

KNOW YOUR PORT:



Why There is a Log Yard on the Waterfront: Q & A

1. How much money does the log yard make? What is that revenue used for?

The log yard averages about \$1.7 million of revenue yearly, roughly equaling its direct costs. But while the log yard itself is break-even, it directly supports log exports at the marine terminal, about \$3.0 million of Port revenue in 2018. The majority of marine terminal revenue is the largest piece of revenue to support overall Port operations. Most Port waterfront infrastructure was paid for by revenues from the log trade, including facilities for marine trades and marinas.

2. Why does the log yard have to be on the waterfront?

Both from a cost and an efficiency standpoint, some of the incoming and outgoing wood products that go through the log yard depend on transport by barge and rafting. As noted, the Port's log yard is a global hub for international wood products markets. For instance, inbound logs arriving from Alaska and Canada are delivered to Port facilities where they are taken out of the water and loaded onto trucks for delivery to local mills, or delivered to the Port's terminals to be loaded aboard cargo vessels and shipped to markets in Asia. Outbound logs are rafted or barged to domestic ports in Oregon and Washington. Much of this activity and resulting revenue and jobs would be lost or reduced if the log yard either did not exist or was not located on the waterfront.

Another issue is efficiency: water-borne transport reduces the number of trucks on regional highways, and waterborne transportation of logs is the most energy-efficient way to move forest products to domestic and foreign markets. Barge transport is seven times more energy efficient than truck transport. The log yard equipment also adds revenue by renting it to the longshoremen hired to load cargo.

3. Why can't it be up at the airport?

Historically, property by the airport was used by the timber industry as sorting yards for log exports, and also for forest product manufacturing. Merrill & Ring continues to operate a log yard at the Port's South Airport Industrial Area.

The existing stormwater infrastructure at that location is adequate for M & R's purposes. But if the waterfront log yard was to move to the Airport Industrial Park, stormwater infrastructure would need to be increased. It also costs more to duplicate equipment and workers with a split operation.

The waterfront log yard combines barging with log yard operations. This includes sorting and transport to users, both local mills and export both domestic and international. The water

interface also makes possible value-added chipping for export, both domestic and international.

4. Wouldn't the log yard area be better as a barging facility?

The Port has done several barging studies in the past and continues to monitor its feasibility. Barging activity already occurs at the log yard, but is limited to inbound logs from remote places in Alaska and Canada without shipping terminals, and outbound logs to domestic markets based on demand. Log barging is different than barging used for other commodities, which require different facilities with more investment in infrastructure. Also, barging needs a back haul to be profitable. The key to building new barge infrastructure is a commitment from an anchor tenant. For private companies to consider our Port for their barging business, they need to make a profit, which requires an incoming and outgoing product.

Barging is currently expanding, and maintaining current operations at the waterfront provides the greatest potential for economic growth, such as in green energy and material industries.

5. Why doesn't the Port just let a private business run the log yard and lease or sell them the land?

Ports were originally created in Washington to break the monopoly that railroads had on state waterfronts at the turn of the 20th century. Public ports are required to provide a level playing field to all businesses, not just to certain private owners or special interests. The purpose of private business is to create profit for owners, not to provide a public benefit. A private business would be under no obligation to allow its competitors equal access or to set rates to anyone else's benefit, and is not answerable to the public in the same way a public port is.

As a public entity, the Port manages with a long-term environmental perspective. It has a greater ability to address long-term benefit for the community than a private business has. A private business could go bankrupt and walk away from these obligations, creating a shell company to limit liability, or just do nothing. The Port provides stability and accountability in good times and bad. It can also promote a diverse mix of industries in the area, which fosters stability.

There are many independent foresters, buyers, loggers, truckers and other small businesses that form a complex interdependent relationship within the forest products industry, from growing trees to finished wood products to residual fiber. **The log yard is a public good that supports business and community needs and is available to all timber businesses on an equal basis.**