



PORT OF BELLINGHAM
Washington State

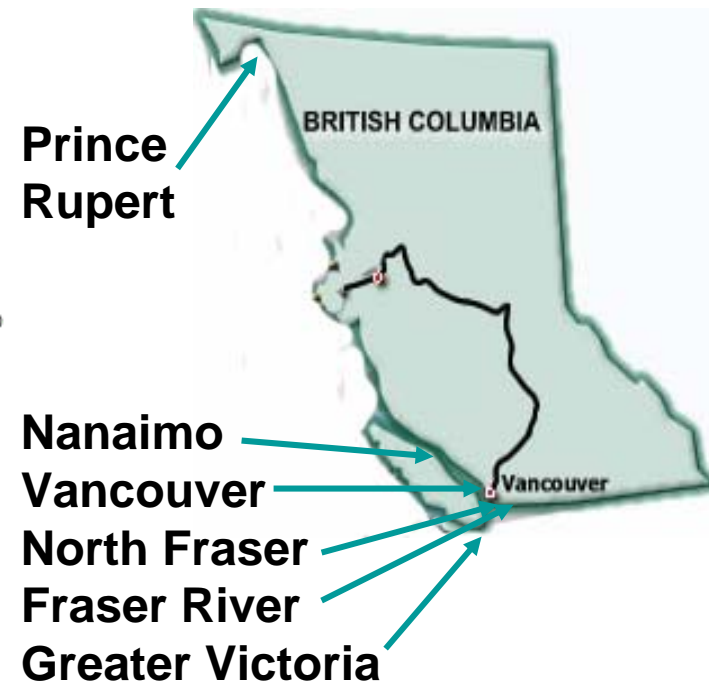
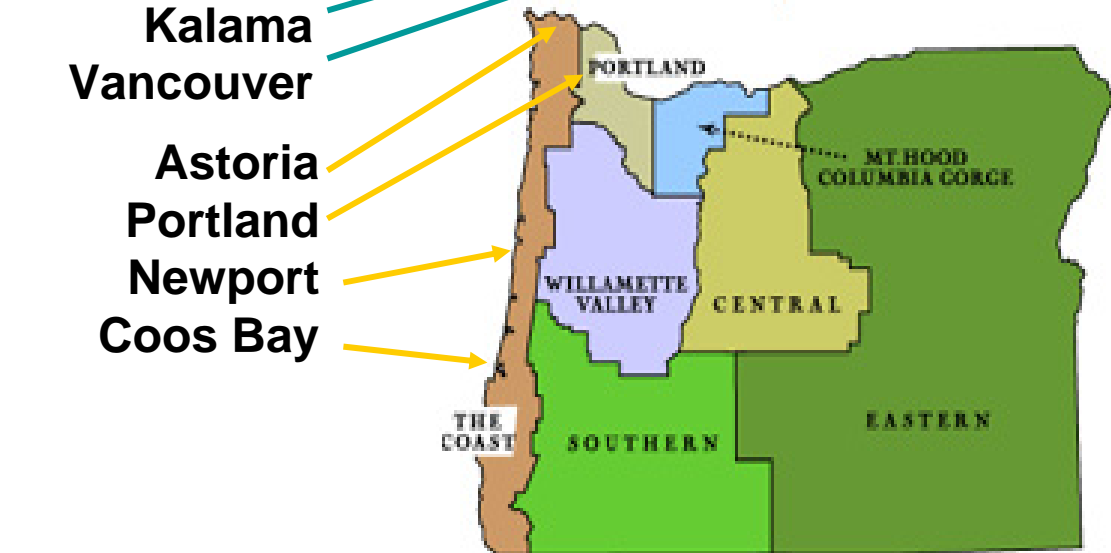
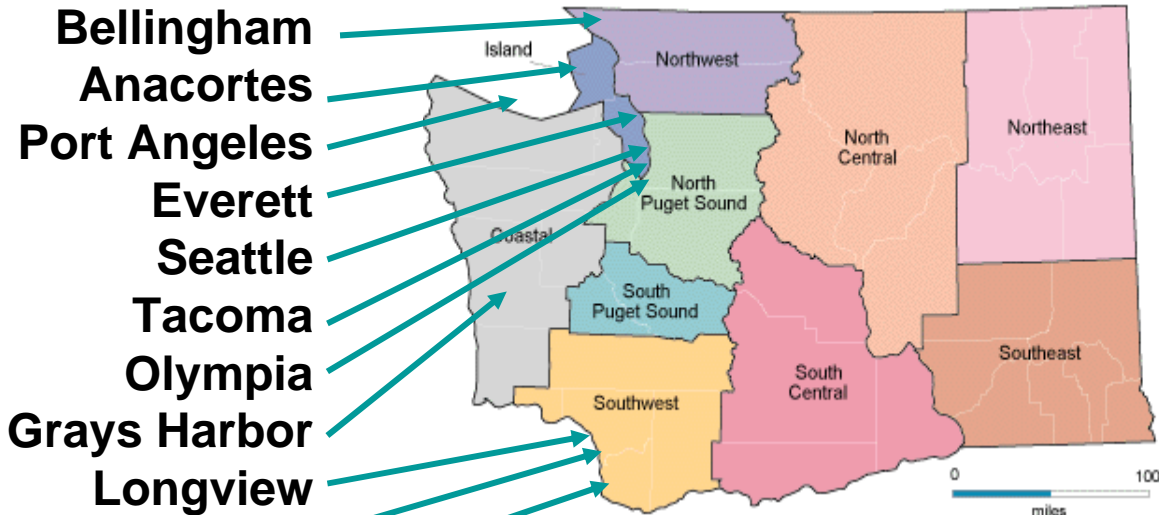
Cargo Update

