold. While exported tobacco rakes in hundreds of millions of dollars, small-time farmers feel left out of the lucrative cycle.*

*A cash shortage that underlines the country's deepening economic woes has left farmers who travel long distances to auctions unpaid, stranded and desperate.*

*Farmers like Kahari are not paid in cash because of the currency shortage. But they need the money because much of Zimbabwe, especially rural areas where there is little infrastructure, is a cash-based society.*

*Instead, their earnings are deposited into accounts that they must open at bank branches at the auction houses. Then the farmers must stick around for weeks, hoping for the daily withdrawal limit of \$100 but often getting no more than \$50.*

*Meanwhile, tobacco sales have jumped 30 percent from last year, earning \$300 million so far, according to the country's Tobacco Industry Marketing Board. ...*

Now for the pièce de résistance of today's post on how the left makes everything worse, we have a story from [Reuters](#) on water so filthy and oily in Venezuela's oil ports that the tankers filling up there have to be cleaned before the rest of the world's ports will let them enter.

*In the scorching heat of the Caribbean Sea, workers in scuba suits scrub crude oil by hand from the hull of the Caspian Galaxy, a tanker so filthy it can't set sail in international waters.*

*The vessel is among many that are constantly contaminated at two major export terminals where they load crude from Venezuela's state-run oil company, PDVSA. The water here has an oily sheen from leaks in the rusty pipelines under the surface.*

*That means the tankers have to be cleaned before traveling to many foreign ports, which won't admit crude-stained ships for fear of environmental damage to their harbors, port facilities or other vessels.*

*The laborious hand-cleaning operation is one of many causes of chronic delays for dozens of tankers that deliver Venezuela's principle export to customers worldwide, according to three executives of the state-run firm, eight employees of maritime firms that contract with PDVSA and Thomson Reuters vessel-tracking data. ...*

*... At oil export terminals around the world - where crude leaks like those in Venezuela are relatively rare - an oil-stained tanker would normally be taken out of the water and cleaned with industrial equipment in a dry dock.*

*But Venezuela has just one small dry dock and lacks the cash or the time to send its soiled tankers there for proper cleaning, according to the PDVSA executives, ship captains and two workers from tanker cleaning companies.*

*So workers on a small fishing boat clean the giant tanker with thousands of scrub-brush strokes. The work - which involves scouring ships above and below the water line - can take up to ten days per vessel, a worker involved in the cleaning said.*

*In a scene witnessed by Reuters in April, workers wearing scuba suits baked on the deck of a small boat as they reached out with brushes to scrub the Caspian Galaxy, a tanker leased for one trip by a PDVSA customer.*

*The workers labored just offshore from Amuay beach, near a tourist hub and PDVSA's largest refinery. The crews here have washed so many vessels in recent months that they have dubbed their operation "the boatwash". ...*

---

---

---

## City Journal

### [For Profit, Anti-Poverty](#)

***No institution or agency has done more to help the poor than Walmart.***

by John Tierney

If budget-cutters in Washington decided to eliminate food-stamp benefits to New Yorkers, the city's politicians would be denouncing the cruelty of the "Republican war on the poor." Yet Mayor Bill De Blasio and the city council are already inflicting the same sort of pain on low-income New Yorkers by denying them access to one of the nation's most effective anti-poverty programs: Walmart.

When he was mayor, Michael Bloomberg supported Walmart's efforts to open a store in New York, but the company faced unremitting resistance from unions and elected officials, and it gave up the fight once de Blasio moved into Gracie Mansion. "I have been adamant that I don't think Walmart—the company, the stores—belong in New York City," de Blasio said.

Walmart's benefits are obvious to shoppers and to economists like Jason Furman, who served in the Clinton administration and was chairman of the Council of Economic Advisers under President Obama. In a paper, "[Walmart: A Progressive Success Story](#)," Furman cited estimates that Walmart, by driving down prices, saved the typical American family more than \$2,300 annually. That was about the same amount that a family on food stamps then received from the federal government.

