

RESOLUTION NO. 2951, as Amended

A RESOLUTION of the Port Commission of the Port of Seattle
authorizing a rail services program.

WHEREAS, the Port Commission has evaluated the rail services program described in Exhibit A to this Resolution; and

WHEREAS, the Washington State Legislature has granted port districts broad powers to perform all necessary activities related to the intermodal movement of interstate and foreign cargo; and

WHEREAS, the Port Commission has determined that without competitive intermodal service, ocean carriers and shippers will seek other ports where such services are offered; and

WHEREAS, the Port Commission has determined that the rail services program is necessary to provide such competitive intermodal service through the Port of Seattle; and

WHEREAS, the Port Commission has determined that the rail services program described in Exhibit A is reasonably necessary to link rail services, equipment and facilities within the Port of Seattle to an interstate railroad system.

NOW, THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle as follows:


Section 1. The Port Commission finds that the rail services program described in Exhibit A is necessary to link effectively ocean transportation, the Port's marine terminal operations and rail services, equipment and facilities within the Port of Seattle's district with the populous markets of the U. S. Midwest and beyond, which are served by the nation's interstate railroad system.

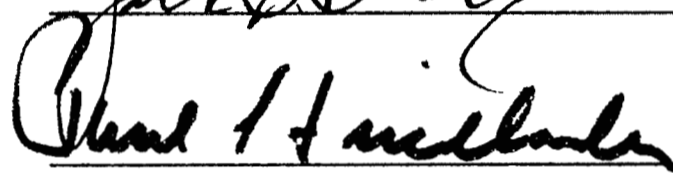
Section 2. The Executive Director is authorized to take all necessary actions on behalf of the Port Commission to implement the rail services program, as described in Exhibit A.

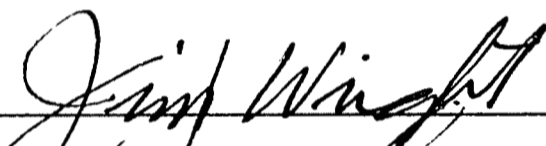
Section 3. The Executive Director, in exercising his authority under Section 2, shall have the authority to negotiate and execute contracts


necessary to implement the rail services program described in Exhibit A, including an agreement which conforms to the general description contained in Exhibit B to this Resolution, and shall have authority to offer such other Port services, in addition to those provided in such agreement, as may be appropriate for full implementation of the rail services program.

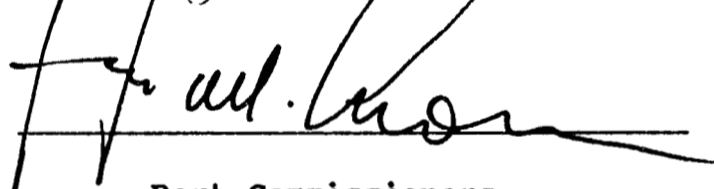
ADOPTED by the Port Commission of the Port of Seattle at a regular meeting held this 26th day of February, 1985, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.











Port Commissioners

(SEAL)

REVISED
EXHIBIT A to
RESOLUTION NO. 2951, As Amended

RAIL SERVICES PROPOSAL

Presented to
Port of Seattle Commission

February 12, 1985

I. INTRODUCTION

The purpose of the rail services proposal is to enhance the quality of rail transportation service offered through the Seattle harbor which is fundamental to attracting new as well as retaining the present steamship line services calling at the Port of Seattle. Additionally, it is anticipated that many of the steamship lines presently calling at the Port of Seattle will ship additional cargo through Seattle to further advantage themselves of this new service. In offering these same services to shippers, the Port will be extending its transportation management function to significantly improve the efficiency by which the shippers' cargo is moved. The competitive advantages of the rail services proposal will, as with steamship line services, attract new shippers and encourage existing shippers to route more cargo through the Port of Seattle.

The rail services proposal makes available a complete and comprehensive set of services to the Port's customers. These services include not only traditional Port terminal services but additional professional operations' personnel, extensive information systems, and executed transportation contracts ensuring efficient service and competitive rates.

