

Item No.: 4B-Supp
Date of Meeting: August, 16, 2018



Pacific Rail Services, Inc. Intermodal Yard Operating Contract: Thirteenth Addendum

Michael Reilly
Director, Business Development, Commercial

Action Requested



Request authorization for the Chief Executive Officer or their delegate to execute the Thirteenth Addendum to the Pacific Rail Services (PRS) Intermodal Yard Operating Contract, Purchased Service Contract No. 83245.

- This requested action will retroactively re-establish an expired vendor services contract, and will reflect payments made for services provided during the lapse. The current lift fees paid by the Union Pacific Railroad, in effect since July 1, 2016, will continue through January 11, 2019.

Background



- The Port of Tacoma contracted with Pacific Rail Services (PRS) at the South Intermodal (SIM) yard in 1985, and they continue to be the operator.
- The primary customer is the Union Pacific (UP) Railroad Company Domestic Intermodal division.
- Union Pacific's Domestic Intermodal operation at TACSIM has positioned the Northwest Seaport Alliance to capitalize on the shift to increased transload business.
- 87,709 lifts were handled in 2017, projected growth in 2018 of approximately 12%.
- These local operations generate multiple revenue streams including lift charges, facility fees, gate charges and rents on approximately 30.6 acres leased to the UP.

Background (continued)



- The Lease and Operating Agreement with the UP will expire on January 11, 2019.
- PRS provides the operations, logistics and communication services needed to support the Union Pacific's Domestic Intermodal service.
- The Port has contracted with PRS to provide these services to the UP. Thus, fees paid to PRS are fully reimbursed by the UP.
- Work is accomplished by a locally-organized, dedicated workforce represented by the International Longshore and Warehouse Union (ILWU). The associated labor contract is bargained independently from the coast-wide agreement. PRS remains this collective bargaining unit's sole employer.

Purpose of This Request



- The contract that is the subject of this request was first approved by the Port Commission in 1991 and has been updated and amended via 12 succeeding addenda.
- The most recent addendum being approved by the Port Commission on September 25, 2014, prior to the formation of the Northwest Seaport Alliance (NWSA).
- Earlier this month, it was noted that the PRS contract had lapsed on October 1, 2017 following the expiration of the Twelfth Addendum.
- In the intervening months, no service interruptions were experienced and all parties have been compensated. Lift rates during this period remained unchanged and vendor services continued to be provided by PRS, with payment by the NWSA (as agent for the Port of Tacoma) totaling \$4,342,952 (valued as of July 13, 2018) for services rendered. These payments have been reimbursed by the UP fully.

Economic Investment/Job Creation



- The operation generates 20 direct jobs and a substantial number of indirect jobs. PRS has invested more than \$2,500,000 in new equipment to support its Tacoma operations.

Financial Summary



The domestic rail operation remains profitable.

	2018 Projected Original Budget
Revenues	\$10.2M
Payments to PRS	\$5.3M
Maintenance Expense	\$0.2M
Other Operating Expenses (Incl. NWSA Depreciation)	\$0.9M
Operating Income	\$3.8M
Return on Revenue (ROR)	37.3%

Environmental Impacts



- Moving containers by rail vs. truck require less fuel and generate fewer greenhouse gases per ton of cargo.
- Truck turn times often range from five (5) to seven (7) minutes, resulting in minimal idling and non-existent queue times.

Next Steps



- Upon Commission's approval, the Thirteenth Addendum will be executed by the Chief Executive Officer and issued to PRS as Purchased Service Contract No. 83245. As all associated facilities and operations are now licensed to the NWSA, the re-established PRS contract will be novated to the NWSA.
- This Thirteenth Addendum with PRS will expire on January 11, 2019. Staff is discussing long term arrangements with the UP and plans to carry a recommendation and request for action to the Managing Members before January 2019.

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