

Seaport Business Objectives & Marketing Outlook

Briefing to Port of Seattle Commission
May 18, 2010



Port of Seattle

Where a sustainable world is headed.™

Seaport Business Segments

Container

- Sustainable Growth to 3 Million TEU & beyond

Cruise

- Retain lead homeport share of Alaska market and achieve maximum facility utilization

Grain

- Target capital investments for reliable, efficient terminal for next life cycle of the plant.

Fishing

- Retain current business and increase utilization across maritime sectors.

Tug & Barge

- Ensure adequate barge moorage and marine terminal space.

Seaport Marketing Strategy

Focus on retaining **current customers** in Seattle.
Position Seaport to capitalize on **growth opportunities**
as the market returns. Foster the Port's **environmental
initiatives**. Implement through:

- Sound business strategies

- Strong & collaborative customer relationships

- Port Promotion

- Market Intelligence

Near Term Strategy

Focus on retaining **current customers** in Seattle. Position the Seaport to capitalize on **growth opportunities** as the market returns. Foster the Port's **environmental initiatives**.

Key Marketing Messages

CONTAINER

Fee Free Now

Faster, Better, Cleaner

Green Gateway

Collaboration

Stakeholders

West Coast Ports &

Railroads

Joint Marketing

CRUISE

Seattle is a Proven Vacation
Destination

Easy & Convenient Airline
Connections

Collaborative Partnerships

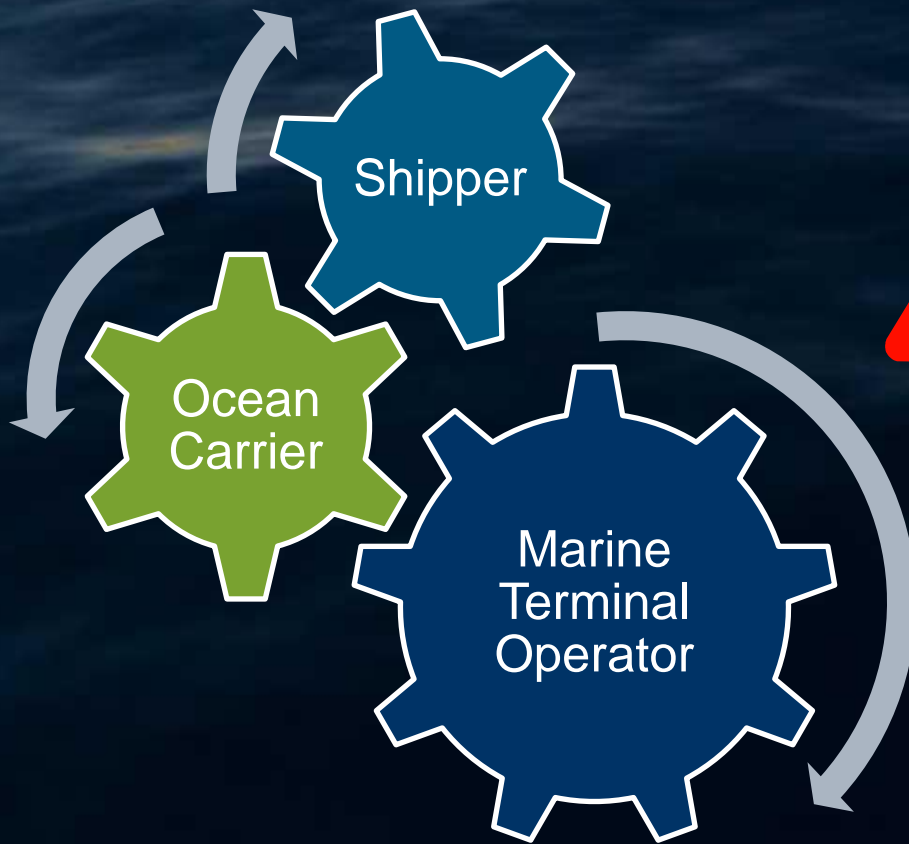
Cruise Lines, Airport

Regulatory Agencies

Business Community

Travel Community

Container Customer Categories



Railroads

Container Industry Outlook

Terminal Operators

Overcapacity.
Aggressive rate competition.

Ocean Carriers

Overcapacity.
Weak financial position.