How could any progressive with a conscience oppose an organization that confers such benefits? How could de Blasio and the city council effectively take money out of the pockets of the poorest families in New York? Because—though they would deny it—they care a lot more about pleasing powerful labor interests, especially the United Food and Commercial Workers (UFCW), which helped lead the long fight to keep Walmart out of the five boroughs.

Labor activists have been spreading horror stories for more than a decade about Walmart's purported mistreatment of workers, yet somehow they haven't dissuaded thousands of people in other cities from lining up for jobs whenever a Walmart opens. Often there are five or ten applicants for each job. As the economist Richard Vedder has noted, the pay at Walmart is comparable with that of other large retailers.

Some argue that Walmart exerts downward pressure on retail wages, but even if that's true—and it's debatable—the effect is tiny compared with the savings at the cash register. According to Furman, Walmart lowered American retail workers' pay by less than \$5 billion while saving shoppers more than \$250 billion with lower prices on food, clothing, and household staples.

Anti-Walmart agitators complain about the government subsidies that some of the company's workers receive for health insurance, which, they argue, burden taxpayers. But these are the same Medicaid subsidies available to low-income workers at other stores and in other industries, or in any kind of employment, including public schools and other government jobs. It makes zero sense to single out Walmart employees, as the state of Maryland did with a law (eventually struck down in court) forcing Walmart alone to forgo government subsidies and shoulder these costs by itself.

If the activists succeed in their quest to transfer these health-care costs to Walmart, they'll be striking yet another blow against the poor. When low-income workers receive subsidized health insurance through Medicaid, the money comes out of general tax revenue—paid mainly by upper-income taxpayers. If Walmart becomes responsible for paying for its own subsidies, the company might offset the expense by reducing its workers' cash wages. Or it might raise prices, which would effectively be a new regressive tax hitting its low-income customers hardest. Either way, the burden would shift from affluent taxpayers to the working poor.

These Robin Hood-in-reverse effects prompted Furman to reject his fellow Democrats' campaign against Walmart. "The collateral damage," Furman wrote, "from these efforts to get Walmart to raise its wages and benefits is way too enormous and damaging to working people and the economy more broadly for me to sit by idly and sing 'Kum-Ba-Ya' in the interests of progressive harmony. Not to mention the collateral damage to rational thought from many of the arguments made by the anti-Walmart community."

De Blasio and the city council keep spouting these irrational arguments, but they haven't persuaded the public. In a 2015 Quinnipiac poll asking whether Walmart stores should be allowed to open, New Yorkers favored Walmart by a margin of 2-to-1. Overall, 63 percent of New Yorkers wanted Walmart stores in the city, with virtually no difference in favor of the big-box emporium between those living in union and non-union households. Support was higher among blacks, who favored Walmart by 66 to 30, and among Hispanics, who favored Walmart by 71 to 27.

But so far, their feelings don't seem to matter to de Blasio and his fellow progressives on the city council. After all, as long as shoppers go on paying higher prices at unionized stores, some of their money will keep flowing to the mayor and his allies in the form of campaign contributions. To progressive politicians, that's the ultimate in social justice.

## Hot Air

### [San Francisco's minimum wage spike is already shutting down restaurants](#)

by Jazz Shaw

Whenever I write about the “Fight for 15” and the impact of steeply increasing minimum wage rates on employment I am regularly assured by liberal activists that such concerns are either false or severely overblown. There is an entire [body of work](#) in the progressive sphere dedicated to nothing but this particular propaganda effort. The premise makes no sense in terms of basic economics (or simply math, for that matter) but it keeps on being repeated. And yet, when the experiment is moved off of the chalkboard and out into the real world the opposite always seems to happen.

The Washington Examiner [takes a look](#) at a new study by the Harvard Business School this week which specifically digs into the restaurant business in San Francisco, where they have been jacking up their minimum wage like a golden escalator. The results pretty much speak for themselves.

San Francisco's higher minimum wage **is causing an increasing number of restaurants to go out of business** even before it is fully phased in, a new study by the Harvard Business School found.

The closings were concentrated among struggling, lower-rated restaurants. The higher minimum **also caused fewer new restaurants to open**, it found.

