

**MINUTES
REGULAR COMMISSION MEETING
THE PORT OF PORTLAND
December 10, 2014**

Following due notice to the public, the regular meeting of the Board of Commissioners of the Port of Portland was held at 9:30 a.m. in the Chinook conference room of the Port's administrative offices located at 7200 NE Airport Way.

An audio recording was made of these proceedings. The recording, and the full Commission agenda, is available by contacting the Port of Portland administrative offices, 7200 N.E. Airport Way, Portland, Oregon 97218. The following written minutes constitute a summary of the proceedings.

QUORUM

Commissioners present were Jim Carter, President, presiding; Tom Chamberlain; Diana Daggett; Bruce Holte; Linda Pearce and Tom Tsuruta. Also present were Bill Wyatt, Executive Director, participating staff members and members of the public.

LEAVE OF ABSENCE

Commissioner Carter called for a motion to grant a leave of absence to Commissioners Bragdon, Levy and Rosenbaum, who were out of town. Commissioner Holte moved to grant the leave of absence. Commissioner Daggett seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte and Pearce voted in favor of the motion. Commissioner Tsuruta was not present for the vote.

MINUTES

Commissioner Carter called for a motion to approve the minutes of the Regular Commission Meeting of November 12. Commissioner Daggett moved to approve the minutes. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte and Pearce voted in favor of the motion. Commissioner Tsuruta was not present for the vote.

EXECUTIVE DIRECTOR'S REPORT

Bill Wyatt addressed the Commission and audience. He said his formal Executive Director's report is attached to the Commission packet that is sent out with the Commission materials prior to the meeting.

Mr. Wyatt's comments covered the following general topics:

- Welcome to Keith Leavitt, the Port's new Chief Commercial Officer;
- Announcement regarding new air service to St. Louis via Alaska Airlines;
- Port received ISO 14001 certification;

- History of Dredging: Working on the River exhibit at the Portland History Museum closes December 14;
- Update on Pembina and the City of Portland's Planning and Sustainability Commission hearing on code revisions; and
- Update on the PDX Workplace initiative from Curtis Robinhold.

Commissioner Carter called for a motion to approve the Executive Director's Report. Commissioner Daggett moved to approve the Executive Director's Report. Commissioner Bragdon seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte, Pearce and Tsuruta voted in favor of the motion.

ACTION ITEMS

Agenda Item No. 1

LAND ACQUISITION – APPROXIMATELY 46.23 ACRES – HILLSBORO

This agenda item requested approval to purchase approximately 46.23 acres of vacant land located at 25300 NW Evergreen Road, adjacent to the Hillsboro Airport for an amount not to exceed \$9,867,517.

Scott Kilgo presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to purchase approximately 46.23 acres of vacant land located at 25300 NW Evergreen Road, adjacent to the Hillsboro Airport, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Carter called for a motion to approve the Executive Director's recommendations. Commissioner Holte moved that the Executive Director's recommendations be approved. Commissioner Tsuruta seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Holte, Pearce and Tsuruta voted in favor of the motion.

Agenda Item No. 2

EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT – TERMINAL BALANCING CONCOURSE E EXTENSION – PORTLAND INTERNATIONAL AIRPORT

This agenda item requested approval of an exemption from competitive bidding, enabling the Port of Portland to use a competitive request for proposals process to procure the public improvement contract for construction of the Terminal Balancing Concourse E Extension Project at Portland International Airport.

Stan Snyder presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That the Port of Portland Commission, in its capacity as the Port of Portland Contract Review Board, approves the findings set forth in the attached, "Findings in Support of an Exemption from Competitive Bidding – Terminal Balancing Concourse E Extension, Portland International Airport," dated December 10, 2014; and

BE IT FURTHER RESOLVED, That the Port of Portland Commission, in its capacity as the Port of Portland Contract Review Board, specifically exempts from competitive bidding the public improvement contract for the Terminal Balancing Concourse E Extension project, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Steve Be, a resident of New York and Los Angeles and representing Studio B LLC, addressed the Commission regarding the exemption from competitive bidding process and his interest in working with the Port.

