

# NATIONAL ECONOMIC IMPACT OF THE U.S. COASTAL PORTS AND CHALLENGES FACING U.S. SEAPORTS

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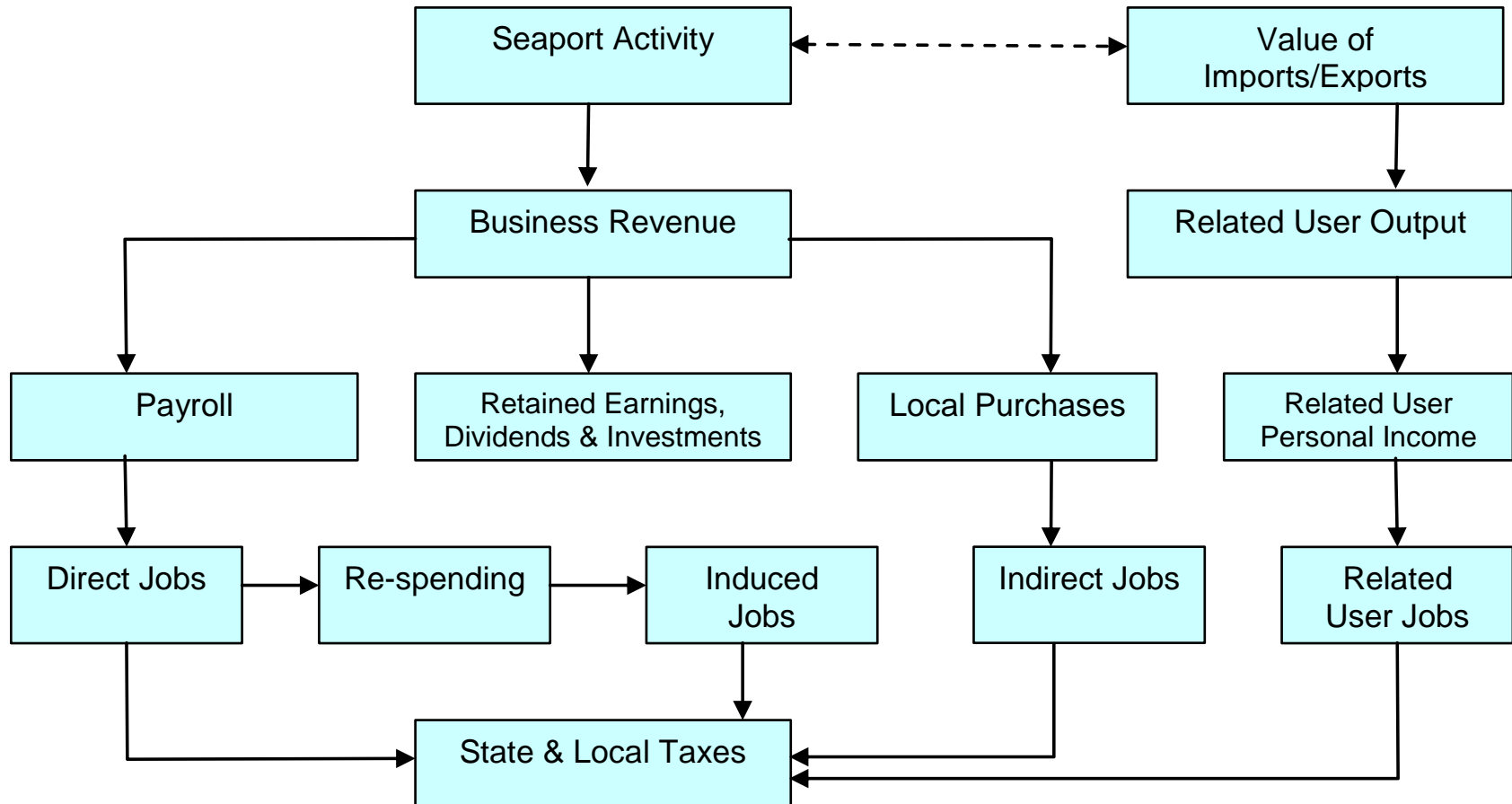
# Why Measure the Economic Impact of the Nation's Seaports

