Terminal 6 Industry Leader Committee
MEETING #4 NOTES

Thursday, November 16, 2017 3:00 – 6:00 pm
Port of Portland Headquarters – 7200 NE Airport Way, Portland, OR 97218
8th floor Chinook Conference Room

3:00 – 3:15 pm	Welcome – Michael Kosmala, Coraggio

- Introductory Comments and Agenda Review
- Terminal 6 Overall Strategy – Keith Leavitt
- Business Updates – Ken O'Hollaren, Marine Marketing Manager

Slide 2 Welcome.
Introductory Comments: Our final meeting of the committee is scheduled for Thursday, 12/21 3-6 pm. Please make sure you have this meeting on your calendar as the consultant will be sharing his recommendations/ conclusions on the Terminal 6 business study. For those who would like to share their perspective directly with the Port of Portland Commission, you may want to mark Wednesday, 1/10 9:30 am on your calendars as well.

Recap of 9/28 Meeting: At the 9/28 ILC meeting, we reviewed the Market Analysis and Operational Model Analysis. In your email meeting packets, in response to a committee request, you received information comparing the Terminal 6 volumes with revenue from 1994 to 2010. We will dig into the financials a bit more in this meeting. A copy of the 9/28 Meeting Notes are also in your meeting packets. There were no changes proposed to the 9/28 meeting notes. The meeting notes will be posted on the website and circulated for committee review.

Overview of 9/28 Agenda: At today's meeting, Nolan Gimpel from Advisian, Rob Schultz from the Port and Jim Daly from Tangent Services will review the Financial Analysis of Terminal 6. Nolan will provide an overview of the Alternatives Analysis. For both topics, we will have committee questions and committee breakout exercises.

Slide 3 Terminal 6 Study Tasks and Findings. This slide shows the process we have gone through to date – all leading to the final consultant study recommendations and committee guidance to Port leadership scheduled for our final meeting.

Slide 4 Terminal 6 Overall Business Strategy.
Keith Leavitt, the Port's Chief Commercial Officer, provided an overview of the Port's overall business strategy which has been the source of recent news coverage. Literally a year ago this month, the Port initiated conversations with ICTSI (Terminal 6 terminal operator) that led to a negotiated settlement on the lease terms. The termination of the lease was consummated in late March 2017. From that point on, the Port focused on getting the terminal ready and operational (information technology systems back in place, equipment maintenance checks and updates, and committed to a budget of $2-3 M dollars to get the terminal ready to go). The Port worked closely with ILWU and IBEW to get labor relations in order. All that together, helped get Terminal 6 operationally ready and work on business deals. Port discussions with Swire Shipping started months ago as a Terminal 2 discussion which evolved in direction of Terminal 6 with labor reset. For the short term, the Port is focusing on Swire and intermodal rail business opportunities. This committee is working on the long term strategy. We are on schedule and on budget to report back to the Port Commission in January 2018 with a thoughtful set of recommendations on what Terminal 6 should look like. Today, the committee will get into the guts of what it takes to operate the terminal and highlight the very real challenges associated with the terminal.

Slide 5 Terminal 6 Business Updates
Ken O'Hollaren, the Port's Marine Marketing Director, provided Terminal 6 business updates.

The big news is Swire shipping will commence operations the first week in January. Swire will provide triangular service to Australia-New Zealand, then northbound to China-Korea, and then inbound from Asia. Portland will be Swire's third call in the Pacific Northwest. It will start in Vancouver, BC., go to Everett, WA, and then Portland, OR on a 35-day rotation. This is a great start for that operation, and an opportunity to demonstrate the capabilities and productivity of Terminal 6. Since the announcement, the Port has received a lot of other business inquiries.

On the container carrier recruitment, the Port has cast a wide net, focusing on independent carriers. For the five services targeted by the Port, vessel size will be a consideration. The Port will keep tabs on that.

The Port expects to announce start of an intermodal service within the few weeks. This rail service will be important for the Swire operation. Target start date is the second week in December. The Swire service and rail service offer two good options for shippers in our area.

