Tri-Cities Intermodal

Washington State Joint Transportation Committee

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Executive Summary

Tri-Cities is a unique combination

- An operational inland port – with national scope -- able to transform domestic and international supply chains

Vision

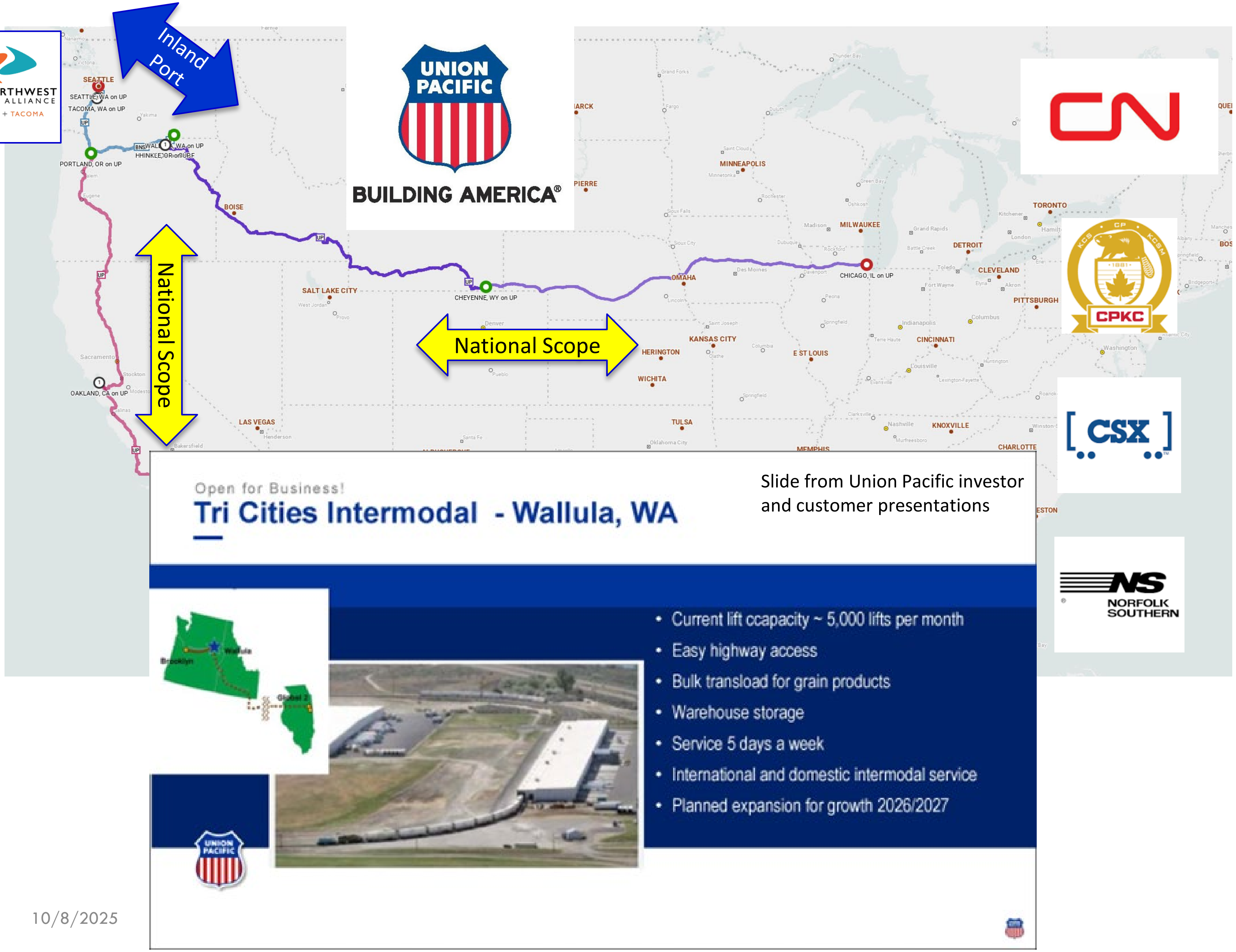
- Develop the Tri-Cities and Northwest Seaport Alliance as the preeminent supply chain gateway for North America
- Establish Washington State as a model for public-private partnership for trade success, economic growth and environmental sustainability

Mission

- Support agricultural exports with cost-effective inland transportation to international and domestic destinations
- Establish Washington State as an attractive import gateway
- Reinforce domestic distribution options in and through the Tri-Cities
- Accelerate the growth of US containerized export of grain and bulk

