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Ports Association of Louisiana Strategic Economic Development Plan

Summary Report



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SUMMARY REPORT
(Final Draft)

PORTS ASSOCIATION OF LOUISIANA
Strategic Economic Development Plan

prepared
for the

PORTS ASSOCIATION of LOUISIANA

in concert with the

U. S. Department of Commerce Economic Development Administration

Louisiana Economic Development
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Table of Contents

Partial List of Acronyms and Definitions	iii
1.0 INTRODUCTION—Background and Strategic Economic Development Plan Process	1-1
1.1 The Ports Association of Louisiana—PAL	1-1
1.2 Strategic Economic Development Plan (SEDP) Background	1-3
1.3 The Strategic Economic Development Plan for Louisiana’s Public Port System— Approach and Methodology	1-4
1.4 The SEDP Planning Process	1-4
1.5 SEDP Report Summary Presentation—Recommended SEDP	1-6
2.0 DATA COLLECTION AND ANALYSIS—KEY FINDINGS	2-1
2.1 Summary Assessment	2-1
2.1.1 Louisiana Ports Breakbulk Market Challenges and Opportunities	2-1
2.1.2 Gulf Coast Dry Bulk Market	2-2
2.1.3 Gulf Coast Liquid Bulk Market	2-2
2.1.4 Louisiana Ports Container Market Challenges and Opportunities	2-3
2.1.5 Oil and Gas Implications for Louisiana’s Coastal Ports	2-4
2.1.6 Shipbuilding Industry Implications for Louisiana Ports	2-4
2.2 Competition Summary	2-5
2.2.1 Louisiana Deep Draft Ports: Advantages and Challenges	2-5
2.2.2 Louisiana Deep Draft Ports: Container Competition	2-5
2.2.3 Louisiana Coastal Ports: Competitive Advantages and Challenges	2-6
2.2.4 Louisiana Inland Ports: Advantages and Challenges	2-7
3.0 MISSION AND OBJECTIVES	3-1
3.1 Introduction	3-1
3.2 Mission Statement for the Ports of Louisiana	3-1
3.3 Implications for Louisiana Ports	3-2
3.4 Objectives for Louisiana Ports	3-2
4.0 STRATEGIC ISSUES AND OPTIONS	4-1
4.1 Introduction to Defining Strategic Issues and Options	4-1
5.0 STRATEGIC RECOMMENDATIONS	5-1
5.1 STRATEGIC ISSUE: PORT GOVERNANCE	5-2
5.1.1 Background	5-2
5.1.2 Port Governance—Continuum of Strategic Options	5-3
5.1.3 Consensus Recommendation	5-3
5.1.4 Recommended Structure	5-3
5.1.5 Recommended Responsibilities	5-4
5.1.6 Port Governance: Rationale for Consensus Recommendation	5-4
5.1.7 Recommended Action Plan	5-5
5.2 STRATEGIC ISSUE: WORKFORCE DEVELOPMENT	5-6
5.2.1 Workforce Development: Background	5-6
5.2.2 Work Force Development Issue: Continuum of Strategic Options	5-6
5.2.3 Consensus Recommendation	5-7
5.2.4 Workforce Development: Recommended Action Plan	5-8

5.3	STRATEGIC ISSUE: STATE and PORT COMPETITIVENESS	5-8
5.3.1	Issues	5-8
5.3.2	Continuum of Strategic Options	5-10
5.3.3	Consensus Competitiveness Recommendation	5-10
5.3.4	State and Port Competitiveness: Recommended Action Plan	5-11
5.4	STRATEGIC ISSUE: INFRASTRUCTURE	5-12
5.4.1	Infrastructure: Background	5-12
5.4.2	Infrastructure Issue: Continuum of Strategic Options	5-13
5.4.3	Consensus Recommendation	5-13
5.4.4	Port Infrastructure Investment Plan: Recommended Action Plan	5-14
5.5	STRATEGIC ISSUE: PORT FUNDING	5-14
5.5.1	Port Funding: Background	5-14
5.5.2	Continuum of Strategic Options	5-15
5.5.3	Consensus Funding Recommendation	5-15
5.5.4	Rationale for Consensus Recommendation	5-16
5.5.5	Sustainable Port Funding: Key Success Factors	5-16
5.5.6	Port Funding Plan (Infrastructure Investment): Recommended Action Plan	5-18
5.6	STRATEGIC ISSUE: CONTAINER INDUSTRY	5-18
5.6.1	Container Issue: Background	5-18
5.6.2	Challenges	5-19
5.6.2.1	Shippers' Supply Chain Strategies	5-19
5.6.2.2	Container Shipping Lines	5-19
5.6.2.3	Service and Economic Challenges	5-20
5.6.3	Container: Continuum of Strategic Options	5-20
5.6.4	Consensus Container Recommendation	5-21
5.6.5	Regional Container Gateway Strategy: Recommended Action Plan	5-22
6.0	IMPLEMENTATION—RECOMMENDED ACTION PLAN SUMMARY	6-1
	Implementation Strategy in Calendar Quarters	6-4

Partial List of Acronyms and Definitions

- AGMAC:** Acadiana to the Gulf of Mexico Access Channel
- CAGR:** compound annual growth rate
- CIP:** Capital Improvement Plan
- Compensatory:** revenues are sufficient to cover all operating and capital costs
- DNR:** Louisiana Department of Natural Resources
- DOL:** Louisiana Department of Labor
- DOTD:** the Louisiana Department of Transportation and Development
- GIWW:** Gulf Intracoastal Waterway
- Global Insight:** a macroeconomic forecasting firm and member of the SEDP consulting team responsible for providing macroeconomic analyses and trade forecast data to support the preparation of the SEDP
- Gulf Coast States:** Texas, Louisiana, Mississippi and Alabama
- LED:** Louisiana Department of Economic Development
- LPMPA:** same as PMPA
- LNG:** Liquefied Natural Gas
- O & G:** Oil and Gas industry
- PMPA:** Louisiana Ports and Maritime Policy Authority
- POL:** Ports of Louisiana, i.e. the public ports system
- PAL:** Ports Association of Louisiana
- SEDP:** Ports Association of Louisiana Strategic Economic Development Plan
- STIP:** State Transportation Improvement Plan
- Stakeholders:** any organization or entity with an investment in or commitment to Louisiana's ports.
- SWOT:** Strengths, Weaknesses, Opportunities and Threats
- The State:** the governing authority of the State of Louisiana
- Tons:** short tons of 2,000 pounds
- TWIC:** Transportation Worker Identification Card
- USACE:** United States Army Corps of Engineers

1.0 INTRODUCTION—Background and Strategic Economic Development Plan Process

1.1 The Ports Association of Louisiana—PAL

The Louisiana public ports system is comprised of 35 public authorities with wide ranging charters. These charters regulate the planning, design, development, operation, and management of port



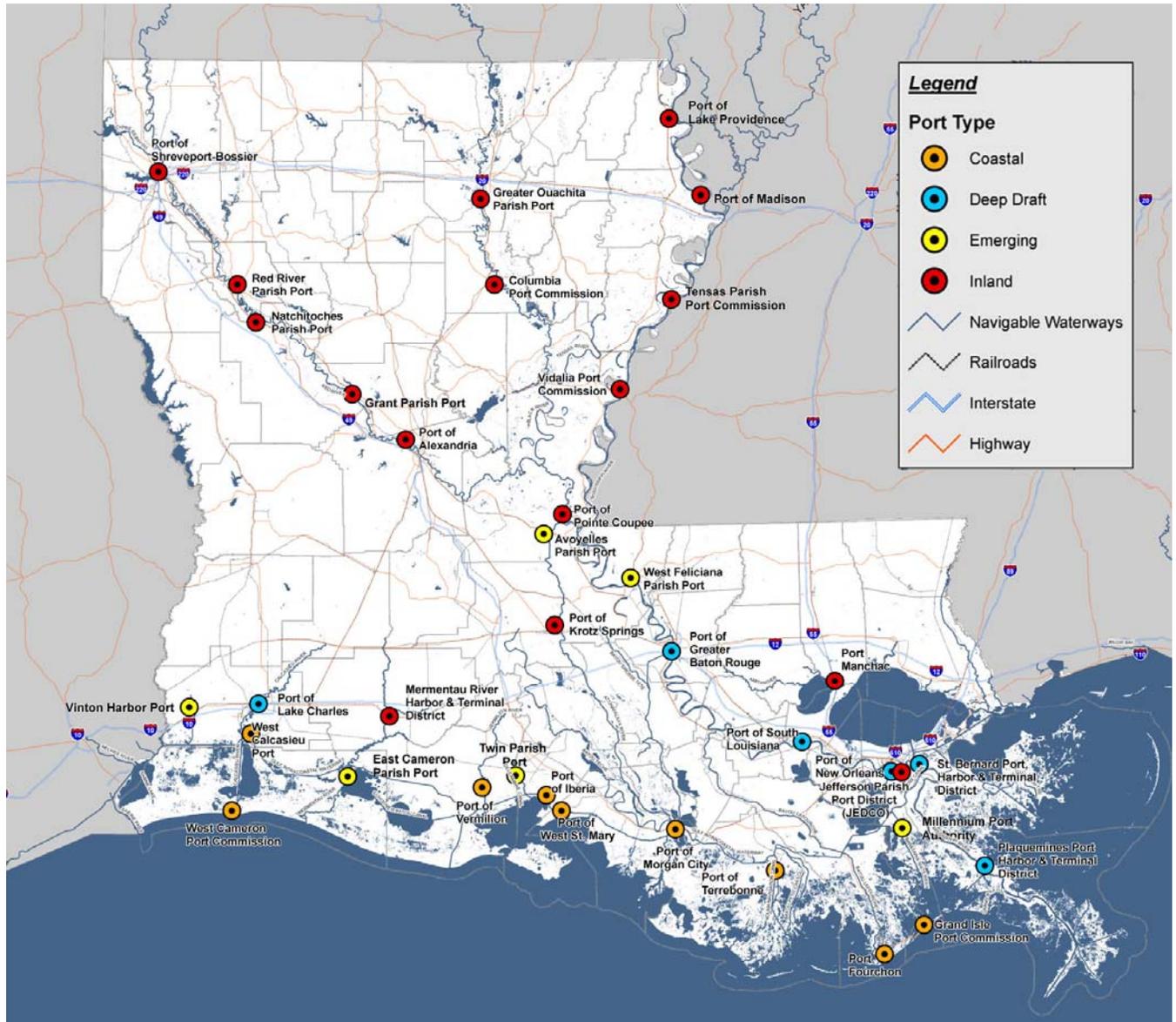
facilities, related infrastructure, and services across the state as more than half of the state's parishes have navigable waterways within their respective borders.

As an association of virtually all active ports, the Ports Association of Louisiana (PAL) was founded in 1984 to aid in the advancement of Louisiana ports. PAL is a non-profit trade association representing voluntary member ports and affiliated organizations which helps to encourage economic development within the state of Louisiana. Its mission is to represent the collective interests of Louisiana's ports before the state and U. S. governments and regulatory agencies and authorities. A map of the state depicting the public ports is shown on the following page.

