

Dear Members of the Transportation Committee,

I have been a lead writer on a League of Women Voters Coos County (LWVCC) study document on the Port of Coos Bay. As part of this work I have read copious pages of the minutes of the Port Commission meetings and industry publications associated with the shipping industry. Thus I have followed the introduction of HB3382 with great interest and concern. It was obvious from the presentations made on Tuesday evening by Congressman DeFazio and Rep. Hoyle that this bill is designed to allow a private company, NorthPoint, to work with the Port of Coos Bay to build a container terminal on the North Spit of Coos Bay. As part of my LWVCC work I read the promotional material that NorthPoint produced and distributed to members of the Oregon legislature. I am concerned to see that many of their claims are out of date and not representative of the current situation in the global shipping industry. Below I have provided an update on some of the claims made, with the sources I have used, to provide more current information. I used NorthPoint's promotional material (in black text) and added my update to many of the claims (in red text). References with source documents are appended at the bottom of the page.

It is clear to me that a container terminal in Coos Bay is unlikely to be viable for many years and the change that HB3382 would make to Oregon's land use law is not necessary at this time. I urge you to vote against this measure.

AN HONEST UPDATE ON NORTHPOINT'S FACT SHEET MAY 2023



FACT SHEET: NorthPoint Development Coos Bay

BACKGROUND:

What Northpoint says:

- Ships are stacking up outside our major ports on the West Coast of the United States, burning fuel as they idle and costing millions of dollars in lost opportunity costs. Those delays are hurting our environment and our economy. It's only going to get worse. Significant port capacity must be added to the West Coast.

An honest update:

- *The pandemic ship congestion is no longer an issue.*
- *There are no longer delays at West Coast ports and the congestion has cleared.*
- *Container imports at the 10 largest US ports declined about 18% year over year in January 2023.*

- *The Port of Los Angeles handled 487,846 TEUs in February 2023, a 43% decline from February 2022's monthly record and its worst February since 2009.*

What Northpoint says:

● The Port of Coos Bay is the solution. We have an opportunity to turn this port – the largest deep-water port between the Puget Sound and San Francisco – into the nation's first direct ship-to-rail container EcoPort.

An honest update:

- *Competition among ports has intensified. East and Gulf ports have generally outperformed West Coast ports in terms of growth rates due to: expansion of the Panama Canal, population dynamics, and labor unrest.*
- *Existing west coast ports currently have large unused capacity. Imports to West Coast ports were down 23.5% in January 2023 whereas East and Gulf Coast ports showed only a 12.6% decline.*
- *The intense competition has dropped the rates for shipping containers. It has fallen 80% from mid-2021 pandemic peak when supply chains were snarled.*

What Northpoint says:

● The Port of Coos Bay has it all. It has an existing federal channel, quick access to the open ocean, rail access to a Class 1 transportation network and plenty of land that is open for development. Coos Bay is literally the only place on the West Coast that checks all those boxes.

An honest update:

The plenty of land statement is relative:

- *The Ports land on the North Spit is about 300 acres with nearly one mile of shoreline. This is significantly smaller than the acreage for most US container terminals.*
- *This land is surrounded by the terminus of the largest sand dune formation in North America.*
- *The US Forest Service and the Bureau of Land Management have significant holdings adjoining the port's property and the conservation importance and recreational usage of the dunes is high.*
- *The proposed location of the terminal is in a dune field that is extremely vulnerable to soil liquification induced by an earthquake.*
- *The North Spit location is highly vulnerable to inundation by even small tsunamis placing the entire facility at risk of damage or total loss.*
- *Frequent high wind conditions on the North Spit will likely exceed the safe operating requirements of the gantry cranes used for ship to shore handling of containers. These conditions are likely to introduce unexpected interruptions in container handling equipment and delays of shipping schedules.*

SOLUTION IN COOS BAY:

Given these realities, the Port of Coos Bay has entered into a partnership with NorthPoint Development to establish a new container port in Oregon that will immediately increase West Coast capacity.

Business Case

What Northpoint says:

● Imported products that Americans rely on will be able to get to market faster. Pacific Northwest farmers will have a new outlet to ship their products to Asia.

An honest update:

- *Pacific Northwest farmers have a new outlet to ship their products that is much more efficient than sending them to Coos Bay. In December 2022 the Oregon Department of Transportation*

celebrated the grand opening of the \$35.5 million, 64-acre truck-to-rail Mid-Willamette Valley Intermodal Center in Millersburg, Oregon. The State of Oregon provided \$25 million of Connect Oregon funding for the project.

