Strategies for Enhancing the Puget Sound Container Trade Gateway

Summary Slides – December 2014

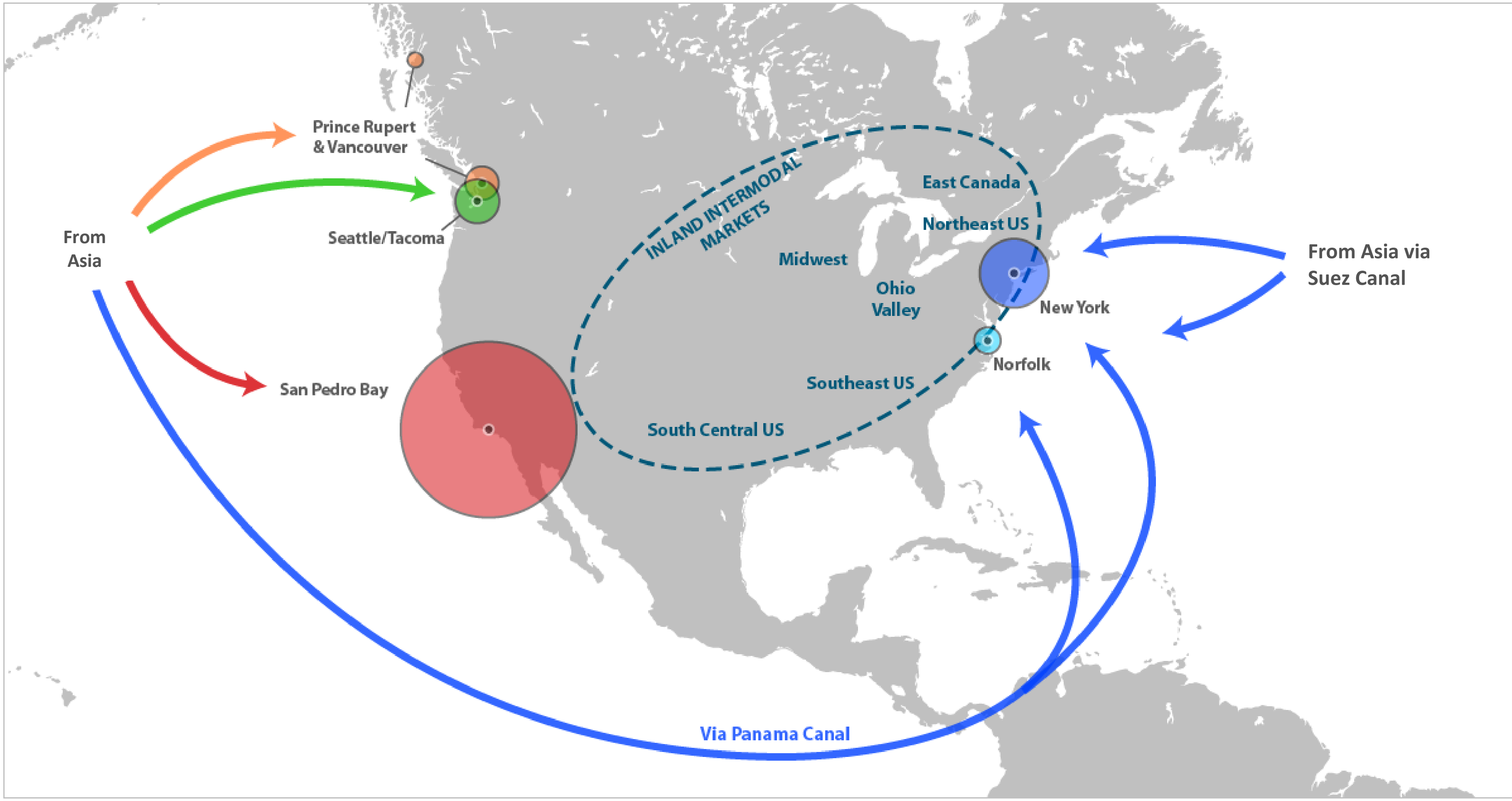
Introduction

Mercator International LLC was engaged by the two port authorities to assess:

