

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 8D
Date of Meeting April 6, 2021

DATE: March 26, 2021

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial & Strategy Officer

Project Manager: Andre Elmaleh, Sr. Manager, Business Development

SUBJECT: First Amendment to the GLOVIS Use Agreement

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to enter into the First Amendment to the GLOVIS Use Agreement.

B. SYNOPSIS

GLOVIS is continuing to evolve as a third-party logistics provider for Hyundai and KIA, expanding their services to a wider customer base. GLOVIS now offers automobile processing as well as ocean shipping for other automobile manufactures. To be able to serve their current book of business and expand in the future, they would like to explore different solutions with the NWSA.

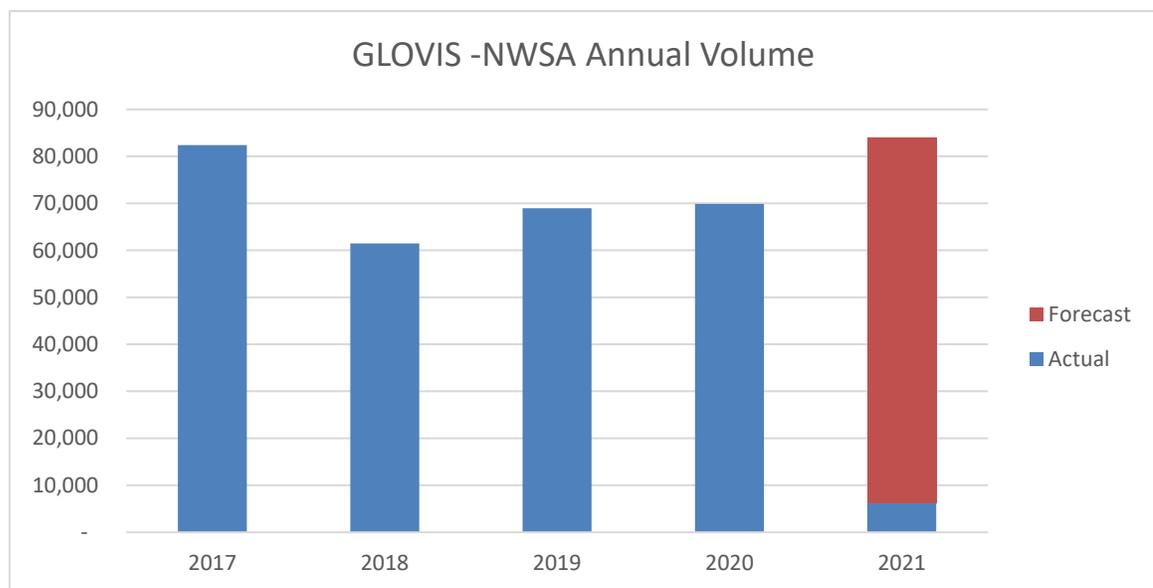
C. BACKGROUND

GLOVIS was created in 2003 as the logistics division of the Hyundai Automotive Group, which also owns Hyundai Motors and KIA Motors among other entities. The primary mission of GLOVIS is to leverage cost savings through the combined supply chain logistics of both brands. This has been achieved wherever Hyundai and KIA operated separate port locations, with the exception of the Pacific Northwest. Growing beyond providing inland logistics for only Hyundai and KIA, GLOVIS has expanded their commercial offerings to include port processing and ocean shipping for additional manufacturers. Their customer base has grown to include: Tesla, BMW, Volkswagen, Honda, Ford, Chrysler and others.

Within the Pacific Northwest, GLOVIS currently utilizes three ports:

- Portland (Hyundai)
- Tacoma (KIA)
- New Westminster, BC (Hyundai/KIA Canada)

Currently, GLOVIS has an opportunity to immediately consolidate their business elsewhere in the Pacific Northwest. However, this solution may not completely meet their vision and growth targets. Therefore, working in partnership, they are interested in exploring several options with the Northwest Seaport Alliance to remain within the gateway.



To fully explore options for GLOVIS, staff from both the NWSA and GLOVIS have identified an interim solution which retains the current book of business in Tacoma while offsetting the expense of GLOVIS maintaining three locations.

