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Memorandum Date: July 18, 2007
Board Order Date: August 1, 2007

TO: Board of County Commissioners

DEPARTMENT: CAO/Community & Economic Development

PRESENTED BY: Mike McKenzie-Bahr, Community and Economic Development Coordinator

AGENDA ITEM TITLE: Discussion of the opportunity for the expansion of the Port of Coos Bay and connecting intermodal transportation systems

I. MOTION

Discussion item – No Motion Required

II. AGENDA ITEM SUMMARY

Jeff Bishop, Executive Director of the Port of Coos Bay will give the Board of Commissioners an update on the Port of Coos Bay efforts to build a \$500 million to \$700 million facility for large shipping containers. Port officials are negotiating with APM Terminals North America, the U.S. arm of the world's largest shipping company, Dutch-based A.P. Moller-Maersk Group, to bring as many as 2 million shipping containers to Coos Bay's North Spit each year - five times as many as the Port of Portland.

The project would provide as many as 2,500 permanent jobs and pump almost \$130 million in wages into the state economy. Average wages for those jobs are expected to be \$52,000, according to a port-commissioned economic development study.

That study also projected that indirect effects could mean 10,000 new jobs statewide, many of them in Eugene - the containers' first stop after being taken off ships and loaded onto trains.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

In late June 2007, the Legislature sent to Gov. Ted Kulongoski a bill that sets aside \$60 million in lottery funding to deepen the shipping channel in Coos

Bay from 37 to 51 feet. The U.S. Army Corps of Engineers is being asked to match that money with \$60 million in federal funds, and sign off on the environmental impacts of a dig that would make Coos Bay's channel deeper than the Columbia River.

The driving economic force behind this effort is that international trade between Asia and North America is expected to grow by 50 percent in the next eight years. And by 2025, the numbers are projected to double. Couple that with the fact that existing West Coast ports are running out of room. By 2015, experts predict a shortfall in capacity of 20 million containers. Because of that demand shipping companies are willing to consider "intermodal-only" terminals, where the goods are offloaded from ships and taken to their destination by train or truck.

The intermodal opportunity for Lane County if this project becomes a reality is significant

However, the Central Oregon & Pacific Railroad that connects Eugene and Coos Bay is in very poor shape. In addition, there will need to be significant rail upgrades at the Port itself. It is estimated there are \$150 million in needed rail improvements to make this project work.

One positive element regarding the railroad is that the parent company of the Central Oregon & Pacific Railroad, RailAmerica - which owns 42 shortline railroad lines across the US and Canada - was purchased in February 2007 by Fortress Investment Group, which has over \$30 billion in assets under management. According to a press release issued by Fortress, it is committed to growing RailAmerica. RailAmerica reported Net cash from operation of \$54 million in 2005. (2006 numbers have not been released).

B. Policy Issues

This project, though based in another county, could have significant positive economic development impacts in Lane County. The size of the project and the amount of money required to complete it may limit funds available for other projects in the state. The Board of Commissioners will need to consider those factors when considering support of this project.

C. Board Goals

- Work for a strong regional economy to expand the number of family-wage jobs available in Lane County.
- Contribute to appropriate community development in the areas of transportation and telecommunications infrastructure, housing, growth management, and land development.

- Protect the public's assets by maintaining, replacing or upgrading the County's investments in systems and capital infrastructure.

D. Financial and/or Resource Considerations

At this time, there is not a request for funding assistance being made to Lane County.

E. Analysis

This project offers an opportunity to create jobs in Lane County and improve a vital piece of infrastructure: the railroad line to the coast. Lane County's support of the project at this stage should help to move the project forward in terms of securing funding and needed project partners.

F. Alternatives/Options

1. The Board of Commissioners can support the project;
2. The Board of Commissioners could request more information and delay action until that information is provided;
3. The Board of Commissioners could decide not to support the project.

IV. TIMING/IMPLEMENTATION

This is a long-term project that could take 10 years to complete. There are many tasks that will need to be done in the months and years ahead in order for it to be successful. The presentation by Mr. Bishop will help identify the most urgent steps they need assistance with in the near term.