A key element of the rail services proposal will be a contract between the Port and the Burlington-Northern Railroad Company in which:

- A. Port of Seattle Responsibilities. The Port will: (1) obtain booking information from steamship lines and other shippers and enter into POS system; (2) verify booking information and container dimensions; (3) provide train equipment planning and loading sequence; (4) provide container location information and drayage coordination; (5) rate cargo shipments and monitor contract/tariff cargo volumes; and (6) pass information via electronic transmission.
- B. Burlington Northern Responsibilities. Burlington Northern will pay the Port a monthly fee for services rendered by the Port in connection with double stack train service which BN will provide between Seattle and Chicago. The initial monthly fee will be \$35,935.

The Port may also arrange or coordinate certain drayage, container yard and container freight station services, equipment positioning or leasing or other services for the account of the train users.

II. BACKGROUND

A. INDUSTRY DESCRIPTION

The rail services proposal represents the state of the art in intermodal transportation services. The advent of the ocean container for cargo led, quite naturally, to the transportation industry figuring out how to move that metal module in a variety of ways to its final destination. Containerizing cargo fostered "intermodal" transportation. "Intermodalism" denotes cargo moving between two or more types (modes) of carriage, i.e., ship-to-rail, ship-to-air, air-to-truck, etc. The common theme, or common element, in all the "intermodal" innovation that has occurred within the ocean, rail, and truck industries is streamlining for simplicity. The container has literally forced a form of standardization and integration on the transportation industry. Regardless of mode (type of carriage used: rail, truck, ocean), all treat the container of cargo similarly. Given that there is such similarity, one can readily understand the impetus for a carrier striving to simplify and streamline the entire transportation system for the containerized shipper and in so doing, to seek control over the whole system "for the shipper." Ocean carriers have done just this. This has spawned the mini-landbridge and micro-landbridge services in which the ocean carrier arranges for transportation of the container beyond the ocean leg of the move to include transportation on the U.S. railroad network and trucking, right to the shipper's door. Arranging and managing this movement is also accompanied by simplified paperwork taking the form of one set of documents, one bill, freight status reports from one carrier, etc.

There are many ocean carriers who have neither the resources, the volume, nor the technical background to be able to institute their own inland transportation system. These carriers may find the rail services proposal particularly attractive. Of equal importance is the offering of these services to shippers using the Port.

B. THE NEED FOR A COMPLETE SYSTEM

In light of the landbridge services being offered or developed, the Port is competitively challenged to do something new and more comprehensive in the area of inland intermodal transportation for its current customers. The potential for "rationalization" of port calls, or more commonly put, load centering, increases the demand upon the Port to respond competitively with certain management and operation services that enhance the advantages of using the Port of Seattle. Knowing that the Port had considerable involvement in traffic management already, Port staff examined potential solutions to many of the problems faced by its customers in their handling of inland U.S. transportation. It was concluded that several key ingredients of an effective integrated east and west bound transport system were missing. More fundamentally what was missing was experience. Experience which the Port has.

To make a "bridge" service work, a steamship line must be familiar with the way the U.S. railroads think and work. They must have this understanding in order to consummate a contract with the railroad for a service at a price attractive to both parties. In actuality, a "bridge" service is a good deal more than issuing a set of instructions to the railroad to have a container moved to a destination city. A proper service of this type encompasses pick up and delivered drayage services, container freight station services (de-vanning or consolidation of LTL shipments), container yard services and rail deramping. These are the "physical" requirements of the service and they must be paralleled by information systems that relate to both cargo and ocean carrier's equipment billing and credit systems. Shippers preferring to manage their own transportation movements and not relying upon steamship lines for their bridge services face similar requirements in management of their cargo.

C. HISTORY OF THE PORT'S INTERMODAL OPERATIONS

In order to put the rail services proposal in perspective, we must look at the last two decades of the Port's development. Twenty years ago the Port of Seattle invested heavily in containerization, and as some would say, "bet its future on containerization." The bet paid off. While the most visible element of this commitment was the large flat paved terminals equipped with huge container cranes, this investment was accompanied by investments in warehousing, computers, and people necessary to move and manage that containerized cargo between modes of transportation on behalf of the customer. The last twenty years of Port history reflects the history of intermodal transportation development in the industry as a whole.

