The Dynamics of the US Container Market and Shifting Trade Patterns – Implications for the Florida Ports

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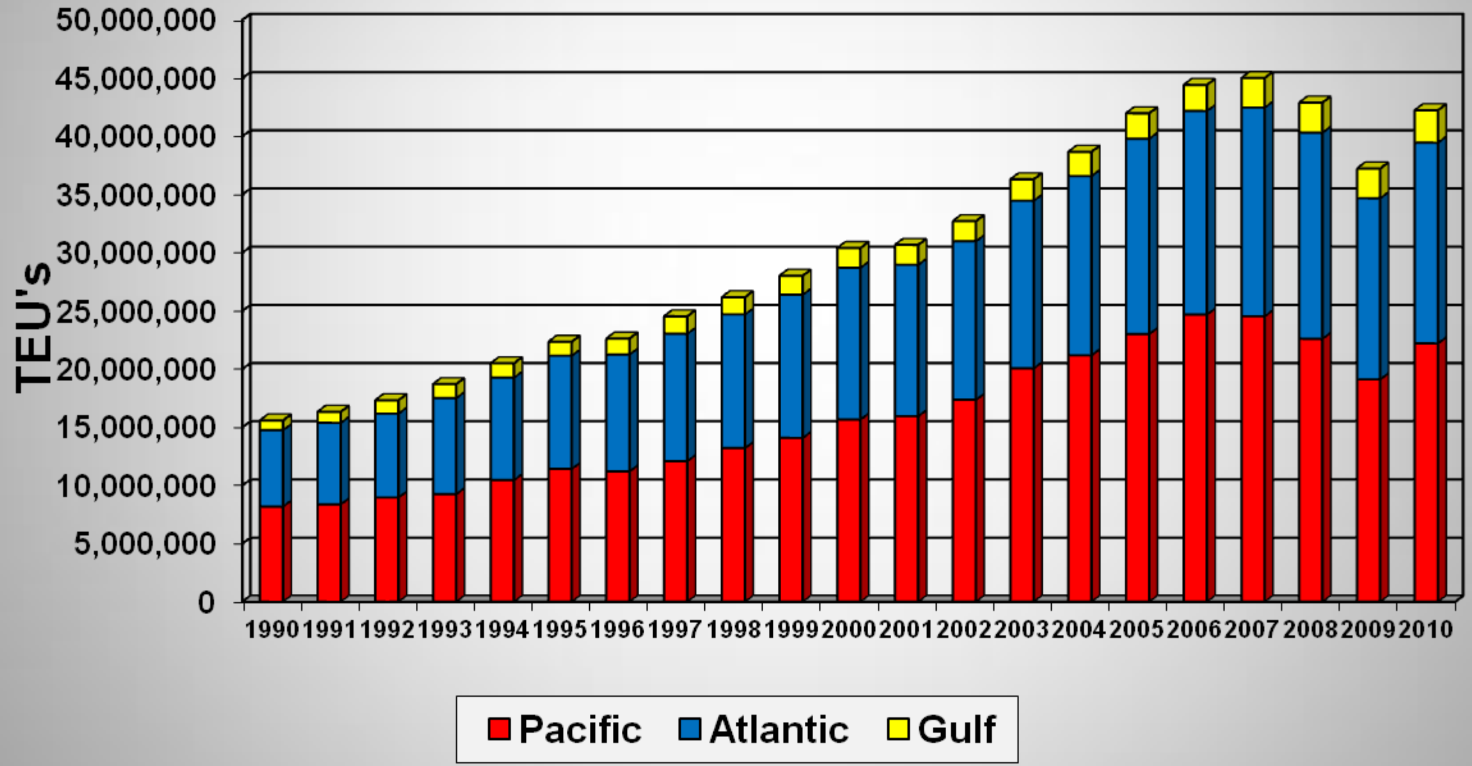
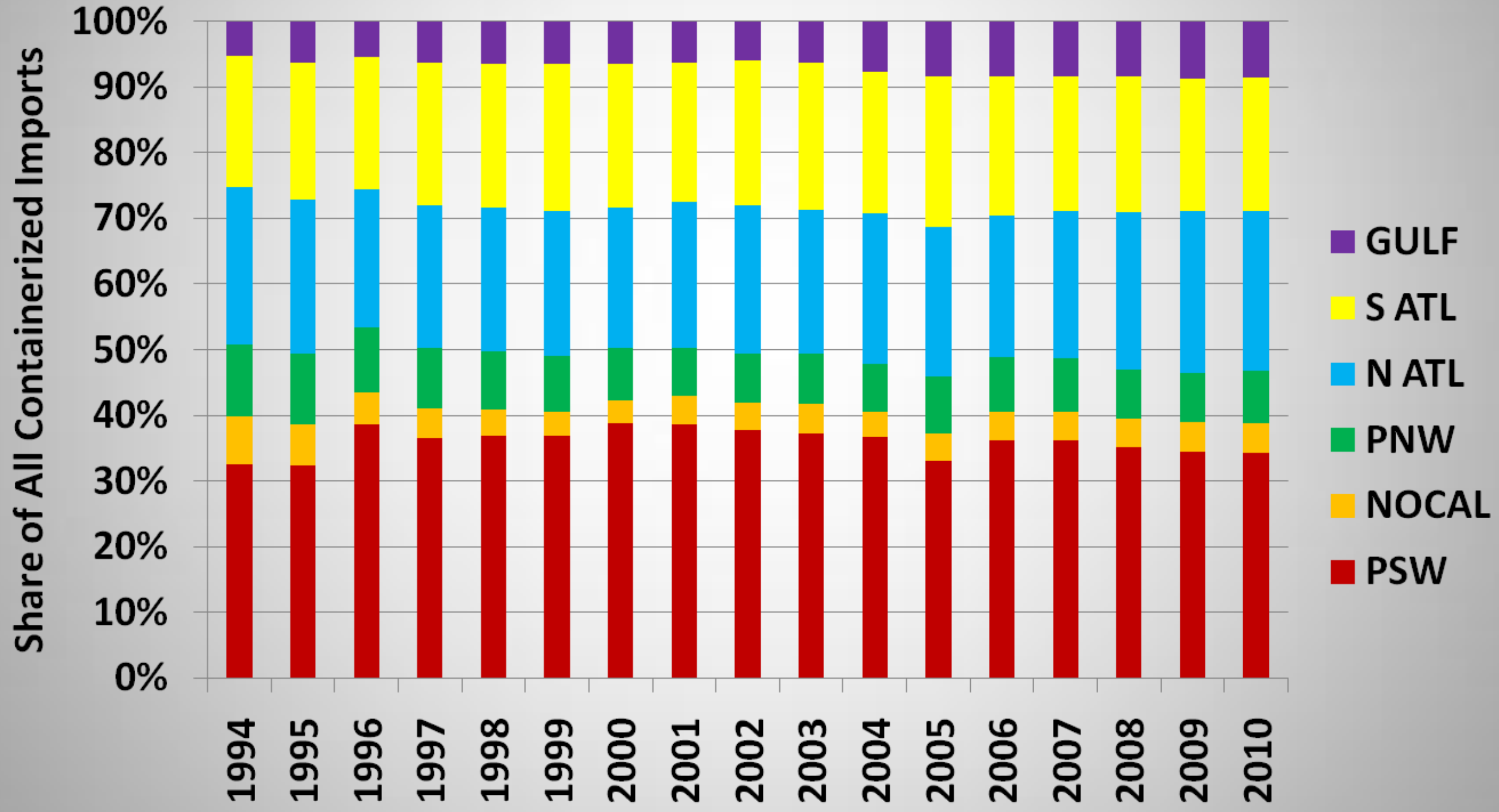
Growth in Containerized Cargo