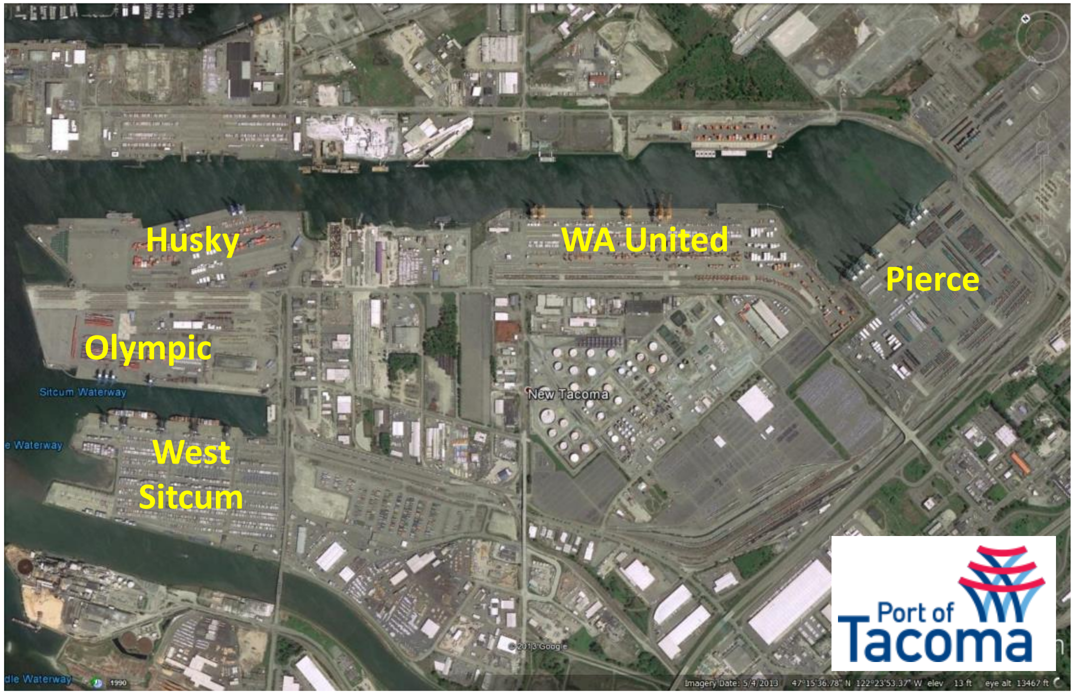
- Competitive Threats to Puget Sound Gateway
- Infrastructure Capabilities & Challenges
- Dynamics of Intermodal Volume Loss
- Strategies to Strengthen Puget Sound Gateway
- Financial Dimensions of Enhancement Strategies

Framework of Threat:
Routing Alternatives for Asia Intermodal Import Traffic

A significant portion of container volume moving through Seattle/Tacoma could be diverted through alternative gateway ports



