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Report on Docks Development Bonds (Municipal Measure No. 51)

City Club of Portland (Portland, Or.)

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REPORT
ON
DOCKS DEVELOPMENT BONDS
(Municipal Measure No. 51)

Measure authorizing issuance of not more than \$12,500,000 serial general obligation bonds for construction, acquisition, improvement, development and equipment of Commission of Public Docks property and facilities to serve maritime commerce.

To the Board of Governors,
The City Club of Portland:

I. ASSIGNMENT

Your Committee was asked to study and report on the ballot measure authorizing the issuance of \$12,500,000 in bonds for the improvement of the Portland public docks and associated facilities.

II. CHARACTER AND LIMITATIONS OF STUDY

The relatively brief period of time since the Commission of Public Docks made materials available to the Committee for the preparation of this report prevented your Committee from making as comprehensive a study as would be desirable. Nevertheless, the Committee believes that it has been possible to make a general appraisal of the ballot measure and form conclusions that are generally valid.

Your Committee met as a group with the principal management officers of the Commission of Public Docks and made specific research assignments to members of the Committee. The literature supporting the ballot measure and the previous City Club studies relating to the Dock Commission were read.

III. NATURE OF THE BALLOT MEASURE

This measure is intended to provide approximately three-fourths of the financing for a \$16,803,000 capital improvement program. The remaining one-fourth of the financing will be provided by anticipated revenue from operations. It is planned to issue 15-year general obligation bonds over a six-year period, with the last bonds retired within 20 years.

It is projected that these bonds will cost the taxpayer approximately 21.7 cents per \$1,000 true cash value of taxable property. This is an annual average of \$2.17 for a \$10,000 home and \$4.34 for a \$20,000 home.

The Dock Commission program includes both major new facilities and supporting facilities for existing installations. They are expected to be completed within ten years. Table No. 1 summarizes the projected capital program.

TABLE NO. 1

THE CAPITAL PROGRAM OF THE COMMISSION OF PUBLIC DOCKS

Projects to be funded from a \$12,500,000 bond issue:

1. Develop and adapt the new Terminal 2 complex to the point where Portland will have the most modern, flexible terminal which can be constructed for the purpose of handling containers and conventional general cargo commodities.	
a. Fully develop the holding yard, including hardstand rails and road nets, utilities, etc.	\$1,450,000
b. Purchase and install one container-multiple purpose crane and one conventional whirley crane	1,000,000
c. Erect transit shed for cargo requiring cover	833,000
	\$3,283,000
2. Construct basic structure and support area for a new, two-berth terminal	7,000,000
3. Install whirley crane at Berths 6-7-8, Terminal 1	250,000
4. Reconstruct and strengthen dock aprons, Berths 1-2, Terminal 4 ..	800,000
5. Provide water pollution abatement, all terminals	500,000
6. Strengthen and pave dock aprons, Berths 1-2, Terminal 1	200,000
7. Construct specialty dock for side port vessels, roll-on, roll-off cargoes	500,000
	\$12,533,000

Projects to be funded from Commission's own earnings (minimum program):

1. Construct cargo distribution shed, Terminal 2	1,080,000
2. Construct two mobile elevators for barge cargoes	200,000
3. Prepare Terminal 4 extension site, including clearing, fill to harbor line, rail network and roadways	750,000
4. Fully develop Terminal 4 general cargo capability, expand container holding yard	600,000
5. Complete modernization of Terminal 4 rail network	400,000
6. Clear and pave additional area for cargo support, Terminal 1	120,000
7. Reconstruct rail leads across city streets, Terminal 1, 2	120,000
8. Property acquisition	1,000,000
	4,270,000
TOTAL: Bond Funds plus CPD Earnings	\$16,803,000

(The Committee has been advised by the Docks Commission staff that the recent fire at Terminal No. 2 will have no effect on their program. Insurance will cover all but \$25,000 of the cost of repairs.)

IV. BACKGROUND FOR PRESENT PROPOSAL

Since 1954 the Commission of Public Docks has been undertaking a continuing program for the improvement of dock facilities. These improvements have been financed largely through general obligation bonds. This method of financing is necessary because the authorized tax levy—one-tenth of one mill for support of the Dock Commission—can only produce limited revenue, and income from present operations is insufficient for the major expenditures required.

In 1960 the voters authorized \$9,500,000 in bonds to finance capital improvements. This money has now been expended, or is committed to existing contracts. The completed improvements appear to have been well planned and are proving to be valuable additions. There is every reason to believe that those improvements now nearing completion will be equally valuable.

The growth of operational income from 1951—\$145,000—to 1967—\$410,000—has provided significant revenue for capital improvements. The Commission believes that operational revenue will continue to rise with the growth

of the port and hopes that in future years it will provide most, if not all, of the capital improvements financing. However, internal financing for all future improvements cannot properly be assumed, for the various ports along the coast are highly competitive and the cost of new installations that may be required is high.

A review of the previous capital improvement programs has shown a steady growth of the port, and that these programs have generally met the needs of the shipping community. Basically, the staff of the Commission appears to have been conducting a satisfactory program.

The most recent City Club study⁽¹⁾ of port operation, dated April 1965, raised some questions about the effectiveness of Dock Commission's long-range planning. Your Committee regrets that there has not been time to review the basis of this concern and evaluate the supporting evidence in terms of today's operation. The general impression of the Committee is that the Dock Commission is alert today to the need for advance planning.