Because of the broad array of geographical conditions and maritime services offered by the many ports in Louisiana, ports and port related information was categorized into the following interest groups: deep-draft, coastal, and inland. In general terms, the deep-draft ports focus on freight movements with national and international connotations. The coastal ports concentrate on the oil and gas (O&G) service industries, shipbuilding, and O&G fabrication. The inland ports service local markets relative to cargo movement, manufacturing, and related service industries. All of these port groups create jobs and promote economic development for the state. Recent studies, including the *Louisiana Marine Transportation System Plan*, indicate that one in seven jobs in the state is waterways dependent.

Another group of ports included in the study are the state's emerging ports—those with enabling legislation but not yet developed or otherwise operational. A listing of the state's public ports classified as noted above is also shown on the state map on the following page.

Public Ports of Louisiana



PORTS OF LOUISIANA			
Coastal	Deep-draft	Inland	Emerging
Port Fourchon	Port of Lake Charles	Port of Shreveport-Bossier	Avoyelles Parish Port
Port of Terrebonne	Plaquemines Port	Red River Parish Port	West Feliciana Parish Port
Port of Morgan City	Port of St. Bernard	Natchitoches Parish Port	Vinton Harbor Port
Port of West St. Mary	Port of New Orleans	Port of Alexandria	Port of Tensas Parish
Port of Iberia	Port of South Louisiana	Port of Lake Providence	East Cameron Parish Port
Port of Vermilion	Port of Greater B. R.	Port of Madison	Port of Vidalia
Port of Mermentau		Jefferson Parish Port (JEDCO)	Grant Parish Port
West Calcasieu Port		Port of Krotz Springs	Grand Isle Port
West Cameron Port		Port of Columbia	
		Greater Ouachita Parish Port	
		Port of Pointe Coupee	
		Twin Parish Port	
		Port of Manchac	

1.2 *Strategic Economic Development Plan (SEDP) Background*

In 2007, PAL and its member ports prepared its first statewide port *Five-year (2007-2011) Capital Improvement Plan (CIP)* for the ports system. The purpose of the CIP was to collectively prepare an inventory of the port owned and port infrastructure related capital investment requirements of the state. These improvements include but are not limited to the following:

- Marine terminals and related infrastructure
- Road and rail connections
- Waterways and channel (deepening, maintenance) requirements

The result was an \$820 million dollar program the scope and total cost of which presented several challenges for PAL, the ports, and the State of Louisiana. For example, by way of scope, the breadth of projects extended well beyond traditional port investment projects, e.g., industrial parks. Additionally, the \$820 million in projects significantly exceeded the capital investment resources of the ports and annual state funding programs. Furthermore, the initial magnitude of projects submitted by ports constituted a need of over \$2 billion. Many of those additional projects were not included in the CIP as the criteria for incorporating projects dictated that a certain point in the concept-to-design process had to have been reached.

Also, since the five-year plan represented a comprehensive inventory of capital programs, no priorities were established, i.e., every project was of equal importance.

The magnitude of these challenges necessitated that PAL and the ports establish a consensus on capital investment priorities and associated projects, something that was acceptable not only to the ports themselves, but also to the state's departments of Transportation and Development and (DOTD) and Economic Development (LED) as well as the legislature.

As a result, the state's ports, through PAL, initiated a strategic planning process to develop consensus on the long-term strategic priorities for the public ports system. The objective was to initialize the development of a single roadmap that set strategic priorities and the future direction of the public ports system as a whole by addressing the following approach:

- Assessing the competitive positioning of Louisiana's public ports
- Identifying current and emerging market opportunities potentially available to the public ports system: cargo, passengers, businesses, employment, etc.
- Setting business and investment priorities
- Establishing a significant, sustainable source of capital funding for the ports system

1.3 *The Strategic Economic Development Plan for Louisiana's Public Port System—Approach and Methodology*

Though comprehensive, the scope of the project focused on a single integrated plan for the public port authorities within the state of Louisiana. It was based on an immediate time horizon of the next 10 years with particular emphasis on the next five years, while considering two decades and beyond.

The initial SEDP goal was to develop an action-oriented plan for the ports as a whole that defines strategic priorities and the actions required to successfully pursue defined those priorities. The plan is to be used to develop a consensus view among the public ports, the governor, applicable state departments, and the legislature as well as the maritime community regarding the value, role, priorities, and needs of the public ports system.

1.4 *The SEDP Planning Process*

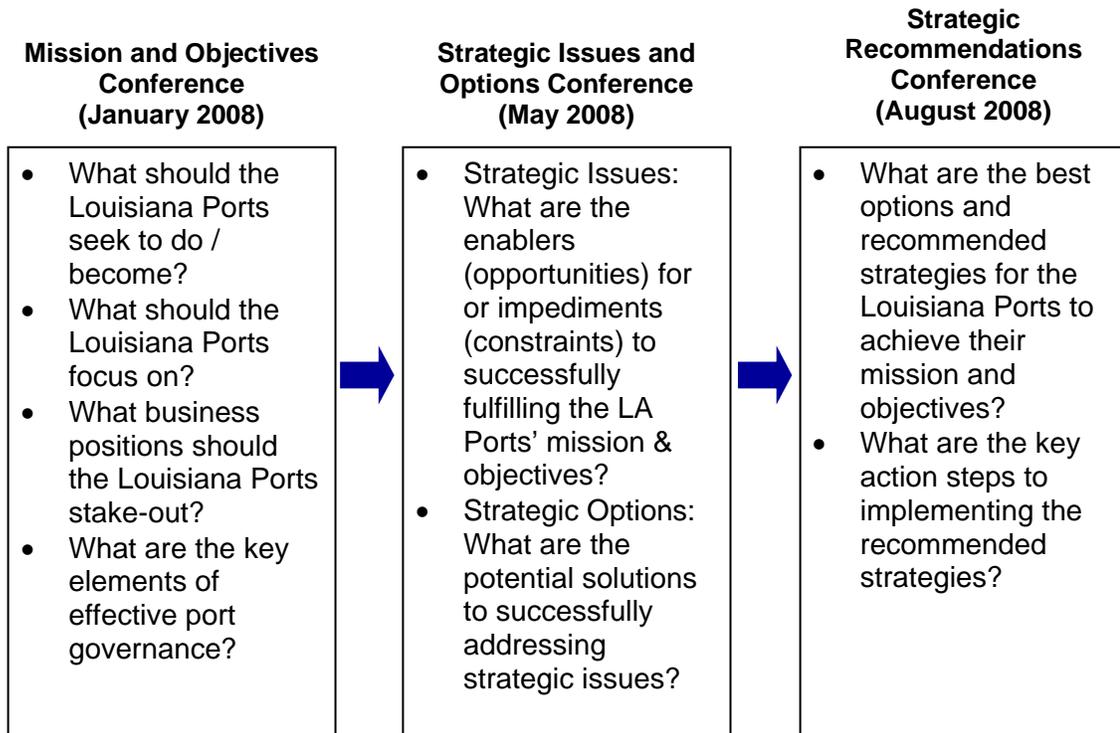
The 12-month process required extensive data collection and analysis and included but is not limited to the following:

- An extensive review of literature that included national reporting, plans from other state's ports, and plans from Louisiana ports as well as the following State documents: *Louisiana Transportation System Plan* (2003) with emphasis on freight movements, *Vision 20/20* (as updated), and the *DOTD Marine Transportation System Plan* (2007)
- International, domestic, and local market assessment data
- Current conditions in the state and of the state's ports, waterways, and intermodal connectivity (A 14-page survey was distributed to all of the state's ports, the results of which were tallied and presented to PAL along with the complete original submittals from each port.)
- Current conditions assessment of the Gulf Coast, domestic, and international marketplaces
- An evaluation of competitors and Louisiana's competitiveness (inland, coastal, Gulf Coast, East Coast, and West Coast)
- The identification of freight movement futures as a function of national and international trends with emphasis on waterborne cargo as well as rail and highway movements
- An in-depth SWOT analysis—strengths, weaknesses, opportunities, and threats—contributed by port directors and a comprehensive list of stakeholders

The year long process included primary and secondary research and analysis and an extensive participatory process summarized as listed below:

- Kickoff meeting and three planning sessions attended by port directors
- Initial stakeholder briefing (approximately 100 attendees)
- Seven industry focus group sessions throughout the state
- Briefings with the Secretaries of the Louisiana Department of Transportation and Development and Louisiana Economic Development as well as the Governor’s Office.

The three planning conferences developed consensus positions among the public ports on strategic imperatives following the approach defined below.



The noted stakeholder and focus group meetings reflected a conscientious effort to include industry, shippers, and carriers in the SEDP process. As an extensive outreach effort, PAL members and consultant staff traveled the state, met with port-related industry representatives, and collected information in face-to-face meetings. Input from the focus group sessions was incorporated in the analyses and presented and discussed at the planning conferences. This process is abstracted below.

- An industry and government stakeholder briefing was held in Baton Rouge at the start of the project. The stakeholders list included representatives of port and waterway users as well as federal, state, and local agencies and representatives that govern waterborne and related commerce. The stakeholders list is attached as Appendix A of the Strategic Economic Development Plan's *Working Papers* section included in the final report presentation.
- Seven industry focus group sessions were held.
 - Two deep draft port industry stakeholder focus group sessions
 - Two coastal port industry stakeholder focus group sessions
 - One inland port industry stakeholder focus group session
 - One west Louisiana industry stakeholder focus group session
 - One final statewide industry stakeholder focus group session held in New Orleans

