



A Tale of Two Ports

Silasville v. Riverton

Team #2

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Silasville v. Riverton Situation Analysis

- ▶ Role: 3rd Party Consultant looking at the Objectives of the various Parties
- ▶ Time Frame: est. late 1990's/early 2000's
- ▶ Actors:
 - ▶ The Port Commission of Greater Silasville
 - ▶ The Port Authority of Riverton
 - ▶ Century Container Lines
- ▶ The Prize: Become the home to Century's long-term container terminal operation that anticipates as 3.8 Million TEU format within 15 years (currently the approximate amount of container business being handled by Silasville and Riverton combined.)

Strengths & Weaknesses

Land, Labour, Capital & Technology

Silasville

- ▶ Port Land is basically maximized and used to capacity
- ▶ Labour - has committed to an operating port philosophy with about 670 employees on the port payroll under this model
- ▶ Capital - faces “limits” under general obligation financing formulas
- ▶ Technology - has shown great ability to adapt/optimize its traditional business, but held back on innovation and expansion

Riverton

- ▶ Has 1,000 acres available and recognized in “community plan” for port expansion.
- ▶ Labour - Landlord Port Model - leaves labour to its tenants on the terminals
- ▶ Capital - appears to have both taxing and revenue raising capacity and a track record of “financial discipline”
- ▶ Technology - demonstrated appetite to innovate - barge feeder services, “tanktainer” business / manages an industrial park complex

Question #1:

Which Port is in the stronger position for success over the next 20 years?

- ▶ We picked Riverton because of its advantages in the following areas:
 - ▶ More land to work with;
 - ▶ Appears to have more financial capacity for growth;
 - ▶ Appears to be less handcuffed by “traditionalism” and the community’s appetite for “port expansion” versus some of the environmental, community and historical preservation and other factors identified in Silasville;
 - ▶ Riverton appears more open to “game changing” moves around initiatives such as barge/feeder, tanktainer, industrial park and other carrier operated terminals.

Question: Which port is at greater risk commercially?

- ▶ Silasville appears to have 52% of its 2.5 million TEU of throughput attached to Century Container Lines versus Riverton's situation with 695,000 of about 1.7 million.
- ▶ We also believed that Riverton's acceptance of some previous volumes rejected by Silasville (e.g. tanktainers, maybe feeder volumes also) actually makes that Riverton volume more protectable.
- ▶ Silasville has 67% of its general obligations bonds associated with Century's operations and only three years remaining on the lease commitment.
- ▶ Silasville seems to have much more to lose.

Which port is at greater risk in terms of constituent evaluation?

- ▶ We noticed that the seven members of the board of The Port Authority of Riverton are directly elected.
- ▶ For “constituent evaluation” the Riverton Commissioners are directly at the mercy of voters at the ballot box.
- ▶ Having said that, Silasville is in danger of being knocked from its long established #1 leadership position in the rivalry between the two ports.



Will the carrier's desire to have more control over its terminal operations be a major issue in its decisions?

- ▶ Yes, it would appear so.
 - ▶ #1. this is a challenge to Silasville's traditional business model as an "Operating" port that serves six other shipping lines in addition to Century Container Lines.
 - ▶ #2. this is something that Riverton would seem positioned to accommodate more easily under its structure as a "Landlord" port.



Give brief examples of how this case defines the changes in the nature of public challenges to port development.

- ▶ ENVIRONMENTAL CONCERNS - the community in Silasville has opposed efforts to develop new terminal locations
- ▶ Historic and Lifestyle Preservation concerns have also been referred to in Silasville
- ▶ Public Pressure - Century Container Lines released a “widely published” media release to generate attention regarding its invitation for Silasville and Riverton to become “planning partners”
- ▶ Inevitably, media, politicians, the general public will weigh in about what was done right and what was done wrong;



The case mentions two forms of financial subsidy. Identify them and offer a summary opinion (Bonds v. Taxation).

Silasville raises capital through the issue of “General Obligation Bonds”

- ▶ Based on “general obligation financing formulas” Silasville is presently maxed out.

Riverton has an “Authorized Ad Valorem Property Tax” that is 25% used and generating about \$2 Million Annually

- ▶ Riverton then issues Project Specific Revenue Bond Financing
- ▶ Investments with Century in Riverton generate 8.2% return



What does Century Container Lines have in mind when it invites the port authorities to become its “planning partners”?

- ▶ To compete for each others business as well as to hold on to its own share of the business - “Put Best Deal On The Table”
- ▶ To give Century an advantage over other competing container lines
- ▶ To give Century additional room to grow and expand its own market share
- ▶ To give Century more control over the “inputs” - land, labour, capital, etc. in that area of the marketplace and consideration for its economic impact

