Letter to the Community

Mission & Values

10 Targets in 10 Years

Top 10 International Trading Partners

Summary of Goals

Goal 1 Enhance the Port’s Competitive Position

Goal 2 Provide Reliable & Efficient Regional & Local Infrastructure Connections

Goal 3 Improve the Port’s Financial Position

Goal 4 Increase Organizational Capabilities

Goal 5 Advance Environmental Stewardship

Goal 6 Strengthen the Port’s Community Connections

Last updated April 2014
On behalf of the Commissioners and staff of the Port of Tacoma, we are pleased to present our Strategic Plan 2012-2022: People. Partnership. Performance.

This Strategic Plan was developed at a time of great change and challenge for ports. The global recession, shifting markets and structural changes in our industry have all resulted in a marketplace that is more competitive than ever. In response, we have come together as a team to embrace these challenges and use them as an opportunity to position ourselves to operate successfully in our new environment.

Our strategic planning process engaged Port staff, Commissioners, customers, and key stakeholders, including labor, through a comprehensive outreach effort involving interviews, surveys, web-based outreach and public meetings. That input, together with rigorous analysis and thoughtful dialogue, served as the basis for the Plan’s development.

The result of our inquiry and assessment is a Strategic Plan that is aspirational yet achievable, and that will guide our decision-making and investments as we navigate the critical years ahead. We expect this Plan to align the Port’s efforts so that every aspect of our organization is focused on delivering a prosperous future for the region and our community.

Four Areas of Focus
1. Make strategic investments that enhance the Port’s infrastructure (waterways, terminals, roads, rail, and industrial properties) and create the most efficient, productive and cost-effective system possible to move our customers’ freight to the marketplace.

2. New Business Opportunities. Attract new business opportunities with healthy revenues and increase the diversity of the Port’s business portfolio.

3. Customer Care. Continue to take great care of business relationships with our customers and key stakeholders.

4. Community Pride. Grow the Port responsibly to ensure continued community support of our collective future.

Building on our Assets & Strengths
This Plan is designed to amplify and leverage the many factors that differentiate us in the marketplace. These assets include our proximity to the Pacific Rim and Alaska, naturally deep waterways, a superior intermodal rail network, existing terminal infrastructure and adjacent undeveloped land for expansion, and strong community support. These strengths, together with well-managed execution of the strategies in this Plan, will position the Port for growth and success as a highly desirable international logistics hub.

The close working relationships we enjoy with customers, stakeholders and the Pierce County community are a major strength of our Port. We value these partnerships and will continue to invest in them through the strategies in this Plan.

Ensuring Future Success
We are committed to delivering on the promise of this Strategic Plan. The Plan includes corporate performance objectives that are Specific, Measurable, Achievable, Reasonable and Time-bound (SMART) to measure success. To track our progress against our goals and objectives, we have established ten targets to achieve in the next ten years. We will report annually to the Commission about our progress in achieving these targets.

We look forward to working with you for the continued growth and prosperity of our region.

Sincerely,

John Wolfe Richard P. Marzano
CEO President, Port of Tacoma
Commission
Mission
Deliver prosperity by connecting customers, cargo and community with the world

Values

Integrity – being ethically unyielding and honest; inspiring trust by saying what we mean and matching our behaviors to our words; acting in the public interest and in a manner to maintain public confidence

Customer Focus – creating long-term relationships by consistently delivering value; helping customers to become high-performance businesses by understanding their business needs; establishing realistic expectations and meeting commitments

Teamwork – focusing on the success of the entire organization; fully utilizing our collective skills, knowledge and experiences to achieve our goals; encouraging diversity, respect and full participation; being effective collaborators with a broad range of partners in the region; having fun together

Courage – facing challenges with fortitude; setting aside fears and standing by personal principles; extending beyond personal comfort zones to achieve goals; taking responsibility for actions