V. RECOMMENDATION

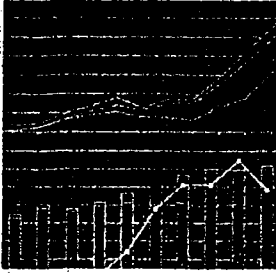
Staff recommends that the Board of Commissioners support the project and sign on to the effort to secure private, state and federal funds for the project elements.

VI. FOLLOW-UP

Following the presentation and Board direction, staff will keep the BCC updated on progress and needed assistance.

VII. ATTACHMENTS

1. Oregon International Port of Coos Bay: Economic Impact Study of Intermodal Container Operations – Final Report
2. Coos Bay Shipping. Register-Guard article published on July 5, 2007.



Oregon International Port of Coos Bay

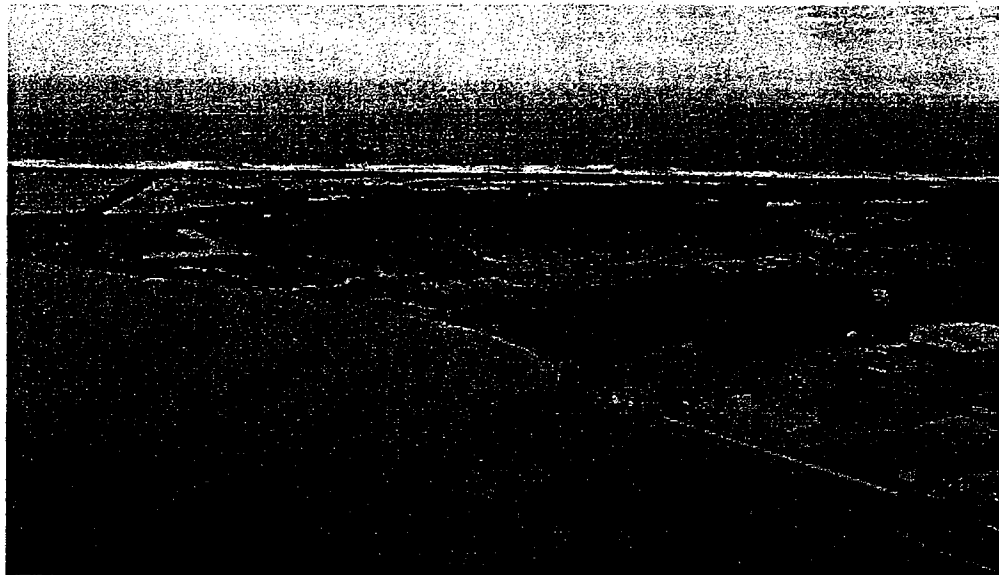
Economic Impact Study of Intermodal Container Operations – Final Report

PREPARED FOR

Oregon International Port of Coos Bay

PREPARED BY

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January 24, 2007

BST Associates
Market Research & Strategic Planning

Table of Contents

EXECUTIVE SUMMARY	1
<i>Oregon International Port of Coos Bay's Vision Statement.....</i>	<i>1</i>
<i>Oregon International Port of Coos Bay's Mission Statement</i>	<i>1</i>
<i>Economic Impact Study Goals</i>	<i>1</i>
SUMMARY OF IMPACTS	2
<i>Construction.....</i>	<i>2</i>
<i>Annual Operations.....</i>	<i>2</i>
TECHNICAL REPORT.....	3
METHODOLOGY	3
FINDINGS	4
<i>One Time Construction Impacts</i>	<i>4</i>
<i>Annual Impacts from Operations.....</i>	<i>5</i>
APPENDIX.....	8
DESCRIPTION OF IMPLAN MODEL	8

List of Figures

Figure 1 – Flow of Economic Impacts.....	3
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List of Tables

Table 1 – Coos Bay Intermodal Container Terminal Annual Impacts from Terminal & Related Facility Construction (\$2006).....	4
Table 2 – Coos Bay Intermodal Container Terminal Impacts from Terminal Annual Operations	7

Executive Summary

Port districts and authorities are unique government entities whose primary purpose is to facilitate economic development and contribute directly and indirectly to the economic health and vitality of their communities. Ports accomplish this through business operations and investments in infrastructure, such as roads, rail and utilities, to spur private sector development.