> ***Committee Questions/Comments:*** *__Question__: Is intermodal North-South?* Yes. – *__Question__: Is Swire adding a call to its existing rotation?* Yes. Adding to Everett call. Also adding Asia to rotation. – *__Question__: When is the first vessel call to Portland?* The first week in January, then 35-day rotation. – *__Comment__: As intermodal volumes grow, hope that it grows to support barge option. Barge piece is hard to pencil from a financial sustainability point of view, but from a transportation perspective it makes sense.*

3:15 – 4:00 pm	Financial Analysis (Task 6) – Nolan Gimpel, Advisian; Rob Schultz, Port of Portland; and Jim Daly, Tangent Services (30 min.)

- Overview
- Committee Discussion and Input – Michael Kosmala (15 min.)

Slide 6 Financial Analysis.
Nolan Gimpel introduced the Terminal 6 Financial Analysis overview to be presented by Rob Schultz from the Port of Portland and Jim Daly from Tangent Services. The three of us collaborated on a financial model to show you the key drivers for the economics of Terminal 6 terminal. My contribution was to provide oversight and a little bit of a sniff test and look at these drivers with respect to how a private operator would manage the terminal.

Rob Schultz, Financial Analysis Manager at the Port, noted that a key metric is financial sustainability for the Port. The operating model created for the financial analysis looked at revenue and expenses, selected scenarios associated with that, and evaluated breakeven scenario of profit-loss. The model was based on historical Port operating data (pre-ICTSI). The team took that history and morphed it into a current financial model.

Slide 7 Financial Performance Key Drivers. Key drivers are volume, productivity, and pricing. Rob noted that in the past have talked a lot about TEUs. In this presentation, we will use vessel moves. For translation purposes, there are 1.8 TEUs per vessel move. 1000 vessel moves = 1800 TEUs.

Slide 8 Volume and Net Income – In the top part of this chart, see net income, and in the bottom, see vessel moves. During this 20+ year period (1994-2010), the Port had only two years of profitability. In 1996, $100K and $2.5 M in 2000. Other than that Terminal 6 operated at a loss. The chart shows these losses grow exponentially over time. One of the reasons is volume. Reduction in boxes equates to income losses.

Slide 9 Productivity. The metric on this chart is crane moves per hour with a focus on gross moves. We benchmarked this against other West Coast ports. Terminal 6 very much in line with other West Coast ports in moves per hour. We assumed that level of productivity going forward. Moves per hour trigger ILWU labor costs (working vessels, gate-yard, and gearlocker). Financial analysis driven by these assumptions.

> ***Committee Questions/Comments:*** <u>*Question*</u>*: Is this the net West Coast average?* No. The Port net average, but benchmarked to the West Coast. What is the difference between gross and net? "Gross" is the productivity when delays caused by the vessel are excluded (e.g., waiting for arrival, etc.) when calculating crane moves per hour. "Net" is when delays caused by the terminal operator (e.g., crane mechanical or electrical problems) are also excluded.

Slide 10 Pricing. This chart shows all in pricing (throughput, wharfage). Two different timeframes: 1) Compound annual growth rate of 3.3% from 1994 to 2002, and 2) negative growth rate from 2003-2010. Connects to the previous slide on volumes and results in increasing the income loss. Adjusted for today's dollars. $335 per vessel move. All in cost of $384 – comparable to $262 we saw in 2010 which is a big jump.

> ***Committee Questions/Comments***: <u>*Question*</u>*: What is the baseline for container moves?* Hold for next slides. – <u>*Question*</u>*: How does that number compare to Oakland?* Higher than most of the West Coast ports. *By how much?* High $200s v. $335. The Port does not have insight into what other West Coast Ports true pricing is as the tariff rates are published (and are similar to $335), but those rates can be negotiated with the carrier and may be lower with volume guarantees.

Slide 11 Operating Expense. Blue line is operating revenue. Red line is operating expense – excludes depreciation and support services. Gap is a good thing in the early years. As move out in time, the lines converge and invert. Not a good thing (revenue lower than expense). Part of this has to do with volume decrease.