Competitive Spirit – pursuing our goals with energy, drive, and the desire to exceed expectations; going the extra mile for our customers to differentiate ourselves in the market; demonstrating passion and dedication to our mission; constantly improving the quality, timeliness and value of our work

Sustainability – focusing on long-term financial viability; valuing the economic well-being of our neighbors; doing business in ways that improve our environment
1. Double container volume to 3 million TEU
2. Double dry bulk throughput to 12 million metric tons
3. Increase breakbulk volume by 30% to 200,000 short tons
4. Increase automobile import volume by 20% to 200,000 units
5. Improve the Port’s operating margin by 30%
6. Increase net income by 50%
7. Increase return on assets by 35%
8. Clean up an additional 200 acres of port-owned, contaminated property to industrial standards
9. Reduce diesel pollutants attributed to cargo operations by 85% from 2005 baseline
10. Increase port-related direct jobs by 4,700 and port-related indirect jobs by 2,000
The Port’s annual trade with Alaska is estimated at $3 billion. If ranked with our international trading partners, Alaska would be fifth.

Top 10 International Trading Partners

Top 10 international trading partners — 2013
(value of two-way trade)

- China/Hong Kong: $20.2 billion
- Japan: $13.6 billion
- South Korea: $4.0 billion
- Taiwan: $3.1 billion
- Thailand: $783 million
- Vietnam: $744 million
- Canada: $668 million
- Australia: $636 million
- Singapore: $602 million
- Indonesia: $498 million

Value of two-way international trade totaled $48.7 billion.

(Source: World Institute for Strategic Economic Research)
Summary of Goals

Goal 1
Enhance the Port’s Competitive Position

Goal 2
Provide Reliable & Efficient Regional & Local Infrastructure Connections

Goal 3
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Goal 5
Advance Environmental Stewardship

Goal 6
Strengthen the Port’s Community Connections
## Enhance the Port’s Competitive Position

The struggling global economy has created a fiercely competitive climate for ports. Those offering modernized terminal facilities and equipment capable of handling larger vessels in the trade, along with efficient and cost effective connections to rail and truck distribution, and excellent customer service are more likely to stay competitive. The Port possesses several competitive advantages, including naturally deep waterways, available land for expansion and on-dock rail. Over the next 10 years, the Port will invest approximately $500 million to improve existing property, buildings and infrastructure. These investments should in turn generate an additional $1.5 to $2.5 billion in public and private investments in terminal, road, and rail infrastructure. Together these investments will improve return on assets and increase efficiency of cargo movement in and out of the Port.

A major focus of this goal is to grow our business in two ways. First, is to attract more business through existing facilities in an effort to double container volume to 3 million TEU in the next 10 years. The second is to redevelop the General Central Peninsula container complex to efficiently serve the larger, trans-Pacific ships that will come to call in the future.

### A. Improve Port Business Assets to Meet Market Demand

1. Redevelop the General Central Peninsula and other terminal complexes to increase container throughput and respond to container industry changes
2. Develop and implement a Strategic Asset Management Program
3. Facilitate collaboration between South Blair terminals to increase container throughput and respond to container industry changes

### B. Improve Efficiency and Cost Competitiveness of the Supply Chain

1. Improve the efficiency of the Tideflats rail system
2. Facilitate development of strategic projects with the mainline railroads in collaboration with relevant federal and state government agencies, public ports and other stakeholders
3. Work in partnership with ILWU and terminal operators to identify efficiency opportunities that safely increase productivity and improve the Port's service delivery and competitiveness
4. Work with the Puget Sound Pilots Association, the Pacific Merchant Shipping Association and the Washington State Pilotage Commission to promote safe, reliable and cost-competitive pilotage services
5. Establish a dynamic, responsive “state of the art” Operations Service Center emphasizing collaborative planning, information delivery and communication tools to deliver “best in class” service delivery for all Port users

### C. Advance the Port’s Market Position in the International Shipping Industry

1. Formalize a comprehensive Signature Customer Care Program
2. Adapt marketing strategies in response to industry trends
3. Enhance coordination with the Puyallup Tribe and other trade and economic development organizations to facilitate new business transactions
4. Pursue legislative actions that reform the Harbor Maintenance Tax
2 Provide Reliable & Efficient Regional & Local Infrastructure Connections

Time is money, and shipping lines and other Port customers want to get their cargo to the final destination as quickly as possible with no surprises. The Port is committed to ensuring each point of connection, whether by rail or road, is seamless and efficient.