The course of transportation development during this last twenty years has been one of modest evolutionary change, rather than radical changes producing great upheaval. The most significant change within the U.S. transportation environment has been "deregulation." Prior to deregulation, the U.S. government via Congress and regulatory agencies such as the Interstate Commerce Commission, Federal Maritime Commission, Civil Aeronautics Board, set many of the transport rules, actual services to be offered, and rates to be charged. In the composite they regulated, or governed, much of transportation. Deregulation has meant the relaxation or elimination of those Federal controls.

The Port has operated in both environments. Many Port personnel have mastered the rules and nuances of the regulated environment. Creative services and rate packages were developed by the Port to advantage Port customers during those times. Most notably, the Port consolidation program resulted in the development of cargo handling, documentation, and information services which created distinct advantages for the Port of Seattle. The Port had a unique system, many used it, and Port intermodal traffic management involvement grew dramatically.

When deregulation changed the rules and set the transportation companies free from a controlled environment, many things changed. The most fundamental change affecting the Port was the elimination of those mechanisms which gave the Port its considerable advantage on cargo moving inland into the U.S. Now, suddenly, this cargo was up for grabs. As new services and rates were developed by transportation companies, control over the cargo shifted. Ocean carriers and the railroads now have a greater role in routing decisions.

A synopsis of the Port's intermodal innovations is attached as Attachment A. It gives a clear picture of the chronology of investments and improvements made for container handling and intermodal traffic management. It also paints the picture of deliberate Port involvement in intermodal transportation as an operating entity and traces some of the evolutionary changes in Port thinking and operations to remain a leader in the industry.

D. INTERMODALISM AND THE FUTURE OF THE PORT

It is clear that intermodal transportation is the key to the Port's future. The Port has concluded that this service is necessary to effective and competitive intermodal operations, and is reasonably necessary to link the Port's terminal services to interstate rail services. Intermodal cargo movement and intermodal services will not merely play a part in the Port's future, they will be the critical elements in determining what future this Port has. To understand why this is so, one only needs to look at the past two decades of Port history, as outlined above.

Again, it must be emphasized that the overriding objective of Port intermodal services, those past, present and future, is to retain existing cargo and to develop additional freight transiting this harbor. The rail services proposal is essential to maintaining this objective. The rail services proposal offers an opportunity to attract new freight via increased steamship service offered by both existing and new carriers in Seattle seeking to avail themselves of the service. Similarly, shippers will be drawn to the service and rate advantages and should respond by routing increased volumes through Seattle. This proposed service, as with those of the past 18 years, will be the catalyst for attracting certain specific types of freight which in turn may bring with it the "rest" of the movement, frequently a volume three to four times that is actually using the service. Put another way, the rail services proposal is a developmental device, designed to attract significant new volumes of freight, some of which will use the service, the rest of which comes to us because of the percentage demanding the service. This pattern has proven itself to us over and over with prior services and has become a crucial dimension of our new business planning.

E. CONCLUSION

In summary, we feel that the Port stands at an historic crossroad with this proposal. As with the early 60's when we developed container facilities and transportation programs, we must now develop the next generation of competitive advantages. Cargo shippers are demanding or will demand "bridge" levels of service and we feel that many lines need assistance in providing bridge service. Port experience, capacity, and capability, along with that of Burlington Northern's make the service offering feasible. The opportunity exists for the Port and its customers to mutually achieve their objectives of economic reward and customer service. The end result can only be continued cooperation and commitment, no better basis exists for success.

III. MARKET

A. CUSTOMERS

There are two broad groups of customers for the rail service proposal: steamship lines and shippers. Looking more closely at these groupings, one can see five discernible categories of candidate customers. They are:

1. Steamship lines presently calling Seattle
2. Steamship lines not calling Seattle but serving the U.S. West Coast in the Far East Transpacific trade
3. Seattle based customhouse brokers and forwarders
4. Shippers using Seattle solely or as one of several West Coast ports
5. Shippers not transiting Seattle but going through U.S. port in the Transpacific trade

Port of Seattle marketing efforts in the past indicate that the cargo moving under shippers' control to the Midwest and beyond market which is not moving via Seattle could move over Seattle if certain factors were changed. Similarly, steamship lines calling the U.S. West Coast, but not calling Seattle have directly indicated to the Port that there is no prohibition from their extending their service. The point here is that the market forces of transportation economics are at work, and that as cargo volumes grow in a market, steamship line service is likely to similarly expand in that market. Port staff strongly believes that the combination of existing port services and the rail services proposal will attract cargo to Seattle and that this, combined with its attraction to steamship lines for their own bridge cargoes, will yield additional steamship line service. A new steamship carrier brings with it a customer base of its own which in turn expands the market base for the service.