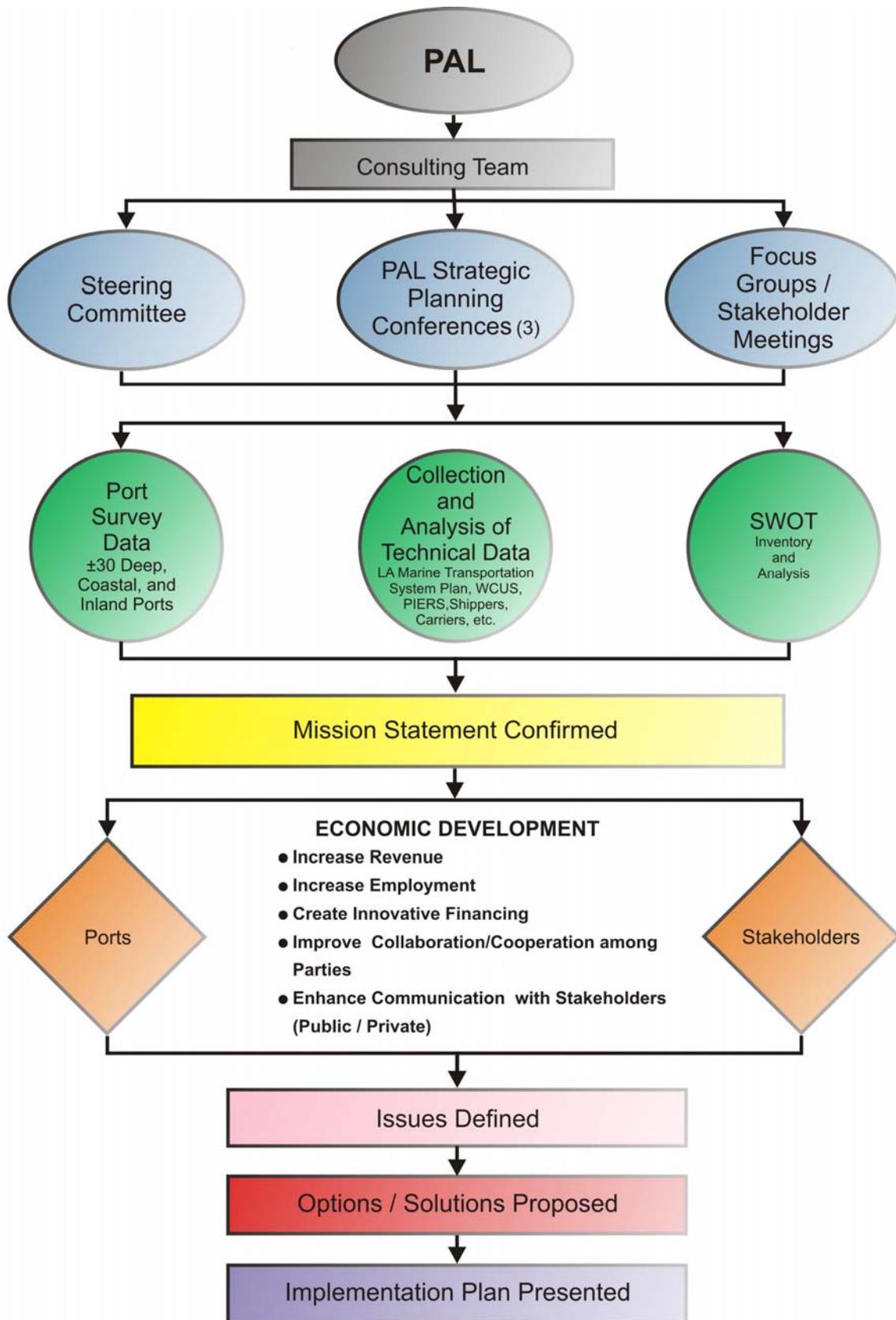
An abstract graphic highlighting the components and flow of the planning process is offered on the next page. The organization structure (PAL, consultants, steering committee, stakeholders, etc.), approach, and process are depicted.

1.5 *SEDP Report Summary Presentation—Recommended SEDP*

This summary document is presented as an abbreviated version of the full project working papers. The remaining portions of this presentation are organized in sections as listed below:

- **Data Collection and Analysis—Key findings: markets and competition**—an overview of marine cargo, shipbuilding, and oil and gas-related markets and opportunities followed by a competitive assessment of the state of Louisiana and its ports relative to other Gulf Coast port systems
- **SEDP Mission and Objectives**—consensus mission, objectives, etc.
- **Strategic Issues and Options**—strategic issues developed during the planning conferences and range of options addressed
- **Strategic Recommendations**—conclusions selected by PAL and discussed with DOTD and LED secretaries and staff
- **Implementation**—the consensus strategies and actions plans the ports of Louisiana will pursue to fulfill their mission and objectives and successfully address the strategic issues

The Ports Association of Louisiana (PAL) has final responsibility for accepting and implementing the SEDP recommendations.



2.0 DATA COLLECTION AND ANALYSIS—KEY FINDINGS

2.1 Summary Assessment

2.1.1 Louisiana Ports Breakbulk Market Challenges and Opportunities

Challenges	Opportunities
<ul style="list-style-type: none"> • Louisiana ports already have significant shares of the Louisiana and Regional breakbulk markets. Therefore, increasing shares could be a challenge. • The Louisiana and Regional markets are comparatively fragmented in terms of trade lanes and shipping lines. Chartered vessels have the largest share of the market. This somewhat restricts the ability to build carrier commitments. • The core breakbulk markets are commodity driven markets and therefore subject to significant year to year fluctuations. • Long-term viability of inland river infrastructure to support container-on – barge operations requires future state investment in infrastructure and federal investment in waterways and control features. 	<ul style="list-style-type: none"> • General: Future expansion of port and port related economic development depends upon maintaining and expanding Louisiana ports’ existing economies of scale and market share. • State port leadership should seek opportunities to expand the use of the inland river system to expand the market reach of Louisiana’s river-served ports. • Potential carrier targets include <ul style="list-style-type: none"> - Gearbulk - Saga - Oldendorf - Pan Ocean - Toko Line • Potential commodity targets include the following: <ul style="list-style-type: none"> - Additional iron and steel - Forest products - Project cargoes, particularly oil and gas and alternative energy related commodities

2.1.2 *Gulf Coast Dry Bulk Market*

- The dry bulk trades are comparatively low value commodity businesses with growth (or decline) subject to a number of factors beyond the control of ports such as the following:
 - Production costs
 - Exchange rates
 - Foreign trade policies
 - Weather
 - International shipping rates
- The dry bulk trades are controlled to a large degree by major multinational companies which frequently invest in proprietary port facilities.
- The inland river system is a key driver of the competitiveness of the state's ports since it provides the lowest cost transport option for Regional and Midwest bulk commodities. Preserving and enhancing this system is a key to sustaining participation by the ports of Louisiana in the dry bulk cargo trades.
- The collective ability ports of Louisiana to accommodate deep draft bulk carriers (45 - 47 foot drafts) following the opening of the expanded Panama Canal in 2014-2015 (or later as some industry experts suggest) will be a key driver of future growth.
- The opportunity for bulk carriers to trade in inbound bulk or breakbulk cargoes and outbound bulk cargoes enhances the attractiveness of Louisiana to bulk carrier shipping lines.

2.1.3 *Gulf Coast Liquid Bulk Market*

- Crude oil imports have and will continue to drive Gulf Coast liquid bulk trade. LOOP and western Gulf lightening operations have been and will remain key drivers.
- West Gulf refinery expansions should result in increased domestic coastwise shipments of refined petroleum products.
- A majority of Gulf Coast and Louisiana liquid bulk traffic will continue to move via proprietary facilities.
- Colonial Pipeline capacity should be carefully monitored over the next 20+ years. If the pipeline reaches capacity, more waterborne shipments of petroleum products might be required.
- LNG terminals will likely represent a limited opportunity for ports.

2.1.4 Louisiana Ports Container Market Challenges and Opportunities

Challenges	Opportunities
<ul style="list-style-type: none"> • Comparatively small local market activity limits Louisiana’s ability to attract first port of call inbound Asian services which are key to expanding Louisiana’s reach in the Regional and Midwest markets. Analysis focused on <ul style="list-style-type: none"> - Increased transit times vs. other gateways - Reduced economy of scale opportunities • Competition from Houston, Mobile, the Pacific Coast, and the Atlantic gateways in the Regional and Midwest markets is keen. • Lack of efficient and intermodal rail connections surrounding New Orleans and intermodal services below New Orleans limits operational efficiency. • Long-term viability of inland river infrastructure to support container-on-barge operations requires future state investment in infrastructure and federal investment in waterways and control features. • River transit times and potential for delay is a factor on both the Mississippi and Calcasieu Rivers. • The potential for overbuilding container capacity resulting in overlapping intrastate competition is a reality (e.g., four MS River container options simultaneously under consideration). • Lack of statewide focus on port, waterways, and maritime policy indicates a lack of state focus and direction relative to challenges and opportunities. 	<ul style="list-style-type: none"> • The expansion of the Panama Canal will create opportunities for new Asian all-water services that are potentially more competitive than intermodal rail services. • Louisiana and Regional markets— attracting Asia all-water services to serve the local and regional market place bears statewide focus. • Midwest Market: Selected, carrier specific opportunities to service the Midwest market via rail should be addressed. That service must be... <ul style="list-style-type: none"> - Dependent upon attracting a first port of call inbound service - Dependent upon an efficient port-rail interface - Dependent upon competitive rail transit times and rates

2.1.5 Oil and Gas Implications for Louisiana's Coastal Ports

- Oil and gas ports are competitively positioned to support ongoing and expanded oil and gas activity. However, challenges are noteworthy relative to channel depth and assembly area capacity to accommodate new and existing leases expanding west, south, and east. Competition is keen in locations such as Baytown, Texas City, and Ingleside, Texas; Mobile, Alabama; and Pascagoula, Mississippi). Emerging foreign reserves (Brazil, Nigeria, etc.) suggest shipping opportunities as well as a transfer of jobs out of state. Further developing O&G service centers off the Mississippi River at the Gulf and in most southwestern Louisiana is opportune, and regional coordination could be considered if advantageous to the state and locale.



Port Fourchon—O&G service facilities near the Gulf of Mexico in southeast Louisiana

2.1.6 Shipbuilding Industry Implications for Louisiana Ports

- Implications for Louisiana's shipbuilding industry are summarized below:
 - Labor: inadequate supply and skill sets and ability to apply for TWIC
 - Inability to define demand relative to sustaining shipbuilding activity
 - Potential for increasingly stringent implementation of safety and environmental laws (emission controls, etc.) over time
 - Potential opportunities to attract related industries to Louisiana if competitiveness issues can be successfully addressed
 - Channel depth and eroding state and federal infrastructure

2.2 *Competition Summary*

2.2.1 *Louisiana Deep Draft Ports: Advantages and Challenges*

Advantages	Challenges
<ul style="list-style-type: none"> • Channel and berth drafts deeper or comparable to competitors • Diversity of facilities and services • Inland river system connections • Rail connections, particularly CN north-south route • In most cases, availability of developable land • Foreign trade zones • Private facilities and industrial base 	<ul style="list-style-type: none"> • Small local or regional markets • River transit issues: time, potential for fog delays, congestion, risk • Significant interstate port competition and some degree of or potential for intrastate competition • Lack of sufficient capital funding • Significant dependence on bulk commodities which are subject to significant volume volatility • Comparatively small number of major liner and specialty carriers (e.g., WWL, Intermarine, Gearbulk, etc.) • Limited ability to date to create value-added services from the base of existing services is tantamount to economic growth relative to deep water ports and the state as a whole.

2.2.2 *Louisiana Deep Draft Ports: Container Competition*

- Container market opportunities for Louisiana ports are twofold:
 - Expanding their share of Louisiana container traffic
 - Expanding their share of the Regional and potentially gaining some share of the Midwest container market
- The deep draft ports of the state face significant competition in pursuing these potential opportunities
 - Louisiana market: Asian traffic is routed via the West Coast and feeder vessels via Caribbean transshipment ports.
 - Regional market: Asian traffic is routed via the West Coast and Europe traffic is partially routed via the South Atlantic container ports.
 - Competition: The new Mobile container facility is well-positioned (e.g., geographic proximity to the Gulf and marketplace, vessel access, and inland connections) for serving portions of the Regional market. Pacific and Atlantic coast gateways are also well positioned in terms of container shipping line customers, customer commitments, and inland connections.

