

**MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
January 9, 2013**

In response to due notice, the regular meeting of the Commissioners of the Port of Portland was held at 9:30 a.m. in the Chinook conference room of the Port's administrative offices located at 7200 NE Airport Way.

QUORUM

Commissioners present were Jim Carter, President, presiding; Peter Bragdon; Tom Chamberlain, Steve Corey; Diana Daggett; Bruce Holte, Linda Pearce, Paul Rosenbaum and Tom Tsuruta. Also present were Bill Wyatt, Executive Director; participating staff members; and members of the public.

MINUTES

Commissioner Carter called for a motion to approve the minutes of the Regular Commission Meeting of December 12, 2012. Commissioner Holte moved to approve the minutes. Commissioner Corey seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Holte, Pearce and Rosenbaum voted in favor of the motion. Commissioner Tsuruta was not present for the vote.

Commissioner Carter welcomed the Port's new Commissioner, Tom Tsuruta.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt noted that the Executive Director's formal report is contained in the packet of materials which is sent out prior to each meeting. He said he uses this opportunity to make a few comments about activities and goings on over the course of the last month.

Mr. Wyatt acknowledged members of the Oregon Air National Guard (ORANG) in the audience. He said today is a happy occasion and these moments never last long. He said staff has been negotiating the ORANG lease for at least 15 years and it represents a significant achievement and an important moment for our community. He congratulated the Port team and our good friends from the Guard for hanging in there.

Mr. Wyatt also welcomed Commissioner Tsuruta. He said he is a Washington County resident and is a professor and executive in residence at Marylhurst University. Mr. Wyatt said the unique feature about his presence today is that in order to become a Port Commissioner, he had to become a citizen of the United States. Mr. Wyatt said Commissioner Tsuruta has an excellent background and will make a great addition to the Commission.

Mr. Wyatt said passenger volumes at PDX continue to be quite remarkable, and passenger volumes drive everything from airline costs, which are going down; to parking revenues, which are going up; and concession revenues, which are very strong. Mr. Wyatt said short of a global catastrophe, we expect this to continue over the course of the next year. He said we were approximately 250,000 passengers short of an all-time record at PDX in calendar year 2012, but he expects we will beat that record next year.

Mr. Wyatt said we have seen a lot going on in the airline industry; he said American Airlines is emerging from bankruptcy and they may or may not merge with US Airways. He said the next 30-45 days will determine whether that will occur. Mr. Wyatt said Delta Air Lines announced it

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was purchasing Singapore Airline's 49 percent share in Virgin Atlantic, which could be interesting for PDX given Delta's international commitment here. He said Alaska Airlines continues to expand their network and noted they are our fastest growing airline. Mr. Wyatt said all in all it was a very strong month and a very strong year at PDX.

Mr. Wyatt said the Port's Deicing Project has been selected to receive an Achievement Award from the Columbia Slough Watershed Council. The formal award will be given at the Council's February 8, 2013 annual dinner.

Mr. Wyatt said during 2012 PDX concessionaires composted a record 200 tons of food waste. He said PDX is one of the few airports in the country that have an active food waste program. Mr. Wyatt said the Port plans to launch a food donation program at PDX in early February, whereby in-date, pre-packaged food items will be donated to people in-need.

Mr. Wyatt said on the marine side of the business, we should finish calendar year 2012 at just over 12 million tons, which is a decrease of about 1 million tons from the prior year. He said there are a variety of reasons for that, some of which are apparent and many of which are not. Mr. Wyatt said despite losing container carrier calls last summer, we should still finish over our 2010 total volumes of 181,100 TEUs, but will fall short of our 2011 total volume of 198,000 TEUs by about 15,000 TEUs. Mr. Wyatt said essentially, we lost about a month of volume last summer when the carriers suspended service. He said on a positive note, auto volumes continue to show strong improvement and we should exceed both our 2010 and 2011 volumes.

Mr. Wyatt said our newest industrial park, Gresham Vista Business Park (GVBP), received its readiness certification – Oregon's Certified Industrial Lands program, which is one more badge of honor we can use to market the program. He said the certification allows east GVBP to be placed on the State's inventory of shovel-ready industrial sites and marketed as a prime location for new business investment and growth in the State.

Mr. Wyatt said he will make comments about the Terminal 6 situation when agenda item No. 4 is presented. He said on the grain front, we don't have a lot of visibility into the negotiations because we are a landlord, not a direct employer. He said the negotiations are going on, but he's not entirely sure what the circumstances are; he said all of the terminals are operating and we hope that will continue to be the case and that the negotiations will conclude in an agreement that is satisfactory to all parties.