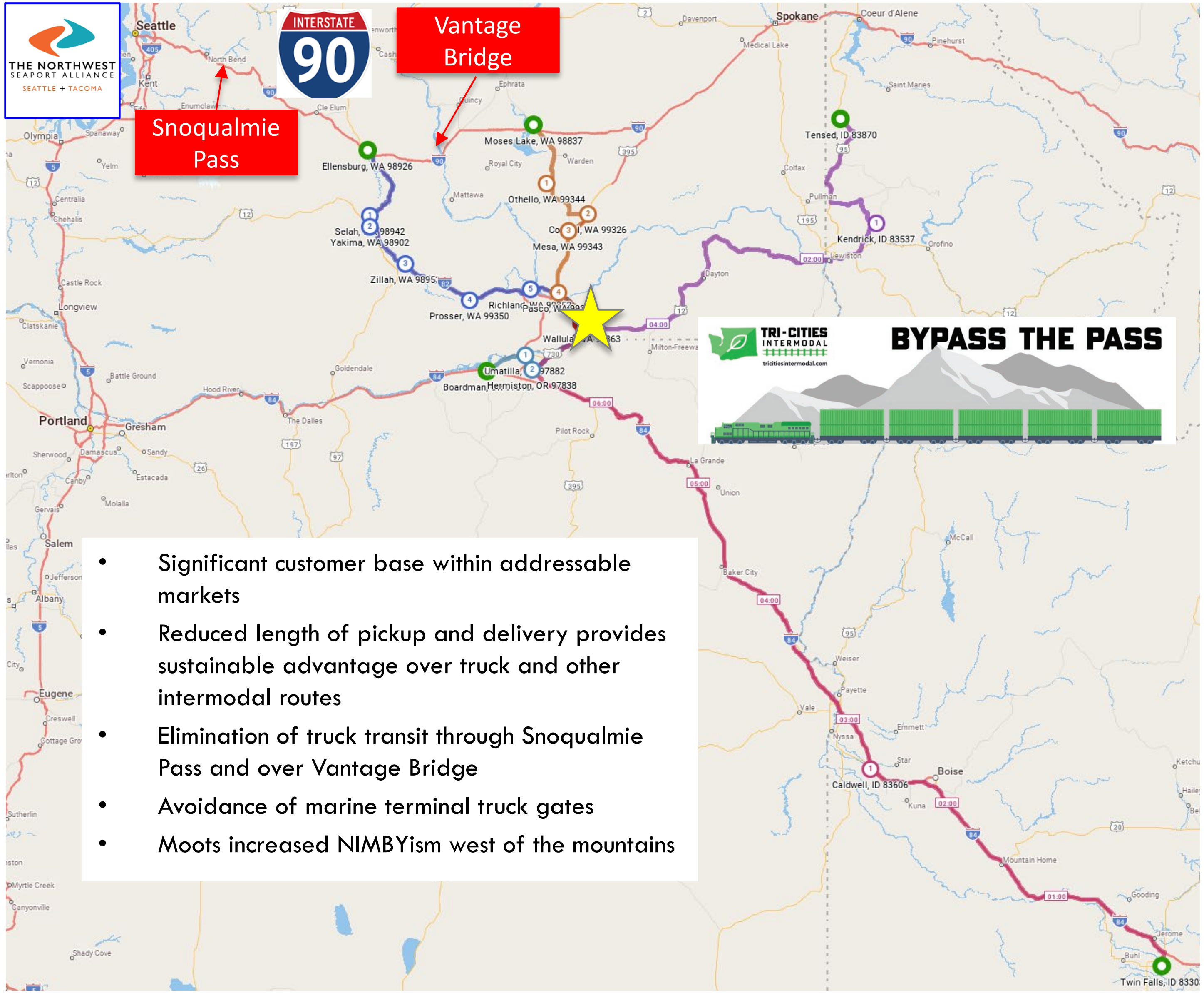
TRI-CITIES INTERMODAL

The Business: An Inland Port – with National Scope



- Only private inland port in United States
- Unique national scope complements inland port
- Opens new markets for premium domestic shippers
- Enables dramatic growth in containerized export grain
- Offers new paradigm for import transloading – with industrial development opportunities
- Strategic partner for Union Pacific Railroad and Northwest Seaport Alliance
- Offers a “new way” for private sector GHG emission reductions

Market Analysis



- Significant customer base within addressable markets
- Reduced length of pickup and delivery provides sustainable advantage over truck and other intermodal routes
- Elimination of truck transit through Snoqualmie Pass and over Vantage Bridge
- Avoidance of marine terminal truck gates
- Moots increased NIMBYism west of the mountains


Snoqualmie Pass (Winter)


Snoqualmie Pass (Summer)


Vantage Bridge


Marine terminal gate congestion

NIMBYism

CARB

Adoption of CARB Rules

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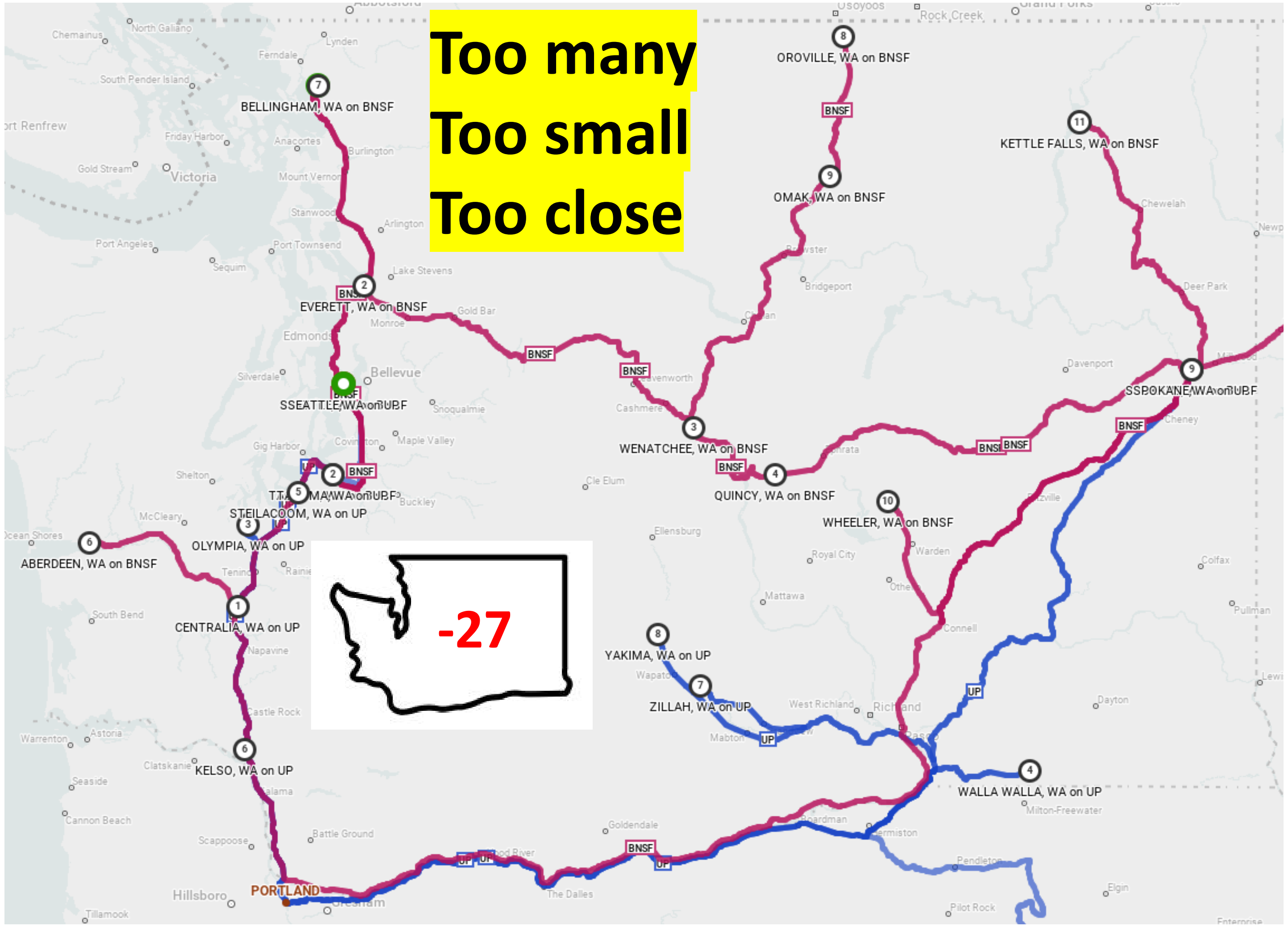
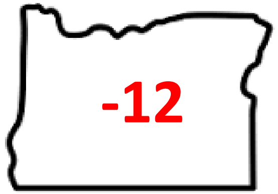
New Intermodal Capacity

- Tri-Cities Intermodal reverses a decades-long reduction in Washington State intermodal facilities