- **Demonstration of the value of the nation's coastal seaports to the overall U.S. economy – federal, state and local policy makers**
- **Infrastructure investment decisions:**
  - Navigational projects
  - Integration of ports into national transportation policies
- **Federal transportation policy decisions:**
  - Jones Act
  - ECA regulations
  - Harbor Maintenance Tax
  - Cargo Preference
  - Export Initiatives
  - Trade policies – Section 201 Steel Import Quotas
- **Assessment of the impact of port closures:**
  - Security issues
  - Natural disasters and resulting funding decisions
  - Labor-management contract negotiations

# The Importance of the U.S. Coastal Seaports to the National Economy - Methodology

- **Martin Associates conducted more than 500 seaport impact studies since 1986**
- **Current analysis is based on 57 seaport-specific models Martin Associates developed in since 2012, including:**
  - West Coast ports models developed as part of the PMA/ILWU contract negotiations
  - Florida state-wide models used by FSTED and Florida Ports Council project funding decisions
  - State of Texas seaport impact models to be used by Texas DOT in port funding decisions
  - U.S. Great Lakes/St. Lawrence Seaway Transportation System models used for policy analysis – 16 specific U.S. Great Lakes ports
- **Individual seaport impact models developed since 2012**
- **More than 12,000 interviews with service providers at nation's seaports**
- **Models recalibrated for U.S. rather than local and state impacts**
- **Prototype models for rest of U.S. Coastal ports developed**
- **USA Trade Online and individual port statistics used to calibrate for 2014 for non-port specific models**

# Flow of Economic Impacts



# Results

**23,116,847 jobs** generated  
by Port activity

- Direct Jobs: 541,946
- Induced Jobs: 822,884
- Indirect Jobs: 372,017
- Importers/Exports direct, induced and indirect: 21,380,000

**\$4.6 trillion** of total  
economic value - accounts  
for **26% of U.S. GDP** in 2014

- \$124.5 billion direct revenue received by firms providing direct services to cargo and vessels
- \$99.9 billion of re-spending of personal income and consumption expenditures
- \$4.3 trillion of economic output by importers and exporters

**\$1.1 trillion** total personal  
income and local  
consumption

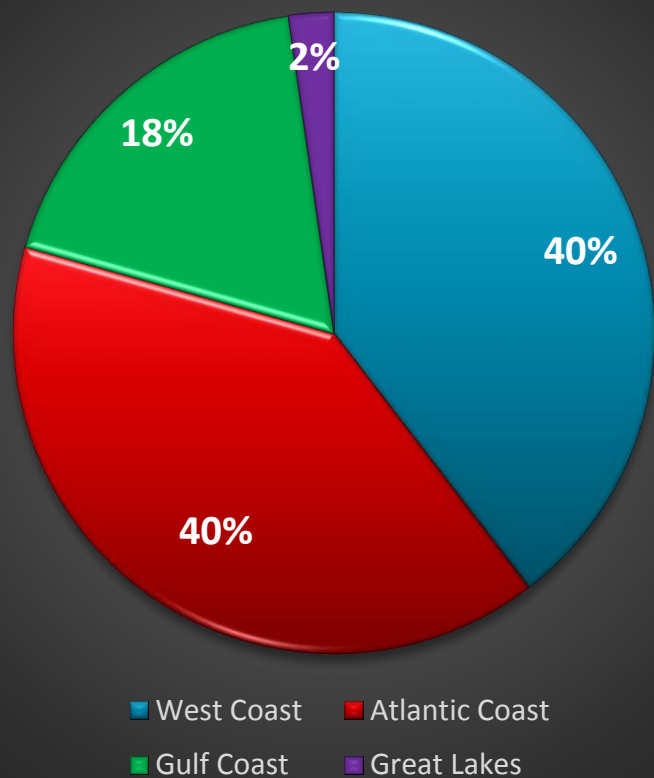
- **\$53,723**: Average salary for direct employees