Mr. Wyatt welcomed Krista Koehl, the Port's new General Counsel, to her first Commission meeting. He said her previous role with was as the Port's Harbor Environmental Manager. He noted her replacement as the Harbor Environmental Manager will be Jessica Hamilton, assistant general counsel from the Port's legal department.

Commissioner Carter called for a motion to approve the Executive Director's Report. Commissioner Rosenbaum moved to approve the Executive Director's Report. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Holte, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

AWARD PRESENTATION

Vince Granato, Chief Operating Officer, said each year the Transportation Security Administration (TSA) recognizes their own employees as well as stakeholder partners for helping to fulfill its mission. This year, based on the nomination from the local TSA office, the Port of Portland Police Department was selected to receive the 2012 Partnership Award.

Mike Irwin, Federal Security Director, said the theme of the day appears to be partnership, and for the TSA and Customs and Border Patrol, the great thing is the partnership they have with the Port. He said the esprit de corps and the camaraderie that they share is possible because of the great leadership of Bill Wyatt and Vince Granato. Mr. Irwin read a letter from TSA Administrator to Phil Klahn, Police Chief and presented Chief Klahn and Vince Granato with TSA Honorary Partnership Award.

CONSENT AGENDA

No presentation was made of the following agenda item, which was brought before the Commission as part of the Consent Agenda.

Agenda Item No. 1

APPOINTMENT AND DESIGNATION OF ASSISTANT SECRETARIES

BE IT RESOLVED, That effective January 9, 2013, Bill Wyatt, Cynthia A. Nichol, Pamela Thompson, Krista Koehl and Elise Neibert are designated Assistant Secretaries of the Port of Portland Commission and shall perform such functions and duties as the Commission shall authorize from time to time; and

BE IT FURTHER RESOLVED, That all previous Assistant Secretary designations be rescinded.

Following the reading of the title of the Consent Agenda by Commissioner Carter, Commissioner Daggett moved that the Executive Director's recommendations be approved and Commissioner Holte seconded the motion. The motion was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Holte, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

ACTION ITEMS

Agenda Item No. 2

GROUND LEASE – UNITED STATES OF AMERICA – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval to enter into a new lease and supplemental agreements with the United States of America to support the Oregon Air National Guard mission at Portland International Airport.

Chris Madsen presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into the lease and auxiliary agreements described herein with the United States of America to support the Oregon Air National Guard mission at Portland International Airport, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

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Jim Holland, Deputy for Installation Policy, Office of The Deputy Assistant Secretary of the Air Force for Installation, via telephone, spoke on behalf of Tim Bridges, Deputy Assistant Secretary of the Air Force for Installations. He said some people may have thought we were at an impasse when renegotiating the lease because of the length of time it took, but he attributed that to the importance of the Air National Guard mission as well as the Portland International Airport mission and the passion everyone had to get it right. Mr. Holland said they had time to work through all the issues, such as the environmental requirements. He said as the length of leases get longer, they take on a new personality based on technology and legal provisions, so it's important to work through those.

General Steve Gregg thanked the Air Force for joining them by phone. He also thanked the Port on behalf of the entire Oregon Air National Guard. General Gregg said Chris Madsen did an outstanding job walking them through the process the past 10-15 years. He said if you think about everything that has happened in the nation, both economically and with their commitments overseas, trying to get the least renegotiated has been a shifting target for everyone.

Colonel Pete Tunison, via telephone, thanked everyone for their hard work. He said it's important that we have reached this point because their future is now solidified in Portland. He said they want to be a part of the community and be viewed as an asset rather than a liability.

Commissioner Carter said we appreciate the presence of the Guard and look forward to a long relationship. He congratulated everybody that has been a part of this.

Commissioner Rosenbaum thanked Ms. Madsen for her outstanding work.

Commissioner Carter called for a motion to approve the Executive Director's recommendations. Commissioner Corey moved that the Executive Director's recommendations be approved. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Holte, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

Commissioner Holte, as Secretary-Treasurer of the International Longshore and Warehouse Union (ILWU) Local 8, said he has an interest in any action that affects the Port's terminals and therefore declared a potential but not actual conflict with agenda item No. 3. He said he would participate in the discussion and vote.