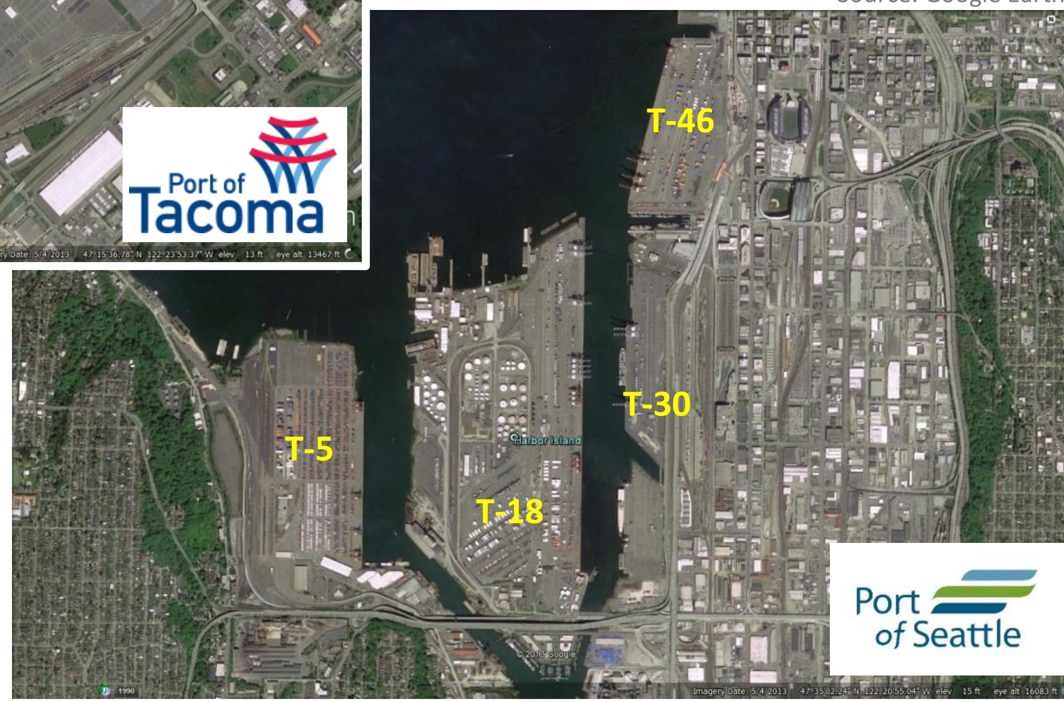
Competitive Threats to the Gateway:
Puget Sound Ports' Limited Capabilities for Ultra Large Container Ships (ULCS)



Source: Google Earth

- 9 international container terminals
- 2 of which can effectively handle one ULCS at a time
- None can effectively handle 2 ULCS simultaneously

