



## **KICK-OFF MEETING AND TERMINAL 6 TOUR MEETING #1 SUMMARY**

**Wednesday, June 28, 2017 3:00 – 6:00 pm**  
**Terminal 6 Administration Building - 7201 N Marine Drive, Portland, OR 97203**  
**3<sup>rd</sup> floor Conference Room and Outdoor Tent**

**Meeting #1 Presentation Link:** <https://popcdn.azureedge.net/pdfs/6-28-17%20T6%20Industry%20Leader%20Committee%20Meeting%201%20PPT%20-%20FINAL.pdf>

<b>3:00 – 3:05 pm</b>	<b>Welcome and Port Study Overview - Curtis Robinhold, Executive Director</b>
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### **Slides #1-2**

Introduction of the Terminal 6 container study project by Curtis Robinhold, Executive Director of the Port of Portland, welcoming Industry Leader Committee members and thanking them for their participation in this important effort to help define the future of Terminal 6 container service and a sustainable business model for the terminal. Invited to participate in the process because of the diverse industry expertise committee members possess.

The Committee's work is part of larger effort being undertaken by the Port of Portland that includes:

- Ensuring Terminal 6 is ready for operation
- Collaborating/engaging with labor to re-establish the working relationship/partnership needed to recruit and sustain that service
- Continuing carrier meetings to keep Portland on the radar as these carrier services determine calls and service strings
- Exploring short term opportunities that offer shipper options and the financial stability for Terminal 6 operations

<b>3:05 – 3:45 pm</b>	<b>Introductions – Beau Bennett, Coraggio Group</b>
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Introduction of the Coraggio facilitation team – Beau Bennett and Susan Kerosky, and Michael Kosmala. Coraggio. Coraggio consultants have helped leaders envision their organization's future since 2005.

Comments by Linda Pearce, Port Commissioner and Committee Chair, thanking committee members for their participation and reinforcing the importance of exploring all options for recovery of Terminal 6 container service for Oregon and other Pacific Northwest shippers.

Roundtable introductions of Committee Members, Consultant Team, and Port Team. Committee members provided their company affiliation and background as well as why they committed to

participate in this process. These introductions underscored the range of experience and depth of knowledge on this committee and the universal commitment of the group to finding solutions for

Oregon shippers. Comments included: “Honored to be part of this process”; “In the Long term it’s in everyone’s interest to get things working at T6”; “Vested interest in seeing service come back not just for Portland but for points east”; “Local and national union looking forward to getting back to work”; “Ability to get trucks into T6 is important – closure impacted many trucking interests”; “T6 is a gateway for Oregon, Washington and Idaho customers”; “Container exports are critical to eastern Oregon industries – need to get service back in place”; “Port is a link to the world – a key relationship and partnership that we need”; “T6 is vital infrastructure for the state/region”.

Keith Leavitt, Port Chief Commercial Officer and Committee member, noted he was impressed with caliber of the group. We do not know the answers – we are truly asking you to engage with us and the consultant team. Other Port team members included: Teresa Carr, Terminal 6 Project Manager and Director of Commercial Properties; Ken O’Hollaren, Marine Marketing Manager; Lise Glancy, Strategic Partnerships Manager; and Jim Daly of Tangent Services.

Nolan Gimpel introduced Advisian Worley Parson Group, the project consultant team. Advisian Worley Parsons Group is a global advisory firm that provides project and business solutions to clients who develop, operate and maintain infrastructure assets with extensive expertise in the marine industry.

**List of committee members, consultant team and Port staff provided as a handout.**

**3:45 – 4:30 pm**

**Terminal 6 Overview - Keith Leavitt, Chief Commercial Officer**

**Slides #3-11**

Keith Leavitt from the Port provided an overview on Terminal 6, starting with an overview of Terminal 6. Terminal 6 is 422-acre multi-use facility. **Slide #3-4.** The ICTSI leasehold represented 192 acres. Auto facilities are located on the east and west of the leasehold.