Source: The Official Railway Guide
North American Freight Edition
November-December 1974
p. 76 and 446



Closed Ramp	BNSF	UP
Aberdeen	☑	☑
Anacortes	☑	
Bellingham	☑	
Centralia		☑
Ellensburg	☑	
Everett	☑	
Grandview		☑
Kettle Falls	☑	
Fort Lewis		☑
Kelso-Longview		☑
Kennewick		☑
Olympia		☑
Omak	☑	
Oroville	☑	
Pasco	☑	☑
Quincy	☑	
Spokane		☑
Tacoma	☑	☑
Walla Walla	☑	☑
Wenatchee	☑	
Wheeler	☑	
Yakima	☑	☑
Zillah		☑

Source: The Official Railway Guide November-December 1974

Tri-Cities is Up and Running

- Tri-Cities Intermodal currently fulfills all requirements for an “inland port”

Inland Port Requirements			
	A rail intermodal terminal, that has been built	✓	Annual capacity of 75,000 lifts Footprint to grow 10x
	An active rail connection with ports’ marine terminals	✓	Daily service to and from NWSPA Connectivity to all ocean carriers
	An array of logistical activities	✓	Cross-dock facility Grain transloading on-site Chassis pools in place
	Customer proximity	✓	Importers Farmers Factories

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What if You Build It – And They Don't Come?

Millersburg
- Mid-Willamette Valley Intermodal Center (MVIC)
- $35 Million -- $10 Million over budget
- 0 Loads

Nyssa
- Treasure Valley Reload Center
- $26 Million
- Never opened

Port of Portland
- $40 million to remain operating
- How much more – for how much capacity?

Coos Bay
- $25 million INFRA Grant to study
- Today: No rail; no highway; no container terminal

VPA Front Royal
- 25 years waiting period

Quincy, WA
- Lack of intermodal awareness

Stark County, OH
- FTZ are not enough

CSX Mistakes
- $100 million + spent on Valleyfield, PQ and Pittsburgh, PA
- Both closed

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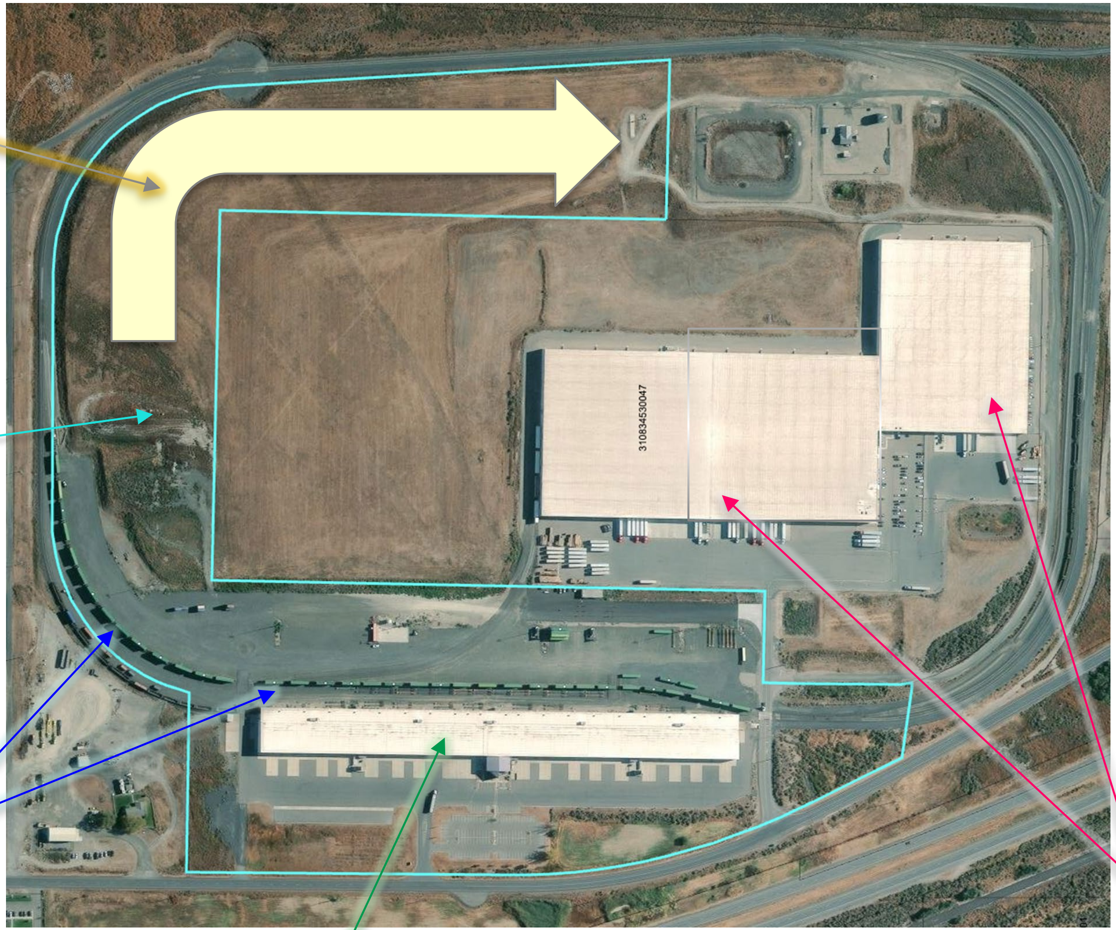
Facility Description

- Established property – available at a fraction of the cost



- Current ramp property represents $75 million in private investment
- Replacement cost ≈ $100 million ($80 million without warehouse)
- Can accommodate significant expansion
- Loop track owned by Port of Walla with property easement

Restore NWSPA Relevance

- Tri-Cities Inland Port addresses the range of strategic challenges facing NWSPA
  - Washington State Ports offer unique advantage that can be reclaimed