**\$321.1 billion** of federal,  
state, and local taxes

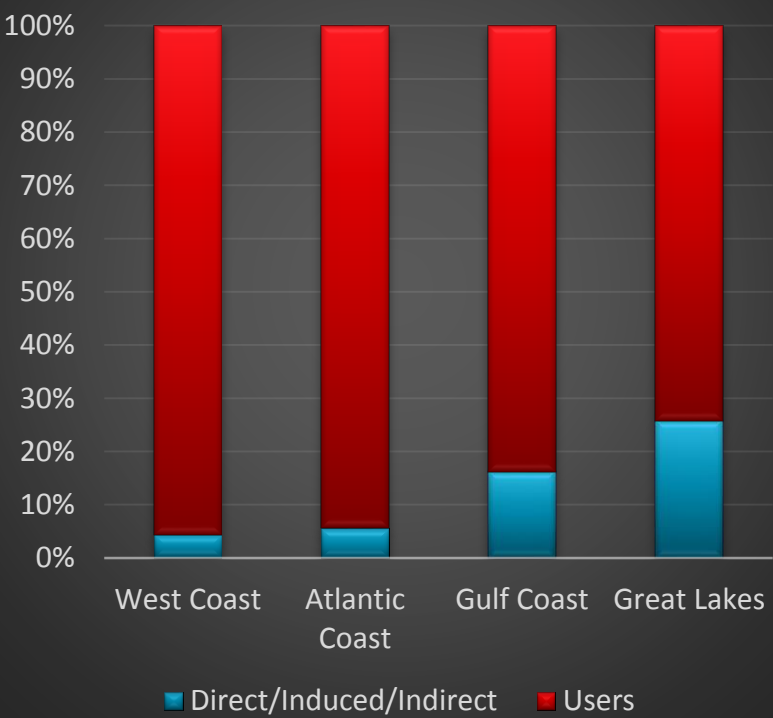
- Generated by activity at marine terminals
- \$41.0 billion generated by port sector revenue
- \$280.1 billion generated by importer and exporter revenue