Commissioner Carter recessed the Port of Portland Board of Commissioners and called to order the Port of Portland Contract Review Board.

Commissioner Carter called for a motion and second for approval of the findings in support of the exemption and approval to exempt from competitive bidding the Terminal Balancing Concourse E Extension project. Commissioner Daggett moved to approve the findings and exemption. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Holte, Daggett, Pearce and Tsuruta voted in favor of the motion.

Agenda Item No. 3

EXEMPTION FROM COMPETITIVE BIDDING FOR PUBLIC IMPROVEMENT CONTRACT – PHASE 2 GRADING, PLANTING AND SUNDIAL ROAD, GRAHAM ROAD AND SWIGERT WAY IMPROVEMENTS – TROUTDALE REYNOLDS INDUSTRIAL PARK

This agenda item requested an exemption from competitive bidding, enabling the Port of Portland to procure a public improvement contract for the Troutdale Reynolds Industrial Park Phase 2 Grading, Planting and Sundial Road, Graham Road and Swigert Way Improvements project using a competitive request for proposal process.

Robin McCaffrey presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That the Port of Portland Commission, in its capacity as the Port of Portland Contract Review Board, approves the findings set forth in the attached, "Findings in Support of an Exemption from Competitive Bidding – Phase 2 Development and Public Improvements, Troutdale Reynolds Industrial Park," dated October 6, 2014; and

BE IT FURTHER RESOLVED, That the Port of Portland Commission, in its capacity as the Port of Portland Contract Review Board, specifically exempts from competitive bidding the public improvement contract for the Troutdale Reynolds Industrial Park Phase 2 Development and Public Improvements project, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Carter called for a motion and second for approval of the Findings in support of the exemption and approval to exempt from competitive bidding the Troutdale Reynolds Industrial Park Phase 2 Development and Public Improvements project. Commissioner Tsuruta moved to approve the findings and exemption. Commissioner Holte seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Holte, Daggett, Pearce and Tsuruta voted in favor of the motion.

Commissioner Carter adjourned the Port of Portland Contract Review Board and called to order the Port of Portland Board of Commissioners.

Commissioner Holte said that as a member of the International Longshore and Warehouse Union Local 8, he has an interest in any action that affects the Port's terminals and therefore declared a potential but not actual conflict for Agenda Item No. 4. He said he would participate in the discussion and vote.

Agenda Item No. 4

WEIGHTED VOLUME CONTAINER CARRIER INCENTIVE PROGRAM FOR TERMINAL 6

This agenda item requested approval of a one-year extension of the Container Carrier Incentive Program (Program) in a not-to-exceed amount of \$4 million for the 2015 calendar year. This Program extension is being proposed to support the continuation of container carrier services to the Port of Portland, as well as to enhance the environment for growing container volume and services calling Terminal 6.

Greg Borossay presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That approval is given to enter into a one-year extension of the Container Carrier Incentive Program to support the continuation of container carrier services at Terminal 6, consistent with the terms presented to the Commission; and

BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Mike Stanton, President of International Longshore & Warehouse Union (ILWU) Local 8, presented to the Commission a letter from Leal Sundet, ILWU Coast Committeeman, opposing the incentive program. Dave Strader, President of ILWU Local 40, provided remarks in opposition of the incentive program. Commissioner Holte also provided remarks regarding the agenda item.

Steve Be said he has concerns about whether the incentive program is the most efficient or sustainable solution to the issue at hand.

Mr. Wyatt and Commissioners Carter and Chamberlain provided remarks in response to the comments.

Commissioner Carter called for a motion to approve the Executive Director's recommendations. Commissioner Daggett moved that the Executive Director's recommendations be approved. Commissioner Pearce seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Pearce and Tsuruta voted in favor of the motion. Commissioner Holte voted against the motion.