> ***Committee Questions/Comments:*** *Question: Dollars not adjusted in this slide?* Correct. – *Question: 1996 and 2000 operating expenses dips – what was so different in those years? Not volumes?* Volume and pricing explains most of the change in net income over time, but there are sometimes anomalies in the year-to-year numbers. These can be explained by things like unexpected events (like floods) or even by changes in the Port's accounting system. Over time, however, the relationship of volume and pricing to financial performance is very strong.

Slide 12 Cash Investments. Container terminals are very capital intensive. Not cheap. Two different peaks in investments: 1997-99 and 2006-08. Investments occurred after peaks in volume, but volumes did not stay where they were. Gives you an idea of depreciation and capital investment needs. Average $8M a year investment in facility.

Slide 13 Operating Revenue. Largest part of operating revenue is handling of container – throughput and wharfage. 87% of revenue. Misc. services include reefer handling, and security fees. Labor revenue is deadtime charges to the carriers.

Slide 14 Operating Expense. Left-hand side of the chart shows longshore labor is 57% of total costs. Other costs include depreciation, support services, security, berth dredging, stormwater utilities, etc. Part of these expenses are variable and part of these expenses are fixed. Labor variable. Depreciation and stormwater are fixed.

Slide 15 Financial Model. Base assumptions used for the financial model are listed on the slide: productivity 2006-09 levels, pricing 2006-09 levels, support services $3M/year, depreciation $4M-$6M/year, semi-operating model. Two different alternatives: Dedicated Terminal (all 192 acres), and Mixed Use Terminal (containers blended with intermodal and break bulk on footprint – shared expenses).

Slide 16 – Model Results – Net Income. Mixed Use breaks even at 168K* (this number has been updated since this meeting) vessel moves (equivalent to 302K TEUs, or approximately 62% of market). Dedicated terminal breaks even at 197K vessel moves (equivalent to 355K TEUs, or approximately 73% of market – tall order). (Local market is 406K TEUs if only full containers are included, and 487K TEUs after adjusting for the need to include empties for comparison to terminal throughput.)

> ***Committee Questions/Comments:*** *Question: Do you have a sense of what you can capture from other markets or are these just darts on the board?* Scope of project excluded looking at other uses – focus was solely on containers. Port will pursue from here. At this point, just looking at a reduction of acreage. – Comment: *When I look at a solution for T6, I would look at footprint and break into uses, assess costs and determine if viable. Intermodal will take time to get to breakeven. – Comment: Understand why doing it this way. As far as break bulk, there are lots of other ports in the Columbia River chasing break bulk. Not sure how you would give that a number. Keith Leavitt: An area where you can make money is if you dedicate a portion of the acreage as a landlord to a use – for example, steel slabs. Have done historically and believe can do it again. Then revenues can contribute to other parts of the picture and helps you sustain a*

losing proposition. – *Question: How many times in the previous years did the Port reach 168K moves?* 168K has been exceeded four times in the past: 1995 (185K), 1996 (174K), 2003 (172K), and 2004 (182K). This is illustrated by Slide 17.

Slide 17 Terminal 6 Volumes vs Breakeven. This chart shows volumes that get to break even points for Mixed Use, Dedicated Terminal and 40% Market Share.

Committee Questions/Comments: *Question: Has Terminal 6 ever had 40% of market share?* Yes, in 1995 we had about a 75% share. Three to four vessel calls when 70% of the market. In the 1990s, 5-6 calls, smaller vessels. Then larger moves on each vessel call. *Keith Leavitt: Typical market share 2005-2010, Port would capture 50-60% of the market. Higher on imports, lower on exports. Jim Daly: May be closer to 40% at this time (actual was 33% of the market in 2014: 24% of the export market and 46% of the import market). – Comment: Import-export imbalance. Formerly 10-1. Empties to address imbalance. Then balancing of exports-imports and lost empties.*

Slide 18 – Sensitivity Analysis – Pricing. This chart shows how the break-evens increased and decreased with changes in price.

