

PORTSIDE

SUMMER 2010

A Port of Portland publication featuring news and information about airports, marine terminals, industrial parks and environmental programs.



ICTSI: THE NEW OPERATOR IN TOWN

2

ICTSI: The New Operator in Town

4

Aviation News

6

Marine/Industrial Development News

8

Corporate News

9

Environmental News

10

A Deeper Channel

ICTSI:

THE NEW OPERATOR IN TOWN

In mid-May, Port of Portland commissioners approved a 25-year lease of the Port's Terminal 6 container and breakbulk facilities to International Container Terminal Services, Inc., the fourth largest independent container terminal operator in the world. The company operates 18 terminals in 13 countries, and Portland will be the company's first terminal in the United States.

This is the story of why and how the landmark deal was reached.

It all started back in 1974. Terminal 6 had been designed from the ground up as a modern, well-equipped container handling facility. Containerization was still a relatively new concept when the gates first opened 36 years ago, and the terminal was considered the most modern container facility on the West Coast. It enabled rapid transfer of cargo among rail cars, trucks, barges and ships. The facility was built at a cost of nearly \$17 million, and it had generated that much in revenue only three months after its 10th anniversary celebration.

In 1984, Sen. Mark Hatfield praised the efforts of the international trade community in making the facility a success. Terminal 6 garnered awards for design and development, and it was experiencing the highest levels of business since its dedication. Industrywide changes were occurring, and there was indisputable validation of the decision to create Portland's container terminal.

Over the years, the Port has done a solid job of operating the container facility. Infrastructure has been upgraded and expanded to accommodate larger and deeper drafting ships. Business has fluctuated as customers and shipping lines have come and gone, and the market has become increasingly volatile and highly competitive.

Since Terminal 6 began its operations, the majority of terminals on the West Coast and throughout the U.S. shifted from a model in which a port authority was the operator to a landlord model. Ports were partnering with private terminal operators, carrier-affiliated terminal operators, as

well as carriers, for the management of terminal assets under terminal lease agreements. Portland, nevertheless, remained an operating port. In fact, Portland was the last remaining West Coast public port authority still operating a container terminal.

Time for a Change

As the operator of the Terminal 6 facility, the Port received all terminal revenues from container carriers and terminal users, but was also responsible for all terminal operating liabilities, expenses and capital costs. Transitioning to a landlord shifts much of the capital risk to a private party that possesses additional global marketing reach. It stabilizes revenue and improves the capability to plan and invest in long-term, job-generating activities.

Beginning in November 2006, and progressing throughout 2007, Port staff undertook a comprehensive analysis of the "port operator" operating model. As part of this analysis, Port staff evaluated a number of operating structures with a focus on the more common public port authority "landlord model."

As a result of this market evaluation, the Port initiated a competitive bid process for a long-term, 50+-year concession agreement in early 2008. The market solicitation successfully identified a set of global players interested in operating Terminal 6. However, by November 2008, the Port concluded that the competitive process would not result in a successful conclusion based on rapidly deteriorating market conditions resulting from the global economic slowdown. That process was suspended.

ICTSI had become familiar with the Port during the 2008 concession process and expressed interest in exploring a conventional maritime lease with the Port after the concession process was suspended. The company, based in Manila, Philippines, is a growing global operator that has successfully expanded its international business portfolio by operating small and mid-sized terminals in niche markets. In 2009, ICTSI had a consolidated volume of 3.6 million TEUs and gross revenues from port operations of \$421 million.

The Road to a 25-Year Lease

It took much of 2009 to hammer out the details of a lease. During this time, ICTSI conducted an extensive facility condition assessment; there were also multiple negotiation sessions, legal review and refinement to ensure that it would be fully compatible with the Port's mission and



objectives. This was a critically important process as Terminal 6 accounted for about a quarter of both tonnage and vessel calls at the Port of Portland in 2009. The container and breakbulk facility serves more than 1,000 regional shippers and provides approximately 1,400 direct jobs, with about 250 people working at the terminal.

The lease agreement involves 192 acres of the Port's 386-acre Terminal 6, including containers and breakbulk, but not autos. It includes three berths, nine gantry cranes, an on-dock intermodal rail yard, more than 200 pieces of equipment, and assorted buildings used for administrative offices, maintenance operations and storage.

Under the agreement, responsibility for operation of the facility will transfer from the Port to ICTSI during the first quarter of 2011. Financial terms include an \$8 million payment at closing and an annual rent payment of \$4.5 million, subject to increases in the consumer price index. As terminal volumes increase over time, the Port can receive incremental revenue per container moved coupled with an intermodal assessment. The company has given an exclusivity commitment to the Port, ensuring that the growth of Terminal 6 is its top priority in the U.S.

ICTSI is permitted to operate Terminal 6 as a container shipping terminal consistent with the Port's mission of providing access to markets for the region's businesses. Throughout the lease, the Port retains ownership of the facility and the cranes, and retains responsibility for security and certain maintenance. Certain rolling stock equipment will be sold to ICTSI, but the lease requires the most modern and valuable of this equipment to remain at Terminal 6 for a certain portion of the lease term.

To ensure continuity of service, the agreement provides a transition period of six to nine months while the Port continues to operate the facility, and ICTSI Oregon – the Oregon corporation established by ICTSI to enter into the lease and operate Terminal 6 – forms its local staff and management structure.

ICTSI Oregon will be required to submit an environmental plan and management system that complies with international standards. These standards assist organizations in employing universally recognized best practices to ensure that business operations and environmental stewardship coexist. This ensures continuity in environmental programs and practices instituted by the Port.

A Vote of Confidence

At the Port's commission meeting on Wednesday, May 12, staff requested the approval of a 25-year lease to ICTSI. Marcelo Suarez, senior vice president of ICTSI, and Elvis Ganda, the new chief executive officer of ICTSI Oregon, introduced themselves and testified about their commitment to growing the business in Portland.

"Improving access and capacity for exporters and importers, and increasing volumes are the priorities of the Port and ICTSI. We have the capital and the international connections to make that happen," said

Suarez. "We have been aware for several years that the Port of Portland and ICTSI had complementary business goals. And, as we have gotten to know the City of Roses, we've been looking forward to the possibility of becoming part of this community."

Suarez said Portland will be the company's exclusive terminal facility on the U.S. West Coast and that Portland's growth is its top priority in the U.S. He shared ambitious plans to grow volumes and service offerings in the near and long term, including greater utilization of the Port's intermodal capabilities.

After the public hearing, commissioners unanimously approved the proposal. Bill Wyatt, executive director for the Port of Portland, expressed optimism about working with a proven, established operator that is committed to growing local container and intermodal business.

"With expanded global reach, access to private capital and incentive to grow the business here in Portland, we see a bright outlook for local jobs, cargo volumes and expanded access for regional exporters to ports worldwide," said Wyatt. "We see this lease agreement as a vote of confidence in our Port and the surrounding region from a growing international operator."

