

**THE PORT OF LONGVIEW**

***STRATEGIC PLAN***

**MARCH 10, 1999**

## **PORT OF LONGVIEW**

### **Description and Background**

Strategically located on the shoulders of the Columbia River in southwest Washington, the Port of Longview is a major player in global trade. Diversification has been a continuing theme in the Port's 75-year success story. As a full-service entity, with top staff overseeing and coordinating all areas of operation, the Port has been adept at providing quality service to its existing customer base while aggressively pursuing and capitalizing upon the opportunities of new markets and customers.

Forest products have been a primary segment of the Port's international cargo for decades. In fact, the Port of Longview exports more logs than any other port in the region. Historically, the log market has seen many ups and downs. In 1997 the Port exported 151 million board feet of logs compared to 181 MBF in 1996. While current softening of the log market is not anticipated to continue, the Port's commitment to diversification will hold it in good stead.

Bulk commodities have given the Port opportunities for expansion in both foreign and domestic trade. Volume in 1997 was 1.57 million tons, up 26 percent from 1996. Bulk accounted for 79 percent of the Port's overall trade volume for 1997. To meet anticipated future demand, the Port is investing in new import bulk handling equipment, including \$2 million for the final phase of its Berth 7 improvement project.

Effective and efficient distribution and warehousing services are provided at the Port with more than one million square feet of covered storage, two million square feet of open storage and four bulk loading terminals. A 1996 acquisition of 120 acres of land from International Paper will allow the Port to introduce industrial development as a new segment of business – another move toward diversification and new sources of income.

The Port's budget in 1998 is \$15 million. On a steady course to a productive future, the Port is investing in significant capital improvements including an \$11.5 million alternate rail corridor and \$2 million in import bulk facility improvements. These numbers are aggressive compared to the more typical capital improvement plan of \$2 to \$3 million.

Diversified services, focused plans for growth and well-trained professionals committed to being the best, place the Port in an ideal position to handle the challenges and capitalize upon the opportunities of the future.

### **Mission**

**To provide facilities and services to promote and support maritime activities in commerce, industrial development and recreation, in a fiscally responsible manner, for the benefit of our shareholders, the citizens of the district.**

### **Objectives**

To increase Port revenue through the following:

- Grow our Terminal Operations business through the expansion of our existing customer base and through seeking new market opportunities
- Continue to improve revenue performance in our warehouse and distribution business through ongoing productivity gains and new customers as appropriate.
- Grow the new market of industrial development through our Industrial Park

### **Values and Philosophy**

#### ***Responsible stewardship of assets***

The Port of Longview is an important part of the economic and cultural history of the surrounding community. The Port's mission is to maintain and preserve the assets entrusted to it by the citizens of the district. All of the Port's assets are owned by the taxpayers of the Port district. The Port places a high priority on the need to manage these assets in a responsible manner. An overarching goal of achieving outcomes for public benefit serves as the basis for all policy and investment decisions. The Port is especially cognizant of the need to preserve the asset base for future generations and therefore will emphasize leasing rather than selling land for industrial and marine development. When certain conditions of use, income and economic impact are met, the Port will consider selling.

The Port also:

1. Recognizes its responsibility as a member of the community to be a good neighbor and maintain its assets for future generations.
2. Is committed to maintaining a safe and healthy working environment.
3. Will meet all environmental regulations in its operations and will do everything possible to assure that its tenants do likewise.
4. Believes that a strong commitment to protecting the environment is just good business.

### ***Economic value added to the community***

The mission of the Port encompasses the need to develop and manage public assets to add economic value to the community. This might be manifested in the form of increasing jobs, creating additional tax revenue, enhancing business and industry and/or diversification of the economic base.

### ***Return on taxpayer investment***

The Port will look for maximum return on investment as a significant factor when making decisions. The analysis will be for a long term rather than a short-term perspective. This approach would normally result in a decision that land should be leased rather than sold, for example.

### ***Promote enhancement of water-related recreational activities for use by the citizens of the Port District.***

The Port will consider the cultural and recreational as well as the economic aspect of access to the waterways of the District. A balance between economic benefit and quality of life for the citizens of the District will be sought.