“We provide suggestive evidence that higher minimum wage increases overall exit rates among restaurants, where a \$1 increase in the minimum wage leads to approximately a 4 to 10 percent increase in the likelihood of exit,” report Dara Lee and Michael Luca, authors of “Survival of the Fittest: The Impact of the Minimum Wage on Firm Exit.” The study used as a case study San Francisco, which has an estimated 6,000 restaurants in the Bay Area and is ratcheting up its minimum wage. Restaurants are one of the largest employers of minimum wage workers.

San Francisco is leaving most other metropolitan areas in the dust in terms of the minimum wage. They're already at \$13 per hour (well above the state or federal minimums) and will be at \$15 per hour next year. Even more significantly in terms of the restaurant business is the fact that they make no exception for tipped employees, covering almost all of the wait staff in eateries. And the impact has already been dramatic.

Proponents of higher minimum wage levels will likely want to point to the fact that not all restaurants are affected equally. As the Harvard study found, the most expensive and highly rated restaurants don't seem to be affected at all. The closures and cutbacks are hitting all of the more modest priced outlets with lower customer ratings. Unfortunately for San Francisco's workforce, *that's the majority of them*. And the difference they are seeing makes total sense. If a five star restaurant which already charges fifty dollars for a steak has to raise their prices by 10% to cover the higher labor costs, the clientele they are attracting probably won't complain too much. They are serving the sorts of people who can afford to pay well for good service and top rated chow. But a price increase which hits the places serving those who are counting their pennies will drive patrons away rather quickly.

A number of owners have tried to adopt to this brave new world by enacting a no tipping policy, but in case after case [that simply hasn't worked](#). (Joe's Crab Shack was one of the most famous and [they gave up](#) in under a year.) Dumping the higher labor costs directly onto the customers

with the diners having no say in how the wait staff performed was unpopular. And as for the workers, the really skilled ones who get jobs in higher end eateries can (and do) earn many times their base salary in tips if they do a great job. Policies such as these actually provide a negative incentive to excel at your job.

We've seen this in one city after another. Rapid increases in labor costs simply can't be ignored by the free market no matter how politically popular they are. And San Francisco is just the latest location to learn this lesson the hard way.

## American Interest

### \$15 MINIMUM

#### *Gentry Liberalism in San Francisco*

Local minimum wage hikes cause restaurants to leave or shut down and deter new ones from entering, according to a new Harvard Business School study of the San Francisco Bay Area restaurant industry that contradicts the orthodox liberal view that steeply raising the cost of unskilled labor will not affect jobs or hiring.

More interesting, though, are the study's findings about *which* restaurants are forced to leave by the higher wage floors. The authors compared rates of departure of restaurants across different Yelp ratings, and found that the policy hit low and mid-quality restaurants much harder than top-tier restaurants. "Our point estimates suggest that a \$1 increase in the minimum wage leads to an approximate 14 percent increase in the likelihood of exit for the median 3.5-star restaurant but the impact falls to zero for five-star restaurants."

While a restaurant's Yelp rating doesn't correlate directly with its price range, this differential effect suggests that it's easier for rich people to ignore the deleterious effects of minimum wage hikes. Virtually all of the most expensive restaurants in San Francisco have four or more stars; the city's business and professional elite are unlikely to see many of their favorite high-end destinations pushed out of the city. Poor or middle-income workers are less likely to have the luxury of only frequenting top-rated establishments, not to mention that they are more likely to work at the restaurants that the hikes put out of business.

We've speculated before about the incentives for gentry liberals to support higher minimum wages that threaten to increase unemployment among the less-skilled; for example, sharpening incentives for firms to replace workers with machines will benefit Silicon Valley technologists and venture capitalists.

But this study puts the appeal of superficially progressive measures like the minimum wage hike among the wealthy into sharp relief: It will help clear out the restaurant scene of establishments they don't want to go to while taking jobs away from people they don't know.

## American Interest

### [Blue Civil War in California as State Jacks Up Traffic Fines](#)

Pressed to come up with the money to stave off its public employee pension time bomb, the state of California is jacking up the cost of traffic tickets. Reuters [reports](#):

California legislators have raised fines for traffic infractions to some of the highest in the United States to generate revenue, and the poor are bearing an unfair burden, losing cars and jobs because they cannot pay them, civil rights activists said on Friday.