Labor representatives expressed support for the lease agreement. "We will welcome them to Portland with open arms," said Jeff Smith, president of International Longshore and Warehouse Union, Local 8. "Why wouldn't we open our arms up if they're going to bring more business here?"

Upon executing the lease agreement, ICTSI and the Port voluntarily submitted notification to the Committee on Foreign Investment in the United States, a federal interagency body, which will review the transaction to ensure that it is compatible with national security interests. Conclusion of that process is a condition of closing.

Turning the Corner

The Port has long connected the region to the national and global marketplace. Reaching this lease agreement was an important strategic objective to best continue that charge.

Freight volumes are returning; tonnage is increasing; and vessel calls are up. With the completion of the Columbia River channel deepening project this year and ongoing investments in road and rail infrastructure, the region will be fully prepared to capture growth in maritime trade and related jobs. This stands to yield improved access and capacity for both importers and exporters. The Port has already announced one new container service starting in July and, with ICTSI's involvement, others could soon follow.

In Tagalog, which, along with English, is one of the two national languages of the Philippines, there's a toast that means, literally, "long live." To the Port of Portland and ICTSI ... "Mabuhay!"

by Josh Thomas



Cover: Marcelo Suarez, standing center, and Elvis Ganda of ICTSI, seated center, join Port of Portland officials Sam Ruda, Keith Leavitt, Judi Johansen and Bill Wyatt, following Port commissioners' approval of the T-6 lease to ICTSI.



FLYING ELEPHANTS MINIMIZES WASTE

Elephants Delicatessen, in the Oregon Market at Portland International Airport, has a Green Team that brainstorm every day for new ways to be better, greener, cleaner. As part of the Portland company's philosophy, Elephants implements sustainable practices that reduce waste, conserve energy and support other local businesses. When Flying Elephants came to PDX in November 2009, that sustainability credo fit right in with the airport's recycling and composting initiatives.

Elephants uses compostable serveware, including hot and cold drink cups, straws, forks, knives, spoons, napkins, coffee cup jackets and to-go food envelopes. Employees are trained in recycling and composting, and almost all food preparation scraps are composted. Because customers don't always separate trash from recyclables and compostables, the staff goes the extra mile and checks garbage bags regularly for misdirected items. They use clear plastic bags for their garbage, making it easier for them to check. Elephants' staff actively researches alternative systems that could simplify and increase recycling and composting.

SUMMER SPLASH SPARKLES

As part of the annual Summer Splash event at Portland International Airport, Alaska Airlines is sponsoring a drawing to celebrate its nonstop flights to Hawaii. Two lucky visitors to Portland International Airport will win tickets to either Kona or Honolulu, Alaska's new destinations. The Honolulu flight begins Sept. 20, and the Kona service starts Nov. 12.

Summer Splash features sales, promotions, demonstrations, food and wine tastings, menu specials and live music throughout the terminal. This year the event runs from July 26 through Sept. 6.

NIKE—DELTA—PORT PARTNERSHIP ENERGIZES PDX

Solar energy is at work at Portland International Airport, thanks to an innovative, environmental partnership involving Nike, Delta Air Lines and the Port of Portland.

The partners have completed the final phase of a three-year project installing solar panels that supply 100 percent of the Nike Store's energy needs at PDX. The array of 140 photovoltaic panels is located on top of the canopy spanning the entrance to the airport terminal building, and is visible from the seventh floor of the short-term parking garage.

A display in the Nike Store illustrates the 30,000 kilowatt hours of energy produced annually by the solar panels, and is best viewed during daylight hours. Generating that amount of energy through solar panels helps keep nearly 40,000 pounds of carbon dioxide out of the air each year, as compared to generating the energy through fossil fuels, such as coal. That's equivalent to the air quality benefits of planting 450 trees each year.

In addition to its domestic air service at PDX, Delta Air Lines offers nonstop international air service to both Amsterdam and Tokyo, helping Oregon and southwest Washington businesses such as Nike meet their international travel needs. More information is available at www.pdx.com.



TRAVEL TIPS HELP MAKE AIRPORT VISIT STRESS-FREE

Nearly 4 million travelers are expected to travel through Portland International Airport during the summer vacation period of June, July and August, about a 1 percent increase over last year. Here are some suggestions for a smooth airport experience:

- Try parking in the new long-term parking garage, which offers covered parking near the terminal building for \$16 a day. Well-lighted, carpeted tunnels with moving sidewalks connect the seven-story garage to the terminal. Parking is also available in the short-term garage, directly across the street from the terminal, and in the economy parking lot with round-the-clock shuttle bus service. Valet parking is right in front of the terminal building. Regularly updated parking availability is displayed at www.pdx.com; updates are also posted on electronic roadway signs approaching the airport.

- Review travel tips and flight schedule information before leaving home. Visit www.pdx.com or call 1.877.PDX.INFO. The Transportation Security Administration also offers security-related travel tips and a complete list of prohibited items at www.tsa.gov.
- Expect busy conditions and arrive two hours early for domestic flights; two hours, 30 minutes for international flights.
- Remember the TSA offers family-friendly lanes at security checkpoints to provide extra assistance for those traveling with children, strollers and multiple carry-on bags, or anyone who needs extra assistance.
- Travelers are allowed to bring through the security checkpoint only one carry-on bag and one personal item such as a purse, briefcase or small backpack. Check with airlines for the number and weight of checked bags allowed and any associated fees.
- Motorists may park in the cell phone parking lot, located on N.E. Air Cargo Road, just west of 82nd Avenue, wait for a call announcing an arrival, and then quickly pull up to the airport terminal to pick up travelers. Parking along Airport Way is prohibited, except for emergencies, and parking curbside at the terminal is only allowed for active loading and unloading.

ALL ABOARD FOR NEW NONSTOP DESTINATIONS

Air Canada, Alaska Airlines and Continental Airlines made welcome announcements recently when they said they would add new nonstop air service to their schedules at PDX.

Toronto

Beginning June 17, Air Canada will offer daily nonstop service connecting Portland to Toronto, Canada. The flights will operate with an Embraer 190, offering nine seats in executive class and 84 seats in economy. The 2,090-mile trip features in-flight video-on-demand in every seat. This new Air Canada service complements its nonstop flights connecting PDX with both Calgary and Vancouver.

Kona

On Nov. 12, Alaska Airlines will begin seasonal nonstop service between Portland and Kona on the Big Island of Hawaii. The service will run four times a week through April 9 and will operate with Boeing 737 aircraft.

Honolulu

Alaska also announced it is adding a year-round nonstop flight, beginning Sept. 20, from PDX to Honolulu, Oahu. The service will operate with Boeing 737-800 aircraft, accommodating 16 passengers in first class and 141 in the main cabin. Alaska already flies nonstop between Portland and Kahului, Maui. The daily service is timed for convenient connections to and from points served by Alaska and Horizon Air in Alaska, Idaho, Oregon and Washington.