Over the past 10 years, TEUs at US ports have grown at a compound annual growth rate (CAGR) of 4.1%. Over the 1990-2010 period, the TEUs grew at CAGR of 5.1%

	CAGR 2000-2010
Pacific	4.36%
Atlantic	3.49%
Gulf	6.25%
Total US	4.11%

From a sub-regional perspective, Southern California ports (PSW) handle about 35% of all import tonnage, peaking in 2001 – this share has been falling since 2002



Source: US Maritime Administration

Shocks Have Occurred in the Existing Logistics Patterns of Importers and these Changes Occurred Between 2002 and 2007

- Consolidation of imports via San Pedro Bay (Los Angeles and Long Beach) Ports -- mid 1990's:
  - Distribution center growth
  - Cross-dock operations
  - Rail investments in S. Cal to Midwest routings
- But then……….
  - 9/11
  - West Coast Shutdown
  - Capacity Issues – Land and labor shortages
  - Rail and truck shortages
  - High Intermodal rates
  - Search for alternatives
  - Shifting production centers
  - Economic crisis

All Water Routings are Growing

All Water Services to the East and Gulf Coasts are Growing

- Panama Canal:
  - Current size limitations (-)
  - New, bigger canal (+)
  - Transit time issues (-)
  - Carriers can internalize rail revenue (+)
- Suez Canal:
  - Accommodates larger vessels (+)
  - Better transit to SE Asia/India (+)
  - Political instability/Piracy (-)
  - Transit time issue to Midwest (-)
  - Shifting Production to India/SE Asia (+)
    - New India-Med direct express services (+)
    - $110 billion port infrastructure investment in India
    - Growth in terminal development in Vietnam
  - Transshipment operations in Med (+)

All Water Services are Growing

- Significant growth in distribution centers in Gulf and Atlantic Port Ranges

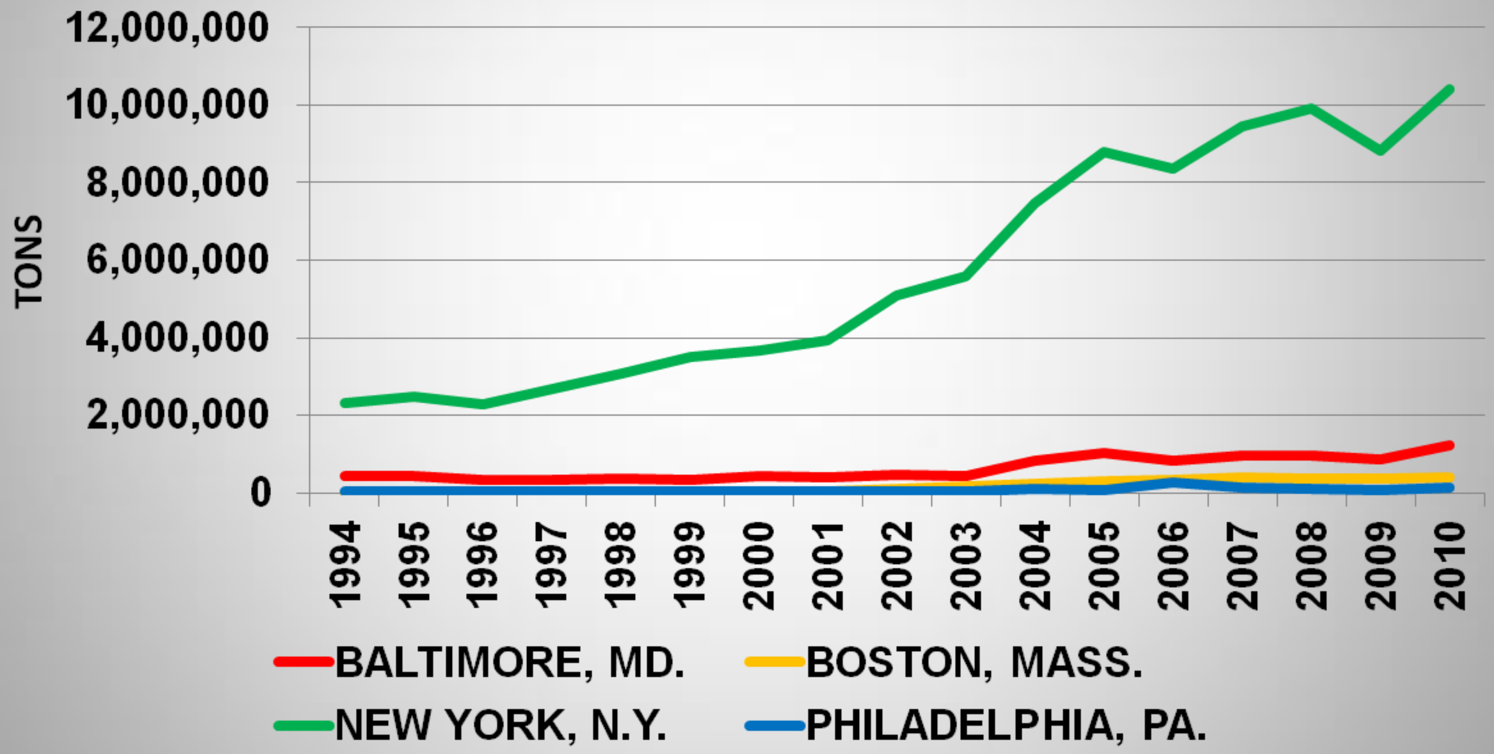
- Proximity to Southern Asia/India is a positive – Suez Canal:
  - Growth in Indian port infrastructure
  - Growth in production centers and port infrastructure in Vietnam