- The Center serves the agricultural community in the Willamette Valley and Southern Oregon by providing infrastructure for transferring intermodal containers from trucks to rail and vice-versa. Trucks bring cargo in international containers to be transferred to rail cars, which head north to marine terminals in Seattle and Tacoma—bypassing busy Interstate 5 congestion along the way.*
- These ports have 1500 electrical plug-ins for refrigerated containers prior to shipment.*
- Approximately 81% of the exported agricultural products from the Mid-Valley is loaded onto ships in Seattle and Tacoma, with the remainder exported from Long Beach (8%) and Oakland (3%). Tacoma is served by Class 1 Rail. The Coos Bay rail line is a 130 mile-long Class 3 line.*

What Northpoint says:

- The Port of Coos Bay could ship the equivalent of 1,320 containers (20 feet in length) per day, improving West Coast freight capacity by 7 to 10 percent.

An honest update:

- No shipping company has announced a commitment to the Coos Bay container terminal project. Conversations with Mr. Clem suggest that NorthPoint is considering the South Korean shipping line Hyundai Merchant Marine (HMM) as a promising user of a container port. HMM just announced plans to reign in costs as it reports a significant decline in its financial performance for the first quarter of 2023. The company reported a staggering 58% decrease in revenue, plummeting to KRW 2,082 billion (US \$1.5 billion) from KRW 4,919 billion in the same period last year. This sharp decline in revenue was accompanied by a 90% drop in operating profit, which fell to KRW 307 billion (US \$230 million) from KRW 3,149 billion.*
- Shippers need both inbound and outbound full containers to be profitable. Bringing empty shipping containers back to Coos Bay is not profitable.*
- No specific export volumes have been identified.*
- In the past five years existing west coast container ports have added new capacity of over 5 million containers/year.*

What Northpoint says:

- The Coos Bay EcoPort is estimated to save around \$9.75 million in fuel costs and \$8.3 million in highway maintenance costs by reducing the use of trucks. It also will reduce the amount of fuel and opportunity cost of ships piling up outside our major ports.

An honest update:

- Ships are no longer piling up outside ports. The pandemic surge is over.*
- Importing commodities to urban ports with large populations will always be more efficient.*
- Container terminals with direct-to rail service is becoming a standard in the industry.*

Environmental Benefits

What Northpoint says:

- The Coos Bay EcoPort will reduce the number of trucks on the road and remove corresponding carbon emissions by relying 100 percent on rail.

An honest update:

- The aging locomotives used on the Coos bay rail line run on diesel which have significant carbon emissions.*

- *It is unclear where this truck reduction would occur. Most containers are already shipped by rail.*

What Northpoint says:

- Railroads account for 40 percent of U.S. freight transport, but only 2.1 percent of transportation-related greenhouse gasses. One double-stacked intermodal train can eliminate up to 750 local truck trips, resulting in 31 million fewer truck miles and 27,000 fewer tons of carbon dioxide emissions annually.
- Four containerships per week to Coos Bay instead of Los Angeles would reduce emissions by more than 780,000 metric tons (41.2 percent).
- Renewable energy will power electric cargo-handling equipment and vehicle charging, as well as provide on-shore power. Cold-ironing – using electric power for ships while unloading – will eliminate pollution in port waters by 90 percent and emissions by about 50 percent.

An honest update:

- *The International Maritime Organization 2023 regulation has introduced mandatory reductions in carbon emissions for both new and existing ships so cold-ironing is now an expected practice in the industry and all US ports will be adopting this practice.*

FEDERAL INVESTMENT NECESSARY

What Northpoint says:

- The Port of Coos Bay can increase access to Asian markets, but it will require a significant federal investment.

Despite an existing federal channel that is regularly maintained by the United States Army Corps of Engineers, a rail line that connects it to a Class 1 rail system and hundreds of acres of undeveloped industrial land with quick and easy access to the ocean, the Port of Coos Bay is underutilized.

An honest update:

- *The trend is now towards building ultra-large container ships. These range from ships capable of carrying 13,000 to 24,000 containers/ship. Only the largest ports will be able to receive vessels of this type. The enlargement of the federal navigation channel in Coos Bay will not be deep enough to accommodate these new ships.*

What Northpoint says:

- The project will require \$400 million in channel development; \$297 million for rail line improvements to increase travel speed, as well as expanding tunnel space to accommodate double-decker stacks of cargo containers.

