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James Cronin: Port of Portland’s Keith Leavitt explains why declines in marine cargo don’t signify weakness

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James Cronin
Staff Reporter- Portland Business Journal
Email | Twitter

Business is far from booming for companies that lease space at the Port of Portland’s marine terminals.

The latest data from the port shows that cargo handled by the port’s terminals has declined more than 36 percent so far this year to just under 7 million tons.

Some of this shouldn’t be a huge surprise, given the labor disputes that led to all but one of the port’s container carriers deciding to end direct service from Portland earlier this year. Yet while the container numbers are predictably lower (down 84 percent) the other marine-related businesses, including break bulk and grain, also experienced sharp declines.

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While the declining numbers would seem to portend distress at the port, Keith Leavitt says otherwise.

The port’s chief commercial officer notes that the port itself isn’t losing revenue. That’s because it makes money through long-term leases of its property, so it’s shielded from market volatility. We asked Leavitt for his take on the marine business and whether the weak numbers could alter the port’s long-term ambitions to build another terminal on West Hayden Island.

What does such a loss of cargo indicate for the long-term viability of the port’s marine business? We are concerned when we see a significant volume decline from our tenants. But you have to look at the circumstances of those businesses. We have four different marine businesses. It's fair to say the container business is struggling mightily with labor challenges. We know the biggest challenge for many years is keeping a viable container operation. But the bulk agriculture business is growing and people are investing long-term for the future. We feel good about the future. Our auto exports are growing. Break bulk is always cyclical.

What impacts will this cargo volume loss have on future plans to create marine terminals at West Hayden Island? I don't think any of this really affects the future prospects at West Hayden Island. Investments in our largest bulk terminal, Terminal 5, continue to show market demand for the long-term here and at other ports, now and in the future. It demonstrates a strong market for major export facilities in the Columbia River Basin. But we don't have any immediate plans to pursue development of West Hayden Island.

Is there a silver lining here? One area of great strength is the bulk export of agricultural commodities. Two major Terminal 5 tenants, Columbia Grain and Canpotex, entered into long-term leases with the port over the last year. Canpotex is investing about $150 million and Columbia about $50 million at their Terminal 5 facilities. So grain volumes were down because of construction delays at the terminal. But the overall message is they're investing in Portland and now their capacity will grow.

James covers energy, natural resources, manufacturing and sustainable business.