Local NIMBYism

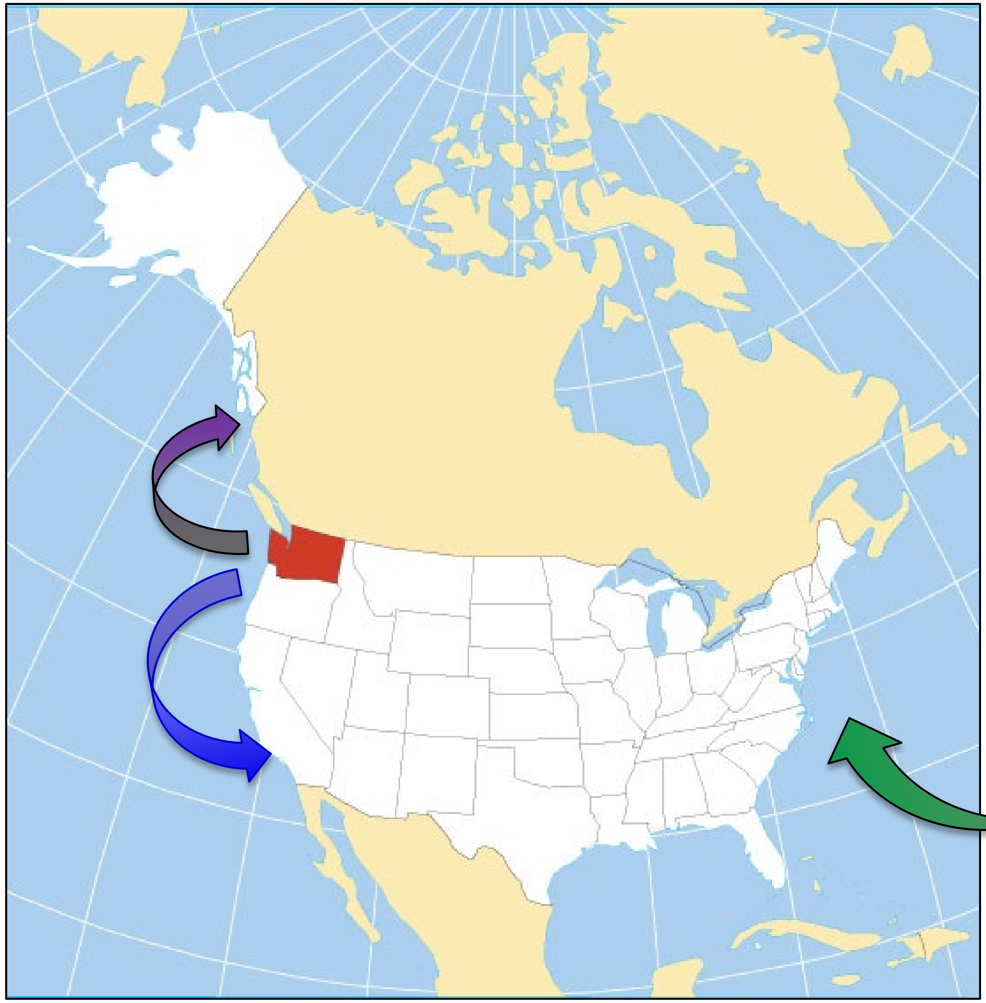
- Objection to truck traffic: congestion, GHG and accidents
- ***Highway to rail conversion***

Diversion to Vancouver and Prince Rupert

- Harbor Maintenance Tax (HMT)
- Canadian railroads less expensive than US railroads to Chicago and Memphis
- Dubai World and HIT not allowed in US
- ***Grain and import transload avoid border crossing***

Diversion to Los Angeles and Long Beach

- Better rail rates and service
- Larger local population
- Extensive transloading network
- Ultra-large vessels in China shuttle
- Transloading alternatives exhausted
- Barstow (BIG) still if – not when
- Grain transload alternative to Global Four
- ***Inland solution to complement NWSPA port infrastructure***



Diversion to US East Coast

- "4 corners" importer strategy
- ILWU concerns
- Ultra-large vessels
- Growth from Suez – not Panama – Canal – transits
- ***West Coast still advantageous for certain cargo***

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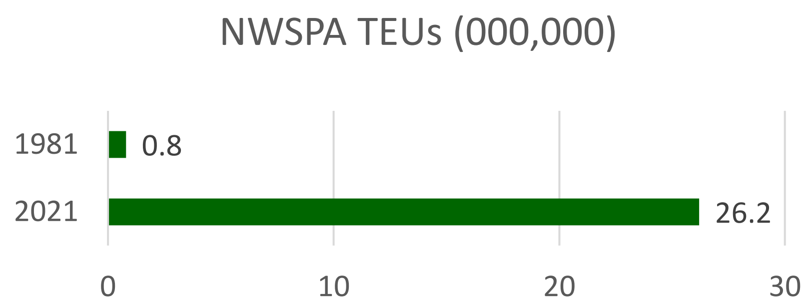
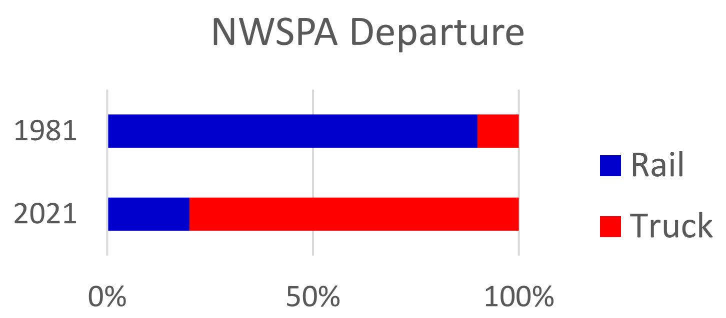
B2C: How Import Supply Chains Have Changed

	1984	2024
Overseas loading	To destination DC	To port transload
Number of Distribution Centers	5-8	100 - 300
Doctrine	Serve stores within 300 miles	Serve consumers within 50 miles
Advance Days from DC Direction	100 - 250 Days	3 – 6 Days
Discharge port processing	On-dock rail intact to inland DC	Truck to local DC for transloading





NWSPA could immediately triple vessel volume if truck gate moves were replaced by on-dock rail

Import Transloading

National Issues

- Nationwide shortage of suitable – and available -- real estate to build more transloading sites
- Port delivery costs are increasing faster than warehouse costs
- Port delivery by rail is much less expensive than truck -- but rarely available

Southern California Issues

- Southern California no longer able to accommodate cost-effective distribution: marine terminals, highways and distribution all suffer from inadequate infrastructure
- On-dock rail has structural issues -- and offered "fixes" (Pier B and Barstow) are still unproven, and very expensive
- Phoenix transloading is evidence of need for Inland Empire alternatives
  - Phoenix is twice the distance from the San Pedro ports -- but half the cost

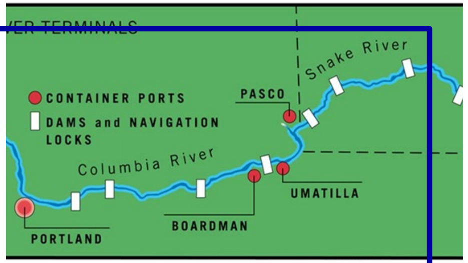
Pacific Northwest

- Latent marine terminal infrastructure is ready for immediate deployment
- Inland rail service to/from Tri-Cities is already proven
- Amazon can easily replicate Phoenix methodology in Tri-Cities
- Plenty of land available for industrial development (from all three inland ports)
- Tri Cities cheaper than Phoenix due to port proximity and presence of agricultural exports to absorb all empty import capacity
- ***Tri-Cities could be the new Inland Empire***