An estimate of West Coast container lines activity ranked by intermodal twenty foot equivalent units (TEU's) appears as Table 1. With the exception of SeaLand and American President Lines (APL), who operate their own specialized rail services, the lines in Table 1 are one target customer base for rail services proposal. Port staff has done a similar analysis of specific shippers that move exclusively, or in large part, via other ports to our proposed service area.

Seattle based customhouse brokers and freight forwarders manage and control considerable volumes of cargo that transit other ports as well as the cargo they manage via Seattle. The rail services proposal enhances their ability to provide good customer service through the price and service advantages being offered. As such it is reasonable to assume that they are a high-potential customer group.

B. MARKET SIZE, GROWTH TREND, AND FORECAST

The growth of intermodal transportation movement to the interior U.S. and bridging from coast to coast has been exceptional. That growth exceeds the significant growth witnessed in imports and exports. The total U.S. West Coast-Far East Transpacific container trade measured by tonnage has increased at an average rate of 10% per year for the representative period from 1974 through the first half of 1984. Imports increased at an average rate of 11% per year and exports increased at an average rate of 8% per year for that period (source: Foreign Trade Data for the U.S., U. S. Bureau of the Census). No precise information on intermodal import/export container movements through the West Coast ports to the interior U.S. exists, although that cargo has increased at a rate faster than the overall growth rate above, due to:

- ° Strong demand for Far East imports throughout the U.S.,
- ° Diversion throughout this period of East Coast and Gulfport container cargos to the West Coast,
- ° Implementation throughout this period of mini-landbridge and microbridge services by steamship lines serving West Coast ports and resulting in shifts of East Coast and Gulf port container cargoes to the West Coast.

A partial indication of the growth of intermodal cargos is shown by the growth of intermodal movements of major western railroads. That data appears in Table 2. (Between 25% and 50% of each railroad's intermodal loadings are import/export cargo.) The data indicates that for the period 1981 through 1983, intermodal loadings of the western railroads increased at an average rate of 15% per year.

The Port's Market Research staff has conducted a careful assessment of the potential market for the rail services proposal. The "Midwest and beyond" market referred to in this report is a wedge-shaped geographic area beginning with Illinois and its surrounding states on the westerly edge or point and triangulating outward to Virginia on the south and Massachusetts in the north, forming the eastern-most limits. All intermodal shipments within that territory were presumed

a potential part of the market. While this may appear to be quite a large and distant marketplace, it is in fact one with which the Port has a long and considerable history. Two unrelated yet basic facts must be kept in mind about this market. Sixty percent of the Trans-pacific-U.S. West Coast imports and exports going through California ports to beyond destinations originate in, or are bound for, this market. Over 70% of Puget Sound imports are destined for this market. Secondly, rail connections from Seattle to this market are excellent.

Port staff have formulated the forecast for the rail services proposal. It is based upon thorough analyses of a wide variety of data sources: Foreign Trade Data for the U.S. Bureau of Census, PIERS reports from the Journal of Commerce, and the Ports own extensive data base. This forecast has also been measured against the Port's 18-year history of serving the market in its transportation management capacity. Finally, the assumptions and projections contained in this forecast have undergone a type of "reality testing" by way of extensive discussions with steamship lines presently calling in Seattle and with a wide array of shippers in this market. The staff conclusion is that the forecast basis of this business plan is conservative. Taking a decidedly conservative approach to a new business venture such as this is appropriate however.

