



TERMINAL 6

Industry Leader Committee

Final Meeting

December 21, 2017 3:00-6:00 p.m.



Welcome

- Meeting 4 Recap - Meeting Summary Review
 - Committee Approval
- Review of December 21st Agenda
 - Consultant Business Study Findings
 - ILC Guidance and January 10 Commission
- Review of Committee Charge and Purpose
 - Charge: Provide industry knowledge and guidance to the Port of Portland leadership on the Port's future role in container shipping at Terminal 6 and a sustainable business model for managing and developing the container business.

Terminal 6 Overall Business Strategy

Termination of the Terminal 6 lease with ICTSI

Return of Terminal 6 to operational readiness and reset of labor relationship

Development of short term business opportunities

Completion of a business study of the Port's future role as a container terminal

Terminal 6 Future



Questions & Feedback from Meeting #4 (Nov. 16)

Within Business Study Scope

- Niche targets
- Historic costs and productivity
- Mixed-use revenues
- Scenario cost analysis

Beyond Business Study Scope

- State legislative support
- Mixed-use terminal cost analysis
- Crane workforce training
- Existing/future BCO activities
- Port's T-6 intentions





Port of Portland T-6 Business Strategy

Consultant Business Study Findings

Nolan Gimpel, Project Manager, Advisian
December 21, 2017



Terminal 6 Container Strategy and Business Model

Determine the Port's future role in container shipping and determine a sustainable business model for managing and developing the container business

What is the definition of "sustainability"?



What is the value proposition of Terminal 6 to container carriers and prospective container terminal operators?

- Significant pool of cargo with limited direct call competition
- Regional shipper demand/support
- Public support
- Solid infrastructure: Built-out facility with equipment
- Berth availability
- Expectation of labor cooperation and good productivity



What are the concerns regarding the value proposition of Terminal 6 to container carriers and prospective container terminal operators?

- Restricted channel depth
- Dual pilotage
- Deployment/schedule
- Overall market size
- Industry perception of Portland



How can Terminal 6 be used to provide efficient market access for cargo shippers?

Alternatives Analysis: Rail feeder with equipment pooling, water feeder, mixed-use, bulk container handling.

- Direct-Call Vessel Service:
 - Best option from a shipper cost and service perspective is to get direct service
- Drivers for Potential Rail Feeder Success:
 - Trucking issues, electronic logging, can't make the turns, congestion, etc.
- Water Feeder Service:
 - Extra cargo handling makes it prohibitively expensive. Distances to other viable options are short and can be accomplished more cost effectively by rail or truck.



Is there a “niche” in the direct trans-ocean container service market that Terminal 6 can occupy?

- Alliances will be difficult to attract
- Independent carrier
- Necessity of a weekly transpacific call to serve overall market
- New vessel buildings



Is there a “niche” in the direct trans-ocean container service market that Terminal 6 can occupy?

What can be learned from other “niche” ports?

- Case studies: San Diego, Hueneme, Philadelphia
 - Success factors:
 - Population base
 - Government subsidy
 - Anchor client
 - Cargo focus (refrigerated)



What is the business model that maximizes business opportunity at the terminal but is financially sustainable, both for the Port and/or potential private partners?

Mixed-Use Model Discussion:

- Shrinks footprint and cost base for container operations, distributes shared costs.
- Revenue from other activities can be used to support T-6 overall.
- Success is a high bar.
- Alignment needed on many levels:
 - Volume: Need weekly transpacific service
 - Productivity needs to meet or exceed West Coast standards
 - Overhead costs must be reduced
 - Shipping community support



What is the business model that maximizes business opportunity at the terminal but is financially sustainable, both for the Port and/or potential private partners?

Operating Model Discussion:

- Port will need to assume operating or semi-operating role
- No leverage, enforceability over carriers
- Near-term, no way to get landlord or concessionaire to take on risks
- Long-term, Port could seek lessee / concessionaire
 - No guarantee in any case



What is the Port's future role in container shipping at Terminal 6?

Financial Discussion:

- NEED VOLUME: Vessel moves (148k for mixed-use terminal, 197k for dedicated terminal) just to break even *assuming rate assumptions are achievable*.
- Productivity: 26 crane moves. Overall efficiencies - gearlocker, gate, CY.
- Costs must be managed by all parties (labor, overhead, fixed, administrative, systems, etc.)
- Initial pricing and ability to increase rates over time are key to sustainability.



Findings

- Time is not our friend.
- Transpacific service is key.
- In the near term, if all goes well, i.e.:
 - Pricing goals are met
 - Productivity goals are met
 - Alternative uses are achieved and they contribute to supporting the container business
 - Container footprint and costs are reduced
 - Regional shippers support the direct call
- Costs will continue to outpace revenues until such time as break even volume is achieved.
- The reason to pursue this line of business is to fulfill the mission of providing access for regional importers and exporters.



Committee Engagement

- Clarifying questions?
- Any surprises?
- Anything missing?



Break



Committee Guidance

Key Conclusions and Commission (Jan. 10)



Closing Comments and Evaluations