Slide 19 Summary. Volume/scale is key to profitability. Prices must be set at sustainable levels and match expense growth. Productivity must meet or exceed West Coast standards. Mixed Use of the terminal will improve financial performance.

Slide 20 Committee Engagement.

Committee Questions/Comments: *Question: If increase productivity by 10%, what happens?* Did not set up that way but would help improve financial performance. ***The Port can run and report back to committee.*** – *Question: Is a 10% increase in productivity possible?* Yes, equipment, ship configuration makes a difference. Believe we have had numbers back with MTC and Ports America. 300 cans don't require additional gang. If 2,000 cans, turnaround time is lower. – *Question: As we are talking and strategizing about how to make the numbers, are there opportunities for efficiencies in manpower requirements?* Yes, working on that. Same West Coast agreement so all terminals work within those parameters. There are local agreements that allow terminal labor to do certain things. Port looked into this in depth with labor, but did not have a set stevedore. Stevedore hires longshore labor. There are some things that a stevedore can do. Two barges tied up and unload both barges with one ship – cuts price of the barge in a half. Does not work if barges on different days. Two biggest things to improve productivity: 1) scale is critical (in early stages will not have that scale), and 2) technology (investment in equipment and technology) costs money (upgrades will take time as volumes grow). Myriad of little things – planning at the terminal. Working with carriers on planning vessels. Incremental not necessarily sustainable. – *Comment: Productivity depends on the crane driver. Experienced crane drivers can crank out a lot of moves. May not ever change. Goes with the industry. When labor-management tensions, had issues. Saw supplemental v. experienced drivers. – Comment: Solution is simple. Need more cargo to get the experience. – Question: What's possible?* 2008 volumes. Westwood indicated what they have seen on the West Coast – 9 moves an hour to 50 moves an hour. If 25 moves get us a Swire, what does 35 moves get us? What incentive does labor have? Hours for skilled labor. Numbers put up here are pretty standard. – *Question: Do we have productivity numbers that go back to 1994?* Annual average

v. weekly. ***The Port will check on this.*** Productivity on charts is representative of Terminal 6 best. Crane productivity is only part of the equation. Do we have information on moves per vessel and number of vessel? ***The Port will check on moves per vessel and number of vessels.*** Port and PMA working on training. Why Swire is an important first step. Will get everyone working. <u>*Keith Leavitt*</u>*: Productivity is one piece, cost structure for Port another piece, and good contracts with carriers is an important piece. The Port was not able to get the rates to cover costs and that was the killer for us. –* <u>*Comment*</u>*: Fixed cost per hour in ILWU contract book. Benefits package along with that and passed on. MTC and Ports America running terminal for the Port made their profit on hiring longshoremen. If the Port sets their business model that does not include per longshore rate in their operating costs, that might help. –* <u>*Question*</u>*: What needs to get done to breakeven?* 2000 moves/year – 20 gangs a week. Are there one or two targets that could handle 4000 moves? All carriers mentioned earlier could handle this. – <u>*Question*</u>*: All carriers mentioned as targets are Asian carriers. Could you go North-South and add to volumes?* Should concentrate on all niches where we can succeed. – <u>*Comment*</u>*: Worked because contracts with Kroger Distribution & Logistics centers. An awful lot of competition out there, margins go down every year. Tough to get back to the perfectly balanced system that we had here at Terminal 6.*

4:00 – 4:15 pm	Break

Slide 21.

4:15 – 4:45 pm	Alternatives Analysis (Task 5) – Nolan Gimpel (20 min.)

- Overview
- Committee Discussion and Input – Michael Kosmala (10 min.)

Slide 22 Alternative Analysis.
Nolan Gimpel provided an overview on the Alternatives Analysis (Task 5). Nolan explained that why the Task 6 Financial Analysis was presented before Task 5 Alternatives Analysis. Task 6 reinforces the need for an evaluation of alternatives.