Anchorage

Continental Airlines is offering a daily summertime nonstop service between Portland and Anchorage, Alaska, beginning June 10 and running through Sept. 6. The flight will use 737-800 aircraft for the 1,542-mile trip. The service is timed for connections in Portland to Continental's hub in Newark, N.J.



PDX RUNWAY IMPROVEMENTS CONTINUE

The second phase of a three-year runway rehabilitation program at Portland International Airport is under way and spans through mid-October.

This year's work will extend the north runway, which is needed to accommodate larger aircraft that require the extra length for takeoff when the longer south runway closes for rehabilitation in 2011. The work requires some temporary changes in runway configurations, including a midsummer complete closure of the north runway. This will, on occasion, result in an increase in the number of aircraft using the crosswind (north-south) and south runways, and airport neighbors may notice a change in flight operations or noise.

Port staff have worked with the Federal Aviation Administration to ensure safe and efficient operations during construction while limiting the impacts of aircraft noise on neighbors. The FAA will continue to restrict jet use on the crosswind runway except when conditions require its use. In addition, late night aircraft operations will use the south runway when possible.

Neighbors with questions or concerns about aircraft noise are invited to contact 503.460.4100 or 800.938.6647 or jason.schwartz@portofportland.com. Those with questions or concerns about the runway project may contact 503.415.6547 or andy.priebe@portofportland.com. For information about upcoming events, or to schedule a presentation on the project, contact 503.415.6532 or brooke.berglund@portofportland.com.

NEW TEMPTATIONS FOR SHOPPING, DINING AT PDX

New amenities at Portland International Airport this summer include a gift store, restaurant and barbershop.

Open now post-security is a Made in Oregon store with an abundance of gift, wine and food items. Marionberry syrup, crab pâté, chocolate covered hazelnuts, fine wines and stout ales, smoked sturgeon, clam chowder, glass earrings, myrtlewood carvings, lotions and soaps that smell like rain – they're all available now on the D Concourse. The store features a customized inventory for the largely international clientele – passengers on the flights to Amsterdam and Tokyo, for instance. These transcontinental customers are especially interested in wine, large jars of jam and other gift items, and the store has many choices. There are also Made in Oregon stores on the C Concourse and pre-security, in the Oregon Market.

Beaches Restaurant & Bar, a locally owned and long-time Vancouver, Wash., favorite, offers breakfast, lunch and dinner, a full bar, sushi, and everything from steak to soups, salads and pizza. Beaches is family-friendly and provides activities for kids during meals. The restaurant also has power for laptop users. Within the restaurant is the Beach Shack, which serves quick service, to-go food for the traveler in a hurry.

The Barbers is another local business with locations in Vancouver and Portland. It will provide barber and shoe shine services in a sports-themed shop adjacent to the ABC security checkpoint, next door to Columbia Sportswear. The shop is planning to open midsummer.



AN ARTFUL CHALLENGE TO REUSE, RECYCLE, RETHINK

At the entrance to Concourse E at Portland International Airport, a unique fashion show asks the question, "What if the ultimate measure of coolness was how little you bought and how much you creatively reused?"

In an exhibit titled Junk to Funk, designers created couture fashion completely from recycled and reused materials – trash, in some cases. Kitty litter bags become a suit; vinyl records are reborn as sequins; coffee filters have an afterlife as the layered ruffles of an evening gown; miniblinds bend magically into a spunky dress. The items were part of the 2009 Junk to Funk Annual Fashion Show in Portland, which included a textile challenge category to encourage the use of reconstructed trash or used textiles.

The airport exhibit features six pieces and aims to emphasize responsible consumerism and generate waste reduction ideas.

Michael Smith of Rough Media designed and installed the exhibit, in association with the Port of Portland; it will be on display until September.

**New use for old miniblinds:
a designer dress.**



WYATT DELIVERS MESSAGE TO SUBCOMMITTEE

Bill Wyatt, executive director for the Port of Portland, testified before a Senate subcommittee in April to emphasize the importance of seaports to the nation's exports and to identify existing transportation infrastructure constraints that threaten to hamper growth.

Fellow port officials and industry leaders involved with trade and transportation gathered in Washington D.C. for a hearing titled Doubling U.S. Exports: Are U.S. Seaports Ready for the Challenge? The session was convened by Sen. Ron Wyden, chair of the Subcommittee on International Trade, Customs and Global Competitiveness.

Wyatt identified four primary challenges for moving forward: the poor condition of ground transportation infrastructure, deferred maintenance and improvement of waterways, lacking investments in terminal infrastructure at seaports, and limited industrial property near seaports for export and import facilities. He also cited the availability of containers and equipment as a going concern – but as a commercial problem more than a policy problem.

Wyatt offered a series of recommendations and solutions to these challenges, such as establishing a national freight strategy, creating an office focused on freight mobility and dedicating federal funds to freight projects in the surface transportation authorization bill. He also advocated funding for waterway improvements, incentives for investment in freight rail service and removal of obstacles to brownfield remediation and redevelopment.

He expressed support for the president's National Export Initiative and encouraged Congress to stimulate U.S. exports through the U.S.-Korea Free Trade Agreement. "The Port of Portland and other U.S. port authorities are committed to helping American producers increase their exports to foreign markets," said Wyatt. "We recognize the higher value that exports generate for producers, their employees, and the communities in which they're located."



WESTWOOD TO CARRY EXPORTS TO JAPAN AND KOREA

Starting July 11, a new international shipping service provided by Westwood Shipping Lines will provide regional exporters with direct access to ports in Japan.

The monthly service will provide space for more than 200 containers per month. A six-month initial agreement with an option to extend for an additional year provides potential to quickly increase the frequency and capacity of the service.

"While this will start relatively small, the relevance to shippers in our region is great," said Greg Borossay, senior manager of carrier development for the Port of Portland. "This is a key mission-driven service for the Port and the Columbia River basin, and there is solid potential for growth."

Westwood's Portland service will carry nonrefrigerated containerized agricultural products including hay, as well as paper products and other commodities from valley, upriver and inland customers. Ports of call in Japan will include Shimizu, Tokyo,

Yokohama, Osaka and Nagoya, as well as Busan in Korea. Westwood provides service to more ports in Japan on a direct call basis than any other carrier.

Westwood provides unique flexibility in carrying varied cargo types, and, with the combination of containerized goods and heavy bulk cargoes, vessel draft can be an issue. Fortunately, the Columbia River channel deepening project is nearing completion, bringing the channel from 40 to 43 feet.

"Completion of the navigation channel improvements helped make this possible for us," said Guy Stephenson, president of Westwood. "We welcome this opportunity to expand our service and support our customer base."

