

# **Critical Issues Facing Public Ports and the Marine Terminal Industry: The Next Quarter Century**

**AAPA Marine Terminal  
Management Training Program**

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# Critical Issues: The Next 25 Years

- ❖ Focus on customer has been lost
- ❖ Big ship challenges are upon us
- ❖ No national seaport policy in U.S.
- ❖ Regulatory gridlock stifling and time consuming
- ❖ Lack of funding to invest – reliant on public money
- ❖ 1700-1800's port models persist
- ❖ Changing world economics – U.S. falling behind
- ❖ Labor crisis – productivity – lack of “us”
- ❖ Foreign challenges – world markets



# Focus on Customer

- ❖ Ports – Terminals – Rail – Trucking – Ships – Logistics are all self-centered – no true Intermodal
- ❖ The customer needs to remain the focused on what the client wants yet fractured self interest persists
- ❖ Transportation is a small % of total cost of goods and we as industries are acting like we matter most
- ❖ New retail models will demand new logistics models and they will not look like what they do now



# What Does the Customer Really Want?

- ❖ Low cost works for some – not all – new models will emerge
- ❖ Just in time manufacturing can benefit with local based products at highly efficient automated factory – 3D manufacturing – New distribution models
- ❖ Retail in many sectors wants more inventory turns and slow steaming and port gridlock and poor delivery is not working – warehouses mixed with retail
- ❖ Good source needs to be “cost effective” and not just cheaper; very dependable; transparent and truckable; client focused needs to return

**Ask Your Customer What They Need!**



# Big Ship Issues

- ❖ Slow steam – large volumes – cost hurtles  
**ONE SIZE does not fit all!**
- ❖ Alliances and new ship builds will continue to stress U.S. Ports
- ❖ Labor is still acting like it's 1960's or before
- ❖ Management continues to be reactive without long term plan
- ❖ Port Authorities are watching a disaster yet not leading
- ❖ Federal Government likes us dependent and it's getting worse
- ❖ No funding is a result of all 4 refusing to wake up and strategize – we are in a crisis yet we are not changing
- ❖ Ships – Trains – Planes – Trucks → It's the Network



# Lack of U.S. Port Strategy - Policy

- ❖ Ports continue to serve their local economies in high-level competition – most are government entities – self centered with bad business models
- ❖ Investment in infrastructure is pathetic at best – other industries are private and out lobbying us for \$\$\$ and getting their systems what they need
- ❖ Most Ports are now in the wrong location for a “Big” ship strategy!
- ❖ Long Beach and LA have the right depth and location, but are not serving their customers well
- ❖ Other Ports provide good service, but not connected to the transportation systems well



# No Federal Agency is the Point!

- ❖ Army Corp – FMC – EPA – USDOT – FWC – Commerce – Trade Commission – among many more
- ❖ Airports have the FAA – we flounder and beg
- ❖ No one wants to pick winners and losers
- ❖ We have no freight policy but we pretend we do
- ❖ Rail assets are no longer in the right place
- ❖ Lack of strategy – East vs. West vs. Gulf
- ❖ Radical changes in freight demands are upon us
- ❖ Gridlock and problems – outweigh solutions
- ❖ States and Port Authorities roles vary widely



# Agency Regulation at All Time High

- ❖ Washington and excess regulation are killing the U.S. Economy – we all know it – gridlock prevents it from improving
- ❖ Army Corps processes are out of control! Face realities
- ❖ FMC role remains as helper and regulator – not action based – not in charge
- ❖ EPA and FWC regulations have us spending billions on studies and waiting years – environmental actions are militant
- ❖ HMT is a cash grab and not spent on the intended – we lose
- ❖ Other industries have out lobbied us with massive campaign contributions – our public Ports beg but are ignored
- ❖ Congressional and Party gridlock cause delay
- ❖ More laws passed by agencies than ever before





# Funding

- ❖ Old rent models keep income flows low
- ❖ Tenants struggle with labor cost and work rules that strangle production – low productivity keeps rent and capital contributions low
- ❖ Federal Funding is 5-10% of actual needs
- ❖ Only a few states step up with funding but it also remains limited – Florida model is outstanding but still not enough
- ❖ Old models continue to be funded even when it makes no sense due to politics – Good money after bad is bad politics
- ❖ Tenants and private sectors can't get financing under new bank policies – Banking regulation is holding back lending
- ❖ No FAA model – HMT hijacked - WRDA is unfunded
- ❖ We need to stop the nonsense!



