

Jacksonville Port Authority: Executive Summary



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Executive Summary

The Strategic Master Plan Developed for JAXPORT is based on detailed market, facilities, financial and economic analyses of JAXPORT's operations. It is to be emphasized that the strategic plan is designed to be a living plan that will be reviewed on a regular basis, incorporating new information and developments, and refining market projections and opportunities. The strategic master plan developed has built in flexibility that is necessary whenever developing long term strategic decisions and capital development plans. It is critical that the short term actions are governed by an overall vision/long term strategic development plan. The process of formulating the long term plan is based on an interactive working relationship between the Port's Senior Management Team and the Consulting Team. Together, the long term strategic plan has been developed.

At the outset, it is necessary to first develop the Port's long term guiding principles within which the overall plan is developed. These guiding principles are consistent with the Port's mission statement, as well as its long term vision. "The mission of the Jacksonville Port Authority is creating jobs and opportunities by offering the most competitive environment for the movement of cargo and people." The mission will be accomplished through the effective and fiscally-responsible planning, development, management and marketing of the Port's assets and facilities. The Port's vision is "Northeast Florida will be a principal hub of the nation's global logistics, trade and transportation network."

1. GUIDING PRINCIPLES

The underpinnings of the strategic master plan are based on the following guiding principles.

1.1. Develop Near Term And Longer Term Plans That Are Operationally And Financially Compatible

It is critical that JAXPORT initially pursue two plans for the future direction of the Port, a strategy based on the deepening of the St. John's River to a 47 ft. channel as well as a short term strategy based on the current channel depth. By following this dual strategy, the Port will be able to make near term decisions in the context of the overall longer term plan of the Port. In turn, this process will assure efficiency in the Port's decision making process by ensuring that near term decisions as to infrastructure development and market initiatives do not conflict with the longer term development plan.

1.2. Pursue Channel Deepening To 47 Ft.

The 47 ft. channel will provide JAXPORT the opportunity to expand its role as a catalyst for economic development in Northeastern Florida as well as for the State of Florida. Should the Port and community not pursue the 47 ft. channel, the region will be at a disadvantage to compete for the next generation class of containerhips moving cargo to and from the United States and Asia, and will not be able to maximize Jacksonville's strategic transportation/logistics locational advantage. Without the deeper channel, JAXPORT will not be in a position to provide competitive logistics supply chain solutions to its existing manufacturing/distribution center base. Furthermore, without the deeper channel, the

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Northeastern Florida Region, and Florida’s First Coast, will be at a disadvantage to attract logistics center development as well as manufacturing activity. As demonstrated, the opportunity cost of not undertaking the deepening project is estimated at nearly 10,000 direct, induced and indirect jobs by 2025, and about 13,800 jobs by 2035. Furthermore, by not undertaking the deepening project, JAXPORT will also likely lose current container operations focused on Asian cargo. Exhibit E-1 summarizes the opportunity cost of not undertaking the 47 ft. deepening and indicates the maximum opportunity cost in terms of potential markets from which the Port will be excluded due to its inability to handle the larger vessels that will be deployed through the Panama Canal as well as the Suez Canal.

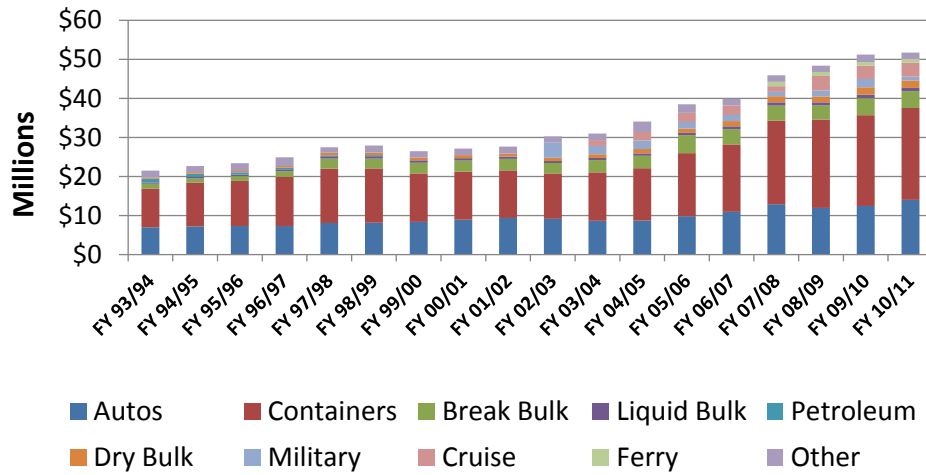
Exhibit E-1- Opportunity Cost of Not Pursuing a 47 Ft. Channel