The Oregon International Port of Coos Bay leases industrial property, owns rail and marine infrastructure, helps attract private and public investment for privately-owned and/or operated marine terminals in the Coos Bay harbor and operates a commercial and recreational marina, an adjacent RV park and a small vessel boatyard.

At the present time, the Port is assisting the U.S.-based operating division of a private-sector international marine services firm in performing a feasibility analysis for an intermodal a container terminal. This gateway facility would generate 500,000 TEUs (Twenty-foot Equivalent Units) in the initial years of operation and would ramp up to 2.0 million TEUs at full build-out.

The goal of developing an intermodal container terminal facility flows directly from the Port's vision and mission statements.

Oregon International Port of Coos Bay's Vision Statement

Promote optimal use of Coos Bay's deep-water port for the enhancement of the economy and quality of life in the region.

Oregon International Port of Coos Bay's Mission Statement

The Port will help build a diversified, healthy, stable regional economy through prudent management of its assets, by advocacy for infrastructure improvements and by collaboration with other public and private entities.

The Port established the following short term goals:

- Purchase land from Bureau of Land Management (BLM)
- Complete Industrial Rail Spur Project
- Secure Funding for North Jetty Rehabilitation & Dredging
- Completion of Charleston Marina Complex Master Plan
- Secure Funding for Phase II of Rail Bridge Rehabilitation Project
- Develop Cargo Identification Marketing Strategy
- Develop Property Management Strategy

Several of the goals have been fulfilled and efforts continue on the others.

Economic Impact Study Goals

The purpose of the Economic Impact Study is to document the community benefits from the proposed intermodal container terminal in terms of jobs, income, sales and taxes.

Summary of Impacts

The proposed intermodal container terminal development would have the following impacts on Coos County and the State of Oregon.

Construction

The estimated cost of terminal construction is unknown at the present time but based upon other similar projects, it could cost between \$420 and \$720 million including both public and private components of the project. The impacts associated with construction are one time occurrences that will end after the terminal is completed.

During construction, the development of the intermodal container terminal would generate between 3,099 and 5,312 direct full-time equivalent jobs with an associated income of \$95 million to \$162 million, depending on the cost of construction.

Including direct, indirect and induced impacts, construction would generate 4,777 to 8,188 jobs in Coos County and 5,758 to 9,870 jobs in the State of Oregon.

Annual Operations

The marine terminal is expected to generate 500,000 TEUs upon start-up and ramp up to approximately 2 million TEUs. These impacts are annual and will continue as long as the terminal remains operating.

The direct impact of intermodal container terminal operations will result in creation of 620 jobs at startup which is expected to ramp up to 2,480 jobs at full build-out. The associated income with these operations is \$32 million per year at startup and \$129 million per year at full build-out. The average wage for these jobs is expected to be approximately \$52,000.

Approximately 49% of the direct jobs will be located in Coos County, including all vessel and terminal-related jobs and a portion of the rail, trucking, warehouse/DC (distribution center) jobs and other jobs.

In Coos County, this project will generate direct, indirect and induced impacts ranging from 413 jobs with an associated income of \$26 million (at startup of operations) increasing to 1,639 jobs with an associated income of \$104 million (at full build-out).

In the State of Oregon, this project will generate direct, indirect and induced impacts ranging from 1,132 jobs with an associated income of \$52 million (at startup of operations) increasing to 4,528 jobs with an associated income of \$210 million (at full build-out).

According to the Tax Foundation, Oregon State residents paid approximately 10.0 percent of their personal income in state and local taxes. Applying this tax rate to total income¹ implies that the terminal will generate state and local taxes of \$5 million per year at start-up increasing to \$21 million at full build-out.

¹ Including direct, indirect and induced effects.

