

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5a
Date of Meeting February 24, 2009

DATE: February 9, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Nora Huey, Director, Central Procurement Office
Mike Burke, Director, Container Operations

SUBJECT: Resolution No. 3610, Second Reading and Final Passage of the Port Commission of the Port of Seattle declaring certain personal property surplus (Port of Seattle Crane 54) for Port of Seattle purposes and authorizing its sale or disposal.

ACTION REQUESTED

Second Reading and Final Passage of Resolution No. 3610, declaring Port of Seattle Crane 54 (IHI Crane S/N IC10001) surplus for Port purposes and authorizing its sale or disposal.

SYNOPSIS

Hanjin and Total Terminal International (TTI), the tenant at Terminal 46 (T46), have requested that Crane 54, a non-preferential crane under the lease, be removed from the terminal. Crane 54 is not desirable to either Hanjin or to the Port of Seattle (Port) for future container handling needs. Hanjin cannot justify maintenance and apron space for such seldom-used equipment.

Crane 54 has no hours of operation in the last two years.

At the end of 2008 there will be a remaining book value of \$102,893 from the 2004 electrical upgrade of this crane.

The Seaport Division requests approval to surplus Crane 54 and to dispose of property by sale for use by others or sold as scrap.

PROJECT DESCRIPTION AND JUSTIFICATION

Crane 54 is 40 Long Ton capacity and 50 foot gage cargo crane. Its age, 24 years, coupled with its design, is not desirable as we progress toward a modern Post Panamax

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

January 16, 2009

Page 2 of 4

harbor. This crane was designed for early Panamax container ships and is not suitable for the larger ships now calling at T46.

T46 is currently supported by five newer Post Panamax cranes. The older crane 54 has been stored at the extreme north end of T46 and is not used by TTI.

Mechanically, structurally and electrically, Crane 54 is still in fair condition. Considering its age, it compares favorably with many similar cranes on the used crane market. However, without use, equipment such as cranes will deteriorate due to corrosion, evaporation of lubricants, and moisture penetration into electrical components, so our time horizon to market Crane 54 is limited.

PROJECT SCOPE OF WORK AND SCHEDULE

The scope of work is to advertise and sell Crane 54 for use by others or as scrap.

Unfortunately, the used crane market is very volatile now and crowded with cranes of this size and vintage. Other U.S. ports are giving similar cranes away or paying to scrap them. For this reason, our actual sale price could be very low, or it may not sell. There are two parties interested in this crane, but there is no commitment from either of them.

When a buyer is found or the crane is removed, the crane may be transferred with at least one older spreader beam and with any spare parts that have no value for re-sale and no other use to the Port.

If the crane does not sell within 12 months, staff will dispose of it in accordance with Port procedures including paying to have it dismantled and scrapped.

STRATEGIC OBJECTIVES

This project supports the Port's strategy to "Ensure Airport and Seaport Vitality" through completion of evaluation, design and construction of upgrades for T46. This action to surplus Crane 54 will allow for growth and development of marine and marine related business at T46.

BUSINESS PLAN OBJECTIVES

- Improve operating efficiency of T46. Removal of Crane 54 will allow the newer cranes to make use of the north end of the terminal.
- Support tenant's objective to control costs and improve efficiencies. Hanjin cannot justify maintenance and apron space for this seldom used equipment.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

January 16, 2009

Page 3 of 4

FINANCIAL ANALYSIS:

Source of Funds

No funds are needed for this request.

Financial Analysis Summary

CIP Category	N/A
Project Type	N/A
Risk adjusted Discount rate	N/A
Key risk factors	Key risk factors include the possibility that no buyer will be found for Crane #54, and the Port may eventually need to consider paying for the demolition and removal of this crane.
Project cost for analysis	N/A
Business Unit (BU)	Container Operations
Effect on business performance	There is no impact to business performance from this request to surplus Crane #54. The sales proceeds, if any, and the related recognition of gain or loss on sale of fixed assets will be recorded as a non-operating activity in the year of sale. If this crane is sold for less than the remaining book value of the asset (approximately \$100K), then the result would be the recording of a non-operating loss.
IRR/NPV	N/A

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

- Alternative 1 - An option of doing nothing would leave Crane 54 where it is. This would limit the use of T46 North Apron. The required maintenance and certification expense to keep the seldom used crane operational does not benefit the tenant or the Port.
- **Alternative 2 (Preferred Alternative)** – Sale or Disposal of Crane 54 will support the tenant’s objective and is consistent with the Port’s business strategy to “Ensure Airport and Seaport Vitality”.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- In 1974, the original cost for Star Crane 54 was approximately \$3,000,000.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

January 16, 2009

Page 4 of 4

- In 1992, an upgrade of \$15,983 was approved to add anti-sway braking and fall arrest systems.
- In 1996 \$59,607 was approved to convert the hoist brake to disc-brakes.
- In 2004, \$320,000 was approved to convert the electrical supply from a trench to a cable-reel system.