


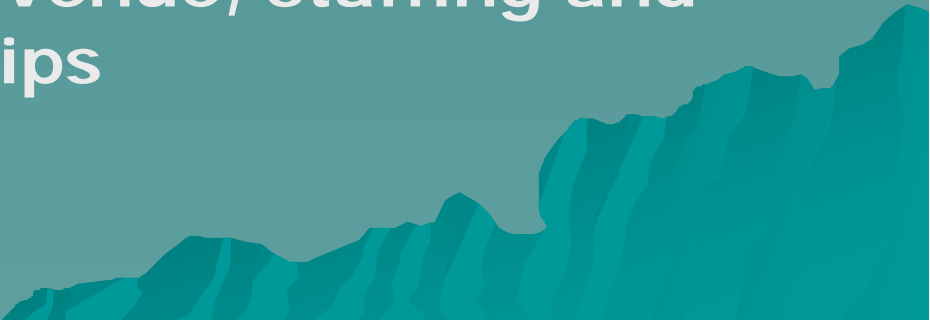
# Port Governance and Institutional Relationships- Issues and Considerations

Erik Stromberg before the AAPA Marine Terminal  
Management Training Seminar, September 21, 2009


# Frame of Reference: Port Governance

1. There are approximately 100 public port authorities and 300 privately-owned ports in the US
  2. Public ports part of state, bi-state, county or city government, or special district
  3. Public ports governed by elected (30%) or appointed boards (70%) which hire executive director and authorize budget and other policy decisions
  4. Public port management is through professional staff
  5. Public ports as public enterprise charged with doing the public's business—the accountability/autonomy spectrum
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# Landlord vs. Operating Ports

1. 41 US ports are categorized as landlord ports and lease their marine facilities and
  2. 30 US ports operate their own facilities
  3. 6 limited operating ports do some of both
  4. Almost every public port contracts with marine terminal operators or stevedoring companies to hire and supervise longshore labor
  5. Issues of control, revenue, staffing and historical relationships
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# Port Financial Considerations

1. Historically, very few public ports made money—2% ROI, except for Southern California ports
  2. Over the past decade, with dramatic supply/demand shift over past five years, ports found themselves price setters
  3. Even then, two-thirds of smaller ports (<\$6M) lose money after depreciation—diversification
  4. Today, we're back to reality—fighting for customers, revenue, capital support (private and public)
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# The Public Port Conundrum

1. Waterborne commerce today increasingly requires resilience, redundancy, velocity, transparency, reliability, not to mention low cost and maximum efficiency.
2. Port management is typically faced with uncertain cargo volumes and carrier service reliability, even viability; a lack of information; inadequate communication; with marginal revenues often covering variable but not fixed costs.
3. Nonetheless, public ports today are expected to:
  - Provide modern, efficient, safe and secure terminal operations,
  - Assure sufficient capacity on connecting transportation infrastructure
  - Enhance environmental value and local quality of life
  - Create jobs and economic opportunity
  - Generate strong balance sheets and positive cash flow
  - And, provide whatever other public priorities of the moment identify
4. How? Partnerships


# Federalize the Ports?

1. Yeah, right, partner with the 800 pound gorilla.....
2. OK, we've got the federal interstate highway system, and now maybe the banking industry, so ports are next?
3. Ports are product of local and regional initiative—it's a port "system" in fact, but not intent.
4. While the port as public enterprise is a confusing blend of private and public goals, Washington, D.C. is too far removed from both local public needs and the port marketplace to determine optimal investment and public interest strategies.