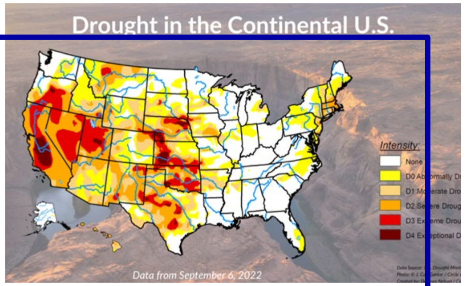
Export Containers

- ***Better service and lower cost solution for shippers exporting full containerloads of agricultural products***
  - A non-truck option has not been available to exporters since most ocean carriers stopped calling Portland – eliminating the inland barge option
  - Inland transportation to port is often 3-4x cost of shipping from port to Asia
- Agriculture is significant driver of eastern Washington economy -- and continues to grow
  - Water shortages (and politics) elsewhere – along with climate change – are accelerating relocation of farming to Pacific Northwest
  - Exports are robust foundation to pair with imported
- Exporters are granted gross vehicle weight (GVW) of 106,500 lbs.
  - Federal standard is 80,000 lbs.
  - This weight is physically impossible to haul to port with electric vehicles
- Significant addressable market of refrigerated export volume that can commence with minimal capital investment
  - Frozen French fries, vegetables and protein

Importance of agriculture



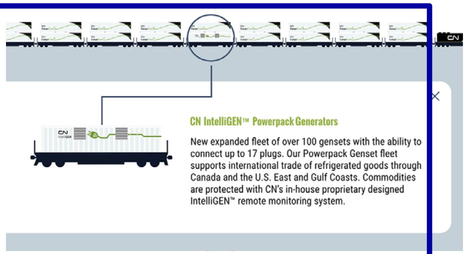
Portland Barge



Increasing drought


Columbia River Irrigation


Export Hay



PowerPack

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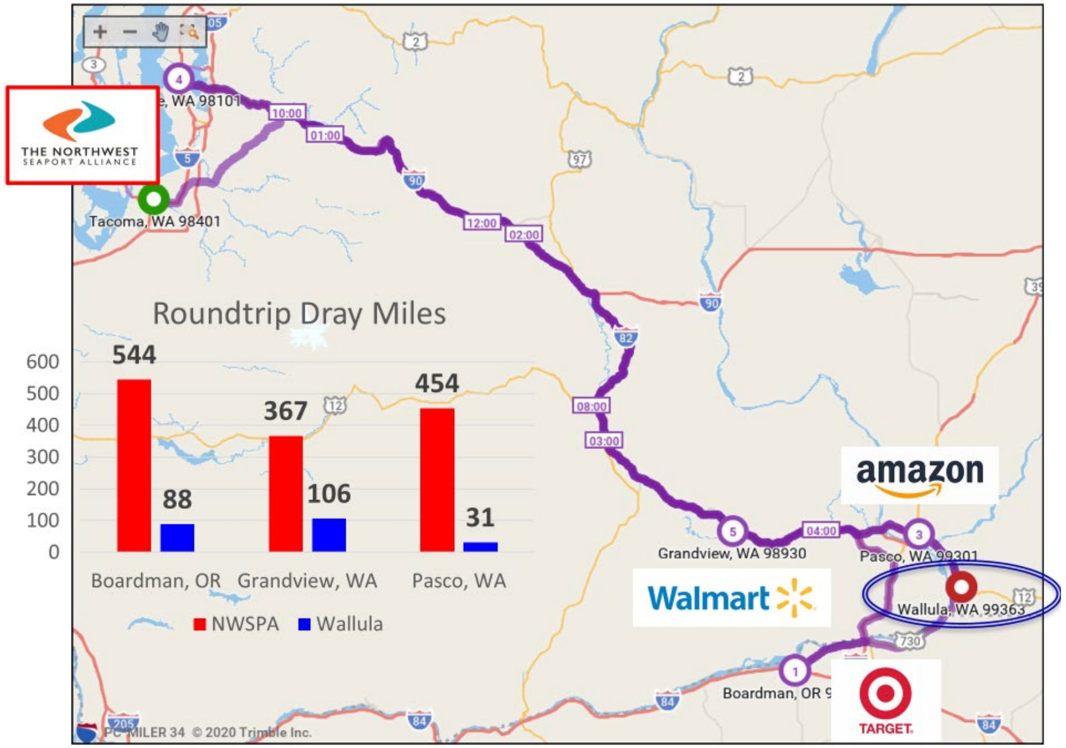
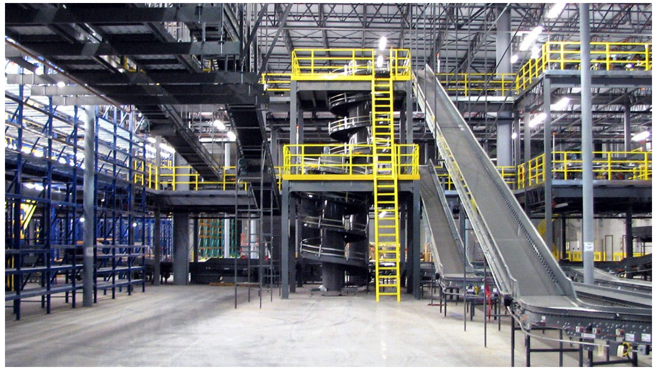
Import Containers

- ***Better service and lower cost solution for importers supplying regional distribution centers (DCs) with containers discharged at Ports of Seattle and Tacoma***
- Marine terminal pickup often problematic due to alliance restraints, limited gate hours and vessel stowage
- Successful test shipments concluded with Fortune 50 B2C company
- Current load-empty truck roundtrip (Port – DC – Port) can be replaced with one-way truck
  - Every empty import container can be reloaded with an export
  - 60% cost reduction for importer
  - 40% cost reduction to exporter