Agenda Item No. 5

APPROVAL OF SUPPLEMENTAL BUDGET FOR FISCAL YEAR 2014-15

This agenda item requested approval of a Supplemental Budget for Fiscal Year 2014-15 to cover four situations that were not foreseen at the time the Port of Portland budget was adopted in June 2014: revenue and expense associated with additional dredging activity; the extension of the Weighted Volume Container Carrier Incentive Program; the purchase of the SolarWorld property in Hillsboro, Oregon; and administrative expenditures related to the segregation of the Customer Facility Charge fees.

Suzanne Kenny presented the Executive Director's recommendations as follows:

BE IT RESOLVED, That a public hearing be held prior to adopting the Supplemental Budget, in accordance with ORS 294.473; and

BE IT FURTHER RESOLVED, That in accordance with ORS 294.473, the Port of Portland Commission finds the need to make a Supplemental Budget to adjust appropriations within the General Fund, Bond Construction Fund, Airport Revenue Fund, Airport Construction Fund, and the Customer Facility Charge Fund for the amounts shown on Exhibit A to provide for the situations that had not been foreseen at the time of adoption of the Port of Portland's Fiscal Year 2014-15 Budget; and

BE IT FURTHER RESOLVED, That copies of Exhibits A, B and C, Supplemental Budget for Fiscal Year 2014-15, associated explanation of changes, and the Revised Schedule of Appropriations for Fiscal Year 2014-15 All Port Funds, shall be included in the minutes of this meeting; and

BE IT FURTHER RESOLVED, That the Supplemental Budget for Fiscal Year 2014-15 as submitted in Exhibit C is hereby adopted and the appropriations are approved; and

BE IT FURTHER RESOLVED, That the Budget Officer is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

Commissioner Carter opened a public hearing for the purpose of taking testimony on the Port's Supplemental Budget for Fiscal Year 2014-15.

Steve Be asked how the public could be part of the budget process.

Hearing no other comments, Commissioner Carter closed the public hearing and called for a motion to approve the Executive Director's recommendations. Commissioner Daggett moved that the Executive Director's recommendations be approved. Commissioner Pearce seconded the motion, which was put to a voice vote. Commissioners Carter, Chamberlain, Daggett, Pearce and Tsuruta voted in favor of the motion. Commissioner Holte was not present for the vote.

PUBLIC COMMENT

The following representatives from UniteHere addressed the Commission regarding a worker retention policy at PDX: Elvira Fillet, Maria Luna and Nischit Hegde. The following people from HMS Host also addressed the Commission regarding a worker retention policy: Crystal Hendrix, Van Touch, Kevin Bell and Joanna Rudolph.

Commissioners Carter and Chamberlain provided comments in response to the public testimony.

The meeting adjourned at 11:45 a.m.

Following adjournment of the Commission meeting, Scott Drumm presented a brief, informal update to the Commission on the Port's Strategic Plan.

