

American Association of Port Authorities
Special Seminar - Port Authority Board Members and Commissioners

Port of Palm Beach, Florida
February 9 – 11, 2016



***At Some Point,
It Really Is About The Future !***

A Forum For **BOARD MEMBERS !**

Trends

“Plenary Session Assignment”

The Filing Cabinet

Who Are We and What do we do?

Who Are Our “Customers” ?

Do We Care - About Excellence?

What Are Our Standards?

“Success ?”

***The Single Best Indicator
of A Port Authority's Success is.....***

Leveraging Assets, Resources.

Being Best You Can Be.

Progress While Managing Risks

Accountability

Transparency

Performing To Customers' Expectations.

Leveraging Assets, Resources.

Being Best You Can Be.

Progress While Managing Risks

Accountability

Transparency

Performing To **Customers'** Expectations.

Customers ?

Customers ?

Constituents ?

***At Some Point,
It Really Is About The Future !***

479

46/27

4.7 Billion

13,900

479 U.S. Port Authorities Governance Board Members

46 appointed /27 elected

\$4.7 Billion Total Revenues

14,300 Employees

2060

Global Dependence

Role of Public Port Authorities

Industrial / Commercial Development

Strategic Cargoes/Bulk

Containerization

Multi-Modal/Connectivity

Capital Intensity

Space / Footprints

Default View Of The Future:

Growth, Development and Progress

Remarkable Trajectory

**Future:
Growth, Development and Progress**

*If You Could See
Your Port's Evolution to 2060.....*

**Future:
Growth, Development and Progress**

If You Could See
Your Port's Evolution to 2060.....

Would You Let It Happen?

The “Demand” For Ports

Pre-World War II

Bulks – General Cargo Trends

Post War “Globality”

1956 – “Containerization”

Labor Unions

Ports Ponder – and Respond.

Requirement for Entry:

Land, Deep Water and Capital

Land Use Capital

Cargo Ports- Niches

Port “Induced” Industrial Investments

ECONOMIC DEVELOPMENT

1970

***National Environmental
Protection Act***

DEREGULATION OF SURFACE TRANSPORTATION MODES

Railroads 1976 and 1980

Trucking 1980

1975-1986

Asian Economies and Export Strategies

China Rejoins The World

1975-1986

Asian Economies and Export Strategies

China Rejoins The World

“Containerization” - Reality of Logistics

“Just In Time”

1975-1986

Asian Economies and Export Strategies

China Rejoins The World !!!!

North - South “Hemispheric” Axis

Terms “Global Economy” “Globalization”

“Consumerization” of World Economy

Coal !!!

Pacific Trade Routes

1975-1986

Asian Economies and Export Strategies

China Rejoins The World

Terms “Global Economy” “Globalization”

“Consumerization” of World Economy

President Reagan Reorders Dredging Policies

1975-1986

Asian Economies and Export Strategies

China Rejoins The World

Terms “Global Economy” “Globalization”

“Consumerization” of World Economy

Port Authorities Respond

1986 Tax Reform

“United States Ports Authorities are the go-to agencies of industrial development, utilizing bonded debt instruments that add broad economic values and create thousands of jobs. This role cannot – and must not – be compromised in a rush to alter tax exempt bond policies.”

1990s

Environmental Policies Extended

Trade Agreements

Global Trade Emphasizes Ocean Carriage

Port Communities Pay Attention

Carriers' Capacity Crisis

A New Century

Containerization Morphs

Imperatives of Intermodalism

“Supply Chain....Logistics”

