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“MAKING CHANGES FAMILIES CAN COUNT ON”

A Position Paper On Port Facilities At Cherry Point

By

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Making Changes Families Can Count On is the subtitle of a 2007 Policy Brief released by Governor Christine Gregoire to explain the State of Washington’s Container Ports Initiative, a report driven by an in-depth investigation of Washington’s import and export trade and its importance to the welfare of the people of Washington.

The port facility proposed by SSA Marine at Cherry Point in Whatcom County has the potential to be the lynchpin for economic quality of life in Bellingham and in Whatcom County for decades to come.

Because “getting it right” at Cherry Point is so important to the people of Bellingham and to all the people of Whatcom County, I have taken the liberty of adopting the theme of the Governor’s policy paper as the theme of this exploration as well.

Summary:

The proposed port facility at Cherry Point can be one of Washington’s most important new economic resources. Use of the facility to export coal appears to be, based on my reading of studies by the Washington Public Ports Association, The Washington State Department Of Transportation and the Governor’s Container Ports and Land Use Work Group, perhaps the “lowest and worst” use for the proposed facility. The “highest and best” use for a new facility would appear to be the creation of a container shipping port supported by a first rate intermodal facility with truck to rail, rail to truck, rail to ship and truck to ship capabilities. Such a facility would, in the long term, provide many times the high wage jobs a simple bulk facility focused on coal can provide. A container port facility would attract manufacturers with a need to ship or receive containerized product to the industrial land supply near the

proposed port, would reduce the environmental impacts of the port region-wide and should enhance the farm to market capabilities of Whatcom County agricultural producers. Also important, a new container port would significantly reduce the potential negative impacts of the proposed port on the City of Bellingham, providing for benefits rather than harm.

MAJOR REFERENCES UTILIZED IN THE FOLLOWING:

Governor Chris Gregoire: Policy Brief – *Making Changes Families Can Count On; Container Ports Initiative*, 2007

Container Ports and Land Use Work Group: *Governor’s Container Ports Initiative: Recommendations of the Container Ports and Land Use Work Group*, 2009

Container Ports and Land Use Work Group: *Governor’s Container Ports Initiative: Recommendations of the Container Ports and Land Use Work Group – Appendices*, 2009

BST Associates, a document prepared for the Washington Public Ports Association and the Washington State Department of Transportation: *2009 Marine Cargo Forecast Technical Report*, March 23, 2009

BST Associates, prepared for the Washington Public Ports Association and the Washington State Department of Transportation: *Marine Cargo Forecast Update* – Powerpoint presentation, September 16, 2010.

John Vickerman, TransSystems Corporation: *The Outlook for the Suez Canal Route & the Asian Trade “Tsunami,”* From a panel discussion at the 46th Annual Research and Policy Forum, George Washington University, 2005

Jacksonville Port Authority, *JAXPORT Annual Report*, 2010

Assumptions Underlying My Position

Family Wage Jobs: To the extent possible, the configuration selected for the new port at Cherry Point should provide the maximum number of family wage jobs possible.

A Regional Perspective: A port the magnitude of that proposed for Cherry Point has regional impacts on the economy, the environment, and on quality of life.

Ownership Rights: SSA Marine is a private company; the land proposed as a port is privately owned. The right to private enterprise and the right to exercise property rights should be respected.

Public Rights: Cherry Point is a special industrial facility established under special rules allowed as part of the Washington State Growth Management Act to achieve a larger public good. The proposed port facility makes use of public waters. While a proper balance must be maintained, the public has the right, by law, to participate in decisions regarding the use of the land in question.

Reality Is Important: This position paper does not try to address issues beyond those raised by the question, “What is the best possible use of the opportunity at Cherry Point in terms of jobs production, environmental preservation, and quality of life for the people of Bellingham, Whatcom County and Washington State?”

A Range Of Options: It is important, as part of the upcoming environmental review of the port proposed for Cherry Point, that more than a single option be examined. A coal port is only one of several options. Because the ultimate shape of the project has implications for the national economy as well as regional, state and local economies, review limited to a single proposal is inappropriate.

A Port Will Be Constructed At Cherry Point: This brief address the question of what kind of port should be constructed at Cherry Point, not whether or not a port ought to be allowed.