The Port’s core mission is to connect people to markets - both on the aviation and marine side. **Slide #5.** Terminal 6 has been in business since the mid-1970s. For all public marine facilities, there is one collective bargaining agreement for the West Coast between the Pacific Maritime Association and International Longshore and Warehouse Union. ILWU has jurisdiction at all public marine terminals.

From 1990s to 2007, Asia trade grew 17% year over year. During this period, carriers and terminal operators were looking to own and control terminals through leaseholds. Landlord leases were in place everywhere except in Portland. The prevailing Port model was a landlord operator at Terminal 6 with a cost plus stevedore service provider. This business model was not financial sustainable. Between 2004-2011, the Port lost close to \$100 M on Terminal 6. Terminal 6 could be financially in the black above 300,000 TEUs. **Slide #6.** Over the years, the Port has kept Terminal 6 afloat by selling land at Swan Island and Rivergate. The Port cannot continue this approach as the Port is out of land and is not able to liquidate assets to keep Terminal 6 afloat. A financially sustainable business model is needed.

In 2004, the Port lost Hyundai and K-Line carriers. With the departure of these carriers, Terminal 6 was operating at 200,000-250,000 TEUs. This resulted in a Reduction of Force of the Port's administrative workforce by 30%. **Slide #7.**

Between 2006-2008, the Port explored a Terminal 6 operator leasehold model as a way to generate capital for Terminal 6 to handle trade growth through a global solicitation. **Slide #8.** Nolan Gimpel (now from Advisian) and Jim Daly and Teresa Carr from the Port participated in that process.

The Port and ICTSI entered into a 25-year lease in 2011. With withdrawal of carrier service in 2015/16, the Port and ICTSI jointly agreed to terminate the lease March 31, 2017. The Port received the Terminal 6 facility and all the equipment to operate the terminal back as well as \$11.45 M working capital to stand up the operation.

During this time, the container industry was seeing consolidation and glut of capacity, driving rates down. **Slide #9.** Rates have improved and are more rational but have not settled out. Size of ships is a big issue. In 2011, 4200 TEU ship was the Asia Pacific workhorse. Today, 8,000 TEUs is the norm. Terminal 6's niche is more narrow due to channel depth of 43 feet and crane reach. This is why we need a surgical market analysis.

With the termination of the lease, we have an odd opportunity with a fully built out terminal but fixed costs that require a consistent revenue stream. **Slide #10.** Financial sustainability is a key concern and a portfolio of revenue streams may be needed to cover costs.

Our goal is to complete this study with a briefing on findings to our Port Commission in early 2018. **Slide #11.** There is an urgency to our discussion to meet market opportunities. We appreciate the committee and consultant team's commitment to work hard to meet this timeline.

#### Comments and Questions from the Committee:

- Access into Terminal 6 is key. I-5 congestion is an issue. Hopefully, the transportation package will offer some sort of support. It would be nice to have use of the river barge system to Terminal 6. The shuttle service helped. There is an opportunity for the Port to step up in that regard. There are 120 export containers trucked through Portland each week – freezer containers. Rail does not work because of the 10-day rail service to the Puget Sound.
  - Activating intermodal rail yard is key to that. Addressing rail issue would help with trucker hour limitations. Could see barge links, but there are financial issues that may make this tough to work.
- You mention that 300,000 TEUs is the break-even point for Terminal 6. What is the capacity at Terminal 6?
  - 500,000 TEUs. Densification and build out could get to 750,000 TEUs.
- Think it is important to talk about the elephant in the room. There have been challenges in the past but ILWU looks forward to getting back to work and working together. Stakeholders are engaged. We believe there is motivation on both sides to move forward.

**4:30 – 5:15 pm**

**Terminal 6 Tour – Jeff Krug and John Akre, Port**

**Slide #12**

The entire group took a bus tour of the Terminal 6 facility, including viewing equipment and cranes. There was also a walking tour of the largest maintenance building to view some equipment up close and get a sense of the scale of the terminal's operations and assets.

