

ITEM NO: 7a Supp

DATE OF
MEETING: March 31, 2009



CUSTOMER RECOVERY STRATEGY AND CLEAN AIR PROGRAM

- Gain Competitive Advantage
- Get Clean Air Now

Customer Support Package

Why?

- **Crisis Continues To Deepen**
 - Anchored Container Ships Approaching 12% Of World Fleet
 - Transpacific Trade Down 25% YTD
 - Seattle Container Volumes Down 37% In February
 - No Market Turnaround Expected Near Term
- **Supply Chain Pressure For Cost Reductions**
 - Consumers → Shippers → Carriers → Terminals → Ports
 - Other Ports Taking Action
 - Direct Customer Requests For Support
- **Keep Current Cargo/Position To Expand**
 - Container Lease Revenues Provide 81% of Net Operating Income (NOI)
 - Container Business is a Major Driver for Jobs
- **Opportunity To Solidify New Business**

What a difference TEUs make

TEUs	1 million	2 million	3 million
Jobs	9,588	18,982	28,377
Payroll	\$789.6M	\$1,560M	\$2,331M
State/Local Taxes	\$71.9M	\$142M	\$212M

Source: John Martin and Associates POS Container Model

Customer Support Package

What We Give:

- One Year Program Support
- Equal Approach to all Marine Terminal Operators (MTOs)
- Combined Direct and Deferred Cost Reductions
- Key Elements:
 - Crane Rent
 - Payment Terms
 - Intermodal Yard Fees
 - Tenant Specific Items
- Dollar Impact:
 - Direct Costs = \$2.5m Reduction in NOI (June 2009 – June 2010)
 - Deferred Costs = \$4.6m (Money back to Port)
 - Proportional to Los Angeles/Long Beach Program

Customer Support Package

What We Get:

- Competitive Positioning
- Green Language in All Terminal Leases
- Truck Program Commitment in All Terminal Leases
- Tenant Specific Lease Concessions

Proposed Environmental Commitments In Terminal Leases

- Northwest Ports Clean Air Strategy – Cargo Handling Equipment, Trucks, Assist W/Vessels
- Stormwater
- Anti-idling
- Energy Conservation
- Spill Response
- Recycling
- Annual Review Process

Why Now For A Truck Plan?

- 2010 Standard Set in Northwest Ports Clean Air Strategy
- Industry and Drivers Need Time to Make Changes to Meet That Standard
- Truck Program Commitment in Leases
- Air Gets Cleaner Now for Workers & Community Residents
- Outcome of Two-year Process Seeking Input From Stakeholders

Legal Landscape – Concession Model

- Status and Prognosis of Legal Challenges to LA Plan
- Lack of Legal Authority Here

Clean Air Program Planning Process

- Process began spring 2007 – draft Northwest Ports Clean Air Strategy
- Since then:
 - Seven Port Commission Briefings
 - 60+ Meetings with Industry, Community, Labor, Environmental, Agency Stakeholders
 - Expanded Process November 2008
 - Three Evening Meetings with Drivers
 - Small Business Liaison – Individual Driver Contacts
 - Seaport Clean Air Program Advisory Group (Regulators, Labor, Environmental, Industry, Community Representatives)

ADVISORY GROUP CONTRIBUTION

- Outcomes:
 - Industry Proposal to Partner With Truck Plan
 - Financial Assistance to Drivers – Truck Removal Plan
 - Individual Assistance to Drivers – Small Business Liaison

Proposed Truck Plan Elements

- Terminal Operators will Enforce at Gates – Trucks that Enter Terminals Must Be 1994 or Newer Starting 01/01/2011
 - May Exempt Occasional Visitors
- Port to Fund Removal Program for Older Trucks
 - \$1.5 Million In 2009 (Unbudgeted)
- Continued Support for Cascade Sierra Solutions' Project to Replace Older Trucks W/Newer Retrofitted Trucks
- Continue Small Business Assistance Program For Owner/Operators

How Do We Ensure That This Happens?

- Negotiate Agreement with Terminal Operators, Trucking Industry, Puget Sound Clean Air Agency, Port
- Modify Container Terminal Leases to Support Truck Plan Implementation
- Port Commits Funds for Truck Removal Program
- Monitor Performance and Adjust as Necessary

Outcomes

- Helps Retain Cargo Volumes & Position Port For Growth
 - Influence Shipping Line Deployment Decisions
 - Financial Relief & Incentives
 - Truck Plan Certainty
- Supports Green Gateway
 - Clean Truck Program
 - Additional Environmental Commitments In Terminal Leases
- Reduces Air Emissions NOW
 - Supports Healthy Communities and Working Conditions
- Supports Growing Port Reputation in Industry for Collaborative Practical Solutions
- Reduces 2009 Seaport Net Operating Income

Commission Schedule

- Truck Removal Plan – April 2009
- Truck Memorandum of Agreement
 - May 2009
- Container Terminal Lease Amendments
 - June 2009

Crisis = Opportunity

- Gain competitive advantage
- Get clean air now

Seaport Recovery Strategy

R – Retain Jobs

E – Efficient Operations – Efficient Cargo Flows

C – Cost Containment

O – Opportunities Captured

V – Volume Retention

E – Environmental Sustainability

R – Relationship Investment

Y – Year by Year Approach