Shippers

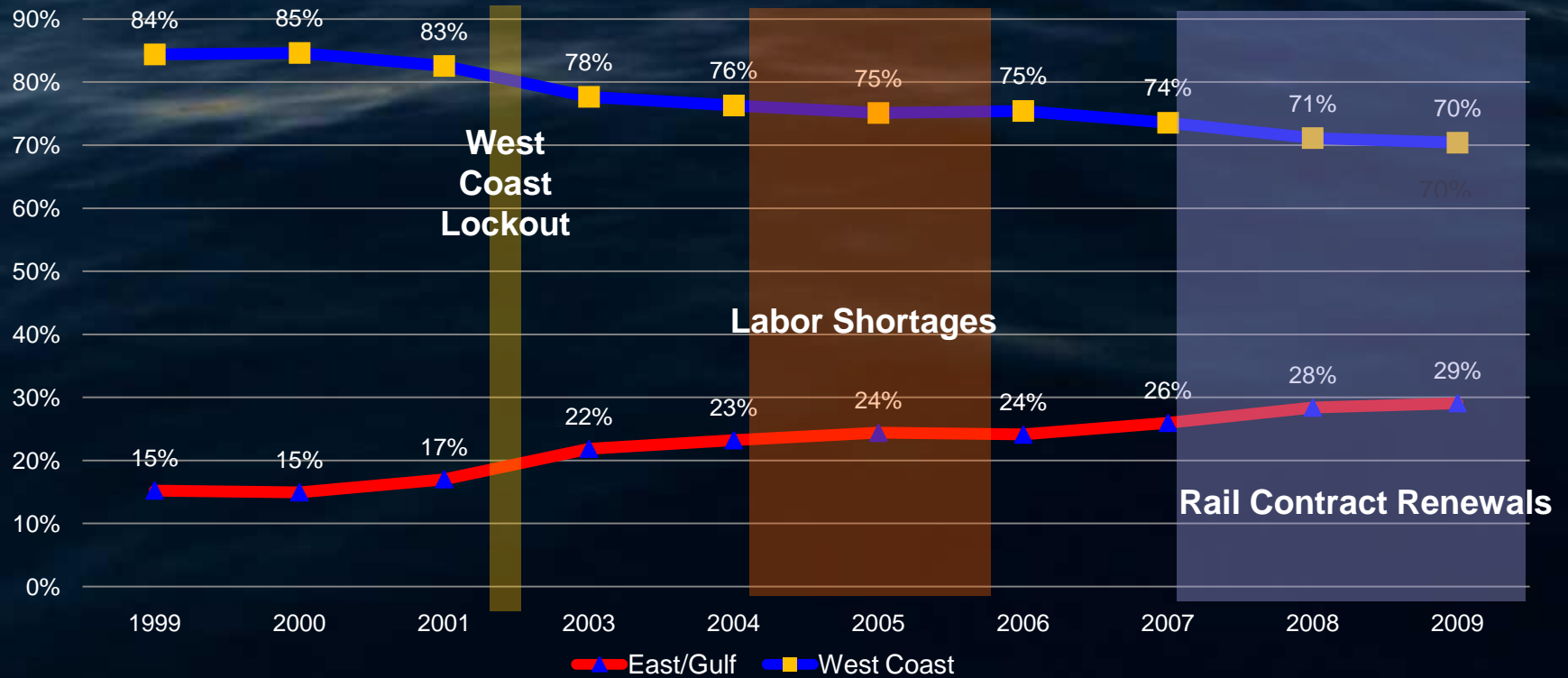
Unemployment still high.
Consumer confidence is down
Exporters facing capacity
constraints.

Railroads

Profitable in 2009.
Facing legislative hurdles
(reregulation).

West Coast Market Share is Shifting

Market Share of Imports from Asia by Coast

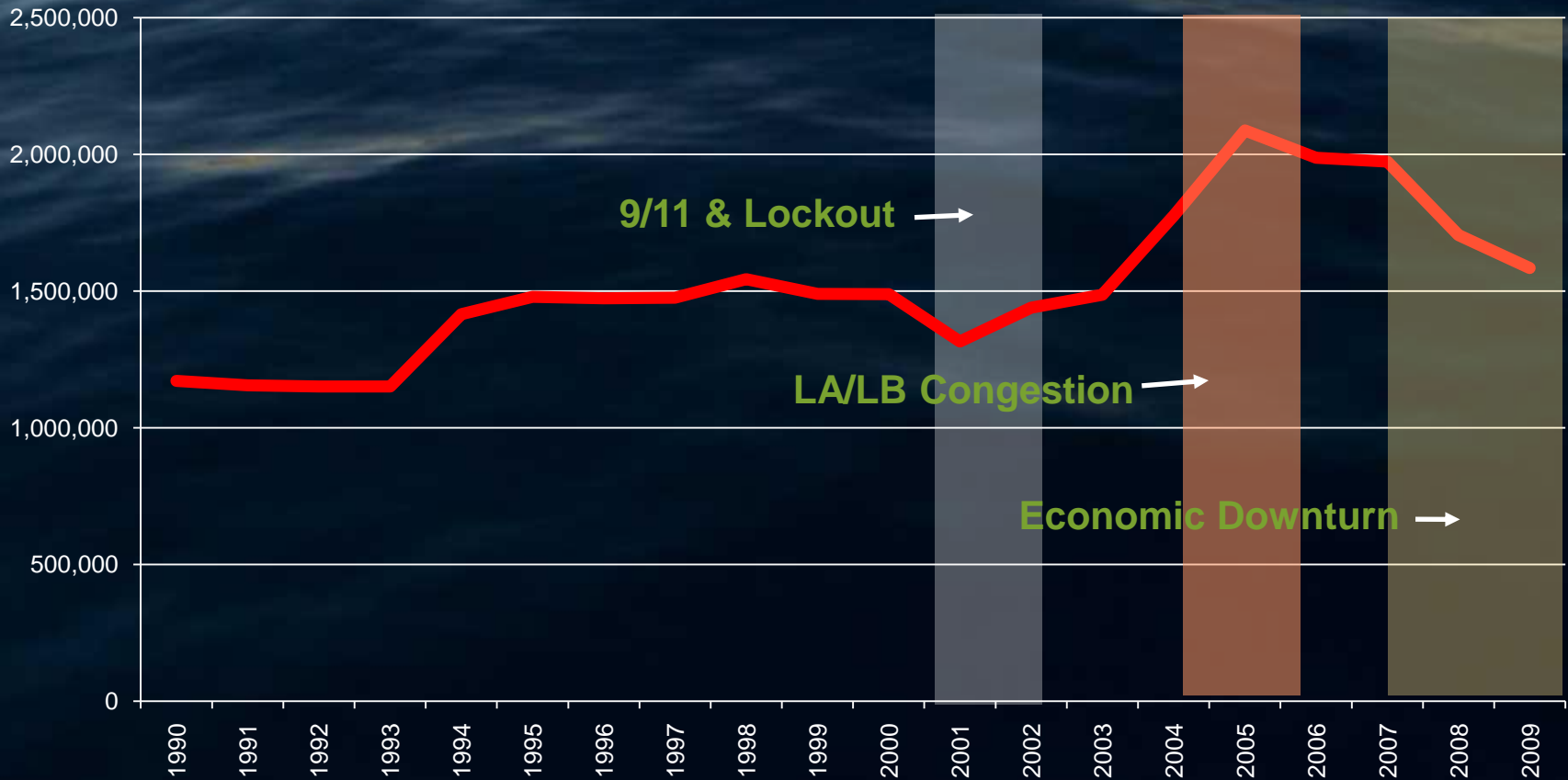


Piers Data

No Piers subscription in 2002 due to budget cuts.