Agenda Item No. 3

PUBLIC IMPROVEMENT CONTRACT – AUTO WAREHOUSING COMPANY – TERMINAL 6

This agenda item requested approval for the Port of Portland (Port) to enter into an Auto Processing Facility Expansion Contract with Auto Warehousing Company (AWC) for the construction of certain improvements to AWC's auto processing facility at the Port's Terminal 6. The Expansion Contract is a public improvement contract for purposes of the Oregon Public Contracting Code (ORS 279A, B and C).

Tim VanWormer presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a public improvement contract with Auto Warehousing Company for the auto processing facility expansion project at Terminal 6, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Chamberlain asked how many jobs would be created by the expansion. John Akre, Terminal Manager, said presently there won't be any jobs created, but it gives them the opportunity to bring in new business and create new jobs. Commissioner Chamberlain asked if AWC would be responsible for the construction of the facility, and Mr. Akre said yes. Commissioner Chamberlain also asked if there would be any Port involvement in the process. Mr. Ruda, Chief Commercial Officer, said other than the design review, no. Commissioner Chamberlain asked if AWC is subject to prevailing wage for this project, and Mr. Akre said that they are.

Commissioner Carter said he wants to be clear that the Commission is voting on the contract for the construction of the new facility and not voting on a commitment to consider a change in terms of the underlying lease. Mr. Ruda said that is correct, he said there have been no discussions on lease amendments or changes in term; the Commission is only voting on the construction agreement.

Commissioner Carter called for a motion to approve the Executive Director's recommendations. Commissioner Chamberlain moved that the Executive Director's recommendations be approved. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Chamberlain, Corey, Daggett, Holte, Pearce, Rosenbaum and Tsuruta voted in favor of the motion.

Commissioner Holte, as Secretary-Treasurer of the ILWU Local 8, said he has an interest in any action that affects the Port's terminals, and therefore declared a potential but not actual conflict with agenda item No. 4. He said he would participate in the discussion and vote.

Mr. Wyatt said the next agenda item is a variation on a theme on which the Commission has acted previously. He said the Port has had a long history of working with its tenants during difficult times, which means assisting them in some way financially. Mr. Wyatt said an example would be in 2008, in anticipation of the recession, we rewrote the leases for most of our airport concessionaires to reduce the minimum annual guarantee they were required to pay us. Mr. Wyatt said our view then was it was much better to rewrite the leases and maintain the viability of those concessionaires who had been long-term tenants, then watch them potentially go under and have to start over. He said history has proven that to be a very shrewd decision.

Mr. Wyatt said another example is when Delta Air Lines acquired Northwest Airlines in 2007 and our international service was in jeopardy. He said Delta indicated that they were losing approximately \$10 million per year and that they simply could not sustain that level of loss for an additional year. Mr. Wyatt said they felt that if they could survive the year, the longer term looked optimistic. He said after considerable analysis, we agreed with them and we, as well as others in the community, provided a one-time payment to help them get through that period of time. Mr. Wyatt said history again had proven that to be a very prudent decision because that service continues to be successful today.

Mr. Wyatt said a few years ago the US Army Corps of Engineers announced they were going to enact an extended lock closure for the dams of the Columbia River for maintenance purposes. He said that was fairly traumatic in the sense that it caused the elimination of the barge service from as far away as Lewiston, Idaho, which connects up with Terminal 6. Mr. Wyatt said a lot of our barge shippers lost what was a very valuable and remunerative transportation system from the hinterlands to our container facility and we were concerned that those same shippers would

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get used to the idea of trucking their cargos to the Puget Sound, so we proposed a shipper support program to maintain that flow of cargo via rail and truck into Terminal 6.

Mr. Wyatt said finally in 2008 – 2009, much like we did with our concessionaires at the airport, we altered our terminal use agreement (TUA) with the container carriers to offer concessions because cargo volumes were down dramatically during that time. Mr. Wyatt said over the long stretch of history, that has been a consistent theme at Terminal 6; during difficult times we have worked with the carriers knowing that Portland is a difficult call because we have a 43-foot channel, we are 107 miles up the Columbia River and we have a small market, so we have worked with carriers consistently over time and have done so because we think the service is enormously valuable and important for the shippers and producers of our region and it's a great job-generating machine, it generates high-wage, blue-collar jobs, and he thinks that is incredibly important in our community.

Mr. Wyatt said he believes the proposal before the Commission today meets all the appropriate legal standards; we worked closely with our General Counsel and her staff as well as outside counsel. He said we have been advised that this will stand the test, and if we didn't believe that we would not be pursuing it. Mr. Wyatt said this program is very much connected to the mission of the Port and is extremely important to us.