# Economic Impacts By Region

### Total Jobs By Region

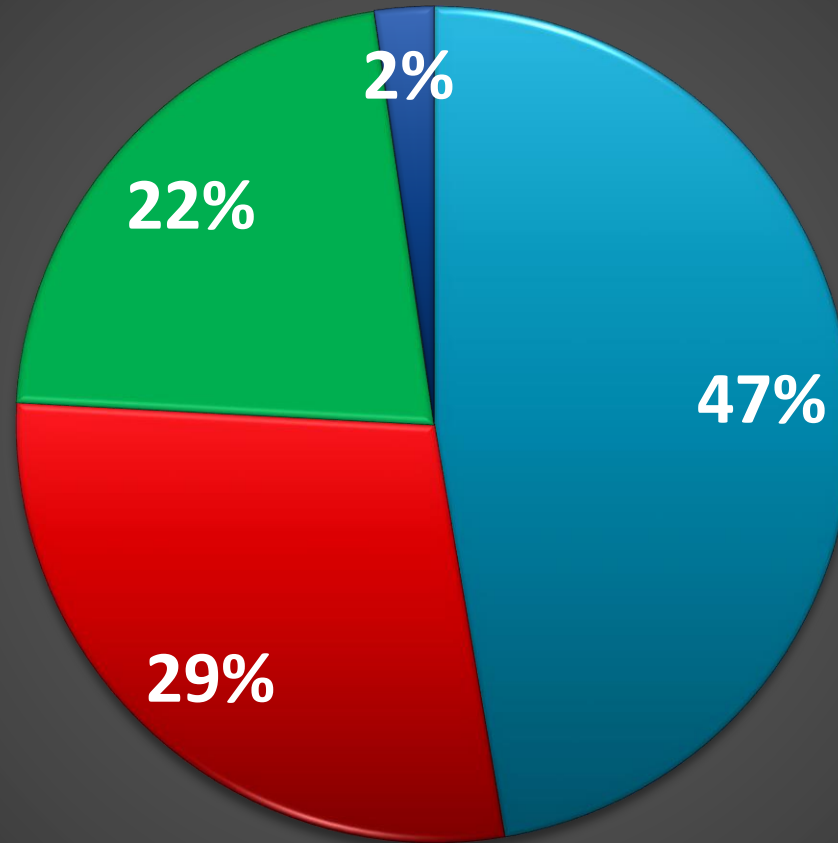


### Distribution of Total Jobs



# Distribution of Total Economic Value

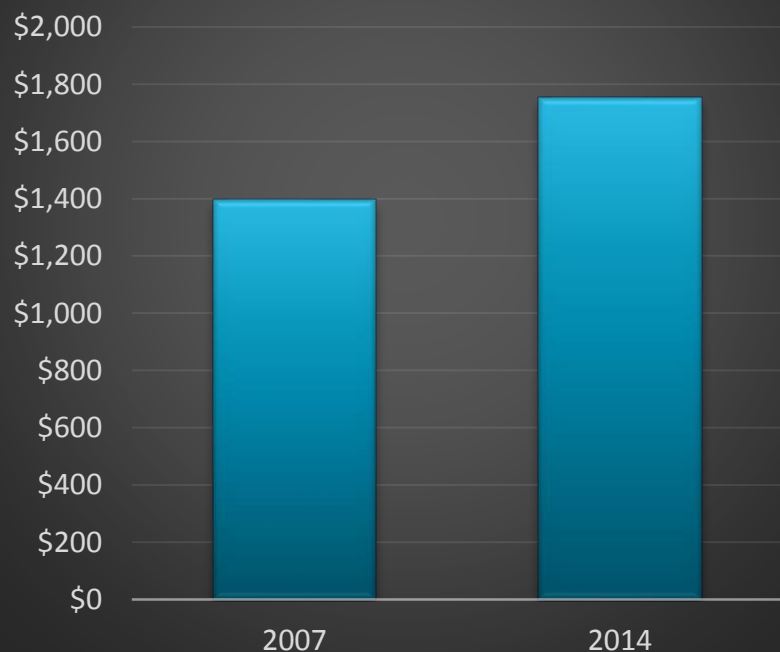
## Total Economic Value By Region



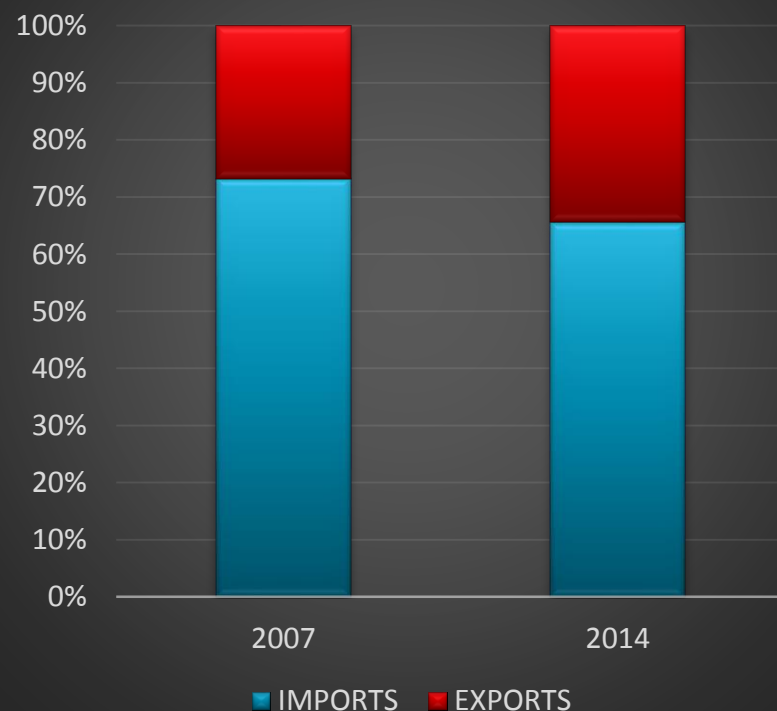
■ West Coast ■ Atlantic Coast ■ Gulf Coast ■ Great Lakes