The Lawyers' Committee for Civil Rights of the San Francisco Bay Area said in a new report that the \$490 fine for a red light ticket in California was three times the national average. The cost was even higher if motorists wanted to attend traffic school in lieu of a conviction or were late paying.

This is a variation of what we call the "blue civil war"—the way the tightening fiscal vise around state and local governments end up pitting Democratic constituencies against one another. In this case, poor and minority Californians, who tend to need to drive further to work, are paying the brunt of the increased traffic fines—which are going to cover the retirement hole for unionized public employees.

In the long run, California's growing pension liabilities will also likely force cuts in education and welfare programs that vulnerable citizens depend on, creating a further conflict between the interests of unions and the interests of the poor.

As the blue model becomes fiscally unsustainable, the political coalition that holds it together will come under strain as well. The big question is whether Republicans or reform-minded Democrats can take advantage of this looming schism.

## Associated Press

### [Zimbabwe tobacco is booming, but farmers growing it are not](#)

by Farai Mutsaka

HARARE, Zimbabwe (AP) — Farmer Simon Kahari recently sold tobacco worth more than \$6,000 at an auction in Zimbabwe, a small fortune reflecting the golden leaf's resurgence in this southern African country. Yet because of Zimbabwe's dire economic problems he ended up sleeping in an auction house toilet that night, hungry and wondering if and when he would be able to access his earnings.

"I don't have any money for food or anything," Kahari said. "I came here expecting to be paid, so now I will have to borrow."

Many of Zimbabwe's tobacco farmers share the same plight during the ongoing selling season of the crop, Zimbabwe's second biggest earner after gold. While exported tobacco rakes in hundreds of millions of dollars, small-time farmers feel left out of the lucrative cycle.

A cash shortage that underlines the country's deepening economic woes has left farmers who travel long distances to auctions unpaid, stranded and desperate.



Farmers like Kahari are not paid in cash because of the currency shortage. But they need the money because much of Zimbabwe, especially rural areas where there is little infrastructure, is a cash-based society.

Instead, their earnings are deposited into accounts that they must open at bank branches at the auction houses. Then the farmers must stick around for weeks, hoping for the daily withdrawal limit of \$100 but often getting no more than \$50.

Meanwhile, tobacco sales have jumped 30 percent from last year, earning \$300 million so far, according to the country's Tobacco Industry Marketing Board.

President Robert Mugabe and many in his government point to rebounding tobacco production as justification for often violent land seizures years ago. Many tobacco farmers were resettled on farms forcibly taken from whites, 20 years after Zimbabwe became independent from white minority rule in 1980.

Mugabe's deputy, Emmerson Mnangagwa, said this month that tobacco sales mean "the cake is now spread to ordinary families in the countryside," but many distressed people at a tobacco sales floor wore torn clothes. On May 4, police fired tear gas to disperse tobacco farmers protesting non-payment and hazardous living conditions at auction floors.

"Relax. It has been three weeks for me and I am still here," Luckson Mutaya told fellow farmer Kahari, who appeared fidgety after waiting only several hours.

He advised Kahari on a few basics, especially the need to hold a place in one of the toilets to avoid enduring the cold night in the open.



***Tobacco farmers sleep on auction house floor waiting for government to pay for their crop.***

"Oh, and you have to write down all the essential phone numbers. Very soon you won't be having that phone," Mutaya added, puffing a large cigarette of tobacco leaves rolled in an old newspaper. He cannot afford processed cigarettes selling for 10 cents each.

Mobile phones and national identity cards are the new currency as farmers taking food on credit surrender their phones and identity cards as security to vendors.

One food seller, Maria Mandebvu, complained that farmers leave without paying their bills and recalled happy years when farmers were paid cash on the spot. Then, the auction floors transformed into one huge bazaar, with traders hustling anything from cars to solar panels, beds, alcohol and sex.

Dozens of traders are still camped there this year. Music blares from makeshift wooden and plastic stalls. But no one is dancing. On the auction floor, business is hectic as buyers swiftly go through rows of tobacco bales, negotiating prices.