- Survey respondents indicated that Louisiana rail service leaves much to be desired. Particular emphasis was noted in the New Orleans area where delays are often excessive beyond the Public Belt Railroad as it transitions to the six rail companies. Complaints ranging from to days to weeks were noted.

2.2.3 Louisiana Coastal Ports: Competitive Advantages and Challenges

Advantages	Challenges
<ul style="list-style-type: none"> • Geographic location along central Gulf coast is dominant. • Diversity of facilities and services continue to expand by private sector initiative. • Coastal river system connections (GIWW, upper and lower MS, Red River, Ouachita, etc.) offer continued connectivity. • Long history: Knowledge and workforce has been sustained and distributed worldwide. • In most cases, availability of developable land has been positive; opportunities to create land for industrial and port related use by way of routine dredge disposal is promising. • Private facilities and industrial base are well entrenched. • Opportunities exist to expand manufacturing base because of existing labor skills, services. 	<ul style="list-style-type: none"> • Primary areas of competition are the oil and gas, fabrication, boat/shipbuilding and repair industries • Need for additional channel depth to accommodate deep draft oil and gas units is chronic. • Significant intrastate and interstate port competition is a reality. • Capital funding is limited. • The region, like all of the Gulf Coast, is prone to hurricanes, coastal erosion, and siltation. • The market place is subject to fluctuations in oil and gas activity. • The need to develop a consistent, accurate reporting system for documenting operations and cargo activity as an aid to determine demand requirements for coastal ports is paramount. • Rehab/upgrading of out-dated inland infrastructure and maintaining authorized depths consistently is critical. • Creating diversified value-added services from existing services is tantamount to economic growth relative to ports and otherwise.

2.2.4 Louisiana Inland Ports: Advantages and Challenges

Advantages

- An extensive system of inland ports and waterways throughout the state exists.
- Generally broad charters enable ports to pursue and invest in diverse lines of business and therefore provide the opportunity for relatively small inland ports to serve as major local economic development generators.
- Consistent with their charters, a diversity of facilities and services offers opportunities for value added industries.
- Actual and potential synergies between inland and deepwater ports in moving Louisiana industrial cargoes to and from international markets can be expanded/developed.
- Private facilities and the resulting industrial base form a major component of rural Louisiana's economic climate.
- Interstate port competition is minimized by the localized nature of markets and cargoes.

Challenges

- Maintenance and capital improvement of inland waterways system is a major concern.
 - USACE is facing increasing financial challenges in maintaining and improving waterways and current modus operandi is commonly recognized as being highly inefficient and delay prone.
 - Rapidly aging inland waterways infrastructure (state and federal) continues to worsen.
- Need for deeper channels to achieve scale economies in barge transportation is growing faster than improvements.
- Ports share significant dependence on cyclical, commodity-based industries.
- Potential changes in U.S. inland waterways user charges may affect the competitive positioning (relative cost of using) of individual waterways in general and lower density (traffic volumes) waterways in particular.
- Creating value-added services from existing services is tantamount to economic growth relative to ports and otherwise.
- The philosophy of a port in every parish will be detrimental to existing facilities and will further dilute capital investment resources.

3.0 MISSION AND OBJECTIVES

3.1 Introduction

- Formulating a mission statement and objectives was the first critical steps to developing the SEDP.
- The mission statement defined the purpose of the Strategic Economic Development Plan relative to the state's ports and established consensus of all participants—ports and stakeholders alike.
- The objectives established the metrics for evaluating success in fulfilling the mission relative to each issue defined and developed within the SEDP planning process.
- Collectively, the mission and objectives established the foundation upon which the SEDP was developed by (a) providing the basis for defining strategic issues and options and (b) by providing the basis for defining strategies and developing action plans.

3.2 Mission Statement for the Ports of Louisiana

- The Ports of Louisiana are the public port authorities entrusted with the planning, design, development, management, and operation of the State of Louisiana's (the State) public ports. The Ports' mission is to contribute to the growth of the state's and the nation's economies by providing superior port and port-related facilities and services to meet the diverse needs of port related businesses in the Louisiana and U. S. marketplaces.
- The Ports will fulfill their mission by complying with the following:
 - Expanding Louisiana's port-related market opportunities
 - Collaborating with the State to formulate an effective port policy
 - Securing dedicated, reliable, recurring infrastructure funding
 - Developing a statewide blueprint to guide port development
 - Coordinating and collaborating among ports as well as with DOTD, LED, and DOL

3.3 *Implications for Louisiana Ports*

- **Primary Purpose:** The primary purpose of the ports of Louisiana is economic development, i.e., to contribute to the growth of the local, state, and national economies. Given its economic development focus, ports must work closely with the State (Governor, LED, DOTD, DOL, legislature, etc.) to insure that State and PAL strategies and action plans related to economic development are aligned.
- **Business Focus:** The business focus is to provide superior port and port-related facilities and services to port-related businesses. The business of the ports of Louisiana is clear: port and port related facilities and services. The ports will need to work closely with the State (Governor, LED, DOTD, and DOL in particular) to insure the SEDP is an integral part of the state's overall economic development and transportation strategy with particular emphasis on operationally efficient freight movements.

3.4 *Objectives for Louisiana Ports*

- Increase port revenues by expanding existing lines of business and developing new lines of business
- Increase employment
- Develop a long-term, sustainable source of financing for port infrastructure
- Continuously improve the breadth and depth of cooperation and collaboration among the Louisiana Ports
- Assist in the development of value-added industry as a function of existing port-related enterprises
- Develop and continuously enhance a communications strategy to support the mission of the ports of Louisiana

4.0 STRATEGIC ISSUES AND OPTIONS

Identifying and defining issues and options of the port system of Louisiana was the second critical step in the strategic planning process.

- The *Mission and Objectives* of Louisiana's port system drive the plan.
- *Strategic issues* are the enablers (opportunities) or impediments (constraints) to successfully fulfilling the mission and objectives.
- *Strategic Options* (and resulting action plans) are the potential solutions to successfully addressing strategic issues.
- The *Strategic Plan* codifies the strategic direction of the state's ports, defines the actions the ports and State will take in pursuing this strategic direction, and establishes the metrics (objectives) against which the ports and State will measure success.

4.1 Introduction to Defining Strategic Issues and Options

- Strategic issues, by their definition, drive the planning process. They are opportunities or threats that fundamentally affect an organization's ability to fulfill its mission and reflect consensus view. The hallmarks of a strategic issue include the following:
 1. Involves major uncertainties and risks
 2. Affects the ability of an organization to achieve sustainable competitive advantages
 3. Commands significant resources
 4. Requires the focus of senior management for action and/or implementation
- By successfully addressing strategic issues, the Louisiana ports, as a collective, integrated unit, will fulfill their mission and meet their objectives.
- Strategic options are alternative directions or courses of actions an organization—in this case, the ports of Louisiana—can pursue to successfully address a strategic issue.
- Generic examples of strategic options for growing a business include the following:
 - Improving communication, cooperation, and collaboration
 - Geographic expansion
 - Introducing new products or services
 - Expanding into upstream or downstream businesses
 - Diversifying into new lines of business

- The strategic issues are based on the mission and objectives of the ports of Louisiana, the market and competitive analyses, input from the industry focus groups, and the issues and options conference deliberations
- The strategic options represent a practical range of actions available to the state’s ports based on their mission and objectives, strengths and weaknesses, and the issues and options planning conference deliberations based upon port as well as stakeholder input. The following fundamental precepts were accepted upon entering the collaborative defining of issues and options.
 1. The range of options is not exhaustive. Rather, it represents several practical alternatives along a continuum of options identified by the consulting team and discussed with the ports and stakeholders.
 2. The range of options would be presented and considered as part of the recommended strategies.

As a result of this process, six major issues were identified. These issues are fundamental to all ports of the state and not specific to any. While other major issues surfaced, each is addressed as a subset of the overriding issues. The strategic issues are identified below and summarized in the following section.

ISSUE	DEFINITION
Governance	What is the optimal governance structure enabling the Louisiana ports system to fulfill its statewide mission and achieve the respective objectives?
Workforce Development	What role should the ports of Louisiana play in assuring an adequate supply of appropriately trained labor to meet the needs of Louisiana ports and industries in general?
State and Port Competitiveness	How do the State and ports of Louisiana enhance and sustain the state’s competitiveness in attracting and retaining businesses and people to expand, diversify, and grow the port industry as well as related and value-added industries?
Infrastructure	How do the ports of Louisiana best provide the superior port and port-related facilities required to fulfill their mission <u>and</u> insure that the state's freight transportation infrastructure can adequately support the ports' superior facilities?
Funding	What is the optimal strategy for funding the planning and construction of superior port and port-related facilities in Louisiana?
Container Industry	What is the Louisiana port system’s optimal role in the future North American and Gulf Coast container industries <u>and</u> how do the State and ports fulfill this role?

5.0 STRATEGIC RECOMMENDATIONS

General Approach

- The final steps in the SEDP process involved the following approach:
 - An evaluation of identified strategic options to address each strategic issue
 - Selection of a consensus set of preferred strategies (strategic options) by representatives of the State's ports as decision-makers
 - The formulation of broad action plans for implementing each preferred strategy
- The evaluation of the strategic options was based on the market and competitive analyses, the consulting team's evaluation of each option against a series of evaluation criteria, and strategy conference deliberations.
- The recommended action plans were formulated with guidance and direction provided by PAL's Executive Committee.

A consensus view on preferred strategic options was based on the following three step process:

1. The Consulting Team evaluated and ranked all options.
2. The results were presented and discussed with port representatives attending strategic planning conferences to which representatives of all ports of the state were invited.
3. A consensus view among the state's port decision-makers was reached on a preferred option to address each strategic issue.

A summary presentation of each of the six strategic issues follows.