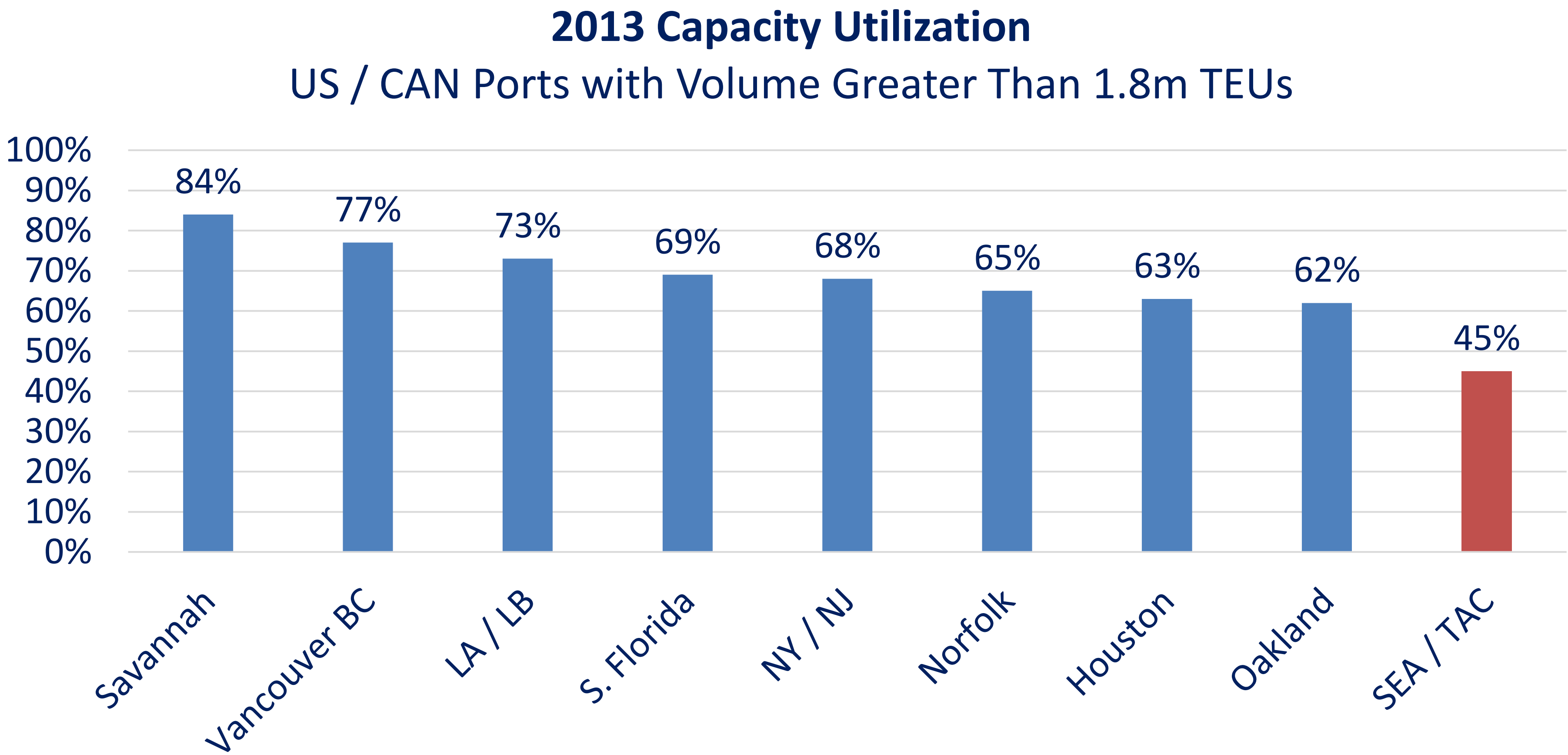
Source: Google Earth



- ULCS will be the "norm" for Transpacific services by 2020
- Other gateways for Asian trade have superior infrastructure for handling multiple ULCS

Dynamics of Intermodal Volume Losses:
Considerations of and Impacts on Excess Terminal Capacity

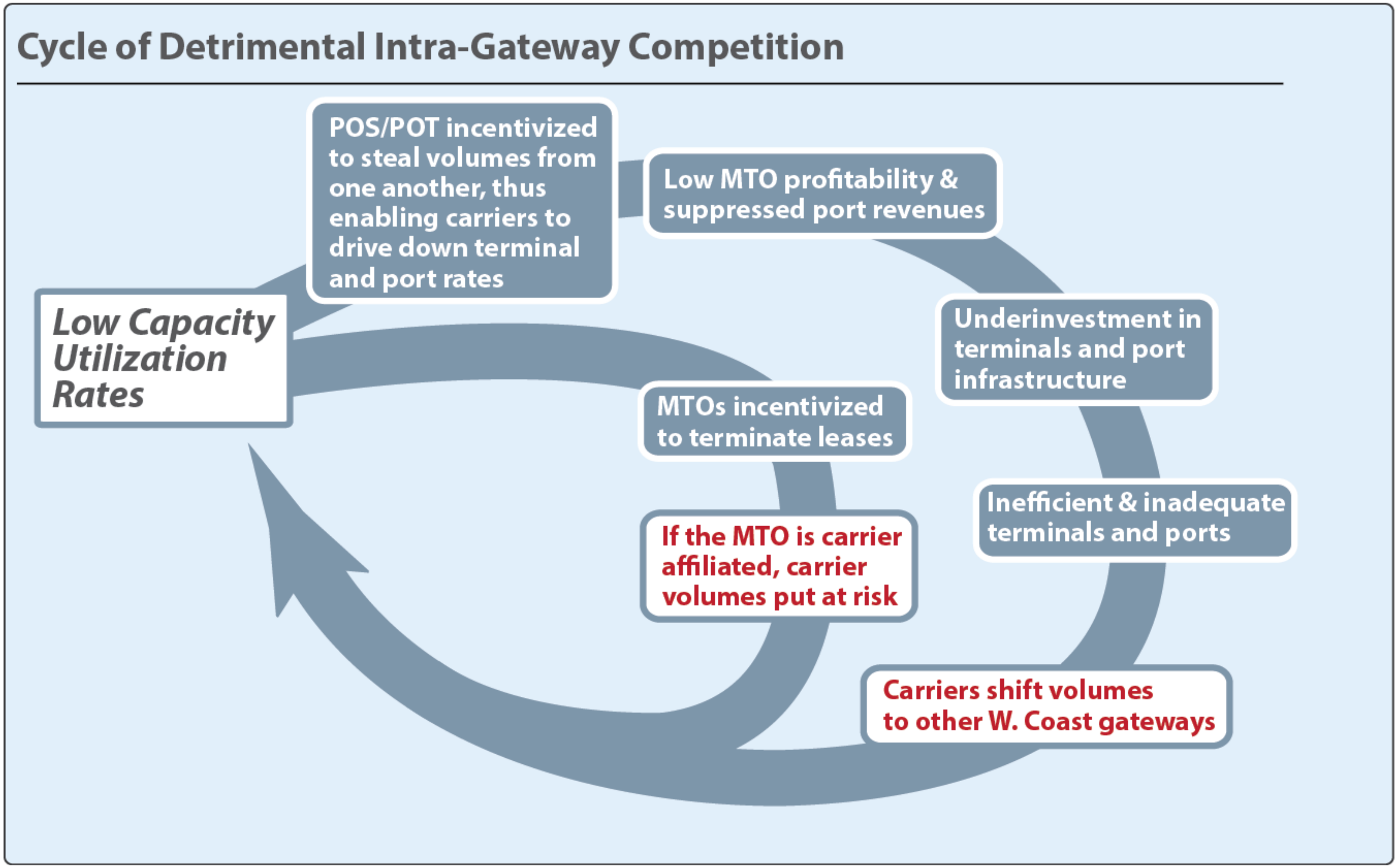
Puget Sound ports have proportionally more excess capacity than all of the other large port complexes in the US and Canada:



Source: AAPA

Dynamics of Intermodal Volume Shifts:
Impacts of Near-Term Problem for Puget Sound Container Ports

The relatively high level of excess container terminal capacity in the Puget Sound results in an array of inter-related challenges for the Gateway's two ports:



Dynamics of Intermodal Volume Losses:

Head-Haul Route Cost Analysis Summary Comparisons

Port of Seattle
Port of Tacoma

Competing gateways enjoy cost advantages vis-à-vis the Puget Sound gateway and are likely to experience continued intermodal volume growth at the expense of the Puget Sound, unless ULCS vessels are able to be effectively handled in the ports of Seattle and Tacoma

SHIP CLASS (TEU)	TRADE	ROUTE		COSTS						
		Origin-Destination	Gateway Ports	Asia Terminal	Ocean Transport	N Amr Terminal	Rail Transport	Inland Rail Terminal	Total	Var to PNW
8000	PNW	Shanghai-Chicago	Puget Sound	$225	$550	$325-$375	$1,700	$50	**$2,850-$2,900**	
16000	PSW	Shanghai-Chicago	San Pedro Bay	$225	$390	$450-$500	$1,550	$50	**$2,665-$2,715**	**-185**
8000	PNW	Shanghai-Chicago	Vancouver, BC	$225	$550	$300-$350	$1,500	$50	**$2,625-$2,675**	**-225**
8000	PNW	Shanghai-Columbus	Puget Sound	$225	$550	$325-$375	$1,750	$50	**$2,900-$2,950**	
13000	All-Water	Shanghai-Columbus	NY/NJ	$225	$865	$300-$350	$650	$50	**$2,090-$2,140**	**-50**

- **Mitigate excess capacity through facility re-purposing**

- **Enhance ULCS-handling capabilities of selected terminals**

- **Adopt collaborative program for terminal asset management to facilitate:**
    - Successful implementation of an excess capacity mitigation strategy
    - Successful implementation of an asset enhancement strategy
    - Better financial returns and regional economic development

Conclusions

- The Puget Sound container ports have ***two key strategic problems***:
  - Significant excess terminal capacity
  - Inadequate terminal infrastructure for efficiently handling multiple ultra-large containerships
- Non-mitigation of these two strategic problems will likely have ***major negative consequences*** for the Gateway's ports:
  - Loss of rental income
  - Loss of discretionary intermodal volumes
  - Reduced trans-load volumes
- To resolve these problems, the two ports need to pursue the following strategies:
  - Repurpose terminals that are not presently capable of handling ULCS nor can economically be enhanced
  - Improve one or two existing terminals over next 5-7 years to handle multiple ULCS simultaneously
- ***The strategies outlined above can be pursued most effectively through the Seaport Alliance***