Tables 3 & 4 display the market analysis and forecast for the east-bound and westbound services, respectively. Several of the assumptions referenced in these tables deserve further elaboration. There is a near consensus within the shipping industry that 1985 and 1986 cargo volumes are likely to grow at 5.5-6% rates for imports and 4% for exports. The Port is basing its "estimated West Coast market" and "estimated Seattle market" on growth rates of 3% for imports and 2% for exports. The "estimated West Coast market" and the "estimated Seattle market" for both imports and exports excludes any American President Line or SeaLand cargo from the base. For this analysis, the Port has assumed that these two companies will retain all their cargo for their own rail services and that these should be excluded from any consideration as a measure of potential opportunity. In fact, the service is available to all ocean carriers and shippers, including APL and SeaLand. Executive direction to the staff has been that the rail services proposal must be feasible even if SeaLand and APL continue to use their own services. The market analysis and forecast clearly indicate that the proposed service will be a feasible venture. In fact, from the perspective of the economic development mission of ports in Washington State, Puget Sound ports will be offering in the aggregate, an unparalleled level of these highly efficient inland rail services to the international community. The addition of the the rail services proposal to the other specialized rail services of APL and SeaLand will strengthen the Puget Sound region's presence nationally and internationally.

Several other explanatory points should be made concerning both Tables 3 & 4. Anticipated increased cargo activity is quite conservative. The inaugural year is 1985. Therefore, in the market forecast, 1986 will be the first full year of normal operation.

Examination of Westbound Service Traffic (Table 4) reveals that the Port is forecasting combined domestic and export cargo volumes which reflect a low penetration of the estimated Chicago to Seattle market which translates into a relatively low load factor on the trains (30%). For the westbound service the 30% load factor has been kept constant in the projections deliberately in order to underscore two important points: a) the westbound trains do not need to be full, or nearly so, of loaded containers in order for the service to be feasible, as rates for empty containers transported contribute to the feasibility; b) the Port does not assume that the service it will capture a dominant share of westbound traffic.

To summarize this section of the business plan, the market analysis and market forecast indicate that:

1. A sizeable "non-SeaLand, non-APL" market currently exists in Seattle.
2. The potential West Coast midwest and beyond market to the target market is strong and expanding, offering good prospects for increased cargo through Seattle.
3. The rail services proposal does not need to dominate all other transportation options in terms of market share captured in order to realize train load factors which result in a feasible operation.

