Commit to Compete:

Maritime transportation is critical to the future of the Pacific Northwest economy.

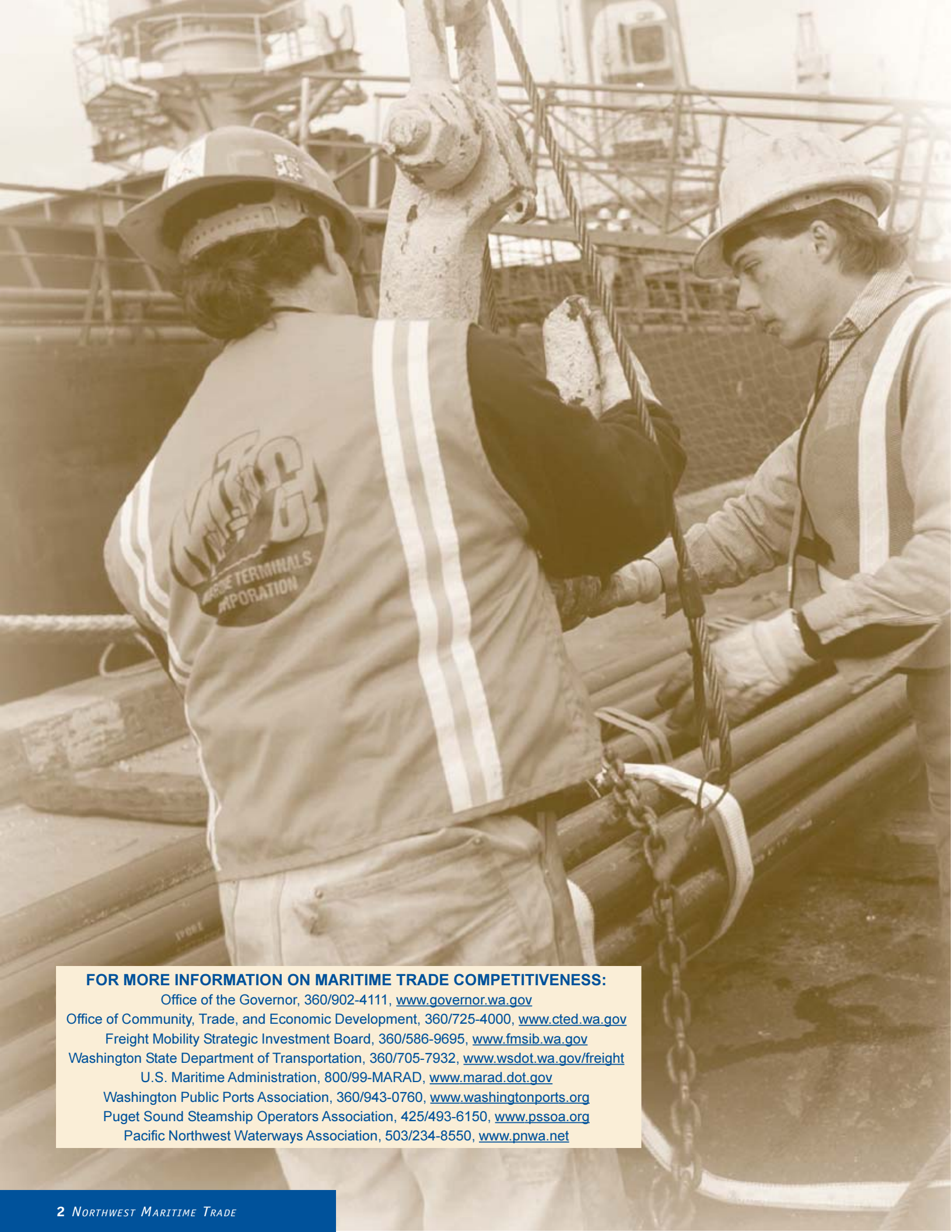
Maritime transportation helps Northwest trade compete in tough markets, whether it's containers moving through the port of Tacoma or wheat barged down the Snake and Columbia rivers. Maritime trade shaped our past and can strengthen our future. It can minimize environmental impacts, maximize energy efficiency, and help determine the strength of economic vitality.

Many factors determine how and where trade happens. Major employers—shippers, distributors, manufacturers—make daily decisions that affect which location will be the first port of call. These employers determine the site of a major distribution center or manufacturing facility, or whether to move business elsewhere due to cost, congestion, customers, supply chain, regulation, or other reasons.