# Privatize the Ports?

1. Public ports are and have been a mix of private and public, with the PANYNJ “privatized” as much as any US port authority
2. Most cargo volume handled by private terminals—liquid and dry bulk
3. APMT Portsmouth provides an impressive example
4. **Private sector likes:** recent strong market, modest but stable ROI, high barriers to entry
5. **Public sector likes:** expedited port development, more efficient operations, risk transfer

# Public Ports and PPP Recent or Pending Possibilities and Procurements

1. Port of Portland, Oregon
  2. Port of Coos Bay
  3. Port of Oakland
  4. Port of Corpus Christi
  5. Port of New Orleans
  6. Port of Miami (tunnel)
  7. Georgia Ports Authority (highway access)
  8. North Carolina State Ports Authority
  9. Maryland Port Administration
  10. Philadelphia Regional Port Authority
  11. JaxPort (MOL)
  12. Port of Mobile (CMA)
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# Privatize? Not so fast

## 1. Private sector concerns:

- Risk factors are still being identified, understood and valued by private investors—buyer's remorse!
  - ◆ Market cycles and volatility
  - ◆ Connecting land and water side transportation infrastructure
  - ◆ Political interest and public control
  - ◆ Other risks like environmental, labor, security

## 2. Public sector's concerns:

- Risk factor identification
- Loss of control
- Valuation uncertainties
- Existing customer and community relations

# Regional partnerships— Critical for the Port

1. Ports are not self reliant--they are but a node in the chain
2. Freight transportation moves to and from major urban centers—the emerging megopolis.
3. Regional (trans-city, trans-state) understanding, coordination and support of freight transportation are vital and create win/win scenarios
4. Relevant areas of regional cooperation include:
  - Transportation and land use planning
  - Infrastructure development and finance
  - Environmental planning and compliance
  - Security