TEU Projections Scenarios	2020	2025	2030	2035
Low and No Deepening	732,816	762,889	796,093	832,752
Moderate Penetration with 47ft.	1,379,800	1,566,364	1,769,642	2,010,604
Aggressive Penetration with Deepening to 47ft.	1,713,294	1,952,976	2,217,831	2,530,178
Aggressive with 47ft. + Intermodal Penetration	1,877,695	2,143,562	2,438,772	2,786,309
Maximum Opportunity Cost of No Deepening (TEUS)	1,144,879	1,380,672	1,642,680	1,953,557
Opportunity Cost in Terms of Lost Economic Impacts	2020	2025	2030	2035
Jobs				
Direct	3,274	3,949	4,699	5,587
Induced	3,015	3,636	4,326	5,145
Indirect	<u>1,824</u>	<u>2,199</u>	<u>2,617</u>	<u>3,112</u>
Total	8,113	9,784	11,642	13,844
Personal Income (1,000)				
Direct	\$131,660	\$158,776	\$188,907	\$224,657
Re-spending/Local Consumption	\$383,683	\$462,704	\$550,511	\$654,695
Indirect	<u>\$76,337</u>	<u>\$92,060</u>	<u>\$109,530</u>	<u>\$130,259</u>
Total	\$591,680	\$713,540	\$848,948	\$1,009,611
Business Revenue (1,000)	\$492,250	\$593,632	\$706,284	\$839,948
Local Purchases (1,000)	\$150,045	\$180,948	\$215,286	\$256,029
State/Local Taxes (1,000)	\$54,435	\$65,646	\$78,103	\$92,884

1.3. Preserve The Diversity Of Business Scope

JAXPORT has developed a balanced inventory of lines of business that provide a diverse set of cargo interests. The Port is a leader in handling automobiles, forest products, dry bulk cargoes, perishable cargoes, cruise passengers, as well as containers. This diversity in its business activity provides the Port with the ability to weather changes in specific lines of businesses as well as specific geographical markets. Despite the recession of 2008-2011, JAXPORT was able to grow its cargo and revenue, as shown in Exhibit E-2.

Exhibit E-2 - JAXPORT Revenue by Line of business

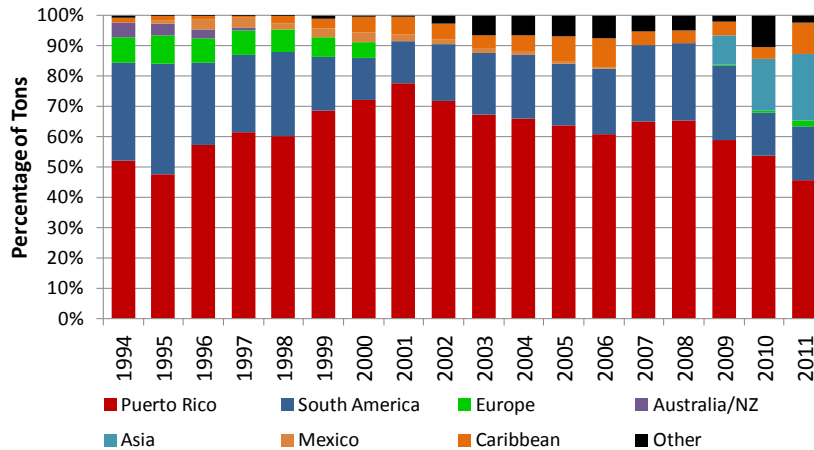


Source: JAXPORT and Martin Associates

1.4. Ensure That There Are Plans For Annual Business Growth In The Next 3-7 Years

By pursuing a dual strategy, JAXPORT will focus on growing the current lines of business and expanding into new markets that are compatible with the long term strategy of the Port in order to responsibly grow the Port’s regional economic contribution. Exhibit E-3 demonstrates how JAXPORT has been able to diversify its containerized cargo base, insulating the Port from economic uncertainties in specific markets.

Exhibit E-3 - Distribution of Containerized Cargo by Trading Partner



Source: JAXPORT and Martin Associates

1.5. Balance The Interests Of All The Constituent Groups And Connect With Key Industry Initiatives Focused On Environmental Stewardship

As JAXPORT grows its current lines of business within the confines of the overall long term strategic plan, the importance of a balance between economic growth and environmental stewardship is of utmost importance. Minimization of maintenance dredging needs at specific terminals, and the beneficial reuse of dredged materials for terminal development are driving principals of the strategic plan. The focus on relocating tenants from Talleyrand Marine Terminal to other container terminals at Blount Island or Dames Point to reduce maintenance dredging costs is not only financially prudent for JAXPORT, but further reduces the annual dredged materials placement requirements. Similarly, the recommendation to develop the deep water container terminals at Blount Island Marine Terminal in the long run will reduce the need to deepen the St. John's River west and south of the MOL/TraPac Terminal, reducing the cost of the 47 ft. channel deepening project, as well as reducing the actual dredged materials placement needs and associated environmental impacts.

1.6. Operate In A Fiscally Responsible Fashion And Demand A Return For The Money Spent

While JAXPORT is one of the most important generators of economic activity in the immediate and regional economy, it must operate in a financially responsible manner. Fiscal responsibility by JAXPORT is necessary in order to minimize the dependency on public support. This may require strategic decisions regarding the pursuit of specific markets and opportunities, as current and future lease arrangements must be made in a fiscally responsible manner, while still growing the role of JAXPORT as an economic catalyst in the local and regional economy. Furthermore, in order to fund the capital development projects highlighted and recommended in this document, it will most likely be necessary for JAXPORT to market specific developments to private sector concessions. By leveraging the private sector investment to fund terminal development and operation, the Port can still achieve its goal as a key economic catalyst in Northeastern Florida. As noted, JAXPORT has been able to maintain consistent revenue growth throughout the past decade, despite the economic recession, that for many U.S. ports has resulted in deteriorating financial performance.