At – The – Hip Relationships With Labor Unions

A New Century

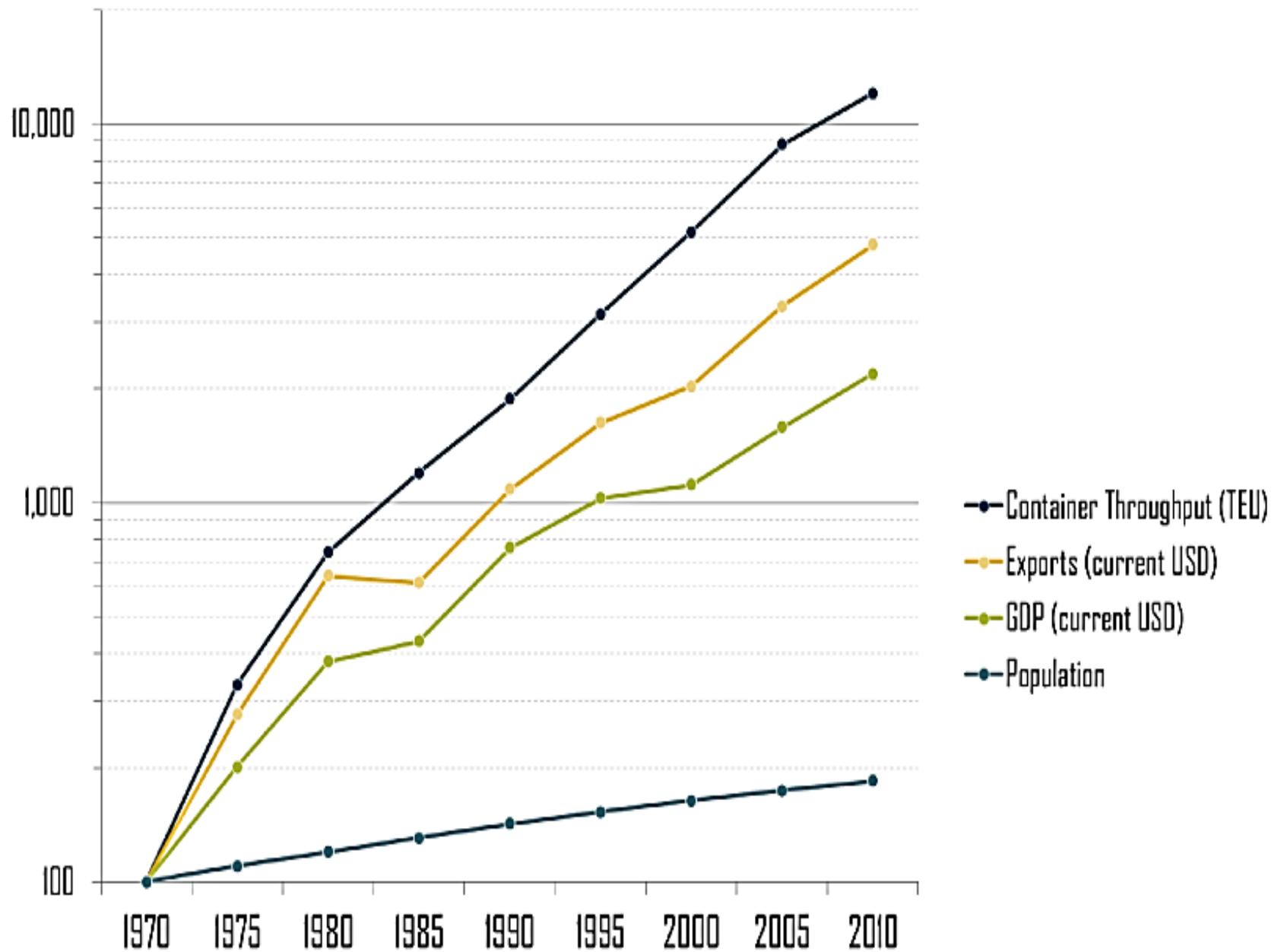
Containerization Morphs

Imperatives of Inter-modalism

“Supply Chain....Logistics”

At – The – Hip Relationships With Labor Unions

Two Million TEU In One Quarter



Maritime Administration reports **capital expenditures for U.S. public port development from 1946 through 2005 totaled over \$30.1** billion, which funded improvements to port facilities and related infrastructure.

During this **60-year period, the average yearly investment was \$501 million.**

From 2001 – 2005, the average investment had jumped to \$1.5 billion per year. These investments covered expenditures for the construction of new facilities and the modernization and rehabilitation of existing ones.

Panama Canal Expansion

Suez Canal Expansion

Deeper Channels

Consolidation of Industry

Capitalization Challenges

“It’s Now About The Environment !”

Cleaner Industry

Cleaner Port Communities

Back To The Future

Land, Deep Water and Capital

1965-2015

Prepared For The Next 50 years ?

Economic Development Mandates

Vs.

Environmental, Quality of Life Mandates

2060

Global Dependence

Role of Public Port Authorities

Strategic Cargoes/Bulk

Containerization

Multi-Modal/Connectivity

Capital Intensity

Space / Footprints

Public Acceptance

Land Use Priorities

Capital Priorities

Quality of Life

Environmental Values

Trends of Questions - Trends of Push Back

**“Future”
Is A
“Nearer” Proposition**

“Speeding Through The Present, Toward A Future of Greater Customer Demands, Greater Environmental Challenges, and Huge Capital Needs.”

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1984

**Future:
Growth, Development and Progress**

If You Could See
Your Port's Evolution to 2060.....

Would You Let It Happen?

“Riding A Tiger”

“Riding A Tiger”

Land Footprint

Imposing Modal Corridors

Mitigating Environmental Impacts

Convincing Neighborhood “Constituents”

Sources of Capital

What Will It Look Like?

“Riding A Tiger”

Land Footprint

Imposing Modal Corridors

Mitigating Environmental Impacts

Convincing The Neighborhood “Constituents”

Sources of Capital

What Will It Look Like?

Is It Possible?

“Riding A Tiger”

Land Footprint

Imposing Modal Corridors

Mitigating Environmental Impacts

Convincing The Neighborhood “Constituents”

Sources of Capital

What Will It Look Like?

