Analyzing Private Capital Options for Public Ports: The Proposed Port of Oakland Outer Harbor Terminal Concession
The Port of Oakland

• 20 miles of mainland shore along San Francisco Bay
• 770 acres of terminal facilities
• 20 deepwater container berths
• 37 cranes, including 31 post-panamax cranes
• Third largest U.S. container port (first in U.S. to construct a container terminal)
• Significant import traffic, as well as steady regional export base
• Current intermodal capacity of 1.2m annual TEUs (with possibility of expansion)
• Served by BNSF Railway Company and Union Pacific Railroad
• Non-maritime facilities include Oakland International Airport and waterfront commercial properties
Port of Oakland
Proposed Outer Harbor Terminal Concession Project

• Berths 20-24, and potential option for Berths 25 and 26
• Up to 4,500 continuous sq. ft. of berth areas
• 50' to 42' water depth
• Up to 200 acres of wharf backlands, including warehouse, maintenance and administration facilities
• Concession to commence January 1, 2010 (though awarded prior to occupancy)
• Term of at least 30 years
• Broad operating and development rights
Potential Concession Areas
Concession Objectives

• Modification of traditional Port business practices to align with evolving industry
• Encourage optimal development and usage of Port terminal areas
• Raise cash to enable Port re-investment in rail and other critical supporting infrastructure
• Position Port to benefit economically in anticipated traffic growth over life of concession
• Maximize the indirect economic benefit to surrounding communities and region
• Partner with long-term operator to improve environmental performance
• Retain and enhance the Port's social responsibility principles and commitments
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>May 9, 2008</td>
<td>Issuance of RfQ</td>
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<td>June 18, 2008</td>
<td>RfQ Responses Received (9)</td>
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<td>July 2008</td>
<td>Four or more respondents to be short-listed based on technical and financial evaluations</td>
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<td>July thru October 2008</td>
<td>Due diligence and finalization of form concession agreement</td>
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<td>Late 2008</td>
<td>Receive final and binding proposals and award project</td>
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Certain Challenges

- Challenge to public governance (history, mission)
- Challenge to inter-port harmony (competition, culture)
- Comparing apples to oranges (evaluating the proposals)
General Considerations in Exploring Public Private Partnerships

- Define objectives
- Assess and address obstacles
- Develop and pursue optimal process
Defining Objectives

• Be clear about goals of port sponsor
  – development/redevelopment?
  – operations?
  – other specific responsibilities/liabilities/risks?
  – financial expectations (fixed, variable, participatory)?
  – other policy objectives?

• Test potential market and market demands
  – operators
  – shippers
  – financial backers
Assessing and Addressing Obstacles

- Legal authority
- Legal limitations
  - financial covenants
  - tidelands trust
  - tax-exempt financing
- Other possible impacts
  - loss of total operational dominion
  - effect on other port operations/operators/competition
  - going-forward impact on overall port business model
  - workforce
  - environmental
  - other port policies
Developing and Pursuing the Appropriate Process

- Competitive vs. negotiated transaction
- Transparency and fairness (for competitive process)
  - quality
  - price
- Information and due diligence
- Opportunity for private sector feedback
Questions