2. NEAR TERM STRATEGIC ACTIONS

While pursuing the longer term goal of terminal development and market focus under a 47 ft. deep water channel, there are immediate strategic action steps recommended that JAXPORT should pursue. These are described in this section.

2.1. Create Business Plans That Will Focus On Profitable Revenue Growth Over The Next 3-7 Years

The ability to generate a profitable revenue growth and stimulate economic development is dependent on several near term market actions.

2.1.1. Niche Carrier Development That Exploits JAXPORT's Prime Geographical Location

There are several market forces in play that provides JAXPORT with an opportunity to grow its business with the Caribbean, Central America and South America. The growth of near market sourcing represents a growth market for JAXPORT. The increasing labor costs in China, coupled with the slow steaming of ocean carriers on the Trans-Pacific routes to conserve fuel consumption, and the reduction of capacity on this routing to buoy rates, has led to the growth in manufacturing in Mexico and the Dominican Republic.

In addition to the growth in the opportunities presented by the growth in near market sourcing, the development of transshipment hubs in the Caribbean and Central America also offer a near term strategic market focus for JAXPORT. With the construction and deployment of the larger vessels combined with the anticipation of the opening of the expanded Panama Canal in 2015, there has been a growth in the development of transshipment hubs in the Caribbean and Central America to serve the markets in the United States, East Coast of South America and the Caribbean. The economies of using larger ships to transport cargo, particularly containerized cargo between Asia and the mainland United States (East and Gulf Coasts) and the East Coast of South America and the Caribbean, are only realized when the vessels are deployed on relatively long routes with minimal port calls. The ability to handle a first-inbound port call of a fully laden vessel (8,000 TEUs and greater) will require that the port facilities have channels and berths of a depth of 47 ft. and greater in order to accommodate the larger vessels that will become the workhorses of the container trade via the Panama Canal. With the exception of New York, Baltimore and Norfolk, other ports on the United States East Coast and Gulf Coast do not currently have sufficient water depth to accommodate a fully laden vessel likely to be deployed after the expansion of the Panama Canal. The Port of Miami will have a 50 ft. channel by 2015.

Because of the limitations of the majority of East and Gulf Coast ports in the United States to accommodate the fully laden post-Panamax ships to be deployed after 2015, the development of container transshipment hubs in the Caribbean have occurred. Such development has already occurred in the Bahamas, Panama, Jamaica, the Dominican Republic and Costa Rica, and additional developments are under study in Trinidad, Puerto Rico, Haiti and Cuba. At these transshipment ports, the larger vessels transiting the Panama Canal (after 2015) from Asia will discharge containers at these hubs and then return to Asia. Smaller vessels will be deployed from the transshipment hubs to serve the Atlantic and Gulf Coast United States ports. In addition, these transshipment hubs will also represent an opportunity to mix North and South bound cargoes headed to and from Asia and the United States, and to develop import distribution centers to compete with those centers in the Southeastern United States. The growth of these Caribbean transshipment hubs will provide opportunities to develop increased feeder operations and vessel service between these Caribbean hubs and the United States East Coast ports that will not have their channels deepened by the anticipated 2015 opening of the expanded Panama Canal.

While still pursuing the deep water strategy, JAXPORT, should also pursue a near term strategy to increase its market penetration into the growing Caribbean and Central American markets, with both the existing carriers calling the Port as well as developing new services. Specific niche markets to be pursued include:

- Caribbean
- Central America
- Cuba

2.1.2. Develop Plans For The High/Heavy RoRo Segment

With increased development of mining and construction projects in South America and Africa, the ability to export RoRo cargo consisting of earth moving/highway construction and mining equipment, rolling stock is likely to be a growing market. With JAXPORT's presence as a leading automobile import and export port, it is a logical extension of this market niche to pursue the high and heavy RoRo market, often served by the same vessels handling the automobiles now moving via JAXPORT. This will require additional open storage and rail access to manufacturing facilities in the Midwest to stage this equipment for export. The future rail plans under consideration to improve access to JAXPORT's marine terminals are critical to access the Midwestern markets to handle the RoRo cargo. The near term action plans to provide more acreage to handle such a cargo sector have been identified, and include leasing or acquisition of additional property for storage, or the use of the acreage on Talleyrand Marine Terminal that would be vacated with the relocation of Hamburg Sud to a deeper water terminal at Blount Island or Dames Point Marine Terminal.

2.1.3. Develop Plans To Push New Business Over Existing Port And Tenant Facilities

Several new markets have developed recently in which JAXPORT could play a potential role. Of importance is the fact that these represent new markets for the Port creating potential jobs for the region, as well as revenue to the Port, and further leads to diversification of the lines of business handled at JAXPORT. These new market opportunities are discussed below.