### ***Customer Service***

The global market place results in an ever-changing competitive environment for the Port. One constant, however, is the effectiveness of listening to the customers in order to provide, and even anticipate their needs. The Port has adopted a philosophy of continuous, incremental improvement throughout all aspects of its organization. The driving force behind all improvements will be an intense focus on the customer.

### ***Develop an organization capable of meeting the challenges of the future***

Excellent organizational performance is not accidental rather it is the outcome of the cumulative activities of the people in the organization. The Port will foster an environment of continuous learning for the development and growth of its work force. The Port believes in decision sharing, when appropriate, within the confines of its strategic direction and covenant with the citizens of the District. To assure an organization capable of adapting to the future, the Port will strive to develop a well-educated, multi-skilled, highly flexible work force.

## **Strategic Planning**

### ***Vision and Process***

A clear, firm and yet flexible strategic plan is the key to the Port's achieving its mission and objectives within the confines of its values and philosophy. For this reason the Port embarked on a program to develop a strategic plan to give it organizational focus and direction. This allows not only optimization of the energy and performance of the work force, but also includes the means for frequent review and updating as needed. By including departmental goals and action plans as a part of each strategic business unit's objectives, the strategic plan will be continuously fine-tuned and updated as these goals are accomplished. In addition, the Port will review and update its overall strategic direction and objectives on an annual basis.

To assure effective planning and focus the Port's activities have been classed within three distinct strategic business units. Separate but coordinated plans are developed for each unit. The three identified units are:

1. Terminal Operations
2. Warehouse and Distribution
3. Industrial Park

### ***Involvement of the organization***

The Port retained a consulting firm to guide it through the planning process. The Executive Director and key staff members performed the bulk of the planning work. The Commissioners were involved at the beginning of the planning process to assure conformance to overall policy, and as a final step in adoption of the plan. All department managers had input during the initial phases of developing the plan and again prior to finalizing the plan. In the latter stages of plan development, increased involvement of all department heads was essential to assure that the plan addressed their areas of concern and also to begin the process of aligning all departmental goals and activities with the mission, objectives and direction of the Port.

### ***Support methods that ensure consistent performance but flexibility to react to dynamic needs of the changing external environment***

The Port's strategic plan is meant to be a template for decision making and in developing reliable methods for future action. However, it is understood that the Port's markets and external environment are in a state of change. In order to maintain a competitive position, the Port will need to be flexible in dealing with the circumstances that are presented. For this reason the strategic plan will be reviewed and updated as needed on an annual basis. In addition, the supporting departmental goals and action plans will be updated on at least an annual basis.

### ***Market analysis and selection of preferred strategies of each Strategic Business Unit***

Current and potential future markets were analyzed and segmented. The goal of market segmentation is to highlight segments where the Port would be competitive – preferably dominant. Segmentation was driven to the point where a niche could be developed for the Port or where it was apparent that the segment would not fit into the Port's current market strategy. For each resulting positive market segment, the Port made the decision to compete based on lowest cost or product/service differentiation. Rarely will the Port choose to be the low cost provider. The market was further segmented to a point where the Port was dominant or strongly competitive. Otherwise the Port chose not to compete. For example, Forest Products were segmented initially by export and import. Export was further segmented into logs, break-bulk lumber, and pulp and paper products. Douglas fir log export is a segment in which the Port can dominate due to existing infrastructure and proximity to the Northwest wood basket.

### ***Analysis of Strengths, Weaknesses, Opportunities and Threats (SWOT Analysis)***

An analysis of the external environment included our current and potential customers and markets, the competition, government regulations, the local community as well as national and global economic cycles. Situations that represent threats to the Port's current and future revenue as well as opportunities for the Port to increase its market share and/or revenue were identified. These were weighted based on their relative importance and rated based on the Port's ability to respond to them.

An analysis of the internal environment included the Port's organization, location, financial condition, and its asset base. The strengths and weaknesses of the Port were identified. They were then weighted for level of importance and rated based on the Port's ability to influence them.

The above analysis was done for each Strategic Business Unit.