It is vital, therefore, to better understand the pressures faced by maritime trade, and to identify the obstacles to competitiveness when setting a course for broad-based economic recovery and vitality. Thousands of family wage jobs and the health of the regional economy are at stake.

Keys to Competitive Trade

- ✓*A healthy maritime industry creates and sustains family-wage jobs throughout the economy.*
- ✓*Our geographic position is a natural economic asset.*
- ✓*To be competitive, major barriers to freight mobility must be removed.*
- ✓*Competitiveness requires a level playing field, especially for security and environmental protection.*
- ✓*State and regional cooperation can help ports compete better.*



FOR MORE INFORMATION ON MARITIME TRADE COMPETITIVENESS:

Office of the Governor, 360/902-4111, www.governor.wa.gov
Office of Community, Trade, and Economic Development, 360/725-4000, www.cted.wa.gov
Freight Mobility Strategic Investment Board, 360/586-9695, www.fmsib.wa.gov
Washington State Department of Transportation, 360/705-7932, www.wsdot.wa.gov/freight
U.S. Maritime Administration, 800/99-MARAD, www.marad.dot.gov
Washington Public Ports Association, 360/943-0760, www.washingtonports.org
Puget Sound Steamship Operators Association, 425/493-6150, www.pssoa.org
Pacific Northwest Waterways Association, 503/234-8550, www.pnwa.net

today's northwest maritime industry

TODAY'S NORTHWEST MARITIME TRADE represents a complex network that includes ocean carriers, shippers, port facilities and operations, regional and continental road and rail networks, trucking operators, cargo tracking and traffic management, internal and third-party freight forwarding services, emerging inland distribution centers, and ultimately, the final customer. Dynamic supply chains determine the course of cargo. For instance, a computer printer shipped from Hong Kong may travel to Indiana, after final assembly in Canada, or to Texas via Mexico.

The region's maritime operations are centered along two waterways: the Puget Sound and the Columbia—Snake River system. The Port of Grays Harbor also provides direct access to Washington's central Pacific Coast. In a general sense, Puget Sound port activities are dominated by container imports and exports, while the Columbia-Snake River system is dominated by bulk cargo exports.

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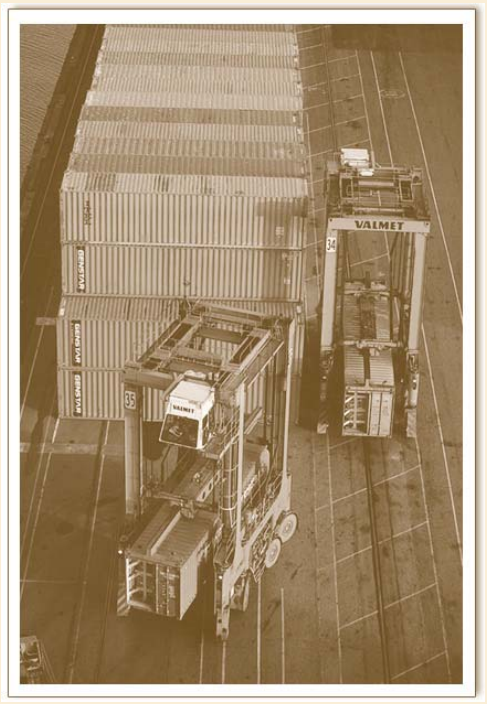
A thriving maritime industry supports jobs in many other sectors and is essential to economic recovery.

...today's northwest maritime industry



Discretionary Ports:

More than 2/3rds of Washington State imports are destined for locations elsewhere in the U.S. Therefore, in many respects, key Washington ports are discretionary, meaning the cargo also can be offloaded at Oakland, Long Beach; Vancouver, B.C. or elsewhere.

One major benefit associated with Washington's discretionary container traffic is the "back-haul" opportunity it provides for Northwest exports, from hay to manufactured goods.

Container Traffic — Puget Sound ports are conduits for component parts in Northwest manufacturing, major retail distribution, and long-haul shipments to other parts of America, through their containerized cargo operations. The Boeing Company, which is the largest exporter by dollar value in the U.S., receives 200 ocean containers each week. The ports of Tacoma and Seattle rank in the top 10 U.S. containerized cargo ports. In fact, their combined totals rank third, behind Los Angeles/Long Beach, and New York/New Jersey.