Slide 23 Alternatives Key Elements. We have talked in the past about the costs of calling Portland and the alliances that impact the carriers' ability to make decisions. We have talked about the relatively small volumes at Portland. In order to be successful, would need to get a large portion of those volumes back. Asia cargo represents 90% of Portland volumes. Because other ports/carriers are participating now in Portland cargo, there is competition for the return of volumes.

Slide 24 Alternatives. Looked at 7 alternatives: 1) Short Sea Shipping, 2) Rail Service, 3) Trucking Service, 4) Equipment Pooling Service, 5) Bulk Container Option, 6) Niche Container Service, and 7) Mixed Use Terminal.

Slide 25 – Short Sea Shipping. Type of vessel that conceived has not yet been built. It's a purpose-built feeder vessel. The cost of the vessel, fuel, port call costs (tugs, pilots, line handlers, dockage) make this a non-starter when coupled with the multiple container handling costs (requires handling of box three times).

Slide 26 – Rail Service. Northwest Container Service has been operating on Union Pacific in Portland for years. Rail service is a viable option. Beauty of this is that the intermodal gate and Terminal 6 container gate are one and the same so there are synergies there. Will help mitigate costs of gate operations and equipment pooling.

Slide 27 – Trucking Service. More problematic. Likely to go to port of exit or entry as opposed to storing in Terminal 6.

Slide 28 – Equipment Pooling Service. Port is already doing this to some degree. More feasible and more viable because of the gate situation. Again, using the synergies of the intermodal yard.

Slide 29 – Bulk Container Option. Does not do anything to support regional container shippers. Might assist with offsetting container costs. Used in South America in mining industry. Australia for grains. Something here in Portland that someone is trying to push. Not clear how big or viable the market.

Slide 30 – Niche Container Service. Talked about Swire at some length. Ken O'Hollaren has taken you through a list of other carrier candidates for Terminal 6. Services are smaller, less frequent but viable as a way to start especially if done in conjunction with Mixed Use. Generate a little profit to offset cost of terminal sitting idle between calls.

Slide 31 Mixed Use Terminal. Mixed Use Terminal helps mitigate costs.

Slide 32 Summary. Some of the alternatives are viable. None are a stand-alone solution. Port will need to generate profit from a number of uses. Reduce cost per unit and absorb the fixed cost per unit.

> ***Committee Questions/Comments:*** *Question: On the rail alternative, how would an intermodal affect Northwest Container Service? Don't they look at Terminal 6 as a competitor?* Yes, to some degree, but there is still volume to be absorbed. – *Comment: In Portland area, see a rail shuttle as a benefit. Even though Port of Morrow has a Northwest Container Service yard, there is a 10-day service time. Pricing also makes it tough to work. Barge-rail shuttle might be one of the options to get to the Puget Sound. – Comment: At the end of this year, electronic logs will impact truckers. Things will change because of this. Costs going up and the availability of trucks going down. Rail will fill a void. – Comment: We cannot make a turn anymore from Boardman. – Comment: Emission standards that Northwest Seaport Alliance is putting in place will impact trucks. Less than 50% of trucks are certified. Opens up opportunity to service this area. Big change. – Comment: We do not have transportation congestion issues when get to Portland by barge or Seattle by rail.*

4:45 – 5:45 pm	Tying It All Together: Committee Exercises and Report Out (1 hour)
	• Context: Overall Terminal 6 Business Strategy, Business Study Findings, and Business Study Questions • Group Exercises

Slide 33 Tying It All Together.
As context for committee engagement questions, Michael Kosmala called attention to the committee worksheets at the breakout tables, including: 1) the Port's Terminal 6 overall business strategy, and 2) the consultant key takeaways from each of the business study tasks.

Slide 34 Alternatives Analysis Preference.