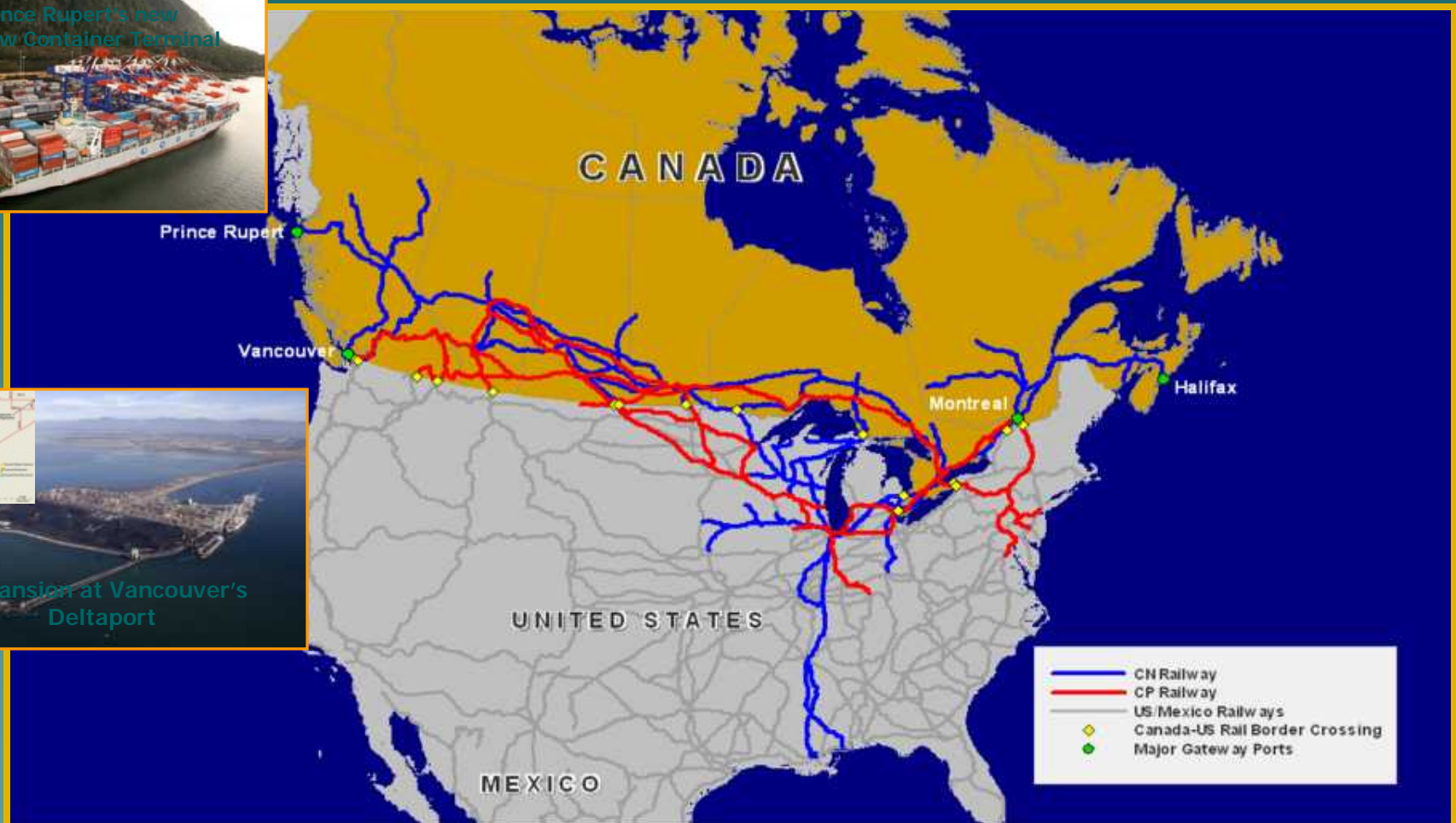
## Port Success— Critical to the Region

1. The port as an economic engine—significant impact on the economy and quality of life
2. Ports contribute to a diversified regional economy; and provide good, well-paying jobs
3. Port activities dampen economic downturns; accelerate rebounds
4. The environment is enhanced by efficient freight flows through modern, efficient transportation infrastructure