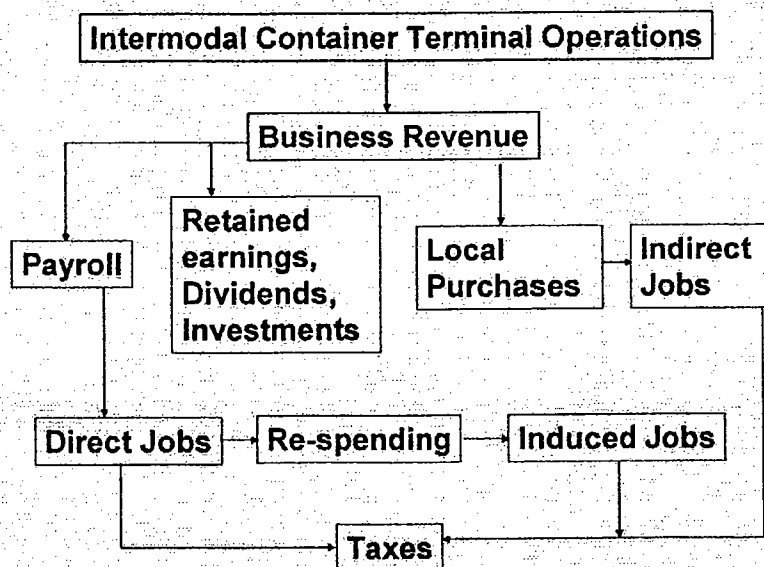
Technical Report

The Oregon International Port of Coos Bay retained BST Associates to estimate the economic impact generated by the proposed intermodal container terminal facility. This chapter provides a summary of the methodology and results of the Economic Impact Study of Container Operations in the Port of Coos Bay.

Methodology

The flow of economic activities is described in Figure 1. Economic activity generated by the intermodal container terminal creates business revenues, which in turn creates spending on payrolls for people working directly for the firms, retained earnings/dividends/investments and local purchases of supplies, materials and outside labor. The local purchases by firms create indirect jobs. Payroll for direct employees creates additional expenditures, which creates induced jobs. Finally, income associated with direct, indirect and induced activity generates state and local taxes.

Figure 1 – Flow of Economic Impacts



The process for estimating economic impacts included a review of economic impact studies for the Ports of Seattle and Tacoma, Washington, Oakland, California, and Vancouver and Prince Rupert, British Columbia as well as a review of data on employment, wages and other relevant details from the state of Oregon and Dun & Bradstreet among other sources.

BST Associates estimated the indirect and induced impacts using the IMPLAN model², which estimates the multiplier effects of inter-industry purchases. Indirect impacts refer to expenditures by the user/tenant on outside goods and services. Induced impacts refer to purchases based on the employment earnings from direct and indirect economic activities. As wages are paid out, workers' families spend their income on a wide array of goods and services, many of which are supplied by the local economy.

Total impacts incorporate the sum of direct, indirect and induced impacts. It is important to note that these effects are limited for any region because of spending "leakages" at each round of inter-industry and household purchases. That is, the goods and services required at each stage are partly purchased from outside the study area, thus reducing the total supplies provided locally. The IMPLAN model is designed to calculate the multiplier effects of the designated regions: Coos County and Oregon State.

Findings

This section summarizes the findings of the Economic Impact Study.

One Time Construction Impacts

The cost of construction is estimated to range from \$420 million to \$720 million based upon comparable facilities in other areas for container terminal development and the preliminary estimate for dredging and railroad improvements.

The direct impact of this construction project will create 3,099 full time equivalent jobs with a payroll of \$95 million under the low cost estimate and 5,312 jobs with a payroll of \$162 million under the high cost estimate.

**Table 1 – Port of Coos Bay Intermodal Container Terminal
Annual Impacts from Terminal & Related Facility Construction (\$2006)**

Impacts	Low Cost Estimate	High Cost Estimate
Direct Impacts		
Sales (millions)	\$420	\$720
Payroll (millions)	\$95	\$162
Employment	3,099	5,312
Total Impacts - Coos County		
Sales (millions)	\$615	\$1,055
Income (millions)	\$133	\$228
Employment	4,777	8,188
Total Impacts - Oregon State		
Sales (millions)	\$785	\$1,346
Income (millions)	\$160	\$274
Employment	5,758	9,870

Source: BST Associates

² Please see appendix for additional information on the Implan model.