President

Assistant Secretary

Date Signed

SUPPLEMENTAL BUDGET - FISCAL YEAR 2014-15

	ADOPTED BUDGET June 19, 2014	CHANGES TO APPROPRIATIONS December 10, 2014	REVISED APPROPRIATIONS December 10, 2014
GENERAL FUND			
Beginning Balance	\$ 107,627,547		\$ 107,627,547
Operating Revenue	59,493,234	\$ 2,000,000	61,493,234
Interest on Investments/Other	1,405,812		1,405,812
Service Reimbursements	35,502,570		35,502,570
Transfers from Other Funds	3,244,267		3,244,267
Total Resources	\$ 207,273,430	\$ 2,000,000	\$ 209,273,430
Corporate Administration	\$ 49,285,621		\$ 49,285,621
Marine	25,411,129	\$ 2,000,000	27,411,129
Industrial Development	5,393,902		5,393,902
Navigation	10,256,883	2,000,000	12,256,883
General Aviation	2,543,838		2,543,838
Sub Total	92,891,373	4,000,000	96,891,373
Service Reimbursements	484,713		484,713
System Development Charges/Other	5,000		5,000
Long-Term Debt Payments	11,033,671		11,033,671
Other Environmental	2,822,403		2,822,403
Cash Transfers to Other Funds	23,203,630		23,203,630
Contingency	76,832,640	(2,000,000)	74,832,640
Total Requirements	\$ 207,273,430	\$ 2,000,000	\$ 209,273,430
AIRPORT REVENUE FUND			
Beginning Balance	\$ 77,800,443		\$ 77,800,443
Operating Revenue	201,857,139		201,857,139
Interest on Investments	512,237		512,237
Service Reimbursements	1,762,992		1,762,992
Transfers from Other Funds	160,000		160,000
Total Resources	\$ 282,092,811	\$ -	\$ 282,092,811
Operating Expenditures	\$ 88,515,287		\$ 88,515,287
System Development Charges / Other	5,000		5,000
Service Reimbursements	25,095,800		25,095,800
<i>Cash Transfers to Other Funds</i>			
<i>Airport Revenue Bond Fund</i>	45,917,505		45,917,505
<i>Airport Construction Fund</i>	26,858,003	\$ (10,000,000)	16,858,003
<i>General Fund</i>	3,244,267		3,244,267
<i>Bond Construction Fund</i>	7,038,501	10,000,000	17,038,501
<i>CFC Fund</i>	6,218,448		6,218,448
Cash Transfers to Other Funds (Total)	89,276,724		89,276,724
Contingency	79,200,000		79,200,000
Total Requirements	\$ 282,092,811	\$ -	\$ 282,092,811

SUPPLEMENTAL BUDGET - FISCAL YEAR 2014-15 (Con't.)

	ADOPTED BUDGET June 19, 2014	CHANGES TO APPROPRIATIONS December 10, 2014	REVISED APPROPRIATIONS December 10, 2014
BOND CONSTRUCTION FUND			
Beginning Balance	\$ 10,000,000		\$ 10,000,000
Interest Income/Other	103,140		103,140
Federal/State Grants/Other	19,990,846		19,990,846
Property Tax	9,890,076		9,890,076
Transfers from Other Funds	30,242,131	\$ 10,000,000	40,242,131
Total Resources	\$ 70,226,193	\$ 10,000,000	\$ 80,226,193
Capital Outlay	\$ 57,151,642	\$ 10,000,000	\$ 67,151,642
Service Reimbursements	3,064,551		3,064,551
Cash Transfers to Other Funds	10,000		10,000
Contingency	10,000,000		10,000,000
Total Requirements	\$ 70,226,193	\$ 10,000,000	\$ 80,226,193
AIRPORT CONSTRUCTION FUND			
Beginning Balance	\$ 51,108,459		\$ 51,108,459
Interest Income/ Other	367,740		367,740
Federal / State Grants	11,219,058		11,219,058
Bond and Other Debt Proceeds	100,000,000		100,000,000
Transfers from Other Funds	39,816,003	\$ (10,000,000)	29,816,003
Total Resources	\$ 202,511,260	\$ (10,000,000)	\$ 192,511,260
Capital Outlay	\$ 139,226,799		\$ 139,226,799
Bond Issue Costs/Other	1,500,000		1,500,000
Service Reimbursements	8,620,498		8,620,498
Cash Transfers to Other Funds	5,500,000		5,500,000
Contingency	47,663,963	\$ (10,000,000)	37,663,963
Total Requirements	\$ 202,511,260	\$ (10,000,000)	\$ 192,511,260
CUSTOMER FACILITY CHARGE (CFC) FUND			
Customer Facility Charge	\$ 13,711,591		\$ 13,711,591
Interest and Other	52,522		52,522
Transfers from Other Funds	6,218,448		6,218,448
Total Resources	\$ 19,982,561	\$ -	\$ 19,982,561
Bank Fees/Other	\$ -	\$ 5,000	\$ 5,000
Cash Transfers to Other Funds	12,650,000		12,650,000
Contingency	7,332,561	(5,000)	7,327,561
Total Requirements	\$ 19,982,561	\$ -	\$ 19,982,561