May 2, 2006

Introduction

- I. Brief History of Cargo Movements in the Pacific Northwest
- II. Port of Bellingham Marketing Efforts and Strategic Planning
- III. Next Steps

Pacific Northwest Deep Water Ports



Washington & Oregon Deep Water Ports

- Ports prospered by handling cargo originating nearby – mills, suppliers, etc.
- Many breakbulk carriers with small vessels stopping at ports for as little as 500 tons.
 - South America
 - Australia
 - Europe
 - Middle East
 - Africa

Historic Range of Breakbulk Products

■ Export

- Logs
- Lumber & Plywood
- Pulp & Paper
- Foodstuffs
- Aluminum & Metals
- Machinery

■ Import

- Steel
- Machinery
- Rubber



Early 1990's

- 80 – 90% Decline in breakbulk cargo volumes
 - Federal & State restrictions on export of logs.
 - Mill closures due to logging restrictions.
- Larger container ships had space to fill westbound.

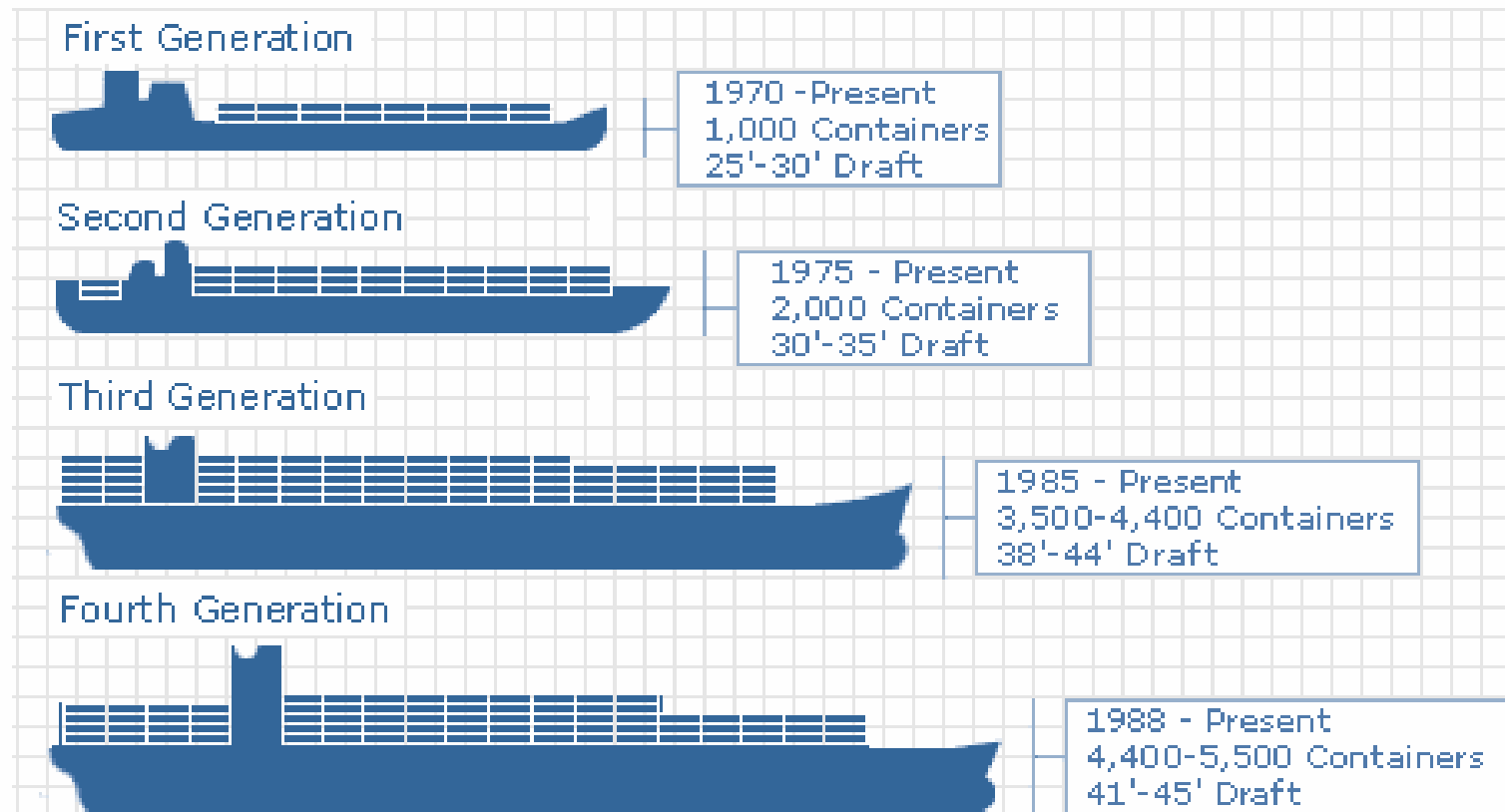


Early 1990's

- 80 – 90% Decline in breakbulk cargo volumes
 - Containers – lower loading/unloading costs, cargo protection, intermodal.
 - New generation of larger breakbulk ships demanded more cargo for a vessel call.
 - Larger volumes generally more readily available in the major population centers.



The Evolution of Container Ships



The Biggest Northwest Port

- Historically, Portland has been the largest despite being 100 miles upriver.



Shipper Decisions Based on Lowest Overall Costs

- Decision influenced heavily by inland transportation costs, not vessel costs
 - Trucks: \$0.10 - \$0.20 per ton mile
 - Rail: \$0.03 per ton mile
 - Ship: \$0.003 per ton mile
- It is cheaper to take ships to the cargo versus cargo greater distances to meet ships.

3 Categories of Ports

- Large Metropolitan Ports
- Satellite Ports
 - Close to metropolitan areas.
 - No inland transportation disadvantages.
- Remote Ports
 - Located at a distance from major metropolitan areas.
 - Disadvantages in terms of inland rates and infrastructure.