Not only does the new service answer an immediate need expressed by regional exporters, it supports President Obama's national export initiative. The president's executive order calls for doubling U.S. exports over the next five years.



STUDENTS PROPOSE IDEAS FOR INDUSTRIAL PARK

The Port of Portland's Troutdale Reynolds Industrial Park served as a senior capstone project for civil engineering students from Oregon State University. The complex project involved 18 groups of five students, and each team was responsible for proposing solutions and submitting design documents to develop three lots in the second phase of the industrial park. The teams were required to use their engineering skills to cover the range of engineering specialties the project required.

Approximately half of the overall site is developable, with wetlands, trails and open space covering the other half. The students' job was focused on land slated for future development – three lots on approximately 82 acres. All three of the lots have some existing wetlands as well as involvement in the groundwater restricted zone specified by the Superfund listing. With a nearby Bonneville Power Administration substation, plans needed to account for electric transmission infrastructure. One of the lots is further encumbered by the presence of a high pressure natural gas transmission line.

In May, the student teams presented their roadway, storm drainage, sanitation, wetland preservation, natural resource, and building design models at the 11th annual Engineering Expo at Oregon State University. At the event, the Troutdale Reynolds Industrial Park project joined more than 100 student projects representing the school's best undergraduate engineering talent. The teams also presented their project plans and designs to panels of engineers, including Port staff, for evaluation.

UNITED STATIONERS SELECTS RIVERGATE

Thanks to companies such as United Stationers Supply Co., Rivergate Industrial District has been one of the most successful industrial submarkets in the Portland area this year. United Stationers recently entered into a long-term lease at Rivergate Corporate Center III for 195,510 square feet.

United Stationers is a leading North American wholesale distributor of business products, including office products, computer supplies, office furniture, and facilities and maintenance supplies. It is a publicly traded company based in Deerfield, Ill. Through its 64 distribution centers, the company provides delivery throughout the U.S. and Mexico.

"This is another strong example of a regional distribution use that has chosen excellent real estate at an excellent location," said Steve Sieber, vice president of development management for Trammell Crow Co.

Located in the heart of the Rivergate Industrial District near the Port's container terminal, the 573,420- square-foot building the company selected is ideally situated and designed for import/export and distribution users. This property is owned by the Multi-Employer Property Trust. It is also home to a distribution facility for Colgate Palmolive Co., managed by third party logistics firm Jacobson Cos.

The Rivergate Corporate Center III building is now at 60 percent occupancy. It is the first of six buildings in a 2.4-million-square-foot project spanning 113 acres. The property is located within a designated Foreign Trade Zone, as well as the Portland Enterprise Zone, which offers property tax abatement for qualified companies. The building has also earned Leadership in Energy and Environmental Design, or LEED, silver certification by the U.S. Green Building Council.

PIPELINE MEANS OPPORTUNITIES FOR T-4 DEVELOPMENT

Although Terminal 4 has been an active, working marine terminal since the early 1900s, parts of the 280-acre facility have been idled in recent years. With the removal of outmoded infrastructure and construction of a new liquid bulks pipeline now under way, however, many acres along the waterfront are being restored to productive use.

When considering options for the best alternatives, marketing efforts and studies determined that opportunities exist in markets associated with liquid bulk commodities. This use is also compatible with current tenant International Raw Materials, which imports and distributes liquid bulk products.

A \$5.6 million proposal to construct a new pipeline support structure was submitted to the state of Oregon as part of the ConnectOregon II Multi-Modal Transportation Fund Program in 2007. The project was accepted, and, due in part to the competitive bid climate, the budget estimate to complete this work was reduced to \$4.6 million. Under the funding agreement, 80 percent of the eligible costs will be reimbursed to the Port, and 20 percent will be funded by the Port of Portland's general fund.

In December 2009, Port commissioners approved a construction contract to Todd Construction, Inc. for demolition of the obsolete equipment and construction of structural pipeline supports. This project will assist the Port in business development efforts to obtain additional tenants for a broad range of commodities. The supports are designed and located to accommodate multiple tenants and 15 pipelines that will cater to specific tenant needs. Completion is anticipated by October 2010.



Out with the old; in with the new: Removal of outmoded grain conveyances makes way for a new pipeline rack system.

DIVERSE CASCADE STATION ENERGIZES REGION

By all indications, Cascade Station, a 120-acre, mixed use development adjacent to PDX, is thriving. Shoppers, diners, office workers and college students frequent the area that is connected by MAX light rail to PDX, as well as to downtown Portland and points beyond.

Most recently, developer Trammell Crow Co. announced that a 110-year-old Wisconsin-based engineering firm, Mead & Hunt, Inc., has leased space in Corporate Center I, Trammell Crow's office building that was built to Leadership in Energy and Environmental Design, or LEED, gold certification standards. Additional space in that building is still available. A second office

building is fully leased to ITT Technical Institute.

The first Cascade Station stores opened in 2007 when IKEA, the world's leading home furnishings retailer, moved in to anchor one end of the development. Since then, the retail space, office space and hotel rooms have steadily filled.

To name a few, Aloft Portland Airport Hotel, Hyatt Place Portland Airport, the Residence Inn by Marriott, a retail Carhartt store and YoCream – the first in the nation for both – an IHOP restaurant, Target and 35 other stores, restaurants and a bank have also opened their doors.



Celebrating the FedEx award are, from left, Todd Predmore, Skanska USA Building; Scott DePoy, FedEx Ground; Ryan Parker, Port of Portland; Firyal Kassim, FedEx Ground; Joe Mollusky, Port of Portland.

FEDEX GROUND AWARD

The \$129 million regional distribution hub that FedEx Ground constructed at the Troutdale Reynolds Industrial Park has yet to open its doors for business, but it has already earned its first award.

FedEx Ground's new facility was honored at the 2010 Oregon Brownfields Conference, sponsored by Business Oregon and the Oregon Department of Environmental Quality; company representatives were on hand to accept the award. The company was honored for its significant investment in redeveloping a contaminated parcel and returning it to productive use. FedEx Ground worked closely with the Oregon Department of Environmental Quality, U.S. Environmental Protection Agency, city of Troutdale, and the Port, for design and construction.

The new hub is located on 78 acres within the footprint of the former Reynolds Metals aluminum smelter, which ceased operation in 2000. As a 700-acre brownfield and Superfund site, the property has been remediated to industrial cleanup standards and is now the home of the Port's newest industrial park, where FedEx Ground is the anchor tenant. In total, about 350 acres will be developed as individual lots.

"We view the new Troutdale hub as a win-win for us and the community-at-large, because a site that was unproductive for years will soon be home to a 400,000-square-foot, state-of-the art operation," said John Hiltz, vice president of the western region for FedEx Ground.

The hub, which is in the final stages of construction, is scheduled to open in August and is expected to eventually have a work force of more than 1,000 people, including part-time and full-time employees, as well as independent contractors and their employees.