A coal port is likely to be constructed on the West Coast sometime soon: For purposes of informed decision making, I am assuming some kind of coal export facility will be permitted on the west coast of the United States sometime in this decade. The important discussion addressed here is, “Should a coal export port be constructed in Whatcom County?”

Construction of a coal port almost certainly eliminates the opportunity to have a significant container operation at Cherry Point: A multi-dock facility is unlikely to be allowed at Cherry Point. Bulk shipments of coal do not seem to be compatible with other port configurations.

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The following is not intended to be an exhaustive “white paper” on the subject of Cherry Point nor, an in-depth investigation into every little point made.

The following *is* intended to be a conversation with you, the reader, regarding the thought process that brought me to the conclusions you read about in the summary above.

The theme first put forward by Washington’s Governor truly has been central in my thinking on the issue. A major port facility like that at Cherry Point really is a public-private partnership in a much deeper sense than is usual when a private enterprise proposes an ordinary business. The final configuration chosen for the port at Cherry Point will shape the Whatcom County economy for decades to come. The changes we’re making at Cherry Point should be changes families today, and tomorrow, can count on as we all seek to enhance quality of life in our cities and in our county.

With that in mind my first question to myself regarding the SSA Marine proposal for Cherry Point was:

As I read about the port proposal in the paper, in the ads, and on the blogs it has become clear to me the discussion, on both sides of the issue, hasn’t been fact based. How can I inform myself well enough to make informed judgments about the proposal?

The State of Washington has been concerned about the future of the state’s port system for some time. As a result a number of studies have been commissioned and completed. Most notably, the State’s Department of Transportation, The Washington Public Port Association and a task force commissioned by the Governor have released significant works informing the discussion.

If I were planning, from the perspective of the public good, a port facility at Cherry Point, what kind of port would I be drawn to?

Based on the information from various state reports regarding Washington’s Port system there appears to be no question a container port supported by a first class intermodal facility would be a far superior option compared to a port primarily focused on handling coal.

This seems to be true whether the issue is examined from the standpoint of the public good or whether the issue is examined from the private side.

A portion of the port could still be dedicated to break bulk freight and the studies seem to indicate a facility capable of handling automobile and other vehicle import and export could enjoy success.

Major points supporting the conclusion include:

1. The studies clearly point to shortages in shipping capacity for containers;

- a. The shortage is so dramatic the Canadians were able to justify building a container port facility at Prince Rupert, B.C., nearly 900 miles north of Vancouver specifically to compete with U.S. ports for cargo to be shipped to the Midwest. Canada is apparently investing \$1 billion in upgrading port facilities on the west coast keep those ports competitive.
- b. The studies point to upcoming and serious capacity limits in the California port system, shortages causing shippers to look for alternatives.
- c. One study in particular points to challenges Seattle and Tacoma's ports face as they seek to operate in an urban environment. Because Cherry Point is isolated those challenges are limited making a container port at Cherry Point especially competitive.

2. The studies point to significant and long term growth in the container trade;

- a. Especially significant is the rapidly growing China market and, underway already, substantial growth in trade with India.
 - i. Both China and India are expected to be among the world's largest economies in coming decades.

3. Intermodal opportunities are seen as vital to the success of a container port;

- a. Cherry Point has immediate access to both rail and the I-5 corridor.
- b. Cherry Point has significant adjacent land to support warehousing, manufacturing, or other facilities built to take advantage of a container port.
- c. Cherry Point has immediate access to a major border crossing.
- d. An intermodal facility can be provided for at Cherry Point.

Bellingham and Whatcom County are challenged economically. What do I think the jobs implications of my conclusion regarding a container port/intermodal facility are?

It should be noted, it is difficult to pin down exactly how many jobs will be created by any new business. The very aggressive port at Jacksonville, Florida, for example, combines a container operation, automobile and other wheeled goods imports, break bulk cargo, bulk cargo and a cruise terminal. The Port comments it has about 150+ employees directly employed by the

port. Operations at the port support thousands more jobs and \$1.8 billion dollars in direct and indirect wages as the result of the port's operation. A year 2000 study of industrial opportunities in Whatcom County by the Port of Bellingham and Whatcom County's PUD stated that marine terminals handling bulk products are principally transfer facilities and are not associated with upland industry or processing facilities.