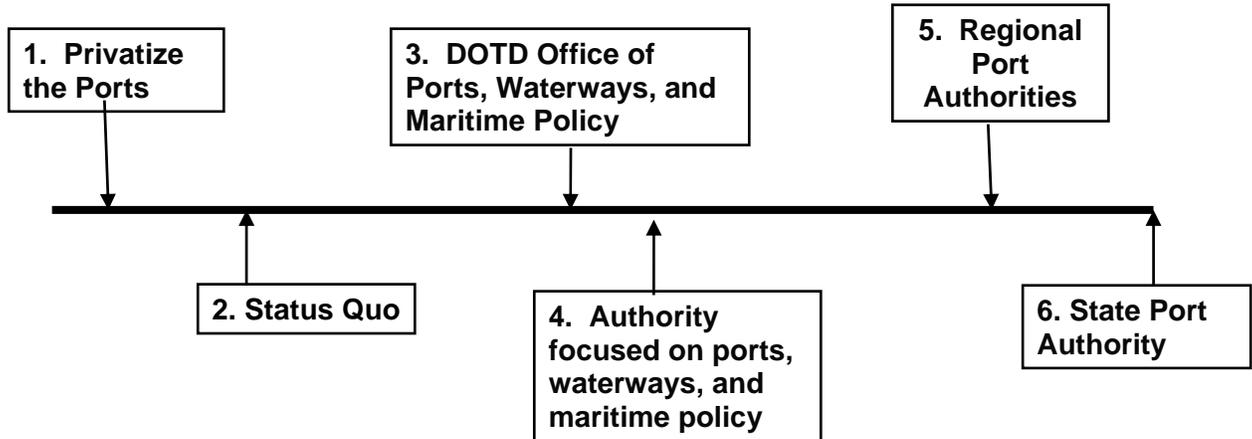
5.1 STRATEGIC ISSUE: GOVERNANCE

What is the optimal governance structure enabling the Louisiana ports system to fulfill its mission and achieve its objectives?

5.1.1 Background

- Port governance has been identified as a strategic issue and strategic recommendation.
- Enhancing port governance is critical to achieving several goals including but not limited to the following:
 - To establish a long-term, sustainable funding source for port infrastructure needs.
 - To more closely align the diverse needs of the state's port industry with the state's economic development and transportation strategies
 - To establish, implement, and continuously enhance a statewide port policy that aligns the ports long-term business and development strategies with the state's economic development and transport strategies
 - To expand the port industry's contributions to the State's economy including jobs (direct, indirect, and induced), taxes, and revenues to businesses
- A state level port entity is required to fulfill the ports' mission given the scope (number of ports), complexity (number of different businesses, infrastructure, and competitive drivers), and need for significant support from and coordination with the State (Governor, DOTD, LED, legislature).
- Port Governance is relevant to the **Mission** of the ports of Louisiana: ".... providing superior port and port-related facilities and services to meet the diverse needs of port related businesses in the Louisiana and US marketplaces
 - Collaborating with the State to formulate an effective port policy
 - Securing dedicated, reliable, recurring infrastructure funding
 - Developing a statewide blueprint to guide port development.

5.1.2 Governance—Continuum of Strategic Options



5.1.3 Consensus Recommendation

Establish an office or authority focused on ports, waterways, and maritime policy (PMPA—the Louisiana Ports and Maritime Policy Authority). The PMPA, together with PAL, becomes the leading advocate and center of port industry expertise within state government for the ports of Louisiana.

5.1.4 Recommended Structure

- The operations and office facilities of the PMPA would ideally be situated within the Office of the Governor, DOTD, or LED to assure maximum coordination among state agencies such as DOTD, LED, DOL, and DNR.
- The PMPA would work directly with DOTD, LED, and DOD staffs to align, coordinate, and integrate transportation, economic development, and port policies.
- The PMPA would have an independent board of directors comprised of port members (separate deep, coastal, and inland representatives), industry representatives (shippers, carriers, LABI, etc.), and the secretaries of key departments. The board would establish policy and provide governance.
- A PMPA director would have a staff of functional experts to "do the work" and would be industry experts within state government.
- Individual ports retain independent management and operations authority.

5.1.5 *Recommended Responsibilities*

- Conduct a detailed evaluation of alternative long-term, sustainable funding sources for port capital needs, then draft and pursue approval of appropriate legislation to implement that (those) funding source(s)
- Have lead responsibility for formulating long-term port policy and strategic direction for the state
- Work with public ports and maritime industry on strategic, commercial, competitive, funding, infrastructure, capital investment, environmental, and security issues
- Formulate a comprehensive plan for improving the competitiveness of the State's port system to include attraction and retention strategies for port related businesses
- Work with PAL and other ports in developing the first consensus-based prioritized Capital Needs Program for ports
- Coordinate port and maritime interests and input into the State's Workforce Initiative
- Serve as a lead entity to ensure that the State invests its funds dedicated to ports and waterways in the fairest, most economically justifiable, and most efficient manner possible

The PMPA's initial focus is implementing the SEDP recommendations on funding, infrastructure, and unified and justified future container facility development.

5.1.6 *Governance: Rationale for Consensus Recommendation*

- Louisiana's port system is a unique component of Louisiana's economy and transport system, especially in terms of the following characteristics:
 - Statewide geographic scope
 - Multimodal focus: maritime (ocean and inland river system), highway, and rail
 - Diverse set of businesses, customers, facilities, and operations
 - Complexity in terms of governance structures, competitive factors, and infrastructure requirements
- It requires a high degree of State support and collaboration to successfully fulfill its mission and achieve its objectives.
 - Governor's office, DOTD, LED, DOL, congressional liaison, legislative liaison
 - Local, state and federal government involvement

- The state port system requires a unique set of expertise and skill sets including international trade, international and domestic waterborne transport, intermodal transportation, federal and state regulatory processes, etc.
- Some existing state authorities appear to offer practical models. The Coastal Protection and Restoration Authority and the Louisiana Offshore Terminal Authority are two examples with similar and complementary objectives.
- The functional aspects of the PMPA should establish an ideal domicile, for example, DOTD, LED, the governor’s office, etc. Details in this regard are presented in the final section of this report summary, Implementation.

5.1.7 Recommended Action Plan

Step	DESCRIPTION	Jan '09	Feb '09	Mar '09	Apr '09	May '09	June '09	July '09	Aug '09	Sept '09	Oct '09	Nov '09	Dec '09
1	Define the structure, role, responsibilities, and capabilities of the PMPA												
2	Seek input of Governor, DOTD, and LED for the PMPA												
3	Draft legislation bill for creating PMPA												
4	With Governor, DOTD and LED support, lobby for key legislative support for PMPA legislation												
5	Introduce and pass legislation												
6	PMPA Implementation												
7	Evaluate the optimal future role of PAL within the context of implementing the PMPA												

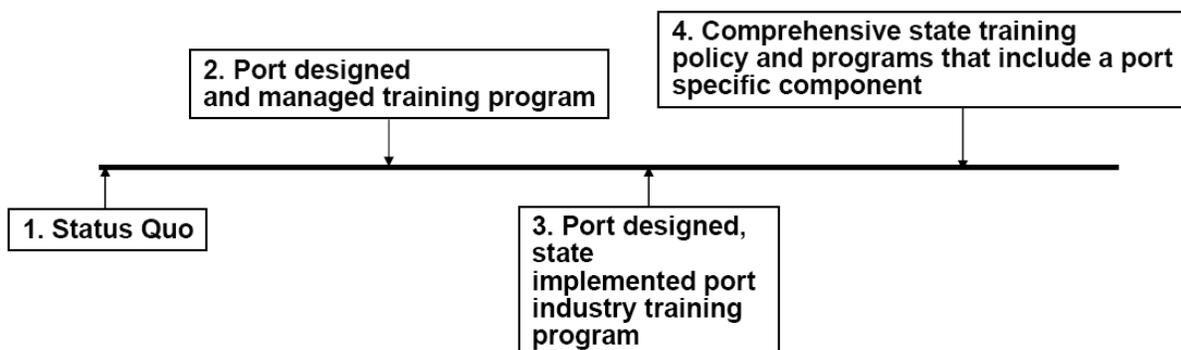
5.2 STRATEGIC ISSUE: WORKFORCE DEVELOPMENT

What role should the ports play in assuring an adequate supply of appropriately trained labor to meet the needs of Louisiana ports and industries in general?

5.2.1 *Workforce Development: Background*

- Industry focus groups and Louisiana port representatives agreed that the port labor force is a significant source of competitive advantage for Louisiana's ports and identified the following attributes: flexibility, skills, productivity, and 24/7 service in oil and gas services. Simultaneously, the ability to maintain that labor force is tenuous.
- Industry focus groups and the ports cite increasing challenges to sustaining this competitive advantage, noting the following:
 - It is becoming increasingly difficult to attract workers.
 - Worker's are retiring and/or leaving the state.
 - Programs are needed to recruit and retain high school students. Out of state colleges are major competitors as are neighboring states and emerging O&G coastal countries such as in Central and South America.
 - Training of the blue collar workforce is critical.
 - Developing a significant, compelling marketing program as part of an overall attraction program is critical.

5.2.2 *Work Force Development Issue: Continuum of Strategic Options*



Because the State is working actively on workforce reform and, therefore, provides an appropriately timed opportunity for the ports to participate in the process, PAL SEDP strategic objectives include the following:

- Integrating workforce development and social support programs across agencies to provide one-door service for businesses and seekers
- Strengthening the role of community and technical colleges in workforce development
- Quickly improving the ability to address workforce shortages in high-demand occupations
- Improving the capacity to respond to new business or expansion opportunities
- Creating a demand-driven system that ties workforce development to business and industry needs
- Expanding the workforce to help fill nearly 100,000 current job vacancies
- Ramping up the State's workforce reform
- Ensuring that the voices of ports and the maritime industry are heard and the needs are understood
- Participating (PAL and industry representatives) in all regional and state workforce summits to insure that port and maritime needs are identified and incorporated in the State's workforce development efforts

5.2.3 *Consensus Recommendation*

- *The State DOL continues to take the lead role in defining and implementing port workforce initiatives, while PAL and the PMPA ensure that port labor needs are addressed.*
- The Governor and his administration have recognized workforce reform as one of the State's major initiatives (second to ethics).
- Ports have multiple, higher priority items to address in the SEDP.
- Ports should proactively participate in the State's new workforce program to insure there is an adequate supply of properly trained labor to support the port industry.

5.2.4 Workforce Development: Recommended Action Plan

STEP	DESCRIPTION	Jan '09	Feb '09	Mar '09	Apr '09	May '09	Jun '09	Jul '09	Aug '09	Sep '09	Oct '09	Nov '09	Dec '09	
1	Participate in State work force summits													
2	Prepare list of port industry workforce needs and requirements by job and skill category													
3	Submit list of port industry workforce requirements to Secretary of LED													
4	Work with LED, the Louisiana Workforce Commission, and the Workforce Investment Council to insure that the State's ports' workforce requirements are addressed													

5.3 STRATEGIC ISSUE: STATE and PORT COMPETITIVENESS

How do the State and ports of Louisiana enhance and sustain the state's competitiveness in attracting and retaining business and people to expand, diversify, and grow the port industry as well as related and value-added industries?

5.3.1 Issues

- Simplistically, there are two key drivers of port throughput relative to port growth initiatives: industry and people. However, logistical proximity and operational efficiency are also paramount.
- The State is competitively disadvantaged across most key site selection and quality of life criteria.
- The State's population and density are relatively small and minimal growth is projected in the future.
- Therefore, retaining current industries and attracting new industries, including value added industries, are critical to increasing port-related market opportunities and contributing to the growth of the state's economy.