An honest update:

- *The Port's 2022 MEGA grant application included a request for \$459,974,690 for channel development. Of this \$258,227,000 is to blast rock in the lower 2- 3 miles of the 8.3 mile channel proposed for deepening.*
- *The port's MEGA grant application also included a request for \$917,932,159 for rail upgrades.*

MEGA Grant Program Eligibility is Key

What Northpoint says:

- The newly created National Infrastructure Project Assistance Grant Program – commonly known as the “Megaprojects Grant Program” – provides an opportunity for this project.
- The White House paper on the Infrastructure Investment and Jobs Act says that the MEGA Grant Program – created by Section 21201 of the IIJA – is intended to provide “funding to complete critical large projects that would otherwise be unachievable without assistance.”
- The Coos Bay EcoPort project fits these criteria and it’s a slam dunk for solving an urgent business and environmental problem.

An honest update:

- *It is not a slam dunk as the Port of Coos Bay's application was rejected as it did not meet two of five requirements:
Requirement 3: The project will be cost effective.
Requirement 5: The applicant has, or will have, sufficient legal, financial, and technical capacity to carry out the project.*

What Northpoint says:

- This is a unique opportunity to solve supply chain issues, cut carbon emissions and create great jobs where they are sorely needed. It's a winner from every angle and we urge you to support the Coos Bay EcoPort.

An honest update:

- *We no longer have supply chain issues associated with shipping and industry forecasts suggest that there will not be supply change issues for the foreseeable future.*

SOURCES FOR HONEST INFORMATION PRESENTED

1) Container import declines, reduction of Asia – Pacific coast routes and impact on west coast ports.

- <https://gcaptain.com/u-s-container-imports-see-biggest-drop-in-over-a-decade/>
- https://gcaptain.com/west-coast-ports-bear-the-brunt-as-inbound-containers-drop-off/?subscriber=true&goal=0_f50174ef03-be8c9123cd-170419605&mc_cid=be8c9123cd&mc_eid=7f34d32a97
- <https://gcaptain.com/container-dwell-times-at-los-angeles-and-long-beach-ports-return-to-normal/>
- <https://www.maritime-executive.com/article/port-of-savannah-set-new-container-freight-record-in-2022>
- <https://www.maritime-executive.com/article/u-s-imports-in-february-expected-to-be-lowest-in-nearly-three-years>
- <https://gcaptain.com/port-of-los-angeles-sees-huge-43-cargo-drop/>
- https://gcaptain.com/hmm-revenue-plunges-prompting-measures-to-counter-economic-downturn/?subscriber=true&goal=0_f50174ef03-5650cfbd01-170419605&mc_cid=5650cfbd01&mc_eid=7f34d32a97

2). Increase in competition, reduction in price for container shipments.

- https://gcaptain.com/wave-of-megaships-about-to-hit-the-water-as-container-shipping-demand-falters/?subscriber=true&goal=0_f50174ef03-0fb7b1fa3e-170419605&mc_cid=0fb7b1fa3e&mc_eid=7f34d32a97
- https://gcaptain.com/bad-news-for-ocean-carriers-as-contract-rates-trending-towards-spot/?subscriber=true&goal=0_f50174ef03-097de09913-170419605&mc_cid=097de09913&mc_eid=7f34d32a97
- https://gcaptain.com/ultra-competitive-freight-market-emerges-for-chinas-export/?subscriber=true&goal=0_f50174ef03-58fdd0eb90-170419605&mc_cid=58fdd0eb90&mc_eid=7f34d32a97

3). Size of new cargo ships, smaller, older ships are aging out of the fleet.

- <https://gcaptain.com/amid-container-market-turmoil-shipping-alliances-prepare-to-deploy-new-megaships/>
- <https://marinenotes.blogspot.com/2012/06/container-ship-sizes.html>
- <https://www.aapa-ports.org/files/PDFs/CONTAINER%20SHIP%20SAMPLING.pdf>

4. Export of agricultural products via the Millersburg Intermodal Terminal

- https://www.up.com/aboutup/community/inside_track/oregon-intermodal-facility-it-221229.htm

5. HMM Shipping Company revenue decline

- https://gcaptain.com/hmm-revenue-plunges-prompting-measures-to-counter-economic-downturn/?subscriber=true&goal=0_f50174ef03-5650cfbd01-170419605&mc_cid=5650cfbd01&mc_eid=7f34d32a97

5. Review of the 2022 Port of Coos Bay's application for a US dept. of Transportation mega-grant

- <https://www.transportation.gov/sites/dot.gov/files/2023-02/Mega%202022%20Applications%20and%20Ratings%20for%20Publication.pdf>