Mr. Wyatt revisited the production chart presented at the December Commission meeting, which represents two years' worth of crane productivity at Terminal 6. He said the chart shows a period of time when the Port was operating the terminal, when the productivity was trending down, followed by the period at which ICTSI took over operation of the terminal, at which time productivity was moving up. He said the decline in productivity that occurred in May-June, followed the National Labor Review Board (NLRB) hearing. Mr. Wyatt said productivity fell like a rock and has remained low. He said productivity levels to the right of the NLRB hearing represents millions of dollars of impact that has manifested itself in significant losses for the terminal operator, and those losses have begun to reflect itself in the pricing that is offered to the carriers.

Mr. Wyatt said because the Port operated the terminal for more than 30 years, we have a pretty good feel for how it works, and, commercially speaking, it did not work very well. He said during that 30-plus years, the Port did not generate net revenue operating the terminal, which is why we went to this lease arrangement.

Mr. Wyatt said the agenda item is a request to provide financial assistance to the carriers directly, in hopes that it will help to induce them to continue calling Terminal 6. He said our basic strategy is to keep the cargo and keep the carriers because once they leave for any period of time, rebuilding that would likely be impossible. Mr. Wyatt said the cargo will begin to silently book away from Portland to Tacoma and Seattle. He said in Tacoma, one of the real competitive challenges is that the Port terminal operator and the local ILWU are actually marketing very high productivity, which is extremely attractive to the carriers and is a particular challenge for us. He said the Port of Tacoma has just recently renegotiated their terminal use agreements and made them incredibly lucrative, and the same thing has now happened in Seattle with the Hanjin terminal, which means the Portland call is that much less attractive, even more so given our current challenge.

Mr. Wyatt said there are many in the ILWU that believe that we are doing this in order to interfere with their claims against ICTSI, and that simply is not the truth; we are doing this because we have a mission here in Portland to keep container carrier access so that shippers from this region can access international markets and there is nothing more complicated about it than that.

Mr. Wyatt said it is unusual to provide this kind of context, but it is a big decision and an important one. He said he received an e-mail from Commissioner Holte with several questions, which he responded to. He noted Commissioner Holte requested that the questions and his response be included in the meeting minutes so they are part of the record.

Mr. Ruda said in addition to the drop in productivity indicated by the chart, the second part to that is the unpredictability and variability of the productivity. He said on any given shift, we are seeing some amazing, off-the-charts productivity, while the next shift is followed by unbelievably low productivity.

Agenda Item No. 4

CONTAINER CARRIER INCENTIVE PROGRAM FOR TERMINAL 6

This agenda item requested approval to enter into a temporary Container Carrier Incentive Program in an amount not to exceed \$1,000,000. This program is being proposed in conjunction with a rent rebate program for ICTSI Oregon, Inc. (ICTSI) that is still under development, the details of which will be presented to the Commission at a later date. The rent rebate program is being developed for the purpose of offsetting a portion of ICTSI's incremental operating costs attributable to lower labor productivity at Terminal 6, and the carrier incentive program is being developed as a commercial response to anticipated terminal rate increases to the container lines calling Terminal 6.

The increase in operating costs at Terminal 6 resulting from the labor productivity decline has rendered the operations financially unsustainable without significant rate increases, making a fully compensatory throughput rate schedule uncompetitive in the marketplace. The existing terminal use agreements expired on December 31, 2012 and current service is being provided to the carriers under a new rate schedule on a temporary basis. In order to promote continuity of container service to the local region, the Port is proposing a \$10.00 per container incentive payment to calling carriers in a not-to-exceed program amount of \$1,000,000 over an approximate 12-month period ending December 31, 2013. This program is justified as a means of helping sustain the mission critical nature of the container franchise to shippers in the State of Oregon and throughout the region. The carrier incentive payments would be paid out of rent received from ICTSI during 2012 and 2013 under the Terminal 6 Lease.

Sebastian Degens presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a program for payment of a per container incentive directly to calling carriers at Terminal 6 in an amount not to exceed \$1,000,000, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Dane Jones, Secretary-Treasurer, ILWU Local 40, said he recognizes that his perspective is probably not one that has been well-represented in front of the Commission. He said he appreciates what the Commission and Mr. Wyatt is trying to do to preserve the infrastructure and access to global markets through a viable marine cargo container terminal, and he knows the intention of this effort is to promote stability and ensure growth. He said he also knows that as responsible leaders of the Port, the Commission understands that outcome is largely

process-driven; when you have a good process and a solid way to manage your team, you get good results, and when there's a poor process in place, you get flawed results.

