

Silasville v. Riverton

Case Study



TEAM 1:

DAVID KOCH

CHRIS BONURA

MIKE WILSON

PATRICK NWACHOKOR

Container Market Share



- **Silasville**

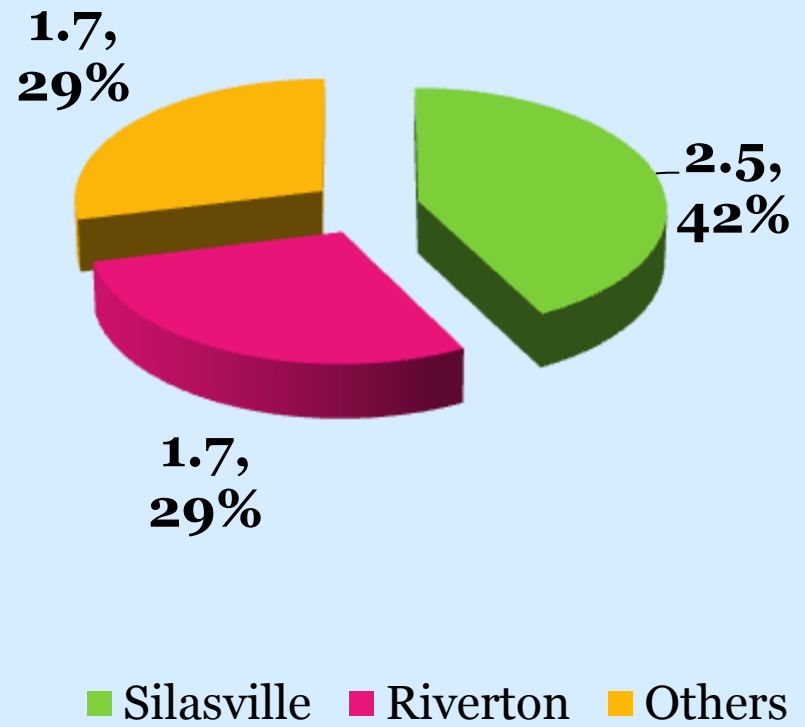
- 2.5 million TEU's
- 42% Regional Market

- **Riverton**

- 1.7 million TEU's
- 29% Regional Market

- **All Other**

- 1.7 million TEU's
- 29% Regional Market



Matrix



- Detailed Evaluation of Each Port's Relative Position of Success Over Next 20 Years
- 4 Broad Categories
 - Infrastructure
 - Political Landscape
 - Operations
 - Marketing & Finance
- Score Based on Port's Comparative Advantage

Matrix: Infrastructure



Attributes	Silasville	Riverton
Available Land / Expansion Footprint	0	8
Existing Facilities	2	0
Intermodal Rail Location	0	8
Highway Access (dedicated, distance)	0	6
Distance to Ocean	1	0
Container on Barge	0	1
Average	0.5	3.8

Matrix: Political Landscape



Attributes	Silasville	Riverton
Governance	3	0
Constituency (acceptance of tanks)	0	6
Economic Impact	1	0
Average	1.3	2.0

Matrix: Operations



Attributes	Silasville	Riverton
Operating orientation (landlord etc)	0	4
Cargo Mix/ Diversification	4	0
Operational Experience	1	0
No. of Carriers	1	0
Century's Relative Importance	0	2
No. of employees	0	9
Labor	3	0
Container Volume	4	0
Lease Terms (minimums, expiration)	0	2
Average	1.4	1.9

Matrix: Marketing & Finance



Attributes	Silasville	Riverton
Population/consumption market	0	0
Debt Type	0	10
Revenue	0	4
Marketing Budget	2	0
Access to Capital	0	8
Average	0.4	4.4

Greatest Commercial Risk



Silasville

- Limited Capacity for Upside Growth
- No Capacity for Additional Bonding
- Longest Customer Lease Expires in 3 years

Riverton

- 1,000 Shovel Ready Acres
- No Unsecured Debt
- Strong Financial Protection in Lease Terms

Winner: Salisville



Greatest Constituent Evaluation Risk



Silasville

- Opposition to Remote Expansion Sites
- Opposition to Recent Container Opportunity
- Complacent Constituency

Riverton

- Expansion Sites Remote and Industrial
- Embraced Burgeoning Tank Container Business
- Energized Constituency

Winner: Salisville



Impact of Carrier's Desire to Control Terminal Operations



Control of Labor & Costs

+

Capture of Profits

+

Vertical Efficiencies

=

Significant Impact

Changes in Nature of Public Challenges



- Traditional focus on job creation giving way to greater emphasis on development impacts (environmental, aesthetic, etc.).
- Global competition requires greater efficiency, which motivates carrier to manage costs by taking control of operations.
- Ports demanding more security through guaranteed throughput and financial returns to reimburse investment costs.

Financial Subsidy



Property Tax Subsidy

- Flexibility to levy the additional tax to support operations or new facilities
- New voter approval not required.
- Can leverage additional funds by guaranteeing a revenue stream
 - Commercial loans
 - Revenue bonds.

General Obligation Bond

- Limited to support of capital facilities
- Requires voter approval
- No guaranteed source of revenue to repay the bonds other than tax revenue.
 - Fixed tax rate/time period
 - may exceed the beneficial use of the facilities

Century's Strategic Goals



- Secure best rate by playing each port against the other.
- Secure operational control to manage cost, capture profits and increase efficiency.
- Secure capacity to significantly expand operations over the next 5 to 15 years.

And the Winner is...



Century