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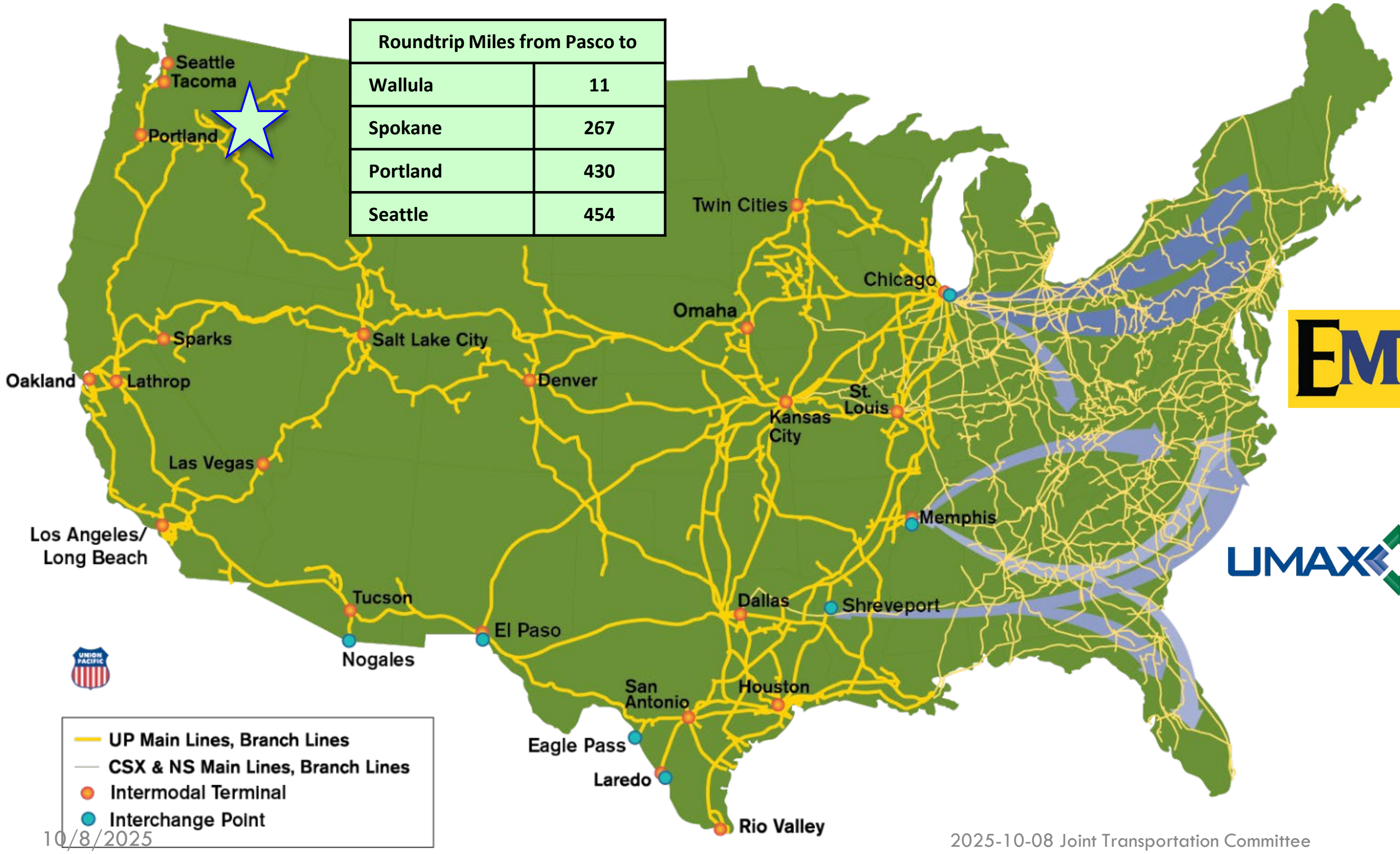
Domestic Premium

- ***Lower cost solution for bimodals and intermodal marketing companies serving dry and refrigerated shippers – with lower execution risk and no service degradation from current service via Portland and SeaTac***
- Tri-Cities is now part of Union Pacific Premium Intermodal Network
  - EMP and UMAX equipment has increased addressable market for domestic customers
- Ability for bimodals to domicile drivers in Tri-Cities instead of Portland or SeaTac

Roundtrip Miles from Pasco to	
Wallula	11
Spokane	267
Portland	430
Seattle	454



53-Foot Domestic Containers Provision to Shippers

Strategy	UP	BNSF
Private equipment from Bimodals (Motor carriers with intermodal services)	• Dry: Hub, Schneider, Knight Swift, STG • Reefer: Hub, CR England	• Dry: JB Hunt, COFC Logistics • Reefer: JB Hunt, Prime, Marten
Private equipment from Shippers	• N/A	• Dry: Amazon
Railroad equipment provided by UP and its partners to IMCs*	• EMP (with NS, N, FEC and FXE) • UMAX (with CSX)	• N/A

