Port Cooperation Agreements Propelling Capital Projects

AAPA Capital Projects Seminar

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Port Cooperation Agreements Can Propel Capital Projects
PORTMIAMI QUICK FACTS

❖ PortMiami, located in Miami-Dade County, one of the most diverse, multicultural populations in the U.S. Miami one of the worlds ideal centers for international trade and tourism

❖ Among the Top Container Ports in Florida – More than **1,024,000 TEUs in 2017**

❖ Cruise Capital of the World – More than **5.4 million passengers in 2017**

❖ Economic Impact: **$27 billion and 207,000** Direct/Indirect Jobs to South Florida
BUSINESS GROWTH

BIGGER CARGO SHIPS
• 312% increase in vessel calls over 5,100 TEUs since 2014
• 11,000 TEU call - October 2017 - Maersk Gerta
• 17% Volume Growth 2014-2017

BIGGER CRUISE SHIPS
• New Cruise Ships Embark/Disembark 12,000 pax/call
• 10% Volume Growth 2014-2017
Florida

- 3rd most populous state
- 4th largest GDP in U.S.
- 18th largest GDP in the world
- 20 million residents
- 105 million visitors annually
  - More Visitors stay 3 – 6 months
  - Super consumers - 25% more volume at South Florida malls

Slide source: U.S. Department of Commerce: U.S. Census Bureau

DIS-ADVANTAGE – GEOGRAPHY
$1 BILLION INFRASTRUCTURE - COMPLETE

- 50/52 ft. depth deep dredge completed
- Intermodal On-dock Rail
- Fast Access Port Tunnel
- Super Post-Panamax cranes

BIG SHIPS WELCOME
COOPERATION

• Framework for Joint Participation

• Shared Objectives

• Outcomes that Override Competitive Forces
### WHY COOPERATION IS IMPORTANT

WE HAVE TO DO MORE ON THE SAME FOOTPRINT

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Port Acreage</th>
<th>TEU</th>
<th>Cruise Passengers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>522</td>
<td>807,000</td>
<td>4,110,000</td>
</tr>
<tr>
<td>2017</td>
<td>522</td>
<td>1,100,000</td>
<td>5,400,000</td>
</tr>
<tr>
<td>2025</td>
<td>522</td>
<td>1,450,000</td>
<td>8,200,000</td>
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</tbody>
</table>
Parties to the Agreement;
- South Florida Container Terminal,
- Port of Miami Terminal Operating Company, L.P.

Authorizes parties to meet… and agree on:
- Rates, charges, rules for terminal services and facilities
- Cargo handling practices
- Operation of the gates
- Hours of operation
- Turn times
- Technology
- Infrastructure improvements
- Space sharing

And the parties can;
- meet individually or as a group with local government agencies (that’s us) to discuss any of these matters
PHASE 1 – JOINT-INVESTMENT PROJECTS

RFID POWERED TRUCK GATES

REEFER RACKS

e-RTG SYSTEM

NEO-POST PANAMAX CRANES
First Phases of Cargo Yard Densification

Conversion to e-RTG = 40% Increase in Capacity – Cargo loses 20 acres to Cruise
Cargo Terminal Gate Consolidation

- Automated gates: pre-arrival data, OCR, RFID
- Reduce processing time and carbon footprint
- Increases cargo yard efficiency
  - pending moves integrated into yard management software
After Cooperation; The Agreement

• The real Work Begins
  – Financial Participation of the Parties
  – Design Agreement
  – Construction Schedules
  – Responsibilities for Unforeseen Cost & Delay
  – Maintain Daily Operations During Construction
  – Volume Increase Guarantees Post-Construction
    • Achieving ROI
Can Cooperation Agreements Propel Capital Projects?

• Not Simply with Signatures on Paper

• Yes,
  – With the Required Effort,
  – and Diligence to,
  – Leverage the Platform the Agreement Affords
Key Strategic Findings for the PNW Gateway

Inadequate capability to handle multiple ultra-large container ships
• Too many small terminals that do not fit the strategic requirements for handling big ships.

Formation of mega-alliances
• Consolidation of ports and terminals
• Shipping lines divesting of terminals

Excess terminal capacity
• Too many acres dedicated to containers
Canadian Threat to US Ports

Port of Vancouver
- Announced Expansion to 1.5M TEUs
- Deltaport
- Additional 600K TEUs Rail Capacity in 2017

Prince Rupert
- Prince Rupert Port Authority
- Additional 500K TEUs Capacity in 2017

Centerm
- Additional 500K TEUs Capacity in 2017

CN Indiana Agreement

Gateways & Corridors Initiative

CN/CP Intermodal Terminals
Major Intermodal Canadian Seaports
CN/CP Railways
Increased terminal utilization
Productivity enhancements
Rail competitiveness
Infrastructure investment
Regulatory climate
GATEWAY RISKS

