

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
BRIEFING ITEM

Item No.	5B.1
Date of Meeting	June 4, 2019

DATE: June 4, 2019

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial and Chief Strategy Officer

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

SUBJECT: Breakbulk Business Update

A. BRIEFING REQUESTED

Provide a detailed analysis of the breakbulk business, including:

- Breakbulk customer overview
- Breakbulk facility recap
- Review of top NWSA breakbulk commodities, markets, and trends
- Regional and national breakbulk competitive landscape
- NWSA breakbulk commercial strategy
- Breakbulk financial overview
- NWSA breakbulk job creation

B. SYNOPSIS

The Northwest Seaport Alliance (NWSA) breakbulk business consists of cargo that either cannot fit or isn't efficient to ship in containers or on bulk carriers. The NWSA focuses on Ro-Ro breakbulk cargo. This unique cargo is currently handled at the East-Blair (EB-1) facility, with periodic support from the Blair and T-7 terminals. The NWSA serves a wide range of breakbulk customers from both European and Asian markets, with cargo varying from construction and mining equipment to rail cars and helicopters.

C. BACKGROUND

Both the North and South harbors have handled breakbulk cargo since their inceptions, and non-containerized cargo continues to fill an important role in the NWSA's diverse business portfolio. Although the breakbulk business has a storied history in Tacoma and Seattle, cargo volumes have seen a marked increase in recent years with a 42.2% increase in annual tonnage from 2016 – 2018.

D. CURRENT STATUS

Most NWSA breakbulk business is handled at the South Harbor EB-1 facility. This facility offers features necessary to meet the needs of breakbulk customers, such as on-dock rail and an incredibly strong pier. Additionally, the location is uniquely situated to take advantage of other port businesses such as the new Taylor Way Auto Facility, and a near terminal off-dock high and heavy vehicle processing center.

Growth in this business and securement of a long-term agreement has prompted several actions to meet the needs of customers and preserve growth opportunities in the future. They include:

- New Terminal Operating System
- Environmentally friendly Cargo Handling Equipment
- Yard Layout Optimization

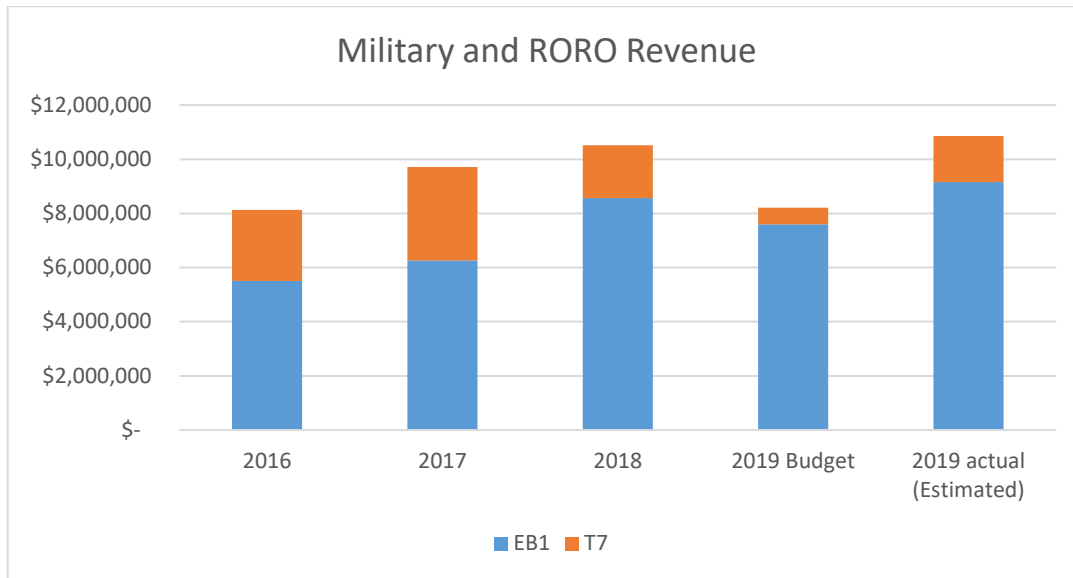
The NWSA Operations Department operates the terminals where the majority of breakbulk business is conducted through the gateway. This team manages receipt and delivery to/from ocean carriers, who contract with local stevedoring companies to work their vessels. Loading/unloading trucks and rail cars, in addition to managing current inventory, takes a skilled team of professionals to handle this ever-changing dynamic business.

E. CURRENT MARKET CONDITIONS

The Northwest Seaport Alliance has a strong foothold in the Pacific Northwest breakbulk market, as the NWSA currently handles 43% of breakbulk cargo in the region (per 2017 PIERS data). Nationally, the NWSA gateway holds a 2% market share of breakbulk metric tonnage handled, as gulf ports (Houston, Mobile, etc..) currently handle the majority of breakbulk and project cargo that enters the United States due to the high demand for energy projects in the gulf region.

A key market driver that has influenced the NWSA's growing breakbulk volumes is an increase in demand for mining, agriculture, and construction equipment in emerging markets. These additional markets have also experienced "source shifting," as manufacturers attempt to hedge against tariffs and currency exchange rates. Through conducting regular outreach with breakbulk ocean carriers and beneficial cargo owners (BCOs), NWSA commercial staff actively manages key customer relationships in order to grow business from these markets.

F. FINANCIAL IMPLICATIONS



The financial information provided is focused on the Ro-Ro Operation and includes military. 2019 April year to date revenue is over forecast by 64%.

G. ATTACHMENTS TO THIS REQUEST

Breakbulk Briefing Power Point

H. CONCLUSION:

Breakbulk is valuable and diverse contributor to the NWSA business portfolio. The uniqueness of this business requires a labor pool who possess handling skills as different as the cargo coming through the terminal. True to the history of each homeport, the NWSA handles the majority of breakbulk cargo coming into the PNW. To exemplify “Best in Class” customer service, staff routinely meets with key partners to enhance and grow the relationship so that we are the first gateway thought of when routing decisions are being made.