In Coos County, this project will generate direct, indirect and induced impacts ranging from:

- 4,777 jobs with an associated income of \$133 million (low cost estimate) to
- 8,188 jobs with an associated income of \$228 million (high cost estimate).

In the State of Oregon, this project will generate direct, indirect and induced impacts ranging of:

- 5,758 jobs with an associated income of \$160 million (low cost estimate) to
- 9,870 jobs with an associated income of \$274 million (high cost estimate).

Annual Impacts from Operations

Intermodal container terminal operations entail a variety of services, including but not limited to the following services:

- Vessel Operations – there are expected to be 24 employees related to vessel operations at the startup of operations ramping up to 97 employees at full build-out.

Steamship agents, who provide service for the vessel as soon as it enters the Port; including arranging for pilot and tug assist services, for medical and dental care of the crew, and for ship supplies. Agents are also responsible for vessel documentation.

Pilots – provide navigation services to ensure safe transit of vessels between the harbor entrance and docks

Chandlers - supply the vessels with ship supplies (food, clothing, nautical equipment, etc.)

Towing firms - provide the tug service to guide the vessel to and from port

Bunkering firms - provide fuel to the vessels

Marine surveyors - inspect the vessels and the cargo

Launch services - provide transportation for the crew between land and vessel

Shipyards/ship repair firms - provide repairs, either emergency or scheduled.

- Cargo Handling: – there are expected to be 279 employees related to cargo handling at the startup of operations ramping up to 1,117 employees at full build-out.

Longshoremen - are members of the International Longshore and Warehouse Union (ILWU), and are involved in the loading and unloading of cargo from the vessels,

Stevedoring firm - manages the longshoremen and cargo-handling activities

Terminal operator - operates the maritime terminals

Warehouse operators - store cargo after discharge or prior to loading and consolidate cargo units into shipment lots

Container leasing and repair firms - provide containers to steamship lines and shippers/consignees and repair damaged containers

Container consolidators - consolidate containerized cargo as well as full containers in order to achieve favorable transportation rates for their customers

Government Agencies - This service category involves federal, state and local government agencies that perform services related to cargo handling and vessel operations at the Port. U.S. Immigration & Customs Enforcement, U.S. Department of Labor, U.S. Department of Agriculture, and U.S. Department of Commerce employees are involved. In addition, both civilian and military personnel with the U.S. Coast Guard and the U.S. Army Corps of Engineers have been included. The city police and fire departments are part of this category.

- **Inland transportation:** – there are expected to be 275 employees related to inland transportation at the startup of operations ramping up to 1,102 employees at full build-out.

Railroad(s) – this includes activities to load rail cars, as well as employees associated with the short-line and Class I railroad operators,

Trucking firms – provide drayage service to warehouses, distribution centers and directly to/from some end users (retail stores, producers and manufacturers).

Port users also consist of shippers and consignees using the marine terminal to export and import cargo, as well as distribution centers associated with the key importers. These distribution centers include operations supporting major importers of consumer durables and include such distribution centers as those operated by Wal-Mart, Target, Home Depot, and UPS Supply, among others.

- **Other:** – there are expected to be 41 employees in other related businesses at the startup of operations ramping up to 166 employees at full build-out.

Consultants/Architects – This category includes engineers, architects and consultants who provide a wide spectrum of services to the maritime industry, including terminal design, naval architect services, and planning services.

Miscellaneous - This category includes a wide range of service providers, including forwarders, brokers, environmental firms, security firms, and firms providing fumigation services.

Banking/Insurance/Law - This service sector is not directly involved in cargo or ship operations, it nonetheless does provide services such as financing export/import transactions and insuring cargo and vessels. Also included in this sector are legal firms specializing in maritime law.

The direct impact of intermodal container terminal operations will result in the creation of 620 jobs at startup (500,000 TEUs) and is expected to ramp up to 2,481 jobs at full build-out (2 million TEUs). The associated income with these operations is \$32 million at startup and \$129 million at full build-out. The average income of these jobs is estimated to be \$52,000.