# 1700's – 1800's Models in 2015-2040!

- ❖ Ports were up river and dry land in natural harbors in urban centers
- ❖ Deep draft – Big ships – High volumes need new Port models – the rest of the world get it – we just pretend
- ❖ Massive assets are in the wrong places
- ❖ U.S. Ports rank lower than 3<sup>rd</sup> world nations and little is changing – we beg for pennies – get pennies
- ❖ Old models no longer make sense with limited funding, but no one wants to be passed by – so we proceed foolishly



# Changing World Economics

- ❖ Low cost producers now will not be the same in 25 years – they will be forced to improve or close
- ❖ Panama Canal – Suez Canal – New Canals
- ❖ Where is the new cheap laborer? Routes will shift
- ❖ Is labor alone the single driver? Energy and Automation are changing
- ❖ Mexico – South America – Latin America will grow under NAFTA
- ❖ India – Pakistan – Africa – Viet Nam are taking China's business
- ❖ Shipping lanes changing to meet these models
- ❖ Will the U.S. export more? Likely, especially with energy
- ❖ Populations shift – moves of production



# Labor Crisis - Productivity

- ❖ ILA – ILWU – Old World Process – solutions are over due
- ❖ Limits on productivity will strangle those who continue as is
- ❖ High tech requires a new workforce – different processes
- ❖ High labor cost = Low rent
- ❖ Low rent = No reinvestment funds
- ❖ No reinvestment funds = Loss of business
- ❖ Loss of business = Lost jobs
- ❖ Increase in productivity – Fair Wages – Safety – Able to invest
- ❖ We need to balance the greed – change our ways

**Create a right new model now!**

- ❖ Next generation sees Maritime as having no opportunity
- ❖ We have a crisis and are ignoring it!



# Foreign Challenges

- ❖ Canada gets it and is doing what the U.S. fails to do
- ❖ Panama – Bahamas – Jamaica Transships
- ❖ Railroads expanding into Mexico
- ❖ Jones Act has backfired except for a few rare examples – its good for military – bad for U.S. citizens
- ❖ U.S. Corps are moving to foreign countries
- ❖ We punish foreign firms looking to invest and treat them like criminals making it hard to bring in capital
- ❖ We already are way behind and losing ground fast playing catch-up at best, unless we / you wake up



# Are We Doomed? No Way!

- ❖ This problem is all of ours
  - There is not single cause**
- ❖ Solutions will require bright models, strategic planning and hard decisions – a new way of operating
- ❖ Correct and progressive models will replace poor models and bad locations – look at the auto industry
- ❖ Land value is a critical consideration – most Ports ignore its value
- ❖ Investment needs to go only where it makes sense and needs to be strategic – IRR – ROI – Logical investments
- ❖ Strong business – Private – Public Partnerships will lead the way the next 25 years!
- ❖ What got us here will not carry us forward



# First Steps

- ❖ You started by attending – Education – Change – New Models
- ❖ AAPA is grappling with these tough issues – but we can do more
- ❖ Some Federal agencies are getting it – FMC could become that right point lead – cutting red tape is essential
- ❖ Difficult labor management new visions have to emerge to create a model like the auto industry has created – before its too late – we need to have an adult conversation
- ❖ States need to talk about taking back Federal over regulation
- ❖ Rents need to include capital reinvestments – cap reserves
- ❖ HMT and new funding models need to be implemented properly – FAA model – fair use of tax collected – investment pools
- ❖ We need to wake up and evaluate ourselves – one Port – one Terminal at a time – It's essential



# Benchmark on Best Practices

- ❖ Ports on the ocean – pushed out to deep water – no obstructions – older up river Ports will get limited service
- ❖ Ports – Rail – Highways that flow well – right connection
- ❖ Intermodal with logical routes to new distribution
- ❖ New distribution edge in – not controlled and centralized
- ❖ Large population centric models – new centers will rise
- ❖ Old rail models – Routes to new models
- ❖ Laborer proactively trained – modify old work rules – educate – embrace productive trends – high yield production
- ❖ Embrace Private Capital – Partnerships – Proper Financial Models
- ❖ Major Army Corp overhaul is essential – State DOT – DEP controls
- ❖ Embrace Proactive Win-Win Environmental Policy!