1. **Of the existing alternatives that have been presented, which do you prefer and why?**

Table Report Outs:

T**able 3 – Don Karls Table (Jonathan Berndt, Stu Follen, Don Karls, Keith Leavitt, Diana Winther):** 4 alternatives. 1) Keep rail because it works today. Cheapest option to get from Portland to Seattle-Tacoma. Low risk-low reward. Draws carriers (new carriers v. others). Helps absorb fixed costs (shared gate operating costs). Support Port market access mission. Ready to start without any infrastructure, capital investment. 2) Mixed Use. Almost a given. Do not need acreage with the volume for containers. Key to securing other sources of revenue and sharing of costs. 3) Equipment pooling – brings containers here. Shared cost, velocity, availability, revenue potential. 4) Niche service – Look at it where it makes sense. Demonstrates success. Grow volumes over time. Allows for shared gate and densification of use. Final point – Run an economic analysis on Terminal 6 container service benefit to the state. If Terminal 6 shuts down, what would the cost to the state of Oregon be? Go to the state of Oregon to get money. If can demonstrate the cost to the state, and projected shortfall, the cheapest out may be for the state to write a check for $7M each year. Should be a high priority.

Table 2 - Del Allen Table (Del Allen, Guy Stephenson, Gary Neal, Tom Yu, Curtis Robinhold): Discussed Mixed Use alternative. For this location and size, Mixed Use seems reasonable. Non-containerized cargo has lots of competition (project cargo, break bulk, etc.). Attractive to utility/mixed use carriers. Might need new crane (Vancouver, Longview, Everett have portable heavy lift cranes) and possibly a new shed. Intermodal alternative with barge to rail westbound and intermodal rail eastbound. Carriers have big imbalance in cargoes. Challenge getting westbound cargo. Seattle congestion creates future opportunity both inbound and outbound. Northwest Container Service congestion. Anything that helps the railroad balance their activities will be attractive to them. There are examples of this (near Calgary focused on Vancouver).

Table 1 – Linda Pearce Table (Linda Pearce, Greg Zanavich, Kevin Koronko, Mike Stanton): Discussed Mixed Use alternative. More business, more opportunity for revenue and shared fixed costs. Also discussed Rail Service alternative. Ready to go. No start-up costs. Have all the equipment. No investment is needed. Finally, believe we can do Niche Container Service alternative.

Summary: All tables have rail. All tables have mixed use. One table has equipment pooling. One table has rail North-South and East-West.

2. **Are there other alternatives that we have not discussed that have greater potential? What are they and why should they be pursued.**

Table 2 - Del Allen Table (Del Allen, Guy Stephenson, Gary Neal, Tom Yu, Curtis Robinhold): East/West Intermodal alternative. Service focused on balancing cargo both east and westbound, using rail and barge. Enables efficiency and match back for Beneficial Cargo Owners. Creates gateway opportunities avoiding Seattle. Lot of products upriver. Barge is more effective than rail. Cost-wise barge-rail is a push, but might speed up transport. Discussed bulk alternative, but lots of other infrastructure on the river. Would just add to costs. **Gary Neal** – Legislative thoughts. Need support and assistance from the legislature. Financial and tax incentives to attract carriers. Waiver of personal property tax for

containers, or tax incentives for import businesses that use Terminal 6. This is not a Port of Portland problem – this is a state of Oregon problem.

Table 3 – Don Karls Table (Jonathan Berndt, Stu Follen, Don Karls, Keith Leavitt, Diana Winther): Transload/warehousing alternative. Tributary to container operations. Currently, there are limited options to ship produce into the West Coast and a high need. This would allow Portland to tap into a larger regional market, including California. Produce from vessel moved to warehouse, or out intact in 53' containers. Also discussed state Terminal 6 subsidies. Evaluate and weigh the impact of the loss of access to markets to state, roads, businesses.

> ***Committee Comments/Questions:*** *Comment: Today we ship all product out in bulk to third world countries. What about attracting companies that allow you to ship value-add out of here. More interesting long term vision. What is the world going to need in the future and fill that niche. State-federal incentives would be needed. Nearly half of the middle-income population will be in Asia in the next 20 years. This is a longer term strategy but worth exploring.*

Table 1 – Linda Pearce Table (Linda Pearce, Greg Zanavich, Kevin Koronko, Mike Stanton): Plethora of good ideas. Could turn Terminal 6 into a Bulk Cargo Terminal. Why? Because need ability to have a 110 car train and we have that. Need acreage and we have that. Have land, have dock. Need asset to load dock. Columbia River is a huge export system – bulk is the key export. Wheat, soy beans, mineral bulks, wood pellets. On the downside: A lot of other Ports on the Columbia River have invested in bulk infrastructure. Competition. Also cost to replicate infrastructure at Terminal 6. Also looked at Expanded Auto. Why? Because new automakers. Money maker. Discussed setting up a Distribution Center at Terminal 6. Get Amazon, Nike or Kroger. Transload to rail combo distribution center.