Seattle Historical Container Volumes

Seattle Harbor 20-Year TEU History



Container Competitive Threats

Panama Canal Expansion in 2014

Bigger ships will give better economies of scale.

East Coast Ports expanding & aggressively pursuing business.

Canada's Asia Pacific Gateway Initiative & Prince Rupert

Phase 2 expansion to 2M TEU.

Renewed marketing focus and cost advantages.

Gateway Costs & Productivity

Efficiency of cargo flow influences routing.

Escalating costs for maritime services in Seattle.

Trade Barriers & Fees

Potential for box fees.

HMT advantage of Canadian Ports.

Protectionist sentiment.

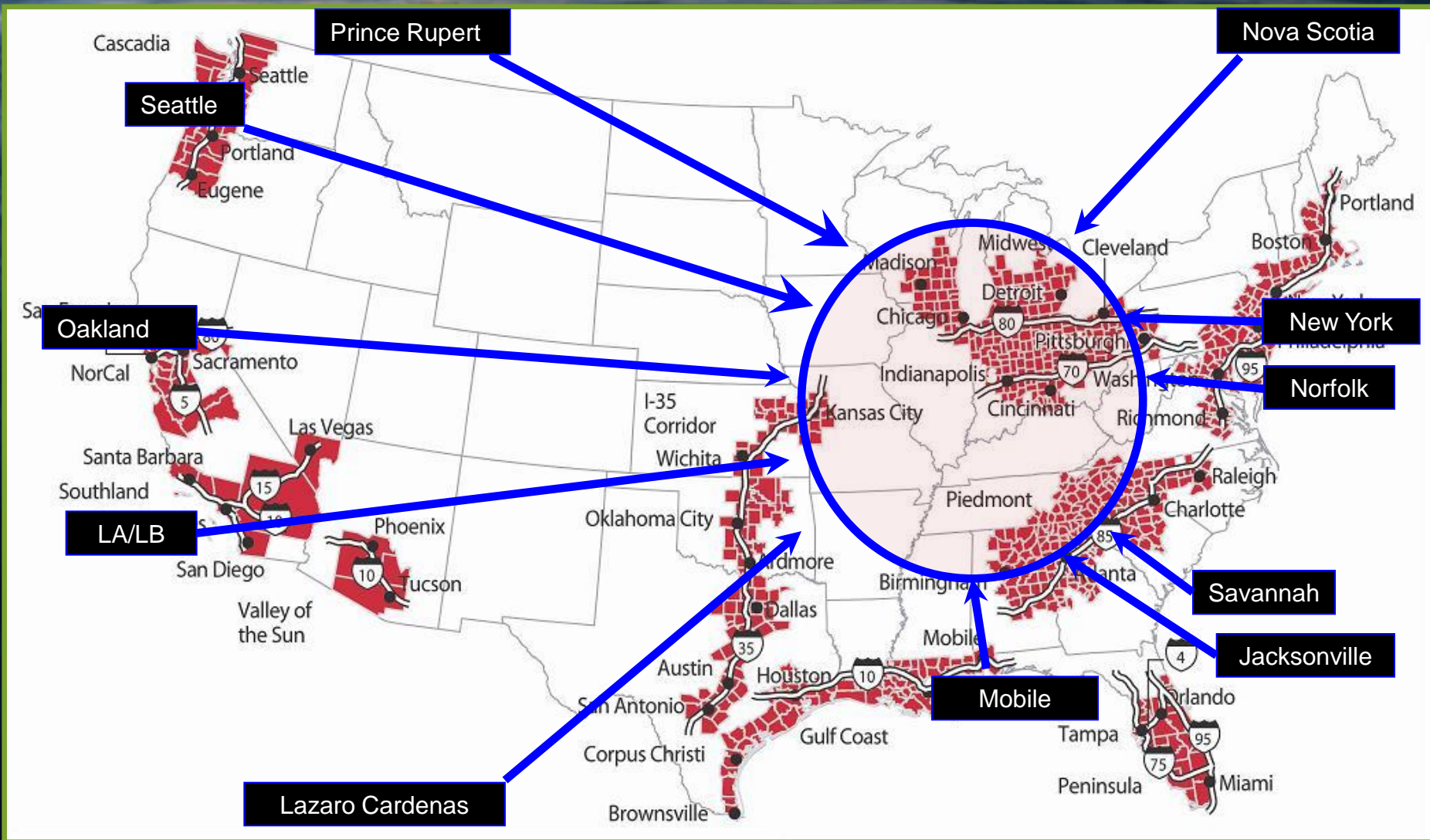
Ships are Moveable Assets

Ocean Carrier Routing Decisions are Driven by Cost & Operational Factors:

- Revenue Opportunities (Demand)
- Slot Cost/TEU
- Labor Costs
- Vessel Productivity
- Terminal Costs
- Rail Costs
- Fuel Cost
- Pilots/Tugs/Etc.
- Port Fees