Approximately 49% of the direct jobs will be located in Coos County, including all vessel and terminal-related jobs and a portion of the rail, trucking, warehouse/DC jobs and other jobs.

In Coos County, this project will generate direct, indirect and induced impacts ranging from:

- 413 jobs with an associated income of \$26 million (at startup of operations) increasing to
- 1,639 jobs with an associated income of \$104 million (at full build-out).

In the State of Oregon, this project will generate direct, indirect and induced impacts ranging of:

- 1,132 jobs with an associated income of \$52 million (at startup of operations) increasing to
- 4,528 jobs with an associated income of \$210 million (at full build-out).

**Table 2 – Port of Coos Bay Intermodal Container Terminal
Impacts from Terminal Annual Operations**

Impacts	500,000 TEUs	2 Million TEUs
Direct		
Sales (millions)	\$80	\$320
Payroll (millions)	\$32	\$129
Employment	620	2,481
Total - Coos County		
Sales (millions)	\$61	\$243
Payroll (millions)	\$26	\$104
Employment	413	1,639
Total - Oregon State		
Sales (millions)	\$143	\$574
Payroll (millions)	\$52	\$210
Employment	1,132	4,528

Source: BST Associates

Appendix

Description of Implan Model

Minnesota IMPLAN Group, Inc. or MIG, Inc was founded in 1993 by Scott Lindall and Doug Olson as an outgrowth of their work at the University of Minnesota starting in 1984. This developmental work closely involved the U.S. Forest Service's Land Management Planning Unit in Fort Collins, and Dr. Wilbur Maki at the University of Minnesota.

In 1993, Scott and Doug entered into a technology transfer agreement with the University of Minnesota that allowed them to form the company. At first, MIG, Inc. focused on database development and provided data that could be used in the Forest Service version of the software. In 1995 MIG, Inc. took on the task of writing a new version of the IMPLAN software from scratch. This new version extended the previous Forest Service version by creating an entirely new modeling system that included creating Social Accounting Matrices (SAMs) – an extension of input-output accounts, and resulting SAM multipliers. Version 2 became available in May of 1999.

Input-output accounting describes commodity flows from producers to intermediate and final consumers. The total industry purchases of commodities, services, employment compensation, value added, and imports are equal to the value of the commodities produced.

Purchases for final use (final demand) drive the model. Industries produce goods and services for final demand and purchase goods and services from other producers. These other producers, in turn, purchase goods and services. This buying of goods and services (indirect purchases) continues until leakages from the region (imports and value added) stop the cycle.

These indirect and induced effects (the effects of household spending) can be mathematically derived. The derivation is called the Leontief inverse. The resulting sets of multipliers describe the change of output for each and every regional industry caused by a one dollar change in final demand for any given industry.

Creating regional input-output models require a tremendous amount of data. The costs of surveying industries within each region to derive a list of commodity purchases (production functions) are prohibitive.

IMPLAN was developed as a cost-effective means to develop regional input-output models. The IMPLAN accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations.

The IMPLAN system was designed to serve three functions: 1) data retrieval, 2) data reduction and model development, and 3) impact analysis. Comprehensive and detailed data coverage of the entire U.S. by county, and the ability to incorporate user-supplied data at each stage of the model building process, provides a high degree of flexibility both in terms of geographic coverage and model formulation.

The IMPLAN database, created by MIG, Inc., consists of two major parts: 1) a national-level technology matrix and 2) estimates of sectorial activity for final demand, final payments,

industry output and employment for each county in the U.S. along with state and national totals. New databases are developed annually by MIG, Inc.

IMPLAN easily allows the user to do the following:

- Develop his/her own multiplier tables;
- Develop a complete set of SAM (Social Accounting Matrix) accounts;
- Change any component of the system, production functions, trade flows, or database;
- Generate type I, II, or any true SAM multiplier internalizing household, government, and/or investment activities
- Create custom impact analysis by entering final demand changes;
- Obtain any report in the system to examine the model's assumptions and calculations.