Mr. Jones said the idea that throwing more money into the status quo is not the best way to promote stability or ensure growth. Mr. Jones said when you look at the chart, there is no dispute as to what the public record is about the productivity at Terminal 6. He said ICTSI didn't make any sweeping or drastic changes for about a year, but in about May that changed. Mr. Jones said the tenor at the terminal changed as did the way of operating changed, and accordingly, the results changed.

Mr. Jones said there is a logical fallacy called *cum hoc ergo propter hoc*, which is another way of saying that just because two things occur at the same time, doesn't mean they're correlated. He said yes, there was a lawsuit and there had been more disputes since that date than he can ever remember happening at Terminal 6, but they're not all about plugging or unplugging reefers. He said we are talking about erratic, inconsistent and substandard productivity in areas that have nothing to do with refrigerated containers. Mr. Jones said short-term, ad hoc, band-aid solutions to try and fix what's happening out at Terminal 6 is not going to produce the results we want.

Mr. Jones said he is grateful that the container ships are still calling and that he and the people he serves and works with still have jobs, and he doesn't want that to go away. He asked that the Commission not buy into the assumption that just because there was a legal proceeding on some date that that was the cause of all the troubles. Mr. Jones said ice cream sales, historically, are linked to drowning deaths, but that doesn't mean that if you stop selling ice cream nobody's going to drown anymore, it's the hot weather. He said people buy ice cream and they go swimming when it's summertime.

Mr. Jones asked how well the Commission knows what is going on with the terminal use agreement negotiations. He said he would like the commissioners to know the answer to that before committing public funds to the solution of this problem. Mr. Jones said reliable contacts in the industry informed them that there's not much goodwill, good faith or good efforts in ensuring that there is a mutually beneficial accommodation.

Mr. Jones said the labor difficulty that is isolated in the chart is not one that was an issue when the Port or Ports America ran the facility, and it wasn't an issue for several months after ICTSI took over. He said there is a climate, a management ethos, an atmosphere that is not working for the ocean carriers, labor and motor carriers, and it's not going to work for the businesses that rely on us for access to global markets.

Mr. Jones asked the Commission to carefully consider not throwing good money after bad and to make sure they have clear visibility and understand in detail how the facility is being run. He said he thinks they will find that there is more to the story than just a legal hearing back in May or June of last year.

Commissioner Corey noted Mr. Jones' comment that the chart is not representative, where the dates coincide with the steep declines in productivity, but noted that Mr. Jones didn't really say why the productivity declines occurred. He asked Mr. Jones if he believes the chart to be true or not. Mr. Jones said what he is saying is the NLRB hearing is coincidental but it's not causal; they happened at the same time, but not because of each other.

Mr. Jones asked when the Commission does their homework, that they look at the number, or changes in senior management at that facility, and how often that's occurred; he asked that they look at changes in the number of grievances and disputes engaged in by the managers of the

facility; and he asked that they also look at the hiring practices in terms of employees to perform specific tasks from March of 2012 versus January of 2013. He said the Commission will see that the changes are consistent with the productivity reports; there are broad fluctuations, a decrease in consistency, an increase in variance and there are mixed signals being sent to our customers and our workers, and it's very difficult to have consistent products in that environment.

Commissioner Corey said as a Commissioner, he doesn't want to get into the disagreements, if there are any, between labor and ICTSI. He said he has done his homework on this and thinks the staff has provided a solid basis for their recommendation. Commissioner Corey said we are doing our best to make sure we continue with something that sustains container trade for the greater region. He said it's very important to us that we have a program that's consistent with what we've done year after year in other fields. He said he feels pretty good that we are, but he is trying to see and make sure that he totally listens to what the reasons are on the other side.

Commissioner Rosenbaum said Mr. Wyatt and the Commissioners want to maintain a viable container business in Portland and he doesn't think anybody can disagree with that. He said he knows Mr. Jones is sincere, but he isn't presenting a solution to the problem. He said Mr. Jones has a stake in this and wants the same thing, a viable business, so if we are doing something wrong, he would like Mr. Jones to tell us what we should be doing instead.