The Port’s industrial location is well-situated for continued growth. The Port will continue to work in close partnership with neighboring jurisdictions on local land use plans and coordination of road, rail and waterway systems. We will collaborate with other funders and partners, including local cities and the Puyallup Tribe, to improve the Tideflats road network with additional regional road capacity and enhanced ease of movement on and off adjacent Interstate 5. This collaboration will extend regionally and nationally in recognition of the interconnections involved in logistics and the supply chain.

A. Enhance Public Infrastructure
   1. Provide regional leadership in securing the funds needed to complete SR 167
   2. In partnership with affected parties, improve the condition and operation of Port of Tacoma Road to handle increased traffic volume

B. Improve the Port’s Infrastructure
   1. Develop a long-range Port land use and transportation plan to support the Port’s future business growth
   2. Design and develop appropriate rail support infrastructure in advance of Tideflats rail growth

Tacoma, Gateway to Alaska

Twice each week, Horizon Lines and Totem Ocean Trailer Express (TOTE) sail between Tacoma and Anchorage, Alaska delivering food, clothing, building materials, vehicles, medicine, and other essentials. Nearly 80% of all trade between Alaska and the lower 48 states moves through Tacoma facilities.

Timing is critical with these deliveries as the tides in Alaska’s Cook Inlet are some of the most extreme in the world. Longshore workers must get the cargo on and off the ships quickly so that they can arrive and depart to accommodate the tides.

The Port’s annual trade with Alaska is estimated at $3 billion. If it was ranked among our international trading partners, Alaska would be fourth.
As with any business, a strong financial foundation is essential to continued investment and growth. To improve financial performance now and in the future, this goal focuses on fiscal responsibility and diversification. The Port is focused on growing revenue and managing debt service and other expenses to ensure that they remain balanced with income. To generate the revenue for the Port’s job-creating investment plans, the Port will focus its efforts over the next 10 years to raise overall profitability by 50%, increase the return on investments in the Port’s assets by 35%, and fund these investments while lowering debt obligations by nearly 30%.

While container cargo accounts for about 73% of revenue, other cargo types are a significant source of port-related jobs, and provide a sustainable source of revenue. The Port plans to diversify its current portfolio of non-container business by working with a private partner to develop new bulk cargo terminal on the Blair Waterway, bringing a formerly contaminated site back into productive use.

The Port has tremendous economic impact in the region and beyond; with financial sustainability the Port can continue to foster prosperity and create jobs.

Warehousing & Distribution
A wide array of distribution centers and warehouses—both cold and dry—are clustered near the Port of Tacoma’s terminals. Providing storage for equipment, seafood, agriculture, and food manufacturing, many of these facilities are inside the Port’s Foreign Trade Zone (FTZ) #86, the third largest FTZ of the 35 on the U.S. West Coast.

The FTZ enables customers to ship, store and add value to goods while delaying, reducing or, in some cases, eliminating U.S. Customs duties.

A. Increase Revenue Through Growth and Diversification
   1. Facilitate creation of new bulk business
   2. Facilitate business opportunities that increase cargo volumes, increase utilization of port assets, and achieve targeted rates of return
   3. Develop a comprehensive business strategy to support the Port’s Alaska business

B. Improve Port Position of Asset Value to Level of Debt
   1. Update debt management plan

C. Manage Expenses Consistent with Changes in Revenue
   1. Adjust Port’s business and operating models to increase profit
   2. Implement programs to minimize the impact of cost increases associated with health care
Port customers and the community experience the Port through interactions with its employees. People make the difference; a responsive, knowledgeable and high-performing workforce benefits both the Port and its stakeholders. Ensuring that employees have the needed support, whether training or systems, is critical to delivering on the business initiatives outlined in this Plan.