Slide 36 Confidence in Terminal 6 Strategy.

3. **What is your confidence level that there is a sustainable business model for the Port in container shipping at Terminal 6 for Dedicated Terminal and for a Mixed Use Terminal?** Each committee member was asked to place a stickie on the "Appreciate The Effort But Not Happening" and "Heavy Lift But Doable" continuum as shown below.

Dedicated Terminal

Appreciate the Effort but not Happening		Heavy Lift but Doable
8	2	4

Mixed Use Terminal

Appreciate the Effort but not Happening		Heavy Lift but Doable
0	1	12

Committee Comments/Questions: *Question: What is dedicated terminal? Ocean carriers only?* Yes. – *Comment: Before ICTSI, Terminal 6 at 25% capacity. Volume is possible with Amazon, Columbia. Should be doable to get dedicated service. – Comment: Too many strikes against us to have a dedicated terminal. More concerned about warehouse capacity impacts. Only caveat might work if rates go up. – Comment: Will take time to get back to where we were which makes it challenging for a dedicated terminal. – Comment: Put mine in the middle. Huge, heavy lift as so much competition for this volume. Prince Rupert doubling in size in 8 months. Vancouver, BC is building a whole new terminal. Competition is fierce. Can get someone in here but the question will it be sustainable? For that, need enough contracts (corpus of business) to sustain the terminal. Need to attract carriers and keep them here. Would like to believe but daunting task with time that has gone by. – Comment: Heavy lift but doable. Need to cover your costs. Port has not made money for 20 years. Need to bring in additional revenue streams. Mixed use allows container operation. Need more diversification in revenue stream than one segment of marine market. – Comment: Big on mixed use. Proven over the years. Lot of competition for break bulk, but takes advantage of labor skills. Barge-rail key component and rail to push cargo into the Mid-West and bring empties back. This is a bigger problem than the Port as a Terminal 6 container terminal is a statewide asset. Agree that requires state incentives. Keith Leavitt: Reinforce that buying time is important. Other revenue streams, productivity and cost cutting buys us more time to get through the market cycle. Also will need ocean rates to change to make Terminal 6 containers work long term. Mixed use helps with that.*

Committee Discussion on Legislative Recommendation *(subsidy/incentive dollars, tax incentives,* ***opportunities for businesses):*** *Question: Is there a precedent for container subsidy with Swire Shipping?* Per ship allocation for start-up costs. One time. Capped. Discussion earlier related to more permanent incentive or subsidy. – *Comment: Need to quantify numbers. Requires in-depth thought and determination. State problem but also beyond our borders. The state just gave $51 M for two intermodal facilities in the 2017 transportation package. The Legislature needs to hear from all of us on the additional costs of doing business without Terminal 6. Also the loss of tax dollars. Jim Daly: The state did quantify some of this in the Governor's Trade and Logistics Initiative. Noted the loss of Hanjin service costs. – Comment: Think the costs to the state would be significant. If we can help plug the hole, can make a case for container service.*

Slide 35 Consultant Guidance for 12/21 Meeting.