- With direct services, transit time differentials are narrowing

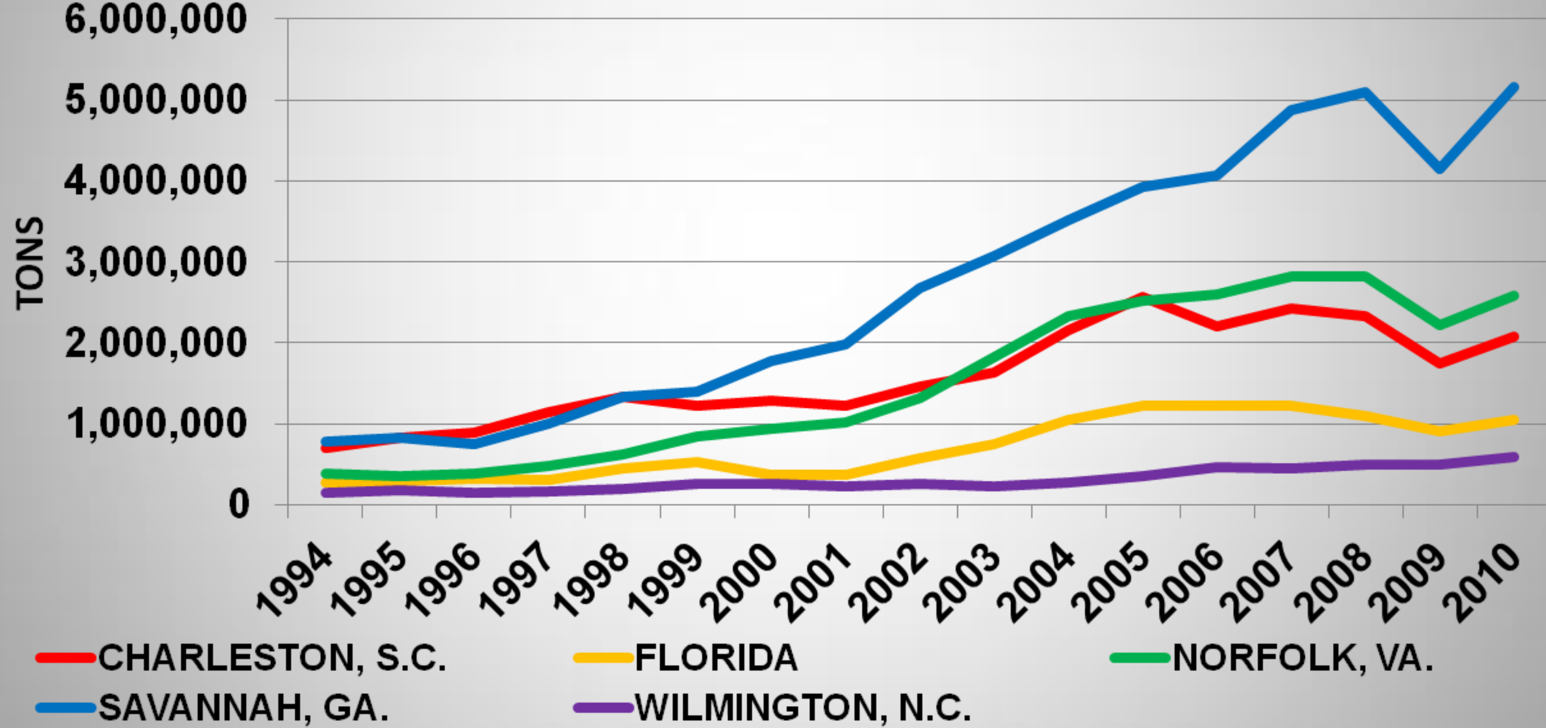
- Port infrastructure investment on East and Gulf Coasts has responded

Impact of Development of All-Water Service

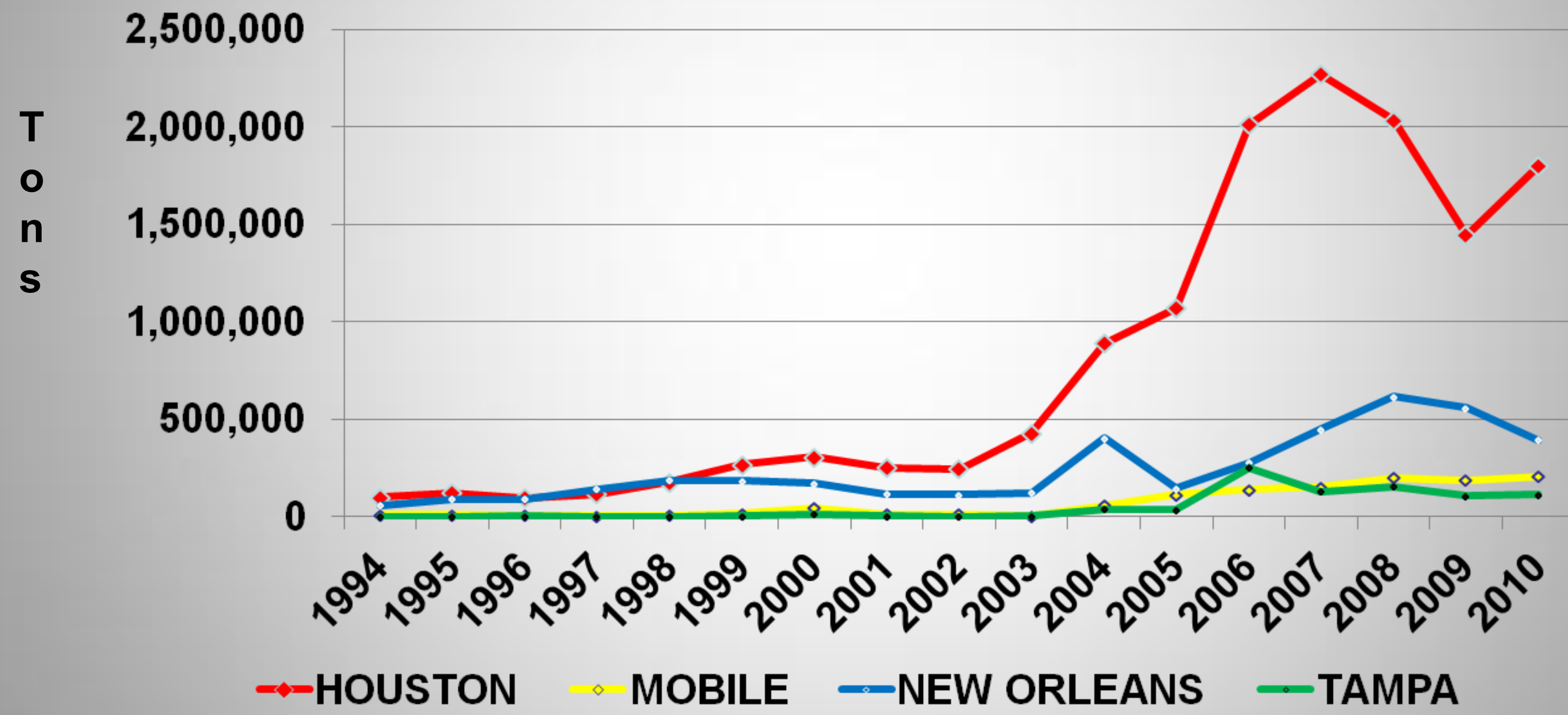
Imported Asian Container Tonnage- US North Atlantic Port Range