# Changes Since 2014 - \$400 Billion Growth in Trade, Driven by Exports

## Value of International Waterborne Commerce (Billions)



## Distribution of Trade by Direction



# Growth Since 2007

**9.8 million** job  
growth  
supported by  
seaport activity

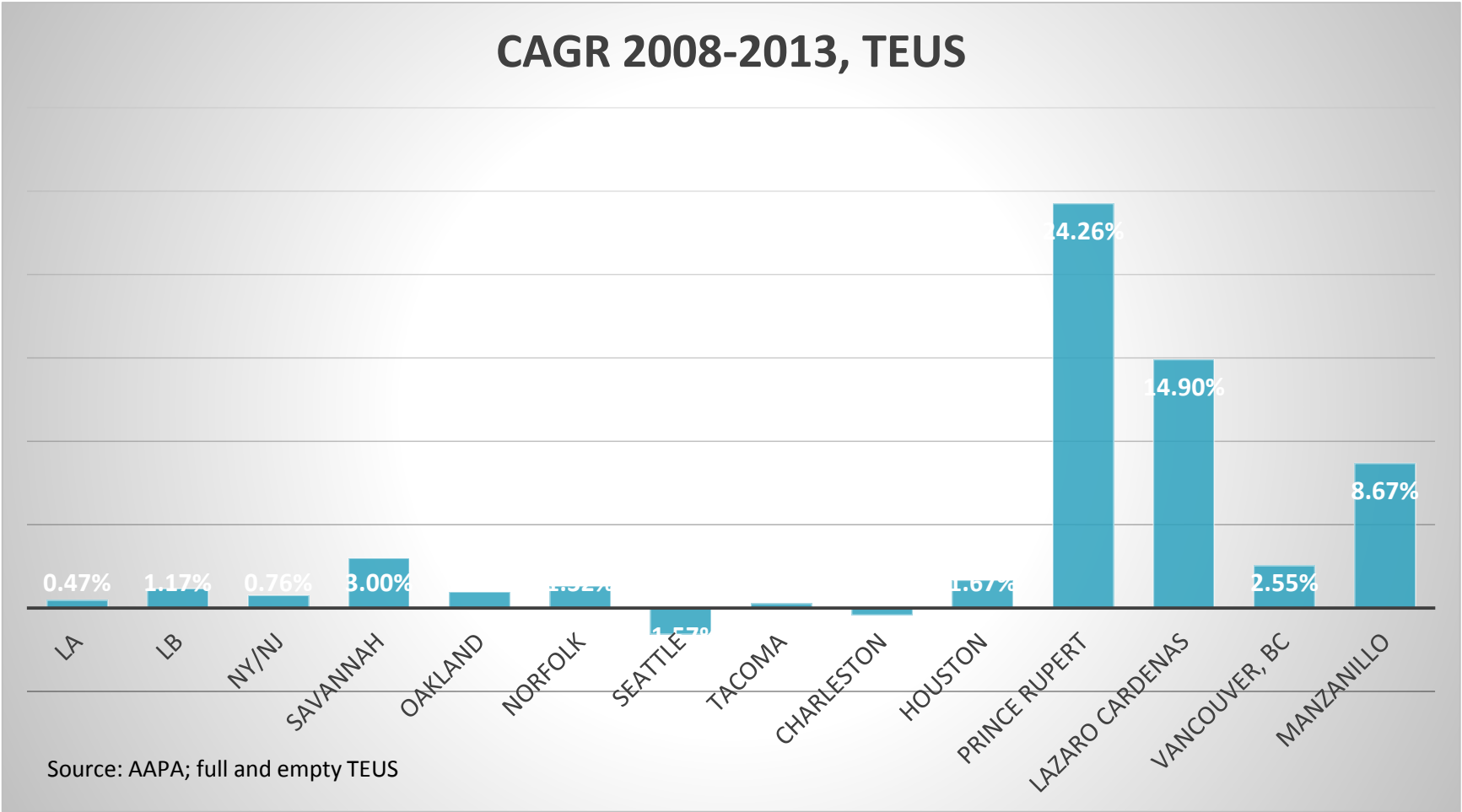
- 2014: 23.1 million jobs
- 2007: 13.3 million jobs

