

DRAFT 2015-05-05

The Honorable Karen V. Gregory
Secretary, Federal Maritime Commission
800 North Capitol Street, Room 1046
Washington, D.C. 20573

Re: Port of Seattle/Port of Tacoma Alliance Agreement

Dear Ms. Gregory:

The Ports of Seattle and Tacoma (“Ports”) are submitting the enclosed Alliance Agreement (“Agreement”) for filing with the Federal Maritime Commission (“FMC”). The following documents are enclosed:

1. One executed copy of the Agreement;
2. seven copies of the Agreement;
3. two copies of Agreement for receipt and acknowledgement and two stamped return envelopes to return to legal counsel of the Ports as identified below; and
4. The statutory filing fee.

This Agreement is the successor to an earlier discussion agreement the Ports filed with the FMC in January 2014 (“Discussion Agreement”). The Ports’ main reason for filing the Discussion Agreement was to explore the ways in which the Ports could work together to stem the loss in cargo to other ports that has occurred in recent years.

The two ports are collectively the third largest trade gateway in the United States. The two ports marine operations are similar in size in many significant ways and are only 30 miles apart. Each port is an independent municipal corporation, locally controlled, and each is governed by a body of five commissioners elected by the voters of the counties in which the Ports reside.

The Ports have invested billions of dollars in their marine cargo facilities and the Ports prospered for many years in attracting cargo that generated jobs and revenue for the region. More than half the cargo that comes through the Ports is bound for destinations outside of the Puget Sound region (primarily the Midwest). Such cargo is discretionary, insofar as the shippers and carriers have choices about which ports and routes they use to offload their cargos. If the Ports cannot retain this discretionary cargo, the Ports, their terminal operators, and the communities that have invested heavily in these terminal facilities will suffer.

The Discussion Agreement cited a list of reasons for the Ports’ interest in exploring whether or not an alliance could work. Those reasons are still valid. Those reasons include the following:

1. Increasing competition for cargo from ports all over North America has continued unabated. Competing ports on the west coast of North America have historically competed with Seattle and Tacoma. Ports in the Gulf and East Coast, however, are emerging as new competitors because of the Panama Canal widening and they are seeking to pry away Seattle and Tacoma’s market share of Midwest-bound discretionary

cargo.

2. A factor affecting the Ports' competitiveness against these competing ports is the railroad pricing in and out of the Puget Sound region. Rail rates continue to hinder the Ports' ability to maintain market share.
3. The shipping lines have been steadily increasing the size of their vessels. This trend towards larger vessels inevitably leads to fewer vessels in use, and therefore fewer port calls.
4. The shipping lines have also continued to form alliances to reduce their operating costs. Such consolidation also leads to fewer port calls as they seek to rationalize their resources.

Following consideration of issues relating to the form, management, and content of an alliance between them, the Ports have now concluded their review under the Discussion Agreement and are prepared to move forward with this Agreement and form an alliance between the Ports.

The enclosed proposed Alliance Agreement and the accompanying informational documents describe how the Ports will create an entity known as a port development authority ("PDA") to operate the alliance. These documents also describe the PDA's scope of authority over the Ports' maritime operations and PDA governance.

The Ports have gone through an extraordinary and unprecedented process to determine if an alliance could work. The final conclusion is that, not only is an alliance feasible, it is essential if the Pacific Northwest is to remain viable as a trade gateway in the future. Our stakeholders, including our taxpayers, our customers, and the workers whose jobs depend on robust maritime activity, need for this alliance to succeed and we are committed to achieving that success.

The following are authorized to subscribe to and file this Agreement and any accompanying materials and any subsequent amendments to this Agreement with the Federal Maritime Commission: (i) Any authorized officer of each of the Parties and (ii) legal counsel for each of the Parties.

Legal Counsel for each Party is identified as follows:

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Thank you and we are available to answer any questions you may have.

Sincerely,

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