

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5c

Date of Meeting July 14, 2009

DATE: June 25, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Burke, Senior Manager, Container Leasing and Operations

SUBJECT: Execution of Industrial Track Agreements with BNSF and UP for Terminal 18.

ACTION REQUESTED:

Port staff requests Commission authorization for the Chief Executive Officer to execute Industrial Track Agreements with BNSF and Union Pacific (UP) railroads to allow railroads to access Terminal 18 for on-dock rail operations.

SYNOPSIS:

As part of the Terminal 18 expansion project, the Port developed additional on dock rail capacity at Terminal 18. The lease with SSA Terminals (SSAT) also required that both railroads have access to the facility. An Industrial Track Agreement (ITA) is required before the railroads will use the facility, effectively making such an agreement a lease requirement. An ITA was never finalized at Terminal 18 because SSAT never intended to use the on dock rail due to the economics of terminal operation at that time. SSAT now intends to use the on dock capacity for their new customers, CMA and Maersk, making it now necessary to have an ITA in place. Attached is a draft of the ITA between the Port, SSAT and BNSF. A similar agreement is expected to be executed with Union Pacific Railroad at a later date.

FINANCIAL IMPLICATIONS:

Risk Management has determined that the Port can meet the insurance requirements of the agreement with our existing coverage so there will be no additional cost. The lease with SSAT obligates the Port to maintain the receiving and departure tracks outside the lease boundary and the Port is already bearing the cost of this maintenance function.