There are two components to the IMPLAN system, the software and databases. The databases provide all information to create regional IMPLAN models. The software performs the calculations and provides an interface for the user to make final demand changes.

IMPLAN SOFTWARE

MIG developed the current version of IMPLAN Professional® version 2.0 in 1999. It is a Windows based software package that performs the calculations necessary to create the predictive model. The software reads the database, creates the complete set of social accounting matrices (SAM), the I/O accounts, and derives the predictive multipliers. The software also enables the use to make changes to the data, the trade flows, or technology. It also enables the user to make final demand changes which results in the impact assessment.

There are more than 1,500 users of the Implan model, including:

- Federal Government (Agricultural Statistics Service, Animal & Plant Health Inspection Service, Appalachian Regional Commission, Argonne National Laboratory, Army Corp of Engineers, Bureau of Economic Analysis, Bureau of Land Management, Bureau of Reclamation, Economic Research Services, Environmental Protection Agency and Federal Reserve Bank, among others)
- State Government (Several departments in Oregon State including Dept of Community Develop, Dept of Ecology, Dept of Health, Dept of Revenue, Dept of Transportation, and Office of Insurance Commissioner, among several others in other states)
- Colleges and universities (Eastern Oregon University, Oregon State University among others) as well as others in the private sector.

COOS BAY SHIPPING

Port possibilities afloat

A container terminal is considered for the South Coast

By Winston Ross

The Register-Guard

Published: Thursday, July 5, 2007

COOS BAY - Port officials aren't allowed even to speak the company's name, at least not in public. The company hasn't said publicly that Coos Bay is its preferred destination. The railway hasn't committed to the \$150 million in needed improvements to make the project work. The federal government is years away from signing off on any number of obstacles to the biggest single industrial development the South Coast has ever seen.

Building a \$500 million to \$700 million facility for large shipping containers in a port in this remote locale requires a certain amount of faith.

But if the pieces keep falling into place, this project could transform the local economy in ways not seen since the raging demand for timber products after World War II.

Port officials are negotiating with APM Terminals North America, the U.S. arm of the world's largest shipping company, Dutch-based A.P. Moller-Maersk Group, to bring as many as 2 million shipping containers to Coos Bay's North Spit each year - five times as many as the Port of Portland.

The project would provide as many as 2,500 permanent local jobs and pump almost \$130 million in wages into the state economy. Average wages for those jobs are expected to be \$52,000, according to a port-commissioned economic development study. The study also projected that indirect effects could mean 10,000 new jobs statewide, many of them in Eugene - the containers' first stop after being taken off ships and loaded onto trains.

The containers carry products such as electronics, clothing and other goods to the United States from abroad.

"The more rail transportation we get in this area (the more it) will help not only with the specific jobs created, but in beefing up the rail access we already have," said Jack Roberts, executive director of the Lane Metro Partnership, the county's leading economic development agency. "We can get more shipments, the timing is better. ... Rail access is one of the things a lot of companies are now looking for in terms of location decisions, because trucking is not as competitive with high gas prices."

APM Terminals operates container terminals in 45 ports, according to the company's Web site, and handled more than 28 million containers in 2006 - a growth of more than 18 percent in a year.

"This is huge," said State Sen. Joanne Verger, D-Coos Bay. "It's as big as anything

the state of Oregon has had happen for a long time."

Last week the Legislature sent to Gov. Ted Kulongoski a bill that sets aside \$60 million in lottery funding to deepen the shipping channel in Coos Bay from 37 to 51 feet. It is a mammoth task and the U.S. Army Corps of Engineers is being asked to match that money with \$60 million in federal funds, and sign off on the environmental impacts of a dig that would make Coos Bay's channel deeper than the Columbia River.

Verger is confident that the Corps will play ball, but even if it doesn't, she said, APM has agreed to put up the \$60 million itself. The company also has agreed to reimburse the state every penny of its investment if the facility isn't built by 2019.

"I'm getting more confident," Verger said, now that the Legislature has acted. "This was a huge hurdle. They had to have dredging."