4. **Thinking about everything you've learned to date as a member of this committee, what are the key questions or topics that should be addressed as part of the consultant recommendations/ conclusions that will be presented at the 12/21 meeting?**

Summary of comments from committee members on orange stickies:

- Prioritize intermodal, inc. rail-barge; mixed use niche; focus on legislative support; Oregon importers need to assist in carrier contracts.
- What percentage of legislators in Salem are “for” T-6 functioning?
- How do we further engage Governor’s office in providing financial support for Terminal 6?
- Does the Port intend to remain as a terminal operator?
- Would the Port consider selling a portion of the terminal to raise cash for a reduced footprint?
- What activities currently exist with Beneficial Cargo Owners?
- What commitment/selling points are there for carriers and non-Portland Beneficial Cargo Owners?
- Impacts of one scenario on another (splitting the baby)?
- Detail on historic inputs to trends (productivity, vessel calls/counts).
- Evaluate and rate future plan for Terminal 6. List by 1, 2, 3… as recommended by panel.
- How do we address the legislative options in terms of more permanent funding for Terminal 6 from the state?
- Initiate Terminal 6 economic impact report if Terminal 6 closes.
- The cost of the state of not having Terminal 6 operate.
- The plan for providing training to the ILWU crane operators to improve efficiency with the ILWU’s endorsement.
- Specific targets for mixed use and an analysis of each similar to the alternative analysis – what is viable, what is not, the general cost/time to get it going?
- A list of specific niche targets with rationale.
- What incentives could be made available to attract carriers?
- What’s possible/realistic for labor productivity? TEUs/hour?
- What would it cost Oregon if Terminal 6 went away?
- True cost analysis if Terminal 6 goes away.
- State incentives to Oregon based importers and exporters who use Terminal 6.
- The financial analysis of alternatives with solutions detailing how the Oregon government can help with solution – timeline, needed financial support, benefit and loss to state under alternative outcomes, business friendly mindset, vision for the next 20-30 years.
- How can operating costs (labor, terminal fees, etc.) be reduced so fees can be lowered and attract carrier service?
- Can all of the cost components get together and offer a package to carriers? For example – can pilots, lines bureau, tugs, Port, labor, etc. all reduce charges to entice carriers?
- Main point to address would be firm commitment by the Port on operating model, i.e., have to have command and control of start-up to ensure it moves forward in the best interest of success.

5:45 – 6:00 pm	Next Meeting Date, Focus and Meeting Evaluation – Michael Kosmala

- Meeting #5 – December 21, 2017 3-6 pm – Consultant Recommendation and Committee Guidance
- Meeting Evaluation

Slide 37 Next Meeting and Evaluations.

Our next meeting is scheduled for 12/21 3-6 pm. The focus of this meeting will be the consultant's recommendations/conclusions from the Terminal 6 business study as well as the committee guidance to Port leadership.

Slides 38 – 39 Business Study Questions and Consultant Takeaways from Business Study
To help frame your thinking for this meeting, the final two slides review the Terminal 6 Business Study questions and Consultant Takeaways from Business Study.

6:00 pm	Adjourn

Committee Members in Attendance (14): Del Allen, Allports Forwarding; Jonathan Berndt, Expeditors; Stu Follen, SL Follen; Jana Jarvis, Oregon Trucking Associations (on phone); Don Karls, BNSF; Kevin Koronko, Dr Martens; Keith Leavitt, Port; Gary Neal, Port of Morrow; Linda Pearce, Port Commission; Mike Stanton, ILWU Local 40; Guy Stephenson, Westwood Shipping; Diana Winther, IBEW Local 48 (for Bob Carroll); Tom Yu, Expo Freight; Greg Zanavich, Tidewater

Others in Attendance (13):
Consultants: Nolan Gimpel, Advisian; Jim Daly, Tangent Services;
Port of Portland: Kelley Bonsall, Teresa Carr, Lise Glancy, Daren Griffin, Jeff Krug, Josie Langhorst, Kristen Leonard, Curtis Robinhold; Rob Schultz, Greg Theisen, Kathryn Williams

Committee Members Not in Attendance (9):
Ex Officio: Senator Bill Hansell; Rep. David Gomberg (Kyle Linares)
Committee: Robert Brown, Union Pacific; Jeff Pevanage, Columbia Grain; John Ducker, Columbia Sportswear; Neil Salstrom, Toyo Tanso; Patricia Villalonga (The Kroger Group); Steve Kimery, Hampton Lumber; Brenda Barnes, Geo S. Bush