**PORT OF PORTLAND SUPPLEMENTAL BUDGET
EXPLANATION OF CHANGES TO APPROPRIATIONS - FISCAL YEAR 2014-15**

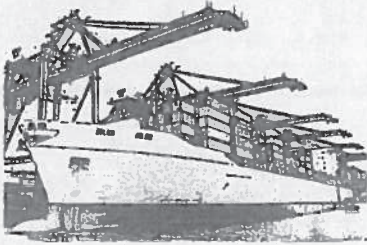
<u>FUND</u>	<u>AMOUNT OF INCREASE/(DECREASE)</u>	<u>REASON FOR CHANGE</u>
GENERAL FUND		
Marine	\$ 2,000,000	Increase to cover expenses associated with the extension of the Weighted Volume Container Carrier Incentive Program for Terminal 6.
Navigation	2,000,000	Increase to cover changes in anticipated dredging activity. The increased expenses are reimbursed by the US Army Corps of Engineers.
	<hr/>	
Contingency	\$ <u>(2,000,000)</u>	Balancing entry for increased Marine expenses.
BOND CONSTRUCTION FUND		
Capital Outlay	\$ <u>10,000,000</u>	Increase to cover HIO Property Acquisition.
AIRPORT CONSTRUCTION FUND		
Contingency	\$ (10,000,000)	Additional Capital Outlay in Bond Construction Fund results in an increased transfer from the Airport Revenue Fund further resulting in a corresponding decrease in the transfer from the Airport Revenue Fund to the Airport Construction Fund. The decrease in Contingency is the resulting balancing entry.
	<hr/>	
CUSTOMER FACILITY CHARGE FUND		
Bank Fees/Other	\$ 5,000	Establish an appropriation to provide for expenditures associated with the segregation of the Customer Facility Charge Funds in FY 2014-15.
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Contingency	\$ <u>(5,000)</u>	Balancing entry.

**PORT OF PORTLAND SUPPLEMENTAL BUDGET
SCHEDULE OF REVISED APPROPRIATIONS - FISCAL YEAR 2014-15**

	ADOPTED BUDGET June 19, 2014	CHANGES TO APPROPRIATIONS December 10, 2014	REVISED APPROPRIATIONS December 10, 2014
GENERAL FUND			
Corporate Administration	\$ 49,285,621		\$ 49,285,621
Marine	25,411,129	\$ 2,000,000	27,411,129
Industrial Development	5,393,902		5,393,902
Navigation	10,256,883	2,000,000	12,256,883
General Aviation	2,543,838		2,543,838
Sub Total	<u>92,891,373</u>	<u>4,000,000</u>	<u>96,891,373</u>
Service Reimbursements	484,713		484,713
System Development Charges/Other	5,000		5,000
Long-Term Debt Payments	11,033,671		11,033,671
Other Environmental	2,822,403		2,822,403
Cash Transfers to Other Funds	23,203,630		23,203,630
Contingency	76,832,640	(2,000,000)	74,832,640
Total Requirements	<u>\$ 207,273,430</u>	<u>\$ 2,000,000</u>	<u>\$ 209,273,430</u>
AIRPORT REVENUE FUND			
Operating Expenditures	\$ 88,515,287		\$ 88,515,287
System Development Charges / Other	5,000		5,000
Service Reimbursements	25,095,800		25,095,800
Cash Transfers to Other Funds	89,276,724		89,276,724
Contingency	79,200,000		79,200,000
Total Requirements	<u>\$ 282,092,811</u>	<u>\$ -</u>	<u>\$ 282,092,811</u>
BOND CONSTRUCTION FUND			
Capital Outlay	\$ 57,151,642	\$ 10,000,000	\$ 67,151,642
Service Reimbursements	3,064,551		3,064,551
Cash Transfers to Other Funds	10,000		10,000
Contingency	10,000,000		10,000,000
Total Requirements	<u>\$ 70,226,193</u>	<u>\$ 10,000,000</u>	<u>\$ 80,226,193</u>
AIRPORT CONSTRUCTION FUND			
Capital Outlay	\$ 139,226,799		\$ 139,226,799
Bond Issue Costs/Other	1,500,000		1,500,000
Service Reimbursements	8,620,498		8,620,498
Cash Transfers to Other Funds	5,500,000		5,500,000
Contingency	47,663,963	\$ (10,000,000)	37,663,963
Total Requirements	<u>\$ 202,511,260</u>	<u>\$ (10,000,000)</u>	<u>\$ 192,511,260</u>
CUSTOMER FACILITY CHARGE (CFC) FUND			
Bank Fees/Other	\$ -	\$ 5,000	\$ 5,000
Cash Transfers to Other Funds	12,650,000		12,650,000
Contingency	7,332,561	(5,000)	7,327,561
Total Requirements	<u>\$ 19,982,561</u>	<u>\$ -</u>	<u>\$ 19,982,561</u>