- Continued cargo erosion to other gateways
- Terminal productivity
- Rail Competitiveness
- Late to market with strategic terminals
- Regulatory environment
- Global trade patterns shift
The NWSA Organizational Structure

King County Voters

Port of Seattle Commission

Executive Director
Stephen Metruck

Pierce County Voters

Port of Tacoma Commission

CEO John Wolfe

CEO John Wolfe

Port of Seattle

The Northwest Seaport Alliance
Gateway to Solutions

Port of Tacoma
SEAPORT ALLIANCE STRATEGY
The Seaport Alliance will deliver the best value to customers and stakeholders

Internal Drivers

Service Delivery
Team approach to deliver operational excellence

Facilities for the Future
Deliver flexible facilities plan and infrastructure for big ships & mega-alliances

Customer Satisfaction
Ease of doing business
Reliability
Operational Efficiency
Cost of doing Business

Return to Stakeholders
Cargo Volume
Job Creation
Financial Performance

External Outcomes
SEAPORT ALLIANCE KEY METRICS

2025 Measures of Success

- **Cargo Growth**
  6,000,000 TEU

- **Job Creation**
  14,600 incremental jobs

- **Financial Sustainability**
  - Return on invested capital
  - Net income growth
  - Solid Financial margins
GATEWAY OPTIMIZATION

Achieve 70% Utilization | Strategic Terminals | Double Volume

CURRENT
- ≈ 43% Utilization
- 3.7M TEU (3M Int'l)
- Current Acreage:
  - 1082 acres (Int'l container)

VISION 2025
- 70% Utilization
- 6M TEU (5M Int'l)
- Optimal Acreage: 800-850 acres (Int'l container)
- Strategic Terminals
- Carrier Alliance Consolidation
New Services & Added Capacity

- New SM Line PNS
- New THE Alliance PS8
- 20 total int’l services
- 4 domestic services
- THE Alliance & Ocean Alliance upsizing
- Additional 15,000 nominal TEU capacity per week
- PN3 has largest vessels at 13,169 nominal TEU
Container Terminals Update

- Terminal 18: Continuous operations during breaks
- Husky Terminal: New cranes operational by summer
- Pierce County Terminal: New operator effective early May
- WUT: Added business, Saturday gates in May
- NWSA focus on terminal fluidity
- Permanent extended gate program under study
Intermodal Enhancements

- Union Pacific 10,000 foot daily departures
- NWCS Portland service running 3 trains per week to each harbor
- BNSF running multiple trains per week to/from Portland’s Terminal 6
- Average terminal dwell: over 80% of cargo at NIM Yard moves within 48 hours
Key Projects

- Auto terminal development with WWL
- Husky Terminal Modernization
- Terminal 5 Modernization
STRATEGIC TERMINAL CRITERIA

Ability to handle 2 x 14,000 TEU ships

Intermodal Yard
- 28,000’ Working Track
- 3 Trains in/out per day

Container Yard
- 100 Storage Acres
- Yard Gantry Crane / Top Pick Operation
- Density 10k-12k TEU per acre/yr

Berths - Landside
- 2,800’ Berth
- 100’ gauge crane rail w/ required infrastructure
- 2 x 14,000 TEU ships

Berths - Waterside
- 55’ Water Depth

Throughput Assumptions
Container yard: 1.2 Million TEU/Year
Intermodal yard: 750,000 TEU/Year

Truck Improvements
- Gates: 8 In & 4 Out
- Improved truck queues
STRATEGIC TERMINAL CONFIGURATION
Terminal 5 Seattle
East Blair 1

- Water Depth: 51 ft.
- Terminal Area: 20 acres (8.9 ha)
- Berth Length: 1,200 ft. (365.8m)
- Wharf Height: 21.5 ft. (6.5m)
- Pier Load Capacity: 1,000 PSF
  - 120 ft. x 110 ft. heavy lift pad with 2,000 PSF strength rating
- Rail Access: On-dock rail
- Adjacent to Kaiser Property:
  - 80 acres of staging area
  - Fenced and lighted, clean, flat and graveled
Northwest Seaport Alliance Terminals

Kaiser Property

- +/- 87 Acres
- Excellent Highway and Rail Access
- Equally Served By Both Major West Coast Class 1 Rail Roads
- Additional Properties Nearby for Expansion
- Adjacent to the EB 1 Wharf
Other key steps

• Productivity enhancements
• Rail competitiveness
• Harbor Maintenance Tax reform
• Regulatory climate
• Improve our regional freight system
• Protect industrial lands
Thank you
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Questions for Andy Hecker:
1) Have the parties reached any agreements that required submission to the FMC?
2) Is the Agreement achieving the desired outcomes?
3) Are there any challenges with the Agreement?

Questions for Dakota Chamberlain:
1) How is the implementation going? Have there been any unexpected challenges?
2) When reaching agreement between port districts, what are the considerations related to jurisdictional boundaries? How does the governance work?