Wood chips and pellets

Wood pellets, compressed wood particles such as sawdust and woodchips, are increasing as a fuel alternative to fossil fuels such as coal. Pellets are increasingly being used in many European countries for cogeneration, by which steam is produced to yield electricity. Wood pellets have controllable moisture content and provide a very stable heating factor. End user markets for pellets can range from a single home user to large power companies.

The European Union has stated that by 2020, at least 20 percent of total energy consumption should be supplied by renewable energy resources. In an effort to reach this target, many countries have increased their consumption of woody biomass. In 2010, just over 11 million tons of wood pellets were consumed, which was about 7 percent higher than the previous year. Over the past ten years, Canada has been the major overseas supplier of pellets to Europe, reaching about one million tons in shipments in 2010, according to the North American Wood Fiber Review. The U.S. did not start exporting pellets until 2008 when 85,000 tons were shipped to the Netherlands, but exports have since taken off, reaching

almost 600,000 tons in 2010. According to analysis by Wood Resources International, more than 2 million tons of wood pellets were exported in 2011, a 300 percent increase over 2008. The United States, through new investments and capacity, particularly in the Southeastern U.S., has closed the gap to what has historically been a Canadian-dominated export market.

The forests located in the southeastern United States are the leading sources of fiber for wood pellets production in the U.S. There are 10 mills with a production capacity of 2.7 million tons now in operation in the southeast, and 5 mills with a capacity of 1.5 million tons under construction. In addition, there are 6 mills with a 2.1 million ton capacity planned.

The long-term market potential for wood pellets in Europe has been projected to reach up to 130 million metric tons of consumption, of which roughly 30% would be sourced and shipped from international origins. The primary drivers for the push behind wood pellets have been Carbon Credit considerations in the European Union and Investment Tax Credits. JAXPORT is well positioned to participate in this market, although facility investments should come from the private sector manufacturer/producer. The existing dry bulk facilities at Dames Point represent potential locations for such an operation.

Grain

The ability to export grain as a backhaul for empty containers is becoming an increasingly growing market, particularly for ports with established Asian services. The grain, especially soybeans, moves by hopper cars to the Port of export, where it is transloaded into empty marine containers for export to Asia. These transload operations require minimal capital investment, and provide a revenue generating repositioning of empty marine containers, as well as revenue to the Port and terminal operator. Rail is a key factor in accessing this market, and the completion of the Dames Point ICTF, as well as the successful selection and completion of a new rail corridor to serve the JAXPORT terminals will enhance the Port's competitive reach for this cargo.

Other bulk commodities

JAXPORT has historically handled a variety of bulk cargoes, primarily focused on serving the construction industry. This market has been impacted negatively by the downturn in construction activity that accompanied the economic recession. However, the eventual housing recovery and new highway projects planned by Florida DOT, suggest a return of bulk aggregate imports. The Florida Department of Economic Opportunity identifies construction activity as the fastest growing sector in the Florida economy in terms of jobs, with building construction identified as the fastest growing industry, with a projected 5.5% annual growth. Heavy and civil engineering construction is the second fastest growing industry, with a projected annual growth rate of 4.2%. Therefore, in the near term, JAXPORT should maintain a dedicated area for the receipt of bulk aggregates. The near term, as well as the long term plans developed as part of the overall facilities development for JAXPORT, has dry bulk terminal operations preserved at Dames Point.

2.1.4. Develop Plans To Engage Tier 1 And Tier 2, Retailers Regarding The Development of North Florida Regional Logistics Infrastructure That Creates Synergies With JAXPORT

The development and location of import distribution centers within proximity to a deep water port provides a key catalyst for increased steamship service. This is particularly the case for ports that will be able to accommodate the larger sized container vessels that will be deployed on the Asian all-water services after the opening of the enlarged Panama Canal in 2015, or that have deepening projects under way to provide deep water channels and berths to accommodate first inbound port of calls. As noted in the body of this report, major development of distribution centers for the Tier 1 retailers (i.e. Wal*Mart, Target, Home Depot, etc.) has been undertaken over the past 5 years. The location of these distribution centers in areas such as Savannah, Norfolk, Houston and New York/Northeastern Pennsylvania have driven the growth in Asian all water imports at these ports, and the resulting economic impacts associated with such development and port activity. However, the distribution center development associated with the Tier 2 retailers (based on sales) appears to be a growing market. These retailers, such as Family Dollar, Rooms to Go, Nordstrom, etc., present an opportunity to attract distribution center activity to the Northeastern Florida/Jacksonville region. Current rental rates for distribution space as published by CBRE MarketView reports, indicates that rental rates for distribution center space in Jacksonville are nearly identical (if not slightly lower) to those in Savannah, and about 40% lower than rates in other metropolitan regions of Florida.