* Intermodal Marketing Companies are 3PLs that are brokers only

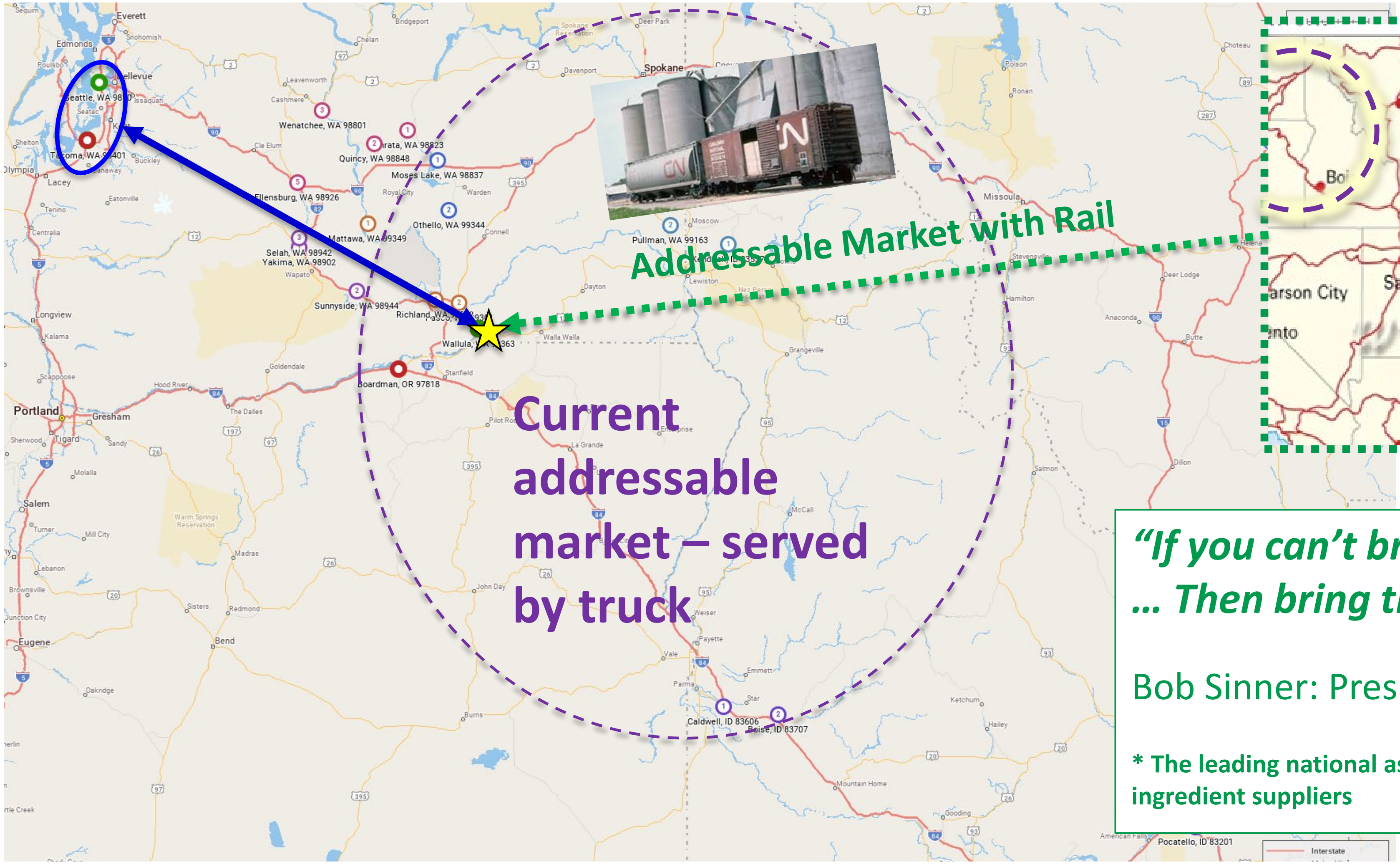
Export Grain

- Export grain market is increasingly using containerization – and Tri-Cities is poised to be the US west coast leader
- Containerized grain is currently 10% of volume – but demand is growing

- Ability to segregate by grade/quality -- and extract more value
- Better monitoring and supply chain quality control
- Protection required from the elements
- Transportation flexibility: faster loading and unloading
- GMO requirements: container traceability and smaller lots
- No US west coast facility to handle shuttle trains
- Increase demand for byproduct of biofuel crushing processes

Export Grain

- Export grain addressable market extends 1,500 miles to the east – all the way to the Great Lakes



"If you can't bring containers to the product …
… Then bring the product to the containers"

Bob Sinner: President of SB&B Foods, LLC*

*** The leading national association of identity-preserved agriculture food ingredient suppliers**

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Export Grain

- Over the next 3-4 years, export grain is expected to become the major line of business
  - Phase 3b represents an estimated market share < 10%

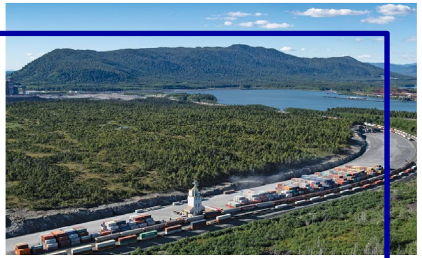
Phase	Annual Loads	Annual Revenue Run Rate	Shipper Savings per-Load	Investment	Financing Options
Phase 1 (Today)	5,000	$5M	$80	$30K	N/A
Phase 2 (2026 Q3)	8,000	$8M	$150	$150K	Customer
Phase 3a (2027)	50,000	$55M			
Phase 3b (2028)	90,000	$100M	$300	$40 M - $50 M	Internal, ports – or both
Phase 3c (2029-30)	150.000	$165 M			

Phase 2 Infrastructure

- Intermediate storage bins simplify and accelerate the transload process
- Customer specificity eliminates any contamination

- A grain shuttle train comprises 110 grain hopper cars – with dedicated locomotives -- that run continuously between loading origin and unloading destination
- Shippers commit to shuttle train volumes for at least a year and in exchange receive a rate reduction of 20-25%
- The train requires special infrastructure because it is > 7,000 feet long and contains > 400,000 bushels
- Container transloading requires additional infrastructure
- Photo is Prince Rupert, BC (700 miles north of Seattle) – only facility on west coast able to transload shuttle trains to containers

Phase 3 Infrastructure



Loop sufficient to hold shuttle train

Gravity pit unloading

Silo for intermediate handling

Container conveyor loading

Container tipping

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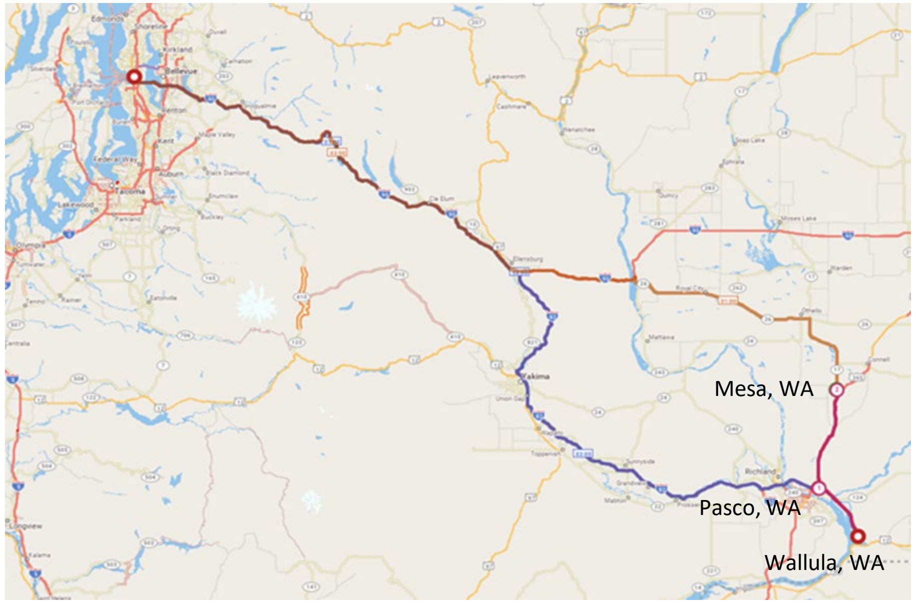
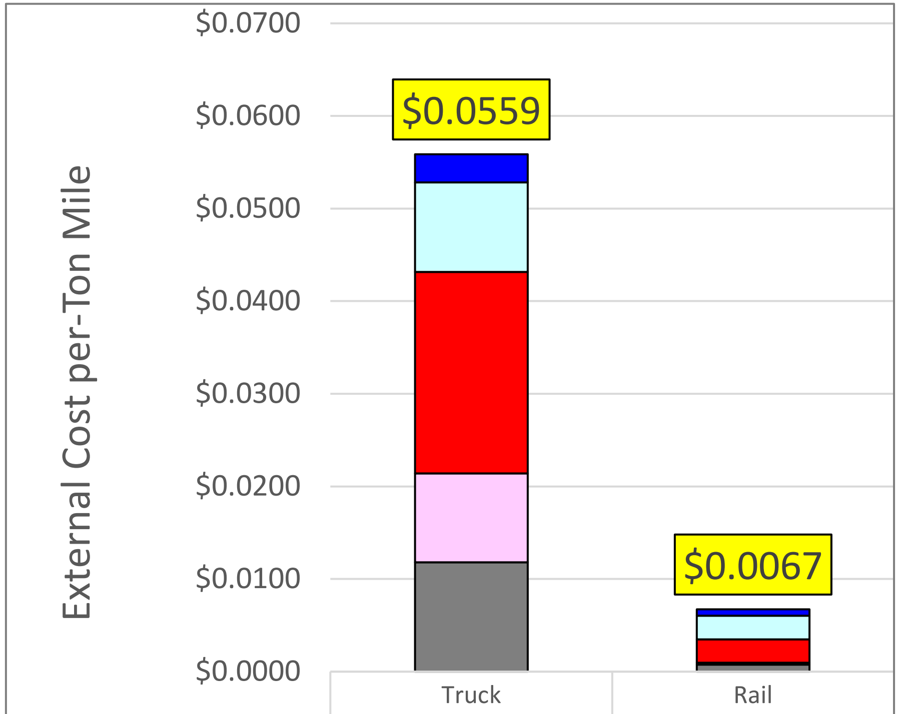
Significant Benefits Throughout Washington State