PORT'S BUDGET REFLECTS CAUTIOUS OPTIMISM FOR THE YEAR AHEAD

The Port of Portland's budget for fiscal year 2010-11 reflects a projected slow economic recovery, flat revenues and a transition from an unprecedented high capital project activity level.

"This year's budget represents prudent fiscal planning as well as the fact that we still have challenges ahead," said Bill Wyatt, Port of Portland's executive director, "but I am optimistic about the future. Our recent investments in infrastructure position the Port well to meet the region's transportation needs in an improving economy and will help local shippers and businesses remain competitive in the global marketplace."

About \$750 million in large multiyear Port

projects has been completed in recent months or will be completed in the year ahead. Projects include the long-term parking structure at Portland International Airport, the north runway extension, the baggage screening improvement project, and the PDX airfield deicing system enhancements, as well as several general fund projects, such as rail improvements in the south Rivergate Industrial District and Ramsey Rail Yard, marine terminal and berth improvements, and several taxiway and runway improvement projects at the Port's general aviation airports.

In addition, the Port has consolidated employees from the downtown office building and the PDX administrative offices into one office building located

on top of the recently completed long-term parking garage at PDX. Consolidation of Port employees in one office will serve to eliminate duplicate costs, help improve efficiencies and streamline processes, and reduce overall costs.

With only \$9 million coming from property taxes, the Port forecasts operating revenues of \$241.7 million and total resources of \$889.3 million, including transfers, grants, bond proceeds and beginning balance. The budget is balanced with \$889.3 million in requirements, including operating expenditures of \$172.8 million, \$161.5 million in capital costs, minus labor, and \$78.6 million in debt service.

BECOME A FAN ON PORT'S NEW FACEBOOK PAGE

The way people receive news today is evolving faster than ever. Social media tools such as blogs, Twitter, text messages and video clips are increasingly becoming important methods by which organizations can listen and communicate with stakeholders. In acknowledgement of this, the Port of Portland recently launched its new Facebook page, which will serve as one more way it can engage community members, in addition to the standard communications channels it typically uses.

On the new page, users will find updates on key events, up-to-the-minute news about Port projects, comments and conversations with the community, videos and photos of Port operations, as well as industry developments and issues. Most recently, Bill Wyatt, the Port's executive director, chronicled his business trip to Asia on the Port's Facebook page.

Check it out, and consider becoming a fan!



Port of Portland employees gather in the atrium area of their new headquarters facility. The offices are located atop the long-term parking garage at Portland International Airport.

MISSION SOLIDIFIES BUSINESS TIES TO ASIA

In May, Port of Portland representatives and other business and political leaders conducted a business development mission to Asia. The packed agenda included visits with several shipping lines, airlines and businesses in Osaka and Tokyo, Japan; and Seoul, South Korea, plus four stops in China – Fuzhou, Hong Kong, Shanghai and Beijing.

Trade with Asia is critically important to Oregon's economy. According to Business Oregon:

- In 2009, China was the No. 1 destination for Oregon's exports for the first time with more than \$2.9 billion in sales.
- Japan is the world's biggest buyer of Oregon agricultural products, consuming one-third of the state's exports, and it is Oregon's largest market for apparel and accessories. Japan is also the No. 1 market in Asia for Oregon wood products, electrical equipment, processed foods, seafood and beverages.
- Korea is the second biggest market for Oregon agricultural products and the largest Asian market for Oregon transportation products. The country is a major consumer of Oregon forest and wood products, chemicals, electronics and machinery.
- Hong Kong is emerging as a center of wine trading and is a valuable partner for Oregon's strong wine industry.

"Missions such as this are critical to reaching out to businesses that may want to locate or expand operations in Oregon," said Bill Wyatt, Port executive director. "Our business partners in Asia attach great significance to face-to-face meetings as part of business relationship building. Showing a united front in supporting and promoting the Port's and Oregon's business opportunities is very effective."

TERMINAL 5 BERTH DEEPENING SCHEDULED

In April, Port of Portland commissioners approved a contract with Hickey Marine to move forward with a berth deepening project at Terminal 5. The project will deepen berths 501 and 503 to 43 feet – the same depth as the newly deepened Columbia River channel – allowing for larger ships to serve the bustling marine terminal. T-5's major customers are Columbia Grain, which exports wheat and other agricultural products, and Portland Bulk Terminals, which exports potash, a fertilizer. Portland Harbor is the largest wheat export hub in the United States, and Portland is the largest mineral bulks port on the West Coast.

The berth deepening project will remove approximately 23,000 cubic yards of sediment and place the dredged material at the West Hayden Island dredged material management site. All materials placed on West Hayden Island are tested, approved and permitted by the appropriate regulatory agencies.

The work is scheduled for July 2010, with two weeks dredging time at each berth, to minimize impacts to migratory fish. The placement of dredged material on West Hayden Island is being planned to have minimal effects on the Hayden Island community.



HANJIN INTRODUCES CARBON CALCULATOR

Calculating carbon dioxide emissions? There's an "app" for that.

In December, Hanjin Shipping introduced its supply chain carbon calculator. Customers can use it to calculate the amount of CO₂ emissions of their cargo per transportation segment – and in total – by inputting the origin, destination and weight of their shipment on the company's website.