This suggests that a 3-pronged strategy should be developed by JAXPORT to:

- Target the distribution center developers/beneficial cargo owners associated with, both Tier 1 and Tier 2 retailers. Market areas with multiple Class I rail access that are located near Port property for the potential development of logistics centers.
- Directly market to the ocean carriers and the beneficial cargo owners (BCO's) as to the advantages of JAXPORT to serve not only the Northeastern region of Florida, but also the entire State, as well as portions of the Southeastern U.S.
- Focus efforts to achieve a deep water, 47 ft. channel to accommodate the growing size of container vessels in the Asian all-water service in order to entice a first in-bound port of call to serve the distribution centers.

2.2. Develop Plans To Use LNG As A Bunker Fuel in the Puerto Rico Market, And Other Caribbean Destinations

The International Maritime Organization (IMO) has adopted measures to reduce air pollution from vessel operations, including a 3.5% global cap on sulphur emissions beginning in 2012, and by January, 2020, the IMO has adopted a global sulphur limit of 0.5% in bunkers. In addition, the areas designated as Emission Control Areas (ECA) under the MARPOL Annex VI, will require that the sulphur content of bunkers be reduced to 0.1% by 2015. The ECAs adopted by the United States and Canada include a 200 mile area within the U.S. and Canadian coast lines. This area will extend to the U.S. Caribbean Sea by 2014. Therefore, all feeder operations between the U.S. mainland and Caribbean feeder ports will be subject to the ECA regulation of 0.1% sulphur content.

As noted previously in this report, LNG is the preferred fuel of the future to comply with these low sulphur regulations. The Port of Jacksonville In addition, ports in Florida that are engaged in the Caribbean trade as well as the Port of Tacoma those in the Pacific Northwest of the U.S. are actively investigating the development of LNG bunkering facilities to accommodate Caribbean trade and Coastal trade with Alaska (all trades covered by the U.S. ECA's).

Because of its leadership role in the Puerto Rican trade, it is essential that JAXPORT continue to investigate how to provide environmentally sound methods of providing bunkers to the ocean carriers home ported at Jacksonville and serving the Caribbean and Central American trade. It is recommended that the private sector be involved in the development of a LNG storage and bunkering facility.

2.3 Develop Plans That Minimize Deep Water Activities And Deep Water Capital Spending At The Talleyrand Marine Terminal

As noted in the body of this report, Talleyrand Marine Terminal is characterized by a high siltation rate compared to the Port's other marine terminals. This results in a relatively high maintenance dredging cost incurred by the Port in order to maintain the required water depth to accommodate vessels requiring deeper water. Vessels deployed in the Island trades tend to be shallower draft vessels, and require less water depth at berth than is the case for vessels operating in other trade lanes. Therefore, this terminal should be targeted for carriers serving the Caribbean/Central American markets, or those operating RoRo vessels with a maximum draft of 38 ft. Carriers not in these markets and requiring deeper water should be moved to other JAXPORT terminals where siltation rates are lower, and maintenance dredging costs are less than at Talleyrand. This action not only reduces the operating costs at JAXPORT, but further minimizes the utilization of dredged material sites for future channel maintenance.

2.4. Develop Plans That Will Create Additional Capacity To Support The Acquisition And Implementation Of New Business Opportunities

2.4.1. Immediately Enter Into Negotiations With Crowley Maritime That Will Result In The Development Of A 50 Acre Location To Support The Arrival Of Its New Vessels

This will include the acquisition of equipment to accommodate a LoLo container service as well as provide facilities to accommodate RoRo services. This could include the development of a new operational model at Talleyrand, the possible expansion of the current Crowley Maritime private facility footprint to provide facilities for future shallow draft operations, and/or the consolidation of Crowley at another JAXPORT terminal and develop a 50 acre RoRo operation at Talleyrand. The outcome of these near term negotiations will determine future steps for a new operational model at Talleyrand.

2.4.2. Simultaneously Enter into Negotiations With Hamburg Sud That Will Result In The Development Of A New Operation Supported By Intermodal Rail Capability

The new Hamburg Sud vessels delivered in 2012, and additional vessels scheduled for deliveries in 2013 and 2014, will require deeper water, as the design draft of these vessels is about 45 ft.

To accommodate these larger vessels, and still provide the necessary intermodal rail service needed by Hamburg Sud, this carrier will need to be relocated to a container terminal with a deeper channel, and a naturally deeper berth to minimize the additional maintenance dredging that is now required at Talleyrand. Two terminals could accommodate the Hamburg Sud operation - the MOL/TraPac Terminal on Dames Point and the APM Terminal on Blount Island.

2.4.3. Enter Into Negotiations With Carnival Cruise Lines And Any Other Interested Cruise Operators To Pursue A 5 Year Contractual Commitment That Demonstrates A Longer Term Desire To Remain In The Jacksonville Cruise Market

The air draft limitations of the Dames Point Bridge combined with the cascading of the larger cruise ships to the smaller cruise markets such as Jacksonville has a serious impact on the future utilization of the Jacksonville Cruise Terminal. The expected time line for the replacement of the current cruise vessel that calls JAXPORT is about 5 years. After this time, it is likely that a larger vessel class will replace the current class of cruise vessels calling JAXPORT's cruise terminal at Dames Point. As this replacement occurs, the vessels will no longer be able to "fit" under the Dames Point Bridge and will require the development of a new cruise terminal. This development could potentially result in the need to move cargo tenants, and would require a significant capital investment. Without a long term commitment by the cruise industry to remain in Jacksonville and share in the development of a new terminal, JAXPORT's longer term participation in the cruise market is uncertain.