By 10 p.m. the male and female toilets are fully occupied by farmers deep in sleep.

Nearby, breastfeeding mothers and children squeeze next to male strangers in the open on parched grass and tarmac. Some sleep on top of steel storage shipping containers, others on stairs and conveyor belts.

"The country is making money from our tobacco, we deserve some dignity," said Lloyd Muponda, who travelled 300 kilometers (186 miles) to sell his crop two weeks ago.

Joseph Made, the agriculture minister, said his office is negotiating with the finance ministry to ease the farmers' plight. It may be too late for 78-year-old Agnes Hanja, who badly needs cash to pay off debts and laborers back home.

"I will not grow tobacco again," Hanja said. "This is dehumanizing."

## Reuters

### [Banned at sea: Venezuela's crude-stained oil tankers](#)

By Marianna Parraga and Mircely Guanipa



*The oil tanker Caspian Galaxy sits anchored near Amuay beach, in Punto Fijo, Venezuela.*

HOUSTON/PUNTO FIJO, Venezuela In the scorching heat of the Caribbean Sea, workers in scuba suits scrub crude oil by hand from the hull of the Caspian Galaxy, a tanker so filthy it can't set sail in international waters.

The vessel is among many that are constantly contaminated at two major export terminals where they load crude from Venezuela's state-run oil company, PDVSA. The water here has an oily sheen from leaks in the rusty pipelines under the surface.

That means the tankers have to be cleaned before traveling to many foreign ports, which won't admit crude-stained ships for fear of environmental damage to their harbors, port facilities or other vessels.

The laborious hand-cleaning operation is one of many causes of chronic delays for dozens of tankers that deliver Venezuela's principle export to customers worldwide, according to three executives of the state-run firm, eight employees of maritime firms that contract with PDVSA and Thomson Reuters vessel-tracking data. Other reasons include delayed repairs and impoundments by service providers that are owed money by cash-strapped PDVSA.

Neither PDVSA nor Venezuela's Oil Ministry responded to requests for comment about the firm's maritime operations.

The tankers sidelined for cleaning provide a vivid example of the firm's downward spiral: Lacking the cash to properly maintain ships, refineries and production operations - or to pay business partners on time - PDVSA can't boost exports, which is its only option for raising more cash.

The lagging exports crimp the flow of cash back to the country's crippled socialist economy, as citizens struggle daily amid soaring inflation and shortages of food and medicine. Because Venezuela relies on oil for more than 90 percent of export revenues, the problems of its state-run oil company pose a national crisis.

Venezuela's crude exports declined 8 percent to 1.69 million barrels per day (bpd) in the first quarter versus the same period in 2016, according to Thomson Reuters data.

When oil prices were high, crude and fuel exports almost entirely financed an elaborate system of government price controls and social subsidies that maintained the popularity of late President Hugo Chavez, the socialist firebrand.

Although embattled Venezuelan President Nicolas Maduro insists the government has maintained social programs, he has publicly acknowledged that lower oil prices have left the government with less money to finance them.

Venezuela's Information Ministry did not respond to a request for comment about the nation's social spending.

THOUSANDS OF BRUSH STROKES

At oil export terminals around the world - where crude leaks like those in Venezuela are relatively rare - an oil-stained tanker would normally be taken out of the water and cleaned with industrial equipment in a dry dock.

But Venezuela has just one small dry dock and lacks the cash or the time to send its soiled tankers there for proper cleaning, according to the PDVSA executives, ship captains and two workers from tanker cleaning companies.

So workers on a small fishing boat clean the giant tanker with thousands of scrub-brush strokes. The work - which involves scouring ships above and below the water line - can take up to ten days per vessel, a worker involved in the cleaning said.

In a scene witnessed by Reuters in April, workers wearing scuba suits baked on the deck of a small boat as they reached out with brushes to scrub the Caspian Galaxy, a tanker leased for one trip by a PDVSA customer.

The workers labored just offshore from Amuay beach, near a tourist hub and PDVSA's largest refinery. The crews here have washed so many vessels in recent months that they have dubbed their operation "the boatwash".

