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**APPROVED MINUTES
COMMISSION SPECIAL JOINT MEETING DECEMBER 3, 2014**

The Port of Seattle Commission met in a special meeting Wednesday, December 3, 2014, together with the Port of Tacoma Commission at the Fabulich Center, 3600 Port of Tacoma Road, Tacoma, Washington. Port of Seattle Commissioners Albro, Bowman, Creighton, and Gregoire were present. Port of Tacoma Commissioners Bacon, Johnson, Marzano, Meyer, and Petrich were also present. Port of Seattle Commissioner Bryant was absent.

CALL TO ORDER

The meeting was called to order at 9 a.m. by Clare Petrich, Port of Tacoma Commission President.

PLEDGE OF ALLEGIANCE

OPENING REMARKS

Kurt Beckett, Deputy CEO of the Port of Seattle offered opening comments, noting the Federal Maritime Commission (FMC) discussion agreement amendment agreed to on October 14 had gone into effect on December 1. This amendment included adoption of an interlocal agreement between the ports of Seattle and Tacoma. Joint port activities with customers are already planned. Mr. Beckett outlined the day's agenda.

John Wolfe, CEO of the Port of Tacoma commented on public outreach to stakeholder groups on the topic of the joint Seaport Alliance and general encouragement from many sectors. He noted the need for cooperation from many partners in order for the alliance to succeed, including railroads and labor. He encouraged a resolution to the current West Coast labor dispute between the International Longshore Workers Union (ILWU) and Pacific Maritime Association (PMA).

SEAPORT ALLIANCE FORMATION: Mercator International Study

Materials provided included [presentation slides](#).

Steven Rothberg, Partner, Mercator International, made a presentation on the conditions contributing to the proposal to form an alliance between the ports of Tacoma and Seattle. The large amount of discretionary cargo shipped through the Puget Sound gateway, local infrastructure challenges, the need to accommodate larger ships, excess capacity between the two ports, and the role of railroad rates on shippers' profitability were discussed. The effects of competition between the two ports over the past decade facilitating the lowering of terminal rates and operator profitability regionally was described.

Mr. Rothberg explained that a lack of infrastructure to accommodate larger ships drives up the cost of routing cargo through the Puget Sound gateway and ultimately results in the diversion of cargo away from the region and consolidation of operations in fewer gateway ports. Canadian ports currently enjoy the benefit of more advantageous rail pricing than ports in Puget Sound.

In the discussion, the ability to increase the gateway's attractiveness to customers in service provision and alignment of freight strategy was emphasized. These factors are potentially more significant than specific cost reductions represented by reduction of excess capacity and improvement of particular intermodal infrastructure. Excess capacity can also be viewed as insufficient demand or reduced throughput. Viewed together, the two ports represent the third largest cargo gateway in the U.S. Focusing on larger TEU (twenty-foot-equivalent unit) vessels represents greater potential for cost reduction to customers than continuing to pursue smaller vessel business.

Surge capacity issues related to servicing larger ships and receiving more cargo at a time were discussed. The effect on the efficiency of the supply chain, including truck and rail transport, will be significant.

It was emphasized that targeting capacity reduction to align with current capacity needs is a losing strategy. Repurposing existing facilities in support of greater cargo volume at improved existing maritime facilities potentially reduces redundancy while also enhancing overall growth strategies. Reliability is a value proposition that can distinguish the Puget Sound as a gateway from its competitors at other ports. The success of this opportunity is dependent on the commitment of the ports' partners, including labor, rail, and legislators.

The role of rail efficiency to the success of container and transloading cargo was emphasized. As an alliance, the two ports enhance their influence with rail providers, legislators, and other agencies whose collaboration is vital to the success of the gateway.

The factors presented and discussed support formation of a Seaport Alliance between the ports of Tacoma and Seattle.

STATUS REPORT: Due Diligence Process

Presentation materials included a [Due Diligence Process diagram](#).

Mr. Beckett provided an update on progress of the due diligence process. The schedule of meetings since October and structure of the team was outlined. The task categories for due diligence are communications/outreach, legal/governance, finance/administration, commercial, and infrastructure/capital development. Kate Snider of consulting firm Floyd Snyder has been retained to produce materials and act as a facilitator to the team.

Three primary tasks for the team are to determine the legal structure of the alliance, develop a strategic business plan, and creation of a comprehensive infrastructure plan. There is a cyclical relationship between valuation, strategic business planning, and infrastructure planning. The timing of infrastructure planning and the level of detail included was discussed with respect to the effective formation of an alliance. Moffatt Nichol and Mercator International are consulting with the due diligence team on development of plans.

The ability of the ports to work jointly, including joint customer visits, is a development of the adoption of the interlocal agreement and FMC approval of the October amendment to the FMC discussion agreement. The primary intended message for upcoming joint customer calls is the optimism of the two ports in forming an alliance and what it means to the ports' customers in Asia. Gauging customers' reactions to this message is of interest to the two commissions.

Various milestones in the due diligence planning process were outlined, including opportunities for joint public commission meetings. Promotion and public availability of commission joint meetings on the alliance was noted as a priority for both commissions.

Without objection, the commissions advanced to consideration of –

LEGAL STRUCTURE

Tom Tanaka, Port of Seattle Senior Counsel, and Carolyn Lake, Goodstein Law Group, representing the Port of Tacoma, presented structural governance options under consideration for the Seaport Alliance. Options included executing a contract between the two ports, creation of a third-party limited liability company to manage alliance business, creation of a nonprofit corporation to manage alliance business, and creation of a public development authority to manage alliance business. It is understood that whatever structure is adopted will be subject to Washington's Open Public Meetings and Public Records Acts, Chapter 42.30 RCW and Chapter 42.56 RCW, respectively. The form of contract contemplated under the first option could be another interlocal agreement.

Without objection, the commissions advanced to consideration of –

OUTREACH EFFORTS

Julie Collins, Port of Tacoma Chief External Affairs Officer, provided a summary of recent and upcoming public and legislative engagement. Opportunities to emphasize the need for transportation infrastructure funding to the state legislature is a priority of legislative outreach. Legislative activity is also available on the question of alliance governance structures that may require legislative action to implement. Naming and branding development, including web site development, for the alliance is an area of current work. Upcoming public engagement activities were noted. The ability for the public to submit comments and ask questions online is available on both port web sites.

PUBLIC TESTIMONY

Public comment was received from the following individual(s):

- John Worthington, Renton, who commented on the need to prioritize modernization of the port and possible obstacles to automation and road improvements. He made recommendations about siting of the hubs of each port.
- Arthur West, Olympia, who commented on the need for alliance planning to be conducted in public. He complained of violations of the Open Public Meetings and Public Records Acts. He opined on policy development and legislative priorities for the ports.

ADJOURNMENT

There being no further business, the special joint meeting was adjourned at 10:49 a.m.

Tom Albro
Secretary

Minutes approved: July 14, 2015.