2.4.4 Develop And Implement Plans To Increase Throughput, Improve Utilization And Optimize Land Use In The Blount Island Auto Facilities

JAXPORT is one of the leading auto export/import ports in the United States, and the ability to grow this business will depend on the ability to pursue multiple initiatives that can produce incremental space. Not only is it important to investigate alternative methods to increase capacity by leasing adjacent land to the Blount Island operations, development of an auto operation to coexist with the Dames Point Cruise Terminal in the near term, or consider vertical storage, it is also important to work with the auto manufacturers, auto processors located at JAXPORT, the auto truck haulers and rail carriers, as well as the ocean carriers to improve the logistics supply chain of the auto import and export operations. The key focus is to reduce the dwell time of the autos on terminal, in order to increase the annual throughput capacity of the current terminal footprints. Longer term, densification of the BIMT auto/RoRo operations is a strategic focus.

2.5. Immediate Implementation Of The Plans to Remedy the Mile Point Navigational Issues

The Mile Point navigational issues have limited the ability of the MOL/TraPac Terminal to operate efficiently. Restrictions in vessel draft as well as windows of operation time have been key

obstacles for increased throughput at the Terminal, in turn impacting the financial situation of both JAXPORT and the MOL/TraPac Terminal. It is critical that the Port establish a deadline for the start date of the Mile Point “fix”, as well as a deadline for the completion of the project.

2.6. Immediate Implementation Of The Existing ICTF Plan

The Mile Point navigational issues and the lack of an intermodal container transfer facility (ICTF) are two factors noted above that have limited the utilization of the MOL/TraPac Terminal, and further, limited the financial performance of the terminal to both JAXPORT and MOL/TraPac. Therefore, it is critical that the plan for the development of the ICTF on Dames Point be implemented immediately, as this will open access of the MOL/TraPac Terminal to serve the Southeastern U.S. and potentially Midwestern U.S. markets. Not only is the actual ICTF facility critical in providing intermodal service via the MOL/TraPac Terminal, it will be essential that CSX provides highly competitive rates and service via this ICTF. In addition, the successful implementation of activities at the ICTF will require a more direct rail connection to the CSX mainline than what currently exists. JAXPORT should participate actively in the planning and development of the North Jacksonville Rail Corridor which is currently being studied by the North Florida Transportation Planning Organization.

2.7. Ensure Complete Integration Of Near Term And Longer Term Capital Spending

The purpose of pursuing a near term and longer term strategy is to ensure that current capital spending and facilities development are not in conflict with the longer term strategy of deep water. For example, current wharf and dock rehabilitation activity at Blount Island should be made to accommodate a 47 ft. channel, and to further support super post Panamax cranes that will be necessary to serve the larger sized container vessels that will be deployed in the near future. The ability to load and discharge these large vessels efficiently while in port is critical in order to maximize the economies of the ship operators. The cost savings associated with the larger ships occur while the vessels are under way, not at port. Thus it is important to minimize time at port with efficient crane operations, terminal operations and gate operations. When designing current gate operations, the potential need for a single gate complex at Blount Island is important, as is the implementation of a state of the art communications and security system to monitor all terminal operations at JAXPORT facilities. Such terminal operating/communications systems are critical to not only JAXPORT in its monitoring role and for security purposes, but also to the terminal operators in providing efficient terminal, gate and retrieval operations. Therefore, when pursuing an operating system in the short term, the longer term needs of the terminals and future operations must not be ignored.

Furthermore, the short term development of intermodal rail service onto the various terminals at JAXPORT must be compatible with the longer term terminal configurations at Blount Island Marine Terminal that could support deep water container terminal operations.

2.8. Develop Plans To Improve Throughput Utilization At The MOL/TraPac Facility At Dames Point

The MOL/TraPac facility has been underutilized due to several factors, most notably the channel depth restriction resulting from the Mile Point navigational issue, the lack of a near-by intermodal facility, and the 40 ft. channel. The Mile Point navigational issue is currently being addressed, the Port is pursuing a deep water channel, and the Dames Point Intermodal Container Transfer Facility (ICTF) is under development. With these channel and infrastructure improvements underway, JAXPORT and MOL/TraPac should aggressively engage in a targeted marketing campaign, emphasizing the proximity of JAXPORT to the key Southeastern beneficial cargo owners (BCO's), the ability to serve not only the Northeastern Florida region, but also the growing Central Florida consumer market, and the competitive advantage of attracting and serving a growing distribution center base in the First Coast Region. The increased utilization of the MOL/TraPac Terminal is necessary not only for the longer term financial success for MOL/TraPac, but also for the financial performance of the terminal to JAXPORT, and the resulting increased economic impacts to the City of Jacksonville and Northeastern Florida.

In addition to the joint marketing of the terminal to carriers, BCO's, CSX, and distribution center developers, it is important that JAXPORT and MOL/TraPac explore alternative business models to operate the terminal that could improve the overall financial performance of both JAXPORT and MOL/TraPac.