**5:15 – 5:30 pm**

**Break – Pick Up Dinner – Beau Bennett, Coraggio Group  
(working dinner)**

The team had 15 minutes for dinner outside in the tent before resuming the agenda.

**5:30 – 5:50 pm**

**Committee Charge, Work Plan and Collaboration Principles – Nolan Gimpel, Advisian, and Susan Kerosky, Coraggio Group**

**Slides #13-15**

Nolan Gimpel from Advisian reviewed the work plan and committee charge, noting that this will be a collaborative process. **Slide #13.** The Industry Leader Committee is charged with providing industry knowledge and guidance to 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. There will be 6 areas of focus. The study will explore niche service as well as transpacific service, barge-rail-trucking service, changes in trends and forecasts, likely carrier candidates, operating models of carriers, strength weakness opportunity and threat analysis, and pros and cons of potential business models. To supplement this, we will do an online survey and review and comment on Technical Memoranda for each task to facilitate committee participation.

Nolan reviewed the Committee work plan and dates for future meetings. **Slide #14.** Future meetings will be at the Port headquarters building. It was suggested that smaller groups may draw out input. Nolan noted that there may be interviews with committee members along the way.

Susan Kerosky from Coraggio facilitated a discussion about Collaboration Principles. **Slide #15.** The goal of collaboration principles was to establish operating norms for the group to support positive, constructive dialogue, shared responsibilities, and expectations. This would include expectations about communications.

Much of the conversation was around how to handle potential anti-trust issues within the committee. It was suggested that the Port would have their legal department review agendas and draft an anti-trust statement, and/or that members call a time out if they perceive that the discussion is heading in this direction. Keith Leavitt from the Port noted that he did not expect that there would be anti-trust issues as the material to be discussed will be publicly available data at a macro level, and there will not be rate discussions between the Port, service providers and labor. The focus will be on a market analysis and opportunity. To support honest and open dialogue and the freedom to brainstorm, there was a discussion about not attributing comments to individual members in meeting summaries or to other parties. Attendance at meeting was mentioned as a priority to support continuity of discussion/representation. If not able to attend a meeting, keeping up on the progress of the group and providing input in other ways will be key. The importance of talking about difficult topics and sharing committee

expertise was also stressed. It was recommended that use of electronics in meetings be limited. The Port committed to providing material one week in advance of meetings and keep meetings engaging, and provide conference call access for those unable to be present in person.

**See draft Collaboration Principles in Meeting #2 material.**

It was agreed that committee members would submit additional potential Collaboration Principles before the next meeting and the committee will review and finalize them during the next meeting.

**Action Items:**

- Coraggio to document Collaboration Principles
- Advisian to circulate online survey to committee members.

**5:50 – 6:00 pm**

**Next Meeting Date and Focus – Beau Bennett, Coraggio Group**

**Slide #16**

The next meeting is scheduled for **Thursday, August 3 from 3-6 pm** at the Port Headquarters. Meeting #2 will focus on a Situation Analysis, Market Analysis and Terminal 6 SWOT Analysis.

**6:00 pm**

**Adjourn**

**In attendance:**

Committee Members: Linda Pearce, Del Allen, Amer Badawi, Bob Carroll, Stu Follen, Jana Jarvis, Don Karls, Kevin Koronko, Keith Leavitt, Gary Neal, Neil Salstrom, Mike Stanton, Guy Stephenson, Bob Wilkerson, Greg Zanovich; Consultant Team: Nolan Gimpel, Beau Bennett, Susan Kerosky; Port Team: Teresa Carr, Lise Glancy, Ken O'Hollaren, Jim Daly

**Not able to attend:**

Committee Members: Jonathan Berndt, John Ducker, Don Esterbrook, Kit Labelle, Ken Norwood, Rep. David Gomberg, Sen. Bill Hansell