### ***Development of organizational goals to support strategies***

The initial involvement of the department heads in the planning process allowed them to begin the process of developing organizational goals to support the strategic direction of the Port. As the planning process progressed, an off-site management planning retreat was held. The plan draft was reviewed with staff. Comments and recommendations for improvement of the plan were recorded and incorporated. Work sessions took place in which the staff worked together to develop and fine-tune their departmental goals to align with and support the Port's strategic direction.

The goals that are included in this plan are focused around one-year time frames. Continuous updating and revising of these goals is intended to be a significant part of assuring that the Port's strategic planning is a vital and on-going process.

**Key Strategic Issues**

- 1. Maintain status as an operating port**
- 2. Maintain and optimize the three Strategic Business Units**
  - **Terminal Operations**
  - **Warehousing & Distribution**
  - **Industrial Park**
- 3. Development of industrial park property**
- 4. Expansion and upgrade of terminal operations**
- 5. Development of the alternate rail corridor**

**STRATEGIC BUSINESS UNITS**

**TERMINAL OPERATIONS**

**WAREHOUSE AND DISTRIBUTION**

**INDUSTRIAL PARK**

## Strategic Business Unit TERMINAL OPERATIONS

Marine Terminal Operations represent the core business activity of the Port of Longview. To assure quality of service and competitive market prices, the Port of Longview retains the right to perform all terminal stevedoring services. In making this choice, the Port is able to exercise greater control over pricing and handling methods, which in turn maximizes the opportunities to attract and maintain shippers and carriers.

The Port supports these operations administratively with an experienced staff of terminal superintendents, customer account representatives and information services programmers. Operationally, the Port maintains a modern fleet of cargo handling equipment and rolling stock to handle a wide variety of cargoes.

### Objectives

The following one-year objectives have been established to support the Port's direction.

- Add one large bulk customer for Berth #4
- Increase the amount of break bulk business
- Develop more open storage for project cargo
- Restructure our current log yard leases
- Complete the upgrade of Berth #7
- Evaluate the economics (ROI) for bulk storage
- Maintain our facilities in a safe and efficient working order
- Provide modern berth storage facilities by fall of 1999

### Strategies

Listed below are the strategies that will be pursued for revenue growth in Terminal Operations. These strategies were the outcome of the Port's SWOT analysis process and its market segmentation analysis.

- Development of the alternate rail corridor
- Thorough communication
- Compensatory pricing
- Prudent investment in necessary competitive equipment
- Market survey and follow-up action plans
- Synergy with Industrial Park focus

#### *Supporting departmental goals and action plans*

- Market Berth #4 elevators for large bulk customer
- Complete a system for bulk facility maintenance management record keeping & parts inventory
- Evaluate warehouse procedures to improve production and reduce cost

- Investigate and install new control package for container crane
- Inventory and evaluate the need for existing Port equipment. Dispose of unneeded equipment
- Develop preliminary cost and methods to demolish upright storage silos
- Study future demand for new trackage and determine most suitable areas
- Develop new master plan document for all Port property incorporating latest uses and projected uses

### **Market Segmentation**

1. Bulk and Bulk bag
  - Chemicals
  - Agricultural products – export for non-perishable, e.g. grains
  - Minerals
  - Chip buyers
  - Survey opportunities for refrigerated products
2. Break Bulk
  - Export and import forest products – logs, lumber, paper
  - Survey for opportunities in steel

### **SWOT Analysis – strengths, weaknesses, opportunities and threats - listed in order of magnitude**

#### **Strengths**

1. Access to existing transportation system
2. Inexpensive energy rates for electricity and gas
3. Available space for expansion of marine side
4. Availability of skilled labor
5. Good physical location – compatible industries
6. Leased land
7. Foreign trade zone
8. Industry-friendly climate in the district

#### **Weaknesses**

1. Limited capital dollars
2. Competitive cost of adding infrastructure
3. Administrative load for Port's human resources

**Opportunities**

1. Strong demand for industrial land
2. Improve rail infrastructure for Port area
3. Develop new marine side business
4. Acquire additional property for growth
5. Diversification of revenue base
6. Growth restrictions elsewhere