Imported Asian Container Tonnage – South Atlantic Port Range – FL Ports have Limited Participation in this Market

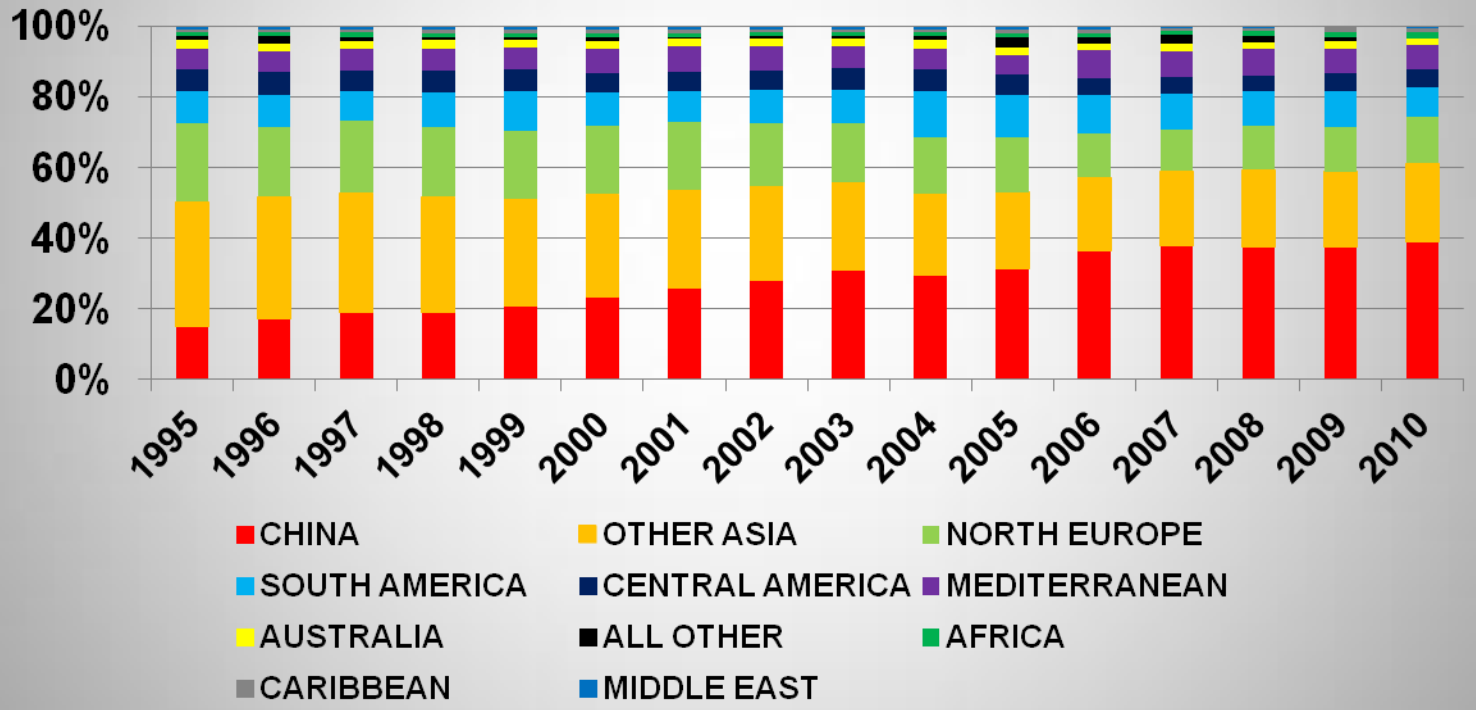


Imported Asian Container Tonnage – Gulf Coast Port Range



Source: US Maritime Administration, Foreign Trade Statistics

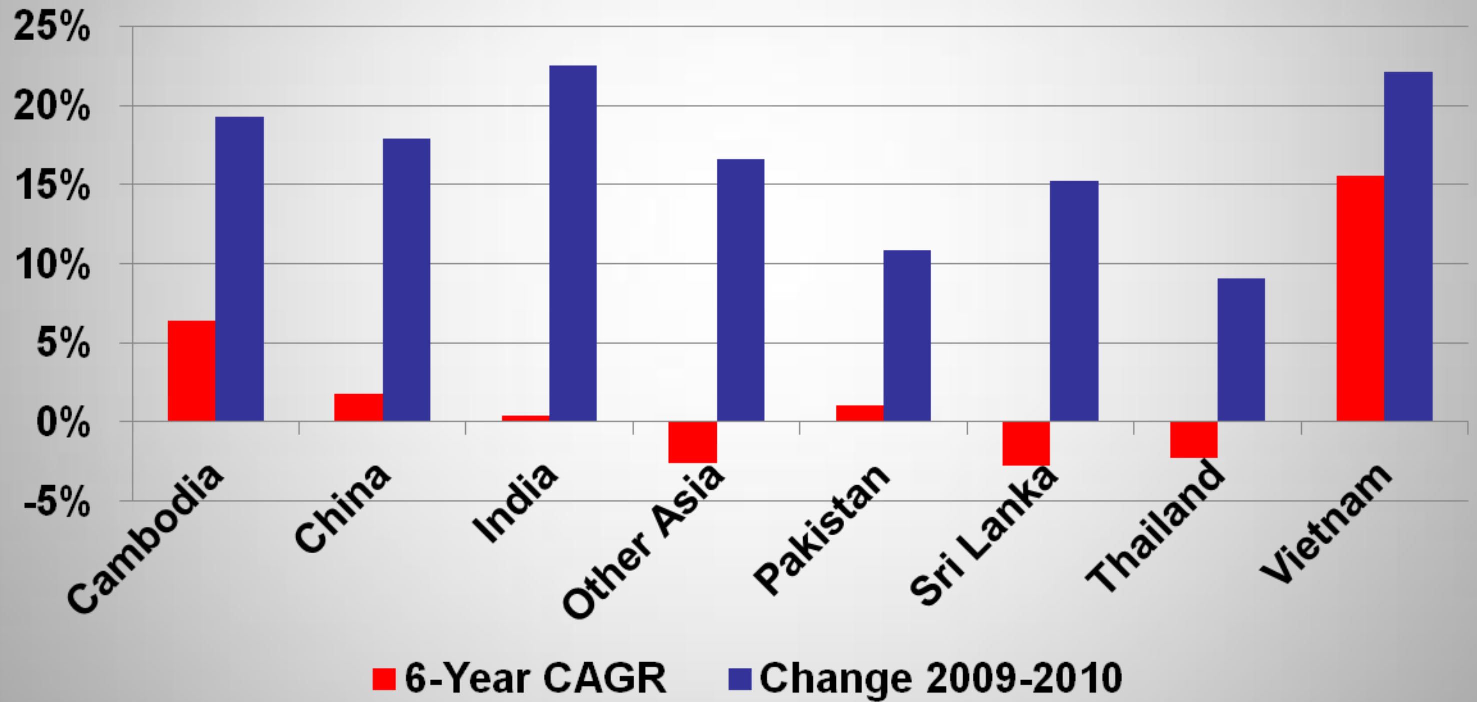
China Has Been Responsible for Nearly 40% of Imported Containerized Tonnage