## Don't Be Surprised If...

- ❖ Port automation grows substantially – it will be essential
- ❖ U.S. will become major oil – gas exporter – modified in Port product flows – population center deep water models
- ❖ Lack of refining and manufacturing changes
- ❖ East Coast will pass West Coast volumes in next 25
- ❖ Midwest Logistics Model will end – we are not 25 railroads any more
- ❖ Trucking and automation will grow again – smart trucks
- ❖ New Emerging Ports will pass Old Model Ports with progressive models – high productivity Ports will attract business
- ❖ Southeast and Gulf Ports will push out into the ocean
- ❖ An FAA like model will emerge FMC could lead Port Policy
- ❖ Private – Public Partnerships will grow with higher focus on business models – lower Federal Welfare Model



# Ideal World in 25 Years

- ❖ State DOT's and DEP's replace Federal approvals and streamline process
- ❖ Labor models follow new industrialized best practices – highly productive – well-trained – safe – diverse workforces
- ❖ Highest and best uses for deep water ports lead to utilization yields – Port value and thru put will be key
- ❖ Automated Rail – Truck moves goods to urban centers clean and quick delivery at efficient cost
- ❖ Port efficiencies lead to strong U.S. export – new manufacturing centers – energy cost drop – automation brings goods onshore
- ❖ You are in charge and I am retired!