**Threats**

1. Regulatory issues
2. Growth management legislation
3. Economic downturn
4. Other developed industrial land

**Values and Philosophy**

- Fundamental philosophy and business strategy is for Port of Longview to be an operating port rather than just a landlord
- Monitor working conditions to provide a safe work environment at all times
- Manage the Port operations in a cost effective and productive manner

**Key Success Factors**

- Cost competitive
- Low cost storage
- Maintain a clean and modern facility
- Low berth occupancy
- Pursue bulk cargo
- Commitment to environmental regulatory compliance

## **Strategic Business Unit WAREHOUSE AND DISTRIBUTION**

The Port maintains the Warehouse and Distribution operations as a part of its strategic mix of business. Market conditions over the years combined with the shift of some customers to containerized shipments have caused this part of the Port's business to perform only at a break-even point. The Port has taken action to improve revenue from this operation in the past. This is a difficult process. There is risk of losing key customers and leaving warehouse space vacant if the Port pushes too strenuously in this area. Even so, improvements have been made and the Port now plans to have all direct expenses covered by generated revenue within the year.

### **Objectives**

The following one-year objectives have been established to support the Port's direction.

- Each account will cover direct expenses within one year
- Achieve the above revenue objective while maintaining occupancy at or above 75% of storage capacity

### **Strategies**

The current strategy is to maintain the Warehouse and Distribution business to enhance the overall mix of offerings. Gradual increases in prices combined with operational productivity improvements are intended to get the Port to a break even position of all variable costs.

- Aggressively but selectively pursue rate increases to bring operations to acceptable performance levels
- Improve productivity through:
  - 1) Capital expenditures where justified
  - 2) Partnering with labor
- Identify alternative storage customers – domestic and local
- Aggressively pursue higher revenue accounts
- Limit types and styles of inventory for fewer marks or skews

### ***Supporting departmental goals and action plans***

Port staff has committed to accomplish significant goals within the next 12 months to favorably impact revenue from this unit and support the Port's overall strategic direction.

- Each import/distribution account will generate revenue to cover labor cost, provided that 75% occupancy of warehouse space is maintained - by July 1999.
- Implement improvement plan to get as many accounts as possible to cover overhead (indirect) cost

### **Market Segmentation**

1. Consumer oriented and seasonal (holiday, e.g.) products
2. Large lots of typically inexpensive products requiring:
  - Long term storage
  - Distribution into mid-west and east coast markets
  - Quality handling and excellent transportation tie-ins

### **SWOT Analysis – strengths, weaknesses, opportunities and threats - listed in order of magnitude**

#### **Strengths**

- Flexible labor agreement
- Synergy with bulk commodities
- Transportation linkages
- Competitive long term storage
- Overall economic impact in the community
- Job generation
- Cargo management technology
- Utilize physical assets
- Long term customer relations

#### **Weaknesses**

- High labor cost in the Warehouse and Distribution field
- Maintenance cost of facility

#### **Opportunities**

- Physical assets of covered storage
- Foreign trade zone
- Bulk labor agreements and administrative systems

#### **Threats**

- Inability of productivity to offset labor costs
- Resistance of carriers to absorb “wharfage”
- Escalating labor wage rates

**Values and Philosophy**

The following values and philosophy are the guidelines by which decisions are to be made in marketing the Port's warehouse and distribution capabilities:

- Jobs in community
- General transportation value to community
- Efficiencies learned – such as in manning
- Pursue continued steady increase in revenue
- Improvements in Port Information Systems driven by Warehouse and Distribution operational improvements

**Key Success Factors**

- Favorable business atmosphere, e.g. no floor tax
- Competitive truck and rail
- Skilled account supervisors and favorable impact of logistic services
- Strong long term customer relations – not for short term dollar gain

**Economic Considerations**

- Mature Segment of Port's business
- Market growth limited – competition and available floor space
- Looking for opportunities to increase margins
- Increase rates and warehouse production for existing customers to cover costs.