Dry Bulk Cargo — Washington State is second in the nation in dry bulk cargo exports, largely grain via the Columbia – Snake River system. This river system is a lifeline for the inland Northwest and the Midwest, connecting upriver ports with lower Columbia River export load centers. Approximately 40 percent of all U.S. wheat exports travel down the Columbia – Snake system, from Lewiston, Idaho to the ports of Kalama, Longview, Vancouver, and Portland (the nation's largest wheat export port).

Regional Shipping — Regional shipping plays a crucial role in transporting cargo from the lower 48 states to Alaska. TOTE (Totem Ocean Trailer Express) and Horizon Lines service this Alaska trade, which accounts for approximately 30 percent of total container trade from the Port of Tacoma. And this port handles more than 80 percent of the waterborne cargo moving from the lower 48 states to Alaska.

Other Key Maritime Assets

Maritime trade represents just one element of the maritime industry in Washington. Other components play a crucial role in the region's economy and are intertwined with maritime trade. In addition to cargo shipping and related services, the maritime industry includes shipyards, boat and shipbuilding and repair, naval facilities, the nation's largest commercial fishing fleet, aquaculture, recreation, and cruise ships.

Cruise Ships — Northwest cruise ship operations have grown significantly in the past few years, especially in Puget Sound. In the summer of 2003, the Port of Seattle handled 95 sailings from its two cruise ship terminals, and this total is expected to jump to 140 next year. Some of this growth in Seattle's Alaska cruise business is the result of the 9/11 tradegy; U.S. tourists are seeking travel experiences to and from U.S. locations.

Barge Operations — Barge traffic along the Columbia and Snake rivers brings grain and other bulk goods down river to lower Columbia River ports and provides container shipments up river to ports throughout the Inland Northwest. Though sometimes overlooked, there are significant barge operations throughout the Puget Sound as well. Barge traffic can be a means of alleviating some local or regional highway traffic congestion.

Providing the Link Between Alaska and the Lower 48:

As the Columbia-Snake River system connects the economies of Idaho, Oregon, and Washington, so do the ports of Tacoma and Seattle connect the Northwest with Alaska. According to a study of Puget Sound – Alaska trade, nearly 10 percent of transportation sector jobs in Puget Sound are tied to trade with Alaska. While not all these jobs are maritime-related, 99 percent of all freight shipments between the Puget Sound and Alaska are waterborne.

Short Sea Shipping:

The U.S. Department of Transportation and the Canadian Ministry of Transport recently entered into an agreement to promote "short sea shipping." This initiative encourages the movement of cargo and passengers by water over short distances. Doing so can cut traffic congestion, improve air quality, and save energy.

Reserve this date!

Northwest Maritime Trade Summit
November 12, 2003
Bell Harbor, Conference Center
Seattle, Washington

the economic impacts of trade

AT LEAST ONE-IN-FOUR JOBS in Washington State has been linked to international trade. The Washington Public Ports Association says that every year Washington State handles more than $103 billion in trade, $36 billion of which represent state-originated exports. Aerospace, agriculture, technology, and other economic drivers depend on a healthy maritime industry to get products and produce to market.

According to a recent economic impact study, maritime commerce along the Columbia—Snake River system is estimated to sustain 40,000 jobs directly, and by extension, influence another 59,000 jobs.[1] Another study indicates there are over 87,000 direct trade-related transportation jobs in Central Puget Sound.

Even new additions to the Northwest maritime industry are having a significant economic impact. For example, the International Council of Cruise Lines says cruise ship activity contributed $586 million in 2002 to Washington's economy. Each time a large cruise ship docks, between $500,000 and $750,000 is added to the local economy.