TABLE 1

ESTIMATED 1984 TOTAL TEU'S OF WEST COAST CONTAINER LINES RANKED BY INTERMODAL TEU'S

| | Estimated Total Import TEU'S | Estimated Total Export TEU'S | Estimated Total im. + ex. TEU'S | Estimated Import Percent Intermodal | Estimated Export Percent Intermodal | Estimated Import Intermodal TEU'S | Estimated Export Intermodal TEU'S | Estimated Total Intermodal TEU'S |
|--------------------|---------------------------------------|---------------------------------------|--|--|--|--|--|---|
| Sealand | 194,668 | 149,929 | 354,093 | 64% | 23% | 123,699 | 34,151 | 157,850 |
| AFL | 185,264 | 81,102 | 275,403 | 63% | 27% | 117,032 | 22,080 | 139,112 |
| Mitsui-O.S.K. Line | 119,397 | 74,229 | 199,451 | 36% | 20% | 42,784 | 15,105 | 57,890 |
| "K" Line | 86,307 | 93,028 | 183,545 | 43% | 19% | 36,848 | 18,101 | 54,949 |
| Japan Line | 69,368 | 64,133 | 136,885 | 56% | 19% | 38,555 | 12,088 | 50,643 |
| NYK Line | 86,848 | 51,874 | 142,958 | 42% | 24% | 36,869 | 12,551 | 49,420 |
| OOCL | 57,865 | 50,229 | 110,916 | 37% | 38% | 21,541 | 19,285 | 40,826 |
| Y. S. Line | 68,958 | 52,708 | 125,030 | 43% | 21% | 29,403 | 11,237 | 40,640 |
| Showa Line | 58,742 | 85,700 | 147,308 | 40% | 14% | 23,537 | 11,960 | 35,497 |
| Hanjin | 43,188 | 57,196 | 102,491 | 57% | 18% | 24,674 | 10,233 | 34,907 |
| Westwood | 49,132 | 18,243 | 67,771 | 65% | 10% | 31,810 | 1,824 | 33,634 |
| Maersk | 57,806 | 35,529 | 96,100 | 23% | 33% | 13,480 | 11,841 | 25,321 |
| Evergreen | 58,709 | 47,634 | 109,207 | 23% | 21% | 13,247 | 9,844 | 23,091 |
| Hapag-Lloyd | 58,308 | 45,514 | 106,667 | 27% | 15% | 15,522 | 6,645 | 22,168 |
| Star Shipping | 21,866 | 13,459 | 36,392 | 80% | 15% | 17,387 | 1,999 | 19,386 |
| Seawinds | 45,347 | 23,682 | 71,241 | 27% | 15% | 12,217 | 3,466 | 15,683 |
| U.S. Lines | 40,755 | 902 | 43,645 | 35% | 11% | 14,248 | 103 | 14,351 |
| Hyundai | 37,629 | 27,512 | 66,977 | 25% | 16% | 9,407 | 4,507 | 13,914 |
| Galleon | 24,298 | 27,912 | 53,395 | 22% | 25% | 5,345 | 6,978 | 12,323 |
| Yang Ming | 26,207 | 17,143 | 44,629 | 40% | 10% | 10,483 | 1,744 | 12,227 |
| Neptune | 37,183 | 28,926 | 67,923 | 20% | 16% | 7,332 | 4,679 | 12,011 |
| EAC Line | 23,059 | 21,705 | 45,889 | 41% | 10% | 9,510 | 2,076 | 11,586 |
| Hong Kong Islands | 29,576 | 25,607 | 56,626 | 24% | 16% | 7,200 | 4,184 | 11,384 |
| COSCO | 8,612 | 12,954 | 21,986 | 50% | 50% | 4,306 | 6,477 | 10,783 |
| Lykes | 28,746 | 12,870 | 43,018 | 20% | 35% | 5,631 | 4,522 | 10,153 |
| ZIM Line | 14,053 | 14,151 | 28,889 | 50% | 16% | 7,026 | 2,329 | 9,355 |
| Korea Shipping | 26,822 | 22,233 | 50,363 | 22% | 15% | 5,952 | 3,234 | 9,187 |
| MISC | 26,246 | 22,721 | 50,247 | 14% | 19% | 3,727 | 4,316 | 8,043 |
| KMTC | 12,767 | 13,462 | 26,852 | 22% | 25% | 2,800 | 3,409 | 6,212 |
| Mexican Line | 30,673 | 12,025 | 44,194 | 6% | 2% | 1,899 | 237 | 2,136 |
| FMOL | 687 | 192 | 912 | 25% | 0% | 172 | 0 | 172 |
| SCI Line | 515 | 0 | 540 | 21% | ERR | 110 | 0 | 110 |
| NSC of Phillipines | 0 | 142 | 142 | ERR | 40% | 0 | 57 | 57 |
| Barber Blue Sea | 9,646 | 0 | 10,117 | 0% | ERR | 0 | 0 | 0 |
| Hoegh Line | 7,212 | 209 | 7,773 | 0% | 0% | 0 | 0 | 0 |
| TOTAL | 1,646,460 | 1,204,852 | 2,931,628 | 42% | 21% | 693,754 | 251,264 | 945,018 |

TABLE 2

Loaded Intermodal Movements of Western Railroads

| | <u>1981</u> | <u>1982</u> | <u>1982 % Incr/(Decr) Over 1981</u> | <u>1983</u> | <u>1983 % Incr/(Decr) over 1982</u> |
|----------------------|----------------|----------------|---|----------------|---|
| Santa Fe | 490,000 | 518,000 | 5.7 | 636,000 | 22.8 |
| Southern Pacific | 261,000 | 323,000 | 23.8 | 409,000 | 26.6 |
| Union Pacific System | 318,000 | 350,000 | 10.1 | 397,000 | 13.4 |
| Burlington Northern | <u>273,000</u> | <u>265,000</u> | (2.9) | <u>318,000</u> | 20.0 |
| | 1,342,000 | 1,456,000 | 8.5 | 1,760,000 | 20.9 |