Commissioner Chamberlain said he found Mr. Jones' testimony to be very thought-provoking. He asked if the hiring practices mentioned as one of the problems was the hiring of longshore workers and if it's not consistent, is it up and down. Mr. Jones said that in his experience, the hiring practice for clerks and longshoremen has changed. He said it is not consistent; it is different than it has been.

Commissioner Chamberlain said he thinks the staff does an excellent job, but rather than looking at the problem at Terminal 6 as a labor issue, we should look at it from the standpoint that ICTSI might have changed some practices that make us less competitive and productive. He said he believes this requires us to look into it with great detail; if ICTSI is playing hardnosed to keep up a profit margin that is higher than other American ports, that's of concern. He said it concerns him that ICTSI only has one American port. Commissioner Chamberlain said before the Commission votes on this, we need to do a little more research into what's going on out there. He also said this agenda item should be presented next month when we discuss forgiving some of ICTSI's rent.

Commissioner Tsuruta said he has to assume the chart showing the calamitous drop in productivity is trustworthy and reliable, and when doing the quick math, is about twenty-five percent. He said Mr. Jones talked about the causes of that drop being climate change or cultural change, and more specifically changes in management hiring practices, but, how does that happen overnight or even over a three-month period. Mr. Jones said when talking about a decrease in productivity by twenty-five percent in a matter of weeks, it's important to understand a little bit about the waterfront, and how it works. He said it is an ad-hoc industry, one day you have a vessel and the next day you don't. Mr. Jones said the hiring practices are set to accommodate that business model, and you have workers who are able to choose where they go to work, so when they have a perception that there's a place that's not desirable to work, what you get is a drop in experienced personnel who know how to perform their jobs.

Commissioner Rosenbaum said when he came on the Commission the topic of conversation was whether to put out to bid Terminal 6. He said there was a great deal of discussion internally as to whether we should do it or not. He said Mr. Wyatt has said publicly that if ICTSI leaves, we're going to have a difficult, if not impossible, time replacing them. Commissioner

Rosenbaum said if we get involved in the discussions between labor and ICTSI, we're in trouble, and he doesn't think we want to do that, in fact, he's sure we don't. Commissioner Rosenbaum asked where we go from here. He said the solutions Mr. Jones gave are not solutions for us, they're solutions for him.

Commissioner Carter said we have probably exhausted the information that they might get from Mr. Jones and it's time for the Commission to discuss. He thanked Mr. Jones for his comments and the time he took to come here.

Commissioner Bragdon said he appreciates Mr. Jones' comments. He said the concerns raised today have been well represented along the way from others involved on the Commission, communications at the Commission meetings and e-mails. Commissioner Bragdon said there is a lot of complexity around this, and when we were helping retailers in the airport, it didn't matter to him what caused the economic collapse, what mattered is there was an economic interest in taking care of the airport and he has the same view around this issue. He said he has his own knowledge around the economic opportunities and challenges with trade in this region, but he also relies heavily on what comes from management at the Port. Commissioner Bragdon said he is always open to getting more input, but to him it is a narrower question of not trying to find a panacea but trying to move things in the right direction to create economic opportunity.

Commissioner Holte thanked the Commissioners for reading his e-mail. He asked what the status was of the carrier agreements that expired in December. Mr. Ruda said the Port assigned the terminal use agreements to ICTSI in February of 2011. He said he believes Westwood's TUA expired prior to the end of last year and that ICTSI extended it. Mr. Ruda said the Hapag Lloyd, Hamburg Sud and CKYH TUAs all expired at the end of 2012, so ICTSI has been in negotiations with those carriers. He said to be responsive to the Commission and Mr. Jones, we do have some visibility into the negotiations and know they are highly contentious; we know the carriers are not happy with the level of proposed increases, but that is just the nature of the issues. Mr. Ruda said the TUAs we had with the carriers gets to the heart of why we entered into a long term lease; costs were going in one direction, up, and revenue collected from the carriers were going down, and that gap was widening. He said we do know that independent of productivity issues, rates do have to go up and that is a hard pill to swallow for the carriers.

Mr. Wyatt said to put a fine point on it the TUAs with all the carriers have expired and are being renegotiated. He said the carriers have not been bashful about making contact with the Port and expressing their opinion about how the Port may be helpful, and how we might be helpful is represented with the resolution before the Commission today. Mr. Wyatt said he has been here 12 years, so he is not a veteran of the industry, but he can say the maritime industry is unique in how contracts of this nature are negotiated, and it is about as tough as anything he's seen anywhere. He said when we were negotiating our own TUAs, it was always brutal and was a very difficult, challenging affair.