Is It Possible?

Is This Desirable?

Competition For Economic Values
Or
For Quality of Life “Devaluations”

Inclusive - Exclusive

1965-2016

Land Uses and Capacities

Air and Water Qualities

Last Mile Connectivity

Capitalization Formulas/Risk Management

Realities of Economic Values

“Do Nothing”

Choices

Options

***The Single Best Indicator
of A Port Authority's Success is.....***

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Tune Up

Fiduciary Awareness

Risk Awareness – Risk Management

Disaster Preparedness

Relationships With Management

Community Relationships

Transparency Audit

Accountability Audit

“Narrative” Audit

Tune Up

Contemporize Enabling Acts

Update Bylaws/Meeting Protocols

Travel Policies/Expense Reimbursement Rules

Quality of Minutes/Records

Compensation Review

Tune Up

Contemporize Enabling Acts

Update Bylaws/Meeting Protocols

Travel Policies/Expense Reimbursement Rules

Compensation Review

(It's Okay, really.)

Tune Up

- Consultant Selection Policies
- Executive Management Succession Plans
- Engaging Attorneys -- Auditors

- Is Your Constituent Community Happy?
- Are **YOU** Having Fun?

- Open Forum

BIGGEST PICTURE ?

Bigger Ships

Canal Expansions



SUEZ CANAL EXPANSION

Egypt has ambitious plans to boost revenues from its historic waterway

\$13.5bn

Projected revenues by 2023

\$1.25m

Cost of a large ship passing both ways through canal

101 miles

Length of current canal

44.74 miles

Length of proposed new channel

\$4bn

Cost of drilling new channel

\$5bn

Egypt's current annual revenues from Suez Canal

5 years

Estimated time to complete project

29,000 sq miles

Area of proposed logistics hub around canal

BIGGEST PICTURE ?

Bigger Ships

Panama Canal



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“Do Nothing” Strategy....
A Responsible Option?

***Fully Capitalized Competition Does
Not Assure Growth and Success***

“Do Nothing” Strategy.... A Responsible Option?

Fully Capitalized Competition Does Not
Assure Growth and Success

**Value-Emphasis “Passivity” Does
Not Preclude Growth and Success**

“Do Nothing” Strategy - A Responsible Option?

Fully Capitalized Competition Does Not
Assure “Growth and Success”

Value-Emphasis “Passivity” Does Not
Preclude “Growth and Success”

Defining “Growth and Success”

“Do Nothing” Strategy - A Responsible Option?

Fully Capitalized Competition Does Not
Assure “Growth and Success”

Value-Emphasis “Passivity” Does Not
Preclude “Growth and Success”

Defining “Growth and Success”

**(Can “No Growth”
Equal “Success”?)**

Board Operations

Fiduciary Responsibility – Accountability

Quality of Minutes

Board Operations

Fiduciary Responsibility – Accountability

Quality of Minutes

Audit Functions

Board Operations

“Quick Fix

For A Colleague Off The Reservation?”

Board Operations

“Quick Fix A Colleague Off The Reservation?”

“Next Trip” Syndrome

Board Operations

“Quick Fix A Colleague Off The Reservation?”

“Next Trip” Syndrome

“Giving Money Away”

Board Operations

The “LINE”

Board Operations

The “LINE”

Hard and Fast Rule...

Or A Guideline?

Summary Message
**For Public Port Authority
Governing Board Members**

“Case Study” Challenge

(Homework!)

Quality of Governance Scoresheet

Using Scale 0 to 5, Indicate YOUR Grade For:

Currency of Enabling Authority

Adequacy of Bylaws / Operating Procedures

Understanding of Financial Conditions

Understanding of Risks

Quality of Planning

Relationships With Customers

Relationships With Press and Media

Relationships With Chief Executive / Mgt Team

Relationships With Each Other

Constituents Perception of Board Performance

- Wednesday Session !

- 30- Plus Years
- 19 Sets of Program notes
- Recurring Themes
- One Common Denominator ?

Fresh Interactive Discussion

Recurring Themes

Overnight Assignment:

Self-Audit:

Governance Fundamentals At Your Port
Authority

Big Picture Topics

Global Economy

Federal Policies

West Coast Congestion/Labor Disputes

Most Important Functions
Of Governance
At YOUR Port Authority

Notes.

Finance - accounting capital planning

Human Resources / Succession Plans

Planning – Marketing...Policies

Community Relations/

Customer/Stakeholders

Environmental Accountability

Board Management Relationships

Currency of Enabling Acts- Board Operating
Procedures

- “The State of Freight, released the same day by the Association of American Port Authorities identified a current need of \$29 billion in port infrastructure investment just to be able to handle projected freight volumes in 2025. The survey also identified great need for investment in intermodal connectors, with 80 percent of ports needing at least \$10 million in investment and 30 percent needing at least \$100 million.”