V. CONSIDERATION OF PRESENT PROPOSAL

In undertaking its appraisal of the proposed program of the Dock Commission, your Committee made a serious effort to locate opposition. It was completely unsuccessful. Discussions with major and local newspapers, labor unions, shippers, and the traditional sources of opposition to tax increases disclosed either support or neutrality. While your Committee may have missed some opposition, since the survey was selective, this does not appear likely.⁽²⁾

It appears that the concerned community generally accepts the thesis that an effective port is essential to the economic welfare of the community. The significance of the port is shown by a 1967 study by the Oregon Bureau of Business and Economic Research which concluded that 15,262 jobs with an annual payroll of \$114,906,600 ultimately depended upon the port. Your Committee would have liked to have studied the basis of this conclusion but again, time did not permit it.

In your Committee's study of the prepared literature on the ballot measure and in discussions with the Docks Commission, it was clearly evident that there are few hard facts available to support its program, comparable to the kinds of facts usually found with school and other bond measures. This does not mean that the program is not justified. Rather, it appears to be in substantial part a reflection of the present character of the shipping industry.

The technology of waterborne commerce appears to be undergoing major changes. Basically this involves the adoption of "containerized" packaging. Instead of traditional packaging, general cargo is increasingly being packed in very large sealed containers. These containers require special facilities for assembly, loading, unloading and distribution. Since the cost of keeping a ship in port is high, efficient facilities are necessary if the benefits of containerization are to be fully realized. An additional benefit of containerization of many small items into one large sealed unit approximately the size of a truck trailer is that the hazard of pilferage is reduced to an absolute minimum.

It should be emphasized that ports are highly competitive. It should be noted that both Tacoma (\$18,000,000) and Seattle (\$30,000,000) are engaged in major port improvement programs. Competition between ports is largely in terms of service and facilities since rates are uniform at major Northwest ports. Shippers will favor ports that can load and unload the quickest. Consequently, it is essential that any port anticipate new developments and requirements and be prepared to handle them.

(1) Port Management, Operation and Development in the Metropolitan Portland and Columbia River Area, Portland City Club Bulletin, April 16, 1965, Vol. 45, No. 46.

(2) Individuals contacted included Malcolm Bauer, *The Oregonian*; Donald J. Sterling, Jr., *Oregon Journal*; Mrs. Ellen Irish, *St. Johns Review*; Lee Irwin, *The Gresham Outlook*; Jack Zimmerman, *Clarke Press*; A. M. Tewksbury and Walter W. R. May, *The Oregon Voter*; Gene Klare, *Oregon Labor Press*; A. Gildemeister, Oregon United Taxpayers; Sam Plunkett and Chester Klink, Apartment House Owners Association; The Central Labor Council, the International Longshoremen's Union representatives, and a number of Shipping Companies.

The Dock Commission believes that a technological revolution is in the making with "containerization" and the program is planned to meet it. As examples they cite:

- (1) That 80 per cent of Japanese trade can be containerized, and
- (2) That studies have shown it may well be less expensive to ship containers via rail from the West Coast cross-country to the East Coast, than to ship from Japan to the East Coast via the Panama Canal.

While there is an anticipated increase in container shipping, there will continue to be general cargo shipped in traditional ways. Consequently, the Commission is designing multipurpose facilities. It believes it may be the leader in the country in these designs.

The character of technical change is being emphasized in this report because it is the basis of a substantial portion of the Commission's program.

Your Committee noted that approximately 45 per cent (\$7,000,000) of the program was assigned to a new terminal. There are no specific plans for this terminal at the present time. In fact, the location has not been established. The Commission anticipates that the growth of shipping to Portland will require this new facility be ready in 1973 or 1974. As evidence of growth, the Commission cites that for the years 1953-1967:

- (1) increases in general cargo of 265 per cent, 410,330 tons to 1,091,824 tons;
- (2) Vessel calls increasing 229 per cent, 554 to 1,267.

The program includes \$500,000 for a special purpose dock to handle roll-on, roll-off cargoes. The principal use will be for unloading imported cars. It is anticipated that the foreign cars will continue to be increasingly popular in this country.

VI. CONCLUSIONS

Your Committee agrees with the basic assumption that an efficient port is a valuable element in the economic life of the community and that it is essential to be prepared for new technological developments. It is recognized that the program of the Commission of Public Docks is based as much on an educated appraisal of future developments as it is upon hard facts. The record of operation of the port, the evidence of a technological revolution in shipping practices through "containerization" and the demonstrated competence of the Commission of Public Docks staff persuades your Committee that it has the professional capability to recognize future requirements and prepare for them.

VII. RECOMMENDATION

Therefore your Committee recommends that the City Club go on record in favor of the Commission of Public Docks' \$12,500,000 bond issue and urges a vote of "Yes" on Municipal Measure No. 51.

Respectfully submitted,

John H. Buttler

Ross H. Coppock

Charles Davis

E. G. Richards

Carleton Whitehead, *Chairman*

Approved by the Research Board May 14, 1968 and submitted to the Board of Governors.

Received by the Board of Governors May 17, 1968 and ordered printed and submitted to the membership for discussion and action.