Verger's confidence is shared by port officials and other experts watching in awe as demand for imports from Asia continues to climb. International trade between Asia and North America is expected to grow by 50 percent in the next eight years, said Martin Callery, director of communications and freight mobility for the Oregon International Port of Coos Bay. By 2025, the numbers are projected to double.

At the same time, existing West Coast ports are running out of room, Callery said. The ports of Los Angeles and Long Beach in California are already handling 18 million to 19 million "20-foot equivalent units," or TEUs, each year, compared with about 3.5 million in Oakland, Calif., 3 million in Seattle, 3.2 million in Tacoma and up to 400,000 in Portland. By 2015, experts predict a shortfall in capacity of 20 million containers, Callery said.

Plans to relieve that crunch include widening the Panama Canal, said Ogden Beeman, a Portland-based maritime consultant. But it will be 2015 by the time that project is finished.

In the past, having a shipping container facility come to a remote place such as Coos Bay wouldn't have made sense. With such a small population base in the area, the vast majority of the containers would have to be moved out of the region. A port such as Los Angeles can distribute most of the television sets, stereos, sneakers and furniture Americans are buying from Asia to a local market.

But there's so much demand for imports now that shipping companies are willing to consider "intermodal-only" terminals, Beeman said, meaning terminals where the goods are offloaded from ships and taken to their destination by train or truck. Competing with Coos Bay for this facility were Baja, Mexico, and Prince Rupert, Canada - neither of which is home to a major population center.

"You can't repeat L.A.-Long Beach," Beeman said. But, he added, "There's enough feeling that we're reaching capacity that people are building or planning to build in ports where there is no population. The conventional wisdom is world trade is here to stay." There are many more challenges to overcome, however. One of the biggest questions is whether the Central Oregon and Pacific Railroad will agree to

the \$150 million estimated cost of upgrading its aging single track line from Coquille to Eugene, and whether the APM, with only one option for moving its containers, will be able to negotiate a fair rate with a company that has a monopoly on regional rail transit.

"Your rail is your lifeline," Beeman said. "The ideal situation is if I've got two rail carriers I can play off of each other. If you can't do that ... you work out a deal."

That's another prospect that doesn't worry Verger. The railroad will get \$1 billion back for its \$150 million investment, Verger said. "(APM) ships 90-plus percent of its product on rail. They'll be shipping eight cars a day out."

Permitting is also a burdensome process, less so if the Corps decides to match funds for dredging the channel. In that case, the Corps becomes the applicant, meaning "the Corps is asking itself for a permit," Beeman said. "That's not to say it's easy, but it's more so than the Port of Coos Bay asking for a permit."

Area environmentalists will ask tough questions about the project's impact on the area's livability and ability to continue to attract retirees fleeing urban areas for more rural surroundings.

Retired Bureau of Land Management forester Ron Sadler said the rail work and dredging work that need to be done will have a big impact on Coos Bay's character.

"The rail line is in very poor shape. It traverses across old wooden trestles, across Tahkenitch and Siltcoos Lake; there's a tunnel that needs to be reworked," Sadler said. As for dredging, "sequestered in those sediments out there are significant loadings of PCBs and various types of organic pollutants. By stirring that stuff up, you cycle through the food chains and ecosystem. It could have significant impacts on clams and oysters."

But Sadler's skepticism may be drowned out by a flood of positive thinking. State Rep. Arnie Roblan, D-Coos Bay, who co-sponsored the dredging legislation, said a container facility in Coos Bay could bring a tremendous influx of family-wage jobs to the area, with all kinds of spinoffs in other industries.

"If this comes to pass, it will be the single largest positive impact on the South Coast since I've been here, in 30 years," Roblan said.

Winston Ross can be reached at (541) 902-9030 or rgcoast@oregonfast.net.

WHAT'S NEXT?

- The U.S. Army Corps of Engineers is being asked to match the Legislature's \$60 million with federal funds, and to sign off on the project's environmental impact. If the Corps does not match the money, APM Terminals North America has said it will.
- An estimated \$150 million is needed to upgrade the track line from Coquille to Eugene.