Trends in Global Shipping and Future Opportunities for Washington State Ports

Presented to:
National Conference of State Legislatures – Legislative Summit
Seattle, WA – August 3, 2015
1) SSA Marine Overview

2) Structural Changes to Global Container Trade and Impacts for Washington State ports

3) Review of U.S. Container Trade, Trade Deficit and Long-Term Implications

4) Reversing the Trend: Importance of Infrastructure Investment to Facilitate Bulk Exports to Asian Markets
Largest marine/rail terminal operator in U.S. and Western Hemisphere

220 operations in 10 countries with over 13,000 employees

In 2014 handled over 21 million TEUs, 4 million vehicles & 3 million passengers

High-wage union employer; award-winning leader in environmental practices
1) Structural Changes to Global Container Trade and Impacts for WA ports
Rapidly Increasing Vessel Size

Mega ships twice as long as Seattle’s Space Needle

![Image of vessel size comparison with Space Needle]
Blockbuster Shipping Alliances

G6 – the Grand Alliance
- APL
- Hapag-Lloyd
- Hyundai Merchant Marine
- Mitsui O.S.K. Lines
- NYK
- OOCL

CKYHE Alliance
- Cosco
- K Line
- Yang Ming
- Hanjin Shipping
- Evergreen

°Proposed ‘2M’
- Maersk
- MSC

°Proposed Ocean Three
- CMA CGM
- China Shipping Container Lines
- United Arab Shipping Co.

**Implications for Ports & Terminals:**
- Terminal rationalization
- Brand and service dilution
- Focus on cost reductions

**Key Result:**
- More freight in fewer gateways as volumes concentrate in fewer ships to reduce fixed costs per slot, they concentrate in fewer ports
Port of Seattle: 38% Utilization Rate

Result: Empty or underutilized facilities and an existential threat to container segment of WA maritime sector
2) Review of U.S. Container Trade, Trade Deficit and Long-Term Implications
Review of U.S. Container Trade & Deficit

- $40 billion monthly U.S. trade deficit is unsustainable in the long run
- Demographic shift may slow imports, but exports must be increased
- Investments in export-oriented infrastructure will make exports more competitive
What Can the U.S. Competitively Export?

- The U.S. has comparative (and competitive) advantages in the production of goods
- This is shown in the list of goods that the U.S. is prone to export.
- Agricultural, forestry and energy products top the list:

<table>
<thead>
<tr>
<th>Containerized</th>
<th>Bulk (dry &amp; liquid) / Breakbulk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scrap Metal and Waste</td>
<td>LNG</td>
</tr>
<tr>
<td>Raw Hides and Leather</td>
<td>Wood and Charcoal</td>
</tr>
<tr>
<td>Cotton - Untreated, Yarn And Woven Fabric</td>
<td>Cereal Grains / soy</td>
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<tr>
<td>Meat and other Edible Animal Parts</td>
<td>Crude Oil and Refined Petroleum</td>
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<tr>
<td>Paper and Paperboard</td>
<td>Live Animals</td>
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<tr>
<td>Plastics Feedstock and Manufactured Goods</td>
<td>Wood Pulp Scrap / Pellets</td>
</tr>
<tr>
<td>Chemical Products</td>
<td>Coal</td>
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</tbody>
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3) Reversing the Trend: Importance of Infrastructure Investment to Facilitate Bulk Exports to Asian Markets
Gateway Pacific Terminal - Cherry Point, WA
Gateway Pacific Terminal

Key Site Features

- 7,000 acres zoned heavy industry, GPT has 1,500 acres
- Natural 65 - 80’ Draft – No dredging necessary;
- Rail Service: BNSF at site boundary;
- Construct three (3) berths in 3000’ x 105’ footprint;
- Construct 1250’ x 50’ access trestle.
Washington State Labor Support

- Pierce County Central Labor Council
- Snohomish County Central Labor Council
- Southwest WA Central Labor Council
- Northwest WA Central Labor Council
- Northwest WA Building Trades
- Seattle / King County Building Trades
EIS Permitting Timeline for GPT

- Permit Application Filed - **Feb. 2011**
- NEPA /SEPA Notice of Intent - **Sept. 2012**
- Public Input on EIS Scope – **up to Jan. 2013**
- Final EIS Scope Determined – **July 2013**
- Analysis and Writing EIS
- Draft EIS Released – **Q2 2016**
- Public Comment on Draft EIS
- Final EIS Released
- Record of Decision

**Bottom Line:** Nearly 3 years since NOI, over $7 million spent to date on EIS, draft EIS still almost 1 year away
Federal vs. State EIS Scopes

NEPA EIS Scope:

- NEPA scope for the EIS analysis is confined primarily to the project site.
- Corp statement on scope:

  “When considered in accordance with the laws and regulations discussed above, many of the activities of concern to the public, such as rail traffic, coal mining, shipping coal outside of U.S. territory, and the ultimate burning of coal overseas, are outside the Corps' control and responsibility for the permit applications related to the proposed projects”.

SEPA Expanded EIS Scope:

- Indirect rail impacts from mine to terminal.
- Vessel traffic beyond Washington State waters.
- GHG emissions from mine to plant, including end-use of exported product overseas.

Conclusion & Result: WA state’s unprecedented EIS scope led to USACE to split from the Co-Lead arrangement and led to a climate of regulatory uncertainty.
Thank you for your time