**Strategic Business Unit  
INDUSTRIAL PARK DEVELOPMENT**

Conversion of the former International Paper Company forest products mill site into a market-ready industrial park is of paramount importance in shaping the economic future of the Port. Development of build-able industrial land served with municipal infrastructure will enable the Port to expand employment opportunities while diversifying and creating new revenue sources for the region. Fully serviced parcels adjacent to deep draft marine facilities as well as rail and interstate highway systems will enable the Port to offer value-added unrestricted access to transportation systems worldwide.

The industrial park will be developed with a preference for heavy industrial clients. Heavy industry is defined for these purposes as:

1. Industries utilizing a raw material resource
2. Capital intensive industries
3. Industries that are marine and rail transportation oriented

**Objectives**

The successful development of the industrial park property will follow the strategies listed below. In addition, to assure focus on the right priorities to get the Industrial Park started along the path to long-term economic success, the following mid-term objectives have been established for the first year.

1. Complete the utility infrastructure LID (local improvement district) and RID (road improvement district)
2. Gain at least one new tenant by December 31, 1999

**Strategies**

The below-listed strategies will be pursued in marketing and developing the Industrial Park. These strategies were the outcome of a strategic environmental analysis of the Port's internal strengths and weaknesses, and the external threats and opportunities. In addition a market segmentation analysis, as shown below was completed.

1. Emphasize leasing of land
2. Market to industries that will utilize the Port's marine terminals.
3. Establish excellent rail access and rail infrastructure.

4. Consider incentives where appropriate
5. Sell land if certain conditions for assurance of use, Port income and overall economic impact are met

***Supporting departmental goals and action plans***

- Complete planning, design and construction of both LID (water and sewer mainlines) and RID (International Way improvement) by Spring 1999.
- Acquire fill materials for filling and grading of proposed road locations and parcel sites
- Review and approve the engineering aspects of the Industrial Park development to provide for tenants in summer of 1999
- Assist as needed in the property acquisition for the Industrial Park expansion and alternate rail corridor alignment
- Develop an Industrial Park folder
- Develop a website
- Develop trade show booth
- Market properties through the use of new advertising and promotional materials.

**Market Segmentation**

***Potential tenant characteristics of the BUYERS***

The types of companies that are expected to be interested and to whom the marketing effort will be focused are forest products, metals, plastics, food processors and construction materials.

In general, marketing will focus on companies that are categorized as follows:

- Local manufacturers
- Pacific Rim market oriented companies

***Developable industrial land - the PRODUCT***

**Characteristics of the product**

- Market proximity to Pacific Rim
- Good quality of life in the area
- Marine-side synergy

**SWOT Analysis – strengths, weaknesses, opportunities and threats - listed in order of magnitude**

**Strengths**

- Access to existing transportation system
- Low rates for electricity, natural gas and process water
- Available space for expansion of marine side
- Availability of skilled labor
- Good physical location -- compatible with industry due to current heavy industrial surroundings
- Foreign trade zone
- Industry friendly climate in area

**Weaknesses**

- Limited capital dollars
- Competitive cost of adding infrastructure
- Administrative load for Port's human resources

**Opportunities**

- Strong demand for industrial land
- Improve rail infrastructure for Port area
- Develop new marine side business
- Acquire additional property for growth
- Diversification of revenue base
- Growth restrictions elsewhere

**Threats**

- Regulatory and growth issues
- Economic downturn
- Other developed industrial land

**Values and Philosophy**

The values and philosophy listed below guide the Port in seeking out and forming relationships with future tenants of Industrial Park properties.

- Financially responsible companies interested in long term relationships
- Companies providing responsible jobs (target 5 jobs minimum per acre)with optimum wages and benefits
- High capital investment by customer with minimal environmental impact
- Companies that are compatible with the public and business community
- Entities that will provide adequate financial return to the Port

**Key Success Factors**

- Favorable business atmosphere, e.g. warehouse bill, sales tax exemption on construction, and state incentives for distressed counties
- Competitive truck and rail rates
- Critical mass of “like” industries, e.g. aluminum, pulp & paper, steel and those industries that are transportation related.
- Unrestricted access to multiple transportation systems