SCHEDULE OF REVISED APPROPRIATIONS - FISCAL YEAR 2014-15 (Con't.)

	ADOPTED BUDGET June 21, 2013	CHANGES TO APPROPRIATIONS December 10, 2014	REVISED APPROPRIATIONS December 10, 2014
PASSENGER FACILITY CHARGE (PFC) FUND			
Letter of Credit / Other	\$ 10,000		\$ 10,000
Cash Transfers to Other Funds	15,062,877		15,062,877
Contingency	44,404,619		44,404,619
Total Requirements	\$ 59,477,496	\$ -	\$ 59,477,496
PASSENGER FACILITY CHARGE (PFC) BOND FUND			
Debt Service	\$ 14,635,993		\$ 14,635,993
Unappropriated Ending Balance	15,476,035		15,476,035
Total Requirements	\$ 30,112,028	\$ -	\$ 30,112,028
AIRPORT REVENUE BOND FUND			
Debt Service	\$ 51,440,293		\$ 51,440,293
Unappropriated Ending Balance	32,939,577		32,939,577
Total Requirements	\$ 84,379,870	\$ -	\$ 84,379,870
TOTAL ALL FUNDS	\$ 956,055,649	\$ 2,000,000	\$ 958,055,649
Less Unappropriated Ending Balances:			
Passenger Facility Charge (PFC) Bond Fund	\$ 15,476,035		\$ 15,476,035
Airport Revenue Bond Fund	32,939,577		32,939,577
Subtotal Unappropriated Ending Balance	48,415,612	-	48,415,612
TOTAL APPROPRIATIONS	\$ 907,640,037	\$ 2,000,000	\$ 909,640,037



COAST LONGSHORE DIVISION

INTERNATIONAL LONGSHORE & WAREHOUSE UNION

Robert McEllrath

Ray Familathe

Ray Ortiz, Jr.

Leal Sundet

December 5, 2014

VIA FIRST CLASS MAIL

Bill Wyatt
Executive Director
Port of Portland
7200 N.E. Airport Way
Portland, OR 97218

Mr. Wyatt:

In reviewing the Port of Portland's "Weighted Volume Container Carrier Incentive Program for Terminal 6", as presented to the Presidents of Locals 8 and 40 this Wednesday, I note that, while Portland's longshore workers continue to be blamed for productivity issues, the underlying purpose of the program is the desire to compete with the ports of Seattle and Tacoma.

We all know that greater pressure is being put on port authorities and terminal operators to contain costs and build infrastructure in order to accommodate the interests of carriers and shippers against the backdrop of the transformation and consolidation of the carrier industry. In Oregon, the politics of accommodating carriers to call Terminal 6 is driven by regional exporters for whom other port choices are not realistically available given the relatively low value of the commodities being exported. Carriers do not call a port just for exports because the income from imports greatly outweighs the income from exports. Thus, imports drive exports.