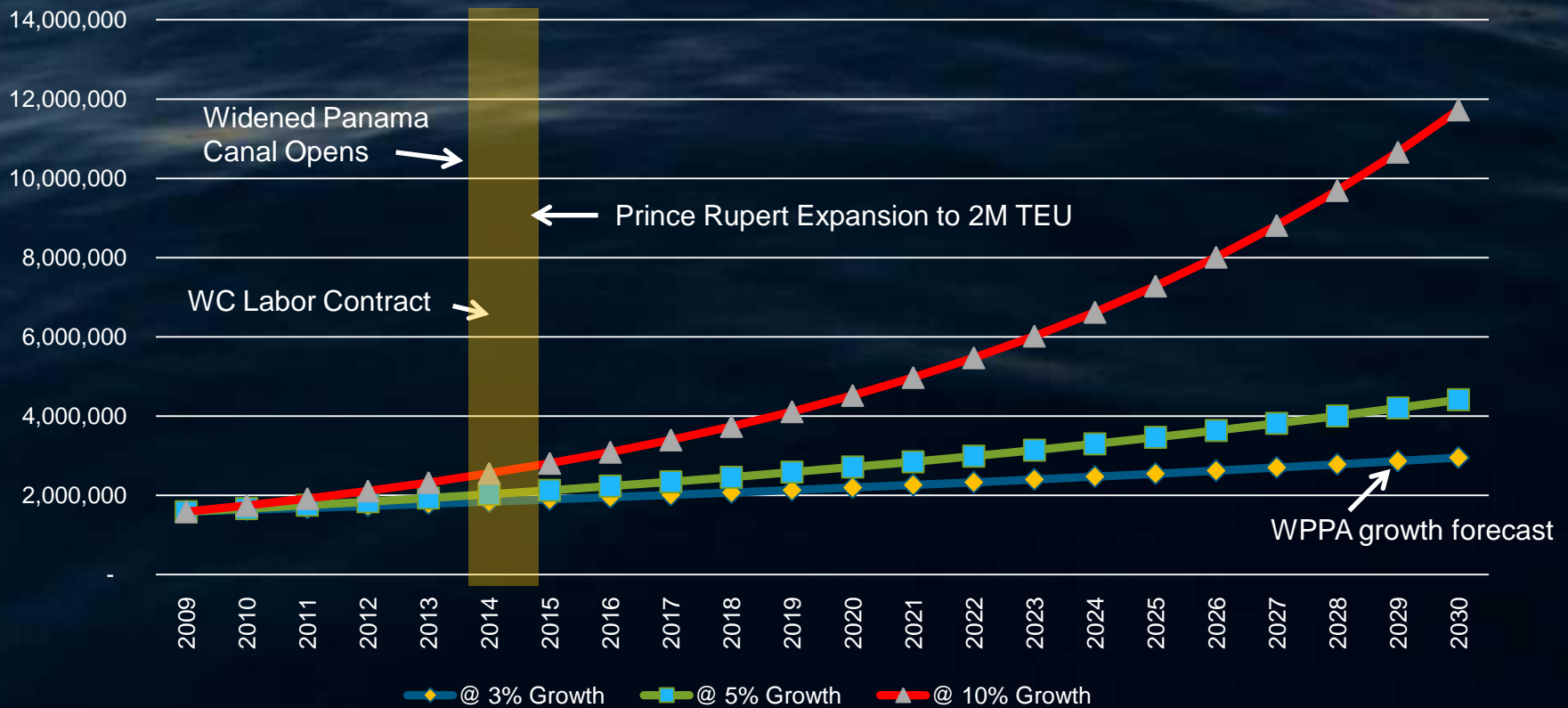
Majority of Seaport Intermodal Cargo goes to the Midwest



Container Business Concerns

- **Competitive pressure** from other port terminals in the PNW.
- Availability of Export capacity
- Vulnerability to **cargo shift** to other gateways.
- Ocean Carrier and Railroad **business strategies** may not favor our gateway.
- Upcoming SODO road **construction** impacts.
- Changing **supply chain patterns** of shippers.

Seattle Container Growth Scenarios



Container Capacity Growth Plan

2M

3M

3.5M

4M

5M

2005 volume =
2.1

Work Package #1 Underway

Work Package #2

Work Package #3

Work Package #4

TERMINALS

- T-30 Reactivate
- T-25 expansion to 16 acres

RAILYARDS

- SIG North Expansion
- T-5 IY second shift

OFF-DOCK

- 20 acre third party container support

TRAFFIC

- SR-519
- T-5 surface street intersection
- EMW grade separation
- Continuous day gate hours
- Spokane Street Viaduct
- Viaduct Construction accommodates freight.

TERMINALS

- T-5 increase internal CY

RAILYARDS

- Wide span gantry cranes at Main SIG

MAINLINE

- Sound Transit/BNSF new track agreement Seattle to Tacoma
- Crown Stampede Pass
- Duwamish Corridor Project

OFF-DOCK

- 20 acre 3rd party container support

TRAFFIC

- 1st Ave S. & E. Marginal Way
- Increase use of night gates.

TERMINALS

- T-5 RTG Ops

RAILYARDS

- On-dock IY at T-18 or 16th Ave conversion to IY.
- SIG Stacy Yard conversion.
- ARGO domestic relocation
- ARGO re-designed for high density operations

MAINLINE

- Tukwila-Tacoma track.
- Sumner Connection
- Vancouver bypass
- Ellensburg/Lind cutoff
- Point Defiance bypass

OFF-DOCK

- 20 acre 3rd party support

TRAFFIC

- SR-509
- More night gates

Terminals

- T-5 18 acre expansion
- T-46 additional RTG ops

RAILYARDS

- SIG South expansion
- New remote railyard shared with POT

MAINLINE

- Could be constrained?