2.9. Develop, Model And Implement Environmentally Compliant Plans To Support The Near And Long Term Management Of Dredging Material Within The JAXPORT Harbor

As described in the immediate action steps, it is important that the realignment with carriers and terminals be consistent with minimizing maintenance dredging requirements and hence dredged materials management sites. Furthermore, the longer term development of new terminals to accommodate future market needs should maximize the use of dredged materials placement for needed fill. This beneficial re-use of the dredged materials for new terminal development accomplishes two goals: maximizing dredged materials placement site capacity and providing fill necessary for new terminal development to accommodate future market growth. As JAXPORT moves towards the 47 ft. channel, it is critical that the Port continually evaluates the deepening costs and plans developed and followed by the U.S. Army Corps of Engineers. Constant monitoring of both the environmental costs, as well as the actual dredging and construction costs by JAXPORT is necessary in order to minimize both construction and environmental costs and perhaps find more efficient methods for disposal.

Based on historic dredging volumes and remaining capacity at the existing Dredge Material Management Areas, it will be necessary during the planning horizon to evaluate the options of providing landside access to Bartram Island to allow for rejuvenation of the existing disposal cells or to create new Upland Dredge Material Disposal Areas elsewhere.

2.10. Finalize A Mayport Plan That Creates Economic Value While Supporting The Needs Of The Local Constituents

The Mayport property owned by JAXPORT should be developed in a manner consistent with the community's best interests, and to furthermore maximize the overall value of the property to JAXPORT. This does not include the development of a cruise terminal.

2.11. Develop A Prioritized List Of All Current Property Opportunities And The Potential Use Of The Land

A review of current and planned capacity at existing JAXPORT terminals and future market demands, suggests that land availability will become a binding constraint for future Port development and growth. In order to prepare for future terminal development to accommodate the projected market growth, it is essential that the Port develop an inventory of existing waterfront land that could be used for future terminal development consistent with the channel depth requirements and landside infrastructure needed to support market demand. Equally important as channel depth and current and future landside infrastructure, this inventory of properties must also include land side infrastructure and the identification of potential environmental constraints associated with each available parcel. Understanding availability, potential use and potential constraints of each land parcel in the near term in the context of long term market demands, will enable JAXPORT to efficiently pursue a land acquisition strategy that will minimize costs and provide optimal future terminal development potential.

3. LONG TERM STRATEGIC ACTIONS

The longer term action steps recommended for JAXPORT are described in this section. These steps focus on the successful completion of the 47 ft. channel, and guide the near term decisions of the Port.

3.1. Continue All Actions That Support The Successful Implementation Of The 47 Ft. Channel Deepening Initiative

This strategic action consists of a multiple-pronged strategy undertaken simultaneously, that includes continual interaction at the Congressional level, as well as with the U.S. Army Corps of Engineers. This includes the real time monitoring and review of the comment and approval process of the deepening project. JAXPORT should be educating the local City Council, and regional and state representatives of the benefits of moving forward on the deepening project, and emphasizing the opportunity costs to the City of Jacksonville, Northeastern Florida, as well as to the State should the deepening initiative not be undertaken.

Furthermore, this effort must be transparent and discussed openly; including the risks and rewards associated with the initiative. The deepening of the channel to 47 ft. will not result in a windfall of cargo and resulting economic impacts to the City and region on its own. Aggressive marketing by the Port, ocean carriers, terminal operators and railroads, as described above, will be required to 1) attract ocean carriers providing a first inbound/last outbound port call; 2) attract the interest of BCO's in using JAXPORT; 3) attract Tier 1 and Tier 2 distribution center operators into the First Coast Region; and 4)

attract new manufacturing into the region by capitalizing on the ability to locate in the proximity of a Port offering first inbound services as well as last outbound services. The ability to capitalize on the 47 ft. channel must be driven by local, regional and Federal cooperation, based on rigorous logistics analysis and factual and transparent discussions with all stakeholder groups involved.

3.2. Develop An Economic Model For An Alternative Cruise Vessel Operation That Includes Development Costs, Cruise And Tenant Relocation Costs And the Long Term Return On Investment (ROI)

As noted, the current Dames Point Cruise Terminal cannot serve the industry in the longer term. The restrictive air draft of the Dames Point Bridge will eliminate the deployment of the larger cruise ships into JAXPORT, and thus a new cruise terminal site will be required, as will the construction of a new cruise terminal. This relocation and new terminal construction may also conflict with future cargo terminal development plans, and as a result, JAXPORT must evaluate the financial return of the development of a new cruise terminal that will avoid conflict with cargo operations. This will include a realistic assessment of the future cruise market for Jacksonville, as well as the longer financial and service commitment by a cruise operator in order to justify the capital expenditures for new cruise terminal development.