US Maritime Administration

2006 data reflects new data base by MARAD

Asian Supply Sources are Shifting, Favoring Suez Routing. However, China Remains the Major Trade Source

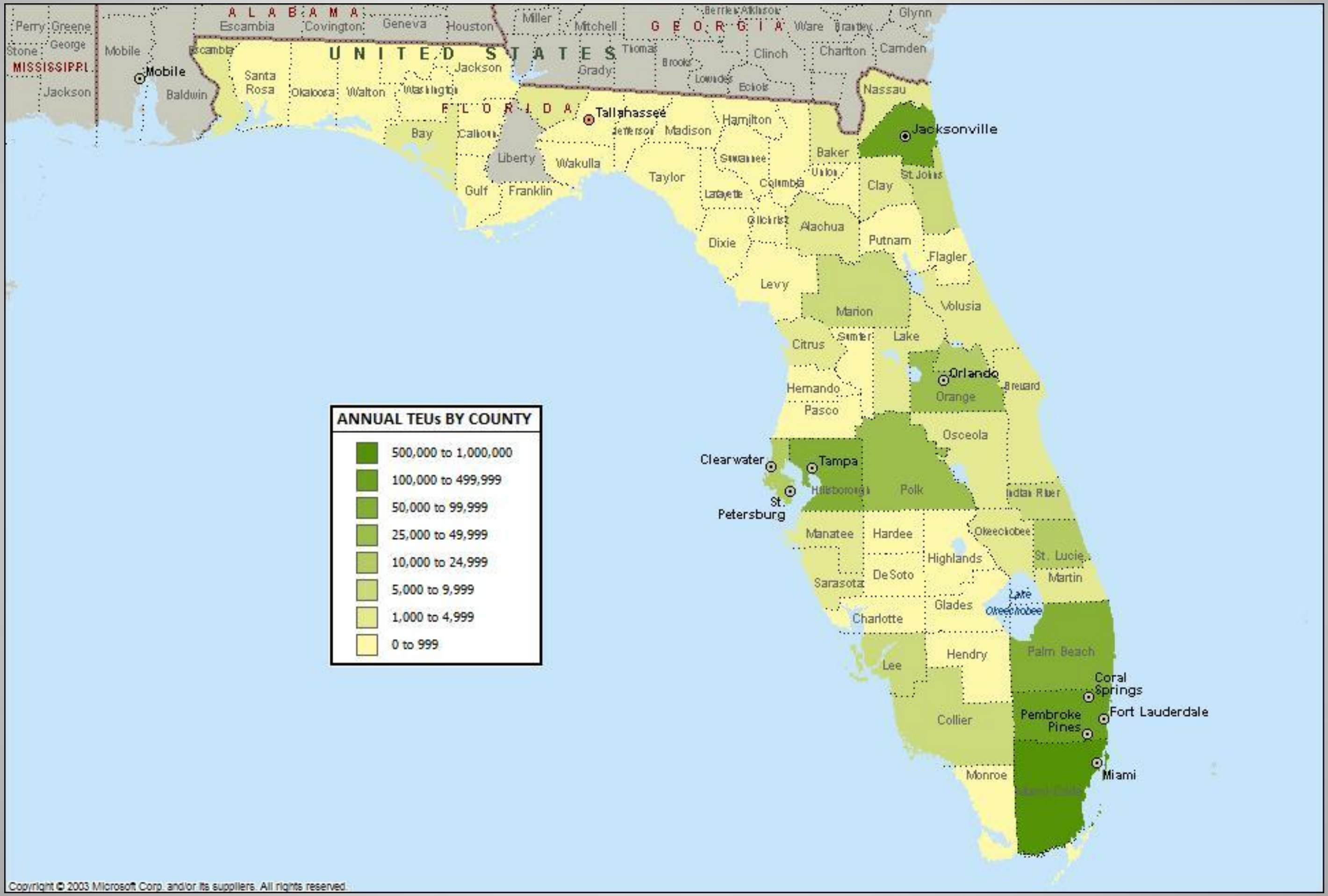


Expansion of the Panama Canal and Growth in Suez Canal– Implications on Changing Trade Patterns

