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David Hull, Executive Director
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January 10, 2008

Re: Draft Redwood Marine Terminal Feasibility Study

Dear Dave,

First I would like to thank the Humboldt Bay Harbor, Recreation and Conservation District Commissioners for extending review and public comment on this vital issue until after my being seated. The *Draft Redwood Marine Terminal Feasibility Study (Redwood Dock Feasibility Study)* by TranSystems provides an opportunity for long-term planning that should be approached deliberately. I also take it as a sign that the Commission is very receptive to public input on the future development of Humboldt Bay, which is very positive.

I have thoroughly reviewed the *Draft Redwood Dock Feasibility Study*, but found the report lacked hard data and was, therefore, less useful in terms of understanding business prospects than the *Port of Humboldt Bay Harbor Revitalization Plan* (2003) by PB Marine and Winzler and Kelly. While the *Revitalization Plan* provided copious quantities of data to support its conclusions, this *Redwood Dock Feasibility Study* uses interviews with various people in the shipping trades and assertions regarding market conditions and trends are not given specific attributions. The study states that “uses for the terminal that best fit the Coastal Dependent Industrial zoning requirements will be given priority, subject to those uses being positively supported by market conditions,” but does not provide quantitative or substantive support to meet the latter qualification.

I read and re-read sections of the *Redwood Dock Feasibility Study*, but was unable to get a feel for any tangible business prospects to support Option A. I request that TranSystems revise the *Draft Redwood Dock Feasibility Study* to specifically state which business options they consider viable and to give order of magnitude estimates of potential revenue. Table 1 lists the type of shipping from Option A and Option B along with quotes from the study, except for references in the container and auto comment files that refer to the *Revitalization Plan*. None of the shipping options seems to be economically viable. **Therefore, it seems that the study does not show feasibility, and moving forward with a Business Plan unwarranted.**

Probably the biggest problem with the current Draft *Redwood Dock Feasibility Study* is the assumption that rail service to Humboldt County and Humboldt Bay is cost feasible and imminent:

“The shipping industry community has very poor awareness of the port and the rail corridor, and this lack of knowledge is currently a significant weakness for the port compared to other potential locations for investment on the West Coast.”

The statement within the report that “this lack of awareness placed some limitations on the respondents’ ability to provide more informed opinions on how Humboldt Bay could be developed” shows bias. From my perspective, the consultant was essentially providing false assumptions to those being interviewed.

The Draft *Redwood Dock Feasibility Study* stresses the need for “development of partnerships with a major railroad(s) to support port development (for example, the Canadian National Railroad was a key supporter of the Prince Rupert project).” The difference in terms of capacity between the NCRA and the Canadian National Railroad could not be greater. The study cites availability of Proposition 1B funds for transportation of goods as a likely source for rail system development, when in fact our area is unlikely to compete with ports or transportation needs in more populated regions of California to the south.

The West Coast shipping market description and projected trends imply that the business surplus at other ports will allow future growth opportunities for the Port of Humboldt Bay:

- “A number of industry trends will support the need for investment in new terminal capacity on the US West Coast over the next decade and beyond, and will create opportunities for secondary ports to expand their market presence.
- Automotive terminal operators are likely to seek new terminal sites at secondary ports along the West Coast.
- Other cargo sectors – breakbulk and bulk – may also seek new terminal facilities at secondary ports due to the difficulty securing land at the major ports.”

However, when one reads about competitive developments in West Coast shipping, one can see that growth at other first tier ports (i.e. Oakland or Long Beach) is enormous and that second tier ports have many competitive advantages with growth already in progress or capital amassed with construction imminent.

- Earlier this month \$800 million was allocated to the Port of Oakland for port and rail infrastructure improvements with nearly \$2 billion going to Los Angeles.
- Mexico is announcing a \$7 billion public/private partnership for development of shipping along its Pacific Coast targeting the Asian trade.
- The Ports of Vancouver and Victoria are expanding in Canada as is the Port of Prince Rupert.

The Draft *Redwood Dock Feasibility Study* notes that Prince Rupert has competitive advantages because it has naturally deep water, two days less shipping time due to great circle route distances and the ability to deliver goods via high speed rail to the middle of Canada or America within two days. By the time a container would reach the Port of Humboldt Bay from Asia, that same container would be in the Mid-Western United States or Canada. This illustrates why we cannot compete in the large scale Asian shipping trade.

Option B envisions the Port of Humboldt being a major shipping hub for containers and automobiles from Asia. This envisions a fully working railroad connecting Humboldt Bay and the San Francisco Bay. The *Revitalization Plan* I believe more accurately described the competitive position of the Port of Humboldt Bay for accessing the container ship business:

“Based on Humboldt Bay’s very small local market size, lack of close proximity by highway to a major West Coast market like San Francisco, and poor rail access (assuming rail service is restored), its competitiveness for container cargo is very poor. Even with rail access restored, Humboldt Bay would not be considered by the container carriers as a potential port call or overflow outlet. As discussed earlier, rail service over the NCRA line would take three to four days to interchange with UP in Fairfield before heading east, which would not meet the steamship lines’ requirements for 65- to 85-hour service to the Midwest. **This time-consuming and circuitous rail routing—which must backtrack through other competing port areas—is a severe limitation on Humboldt Bay’s competitiveness. The extra transit time and rail mileage cannot compete with service at other, more established ports.**”

The West Coast automotive shipping trade was the only sector experiencing growth besides containers, according to the *Revitalization Plan*, which also noted that we are not competitive for autos either:

“Despite the availability of plentiful low-cost land, the opportunity for auto imports or exports via Humboldt Bay is limited due to competition from other ports, highway distance from the larger market in San Francisco Bay, and poor/circuitous rail access. As discussed earlier, rail service over the NCRA line would take three to five days to interchange with UP in the Bay Area before heading east, which would not meet the auto companies’ requirements for 85-hour service to the Midwest. Humboldt Bay would need to compete with Bay Area ports for imports of fully assembled autos. In addition to Benecia, the Port of Stockton is gearing up to compete for potential automobile opportunities at its newly acquired, 1,400-acre Rough and Ready Island site. **As the auto companies continue to consolidate port operations, competition also occurs with ports in the Pacific Northwest and Southern California for intermodal traffic. As a result, Humboldt Bay’s opportunities to attract auto business are poor.**”

The recommendation that the Port of Humboldt build out to meet additional demand for shipping brought on by over-crowding at other ports is highly speculative. Competition is fierce and location, market size and transshipping costs are all factors that inherently work against us and that cannot be changed. Therefore, it is unlikely that the 10 years of marketing and provision of infrastructure recommended by the Draft *Redwood Dock Feasibility Study* will lead to any measure of success.

If we invest \$29 million in infrastructure upgrades and \$1 million or more over the next decade in marketing, but fail to attract private capital and the shipping trade, we will only have the benefit of the construction jobs associated with infrastructure improvement and no long term benefit of sustainable employment. I believe that we need to make sure that any investment of public money we make on Bay District property should insure that there are jobs that can be sustained. I think a more appropriate course for economic development lies in creating light industrial capacity at the Redwood Dock location that is compatible with the Samoa Community Development Plan and a museum complex near the Samoa Cookhouse.

I will await the new information from TranSystems in answer to my questions with regard to potential revenue from the Option A business cluster or any new information that would make me reconsider the viability of Option B.

Sincerely,

Pat Higgins