



American Association of Port Authorities
Special Seminar
Port Authority Board Members and Commissioners
June 3-5, 2014 Port of Seattle

Welcome !!

30th Annual Session

Introductions !

Diversity....

1985:

Trend is “Change”

2014

Trend is

2014

Trend is **“CHANGE”**

Faithful “Local” Followers

In A Carriers’ Drive Industry.....

Faithful “Local” Followers

In A ~~Carriers'~~ Shippers'

Driven Industry.....

2014

Trend is “CHANGE”

**Quicker, Dramatic, Risky,
Capital Intensive, Policy
Dependent...**

Very Risky !

2014

Trend is “CHANGE”

A stark reminder that Port Authorities are single port-principals in an industry of increasing flexibility. Carriers have multi-port options, port authorities do not.

Liner Service Dominant

2014...Trend is “CHANGE”

A time for mission audits, risk assessments, capital planning updates and, most importantly, expectations reviews.

Industry
of Trend-Defining
Acronyms
And Abbreviations

Suezmax

Seawaymax

Panamax

Post Panamax

Super Panamax

Malaccamax

Malaccamax...

the largest size of ship capable of fitting through the 25-metre-deep (82 ft) **Strait of Malacca**

Bulk carriers and supertankers have been built to this size, and the term is chosen for very large crude carriers (VLCC).

СКУНЕ

CKYHE

Cosco, “K” Line, Yang Ming, Hanjin
and Evergreen

G-6

American President Lines,

Hapag Lloyd AG/USA,

Hyundai Merchant Marine,

Mitsui OSK Lines, Nippon Yusen Kaisha,

Orient Overseas Container Line

P 3

Maersk

CMA-CGM

Mediterranean
Shipping Co.

P 3

40 Per Cent Market Share

Monopoly?

Similar to airline code-sharing deals... the P-3 alliance will allow the three to **cut costs by using each other's ships and port facilities.**

It will also play on each shipper's geographic strengths to move cargo faster and more cheaply.

P 3

Maersk Line alone
is expected to cut its costs
by \$1 billion annually
along the Asia-to-Europe trade route

Alliances....

Could control up
to 95 per cent of business
on many major trade routes.

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Competitive Scramble

Realities

Competitive Scramble “Realities”

Market Shares- Losses and Gains

“Footprint Demands”

Terminals, Rail, Highways

Capital Demands

Winners and Losers

Risky !

Define “Winning” and “Losing”

50-foot Channels

Federal Channels

HMT

HMT

Harbor Maintenance Tax

“.....Enough About These

ContainerShips

and

Intermodal ‘This’

and

Multi-Modal ‘That’....Already !!!”

What's Important?

To Your Port Authority?

To Your Port?

To *You*?

Special Request:

Port Authorities Are Different !

Port Authorities Are Different !

The Mission, The Mandate

Best Port Possible !

Best Port Possible !

Best Port Possible !

The Good:

***Functions within REALITY,
nurtures niches, projects
authentic expectations.***

Best Port Possible !

The Good: *Functions within REALITY, nurtures niches, projects authentic expectations.*

Bad: ***Rationalizes REALITY, gripped by self-created expectations...and competitive pride.***

Best Port Possible !

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UGLY: *Bad, Capitalized*

Good: Functions within REALITY, nurtures niches, projects authentic expectations.

Bad: Rationalizes REALITY, gripped by self-created expectations...and competitive pride.

Ugly: Bad, Capitalized

Fiduciary Board Issue !

- No More “Sellers’ Markets
- No Experts

Priority 2014- New Marketing Reality



The “Market”

The Host Community

The Basics?

Marketing and Planning

Financial Management? / Capital Planning

Community Relations / Support and Approval

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Marketing and Planning

Financial Management?/Capital Planning

Community Relations/ Support and Approval

Management Resources/Operations



Marketing and Planning

Financial Management?/Capital Planning

Community Relations/ Support and Approval

Management Team/Operations

Superior Knowledge Sources ?



Marketing and Planning

Financial Management?/Capital Planning

Community Relations/ Support and Approval

Management Team /Operations



Marketing and Planning

Financial Management?/Capital Planning

Community Relations/ Support and Approval

Management Resources/Operations

Value Functions



Marketing and Planning

Financial Management?/Capital Planning

Community Relations/ Support and Approval

Management Resources/Operations

Value Functions

Board - Management Operations



Marketing and Planning

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Community Relations/ Support and Approval

Management Resources/Operations

Board - Management Operations

Value Functions

Board Members Relationships



Marketing and Planning

Financial Management?/Capital Planning

Community Relations/ Support and Approval

Management Resources/Operations

Board - Management Operations

Board Member s Relationships

Value Functions

Perceptions



Institutional

Integrity / Credibility?

Perception Is The Law

Background “Noise”

HARMONY

Marketing and Planning

Financial Management?/Capital Planning

Community Relations/ Support and Approval

Management Resources/Operations

Board - Management Operations

Board Member s Relationships

Perceptions

Value Functions

Harmony



Marketing and Planning

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Board Member s Relationships

Perceptions

Harmony



FLAIR
OIL



Harmony

- Whom Do You Depend Upon?

Audits

Compensation

Management/Employees

Board Members

Marketing and Planning

Marketing and Planning

Financial Management/

Capital Planning?

Community Relations/

Approval?

Harmony

Priority 2014- New Marketing Reality



The “Market”

The Host Community

Board -Management Relationships?

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Board -Management Relationships?

Organizational Relationships?

Institutional

Integrity / Credibility?

Harmony

Institutional

Integrity / Credibility?

Perception Is The Law

Background “Noise”

HARMONY

Organizational Harmony?



Marketing and Planning?

Financial Management?/Capital Planning?

Community Relations/Approval?

Board - Management Relationships?

Institutional Integrity/Credibility?

Organizational Harmony?

The value of harmony to any fiduciary board might be hard to discern, for well-intended people are disposed to harmonious teamwork;

.....but the cost of disharmony is too often stark and immediate, and becomes the point of distraction and discontent.

Harmony, therefore, should be a constant objective of good governance.