The Port's dogma is that longshore labor can work faster and, in so doing, the cost per container handled will be reduced, and this reduction in cost will be reflected in the rates that terminal operator ICTSI charges. No doubt, faster longshore labor results in a reduction in the cost of that labor as measured per container handled (subject, of course, to the cost incurred by the increase of accidents and injuries that invariably result from rushing labor in such a dangerous work environment). However, as the Port's presentation of its incentive program reflects, faster longshore labor alone will not change the consolidation trend in the carrier industry or the perpetual squeeze on port authorities to provide some form of public subsidy. Indeed, Portland is in a different position than other container ports in that it only has one terminal operator, ICTSI and, as a consequence, ICTSI enjoys a regional monopoly.

As an example of ICTSI's regional control, I have enclosed a copy of a November 17, 2014 email from ICTSI to the CKYH alliance stating ICTSI's intent to implement a rate increase of \$120 per container. This rate increase would not be possible in a port where shippers have the option of using another terminal within the port or where the carrier and terminal operator are



Bill Wyatt
December 5, 2014
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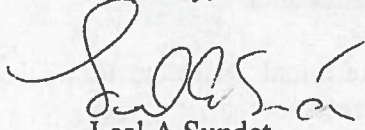
essentially subsidiaries of one other. In such ports, incentive programs of the type proposed by the Port of Portland cannot be hijacked by the terminal operator because the terminal operator must deal with a certain level of competition.

While the ILWU generally does not interject itself when a port authority wants to offer subsidies, it must be said that in order for the Port of Portland to obtain the desired result of the subsidy program (market share) Portland's one terminal operator, ICTSI, must have the same goal in mind. This is not the case here. ICTSI has not demonstrated at all that it considers anything but its own self-interest even if achieving these interests comes at the expense of the Port of Portland, the people of Oregon, and shippers. ICTSI's vehement refusal to discuss productivity with Local 8 in a non-confrontational environment and its "take it or leave it" negotiations with carriers and barge customers illustrate the point.

ICTSI is not a partner in the region and until it adopts the regional compassion and stewardship that is characteristic of the State, the Port of Portland, and regional exporters the Port's incentive program is a wasted resource. ICTSI's recently announced rate increase (\$120 per can) completely neutralizes the Port's incentive program (\$25 per can).

For these reasons, the ILWU opposes the proposed incentive program.

Sincerely,



Leal A Sundet
Coast Committeeman

Attachment

cc: ILWU Local 8
ILWU Local 40
Bruce Holte, Port Commissioner

cphm/opeiu29/afl-cio

Begin forwarded message:

From: David Trzyzewski

Date: November 17, 2014 at 5:30:06 PM PST

To: "Peterson, Neil i

Cc: "Capt. TR Lee

"Martinovic, Sam

Elvis Ganda

Subject: FW: ICTSI Oregon notice of rate increase at T6 to CKYH

Dear All,

Please be advised that due to rising operational costs resulting from ongoing ILWU job actions, ICTSI Oregon, Inc. will implement a \$120.00 per container (full or empty) rate increase to our current stevedoring rate schedule effective for all vessels arriving and commencing with cargo operations after 12:01 a.m. on Tuesday, November 25, 2014. This rate increase will remain in effect until further notice and does not include any negotiated PMA-ILWU wage and benefit increases agreed to and resulting in a new coast wide PMA-ILWU contract.

As we have advised you previously, any PMA-ILWU wage and benefit increase will be applied retro-active to July 1, 2014.

Sincerely,

David

David Trzyzewski

Chief Operating Officer

ICTSI Oregon, Inc.

4004 Kruse Way Place Suite 325

Lake Oswego, Oregon 97035

Main: (503) 212-2530