1981-1983 average annual growth rate = 15%/year

Source: Association of American Railroads

TABLE 3

ANALYSIS OF POTENTIAL MARKET

EASTBOUND SERVICE

(in thousand TEU's)

| | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988</u> |
|---|--------------|--------------|--------------|--------------|
| Estimated Available West Coast to Chicago Market | <u>312.6</u> | <u>322.0</u> | <u>331.7</u> | <u>341.6</u> |
| Estimated Available Seattle to Chicago Market | | | | |
| - current market | 87.9 | 90.5 | 93.2 | 96.0 |
| - anticipated additional market | <u>6.7</u> | <u>8.9</u> | <u>11.9</u> | <u>12.3</u> |
| Total estimated Seattle Market | <u>94.6</u> | <u>99.4</u> | <u>105.1</u> | <u>108.3</u> |
| Traffic | | | | |
| - At Anticipated Usage Levels | <u>22.5</u> | <u>45.5</u> | <u>47.8</u> | <u>47.8</u> |
| Anticipated Usage Level Load Factor* (forty foot containers) | <u>76%</u> | <u>90%</u> | <u>95%</u> | <u>95%</u> |

Assumptions

- ° Estimated West Coast market and current Seattle market will grow at 3% annually.
- ° Anticipated growth in Seattle traffic as a result of the rail services proposal:

| | |
|------|----|
| 1985 | 3% |
| 1986 | 4% |
| 1987 | 5% |
| 1988 | 5% |

*For all years shown the anticipated load factor for twenty foot containers is assumed to be 100% (TEU containers equal 10% of each train's potential volume).

TABLE 4

ANALYSIS OF POTENTIAL MARKET

WESTBOUND SERVICE

(in thousand TEU's)

| | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988</u> |
|---|-------------|--------------|--------------|--------------|
| Estimated Available Chicago to West Coast Export Market | <u>99.5</u> | <u>101.5</u> | <u>103.5</u> | <u>105.6</u> |
| Estimated Available Chicago to Seattle Export Market | | | | |
| - current market | 15.3 | 15.6 | 15.9 | 16.2 |
| - anticipated additional market | <u>2.1</u> | <u>4.3</u> | <u>4.4</u> | <u>4.5</u> |
| | 17.4 | 19.9 | 20.3 | 20.7 |
| Estimated Available Chicago to Seattle Domestic Market | <u>79.8</u> | <u>81.4</u> | <u>83.0</u> | <u>84.7</u> |
| Estimated Total Available Chicago to Seattle Market | <u>97.2</u> | <u>101.3</u> | <u>103.3</u> | <u>105.4</u> |
| Traffic | | | | |
| - At Anticipated Usage Levels | <u>7.5</u> | <u>13.5</u> | <u>13.5</u> | <u>13.5</u> |
| Anticipated Usage Level Load Factor* (forty foot containers) | <u>30%</u> | <u>30%</u> | <u>30%</u> | <u>30%</u> |

Assumptions

- ° Estimated West Coast export and current Seattle export market will grow at 2% annually.
- ° Anticipated growth in Seattle export traffic as a result of the the rail services proposal will be 5% of the current non-Seattle export market.

*For all years shown the anticipated load factor for twenty foot containers is assumed to be 0% (TEU containers equal 10% of each train's potential volume).

V. MARKETING STRATEGY AND SALES APPROACH

By clearly identifying the strengths of the rail services proposal and the opportunities afforded Port customers using the service, the Port believes the service has a strong basis for penetrating the target markets. It is important to recognize and understand that the rail service proposal does not limit the customer choice. It strengthens the basic "sales" of the steamship line, it preserves flexibility of options for the shipper, and rather than forcing the shipper to constrict options, the service may be used in combination with a variety of preferences.

The target clientele for the rail services proposal is known to Port staff. With nominal additional staff support in the sales area, the Port feels confident that it can reach a majority of its potential market on a personal basis. Selling the service will be selling the next logical addition to the present array of Port services. It will not be selling the unexpected to the unreceptive. More likely, it will be recruiting the interested beneficiary.

ATTACHMENT A

The following synopsis of information systems developed by the Port's Information Systems Department gives a clear picture of the chronology of investments and improvements made for container handling and intermodal traffic management.

PROJECT YEAR

CARGO SYSTEM 1969

The Cargo System is an inventory and control system for all imported and exported cargo. It was used to support the operations of the terminal facilities in past years. It also had been leased and/or sold to a steamship line (American Mail) and a stevedore company (Seattle Stevedore) to support their operation. Today it is used for billing, monitoring real estate contracts, support of the T-106 Traffic Services, and planning and research functions.