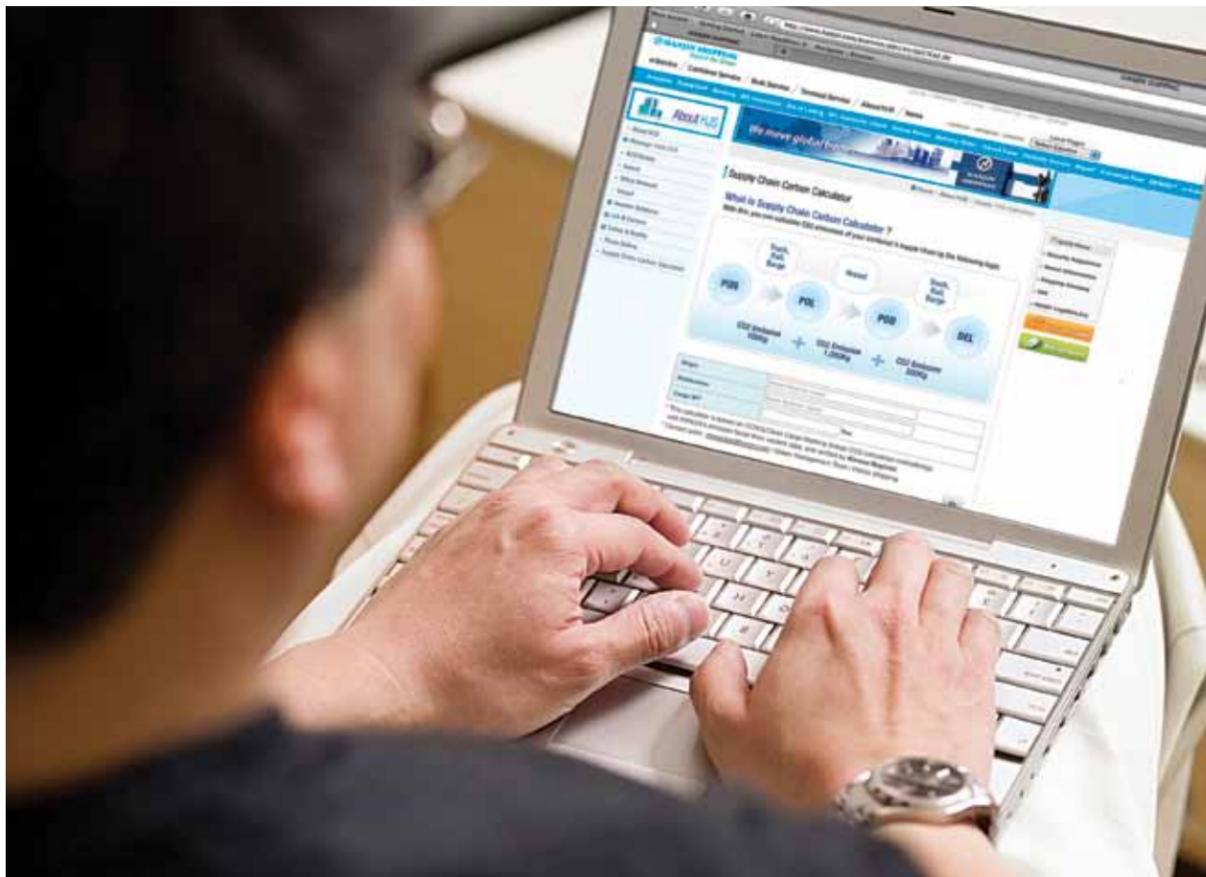
For example, 10 tons of cargo from Busan, Korea, sends about 1,500 pounds of CO₂ into the atmosphere on its 5,600-mile journey to Portland. Compare that to an estimated 4,000 pounds if shipped from Busan to an East Coast port. This can identify potentially better carbon deals based on the product's final destination. This is useful for companies looking to account for and minimize their carbon footprint.

"The calculator is helpful to retailers by offering

the ability to evaluate shipping options," said David Breen, the Port of Portland's air quality program manager. "That knowledge enables them to make cleaner and less emitting shipment choices for their cargo streams."

Last summer, Hanjin announced the organization of a Green Management Team within the company as part of its efforts to improve energy efficiency. The international shipping company hopes to reduce CO₂ emissions by 15 percent by 2015. The Port of Portland also plans to reduce direct and indirect greenhouse gas emissions to 15 percent below 1990 levels by 2020.

The new calculator was developed with guidance provided by the Clean Cargo Working Group, a consortium of 27 manufacturers and shippers concerned with environmental stewardship, and verified by the Korean Register of Shipping.



Young Portlander builds a bird house at a community Earth Day activity.

PORT GETS OUT AND ABOUT

Port of Portland staff members are fortunate to have lots of opportunities to work directly with the communities they serve. Even better, this interaction often takes place in fun and interesting places. This spring, Port employees chatted with attendees at the Better Living Show, an environmental-themed expo held annually to display the latest in green building and sustainable lifestyle innovations. They also helped plant more than 300 trees in airport-adjacent neighborhoods with Friends of Trees, a local nonprofit that improves urban tree canopy while building community connections. And they gathered with the wacky presenters of Mad Science, an environmental education group, to talk about ways to make every day Earth Day.

These events and activities count as work, of course, but they also count as fun. Getting chances to talk about the Port and ways the organization tackles the environmental impacts of trade and transportation makes the Port that much more relevant to people. Further, staff is challenged to find ways to make sometimes complex systems accessible to people. At the Better Living Show, for example, the Port discussed green building innovations incorporated into its new headquarters building with a scale model, ecoroof plant samples, and even a water-efficient toilet. For its Earth Day event, participants learned about power levels required by various types of light bulbs, and they tested their knowledge of trash, recyclables and compostables.