	Case #1 Two R/T Truck	Case #2 Truck with Turn	Case #3 Tri-Cities Intermodal
Import 80,000 lbs. GVW	Seattle-Pasco 453 miles	Seattle-Pasco 225 miles	Wallula-Pasco 15 miles
Street Turn 35,000 lbs. GVW		Pasco – Mesa 25 miles	Pasco – Mesa 25 miles
Export 106,500 lbs. GVW	Mesa-Seattle 400 miles	Mesa-Seattle 200 miles	Mesa-Wallula 39 miles
Total Miles	853 miles	450 miles	79 miles
Total Ton Miles	28,000	20,400	3,300
External Cost Savings	$1215	$843	





	Truck	Rail
Emissions: CO_2	$0.0031	$0.0007
Emissions: PM and NOx	$0.0097	$0.0026
Accident Risk	$0.0218	$0.0025
Traffic Congestion	$0.0096	$0.0002
Pavement Damage	$0.0118	$0.0008
Total	$0.0559	$0.0067

Source: Congressional Budget Office

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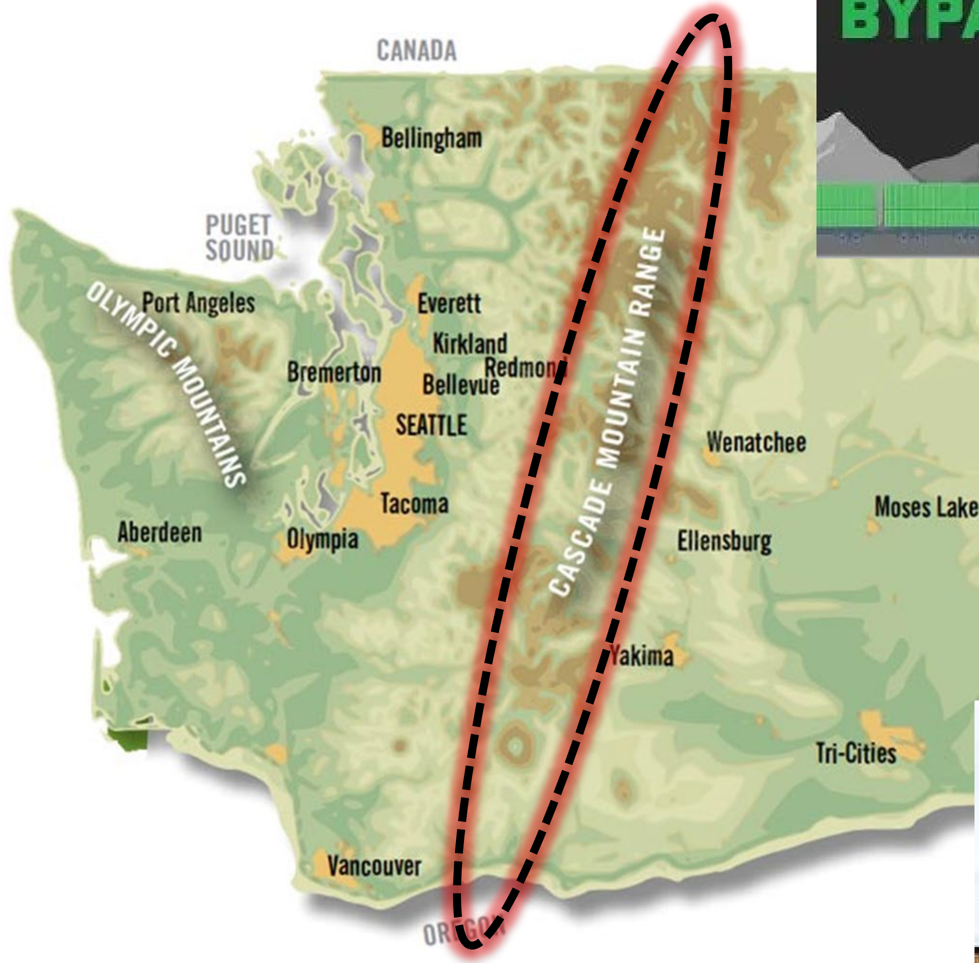
From Zero Emission Vehicles to Zero Vehicles



- Tri-Cities Inland Port changes the discussion on reducing GHG and traffic congestion
  - No trucks west of the Cascades
  - No trucks idling at ports
  - No trucks traversing the Pass

What’s The Future?

PORT OF BENTON

PORT OF PASCO

PORT of WALLA WALLA
JOB CREATION • TRANSPORTATION

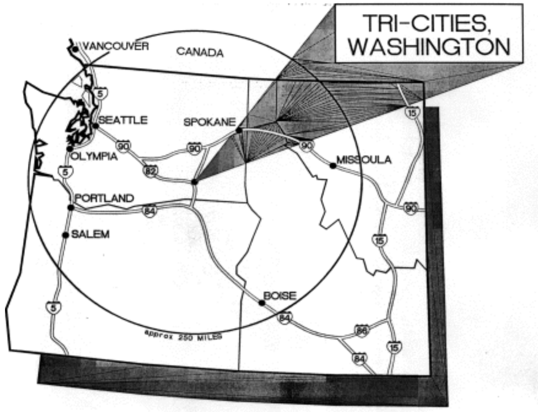
Possible Collaboration

THE NORTHWEST SEAPORT ALLIANCE
SEATTLE + TACOMA

Tri-Cities Logistical Prominence

Public Sector Inland Port

Washington State Trade Policy



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What's The Future?

- Benefit extends well beyond Port of Walla Walla development
- Tri-Cities Intermodal supports economic development success for all adjoining counties – and the entire state


THANK YOU!