Metropolitan Ports

❖ Seattle ❖ Portland
❖ Tacoma ❖ Vancouver
BC

- Land, capital highway and rail connections to attract high volume business.
- Containers
- Large, high volume bulk terminals
 - Grain
 - Fertilizers
 - Soda ash
- Automobiles
- Residual breakbulk business

Satellite Ports

- ❖ Everett
- ❖ Vancouver, USA
- ❖ Olympia
- ❖ Fraser Port

- Same highway and rail connections as metropolitan ports--less capital and land.
- Some high volume bulk terminals
 - Grain
 - Fertilizers
- Limited automobile imports
- Residual breakbulk business

Remote Ports

- ❖ Coos Bay
- ❖ Newport
- ❖ Astoria
- ❖ Longview
- ❖ Grays Harbor
- ❖ Port Angeles
- ❖ Anacortes
- ❖ Bellingham

- All have inland transportation cost disadvantages – distance from cargo.
- Some lack rail service and freeway access
- Some “pocket” bulk business
 - Wood pellets
 - Petroleum coke
 - Soy beans
- Very limited residual breakbulk business. Most haven't found new business.

Since 1990 – Few “New” Cargos

- Import
 - Windmills
 - Aluminum
 - Logs
 - Pipes for pipelines
- Export
 - Project cargo
- Port marketing dollars are often devoted to developing existing business at other ports rather than finding “new” business.

What about Bellingham and Whatcom County?

- A diverse range of marine activity
 - Oil tankers at refineries
 - ALCOA Alumina imports
 - Bellingham Cold Storage – fish & poultry exports
 - Other barge terminals like Colony Wharf
- Facilities
 - Sand gravel
 - Limestone rock
 - Forest products

What about Bellingham and Whatcom County?

- Proximity to Canada and Vancouver Island
- Kept local pulp, aluminum & woodchip business until late 1990's then abrupt decline.



Competitive Issues - Washington

- Lack of land, capital, geographic location to handle containers, automobiles, large bulk accounts.
- Ferndale area could accommodate large bulk business.
- Washington breakbulk accounts – only a handful of accounts & location is south and east of Seattle.
- \$7 - \$10 inland transportation disadvantage. Everett, Seattle, Tacoma & Olympia all geographically closer.

Competitive Issues - Canada

- Many more breakbulk accounts than Washington.
- Extensive market coverage 1997 – 2000. Regular market contacts ongoing.
- Lack of cooperation between U.S. and Canadian railroads.
- Difference in highway load limits – Canada vs. Washington.
- Lower dockside labor rates in Canada.

Competitive Issues – Vancouver Island

- Reduced volume of paper and lumber because of mill closures.
- Some competition with private, non-union barge docks.
- Barge and truck combined rates can favor lower Puget Sound ports.
- Some renewed interest coupled with “short sea shipping” initiatives.

Summary of Competitive Issues

- U.S. and Canada breakbulk cargo – haven't found any means of being the “low cost” port.
- Need to market special physical attributes, not just price competition.
- Have been trying to market the terminal “as is”.
- Now major capital required – rail and meeting new security standards.
- Need to find some high volume, ongoing business. Just handling “spot” or “project” breakbulk cargo won't pay for terminal upgrade.

Possibilities

- Marine related industrial use – a company that wants to use the terminal to process cargo rather than just having cargo transit the terminal
- Possible shared use with institutional customers like NOAA or Coast Guard
- Pocket bulk business
 - Fertilizers
 - Wood pellets
 - Etc.

Possibilities

- Capital investment in special use handling equipment in exchange for a long term contract.
- No wisdom in a “*build it and they will come*” approach to terminal upgrades.
- Major bulk business at Ferndale/Cherry Point:
Possible Private – Public Partnership

Key Issues

- Scarcity of waterfront land coast wide means there will eventually be demand for facilities in Whatcom County.
- Timing unknown – could be next year, five years or longer.

