

INTERNATIONAL TRADE AND LOGISTICS INITIATIVE

Leadership Summit Discussion Draft, December 5, 2016

Oregon is one of the most trade dependent states in the country. Trade creates and sustains thousands of jobs in Oregon. Oregon's economy and ability to compete with other countries and states is dependent on a multi-modal transportation system.

In response to the loss of Portland container service, Governor Brown launched the International Trade and Logistics (T&L) Initiative—led by Business Oregon, the Oregon Department of Agriculture (ODA), the Oregon Department of Transportation (ODOT), and the Port of Portland (Port)—to identify interim shipping options to help Oregon small- and medium-sized businesses stay competitive in the global marketplace.

Several elements of the program are highlighted below. A more detailed report on each work group's efforts can be found at the "[Keep Oregon Trade Moving](http://www.oregontradesolutions.com)" website: www.oregontradesolutions.com

Strategic Investments in Freight Logistics to Sustain Services

In response to the T&L Report's recommendations, the Oregon Legislature began making strategic investments designed to improve freight logistics around the state. Strong interest was evident for further study of an inland rail load point in the central Willamette Valley from the T&L citizen shipper workshops. An intermodal yard could provide a facility to load exports from truck to rail at a point closer to many of Oregon's agriculture and forestry producers. This would help Oregon producers use existing rail corridors and avoid long, over-the-road truck hauls to Puget Sound ports.

The 2017 Legislature approved \$100,000 in funding for an Intermodal Transload Facility Feasibility Study. The firm ECONorthwest has been retained and their final report is due to the Legislature in 2017. The study area for the purposes of the demand analysis has been defined as the Willamette Valley from Marion County south, the coast, from Lincoln County south, and southwestern Oregon, including Klamath County to the east.¹

The T&L Report found an array of trucking issues facing any effort to improve Oregon's trade and transportation system. In response to the nationwide shortage of truckers, the Oregon Legislature supported \$250,000 in funding to recapitalize loans of up to \$3,000 to help new drivers cover some of the cost of training through the Oregon Truck Driver Loan Program. This revolving loan program received a \$386,000 grant. This program provides loans of up to \$3,000 to help a new driver cover some of the cost of training.

Operational Enhancements and Actions to Improve Existing Logistics System

In the area of Operational Enhancements or Port Shipper Solutions, a Valley Container Reuse pilot program was launched in February 2016 by the Port working in partnership with Lowe's Regional Distribution Facility in Lebanon. The goal of the pilot program was to match some of the 100- to 200-per-week Lowe's import containers with agricultural exporters in the Valley. Lowe's corporate headquarters endorsed the pilot as a national model for cost and energy savings through two-way utilization of containers. A small volume of containers moves weekly from the Valley, and the Port is actively working with exporters to grow this service through education, outreach, and assistance with container repositioning.

The Boardman Rail/Columbia River barge service shuttle was launched in November 2015 as a collaboration between the Port of Portland, NW Container, Tidewater Barge, Port of Morrow and Port of Lewiston to move cargo to Portland or to Puget Sound ports. Approximately 80 to 100 containers move by NW Container rail each week out of the Port of Morrow carrying Oregon hay and other agricultural products from upriver. Train

¹ In addition Oregon Rep. Cliff Bentz of Ontario is working with multiple stakeholders to develop a transload facility for Malheur County onions and others products.

service to Boardman helps reposition empty containers from multiple ocean carriers so Oregon agricultural products can be exported. Barged products from the Port of Lewiston can add to these volumes when in season. The primary agricultural users of the rail/barge shuttle are growers of peas, beans, lentils, hay and paper products – high volume, high impact commodities for rural communities that rely on low-cost barge/rail transport. There will be a 17-week closure for repair and maintenance on a series of locks on the Columbia-Snake River system starting on December 12, 2016. Barge service will resume in late March 2017. Rail from Boardman will be unaffected.

Recommendations to Enhance Oregon Trade and Improve the Transport of Goods

The T&L group identified the need to amplify the recommendations contained in the recent Governor's Transportation Vision Panel Recommendations highlighting the critical link between an improved statewide transportation system and Oregon's trade-dependent economy. The Policy Work Group recommended strategic investments in the state's transportation system to keep pace with our neighboring states. This included recommendations to:

- Increase funding for the *ConnectOregon* Program to at least \$100 million and separate project funding into freight and people movement categories, dedicating a significant portion of funding to freight, maintaining the emphasis on economic development that was the basis of the program.
- Address chokepoints on the state and interstate road system, focusing first on chokepoints in the Portland region (I-5 and I-84 interchange at the Rose Quarter, I-5 bridge at the Columbia, I-205 Abernathy bridge, and Highway 217 south to I-5)
- Improve connections between rail, air, highway, and marine transportation modes (channel deepening of Willamette River in Portland and Coos Bay, maintenance of the Columbia River and coastal channels and jetties, rail access to internationally serving marine facilities, and improved road access on congested corridors serving air freight facilities)
- Address constraints on intermodal connectors by providing funding for grade separations and the last mile infrastructure improvements.
- Improve system efficiencies in rail intermodal, upriver barge service, and supporting programs to ensure shipping container availability in key freight corridors across the state.
- Commit resources to port, highway, air, transit and rail infrastructure to address facility modernization and seismic resiliency that are critical to the overall transportation system.

Resolution of Terminal 6 Labor-Management Issues & Container Service Recovery

One of the T&L Report's primary recommendations called for resolution of the Terminal 6 (T6) labor-management issues as well as redoubled efforts to restore Trans-Pacific weekly container service at T6. Since the Report was released, there have been significant maritime container industry challenges with the bankruptcy of Hanjin, consolidation of carriers, overcapacity, and low freight rates.

While the Port continues outreach to major carrier alliance executives targeted for the Portland market, ongoing litigation between the International Longshore and Warehouse Union and the Terminal 6 operator ICTSI will likely take two years to resolve. The Port continues to work with ICTSI to ensure T6 is ready for operation when labor-management issues are resolved. This includes maintenance of cranes, docks, berth maintenance and other public assets. The Port's analysis indicates that there is enough cargo in the Portland region to attract at least one new Trans-Pacific carrier with medium-sized vessels once the global shipping industry settles out.