**\$1.4 trillion**  
growth in  
economic value

- 2014: \$4.6 trillion
- 2007: \$3.2 trillion

# CHALLENGES FACING THE U.S. PORT INDUSTRY

# Comparison of CAGR 2008-2013 for Top 10 U.S. Container Ports and Key Canadian and Mexican Ports



# Comparison of Productivity at the World's Leading Container Ports (Journal of Commerce)

| Port                           | Country              | Berth Productivity |
|--------------------------------|----------------------|--------------------|
| Qingdao                        | China                | 96                 |
| Ningbo                         | China                | 88                 |
| Dalian                         | China                | 86                 |
| Shanghai                       | China                | 86                 |
| Tianjin                        | China                | 86                 |
| Yokohama                       | Japan                | 85                 |
| Jebel Ali                      | United Arab Emirates | 81                 |
| Busan                          | South Korea          | 80                 |
| Nhava Sheva (Jawaharlal Nehru) | India                | 79                 |
| Yantian                        | China                | 78                 |
| Taipei                         | Taiwan               | 77                 |
| Xiamen                         | China                | 76                 |
| Long Beach                     | U.S.                 | 74                 |
| Khor al Fakkan                 | United Arab Emirates | 74                 |
| Elizabeth                      | U.S.                 | 74                 |
| Nansha                         | China                | 73                 |
| Kaohsiung                      | Taiwan               | 72                 |
| Salalah                        | Oman                 | 72                 |
| Mawan                          | China                | 71                 |
| Southampton                    | U.K.                 | 71                 |

Rankings based on average container moves per hour while ship is in port

# Federal Funding is Required for Deepening Projects at Atlantic and Gulf Coast Ports

| State          | Port Name                          | Current Depth | Planned Depth |
|----------------|------------------------------------|---------------|---------------|
| Maryland       | Baltimore                          | 50            | 50            |
| Massachusetts  | Boston                             | 40            | 48            |
| South Carolina | Charleston (Authorized)            | 45            | 52            |
| Texas          | Corpus Christi (Authorized)        | 45            | 55            |
| Delaware River | DE, PA, NJ Ports Portions Underway | 40            | 45            |
| Texas          | Freeport (Authorized)              | 45            | 55            |
| Texas          | Houston-Galveston                  | 45            | 45            |
| Florida        | Jacksonville (Authorized)          | 40            | 47            |
| Florida        | Manatee                            | 40            | 40            |
| Florida        | Miami (Under Way)                  | 42            | 50            |
| Alabama        | Mobile                             | 45            | 45            |
| Louisiana      | New Orleans                        | 45            | 45            |
| New York       | New York (Underway)                | 45-50         | 50            |
| Virginia       | Norfolk/Hampton Roads              | 50            | 55            |
| Florida        | Palm Beach                         | 33            | 33            |
| Florida        | Port Everglades                    | 42            | 47+           |
| Florida        | Port Canaveral                     | 41            | 50+           |
| Texas          | Sabine Naches                      | 40-42         | 42-48         |
| Georgia        | Savannah (Authorized)              | 42            | 47+           |
| Florida        | Tampa                              | 43            | 43            |

After Miami is deepened, Port *MIAMI* will join New York, Baltimore and Norfolk as the only ports on the USEC/Gulf to have 50 feet of water

Ability to attract ***first-in-bound/last-out-bound*** vessel call

# Infrastructure Funding is the Critical Issue to Economic Growth

- **Ports have lost funding for system preservation projects, let alone major infrastructure projects:**
  - After 9/11 - security investments competing with system preservation investments
  - Downturn of trade reducing port revenues
  - Economic crisis reducing state/municipal public funding
  - USACE/federal government cannot fund the dredging/deepening projects and infrastructure projects
- **\$64 billion over next five years is needed – (Mexican government investing \$54 billion in next 6 years)**
- **Need for highly productive automated terminals to serve the largest container vessels**
- **Need for efficient rail and highway access**