OFF-DOCK

- T25/30 off-site yard
- 40-acre 3rd party support

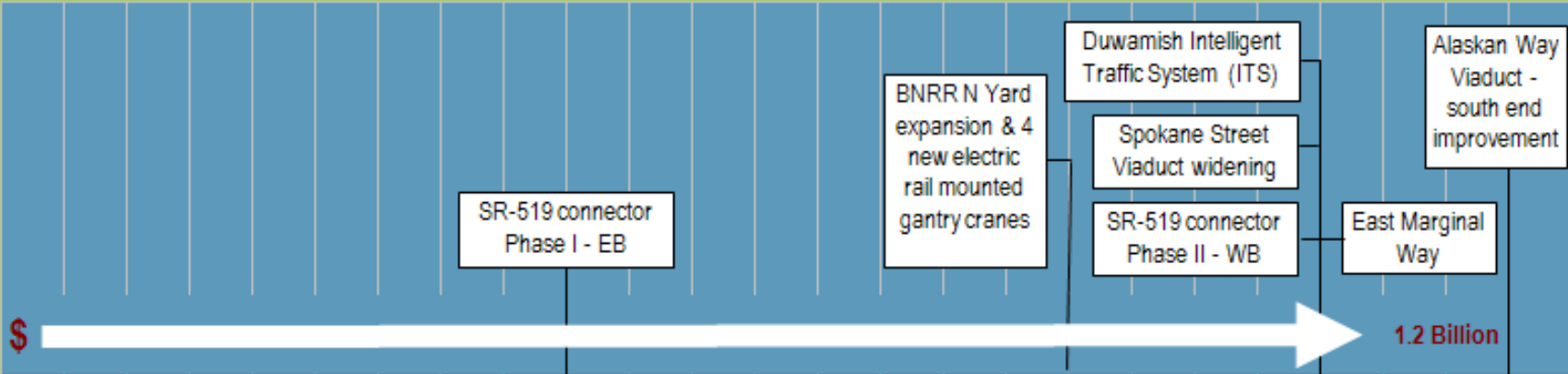
TRAFFIC

- Steady night gates.