In nearby Maracaibo Lake - where tankers are stained at the export terminals - a scuba diver died in an accident this week while inspecting a leaking pipeline.

Jose Bermudez, a 40-year-old father of two, drowned after the line connected to his air supply got tangled in the propeller on his boat, according to union representatives.

The Professional Union of Scuba Divers and Marine Staff from Zulia state had previously requested that PDVSA replace the propellers with a different propulsion system, the organization said.

A supervisor at PDVSA's Western division on Monday confirmed the accident but declined to answer further questions.

PDVSA's maritime crisis is uniquely dire, said George Los, a senior tanker market analyst at U.S. ship brokerage Charles R. Weber Company.

"I can't think of any situation similar to this anywhere else in the world right now," he said.

#### LEASES AT \$1 MILLION PER MONTH

Eighteen of the 31 oil tankers PDVSA owns were out of commission at the end of March, according to Thomson Reuters vessel-tracking data and six maritime industry employees, who spoke with Reuters on condition of anonymity.

Several needed cleaning, while others need repairs, according to the data.

To keep oil flowing, PDVSA leases more than 50 tankers - each at a cost of between \$800,000 to \$1 million per month, according to three captains and ship brokers involved in lease contracts with PDVSA and Thomson Reuters vessel tracking data.

That is more than double the number of vessels it typically leases to complement its own fleet of tankers, according to the sources.

It's a short-term fix that is driving up costs and exposing PDVSA to further detentions or seizures of vessels when it does not pay leasing fees on time.

Several ship owners, exasperated by payment delays, have sought court orders to have the oil on board the tankers impounded, according to three sources involved in some of the disputes and a court document seen by Reuters.

Russian shipping conglomerate Sovcomflot in October won a court order to seize a \$20 million Venezuelan crude cargo from a Sovcomflot tanker as partial payment on a \$30 million debt.

The tanker was carrying crude to the Caribbean island of St. Eustatius.

Sovcomflot did not respond to requests for comment.

Six other PDVSA vessels are stuck in yards in Portugal, Turkey and Curacao, either for lack of payment or because PDVSA has not supplied the necessary parts for repairs, according to two shippers and an executive of a firm supplying equipment to PDV Marina, PDVSA's maritime branch.

#### THE 'VENEZUELA CLAUSE'

Most port owners have to pay fees if they delay tankers from loading or unloading at their docks. But PDVSA, which operates terminals in Venezuela, has traditionally refused to include such penalties - known as demurrage fees - in its contracts with shipping companies that move Venezuelan oil.

At least five major shipping companies, however, are now pushing back on that practice, according to oil traders and contracts signed by PDVSA. The shippers now include a so-called "Venezuela clause" in their contracts.

The penalties can be as much as \$23,500 per day, according to recent shipping contracts with PDVSA seen by Reuters.

One contract specifies that PDVSA must pay demurrage for delays resulting from workers strikes, the late arrival of tug boats and even for drug inspections - a nod to international investigations into Venezuela's role in the global drug trade.

Some tanker-leasing companies and service providers also charge PDVSA above-market rates because of the risk of delayed payments, two shipbrokers told Reuters.

Similar operational problems plague PDVSA's oil drilling and refining operations. Once the pride of the country's economy, the state-run firm saw crude production plummet last year to a 23-year low.

The crisis has now reached the point where state-run PDVSA can't buy spare parts to keep oil fields pumping, pay workers enough to feed their families, or keep its tankers on the water, the PDVSA executives and maritime company employees told Reuters.

The rising costs and falling exports, in turn, are depriving the firm - and the country - of the commodity it needs most: dollars.



# WHO WOULD WIN?

## WHO WOULD WIN?

**A rock in the ocean with  
no natural resources**



**A country with 300 billion  
barrels of oil reserves**



BRANCO Americans for Limited Government ©2017



media@LimitGov.org

# MOAB - MOTHER OF ALL BOMBS

/joshperrett



**DID YOU JUST ASSUME  
THE GENDER OF THAT BOMB?**



**CAMPING:**  
where you spend  
a small fortune,  
to live like  
a homeless person.