Commissioner Holte said prior to the Commission vote, he believes we should have ICTSI give a public status report of the negotiations. He asked why the Port is getting in the middle of the TUA negotiations. Mr. Wyatt said we are not in the middle of the negotiations because the new TUAs will be directly between ICTSI and the carriers because ICTSI is the terminal lessee. He said it is important to understand that we own the land and ICTSI owns all the rolling stock, except for the cranes themselves that we lease to them. He said there are limits to our ability to engage with ICTSI on the manner they make of the management of the terminal and we are careful not to tell them what or how to do it. He said the proposal before you isn't ideal to help address the challenge, but it's one of the only ones available to us. Mr. Wyatt said we are

involved to the extent we have had conversations separately with ICTSI and with the carriers themselves.

Commissioner Chamberlain said he has been in support of job creation and maintaining our workforce, and he voted for every incentive program that has come before the Commission, but he is very fearful of the path we are going down. He said Mr. Jones brought up issues to him that are concerning; we are poised to give ICTSI several million dollars directly and indirectly, and because of that we should have the questions answered specifically to the hiring practices and other things that interfere with the productivity. Commissioner Chamberlain said he is uncomfortable discussing the container subsidy without answers, therefore he motioned to table the issue until the February meeting. Commissioner Holte seconded the motion to table the vote.

Commissioner Carter called for a vote on the motion to table the decision. Commissioners Bragdon, Carter, Corey, Daggett and Rosenbaum voted against the motion. Commissioners Chamberlain and Holte voted in favor of the motion and Commissioners Pearce and Tsuruta abstained. The vote was five to two against tabling the vote and the motion failed.

Commissioner Carter said based on the information they currently have, it's obvious the performance after May 2012 and the performance level prior is a substantial gap that translates into substantial dollars. He said we have to rely on the resources at the Port, with consideration for those who have come forward to provide additional information, but they have to rely on their regular sources of information as to what is best, and at this moment the answer is to deal with the issue of the possible loss of the carriers. Commissioner Carter said we need to deal with decisions the carriers are making now, based on not only what's going on in Portland but every port up and down the West Coast, so time is of the essence and that is why he believes the recommendation is a good one.

Commissioner Daggett said she too appreciates the additional information; it has been very helpful and informative, and she appreciates the work that has been done by Port staff. She said it is seldom that the Commission doesn't have a unanimous decision; the proposal that is on the table is one that, while it is not a solution, will serve not to accelerate irreversible outcomes that we might regret.

Mr. Wyatt said reference was made early that ICTSI doesn't have any other terminals in the United States, and that is because they are actually prohibited by our lease in having any terminals on the West Coast; we won't allow that because we wanted their exclusive attention. Mr. Wyatt said he does know they have expressed interest in a couple of other spots elsewhere in the US, but there aren't that many opportunities.

Mr. Wyatt said he heard some thoughtful and thought-provoking testimony today and he doesn't want anyone here, irrespective of the vote, to think that it was for not, because this issue is not going to go away overnight.

Commissioner Pearce said she understands this is not a long term solution, but because of her concern to protect the jobs and the business coming here, she feels voting for this item allows us more time to resolve the issues.

Commissioner Tsuruta said this sounds like a very sound recommendation from the Executive Director.

Commissioner Carter called for a motion to approve the Executive Director's recommendations. Commissioner Daggett moved that the Executive Director's recommendations be approved.

Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Bragdon, Carter, Corey, Daggett, Pearce, Rosenbaum and Tsuruta voted in favor of the motion. Commissioners Chamberlain and Holte voted against the motion.

Commissioner Carter said in the interest of time the Federal and State Legislative Updates will be presented at the February Commission meeting.

GENERAL DISCUSSION

2012 Port of Portland Transportation Improvement Plan

Susie Lahsene, Regional Transportation and Land Use Manager, said the Port Transportation Improvement Plan (PTIP) is an annual review of our long-range look at our transportation needs for our facilities and industrial properties, as well as a prioritization of projects to submit for grant funding. She said in addition to the annual review, we will also have a public hearing, which is part of our regulatory requirements to be able to submit projects for public grant funding. Ms. Lahsene said the public hearing provides an opportunity for our customers and the public to weigh in on the Port’s transportation needs.