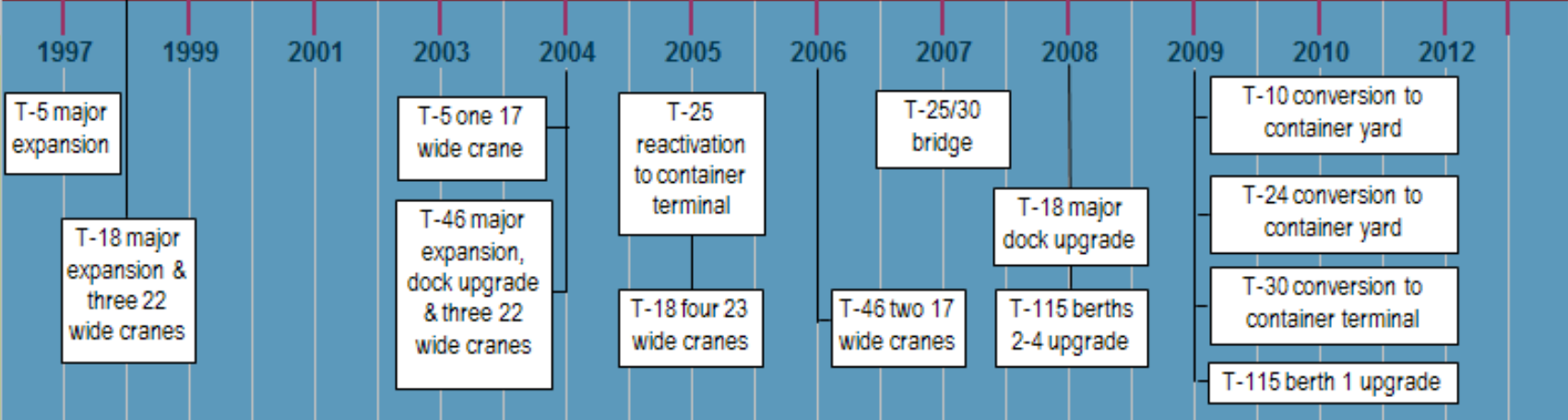
Seaport Project Investment Timeline



Roads & Rail



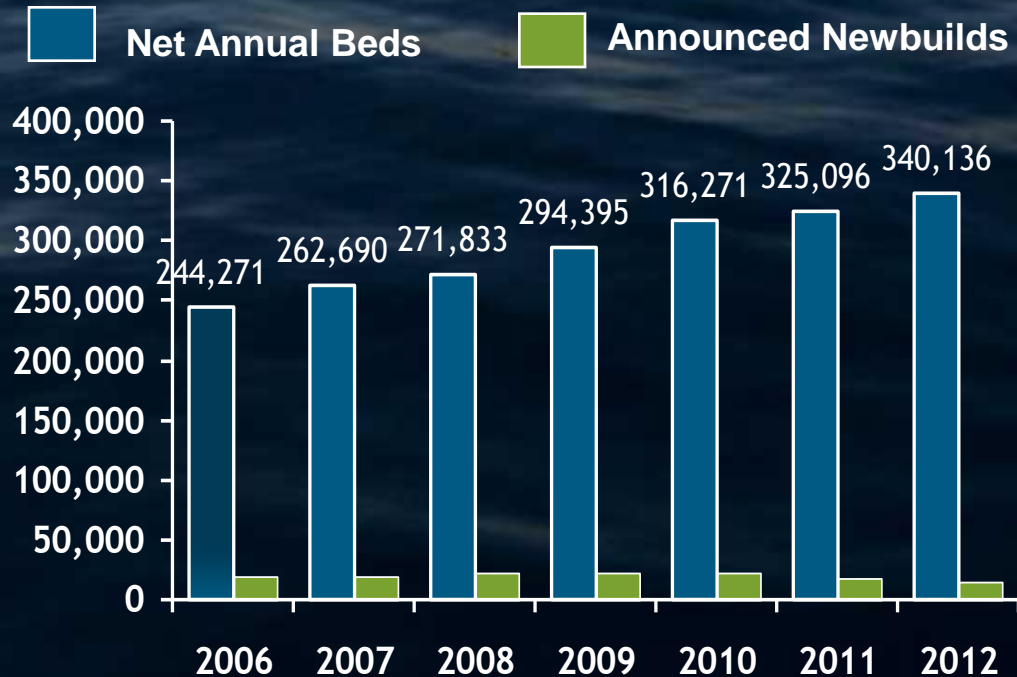
Terminals



Cruise Business – Outlooks & Projections

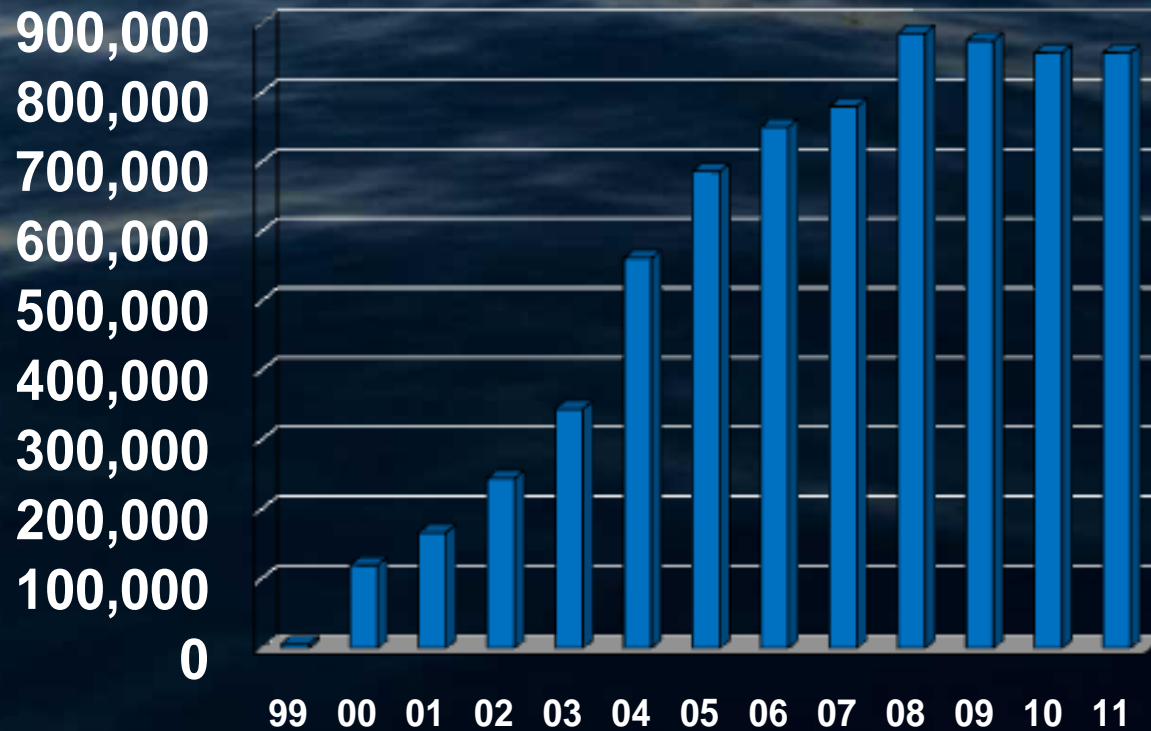
Caribbean 43%
Alaska 25%
Bahamas 25%
Hawaii 15%
Mediterranean/Greek
Islands/Turkey 14%
Bermuda 11%
Europe 9%
Panama Canal 8%
Mexico (West Coast)
8%

Total Beds in Combined CLIA Fleet



15.5% Net Increase in CLIA Member Line Capacity, 2010 -2012

Seattle's Cruise Passenger Growth 1999 - 2011



1999: 6 vessels and 6,615 passengers

2009: 218 vessels and 875,433 passengers

2010: 223 vessels and 858,000 passengers

The Successful Seattle Model

Continued proactive partnership



Grain Terminal

- T-86 capital improvements as part of new long-term lease with Louis Dreyfus.
- New Kalama and Longview (2011) terminals.
- Global demand for US grain should remain strong.
- US supply of grain for export to remain steady.

Fishing Industry – Tug and Barge Industry

Fishing Outlook

- Strong Long Term Stability
- Major Fishing Companies consolidating
- Large Vessel Moorage Facilities are being reduced in the North West

Tug and Barge Outlook

- Strong Long Term Stability
- Growth dependent on Core Seaport Business
- Dependent on Alaska's economy – Tug and Barge services are critical to the state of Alaska's continued success

Common Strategies

- Retain diverse customer mix and grow our market share
- Provide cost efficient large vessel moorage and well maintained facilities
- Continue capital re-investment in industrial moorage facilities
- Identify emerging markets and opportunities to increase utilization of Industrial Properties

Seaport Metrics

Performance Indicator	2008 Actual	2009 Actual	2010 Budget
Cruise Passenger Count	886,039	875,433	858,000
Cruise Vessel Calls	210	218	223
TEUs	1,704,492	1,584,596	1,600,000
Berthage Utilization	60% (T91 Only)	71% (Harbor wide)	***
Grain Volume	6,400,778 MT	5,512,164 MT	5,000,000 MT
Container Carrier Retention (+/-)	No change	+1	-1
Container Vessel Services (+/-)	No change	-1	+1
Net Operating Income (before Depreciation)	+\$50.2 M	+\$50.1 M	+\$49.3M

*** Berthage & dockage revenues are budgeted; berth utilization is not.

Long Term Considerations

- What TEU capacity do we want to grow to?
- What class container vessel do we want the capability to handle?
- What investments will be needed to maintain existing assets
- What investments will be needed to meet growth goals?
- What new lines of business should be considered?