# Regional approaches to transportation corridor planning are well underway (CAGTC)

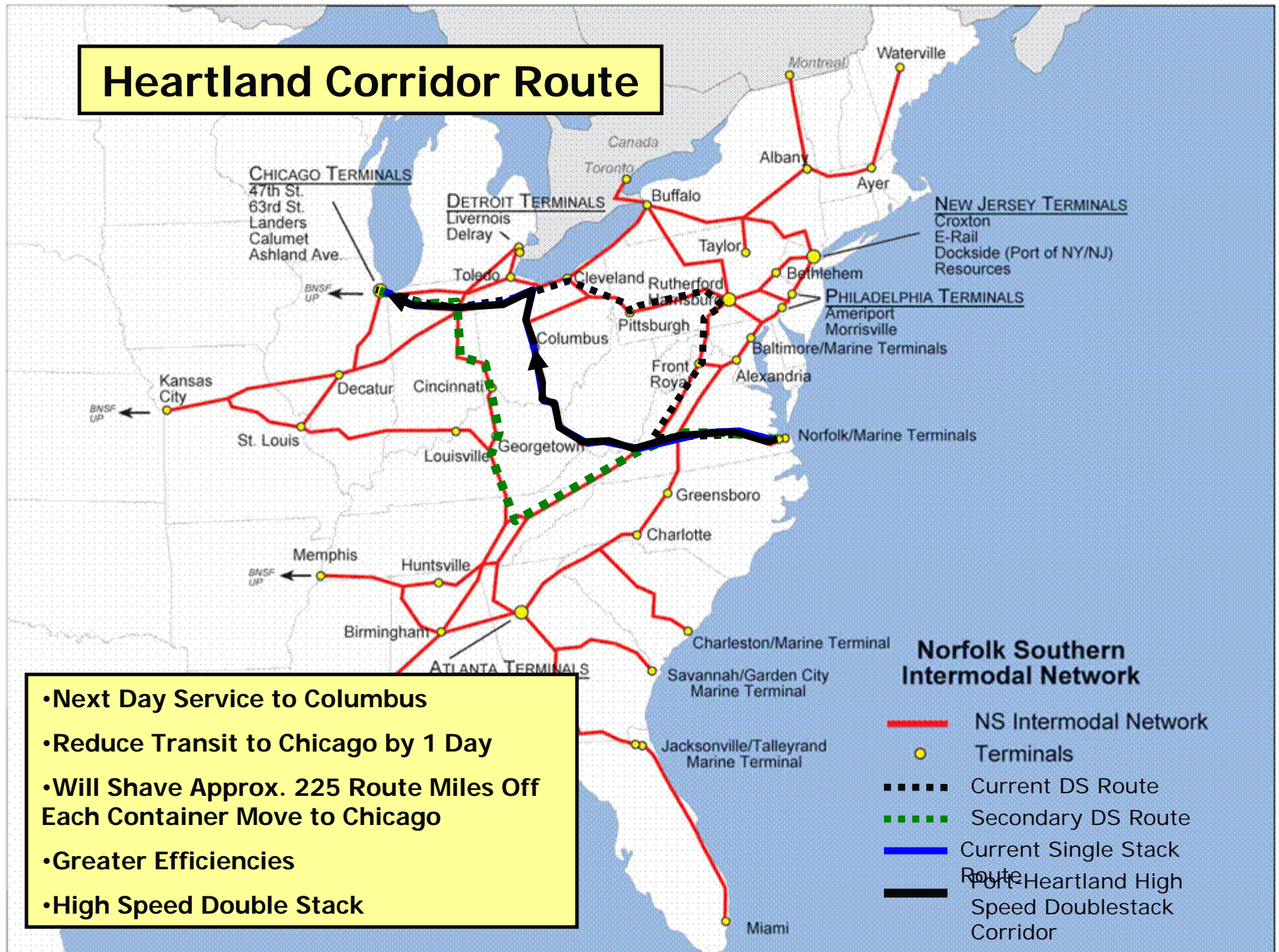
1. Alameda Corridor East
  2. Altamont Trade
  3. Atlantic Commerce
  4. Ben Franklin
  5. CA/NV I-80
  6. CANAMEX
  7. Central Golden Spike
  8. CREATE
  9. Crescent
  10. CSX SE I-95
  11. Falls to Falls
  12. FAST
  13. Gulf Coast Strategic Highway
- Heartland
  - High Desert
  - I-10
  - I-69
  - I-95
  - Liberty
  - Mississippi Valley Freight
  - Northern Tier
  - Ohio-Mississippi Rivers
  - Ports to Plains
  - River of Trade
  - Tehachapi Trade
  - Trans Texas
  - West Coast

# Canada's Gateway Ports and Intermodal System: Seizing Opportunities





# Heartland Corridor Route



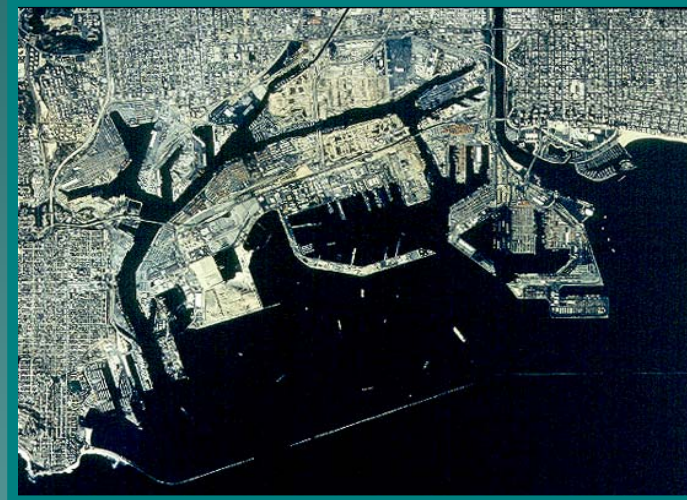
- Next Day Service to Columbus
- Reduce Transit to Chicago by 1 Day
- Will Shave Approx. 225 Route Miles Off Each Container Move to Chicago
- Greater Efficiencies
- High Speed Double Stack

