

**77th Oregon Legislative Assembly – 2013 Regular Session**  
**House Transportation and Economic Development Committee**  
**Monday, April 15, 2013**

**Testimony in support of House Bill (HB) 3464: Modifies schedule and conditions for issuance of lottery bonds to pay costs of the Coos Bay Channel Project.**

**Martin Callery, Chief Commercial Officer, Oregon International Port of Coos Bay**

Chair Read, Vice-Chairs Bentz and Gorsek, members of the Committee, my name is Martin Callery. I serve as Chief Commercial Officer for the Oregon International Port of Coos Bay. I appreciate the opportunity to testify on House Bill 3464 in support of the Coos Bay Channel Project. This document provides background and an overview of the Coos Bay Channel Project and its current status.

### **Background**

During the spring of 2006 the Oregon International Port of Coos Bay was contacted by the marine terminal development and operations subsidiary of one of the world's largest international marine transportation firms. Initially the Port and the terminal developer operated under a mutually-agreed to Confidentiality/Non-Disclosure Agreement while the developer pursued due diligence activities necessary to determine if the Coos Bay harbor was a viable site for the construction and operation of an intermodal container terminal providing access to various market regions in North America. The terminal was intended to be used primarily for import commodities moving inbound in the Trans-Pacific trade lanes, but would also serve as an export gateway to the Asia/Pacific Rim region. At that time cargo moving through west coast North America ports was expected to double by 2020.

In the early months of the 2007 legislative session, Port staff was able to facilitate meetings in Salem for the CEO and senior staff of the development firm with the Governor and various Oregon legislators. The Port was also performing its own due diligence during this time and thoroughly analyzing the regional and national multimodal transportation system necessary to sustain an intermodal terminal in the Coos Bay harbor, and the development firm was meeting with the Class 1 railroads serving the western U.S. to determine rail line capacity and throughput routes to major market centers.

As a result of much effort by legislators, trade advocates and the Port, House Bill (HB) 5036-A passed out of the 2007 Legislature as a lottery bond-funded investment vehicle intended to support a variety of infrastructure projects statewide, including the Coos Bay channel project. By the time HB 5036 was enacted into law, the Port had designated the project site as the Oregon Gateway Terminal Complex, with a variety of terminal development scenarios all supported by active interest by various interested parties. In the spring of 2008, the original terminal developer the Port had been working with decided to go public with the project, and it was announced that APM Terminals North America, an operating subsidiary of A.P. Moeller-Maersk, which also owns Maersk Lines, was the proposed developer.

HB 5036 provided a total of \$60 million for the Coos Bay channel project, with the funds allocated in three increments; \$5 million for the Feasibility Study and Environmental Impact Statement (FS/EIS),

\$15 million for Project Engineering Design (PED), and \$40 million as a non-federal cost share for project construction. The legislation also designated a funding schedule and specific criteria for providing the funds to the Port in support of the project.

Port staff then initiated the first phase of the project with the U.S. Army Corps of Engineers and went through an extensive contractor selection process to hire the appropriate consultants to move the project forward as a Section 203 project under the Water Resources Development Act of 1986. All work is under the oversight of the Corps of Engineers.

During this same period, the Port secured the Coos Bay rail line, which was facing potential abandonment by its owner/operator who had failed to properly maintain the line. Working through the U.S. Surface Transportation Board, the Port acquired the line, and is in the process of rehabilitating the line using grant funds from State and Federal sources. Freight rail service to the western Lane, western Douglas and Coos County region was restored in October 2011. Rail is a key component in future terminal development in the Coos Bay harbor.

### **Current Status**

The economic downturn in international markets starting in late 2008 and continuing through the current period has delayed development of new intermodal containers terminals at most major ports on the west coast and doubling of cargo volumes through the ports is now projected to occur between 2020 and 2025. However there is significant interest by other shippers, primarily bulk commodity shippers, vehicle manufacturers and various special project cargoes, in developing new terminal capacity on the west coast, even with the pending improvements in the Panama Canal.

The Port, working with a team of consultants, is moving forward with the FS/EIS component of the Coos Bay channel project. The \$5 million in funds provided for this phase has leveraged approximately \$1.6 million in additional funding for the FS/EIS phase, and research related to other cargo development projects has resulted in valuable information such as a rail capacity analysis and an engineering and construction cost study of additional needed improvements to the Coos Bay rail line in order for the line to handle unit train commodity movements. Private sector partners have funded these other studies, but the information will be used extensively in the FS/EIS process.

The Port is on track to finish the FS/EIS phase and move quickly to the engineering design phase to take advantage of new market opportunities that will grow trade through the Coos Bay harbor and help provide transportation infrastructure in support of family-wage job creation throughout the region.

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