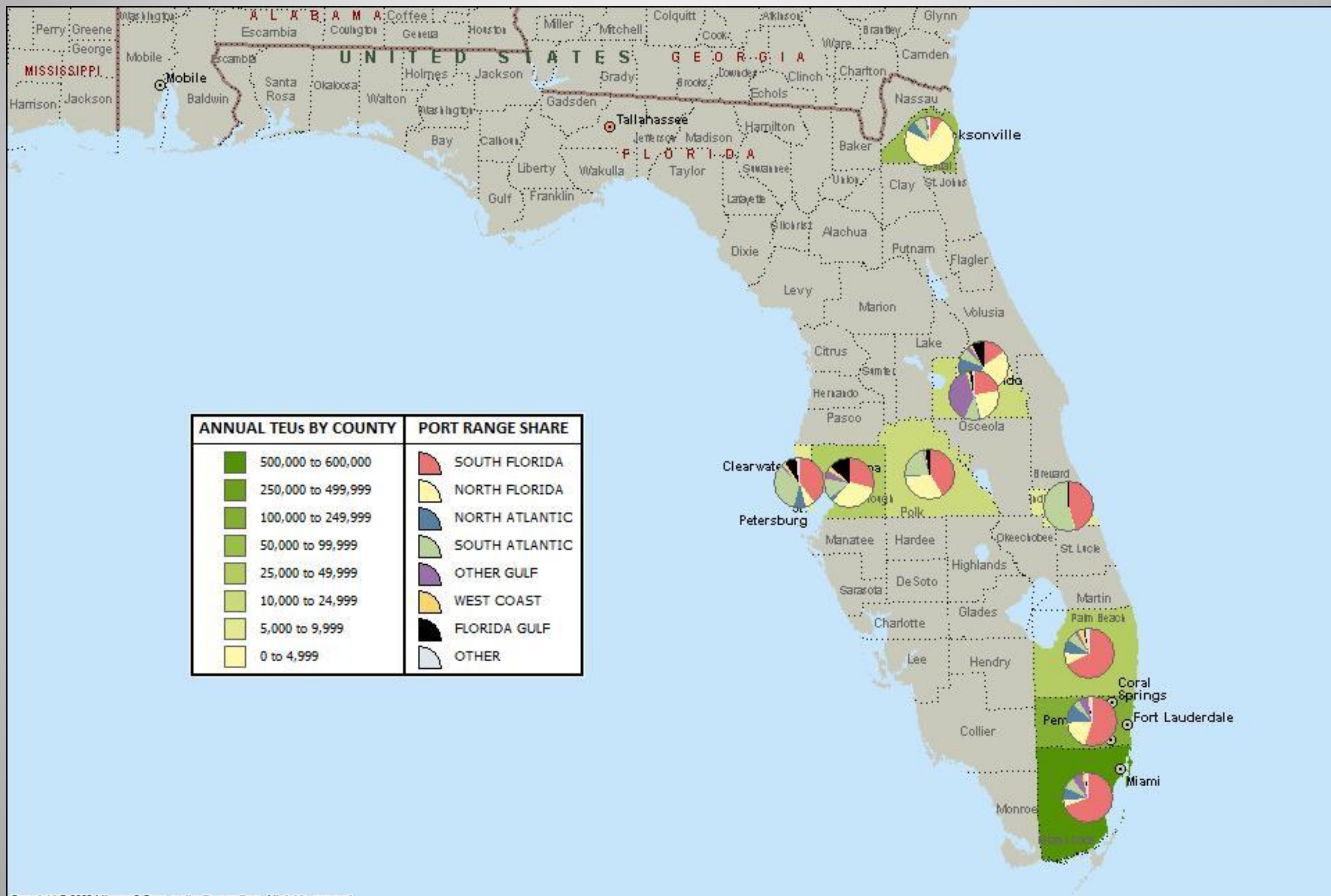
- After 2014, the composition of the fleet will likely change, as 6,500 TEU plus vessels will be deployed
- Actual volume increases through the Panama Canal may be less than anticipated:
  - Factors that have impacted growth in all water services are now in place
  - Growth in trade with areas that are more efficiently served via Suez Canal
  - Caribbean Transshipment Centers will likely compete with mainland for import distribution center locations
- East and Gulf Coasts will have to compete to handle the larger sized vessels that will be deployed on both Suez as well as Panama Canal based on infrastructure:
  - Channel depth to accommodate larger vessels (both Suez as well as enlarged Panama Canal)
  - Berth capacity to handle 1,000 ft plus vessels
  - Crane outreach capability
  - *All require capital investment*
- East and Gulf Coast ports will also need to compete based on:
  - Local market
  - Access to discretionary cargo for both truck and rail

IMPLICATIONS FOR FLORIDA PORTS

Concentration of Container Export/Import Local Market Locations Reflect Population Centers – Jacksonville, Tampa, Palm Beach, Fort Lauderdale and Miami