It seems clear many more jobs will result from the building of a container port supported by an intermodal facility than will be produced by a facility focused on coal exports. Here's why:

1. **A coal port handles a cargo shipped in by train, unloaded at the facility then loaded aboard ship. There appears to be little need for supporting businesses so jobs production and growth is limited;**
2. **A container port supported by an intermodal facility, on the other hand, typically supports warehousing and other facilities required to route goods nationally and internationally. Those support facilities could employ as many or more people than the port itself will employ, to the benefit of Bellingham and all of Whatcom County;**
3. **Most Whatcom County manufacturers cannot currently load containers aboard anything but trucks for delivery to ports at a distance. The ability to ship by rail or ocean direct from Whatcom County should increase competitiveness;**
 - a. Some studies, for example, point to the importance of *farm to market transport as significant in preserving the profitability of agriculture* in Washington State.
4. **Cherry Point was established with plentiful land supply to allow significant manufacturing facilities to be planned for and built. Lack of ability to ship by rail or ocean from Whatcom County has almost certainly reduced the desire of larger manufacturers to locate in the county. A shipping port with intermodal opportunities within a mile or two of a manufacturing facility could be a powerful incentive for manufacturers to establish facilities in Whatcom County;**
 - a. The studies show land supplies for industrial facilities near Seattle and Tacoma ports are seriously constrained, a factor that should make Cherry Point competitive.
 - b. The ability to serve multiple markets with ocean, rail or truck shipments should positively impact locational decisions.
 - c. An adequate land supply allows for warehousing, distribution facilities and other cargo associated and jobs producing facilities to be built.

The environment is a primary consideration in determining what kind of port facility is most appropriate at Cherry Point. Are there important differences in the environmental impacts likely if the choice is made to create a container port/intermodal facility at Cherry Point when compared to the choice to export coal?

Questions regarding whether or not coal ought to be exported to countries like China are outside the scope of this discussion.

I believe a coal port at Cherry Point brings unacceptable environmental impacts when compared with a similar port suggested for Longview.

This is not based on NIMBYism. A coal port located at Longview will have far less environmental impact than a container port supported by rail located at Cherry Point because:

- **If nine round trips per day are required to ship coal, one million, three hundred and ten thousand extra miles of train travel will take place every year. That means hundreds of thousands of extra gallons of diesel burned every year just to move the coal an unnecessary 200 extra miles.**
- **A container port will handle both imports and exports. That means trains will be loaded or, at least partially loaded, each way. Half the miles travelled with a coal port will be consumed hauling empty trains.**
- **A container port with intermodal capabilities will allow containers coming in from Canada and now being trucked to Seattle or Tacoma to be loaded aboard trains in Whatcom County, relieving I-5 from the burden of extra truck traffic and the associated emissions from that traffic.**
- **Similarly, rail cars with containers destined for export to Canada could be off loaded from the train at Cherry Point rather than in Seattle or Tacoma with both emissions and congestion savings realized.**
- **If the container port is successful in attracting manufacturers with shipping needs to Whatcom County, dramatic reductions in transportation associated emissions would be realized as the warehouse dock to shipping dock distance is reduced to a mile or two.**
- **If Cherry Point is successful in serving U.S. based traffic that would otherwise be taken by the Prince Rupert facility, emissions reductions would be dramatic as a 1,800 mile round trip is avoided.**

CONCLUSIONS:

The choice we make at Cherry Point is one of national importance. If we cannot import or export goods because we do not have adequate shipping facilities does it make sense to throw away the potential for highest and best use of a limited resource for the sake of shipping coal overseas?

In terms of a coal port, Bellingham and Whatcom County are just “pass through” points. Once the port is built there is little or no potential for jobs growth as a result of port operations. As an intermodal container port, substantial jobs growth is possible. Should the citizens of Bellingham and Whatcom County squander the opportunity for significant and on-going jobs growth when choosing to build a container port at Cherry Point will likely provide more jobs in the short term and will certainly provide more jobs in the long term?

Washington’s Governor recently introduced a new state exports initiative. According to her press release, “Over the next five years, Gregoire expects the state export initiative to increase the number of Washington state companies exporting by 30 percent and help 5,000 Washington businesses achieve \$600 million in new export sales.”

A coal port increases the number of state companies exporting by one company and does not help a single Washington business achieve a single new dollar in export sales.

The opportunity to build a much needed container port, capable of providing many more jobs and increased future opportunity, with considerably less environmental impact than the alternative is not worth giving up so that we can export coal.

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