

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>5C</u>
Date of Meeting	<u>June 5, 2018</u>

DATE: May 22, 2018

TO: Managing Members, The Northwest Seaport Alliance

FROM: **Sponsor:** Dustin Stoker, Chief Operations Officer
Project Manager: Curtis Stahlecker, Capital Project Manager

SUBJECT: North Harbor Surplus Crane Dispositions – Project Authorization

A. ACTION REQUESTED

Request project authorization to remove four surplus ship-to-shore (STS) container cranes from Terminals 18 and 46 in the North Harbor in an amount not to exceed \$4,000,000 for work associated with the North Harbor Surplus Crane Dispositions, Master Identification No. U00293.

B. SYNOPSIS

The North Harbor has four STS container cranes previously surplusd between 2009 and 2012. The cranes were purchased in 1984 and are 50-foot gage. Several attempts have been made to sell or dispose of the cranes. However, the used crane market is limited and attempts to reach mutually agreeable terms with any interested parties have not materialized.

The drivers advancing the need to remove the cranes from the terminals:

- a. Lease obligation to remove the three cranes at Terminal 18.
- b. The crane at Terminal 46 limits some terminal space for TTI to utilize for operations.

C. BACKGROUND

The four (4) North Harbor STS container cranes are undersized and cannot efficiently handle cargo from the current vessel sizes calling at NWSA. These particular cranes were manufactured by Ishikawajima-Harima Heavy Industries, Ltd. (IHI) in 1984 and are numbered 51 through 54. They are the last remaining 50-foot gage cranes in the North Harbor. Due to the crane size they are not compatible with any other facility in the gateway.

Crane 54 is located at Terminal 46 and has been out of service since 2008 and subsequently declared surplus in 2009. Cranes 51, 52 and 53, located at Terminal 18, were

declared surplus in 2012 after the tenant exercised a lease option to deliver and commission 6 new STS container cranes that can service the ultra large container vessels. After the new cranes were commissioned, the removal of the IHI cranes from Terminal 18 became a lease obligation. These three cranes were scheduled to be removed from the terminal in 2014 and 2015; however, contract negotiations with the Pacific Maritime Association (PMA) and the International Longshore and Warehouse Union (ILWU) necessitated the postponement of the crane removal.

The NWSA does not have a terminal location or lessor with a need for the IHI cranes. Due to their size and age, attempts to sell the cranes have been unsuccessful with very limited and speculative interest expressed from outside the Puget Sound. Salvage value of the cranes is negligible. Even though the cranes have a large quantity of steel, the cost of dismantling and transporting the components to a recycling facility far exceed any revenue gained, regardless of the recycled steel market.

The NWSA and ILWU local 19, 52 and 98 have established a Memorandum of Agreement that preserves the existing work of the ILWU. This agreement will be incorporated with all crane removal work associated with the four surplus cranes.

PROJECT DESCRIPTION AND DETAILS

Project Objectives

Remove the cranes from the terminals in the most efficient and cost-effective manner possible while maintaining labor harmony within the harbor.

Scope of Work

Remove the four surplus cranes from the two terminals in the North Harbor.

Schedule

The four cranes are to be removed from Terminals 18 and 46 by the end of 2018.

D. FINANCIAL IMPLICATIONS

Project Cost Details

	This Request	Total Project Cost	Cost To Date	Remaining Cost
Procurement	\$0	\$100,000	\$45,000	\$55,000
Design	\$0	\$0	\$	\$0
Construction	\$3,900,000	\$3,900,000	\$	\$3,900,000
Total	\$3,900,000	\$4,000,000	\$ 0	\$3,955,000

Source of Funds

The current Capital Investment Plan allocates \$10,043,000 for this project (this includes the potential future removal of six cranes at terminal 5 in the North Harbor)

Financial Impact

The 2018 Operating Budget net distributable revenue (net income) is \$93.3 million, which did not include costs associated with crane removal. This expense was included in the 2019 forecasted net income.

Based on the first quarter results for the NWSA and current forecasted outlook for the remainder of 2018, it is anticipated that this project could be completed in 2018 without significantly impacting the NWSA's ability to deliver against its budgeted net income of \$93.3 million. This is due to slightly higher than anticipated non-containerized revenue and underspending in operating costs, staffing and other outside services costs.

The Port of Seattle adjusted the net book value of these assets to zero prior to the formation of the NWSA.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) Do Nothing:

Leaving the surplus cranes in place would impede future commercial uses and planned construction activities at Terminals 46 and would require an amendment to the lease at Terminal 18.

Alternative 2) This request:

Removing the surplus cranes from the terminals provides a benefit to the NWSA and satisfies a lease commitment. Removal of the three cranes at Terminal 18 is an existing lease commitment. The removal of the one crane at Terminal 46 frees the space for future commercial utilization.

Alternative 2 is the recommended course.

F. ENVIRONMENTAL IMPACTS/REVIEW

None

G. ATTACHMENTS TO THIS REQUEST

- North Harbor Crane Location slide presentation

H. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
October 7, 2016	Executive Authorization – North Harbor Crane Dispositions	\$100,000

September 11, 2012	Port of Seattle Commission - Second Reading of Resolution No. 3666, Surplus Port of Seattle cranes 51, 52, and 53 at Terminal 18	\$0
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February 24, 2009	Port of Seattle Commission - Second Reading of Resolution 3610, Surplus Port of Seattle crane 54 at Terminal 46	
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TOTAL

\$100,000