Ms. Lahsene said this year the PTIP has over 105 surface transportation, facility and bike and pedestrian projects, as well as aviation capital needs. She said the projects come from master plans, transportation studies and other efforts that look at needs associated with the development of our industrial properties. Ms. Lahsene said the PTIP is our approach to ensure that the needs are incorporated in the regional and state plans and ultimately are eligible for public grant funding from the federal, state and local sources.

Ms. Lahsene said over the past 20 years, the Port has been able to secure about \$20 million per year for various projects, but funding sources are constrained and competition is greater. She said for those reasons we have identified a five-year forecast of public funds needed for our facilities and industrial properties and we are using this information to develop our transportation funding strategy at the regional, state and federal level. Ms. Lahsene said this year’s strategy focuses on some very specific projects that we are hoping to secure funding for, as well as programs and policy that we hope to ensure will remain in place so that our facilities can continue to gain support from those particular programs.

PUBLIC HEARING

Commissioner Carter opened a public hearing for the purpose of taking testimony on the 2012 Port of Portland Public Transportation Improvement Plan.

Hearing no comments, Commissioner Carter closed the public hearing and noted that no action was required at this time. The PTIP will be back before the Commission for approval at the February 13, 2013 meeting.

The meeting adjourned at 12:03 p.m.

President

Assistant Secretary

Date Signed

An audio recording of these proceedings and the full Commission agenda is available by contacting the Port of Portland administrative offices, 7200 N.E. Airport Way, Portland, Oregon 97218.

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From: Wyatt, Bill
Sent: Tuesday, January 08, 2013 4:36 PM
To: 'bruceholte'
Cc: Ruda, Sam; Granato, Vince; Koehl, Krista; Bragdon, Peter; Diana A. Daggett; Jim Carter; Linda Pearce; Paul A. Rosenbaum; Steve Corey; Tom Chamberlain; Tom Tsuruta
Subject: Your questions

Bruce,

Please find my answers to your questions below.

Sincerely,

Bill

From: Bruce Holte
Sent: Tuesday, January 08, 2013 12:56 PM
To: Wyatt, Bill; jim carter; Thompson, Pam; Bruce Holte
Subject: Fwd: (no subject)

Mr. Wyatt:

In response to your January 3, 2013 email and the January 9, 2013 Port Commission Meeting Agenda regarding the proposed Container Carrier Incentive Program for Terminal 6, I have the following questions:

1. Are there any agreements (implied or otherwise) between the Port and ICTSI regarding the proposed Container Carrier Incentive Program? [ICTSI is aware that we will be offering the program, but there is no agreement yet between the parties relative to this program](#)
2. If so, please provide copies of those agreements to include any letters or emails that may be relative. [There are no agreements.](#)
3. Are there any agreements in any form) between the Port and any carriers regarding the proposed Container Carrier Incentive Program? [There is no agreement at this point. We have sent email communications to the carriers that we would be proposing the program at Commission.](#)
4. If so, please provide copies of those agreements to include any letters or emails that may be relative. [There is no agreement at this point.](#)
5. What are the exact terms under which the money will change hands from the Port to ICTSI and/or the carriers under the Container Carrier Incentive Program? [If Commission approves the program, we envision that the payments would be made directly to carriers by the Port, based on documentation to be provided by carriers directly to the Port. We expect carriers to invoice the Port on a monthly basis in arrears.](#)

6. Who accounts for each container move that qualifies for the \$10 incentive money? The carriers would provide documentation of throughput moves to the Port's terminal manager for verification.
7. How will each container move be documented for accounting purposes? Each carrier is responsible to submit the documentation to the Port to account for eligible moves.
8. Has there been any discussion (implied or direct, verbal or in writing) regarding the Port being reimbursed by ICTSI from monies received by ICTSI if ICTSI is successful in its 303 claim for damages against the ILWU (ICTSI has also filed antitrust claims against PMA and the ILWU)? There has not been any such discussion related to the Container Carrier Incentive Program; however, the Commission approved Cost Sharing Program provides for sharing of damage recovery.
9. If so, provide all documents (in any form) reflecting such discussion. There are no applicable documents.
10. The Port currently has a 303 claim for damages against the ILWU and ILWU Local 8. If the Port recovers money from that claim, will any of that money be used toward the Container Carrier Incentive Program? No - the money comes from Annual Rents received under the T6 Lease.

I would appreciate a quick response to these questions because without the answers it is impossible to understand and vote on the proposed Container Carrier Incentive Program at the January 9 Port Commission Meeting.

Sincerely,

Bruce Holte