Cruise

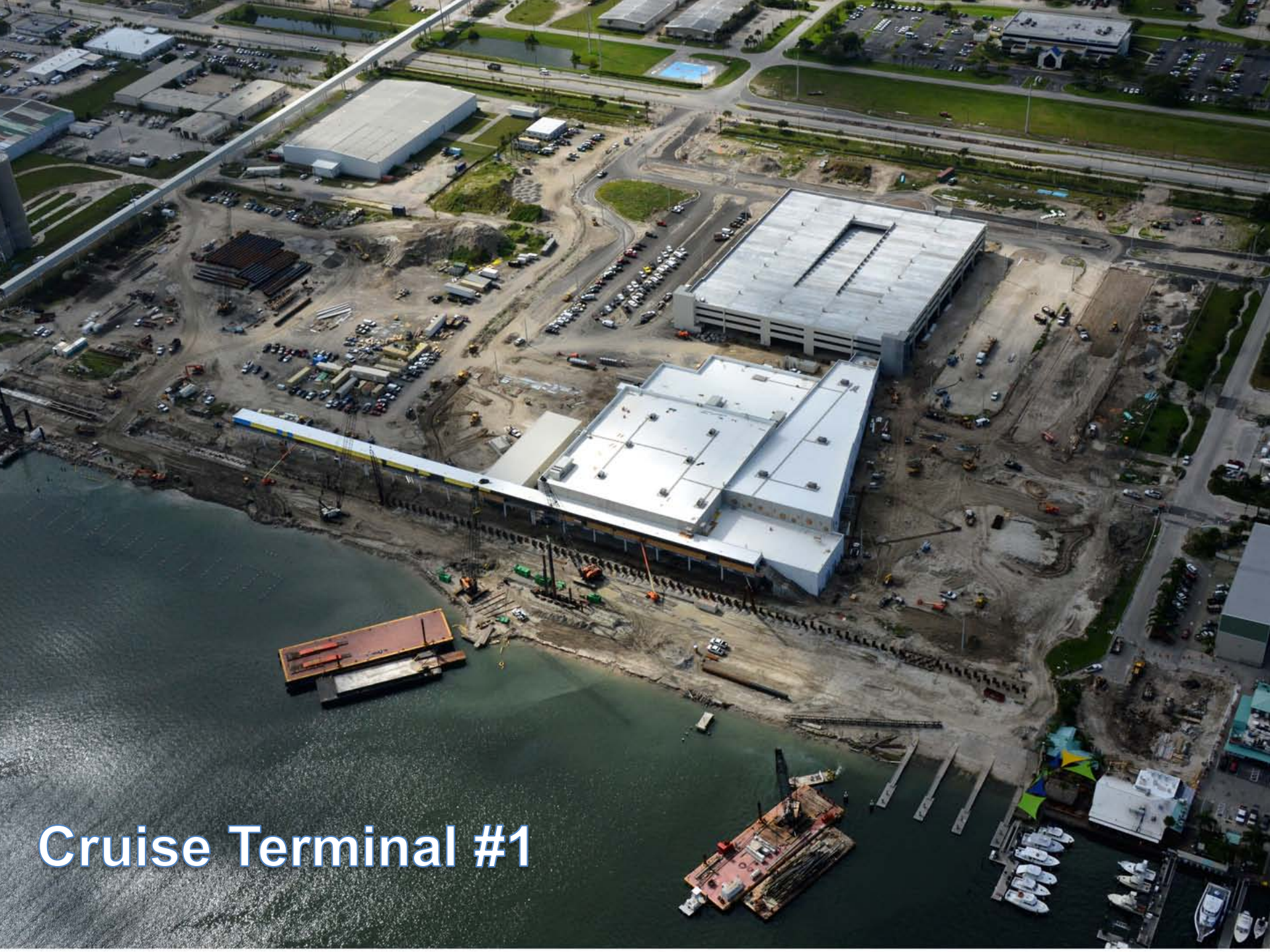
Cargo

# Port Canaveral Four Core Business Lines

Recreation and  
Entertainment

Real Estate





Cruise Terminal #1



**Cranes at NCB 5 and 6**

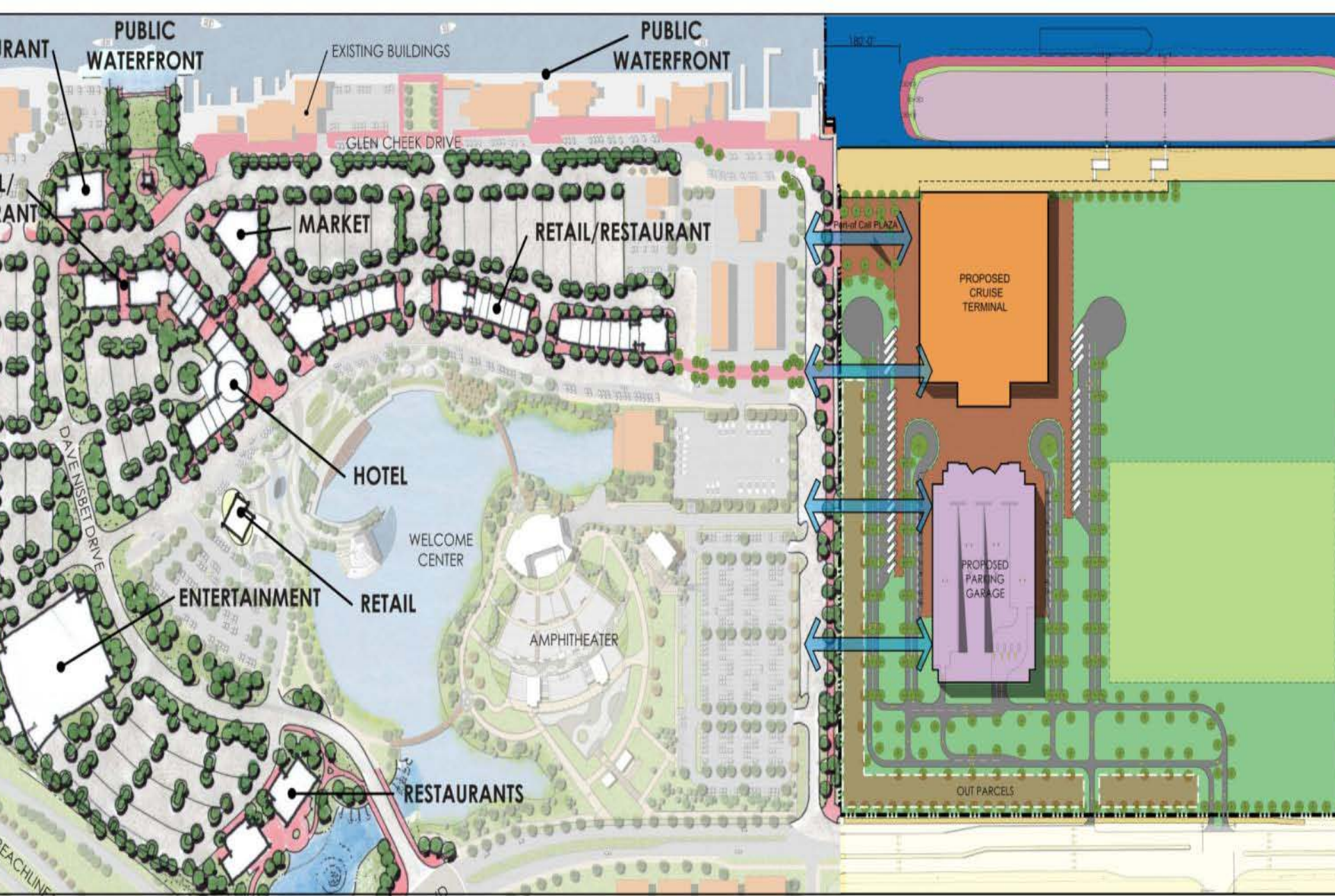


# Exploration Tower

*(Photo: Mike Ballard)*



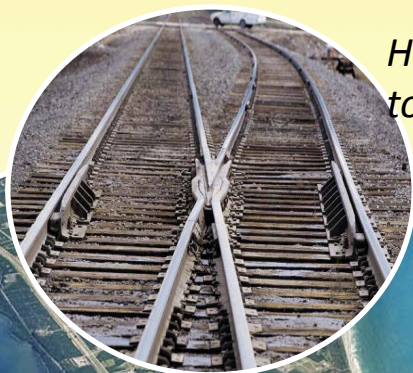
**Boat Ramp**





# Trading from Central Florida to Africa, Caribbean and South America





*Hard Rail  
to FEC*

*Inland Ports –  
Barge Connections*



*Air Freight  
Connection OIA,  
TICO, Melbourne*



*Trucking  
Network*

# Connections are Everything in Logistics



# Understanding the Logistics Model

- ❖ Import-Export is Florida's biggest industry  
\$166 billion business vs. \$89 billion Tourism
- ❖ Florida imports over 6 million TEU's annually – Only 3 million come through Florida ports
- ❖ Logistics-Trade-Jobs can realistically grow in East Central Florida with 5,000 min within 5 years -10,000 in 10 years and up to 15,000, if we work together to link ourselves and this port to the industry – Florida 150,000 total!
- ❖ Titusville, Cocoa, Port St. John can turn into the major logistics hub of Florida – 3 hours from every major Florida market – 6 hours from 61 million people – SR528-I95-SR407
- ❖ All of Central Florida will benefit!



# Deeper Channel

- ❖ Only Channel in the SE US capable to be 55' at affordable investment level is right here—the Port near you
- ❖ Port Canaveral has a unique strategic advantage – soft bottom – 3 miles – no bridges – strong ROI



# Connecting to Main Land – Cities – Heartland

- ❖ Barrier Islands present challenges
- ❖ Freight Rail via NASA is doable!
- ❖ 528 Widening-8 lanes Orlando to I95, 6 lanes to Port
- ❖ All Aboard Florida presents opportunities but only if the current Phase 1 proceeds
- ❖ MagLev or light gauge passenger services is being studied
- ❖ Pipeline connections are a Must

*CONNECTIONS = OPPORTUNITY = JOBS = SUCCESSFUL COMMUNITIES*



