



## AAPA – Cruise Seminar Miami, Florida

February 10, 2011

# Bank of Montreal - Capital Markets

- **BMO is one of the 5 largest Canadian Banks**
- **Those 5 Canadian banks are in the Top 10 of North American financial institutions**
- **Canadian Banks have a keen understanding of:**
  - ◆ **Infrastructure**
  - ◆ **Private-ownership of public infrastructure**
  - ◆ **Various forms of Public-Private Partnerships**
- **Canadian Pension Funds are the largest owners of North American Infrastructure**

# Current State of the Capital Markets

- **Past two years - CM have been very much “shut down”**
  - ◆ **Not that any business cases supported meaningful expansion**
- **Capital Markets are again open for business**
  - ◆ **Very low interest rates (comparatively speaking)**
  - ◆ **Rising inflation fears**
- **Displacement of the Tax-Exempt Markets**
  - ◆ **Ratio Skew**
  - ◆ **Build America Bonds**
  - ◆ **Meridith Whitney**
- **Blurred Distinction between Tax-Exempt and Taxable Costs of Capital**
  - ◆ **Decreases benefits of Municipal Control/Ownership**
  - ◆ **Makes Private capital more competitive**

# Traditional Financing of Port Assets

- **Going Concern Credits**
- **Infrastructure does not produce Revenue**
- **Carefully Add Capacity**
- **Grants**
- **Some Partnerships**
  - ◆ **Most Private of Public Assets**

# Rating Agencies - Cruise

- **RAs beginning to understand that Cruise business is geographically pegged to terminals**
  - ◆ **Airports - Passengers**
  - ◆ **Cargo Terminals - Boxes**
  - ◆ **Cruise - Vacation Destinations/experience**
- **Can Lines Move and Why?**
- **What is the Geographic draw?**
  - ◆ **Destination vs. Embarkation**
- **What other contractual items can demonstrate “stickyness” of the line to the terminal for the Rating Agencies.**
- **Proving this case makes the credit more than a combination of the Lines’ financial Strength and the Ports’ Financial Strength!**

# Future of Port Finance - A Problem of Scale

- **What does a Port do when “getting to the next level” will cost 10X their current debt incurring capacity?**
  - ◆ **New thoughts**
  - ◆ **New Partners**
  - ◆ **Re-Think the Mission Statement**

# Evolution of Private Equity in the Port Space

- **Basic Interest - “Steady Eddie” Assets**
- **Landlord Ports begat Private Terminal Lease Portfolios**
- **Family Operators**
  - ◆ **Injustice of the Windfall**
- **Competitive terminal procurements**
- **Middle-Tier Ports**
- **Greenfield**
- **Interest in Cruise**

# Public vs. Private Models - Serving the needs of the Community

More Public Control ----- More Private Control

Yr		
1	• Reinvest All Profits	• Cash Payment Upfront
2	• Reinvest All Profits	• Dividend - Profit Sharing
3	• Reinvest All Profits	• Dividend - Profit Sharing
4	• Reinvest All Profits	• Dividend - Profit Sharing
5	• Reinvest All Profits	• Dividend - Profit Sharing
6	• Reinvest All Profits	• Dividend - Profit Sharing
.	• Reinvest All Profits	• Dividend - Profit Sharing
.	• Reinvest All Profits	• Dividend - Profit Sharing
30	• Reinvest All Profits	• Dividend - Profit Sharing
Cap		
X	Very Little Cap Ex	Much Larger Cap Ex



# Rethink the Mission Statement

- **Would Private Operators grow the business any differently?**
- **Can Port Authorities successfully transition their mission from Landlord/Lessor/Operator to:**
  - ♦ **Master Developer in the Region**
    - > **Property Assembly**
    - > **Eminent Domain**
    - > **Utility Relocations**
    - > **Seed Capital**
    - > **Regional Planning - Permitting**
    - > **Stakeholder outreach - Policy leaders**
  - ♦ **Agent of Change - Entrepreneur**
    - > **Build new businesses**
    - > **Turn dividends into now economic development**