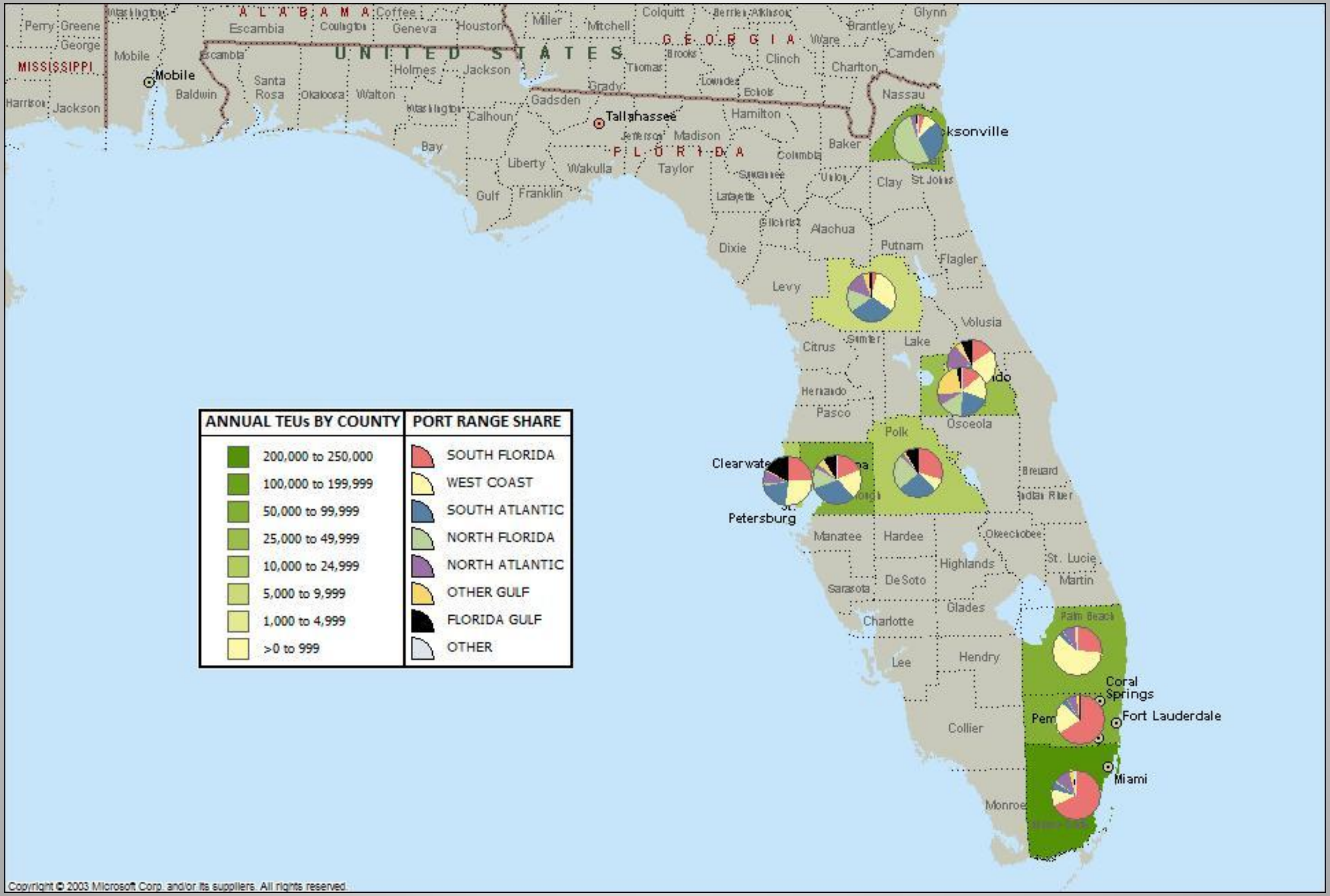


Container Exports from FL Origins
Top-10 FL Counties



75% of Exports from Florida handled via Florida Ports

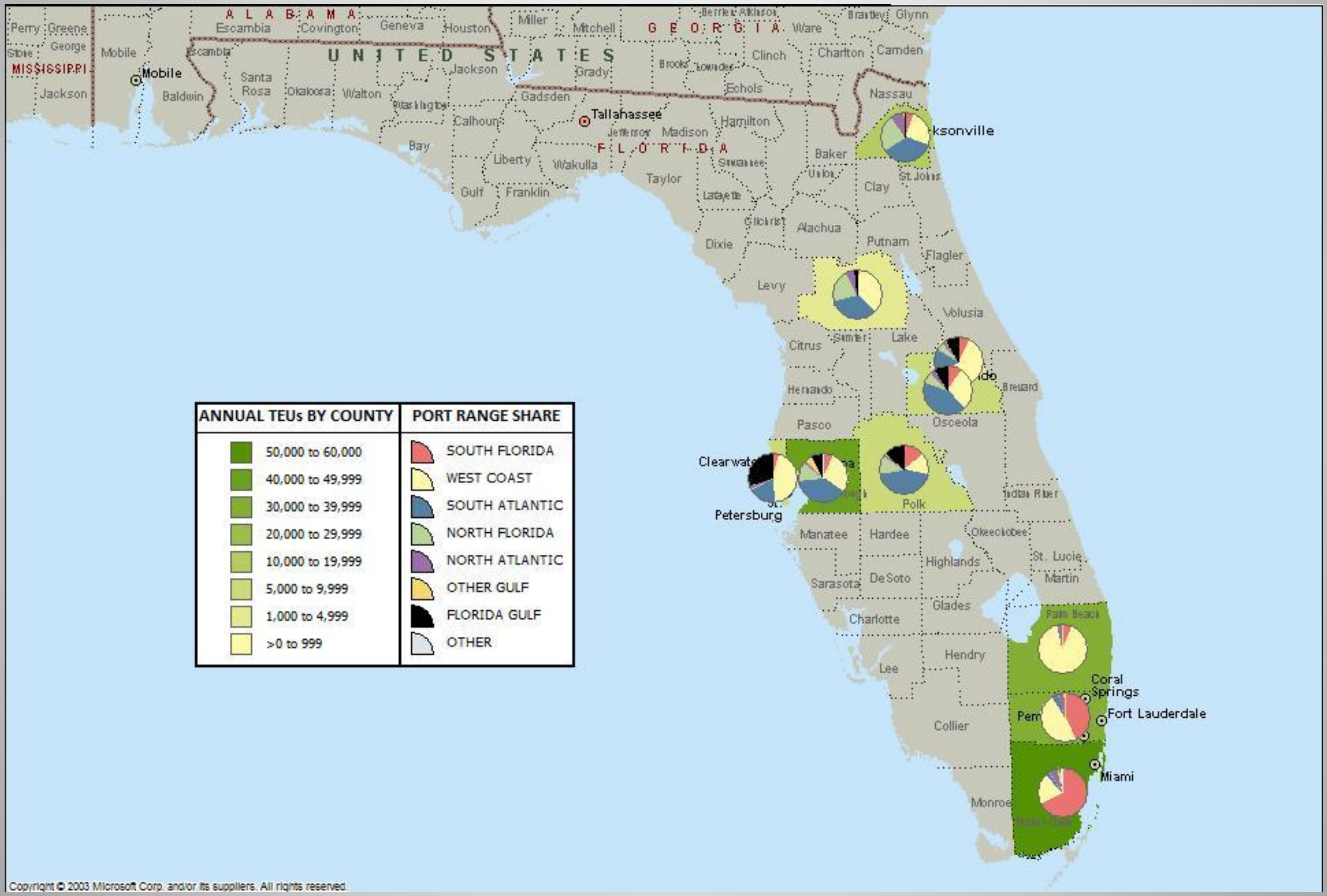
Container Imports to FL Destinations
Top-10 FL Counties



50% of Imports Into Florida move via Florida Ports

Import Container Market – Asia

Florida Ports Under Serve the Asian Import Market – The Key Growth Market Served by the Growing All Water Trade



The Florida Ports Must Compete For Discretionary Cargo

- Asia is the major trading partner for Florida for containerized imports
- In 2009, the Florida ports handled 38% of the 2.2 million tons of Asian imported containerized cargo into Florida:
  - This represents a potential of 1.4 million tons imported from Asia into Florida that are not now moving via Florida Ports:
    - 39% moves via West Coast Ports (36% via Los Angles and Long Beach)
    - 13% moves directly via Savannah
    - 4% from New York
    - 2% from Charleston
- In 2009, the Florida Ports handled about 70% of the 3.1 million tons of non-Asian imported cargo moving into Florida:
  - This represents an additional 945,300 tons of potential TEUs:
    - 7% moves via New York
    - 6% via Los Angeles and Long Beach
    - 3% from Savannah
    - 3% from Charleston
    - 2% each from New Orleans, Houston, Philadelphia, Norfolk
- This excludes international cargo moving via truck into Florida from distribution centers in Savannah and Atlanta – 8.8 million tons or 1 million TEUs
- *Total 11.1 million tons of potential import cargo – 1.3 million TEUs*
- *1.8 million TEUs of export and empties*
- *3.1 million total TEUs potential currently*

Implications for the State

- Increasing international waterborne cargo provides an economic stimulus to the State:
  - Capturing cargo from outside ports and redirecting that cargo via Florida ports is key
  - 1.2 million TEUs is the current identified potential Asian cargo moving into Florida from other Ports
  - Export loads and empties associated with this potential provides a total 2.8 million TEU potential
  - This represents a potential to create 21,500 direct, induced and indirect jobs within the state port system:
    - Under a 25% capture rate, this would generate 5,400 direct, induced and indirect jobs, while a 50% capture rate would create about 10,800 direct, induced and indirect jobs

Investment in Port Infrastructure will be Required to Capture a Share of the Potential Market

- Investment in deeper channels - 50 ft has been funded by the State for Miami:
  - Jacksonville under study
  - PEV under study
- Rail investment will be required:
  - FEC on-dock at Miami
  - Near dock ICTF at Port Everglades
  - Investment in rail along State 27
  - Winter Park ICTF by CSX
- Attraction of import distribution centers – competition with Savannah/Atlanta
- Crane outreach capacity must be increased
- Berth length is needed
- Highway congestion must be minimized
- How to fund???

