

Proposal

Assistance for Oakland CEDA: Break-bulk Opportunity (draft as of December 22, 2011)

The Tioga Group, Inc. (Tioga) is pleased to offer this draft proposal to the City of Oakland's Community and Economic Development Agency (CEDA). Note that it is a draft for CEDA's review and comment. In this way Tioga expects to be able to match its proposed work plan and deliverable exact to what it is the will benefit CEDA the most.

BACKGROUND

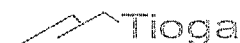
CEDA has been offered the opportunity to conduct business at the Port of Oakland. The site is Wharf 7 as described in the current report from HDR. This wharf is believed to be suitable as a break-bulk facility, and possibly at roll-on, roll-off (RO-RO) facility. Until now the location has been a break-bulk facility primarily for military cargos, either break-bulk or ro-ro of large vehicles. However, in recent years because of the lack of a usable rail route and connection to the mainline of BNSF at its prior Wood Street yard, the wharf has been used only for storage and ancillary activities primarily related to the construction of the new eastern half of the San Francisco-Oakland Bay Bridge.

The present master plan for development of this area has been designed by HDR. It calls for Wharf 7 to be retained. Hence, that raises the question: how best can the wharf be utilized? One option is to resurrect a break-bulk service. This has an attraction due to two factors. First, the master plan for the revitalized site includes providing an active rail service via a dedicated siding served by the planned, new Oakland Gateway Rail Enterprise (OGRE) switching railroad, and thence connecting to the Union Pacific Railroad (UPRR), but not to the BNSF Railway. The expectation is that this will attract shipments for prior or subsequent movement by rail. The second is that the site will be surrounded by a new, large logistics complex. The prospective tenants at the complex will have rail access also, and in connection with their business may want rail service to a nearby break-bulk or ro-ro facility for import and export cargos. The developer of that facility has referenced an "Oakland Bulk Oversized Terminal". It needs to be determined if that reference is to the Wharf 7 facility; if it is not, it needs to be determined what the reference is to.

CEDA has a number considerations entering into a commercial venture to provide such service for either intracoastal barge service or international cargo ship service. The first is an assessment of the market for such a service. All other considerations follow; primary among them is the viability of the proposed, new rail switching service contemplated by OGRE.

OBJECTIVE

The objective to be achieved by the project proposed herein is an initial assessment of the market for the proposed service(s) that might be conducted at Wharf 7.



SCOPE

The scope of the project has three parts. The first is a review of the history of such cargos moving to/from the West Coast of North America (WCNA); the second is an assessment of the competitive aspects as posed by nearby, alternative port facilities; the third is an explanation of attraction, if any, of the availability of inland rail service as compared to alternative ports on the WCNA.

Depending on the outcome of this first project, it is easy to envision additional, key considerations. But, those are necessary to investigate only if the market and service prospects are attractive.

APPROACH and QUALIFICATIONS

Tioga has the benefit of creating a very recent (September 2011) review and forecast of most of the possible markets for the San Francisco Bay Area Bay Conservation and Development Commission (BCDC) as part of its update to its Seaport Plan. Also, Tioga has the benefit of its past projects at a number of nearby ports with which a facility at the Port of Oakland would compete. Finally, Tioga can explain the economics and service considerations facing an importer/exporter interested in moving goods via inland rail or truck via the Port of Oakland.

Hence, Tioga's approach is to provide CEDA a broad, but not necessarily deep, assessment. The goal would be to look for opportunities and fatal flaws. This has the advantage of minimizing CEDA's required expenditure for this study and sorting through the options for the next phase of a more complete investigation of options that survive this project.

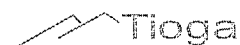
Tioga's topical expertise is freight transportation. It has completed project for a number of ports and clients investigating port services, including the Ports of Oakland, Richmond, Redwood City, and Stockton. In the course of these assignments, it has had occasion to better understand the services and interests of the Ports of San Francisco, West Sacramento, Hueneme, and Humboldt Bay. It has completed a multitude of studies of marine terminal operations across the country, provided project reviews for the US Corp of Engineers, compared modal economics across alternate intermodal and transload routings, surveyed customers as to decision processes for selecting ports and routings, and served many economic development and municipal planning organizations particularly with assistance in understanding the nature of the patronage of freight transportation facilities in a specific area (including all of California for both local and transiting cargos).

WORK PLAN

Tioga envisions five tasks to accomplish this project.

Task 1 – Kick off meeting

Clarify work plan. Gain common acceptance of work plan. Obtain any appropriate materials that CEDA can access. Investigate other potential sources and/or contacts that are familiar with this subject.



Task 2 – Review of cargo volumes and forecasts

Review existing cargo history and forecast as provided to BCDC. Look for history of activities over a break-bulk or ro-ro dock; not just commodity descriptions. Try to ascertain how certain potential target markets (e.g. military, oversized vehicles and equipment, project cargos, etc. are categorized.

Task 3 – Competitive assessment

Ask competitors (other ports) and Oakland based forwarders and about existence of break-bulk facilities and the nature of business being handled at such facilities. Might try to induce cooperation by offering to provide a synopsis of what is learned from ports that are identified as having such target cargos and break-bulk activities either in ocean-going ships or barge and both international and domestic cargos.

Compare and discuss potential for 1) diversion of existing cargo movements and 2) potential cargos from new projects and Foreign Trade Zone operators.

Task 4 – Discussion of modal economics for import/export cargos

Explain the critical considerations that determine the likely routing decisions by beneficial cargo owners (BCOs). Try to determine if any of these determining factors provide an opportunity for this facility and why such would be of value to the BCO and/or its forwarder/agent.

Task 5 – Draft and Final Report

Create a draft of a final report. Submit it to CEDA for comments, and conduct a meeting with CEDA to review the draft and comments. Based on reviews, create and submit a final report.

DELIVERABLE

The deliverable is a report on opportunities that might use Wharf 7 at the Port of Oakland.

PROJECT MANAGEMENT

Schedule

Tioga can start this project with one week's notice. The Kick-off meeting can be scheduled for the second week. An elapsed time of 6-8 weeks is expected depending on timely cooperation from other ports. Tioga will provide a weekly, verbal update on project progress.

Staffing – Tioga

Steve Nieman, Principal, will be Tioga's Project Manager, client liaison, and primary analyst. Dan Smith, Principal, will also be an analyst primarily on the topics of market size, cargo forecast, and an evaluation of selected competitive ports and services.

Staffing – Client

CEDA’s key personnel will need to be available for a 2-3 hour Kick-off, to provide written comments on a draft report, and for a 2-3 hour review of the draft report.

Fees and Expenses

Tioga’s requirements for professional fees and expenses will not exceed \$15,000.

Invoice and Terms

Tioga will invoice monthly with payment in full expected within 30 days of the invoice date. Expenses will be passed through at cost.

CLOSING

Tioga looks forward to assisting CEDA with its evaluation of this commercial opportunity because it is unusual for a city to consider sponsoring, even operating, a freight transportation facility such as Wharf 7, although to do so is rather common in some ports.

CONCURRENCE

Concur, approve, and commence:

For: The Tioga Group, Inc.

For: City of Oakland, Community & Economic
Development Agency

By: Stephen C. Nieman

By: _____

Title: Principal

Title: _____

Signature: _____

Signature: _____

Date: _____

Date: _____