With this comes clear roles and responsibilities, analytically-based decision-making and integrated processes and tools that efficiently serve customers, staff and the community and increase ownership and pride in the Port. We also will harness the enthusiasm and extra-mile service orientation of employees to streamline processes and find ways to deliver more, better, faster.

**A. Enhance Employee Engagement**

1. Strengthen the Port’s performance management system to support employee growth
2. Develop and implement comprehensive Port training program that aligns individual training with Port objectives and employee development
3. Improve communication of information within the Port
4. Reduce work-related injuries

**B. Improve Efficiency and Reliability of Internal Processes to Increase Value for our Customers and Staff**

1. Standardize analysis and decision-making tools for the Port
2. Identify, document and implement improvements to the process and tools that support procurement of goods and services, receipt, invoicing, payment and reporting activities
3. Standardize and implement an electronic record storage and retrieval structure that optimizes the use of electronic records
Increasingly, ports are being asked to partner on regional environmental challenges and demonstrate that they are protecting the environment through energy choices, clean air and water strategies, and remediation of contaminated properties. The Port has made significant investments in the clean-up of Puget Sound, restoring more about 100 acres of habitat for fish and other wildlife and preserving about 70 acres of open space.

Over the next 10 years, the Port will invest more than $60 million to protect Commencement Bay and its waterways by restoring critical fish and wildlife habitat, improving air quality, and cleaning up past contamination to benefit future generations. We plan to reduce diesel particulates attributed to Port of Tacoma operations by 85% and clean up an additional 200 acres of Port-owned property. Environmental remediation of individual land parcels will lay the groundwork for a faster development permitting process down the road.

A. Identify and Address Environmental Issues in Advance of Planned Development
   1. Implement cleanup actions on priority contaminated properties to support the Port’s business opportunities
   2. Implement a habitat mitigation plan

B. Partner to Find Innovative Solutions to Our Customers’ Environmental Challenges
   1. Identify and develop maritime industrial stormwater treatment best management practices
   2. Develop a maritime industrial-focused Environmental Stewardship Sustainability Program

C. Continuously Improve Operational Efficiency and Emission Reductions
   1. Continue to implement the Northwest Ports Clean Air Strategy
   2. Transition to the new generation of efficient systems to save energy costs and promote cost effective, renewable energy use
From neighboring municipalities, to the Puyallup Tribe, Joint Base Lewis-McChord, to local businesses and residents, the Port is stronger because of its many relationships. In times of limited financial and human resources, it makes sense to collaborate on Pierce County’s economic priorities to ensure efforts are not duplicated and provide reinforcement where it can make a difference.

Port leaders will continue to meet regularly with neighboring communities to align development and infrastructure plans and discuss ways in which partnerships could facilitate economic development. Through its Corporate Social Responsibility program, the Port is becoming more intentional about how it engages with the broader community. Through sponsorships, partnerships, tours and other community events, school programs, civic presentations and social media outlets, the Port connects with the community in multiple ways.

6
Strengthen the Port’s Community Connections

A. Target the Port’s Outreach Efforts to Maintain and Build Community Support
   1. Strengthen relationships with civic and elected leaders in communities affected by the Port’s activities
   2. Increase the public’s understanding about the Port and its work
   3. Execute a Corporate Social Responsibility (CSR) Program

B. Promote and Advance Regional Economic Development Priorities through Strategic Partnerships
   1. Deepen relationships with local and state-wide economic development partners
   2. Update and convey data demonstrating the economic value of ports to our local and state economy
Port of Tacoma Commission
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