2002 U.S. Exports and Imports by Washington's Ports

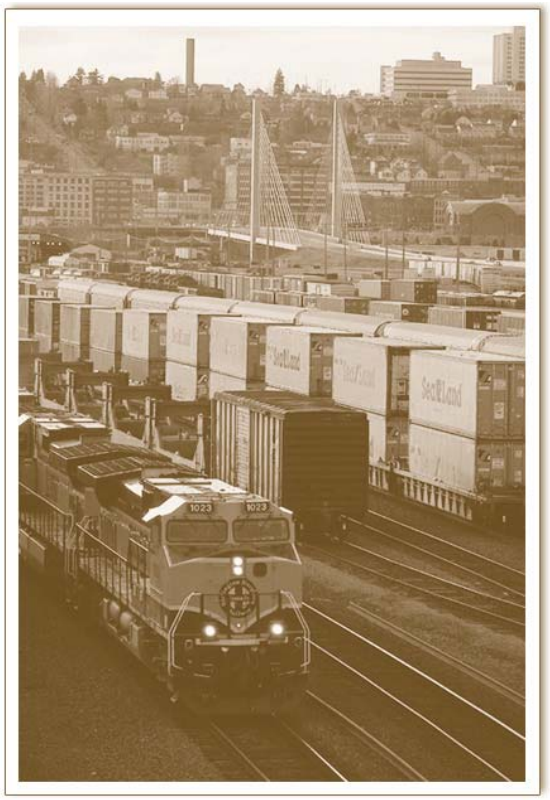
	EXPORTS		IMPORTS	
Port Name	Total SWT (1,000 metric tons)	Total Value (million $)	Total SWT (1,000 metric tons)	Total Value (million $)
Seattle	6,333.8	5,297.5	7,041.9	23,298.0
Tacoma	7,112.8	4,256.0	3,325.1	14,394.4
Aberdeen-Hoquiam	436.3	66.1	314.2	87.6
Bellingham	826.0	190.8	848.9	160.3
Everett	93.3	21.6	77.4	45.2
Port Angeles	373.6	59.9	256.5	37.5
Anacortes	979.4	145.4	1,146.6	178.0
Friday Harbor	0.6	4.4	7.7	16.7
Olympia	46.5	9.9	25.9	2.1
Neah Bay			0.02	0.06
Longview	3,130.3	627.3	586.3	104.8
Vancouver	4,111.7	602.9	628.9	1,072.2
Kalama	4,615.6	653.5	162.5	47.1
Total Washington	28,060.0	11,935.4	14,421.9	39,444.0
Total US	196,306.5	65,949.0	829,958.7	523,084.3
WA Share of Total US	**14.3%**	**18.1%**	**1.7%**	**7.5%**

Source: U.S. Maritime Administration

Market share can help connect Northwest exports to markets.

[1] Economic impact study of Columbia River maritime commerce, John Martin & Associates, 2000.

Inland Distribution Centers — Due in part to waterway and rail networks and other regional assets, major retailers are locating distribution centers in the Northwest. These inland distribution centers have become important links in extensive supply chains. Seven national retail chains have opened or broken ground on regional distribution facilities in Washington State in the past year. Approximately 1,900 jobs are being created in Washington State as a result of these seven regional facilities.[2] Access to major ports was a key factor in siting these warehouses in Washington.



2002 U.S. Foreign Waterborne Trade of Containerized Cargo (thousands of TEU's*)

Both imports and exports are essential to the economy, and imports give our regional economy potential access to export markets. Virtually every imported container can provide our region with an export opportunity.

Rank	U.S. Ports	Total	Export	Import
1	Los Angeles	4,060	866	3,194
2	Long Beach	3,184	717	2,467
3	New York	2,627	747	1,879
4	Tacoma	1,471	754	717
5	Seattle	1,439	715	723
6	Charleston	1,197	521	676
7	Savannah	1,014	453	561
8	Norfolk	982	431	551
9	Oakland	979	496	482
10	Houston	851	430	420
11	Miami	752	349	403
12	PT. Everglades	370	213	157
13	Baltimore	302	99	203
14	New Orleans	216	127	89
15	Portland OR	185	138	47
	Top 15 Total	19,350	6,565	12,782
	Total All Ports	20,741	7,176	13,566

*20-foot Equivalent Units (TEU)

NOTE: Seattle and Tacoma figures include domestic trade with Alaska and Hawaii and empty containers.

Source: U.S. Maritime Administration

2002 Top West Coast Container Port Trafffic
(Includes All Foreign and Domestic Container Traffic)

Port	Thousands of TEUs
Los Angeles	6,105
Long Beach	4,524
Oakland	1,698
Tacoma	1,471
Vancouver, B.C.	1,458
Seattle	1,439

[2] Target, Dollar Tree Stores, Inc., Home Depot, Wal-Mart, Safeway, Ferguson Enterprises, Inc. and Vanity Fair.

pressure on nw maritime trade

GLOBAL PRESSURES, including ever-increasing trade competition, international terrorism and environmental protection demand that our region be in tune with the factors that directly affect maritime commerce and transportation services.