- In support of federal funding initiatives for coastal ports, the State needs a unified means (staff, funding, approach, and methodology) to collect data as a means to measure O&G operations, cargo type, tonnage data, etc.
- In similar fashion, the State needs an integrated means to create a unified mechanism that allows PAL, DOTD, and LED to actively pursue completion of projects identified in DOTD's *Marine Transportation System Plan* (September 2007) to improve port and maritime efficiencies and capacity and therefore competitiveness. Besides the coastal data collection noted in the above bulleted item, known examples include but are not limited the following:
 - Simmesport Railroad Bridge Alteration
 - Bayou Sorrel Lock Replacement
 - Inner Harbor Navigation Canal Lock Replacement to 225 ft. width
 - Atchafalaya River channel maintenance at -20 ft. and in a constant location
 - GIWW/Commercial Canal/Port of Iberia Channel Deepening to 16 ft. (Acadiana Gulf of Mexico Access Channel--AGMAC)
 - GIWW Deepening to -16 ft. of the AGMAC westward to the Port of West St. Mary
 - Widening of the Calcasieu Ship Channel to provide consistent unimpeded shipping lanes to the Port of Lake Charles providing fill material for expanding nearby potential O&G southwest Louisiana port and industrial service facilities
 - Deepening of the Red River to -12 ft. from Alexandria to Shreveport
 - Deepening of the Houma Navigation Can (HNC) to -20 ft.
 - Deepening of Baptiste Collette to accommodate eastern Gulf O&G services and facilities growth
 - Replacement and upgrade GIWW locks
 - Deepening of Bayou Fourchon from Port Fourchon to Belle Pass
 - Improve rail service
- Focus on improving railroad operational efficiency in the New Orleans vicinity (immediately beyond N. O. Public Belt Railroad jurisdiction)

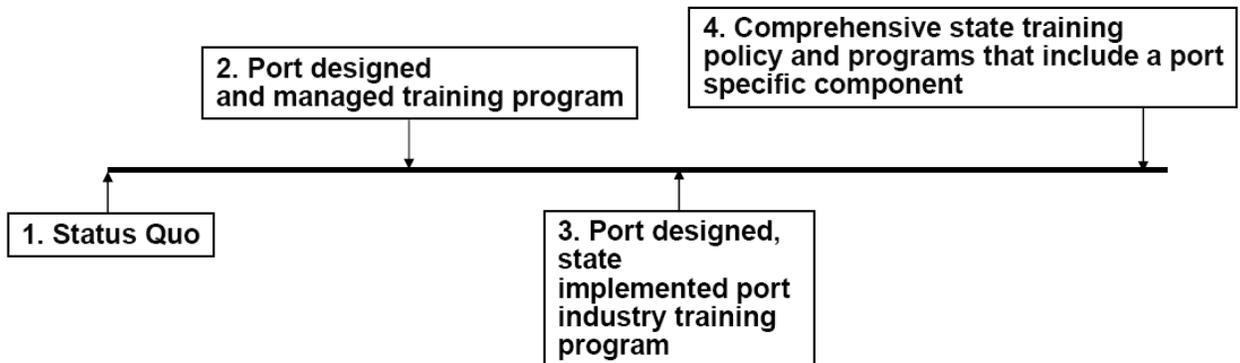


Port of Iberia



Port of Lake Providence

5.3.2 Continuum of Strategic Options



5.3.3 Consensus Competitiveness Recommendation

The Ports partner with DOTD, LED, and regional economic development organizations on a port dependent industry attraction program.

- The Ports and respective state agencies, through a newly created mechanism (an office or authority focused on ports waterways, and maritime policy), formulate a comprehensive plan for improving the competitiveness of Louisiana and the port system. (See Governance Issue)
 - The office/authority benchmarks attraction and retention strategies from competitor states and other port industries.
 - The office/authority reviews the State's port-dependent industry attraction and retention strategies:
 - The office/authority, in concert with LED and other pertinent agencies, completes a gap analysis and targets high potential industries
 - The office/authority prepares a draft port-dependent industry attraction and retention program
- The port, through the unified governance office/authority, works with LED to incorporate the port industry attraction plan into LED's overall industry attraction and retention program.

5.3.4 State and Port Competitiveness: Recommended Action Plan

STEP	DESCRIPTION	Feb '10	Mar '10	Apr '10	May '10	Jun '10	Jul '10	Aug '10	Sep '10	Oct '10	Nov '10	Dec '10	Jan '11
1	PMPA conducts a port summit on port industry competitiveness	█											
2	PMPA develops a port competitiveness enhancement strategy	█	█	█									
3	PMPA seeks input and support from Governor, LED, and DOTD				█								
4	PMPA works with LED in implementing port competitiveness plan					█	█	█					
5	PMPA incorporates the port competitiveness strategy element into the annual update of the port's SEDP								█	█	█	█	
6	PMPA works with the Governor, LED, and DOTD to continuously refine and improve the port's and State economic development strategy												



Port of Lake Charles



Port of New Orleans

5.4 *STRATEGIC ISSUE: INFRASTRUCTURE*

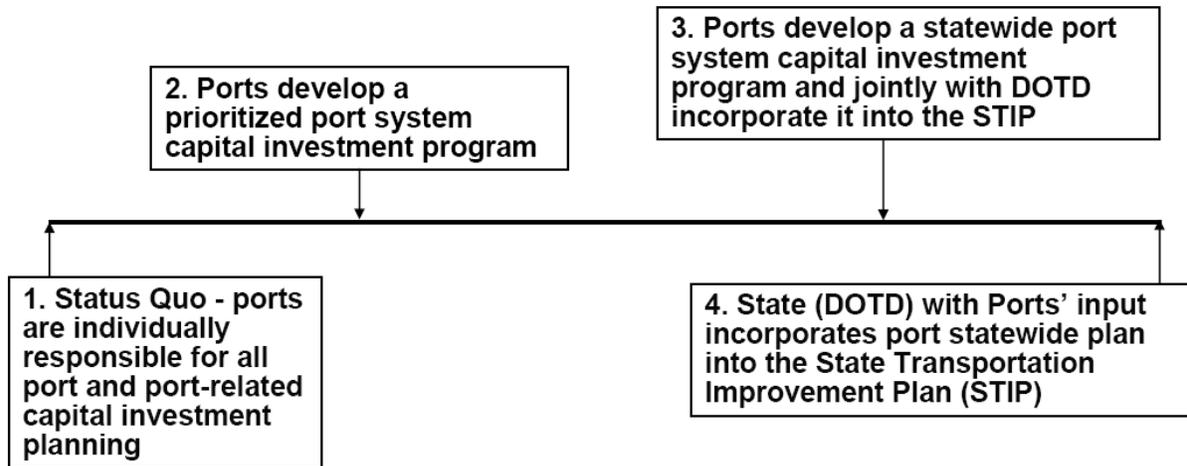
How do the Ports of Louisiana best provide the superior port and port-related facilities required to fulfill their mission and insure that the State's freight transportation infrastructure can adequately support the ports superior facilities?

- Port and port-related facilities include channels (harbor, rivers, and port facilities), locks, berths, terminals, port-road/rail interfaces.
- State freight transportation infrastructure includes interstate and state controlled access highways and rail infrastructure.

5.4.1 *Infrastructure: Background*

- Port and port-related infrastructure is a core focus of the ports.
- The strategic issues conference and the focus groups have identified the current conditions and capabilities of existing port and port-related infrastructure as key issues.
- Port and port-related infrastructure are key components of the competitive positioning of the ports.
- The Ports 2007 Five-year CIP identified \$820 million in port and port-related infrastructure investment requirements.
- The Port of New Orleans 2020 Master Plan (completed in 2007) includes \$1 billion in capital improvements to port and port-related infrastructure.
- Gulf Coast ports continue to make significant investments in port and port related infrastructure in general and container terminal facilities in particular.
- Communication with rail shippers indicates matters of significant concern relative to transfer and delay attributed to infrastructure inadequacies in and/or through the New Orleans area. Stakeholder participants indicated that major innovations are needed in port-rail matters in this area of the state. Having six major rail providers in New Orleans was presented as both an asset and a liability in numerous focus group and strategic planning conferences.

5.4.2 Infrastructure Issue: Continuum of Strategic Options



Note: Options 3 and 4 could also include collaboration with and/or the involvement of DOTD and the Governor's Office

5.4.3 Consensus Recommendation

Ports develop a prioritized statewide port system capital investment plan to be reviewed, approved, and supported by a newly formed port oriented office/authority.

- The ports of the state, through PAL, develop a single, integrated, prioritized statewide capital investment plan for fulfilling their mission and achieving their objectives
 - Driven by the SEDP, i.e., SEDP sets the priorities
 - Built bottom up from each port's individual plans and vice versa
- The plan would be reviewed by, approved by, and proactively promoted by the proposed port office/authority.
- The single, integrated statewide plan drives the PAL's funding strategy which is coordinated with DOTD, LED, the governor's office, and the legislature.

5.4.4 Port Infrastructure Investment Plan: Recommended Action Plan

STEP	DESCRIPTION	Jan '10	Feb '10	Mar '10	Apr '10	May '10	June '10	July '10	Aug '10	Sept '10	Oct '10	Nov '10	Dec '10	
1	PAL to update the five-year Capital Development Plan and prepare a ten-year Capital Development Plan													
2	Seek PMPA support													
3	Brief Secretaries of DOTD and LED and define a plan for integrating port investment plan with STIP and Economic Development Plan													
4	Incorporate the port capital investment plan into the STIP													
5	Incorporate the port capital investment plan into the State Economic Development Plan													
6	Hold a series of briefings with key legislators													
7	PMPA assumes and/or conjoins some of PAL's responsibilities												Ongoing 	
8	Develop process for annually updating all of above	Ongoing 												

5.5 STRATEGIC ISSUE: PORT FUNDING

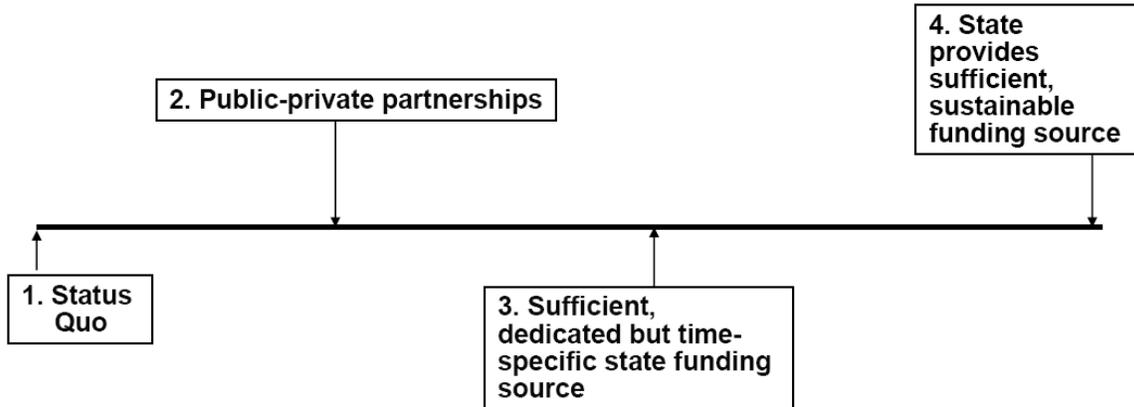
What is the optimal strategy for funding the planning and construction of superior port and port-related facilities within the State of Louisiana?