Note: Not all planned construction in this geographical area is shown on the map below.
This map shows data that is temporal in nature and is updated often to reflect current conditions.

Puget Sound



Major Road Projects

East Marginal Way at Horton Street Bridge Rehab and Replacement

East Marginal Way Grade Separation

SR 99 Spokane Street Overcrossing

South Spokane St Viaduct Widening and 4th Ave EB Off-Ramp

Alaskan Way Viaduct Replacement SR 99 Bored Tunnel (approx. proposed alignment)

Alaskan Way Viaduct Replacement S Holgate to S King - Phases 1 and 2

Alaskan Way Viaduct Replacement Central Waterfront - King to Battery

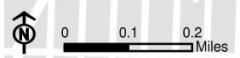
SR 519 - S Seattle Intermodal Access

SDOT Arterial Asphalt Concrete Paving Program

Jose Rizal Bridge Rehabilitation

New WB On and Off Ramp Opening Fall 2011

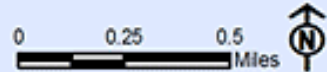
4th Ave S Ramp Removed



LAST MODIFIED: APRIL 1, 2010

Project Timelines

AWV and Concurrent Projects	2010				2011				2012				2013				2014			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Alaskan Way Viaduct Replacement SR 99 Bored Tunnel (proposed alignment)																				
Alaskan Way Viaduct Replacement S Holgate to S King - Phases 1 and 2																				
Seawall Replacement Project (Note: project north of map extent)																				
Alaskan Way Viaduct Replacement Central Waterfront - King to Battery																				
South Spokane Street Viaduct Widening and 4th Ave EB Off-Ramp																				
East Marginal Way Grade Separation																				
SR 519 Phase 2 South Seattle Intermodal Access																				
SDOT Arterial Asphalt and Concrete Paving Projects																				
SR 99 Spokane Street Overcrossing																				
Jose Rizal Bridge Rehabilitation																				
East Marginal Way at Horton Street Bridge Rehab and Replacement																				
Planned Sporting Events Qwest and Safeco Fields																				



- █ Primary Detour Route
- █ Secondary Detour Route
- █ Downtown to W Seattle Route

Downtown route to West Seattle:
Columbia St on-ramp to the Alaskan Way Viaduct/SR 99

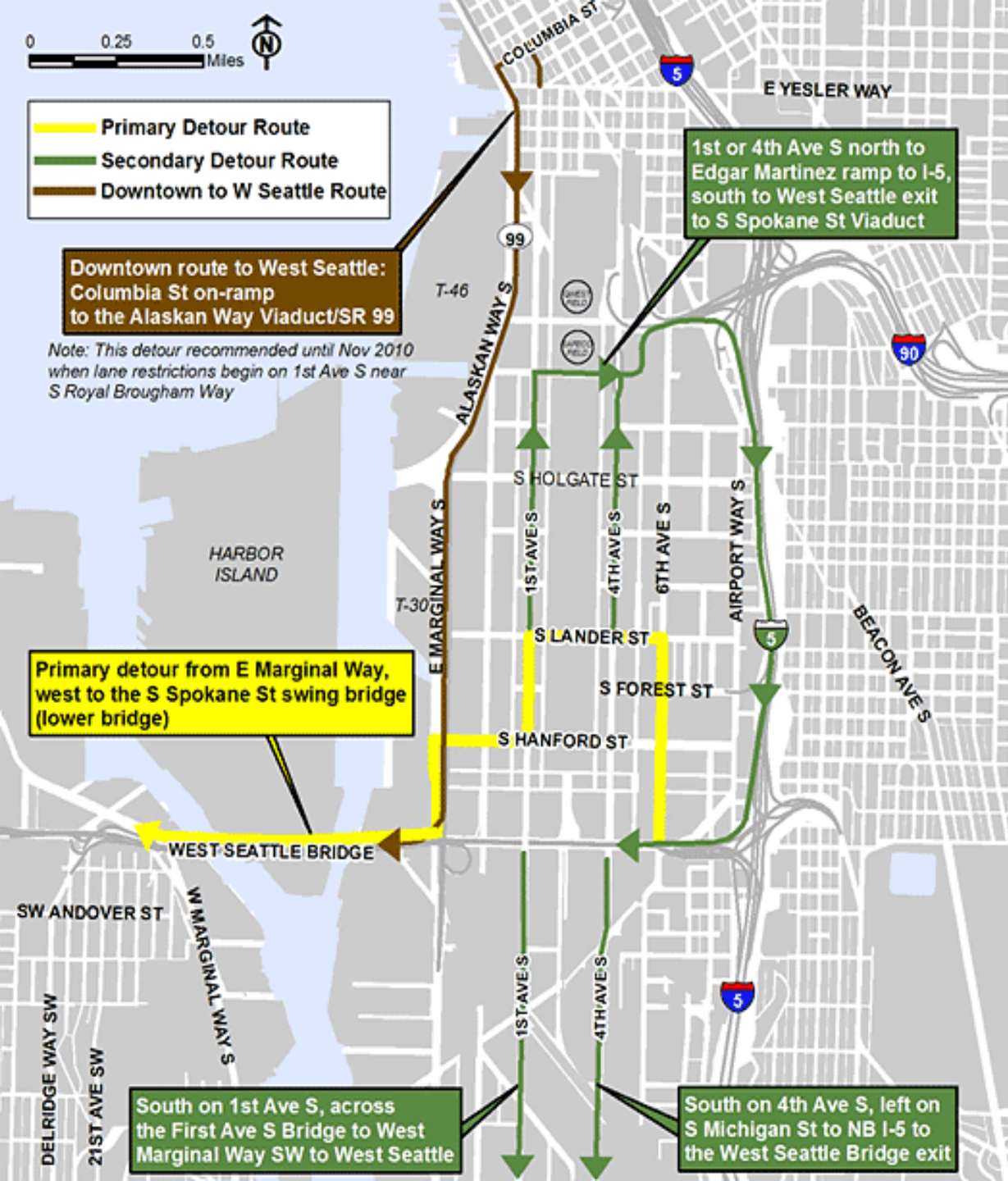
Note: This detour recommended until Nov 2010 when lane restrictions begin on 1st Ave S near S Royal Brougham Way