3.3 Continue Funding And Completing Berth Improvements At Blount Island And Talleyrand Marine Terminal That Are Consistent With The Longer Term Planning Scenario

Near term wharf and dock capital projects are now underway at the Blount Island Container Terminal. It is critical that these investments be consistent with a 47 ft. channel depth, and eventual development of two container terminals on Blount Island. This will include sufficient floor strength to accommodate 100 gauge crane rails, as well as dock walls to accommodate a 47 ft. berth and channel. The longer term development of a single gate complex, as well as an integrated communications and terminal operating system for all terminals owned by JAXPORT, must also be considered during these current rehabilitation programs. Furthermore, the future development of an ICTF on Blount Island to service two state of the art container terminals must be incorporated in current capital development and rehabilitation projects.

3.4. Upon Authorization For The Channel Dredging To 47 Ft., The Port Needs To Market Its Position To Leading Terminal Operators, Ocean Carriers And Private Sector Investors

Upon the authorization for the channel dredging project, JAXPORT should aggressively pursue the development of long term concession with maritime entities including ocean carriers, terminal operators and financial institutions that are interested in developing one, or both, terminal assets on Blount Island. It is to be emphasized that the development of two state of the art container terminals on Blount Island (rather than Dames Point) will mitigate the potential Dames Point Bridge air draft limitations imposed on the next generation of container ships. Such concessions could include the tenant developing the terminal with private sector financing, in return for a lower lease payment to JAXPORT;

and/or an upfront lump sum payment to the Port for a long term (50 years) operating agreement and development rights of the terminal. These types of concessions provide the terminal operator with a high incentive to maximize the terminal utilization in order to minimize costs per unit of throughput, and at the same time provide capital to the Port Authority to be used on other port development projects, including channel deepening and tenant relocations.

With the development of two state of the art container terminals on Blount Island, an intermodal rail facility will also be required (on Blount Island) to provide on-dock rail service to the container terminals.

Should the two container terminals be developed on Blount Island, current tenants of Blount Island will require relocation. For example, shallow draft LoLo operations will need to be relocated. As demonstrated in the analysis presented in this report, the relocation and development of a shallow draft LoLo operation in the long term is an expensive development.

The ability to secure a public/private partnership or concession agreements for new container terminals on Blount Island is very important for the long term development of JAXPORT. Because of the cost involved in the development of state of the art container terminals at Blount Island, and the resulting need to move existing tenants, the Port will need to use a portion of the concession revenue to aid in the tenant relocations. The cost of the relocation of the existing tenants could also be shifted to the concessionaire as part of the long term 50 year concession deal. Regardless of the actual financial arrangements, a public/private partnership or concession would become necessary in order to fund the relocation of existing tenants.

4. SUMMARY

The long term strategic plan and action steps developed are intended to provide a map to guide the future of JAXPORT and position the Port to become a leading gateway for international trade moving to and from Florida and the Southeastern United States. This plan is based on the key location of JAXPORT with respect to population centers, rail and highway infrastructure and the St. John's River. The short term strategic action items are designed to maximize the utilization and financial position of the Port's marine terminals under current navigational constraints, but to ultimately grow the Port's business by pursuing a deep water channel that will provide JAXPORT with the ability compete for the next generation of container vessels.

As demonstrated, the Port's current assets, especially the container assets are currently underutilized. Therefore, the key driver of the plan is to optimally utilize the Port's existing assets, prior to investing in new facilities. Should new facilities investment be required in the short term, the long term plan guides the investment decisions so as to not conflict with the longer term facility development goals.

The short term facility action calls for the relocation of the deep draft LoLo operator at TMT to either to the MOL/TraPac Terminal at Dames Point or to the Blount Island Container Terminal, both

currently underutilized assets. This would save JAXPORT about \$900,000 annually in maintenance dredging costs. The movement of the deep draft LoLo carrier from TMT would also provide space for a RoRo operation or another shallow draft LoLo operator at TMT to ease the near term capacity issues with the auto/RoRo operations. To provide near term acreage for expanded auto operations, an auto/RoRo operation could be developed along with the current cruise terminal operations at Dames Point, and both operations could share the existing berth over the near term. This a short term action, since in the longer term, the cruise terminal cannot serve the larger cruise vessels due to the air draft restrictions of the Dames Point Bridge. These near term actions allow JAXPORT to continue to diversify its business and grow its existing cargo base, while not impacting the future long term plans based on completion of the 47 ft. channel, and optimizing its current asset base.

In the longer term, additional container capacity can be developed by densifying the Blount Island Container Terminal and the MOL/TraPac operation at Dames Point, prior to investing in new container capacity, and the need to relocate current tenants. If the Port continues to develop along the high container throughput projections, then ultimately new facilities will be required. However, in the near to medium term, optimal utilization of the JAXPORT marine terminals is the goal, thus minimizing the impact on local and regional financial resources. Furthermore, in the event future container terminal development is required, the recommendation is that such development be financed through public/private partnerships, or long term concession agreements, removing the financing burden of these market driven projects from the public sector.

The intention of both the short and long term strategic action steps is to provide the facilities capacity and infrastructure necessary to maximize the Port's economic contribution to Jacksonville, Northeast Florida and the State of Florida, and to provide a business model for the Port to sustain future growth and required infrastructure investments, while minimizing the financial impact on the public sector.