



Item No.: 5D

Date of Meeting: August, 6, 2019

Gate Efficiency Program Agreement Amendment – SSAT Terminal 18

Presenter: Dustin Stoker
Title: Chief Operations Officer

Action Requested

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to Amend the Gate Efficiency Program (GEP) with SSAT Terminal 18.



Background

- **During the 2019 Peak Planning Meeting BCOs forecasted 3-5% growth in container volume during the peak shipping season**
 - Industry insisted on extended service hours → reliable service levels
- **In response, Managing Members authorized the Gate Efficiency Program (GEP) in June to provide funding of up to \$2 million to reimburse Marine Terminal Operators (MTOs) for a portion of actual cost incurred to run additional gate hours**
 - MTOs commit to run extended gate hours July 2019 – December 2020
- **Three (3) Tiers of participation available based on commitment level**
- **SSAT Terminal 18 and Everport enrolled in the program**
 - Tier 1 = \$600,000 [3 gates during peak and 2 during off peak]
 - \$1.2 of the \$2 million authorized will be spent



Background Continued

- **Tariff situation has negatively impacted international container volumes**
 - June (year-over-year): Laden Imports down 3.7% | Exports down 12.5%
- **Night gates at Terminal 18 have been highly underutilized**
 - Only 3% of overall transactions are occurring during off-hour gates
 - Average day shift transactions = 3,500
 - Average night shift transactions = 116 (25% full and 75% empties)
- **Terminal 18 averaging just under 70 minute full turn times in June and July → LA/LGB averages 90 minutes**



Proposed Amendment Details

- 1. Suspend Program until volumes require additional gate hours**
- 2. NWSA in its sole and exclusive discretion will determine when the suspension term has ended**
- 3. SSAT commits to running extended gates beyond the original Program Term (current completion date is December 31, 2020) for the same duration that the Program is suspended**
 - *Example: if the Program is suspended for three (3) months SSAT's commitment would be extended to March 31, 2021*



Financial Implications

- **Source of Funds:** Generated through normal NWSA operations. Staff identified over \$2 million in budgeted spending for other projects that will not occur in 2019. Forecasted operating income including the program is anticipated to meet or exceed budget
- **Financial Impact:** \$1.2 million of the authorized amount will be spent based on MTO participation level. Through Friday July 19, 2019 \$259,725 have been spent (\$150,879 for SSAT and \$108,846 for Everport)



Alternatives Considered

- **No Action Alternative:** SSAT would be in breach of the Gate Efficiency Program Agreement and be required to pay back the funds the NWSA reimbursed. In addition, when volumes improve the incentive funds will not be available to SSAT decreasing the likelihood of off-hour gates being offered to the market.
- **Recommended Action:** Amend the Program Agreement with SSAT Terminal 18 to allow suspension of the program until volumes necessitate additional off-hour gates at T18, as determined by the NWSA in its sole and exclusive discretion.
 - Ensures NWSA realizes the benefit of the program when most needed by our customers



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