1st or 4th Ave S north to Edgar Martinez ramp to I-5, south to West Seattle exit to S Spokane St Viaduct

Primary detour from E Marginal Way,
west to the S Spokane St swing bridge (lower bridge)

South on 1st Ave S, across the First Ave S Bridge to West Marginal Way SW to West Seattle

South on 4th Ave S, left on S Michigan St to NB I-5 to the West Seattle Bridge exit



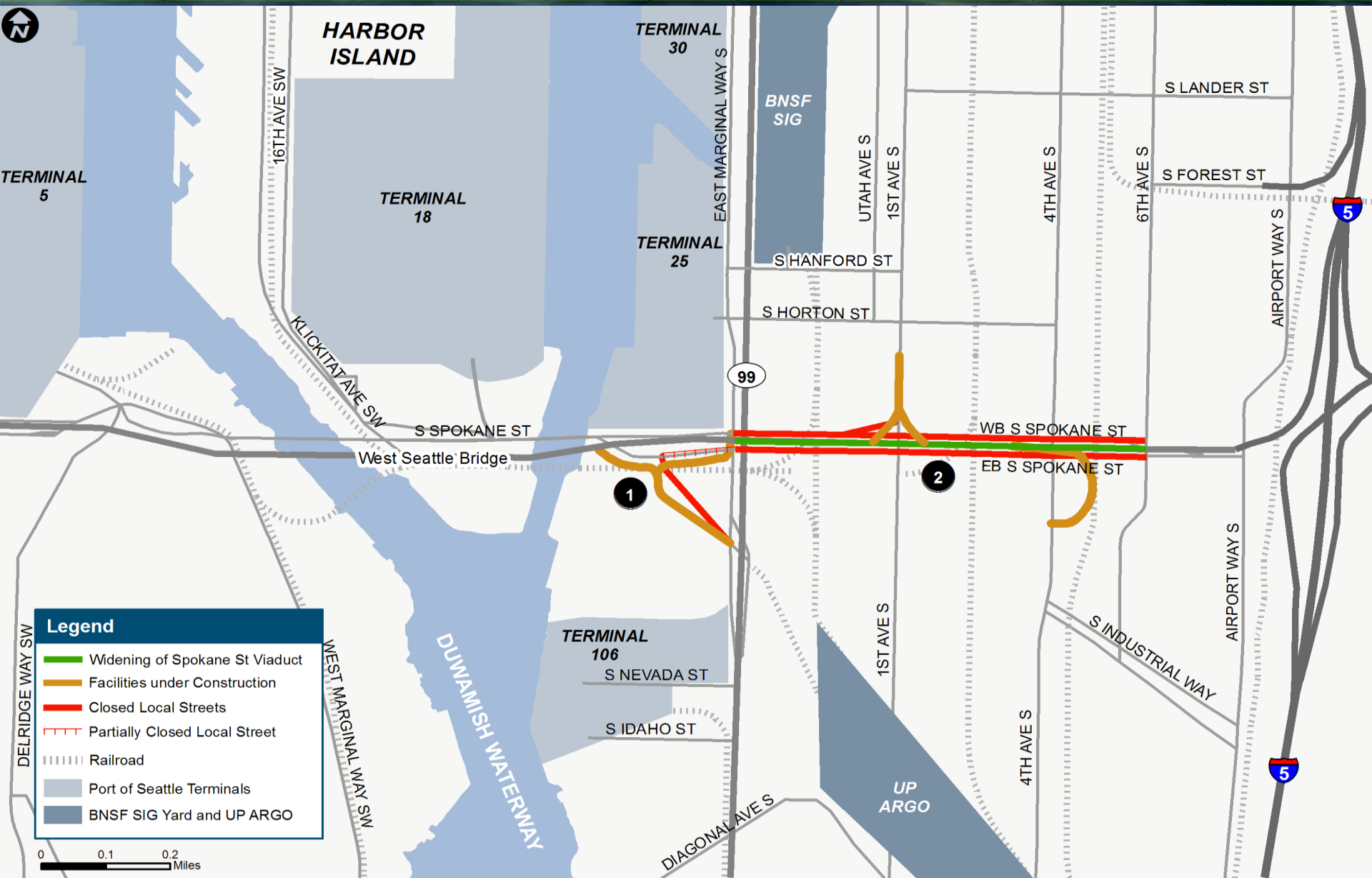
West Seattle Detours for 1st Ave On-Ramp Closure

Hanford to EMW to Harbor Island/lower Bridge

Edgar Martinez to I-5 to upper Bridge

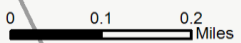
South on 1st & 4th to W. Marginal Way SW

Spokane Corridor Projects



Legend

- Widening of Spokane St Viaduct
- Facilities under Construction
- Closed Local Streets
- Partially Closed Local Street
- Railroad
- Port of Seattle Terminals
- BNSF SIG Yard and UP ARGO



Thank you



Port of Seattle

Where a sustainable world is headed.™