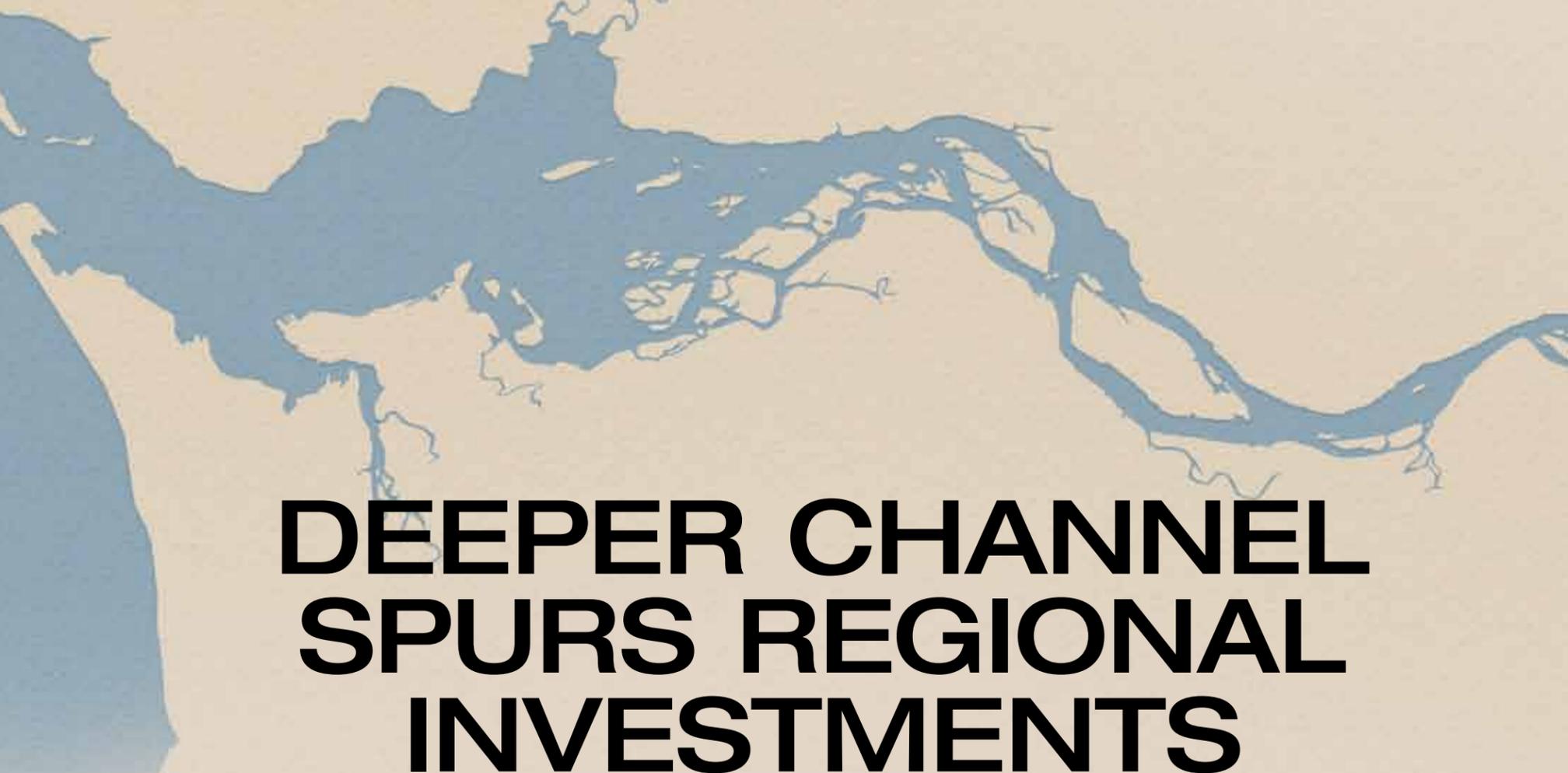
EMISSIONS INVENTORY PASSES MUSTER

As a member of The Climate Registry, the Port of Portland, in 2009, completed a comprehensive inventory of greenhouse gas emissions from its aviation, marine and industrial development activities. The project inventoried all Port-controlled sources of greenhouse gases generated on-site and those generated off-site for Port use.

Initial data showed that the largest single source of Port-controlled greenhouse gas emissions – about 52 percent Portwide – came from purchased electricity. The second largest source of these emissions, at 25 percent, came from on-site fuel combustion to heat and cool Port facilities, while other sources included Port fleet vehicles, cargo-handling equipment, and emissions related to the Port's dredge operations. The Port has responded with numerous emission reduction efforts, including purchasing renewable power. The Port currently purchases 58 percent certified renewable power, but a recent decision will increase that amount to 100 percent.

Under The Climate Registry guidelines, founding reporters must have their inventories verified by an independent third party. This provides certainty of and confidence in the data, which in turn assists with accurate industrywide and regionwide calculations. The Port completed its third-party verification in March 2010, and will continue to provide annual updates to The Climate Registry.

The verification also helps the Port with inventories it conducts of all emissions associated with its operations and with prioritizing emission reduction strategies. The Port has set a goal to reduce direct and indirect greenhouse gas emissions by 15 percent below 1990 baseline levels by 2020.



DEEPER CHANNEL SPURS REGIONAL INVESTMENTS

With the newly deepened 43-foot Columbia River channel, local ports and shippers are gearing up to take full advantage of the opportunity to enhance the Northwest's important role as an international trade gateway.

Investments

At the Port of Longview, new tenant EGT Development LLC is currently constructing the first export grain terminal to be built in the United States in more than two decades. Estimated capital investment in the facility is more than \$200 million.

"The grain facility at the Port of Longview will provide significant local and regional economic benefits, including jobs, revenue and a significant contribution to the local tax base," said Ken O'Hollaren, Port of Longview executive director. "It is unlikely that this would have happened if not for the channel project." The new terminal is expected to handle 8 million metric tons of grain annually and create more than 50 jobs. The terminal will be operational in time for the fall harvest in 2011.

At the Port of Kalama, Kalama Export LLC is investing \$36 million in a new grain cleaner building, a new loading belt and eight shipping silos. In addition, United Harvest LLC is expanding its rail lines for faster loading and is building a new grain export dock.

The Port of Vancouver recently purchased more than 200 acres of new terminal property and will be served by new, modern rail service. The port is investing \$137 million in its West Vancouver Freight Access Project to serve the new terminal and further expand current and future customers. Scheduled for completion in 2017, the rail project is expected to reduce congestion on the BNSF Railway mainline and improve freight mobility in the region. "The port's investment in a new marine terminal and rail improvements will directly benefit from access to a deeper channel," said Larry Paulson, executive director. "The connection between deep water access to the global market and our national rail lines will bring jobs and economic vitality to our port and to our region." The economic impact for Vancouver is about 2,300 jobs and an \$82 million boost to the tax base.

On the Oregon side of the river, berths at the Port of Portland's Terminal 5, which serve Columbia Grain's export elevator and the Canpotex potash export facility, are being deepened to accommodate larger, deeper draft ships. Since signing a long-term lease with the Port in 1996, Canpotex has invested \$60 million to build a dockside facility to store potash, cargo handling equipment and more than two miles of railroad. The company invested another \$14 million in the expansion of the now half-mile long cathedral-roofed building. As of April 2010, month-over-month potash exports were up 182 percent on the year.

At Terminal 6, Oregon's only container port, the Port of Portland has recently secured a lease arrangement with an established international operator that is committed to growing the local container and breakbulk business.

"The lease is a real vote of confidence in the Port and the region it serves," said Sam Ruda, Port director of marine and industrial development. "It is evidence that the investments made in our infrastructure and improvement to the navigation channel have broad international significance." The lease adds 192 acres to the tax rolls and will result in net new taxes to local, state and federal governments. (See related story, Page 2.)

In addition, the Port recently announced new shipping services to several ports in Japan, as well as South Korea, via Westwood Shipping Lines. "Completion of the navigation channel improvements helped make this possible for us," said Guy Stephenson, president of Westwood. (See story, Page 6.)

Over the course of the past several years, the Port has added

capability at Terminal 6 to handle the larger ships that will use the deeper channel. The terminal now offers nine gantry cranes, four of which are post-Panamax cranes. Post-Panamax refers to ships that are too wide to fit through the Panama Canal, and these cranes are capable of spanning the largest vessels that call Portland. Each crane can handle about 30 containers per hour. Having four cranes available to load and unload larger vessels makes the Port more efficient and competitive.

The Port is also working with the city of Portland to annex West Hayden Island in anticipation of providing a mix of uses there, including future marine industrial development as well as recreation and natural habitat restoration.

"The time just couldn't be more right for all of these efforts from the regional ports," said Bill Wyatt, Port of Portland executive director. "With the completion of the channel deepening, the entire Columbia Snake River System is poised to take advantage of the growing Asian markets for grain and other exported products. Our role is to ensure Oregon is part of, and benefits from, that growth."

Exports of soybeans to China are expected to grow by 21.6 million tons in the next 10 years, according to the U.S. Department of Agriculture. This growth in grain exports, along with future growth in other traded sector industries, could bode well both for the city of Portland's ambitious plan to create 10,000 jobs in the next five years and the Obama administration's goal of doubling exports in the same time period while supporting the growth of 2 million jobs nationwide.