Stiff Market Competition — Today's maritime trade is a function of changing markets and dynamic supply chains that often stretch across the globe. For more than a decade, ocean freight rates have been very competitive, and often degenerative. The effect on operations, and global trade in general, results in very slim profit margins, where pennies per ton (or unit) frequently determine which route or port prevails.

New and Emerging Ports — Among West Coast ports, investments like terminal expansion and modernization, and highway and rail improvements, intensify already stiff competition. Deltaport, Vancouver, B.C.'s state-of-the-art container port, is frequently cited as a chief competitor with Northwest ports. Deltaport became operational in 1997 with an annual capacity of more than 1 million TEUs (20 foot equivalent units) per year. In 2002, Deltaport provided over half of Vancouver's 1.46 million TEUs. By comparison, in 2002, the Port of Seattle processed 1.44 million TEUs, and Tacoma handled 1.47 million.

Highway and Rail Infrastructure Improvements — In California, the 20 mile, $2.4 billion Alameda Corridor now provides a direct and dedicated railroad "express line" between the ports of Los Angeles and Long Beach, and major rail yards connecting to the transcontinental rail network. Such improvements put considerable pressure on the Northwest's ability to attract and retain West Coast market share.

Freight transported by truck must get to and from a port to inland distribution centers or other destinations via the National Highway System (NHS). But, to get to the NHS, trucks often must first travel on local roads. Traffic congestion and road-rail grade conflicts on these local roads slow shipments and hamper competitiveness. The Northwest freight transportation community is rising to these challenges by

continued...

...pressures on nw maritime trade

FAST is Good:

The speed and efficiency of freight transportation from dock to destination is largely dependent upon rail infrastructure and roadway connections. Freight mobility is the land-side partner to maritime trade competitiveness. The FAST corridor is a series of 15 road and rail grade separation projects between Everett and Tacoma that remove barriers to freight mobility and improve safety.

The partnerships that make FAST projects possible include ports, railroads, trucking, business, and state, local, and federal governments. Of the 15 projects identified after FAST (phase 1) was launched in 1996, five projects have been completed, three are in construction, and the remainder are in various pre-construction stages. FAST has been regarded nationally as a successful model for regional cooperation in freight mobility.

Operation Safe Commerce:

The ports of Seattle and Tacoma are taking the lead in partnering with the federal government and the ports of Los Angeles, Long Beach, and New York/ New Jersey to increase security throughout the supply chain—from manufacturer to customer—not just at the port.

The goal is to ensure the integrity of containers from origin to destination. The vision of this aggressive effort is to develop a supply chain architecture, with definition of the steps and parts throughout. While Operation Safe Commerce is not a testing ground for technology, E-seals, biometrics, and GPS-based global tracking are among the technologies under evaluation.

working together and partnering resources to make system improvements. Two examples of this cooperation are the highly successful FAST (Freight Action Strategy) Corridor Program, and channel deepening along the Columbia River.

Possible Shifts in Global Trade Flows — The Pacific Northwest, along with other West Coast ports, share a potential threat to market share: all-water service. This refers to what may be a trend of Asian imports bypassing West Coast ports, in favor of all-water shipping via the Panama or Suez canals to East Coast ports. According to a recent study, in 1994 Wal-Mart—the world's largest retailer—received 74 percent of its Asian imports via West Coast ports. In 2001, that figure was down to 43 percent.[3] Factors affecting this possible trend may include outsourcing manufacturing to South Asia, and the possibility of widening the Panama Canal to accommodate larger container ships for all-water routes. This prospect underscores the dynamic nature of supply chains and trade flows, and the need to look beyond the more obvious set of competitors.

Environmental Protection and Stewardship — The Northwest maritime industry has built a track record of safety, environmental protection, and stewardship. Puget Sound commercial vessels continue to operate with the lowest oil spill rate in the nation, even as national spill rates continue to fall. This distinction has been held for three decades. Wide-open waterways, vessel traffic service, elimination of substandard vessels, industry best practices, and cost effective, risk-based regulations have been keys to this success.

[3] "Asia to U.S. Container Shipping," Stephen Petracek, Booz, Allen, Hamilton, 2003.

In some cases, the regulatory approach to environmental protection has become overly complex and costly when state or local actions are taken to address ship operations, on top of federal and international efforts. Eliminating regulatory duplication could reduce costs, while ensuring that necessary regulations remain.