5.5.1 Port Funding: Background

- The 2007 Five-year CIP identified over \$820 million in port related capital investment requirements.
- Historically, ports have generated approximately 60% of their invested capital.
- Louisiana's ports report they are rapidly reaching the limits of their financing capacity.
- The USACE faces significant financial challenges fulfilling its maintenance dredging and channel deepening roles.

- Funding superior port and port-related facilities is a critical component of the ports' SEDP mission statement and is becoming more costly, e.g., escalating material prices, longer lead times, increased permitting complexity, etc.

5.5.2 Continuum of Strategic Options



5.5.3 Consensus Funding Recommendation

PAL works with the State to develop a sufficient, sustainable funding source for port capital development.

- PAL, in conjunction with a new office/authority geared to ports and maritime needs, develops a recommended long-term, sustainable source of port infrastructure funding.
- Conduct a detailed evaluation of alternative funding sources including a review of other states' policies as well as implications for Louisiana's state budget, tax levels, and taxing policies. Funding options to be evaluated should include the options listed below:
 - A State port development infrastructure bank
 - A dedicated portion of gas tax
 - Dedication of existing taxes paid by maritime industries
 - Investment tax credits
 - *Ad valorem* taxes
 - Luxury taxes
 - Enhancement of existing port funding sources

PAL and the port and maritime office/authority (PMPA) proactively seek key legislative support for selected funding strategies and pursue adoption of legislation.

5.5.4 *Rationale for Consensus Recommendation*

- Any funding mechanism that significantly increases state funding support for Louisiana's ports will have significant consequences for the State government, its finances, and the totality of needs of the state's citizens and businesses.
- The success of any funding mechanism is dependent on addressing a large number of key success factors (see the following pages).
- The success of any funding mechanism requires the collaboration of the governor, DOTD, LED, and the legislature in the following:
 - Defining practical options
 - Providing input on the financial, legal, and political ramifications of alternative tools
 - Defining implementation and oversight actions
- Consequently, PAL cannot by itself practically prescribe a preferred funding mechanism, particularly since the ultimate solution may be multiple funding mechanisms.

5.5.5 *Sustainable Port Funding: Key Success Factors*

If a sustainable ports, waterways, and maritime related funding mechanism is to be found, created, or otherwise obtained, the criteria outlined below should be integral components.

- **Sustainable:** An independent source of funding insulated to the fullest degree possible from changes in administrations, legislative majorities, and the general budgeting process is imperative.
- **Sufficient:** The funds need to be sufficient to directly fund and/or finance major port and related infrastructure projects.
- **Independent:** The funds should be dedicated to port and port-related capital investment projects and not available for other uses. Port and related investment projects need to be clearly defined within the context of the PAL's mission and objectives and defined as collaborative among PAL, DOTD, LED, and the state's office/authority dedicated to ports, waterways, and maritime policy.
- **Transparent Prioritization and Funding Process:** The process of applying for, qualifying, prioritizing, and funding port development projects to be funded needs to be transparent and participatory.

- The criteria used to evaluate, prioritize, and select port development projects should be clearly defined, quantifiable wherever possible, and directly linked to the SEDP mission, objectives, and strategic priorities.
- Port and other transportation professionals need to be involved in the evaluation and prioritization process.
- Funding levels need to be consistent with the costs of modern day port capital projects and market driven.
- **A Clear Periodic Evaluation Process:** The funding program needs an audit process to periodically review the success or failure of funded projects. Examples of warranted audit criteria are noted:
 - Was the project completed within its scope, budget, and schedule?
 - Did the targeted business materialize?
 - Did the project meet the projected performance as submitted by the sponsoring port?
 - If the project failed, why did it fail?
 - What are the implications for the funding program and process?
- **Port Participation Requirement:** The program should include a port contribution requirement. A sliding scale of port investment consistent with the level of state funding is an alternative.
- **Evolutionary, not Revolutionary:** The funding program should build off the current PCDDP and not replace it. The current PCDDP limits eligibility of many capital needs of ports. The proposed funding mechanism is intended to complement the PCDDP and not affect the current program in any negative manner. Creating an evolutionary process will allow for anticipated refinement to include the following:
 - Application process
 - Prioritization process with refinements to the criteria and evaluation processes
 - Funding guidelines with fine tuning to limits, timing, etc.
- **Linked to the benefits that Louisiana's ports provide:** Louisiana ports generate significant economic benefits to the state. The state's funding should be linked to these benefits, examples of which are as follows:
 - Attraction and retention of industry
 - Job creation
 - Revenues to businesses
 - Taxes to governments
 - Port investments in property and infrastructure

5.5.6 Port Funding Plan (Infrastructure Investment): Recommended Action Plan

STEP	DESCRIPTION	Jan '09	Feb '09	Mar '09	Apr '09	May '09	June '09	July '09	Aug '09	Sept '09	Oct '09	Nov '09	Dec '09
1	Seek to increase the annual level of PCDDP funding	█											
2	Seek Governor and DOTD support for the interim increase in PCDDP funding			█									
3	Work with Governor's Office and DOTD to implement interim increase in PCDDP or other funding			█									
4	Develop new port funding program proposal							█					
5	Obtain support of Governor, DOTD, and LED										█		
6	Develop strategy for gaining legislative support										█		
7	Implement legislative support strategy												▶ 2010
8	Implement new funding program												▶ 2010

5.6 STRATEGIC ISSUE: CONTAINER INDUSTRY

What is the Louisiana ports system's optimal role in the future North American and Gulf Coast container industries and how do the State and ports fulfill this role?

5.6.1 Container Issue: Background

- Louisiana faces a number of significant challenges in competing for U.S. and Gulf Coast container traffic.
 - Local and regional markets (Louisiana, Mississippi, Arkansas, and Missouri) are comparatively small.
 - The local and regional markets are comparatively fragmented in terms of trade lanes, carriers, and the gateway ports through which this trade moves.
- There are numerous and apparently independent Louisiana players and proposed container development projects ongoing simultaneously.
 - Port of New Orleans' long-term capital investment plan: about \$500 million in container-related projects
 - Lower Mississippi River proposed developments

- a. Citrus Lands: estimated \$500 million or more for port infrastructure; landside, transport improvements likely to be additional
 - b. Seaport: about \$400 million
 - c. Louisiana International Gulf Transfer Terminal: \$1-2 billion
 - d. Port of South Louisiana: \$1 billion
- The funding requirements of any one of these projects significantly exceed the State's estimated total contribution to the Louisiana ports during the past ten years.
 - State funding of any of these projects would likely consume the majority of State's future port capital funding.

5.6.2 Challenges

Louisiana ports also face significant challenges that are unrelated to capacity in serving the target Regional and Midwest markets

5.6.2.1 Shippers' Supply Chain Strategies

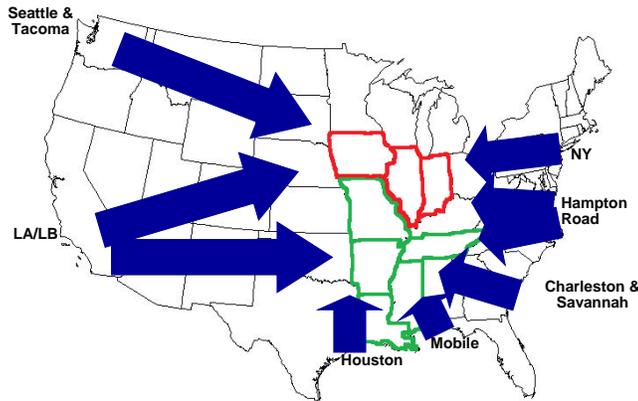
- Shippers' supply chain strategies emphasize the following:
 - Diversity of trade lanes, routings, ports and distribution patterns
 - Competitive transit times and reliability
 - Costs: total supply chain, not just transport costs
- Shippers have made major investments in their respective international (Asian, Indian Subcontinent, Europe, etc.) supply chains.
- Attracting major shippers to reorient their major supply chains towards Louisiana will be a challenge.

5.6.2.2 Container Shipping Lines

- Global (15 largest) container shipping lines have made major investments in West Coast terminal capacity.
- Several have also invested in Atlantic and Gulf Coast terminal capacity.
- The global container lines collectively offer more than 60 services per week between Asia, the Indian Subcontinent, and Europe to U.S. Pacific and Atlantic Coast ports.
- Prior to Panama Canal expansion being complete, only limited opportunities to expand Gulf Coast services, particularly to Asia, are possible. (Note: Recent downturns in the international economy have offer speculation that the completion of the Panama Canal widening may be delayed substantially.)

5.6.2.3 Service and Economic Challenges

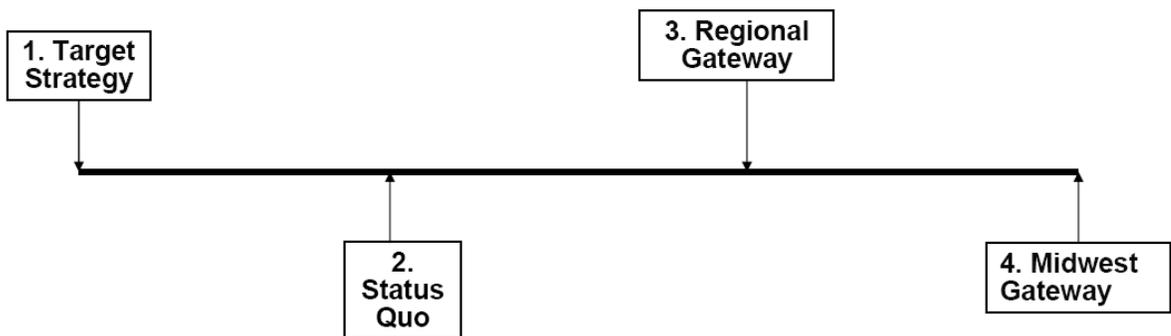
- Service challenges
 - Trade lane coverage is limited.
 - Carrier selection is limited. Only a limited number of the Global container lines serve Louisiana ports.
 - Weekly service frequency is limited as the result of a lack of carrier options and geographic coverage.
 - Intermodal rail service, as a function of low demand, is limited.
- Economic challenges
 - Major West and East Coast container ports are competitively positioned to serve the Midwest.



Includes: LA, AR, MS, TN, MO, IA, IN, and IL

- Louisiana ports face heavy competition from multiple, large, well-capitalized ports for the Midwest (red) and the Regional (green) container markets highlighted above.