WAREHOUSE SYSTEM 1969

The Port owns and operates a warehouse facility. This system supports the processing of warehouse cargo receipt, storage, and shipment. It also handles the billing for those services. Over the years we have had video terminals in various warehouse customers' offices for their direct inquiry into the system. We also support direct computer to computer communications with customers in order to receive shipping instructions electronically.

CONTAINER SYSTEM 1970

The Container System is an inventory and control system for containers. As with the Cargo System, it was used to support Port operations and also leased to other organizations. Today, its main purposes are billing, T-106 Traffic Services support, and planning and research functions.

CONSOLIDATIONS SYSTEMS 1971

This system was used to process import cargo moving inland (OCP cargo). It consolidated smaller shipments moved by truck, rail, or air to obtain better rates for the shipper. Freight is prepaid by the Port and proportionately billed to the shipper. The initial system was installed in 1971 and major revisions were made in 1979. It was transformed into the Contract System with the initiation of the Seattle Truck Contract Program in 1981.

CONTAINER FREIGHT STATION SYSTEM 1975

The CFS System supports the CFS operation at T-106. It was also used for CFS operations the Port previously had at T-18. It keeps track of cargoes stuffed and unstuffed, containers and chassis.

CONSOLIDATIONS RAIL POOL REVISIONS

1976

These were major revisions to the Consolidations System to support the rail pooling function.

CONSOLIDATIONS ON-LINE BILLING

1978

The billing portion of the Consolidations System was changed from batch, keypunch operation to an on-line function. This allowed for faster and more accurate payment and billing, and more expeditious customer billing inquiries.

CONSOLIDATIONS REVISIONS PROJECT

1979

This project was a multi-phased effort to revise the Consolidation System and make it an integral part of the OCP cargo service rather than a post record keeping system. It provides the basis of the current Traffic System. Later phases were cancelled (mostly pooling functions) with the implementation of the Truck Contract Program.

SEATTLE TRUCK CONTRACT PROGRAM

1981

This was a major revision of the truck portion of the Consolidations System to support the new operation with contract carriers. In addition to involving new paperwork for turning cargo over to carriers, it also involved a new remittance process to carriers and a new invoicing of Port customers.

SRS/MRM PROGRAM

1982

Modifications were made to the Consolidations System to support the Super Rate Saver/Motor Rail Motor program.

WAREHOUSE RAPID DISTRIBUTION SYSTEM

1982

In 1982 the T-106 Traffic Services began preparing IT documents for in-bond movements. This system supports the preparation of those documents.

CONTRACT RATING

1983

The Contract Rating System provides on-line inquiry of the 34,000 truck contract destination points and automatically rates the carrier waybills. If the waybill is accurate within \$1, the bill is automatically processed for payment.

INLAND TRACING

1983

This system traces container status information via computer link with major rail carriers.

AUTOMATIC TELEXING

1984

This system will send automatic notifications of container departure to Port customers based on information from the Inland Tracing System. It was implemented in July, 1984.

RAIL PROCESSING

1984

This is a major revision of the rail portion of the Consolidations System. It changes the previous rail process (a pooling situation of one container and several consignees) to a more accurate current process (a microbridge situation of several containers and one consignee).

**REVISED
EXHIBIT B to
RESOLUTION NO. 2951, as Amended**

**KEY ELEMENTS OF AGREEMENT WITH
BURLINGTON NORTHERN RAILROAD COMPANY
FOR A RAIL SERVICES PROGRAM**

Port of Seattle Responsibilities. The Port will: (1) obtain booking information from steamship lines and other shippers and enter into POS system; (2) verify booking information and container dimensions; (3) provide train equipment planning and loading sequence; (4) provide container location information and drayage coordination; (5) rate cargo shipments and monitor contract/tariff cargo volumes; and (6) pass information via electronic transmission.

Burlington Northern Responsibilities. Burlington Northern will pay the Port a monthly fee for services rendered by the Port in connection with double stack train service which BN will provide between Seattle and Chicago. The initial monthly fee will be \$35,935.