Implications - Infrastructure Funding is the Critical Issue

- Deepwater ports have lost funding for system preservation projects, none-the less major infrastructure projects:
  – After 9/11 - security investments competing with system preservation investments
  – Downturn of trade drastically reducing port revenues
  – Economic crisis reducing state/municipal public funding
  – US Army Corps of Engineers/Federal Government cannot fund the dredging/deepening projects
  – *Private sector participation becomes necessary*

Trends in Seaport Financing

- Increased use of municipal bonds on behalf of private entity where private party is responsible for debt service:
  - Jacksonville
  - Baltimore
- Public-private partnerships and the increase in concessions:
  - Lump sum up front payments - traditional concession i.e., Maher Terminals in New York
  - Combination of up front payments and annual payments and MAGS, and identified private party infrastructure investment --
    - Ports America – Oakland
    - Maryland Ports Administration (Baltimore) concession with Ports America/Highstar Capital

Public-Private Partnerships are Growing: 2005 - 2007 was the Peak of Public Private Partnerships

- July, 2007 – Goldman Sachs acquires minority stake in Carrix -- SSA:
  - Multiple not known
- March, 2007 - AIG Investment Group acquires MTC terminals - $800 million:
  - Multiple not known
- March, 2007 – RREEF purchases Maher Terminals:
  - $2.1 billion (445 acre terminal in NYC and the Fairview Terminal in Prince Rupert, BC
  - (34.2 multiplier against enterprise value to last 12 months of earnings before interest, taxes, depreciation, and amortization)
- February, 2007 Morgan Stanley purchases Montreal Gateway Terminals -- $480 million:
  - 80% share of 2 terminals in Montreal – 1.1 million TEUs
  - Hapag-Lloyd has balance
- December, 2006 – AIG purchases P&O Ports North America - $1.0 billion plus
- December, 2006 – Ontario Teachers Pension Fund purchases OOIL Terminals:
  - 2 in NYC
  - 2 in Vancouver, BC
  - 21.9 multiple
- November, 2006 - RREEF purchases Peel Ports:
  - 16.0 multiplier

2005 -2007 was the Peak of Public Private Partnerships

- November, 2006 – Macquarie purchases 72 acre Halterm terminal in Halifax:
  - 17.0 multiplier
- September, 2006 – Macquarie purchases 40% share of Hanjin's terminals in Oakland, Long Beach and Seattle:
  - Multiple not known
- June, 2006 - Admiral Consortium purchases Associated British Ports that handle 25% of the UK cargo:
  - $6.4 billion
  - 16.2 multiplier
- April, 2006 – PSA purchases Hutchinson Port Holdings:
  - $7.5 billion
  - 14.0 multiplier
- January, 2006 – DP World purchases P&O Ports:
  - $8.9 billion
  - 15.2 multiplier
- December, 2005 - Babcock & Brown purchases PD Ports:
  - $1.1 billion
  - 13.2 multiplier

Recently, there has been Increased Public-Private Partnership Activity in the US

- 2008-2011 - Diamond State Corp. (Port of Wilmington, DE) requests valuation of marine terminal for concession
- 2008-2009 - MOL/TraPac invests in Port of Jacksonville
- 2009-2010 - Port of Portland Terminal 6 Concession with ICTSI
- 2009 - Ports America enters into Port of Oakland Concession
- 2010 - Port of Baltimore Seagirt Marine Terminal Concession with Ports America and Highstar Capital

Recently, there has been Increased Public-Private Partnership Activity

- 2009-2011 - Philadelphia Regional Port Authority issues RFP for Southport Container Terminal
- 2010-2011 – Port of Lake Charles considering concession of City Docks
- 2009-2011 – Private land owner on Ship Channel markets land for future terminal development to terminal operators
- 2011 - Port of Galveston looking for private partner

Economic Value of the Marine Transportation System

- **16.2 million jobs supported cargo and passenger activity:**
  - **13.2 million jobs supported by deepwater port activity**
  - **2.5 million jobs supported by inland waterways**
  - **354,000 jobs supported by US cruise activity**
- **More than $3.2 trillion economic value – 25% of the US Gross Domestic Product**

Economic Value of Waterborne Cargo Moving Florida Seaports

- **554,347 total jobs in Florida**
- **$23.3 billion in wages and salaries and consumption impacts**
- **$66.3 billion in economic value to the State – 9% of state GDP**

Economic Impact of Cargo and Cruise Activity at the Port of Miami

- **176,420 direct, induced, indirect and related jobs in Florida**
- **$6.4 billion of wages and salaries**
- **$16.9 billion of total economic impact on the State**
- **$603.2 million state and local taxes**

The Port of Miami Master Plan Projects are Proactive and will Strengthen the Port's Role as an Economic Catalyst for the Region and the State

- The deepening project is approved and funded
- On-dock rail will enhance the ability of the Port to compete not only in Florida but also in the Southeastern US
- The tunnel will enhance the flow of trucks to and from the Port, improving the retrieval and delivery time of local and regional container traffic
- Development of an ICTF and distribution center will increase the Port's competitive position to serve the regional economy
- Private sector partnerships will be key in growing port infrastructure investment

Implications

- **The Global Economy is here!**
  - **Trade restrictions must be avoided**

- **The port system has become integral in the world's logistics systems:**
  - **Ports must provide dependable service – labor/management issues at West Coast ports**
  - **Destructive competition between ports must be avoided**

- **Infrastructure funding needs are reaching critical shortfalls**

- **What other sectors of the US Economy represent such a major catalyst for economic development and growth?**

- ***The Marine Transportation System represents a key market for future stimulus funding, and cannot be ignored as the economic development dividends have been well documented -- Ports and maritime activity create jobs***