Key terms to the GLOVIS Amendment:

- Term: Up to 2 Years
- The NWSA will repay GLOVIS America \$14.71/vehicle to retain the current KIA Motors America business with the NWSA. With an annual maximum payout amount of \$1,000,000
- For new GLOVIS business acquired which previously did not go through either the NWSA or Port of Tacoma, the NWSA will refund GLOVIS \$5.00/per vehicle with no financial cap

- GLOVIS must remain with the NWSA for a minimum of 1 year to qualify for this payment, and then will qualify quarterly in the second year
- During the term of this Amendment, the NWSA's ability to terminate the GLOVIS Use Agreement if they do not meet a minimum of 60,000 vehicles per agreement year is suspended
- This benefits from this Amendment are in addition to the current GLOVIS Revenue and AWC Revenue Sharing Agreements

D. FINANCIAL IMPLICATIONS

Based on the cargo forecast, the operating income from GLOVIS business is sufficient to cover the additional annual maximum payout and continues to provide positive operating income.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

- **No Action Alternative:** GLOVIS will likely consolidate KIA business out of the NWSA gateway to another PNW port. Once gone, it will be difficult to bring back the business in the future if the NWSA does not take action.
- **Recommended Action:** Authorize the First Amendment to the GLOVIS Use Agreement, which will allow staff to work with GLOVIS to provide a solution to retain current cargo, in addition to providing GLOVIS the ability to seek their vision of future growth and expansion within the NWSA gateway.

F. ENVIRONMENTAL IMPACTS / REVIEW

Permitting: No environmental permits are anticipated based on this action.

Remediation: This has no effect on any Port remediation projects.

Stormwater: There are no water quality impacts with this amendment.

Air Quality: No concerns or impacts.

G. PREVIOUS ACTIONS OR BRIEFINGS

- i. July 2, 2020: 2020 GLOVIS Use Agreement
- ii. July 8, 2016: Second Amendment to GLOVIS Use Agreement
- iii. March 23, 2015: Third GLOVIS Use Agreement
- iv. July 13, 2011: Second GLOVIS Use Agreement
- v. October 13, 2005: Initial GLOVIS Use Agreement



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GLOVIS Use Agreement First Amendment

Presenter: Andre Elmaleh
Sr. Manager, Business Development

Action Requested

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to enter into the First Amendment to the GLOVIS Use Agreement.



Background

- GLOVIS has grown from a sole provider of inland logistics for Hyundai and KIA, to a company that offers a wide variety of services including ocean shipping and automobile processing for a wide variety of manufacturers.
- Other PNW ports are interested in providing a solution to GLOVIS, so while options are vetted, the GLOVIS Use Agreement Amendment retains GLOVIS business while working in partnership to explore a total solution that meets GLOVIS's growth targets and vision



Key Terms - First Amendment to the GLOVIS Use Agreement

- **Term:**
 - Up to 2 years in duration, from April 1, 2021 to March 31, 2023
- **Business Retention:**
 - Per Unit Rebate: For each KIA Motors America vehicle which continues to go through the NWSA, GLOVIS will be refunded \$14.71/per vehicle, capped at \$1,000,000 per year
 - GLOVIS must remain with the NWSA for a minimum of 1 year to qualify for this payment, and then will qualify quarterly in the second year
 - During the term of this Amendment, the NWSA's ability to terminate the GLOVIS Use Agreement if they do not meet a minimum of 60,000 vehicles per agreement year is suspended
- **New Business:**
 - For new business acquired which previously did not go through either the NWSA or Port of Tacoma, The NWSA will refund GLOVIS \$5.00 per vehicle

Financial Implications

- Financial Impact
 - Based on the 2021 cargo forecast, the operating income from GLOVIS business is sufficient to cover the additional annual maximum payout and continues to provide positive operating income.

Alternatives Considered and Their Implications

- No Action Alternative: GLOVIS will likely consolidate KIA business out of the NWSA gateway to another PNW port. Once gone, it will be difficult to bring back the business in the future.
- Recommended Action: Authorize the First Amendment to the GLOVIS Use Agreement, which will allow staff to work with GLOVIS to provide a solution to retain current cargo, in addition to providing GLOVIS the ability to seek their vision of future growth and expansion within the NWSA gateway.



Environmental Impacts / Review

- Permitting: No permits are anticipated with this agreement.
- Remediation: This does not impact any Port Remediation projects.
- Stormwater: No water quality impacts.
- Air Quality: No impacts to air quality.



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