Nationally, Significance of the Columbia River

The Columbia Snake River System is the primary export gateway for 11 states. For example, 25 percent of wheat exports from Kansas leave via the Columbia River, and more than 47 percent of total wheat exports from the United States are shipped via Columbia River ports. It is the largest wheat and barley export gateway in the United States and the third largest grain waterway in the world. The wheat and other grains are grown in the Midwest and Pacific Northwest; they reach regional ports by rail and barge and then are exported to countries throughout Asia and the Middle East.

Regionally

Urban and rural communities across the Northwest are tied together by the Columbia River," said Dave Hunt, executive director of the Columbia River Channel Coalition. "With a deeper channel, those ties will be deeper and stronger. The ability to accommodate larger, more fully loaded ships lowers per unit costs, creates well-paying local jobs, and expedites the delivery of goods for upriver and local farmers, growers, producers and ranchers, as well as our urban importers and exporters."

On average, 6,000 to 10,000 more tons can be carried on bulk vessels in a 43-foot channel versus a 40-foot channel, and approximately 750 to 1,000 more 20-foot equivalent units per containership can be accommodated in the deeper channel. When one considers that container vessel service at Terminal 6 saves Oregon importers and exporters \$65 million in inland transportation costs per year, or about \$470 per container, the possibility of being able to lower per unit costs even further is a real benefit.

"This allows all of the region's importers and exporters to compete more successfully in the international marketplace," said Hunt.

Washington is the most trade-dependent state in the nation, and Oregon is the 9th most trade-dependent. Oregon ranks 7th in the nation



Port of Longview
Project: \$200 million export grain terminal



Port of Kalama
Project: \$36 million grain cleaner building, loading belt and silos

Export gateway

Wheat and other grains grown in the Midwest and Pacific Northwest reach Columbia River ports by rail and barge. From there, products travel the Columbia River channel to countries throughout Asia and the Middle East.

— Major railway ■ Wheat



for trade-per-capita and has a larger export-supported employment than all but four other states – Washington, Kansas, South Carolina and Vermont.

More than 40,000 family wage jobs are supported by the Columbia River maritime activity, and an additional 59,000 jobs in the Pacific Northwest are connected to maritime commerce. More than 15,500 are direct jobs at the ports of Kalama, Longview, Vancouver, Portland and St. Helens. And these are quality, family wage jobs that pay an average of about \$46,000 per year. Upriver ports all the way to Lewiston, Idaho, benefit as well.

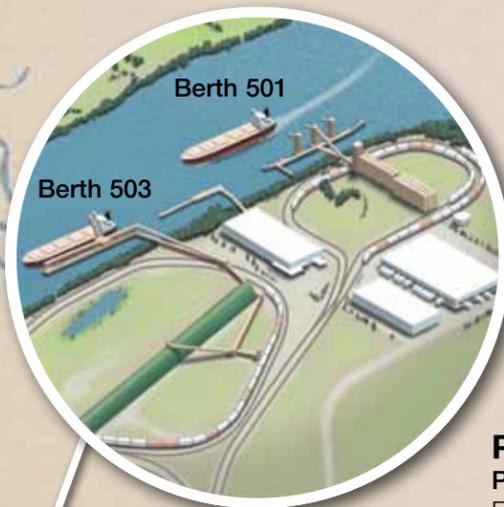
The Oregon Department of Employment estimates that for every million dollars of export sales lost, the state loses 10 jobs.

Locally, for the City of Portland

For the city of Portland, the economics are equally as important. The Portland/Vancouver region is the 14th largest metropolitan exporting region in the United States with exports totaling more than \$5 billion in 2009. It is estimated that one in five jobs in the Portland/Vancouver area alone is dependent on international trade, and every ton of container cargo generates a local economic impact of \$70. The Port of Portland handled 2.8 million tons of container cargo last year.

The Port of Portland is also the largest mineral bulks export port and ranks as the fifth largest export gateway on the U.S. West Coast for overall tonnage. The Port is also the fourth largest import auto gateway in the nation. In 2008, it is estimated that its public ports on the Willamette and Columbia rivers generated \$94 million in state and local taxes.

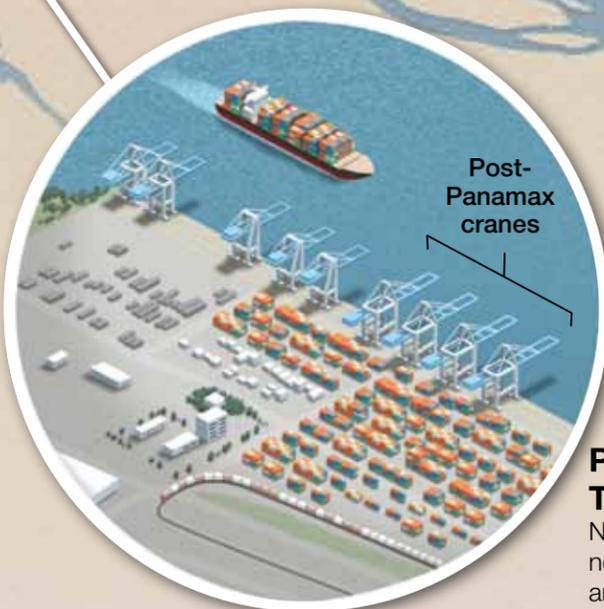
by Martha Richmond



Port of Portland, Terminal 5
Project: \$3.2 million berth deepening

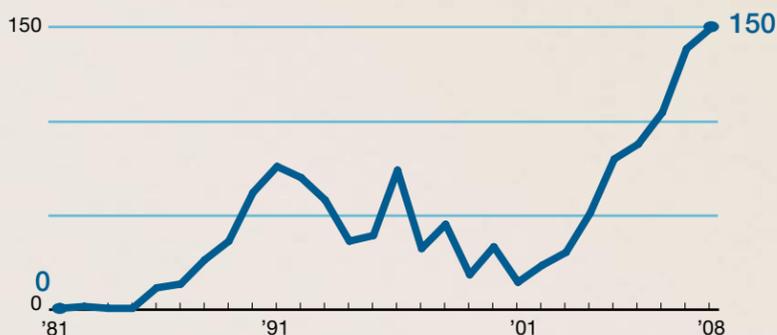


Port of Vancouver USA
Project: \$137 million West Vancouver Freight Access rail project improvements and Terminal 5 development



Port of Portland Terminal 6
New lease agreement, new service to Japan and South Korea.

Columbia River Channel Vessel Transits
Ships with drafts of 40 feet or more



The constraint has been the channel, not the ships, as evidenced by ships riding high in the water. Increasing numbers of big vessels are already coming here as this chart illustrates – they just can't load as efficiently. With the completion of the Columbia River channel later this year, these ships will be able to carry more volume, lessening the environmental footprint and lowering costs for shippers.

PORTSIDE

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LESS WASTE MORE WORLD

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