# More Infrastructure Funding in Addition to Coastal Ports is Necessary

- **12,000 miles of inland waterways:**
  - 191 lock systems
  - 237 lock chambers
- **Replacement cost estimated at \$125 billion in 1994**
- **50% of the locks and dams over 60 years of age**
- **Efficient River Transportation System necessary for bulk exports**
- **Failure would be catastrophic in terms of:**
  - Economic cost
  - Loss of life

# The National Export Initiative (NEI) Cannot be Accomplished Without Infrastructure Investment

- *Doubling exports over five years (2014)*
- **Policy decision-making efforts:**
  - Improving trade advocacy and export promotion efforts
  - Increasing access to credit
  - Removing barriers to the sale of U.S. goods/services abroad
  - Pursuing policies at the global level to promote sustainable growth
- **FTAs with Panama, Colombia and South Korea have been ratified**
- **Without adequately maintained shipping channels and port infrastructure, the U.S. participation and benefits will not be maximized:**
  - Heavy weight exports (agricultural products, forest products, chemicals)
  - Last port of call for exports – deep water critical

# Possible Solutions to Federal Funding Crisis

- **Deepening and maintenance projects impact ports on all coasts, as well as inland river ports**
- **Fiscal 2016 budget reduces money for port infrastructure and navigation projects:**
  - Planned for 100% of Harbor Maintenance Fund Money to be returned to ports by 2025
  - New budget targets 30% return
- **To date, there is a very limited understanding at the federal level of:**
  - Importance of the U.S. port industry
  - Impact of the delays in navigational projects
  - Overall bureaucratic process and often “changing rules” of the USACE
  - To date, the port industry has not been unified in its message to the federal government, focusing on individual/state issues

# Possible Solutions to Federal Funding Crisis

- **Undertake navigational solutions at local level:**
  - State investments
  - Private sector investment
- **Focus efforts at a national maritime system level, rather than the Port/State level**
- **Direct communications to “highest level” of federal government, with a bi-partisan effort:**
  - Cabinet level focus
  - Transportation and Infrastructure Committee focus

# **PORT-SPECIFIC INFRASTRUCTURE FUNDING – IS PRIVATE SECTOR THE ANSWER?**

- **Private sector participation reached a peak in 2006-2007 period:**
  - Multiples on EBITDA were over 25
  - Expectations of a continued 6-10% annual growth
  - Anticipated returns 12-15%
- **Most funds are now looking at emerging markets where returns can be made:**
  - Caribbean
  - Africa
  - South America
  - Vietnam
- **High level of perceived risk in U.S. port investment:**
  - Labor
  - Navigational projects uncertainty
- **There is a current resurgent of interest in the U.S.**

- **Conduit financing of projects where port provides access to municipal bonds:**
  - However, bonding capacity becomes issue
  - Lease specifications are critical
- **U.S. Ports need to refocus on participation by the terminal operators:**
  - Reduced lease payments but increased lease length in response to terminal operator investment in capital projects:
    - Baltimore (Ports America Chesapeake)
    - New York (GLOBAL)
    - Los Angeles (MOL)
    - Port Canaveral (Gulftainer)
  - Outright purchase of ports by private sector
  - SSA Sacramento agreement
- **State's take on larger role in direct investment:**
  - Florida is key example

# A National Port Plan???

- **Possible solution to port funding issues**
- **Could result in optimization of resources:**
  - Consolidation of ports in same geographical region
  - Winners and losers with respect to navigational and funding issues
- **Levels the playing field with other modes of transportation, even the private railroads with federal support on key regional/national projects/corridors**
- **Potentially result in greater investment in infrastructure to improve competitive position of U.S. economy**
- **Can it be removed from politics -- the Slippery Slope!!**

# THANK YOU