## Norfolk Southern Intermodal Network

- NS Intermodal Network
- Terminals
- Current DS Route
- Secondary DS Route
- Current Single Stack Route
- Port-Heartland High Speed Doublestack Corridor



# San Pedro Bay Ports Clean Air Action Plan



- Minimize health risk from port operations
- Accelerate existing emissions reduction efforts

- Set consistent project-specific & source-specific standards
- Enable port development



- CAAP five-year emissions reduction goals
  - 47% Diesel Particulate Matter (DPM)
  - 45% Nitrogen Oxides (NOx)
  - 52% Sulfur Oxides (SOx)



# Trade Corridors Improvement Fund: San Diego Regional Approach

SANDAG led multi-agency investment plan to develop list of candidate projects based on GMAP






# Formation of the Houston Ship Channel Security District

1. Public/Private Partnership
2. Find an equitable way to share in the on-going costs of O & M
3. Secure local share funds for projects
4. Modeled after Management Districts
5. Addresses security on a "port" wide basis


# An Emerging “Refreshed” Federal Role in Freight Transportation?

1. National Freight Policy on the backburner, but:
2. 1909 Commission recommendations
3. SAFETEA Reauthorization—2010
4. Major trade associations like US Chamber, ARTBA, AASHTO, NITLeague, CAGTC and AAPA are recommending a stronger, more active federal role in freight transportation:
  - A national strategy which guides long term planning
  - A dedicated funding mechanism
  - A set of merit-based criteria for funding allocation
  - A partnership with the private sector


# Public Port /Public Port Collaboration— Has the time come?

1. Public ports compete fiercely and protect constituent parochial economic interests
  2. Port subsidization has provided supply of facilities that assure needed redundancy and reliance
  3. Ports cooperation is strong in every area except customers
  4. Public ports have limited antitrust immunity
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# Public Port Collaborations: Some examples

1. VPA
  2. Florida Ports Council
  3. Metro Vancouver Port Authority
  4. Jasper County, SC
  5. Oakland/Sacramento
  6. Tacoma/Olympia
  7. PANYNJ—Port Intermodal Distribution Network (PIDN)
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- A stylized, teal-colored silhouette of a mountain range is positioned in the bottom right corner of the slide, extending from the right edge towards the center.

# Leave you with some institutional issues and questions outside the marine terminal management box:

1. A multi- jurisdiction policy and agenda: How does a public port authority develop optimal responses to regional freight transportation infrastructure needs that span multiple ports and states?
  2. How do our ports stay competitive with one another yet collaborate for the common good?
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# Institutional Issues cont.

2. Efficiencies of scale (inside the gate) in the 21st Century: Will operating port authorities continue to make sense from an efficiency perspective?

# Institutional Issues cont.

## 3. Regionalization:

How will port authorities fit in to the emerging trend toward the regional clustering of economic interests?

Do we see examples in the US or Canada today?

## Institutional Issues cont.

1. In a market driven economy, can we trust the market to develop optimal and appropriate economic assets within our ports and harbors?
2. Where does the public interest lie and what are the optimal public and private roles in infrastructure development, security, O&M?



# Critical management challenges (risks) facing public port industry

1. Capital formation
  2. Environmental regulation
  3. Community involvement—quality of life issues and non-port related funding requirements
  4. Sustainable development and operations
  5. Diminishing availability of land suitable for port and freight infrastructure development
  6. Global shifts in trade and carrier requirements
  7. Beneficial cargo requirements
  8. Landside access – beyond port control
  9. Navigation channel development and maintenance—beyond port control
  10. Private port competition
  11. Public port competition
  12. Inadequate data for decision making
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