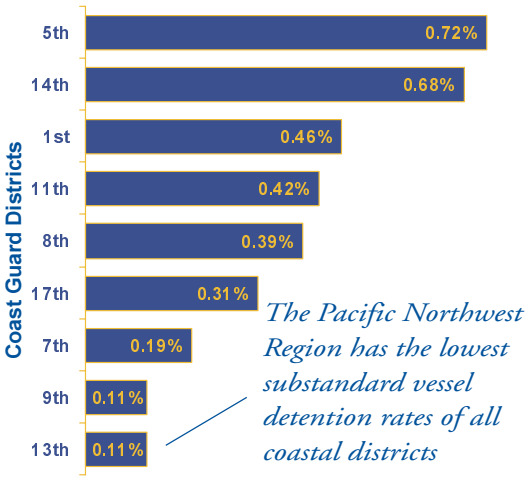
Success stories in fair and effective environmental regulation result from cooperation between the maritime industry and regulatory agencies. Regional, collaborative efforts to reach agreement on ballast water and other maritime regulatory issues help to ensure a level playing field for Northwest trade competitiveness. Conversely, discretionary cargo migrates elsewhere when local and state policies are inconsistent or overly burdensome compared with those required at competitor ports or regions.

Waterway and Port Security — Post 9/11, Pacific Northwest waterways present unique security challenges due to international borders, large waterways, and diverse vessel operations, including U.S. Navy, ferry, cruise, tanker, container, passenger, fishing, recreational, and tug and barge operations. To protect *and* compete, new security procedures and policies must fit Northwest maritime operations. National policies made for smaller geographic areas can be less effective and very costly to the Northwest.

Stakeholders in the Northwest maritime community are working with the Department of Homeland Security to make international maritime operations more secure. To achieve trade and security goals, policies and procedures must be both effective and fairly implemented. Otherwise, significant and unnecessary competitive disadvantages will result.

BUILDING A TRACK RECORD OF SAFETY

(SUBSTANDARD VESSEL DETENTION RATES)



Source: U.S. Coast Guard

Three Feet to a Stronger Economy:

The competitiveness of maritime operations on the Columbia – Snake River System depends in part on the ability of larger, more cost-efficient vessels to use lower Columbia River ports. To accommodate deeper draft vessels, and achieve the $18.8 million in annual transportation savings to local farmers and businesses estimated by the US Army Corps of Engineers, portions of the navigational channel must be dredged an additional three feet, from the current 40 foot depth.

The Oregon and Washington state legislatures each appropriated over $27 million in matching funds for the federal channel-deepening project. In addition, after careful assessment of environmental impacts, state and federal natural resource agencies authorized the project to proceed. Once completed, farmers and others in the region will reap a competitive advantage due to reduced transportation costs.

nw economic recovery and growth

A thriving maritime industry supports jobs in many other sectors and is essential to economic vitality. *Employers in aerospace, agriculture, high-technology, and others rely on a competitive and efficient maritime industry to ensure prompt delivery of components and final products.*

The Pacific Northwest's geographic position is an economic asset. *Northwest ports are a day closer to growing East Asian markets than other West Coast ports. So, our ports are an attractive gateway to Asia for North American exporters, and provide the fastest route to North America for Asian importers.*

Market share can help connect Northwest exports to markets. *By value and volume, maritime trade generally has held steady, but some indicators show the Northwest is losing global market share of maritime trade. Over the long-term, this could erode the competitiveness of key contributors to the Northwest economy by limiting their connectivity with suppliers and customers, especially in East Asia.*

A competitive environment requires infrastructure investment to remove major barriers to freight mobility. *Lean manufacturing requires on-time delivery of parts. Fierce competition is driving prices down and forcing a leaner manufacturing model. Reliable travel times to and from the dock to destination require ongoing strategic investments in road and rail infrastructure. Northwest exports—such as agriculture—compete on slim margins that can disappear if transportation is inefficient.*

Competitiveness requires a level playing field, especially for security and environmental regulation. *Port and waterway security and environmental protection demand ongoing coordination from regulators at all government levels, and vigilance by industry. Competitive disadvantages emerge when regulation is not administered equitably along the West Coast, from British Columbia, Canada to Baja, Mexico.*

Regional cooperation in maritime trade can help ports compete better. *While Northwest ports compete with each other for business, broader state and regional economic opportunities can emerge from better cooperation.*

Linkages between maritime trade, jobs, and economic growth are fundamental.