5.6.3 Container: Continuum of Strategic Options



5.6.4 *Consensus Container Recommendation*

Concentrate marketing and development efforts on the U.S. South Central Regional market while targeting the Midwest market in the long-term.

- The initial focus of the State should be to assure that existing facilities are capable of handling the near term needs (5 - 7 years, i.e., leading up to the opening of the expanded Panama Canal) of the container marketplace through gradual and fundamental enhancement of existing facilities as required.
- The major market opportunity for Louisiana ports, i.e., the market where it can be most competitive, is the Regional Market.
- The State, by way of the Ports and Maritime Policy Authority, in conjunction with the deepwater ports, should identify and pursue the following:
 - The market and service strategy required to position Louisiana as the preferred container gateway for the Regional Market
 - Determination of the optimal future capacity improvements required to meet the long-term growth of the Regional Market
- The State should support use of capital funds only in future container capacity development where the amount of state investment is supported by realistic, independent market and technical feasibility studies. LED and the proposed new office/authority of ports and maritime policy should participate in the scoping and management of this endeavor.
- The investment emphasis of the state should focus on the following approach:
 1. Maximizing the utilization and efficiency of existing container terminal assets and related infrastructure
 2. Identifying long-term investment, service, and cost-reduction initiatives to support successful penetration of the regional market
 3. A newly created office/authority focused on ports, waterways, and maritime policy (Section 5.1) should support use of State capital funds only in future container capacity development where the amount of state investment is supported by realistic, independent market and technical feasibility studies.

5.6.5 Regional Container Gateway Strategy: Recommended Action Plan

STEP	DESCRIPTION	Jan '09	Feb '09	Mar '09	Apr '09	May '09	Jun '09	July '09	Aug '09	Sept '09	Oct '09	Nov '09	Dec '09
1	Prepare, on the basis of the SEDP and the Port of New Orleans' recently initiated container market and development study, a market development plan for implementing the recommended strategy												
2	Assist PMPA, DOTD, LED, etc. in ascertaining additional objective, rational data regarding the true potential for container operation south of New Orleans												
3	Determine Louisiana's current container terminal capacity and long-term requirements to serve the target market												
4	Obtain endorsement and support of PMPA, the governor, DOTD, and LED regarding state's container market and development strategy												
5	Implement the recommended container terminal market development plan												

2009-2010 

6.0 IMPLEMENTATION—RECOMMENDED ACTION PLAN SUMMARY

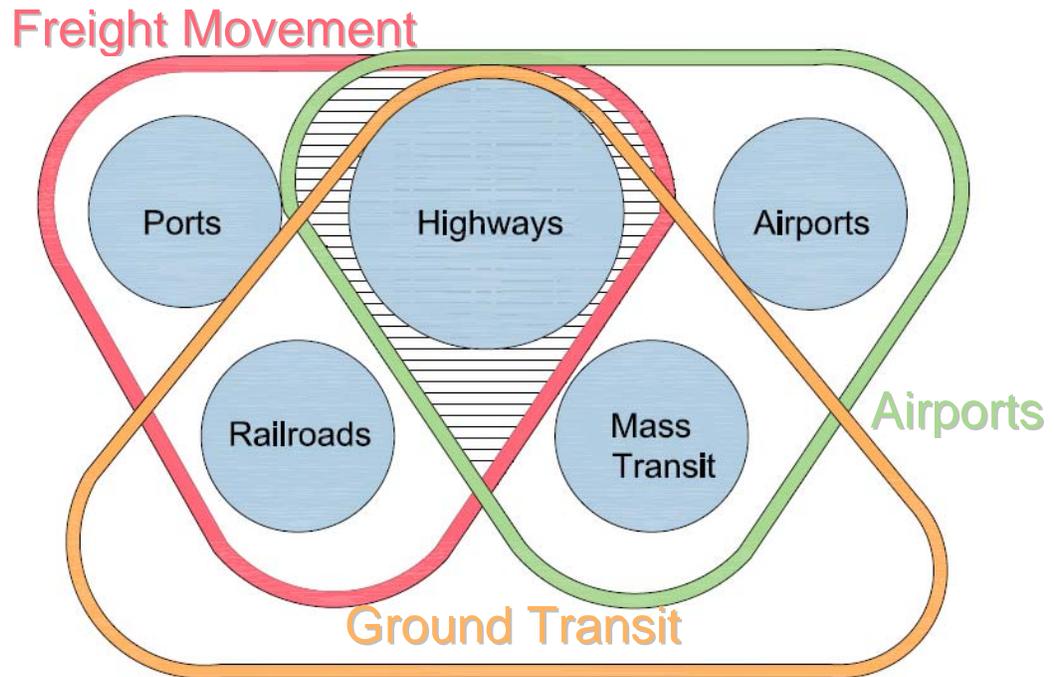
In PAL meetings with the secretaries of DOTD and LED during the preparation of the Louisiana port’s Strategic Economic Development Plan, the SEDP six collaborative initiatives identified as “issues” were well received and generated long anticipated and beneficial PAL-DOTD-LED interaction relative to the State’s port program. Among other things, these discussions addressed port consolidation; a unified approach to evaluating container market growth; a means to objectively create and utilize infrastructure enhancement funds in the most objective and economically efficient manner; and a central office/authority location in state government focused on the business of ports while allowing individual ports commissions to continue the role of operating and maintaining their respective ports. For purposes of the SEDP, this office or authority for ports is termed Louisiana Ports and Maritime Policy Authority (PMPA).

In discussions relative to domicile of the PMPA—governor’s office, DOTD, LED, etc.—consensus indicated that while LED specialists would be needed, the grander need focuses on infrastructure and infrastructure funding policy more closely aligned with existing DOTD services. The SEDP process, by design, incorporated findings and overall objectives of the *State Transportation Improvement Plan, Vision 20/20 (updated)* and DOTD’s *Louisiana Marine Transportation System Plan*. Therefore, rather than delve among “isolated” silos, the ports must relate with DOTD and other state entities as “integrated,” i.e., as parts of the whole in linked, coordinated fashion, while still retaining its independent focus on ports.

One of the most critical elements in the creation of a Ports and Maritime Policy Authority is independence, particularly independence in pursuing policies which are focused first and foremost on ports. It must be clear to ports and port users that this new entity serves as the focal point in the state’s role relative to ports, waterways, and maritime activity. Critical, then, is to achieve this objective while also creating the means to integrate port and maritime programs into the larger role of transportation and economic development in DOTD and LED.

In Louisiana, DOTD serves as a coordinating entity relative to highways, airports, railroads, and mass transit—moving people and cargo. From DOTD’s perspective, the program diagram on the following page illustrates the “silo” concept as defined by the secretary of DOTD, but, in this case, as silos working in concert with each other, i.e., in integrated fashion with ports/rail, airports, and mass transit all linked to highways. Freight movement, people movement, and components of both are positioned within this framework, and the PMPA also must be positioned in state government to attain maximum benefit and credibility—*independent yet integrated*.

DOTD INTEGRATED SILOS



(Note: Though not graphically depicted above, freight movements occur via airborne transportation in Louisiana. However, compared to water, rail, and highway movements and tonnage, air cargo activity is negligible relative to the issues presented herein.)

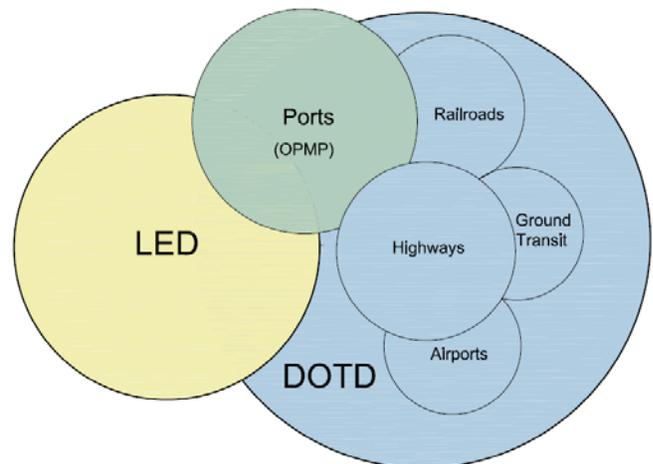
As a function of PAL, and as noted previously, PAL must relate integrally with not only DOTD but also LED, DOL, the governor’s office, and stakeholders. Listed in the table on the following page are some of the variables that must be successfully integrated into the ports system if Louisiana is to be more competitive nationally and successful in its endeavor to optimally and efficiently improve its water-based economic impact to the state and the nation. This listing also denotes the quantity of variables inherent in defining the domicile of the PMPA.

**LOUISIANA FREIGHT MOVEMENTS
(including freight, oil and gas services, fabrication products, project lifts, etc.)**

PAL	DOTD	LED	DOL	GOVERNOR
Professional and social interaction	Administration	Study/evaluation	Workforce development	Legislative liaison
Consensus building	Highways	Funding	Workforce maintenance	Funding
Consensus maintenance	Data collection	Value-added industry functions		Coordination
Education	Engineering	Industrial inducement		Political support
Current Events	Waterways	International marketing		
Lobbying (state, federal)	Rail Interface	National marketing		
Monitoring legislation	Funding (PCDPP, O&M budgets, etc.)	Monitoring competitive measurements		
Informing/educating legislators	Funding (other)			
Port/Rail interfacing	Funding evaluation			
	Evaluated of dedicated/self-generated funds			
COE interaction	COE/State interface			
	State sponsorship			

In summary, if the Louisiana port’s SEDP is to be fully implemented, governance is the first and foremost issue that must be addressed by PAL, State department heads, the governor, and the legislature to insure coordinated implementation. Leadership among these entities and stakeholders must be focused on the same goals, and they must work in unison to attain that goal as soon as practical with a timeframe of less than one-year being ideal. Legislation prepared by PAL as the first draft can be complete within the first quarter of 2009 shortly after completion and acceptance of the SEDP.

The diagram shown to the right presents the ideal inter-relationship between PAL and DOTD as well as having the PMPA closely affiliated with LED. Milestones relative to the governance issue and other major components of SEDP implementation are highlighted on the following page.



Implementation Strategy in Calendar Quarters

STRATEGY	1Q '09	2Q '09	3Q '09	4Q '09	1Q '10	2Q '10	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11	4Q '11
Port Governance	[Black bar]				[Blue arrow with 'Ongoing']							
Prioritized Port Infrastructure Development Plan					[Black bar]				[Blue arrow with 'Ongoing']			
Port Capital Funding Program	[Black bar]				[Blue arrow with 'Ongoing']							
Regional Container Gateway Strategy	[Black bar]				[Blue arrow with 'Ongoing']							
State and Port Competitiveness					[Black bar]				[Blue arrow with 'Ongoing']			
Workforce Development	[Blue arrow with 'Ongoing']											

Once formed and operational, the first set of tasks to be accomplished by the PMPA should be focused on a dedicated source of additional funding for the ports and waterways system and an approach to a prioritized capital program.



Port of Shreveport-Bossier along the Red River

