



Minutes for 2020-2025 Strategic Plan DRAFT for Board Input & Discussion

11/05/2020 | 09:00 AM - 12:48 PM - Eastern Time (US and Canada)

JAXPORT Cruise Terminal, 9810 August Drive, Jacksonville, FL 22226

Board Members Attending:

Mr. Jamie Shelton, Chairman
Ms. Wendy Hamilton, Vice Chair
Mr. Palmer Clarkson, Treasurer – via GoTo
Mr. Daniel Bean, Secretary
Mr. Ed Fleming, Member – via GoTo
Dr. John Allen Newman, Member

Other Attendees:

Mr. Eric Green, Chief Executive Officer
Mr. Fred Wong, Chief Operating Officer
Ms. Beth McCague, Chief Financial Officer
Ms. Linda Williams, Chief, Adm. & Corporate Performance
Mr. Robert Peek, Director & GM, Business Development
Mr. James Bennett, Sr. Director, Engineering & Construction
Mr. Nick Primrose, Chief, Regulatory Compliance
Dr. John Martin, Martin & Associates
Ms. Rebecca Dicks, Board Liaison

2020-2025 Strategic Plan Draft for Board Input & Discussion

Mr. Eric Green welcomed everyone to the workshop. He advised the Board that the plan for this workshop was to analyze the port's past performance against its strategic master plan and to discuss and get the Board's input on updating the plan for 2020-2025. He made it clear to the Board members that there would be no voting or major decisions required from them at this workshop. He advised the Board that they would be hearing from the port's industry consultant, Dr. John Martin of Martin & Associates along with other members of the management team. Mr. Green noted the management team has defined ten strategic goals. Information on each of the strategies is presented in the workshop documents; however, due to time constraints, he asked the Board members to focus on four of the strategies at this workshop.

Mr. Green then introduced Mr. Nick Primrose, who reminded the Board members that they would not be voting or making major decisions at this workshop. He stated that the workshop is a publicly noticed

meeting and advised all the Board members to act in accordance as they do with regularly scheduled board meetings and to feel free to give recommendations.

Ms. Beth McCague presented background and gave an introduction of the port's planning process and aspirations along with an overview of strategies. She stated that the discussion will focus on four strategies – (1) expanding the port's container business, (2) expanding vehicle capacity and volume, (3) acquiring land near JAXPORT terminals, and (4) build/expand the port's breakbulk business segment.

Dr. John Martin informed the Board that there has been nearly a 1 million ton increase in containerized cargo since 2013. He stated that JAXPORT's gross revenue and operating income has grown since 2013. Much of this is due to growth in Asian containerized cargo at JAXPORT. Dr. Martin stated that containerized cargo is the key growth market at JAXPORT. JAXPORT is the fourth largest port on the South Atlantic coast in total international and domestic TEUs and ranked first with respect to Florida ports in 2019.

Dr. Martin stated that as to container market opportunities, a 550,000 TEU import potential has been identified for JAXPORT, and with exports and empties, the potential exceeds 1 million TEUs.

Dr. Martin discussed possible targeted container markets ready for diversification. As the share of trade with South America and the Caribbean is shrinking, along with minimal trade with Europe and Mexico, a targeted container market for diversification to consider is surface transportation between Mexico and Florida. Trucks carry 97% of the value of surface imports from Mexico. Four commodity groups account for 78% of the value of Mexican imports trucked into Florida – machinery/electrical, stone/glass, transportation, and vegetable products. Florida ports offer a logistics advantage over trucks. Use of Florida ports provides an average 3-day savings in transit time and total logistics cost savings over a truck routing from Mexico ranging from \$1200-\$1900 per container for the South Florida market and \$500-\$1200 per container for the Orlando and Lakeland markets.

Another possible container market ready for diversification is perishables for Florida consumption. A market exists for products such as asparagus, grapes and avocados from Central America, South America and the West Coast. These items are currently being trucked from Delaware River to Florida for consumption.

Mr. Robert Peek discussed Strategy 1: expanding container business by attracting new ocean carriers, expanding existing trade lanes, and developing new direct service in new trade lanes. He also discussed attracting new shippers/BCO's, pursuing new commodities, including refrigerated/frozen

cargoes, attracting Distribution, E-Commerce and Fulfillment Centers, and working closely with Florida Inland Logistics Centers and Economic Development Offices.

Ms. Beth McCague discussed container projections for the period 2021-2045 and then turned the meeting back over to John Martin.

Dr. Martin discussed the strategic problem that JAXPORT faces is near and long-term revenue growth potential under a current Dames Point contract. It is important that JAXPORT focuses on the highest and best use of this property.

Chairman Shelton called for a break at 10:25 AM.

Chairman Shelton resumed the workshop at 10:35 AM and Ms. Beth McCague reviewed the expected revenue from the Dames Point property 2021-2038. Chairman Shelton noted a solution should meet three criteria: 1. We are bullish on the future of the area, 2. The Operations Team can create the logistics for success and 3. The numbers must work.

Dr. Martin then presented information on JAXPORT's Strategy 2: expanding vehicle capacity and volume. He stated that the auto market has shown slight growth in 2019, but the export market remains stagnant. Japan is the key auto trading partner with JAXPORT. It has been growing since 2016 along with European imports. Mexico is also growing source of auto imports for JAXPORT. Dr. Martin stated that JAXPORT is 2nd to Baltimore in auto imports at East Coast ports. Implications to grow JAXPORT's auto market should include leveraging proximity to Mexico, identifying and attracting a new auto processor/OEM to JAXPORT, and growing high and heavy export operations focusing on the Americas, Middle East/IMED and Africa, but land and berth constraints are an issue. JAXPORT should also compete with Brunswick for new processors/OEMs.

Ms. McCague agreed and stated that JAXPORT is constrained. If it wants more auto imports/exports, JAXPORT definitely needs more land.

Strategy 3 is to grow by acquiring additional land. 300-400 acres is required to accommodate new processors/OEMs.

Mr. Green discussed JEA's request for Qualifications that was issued on November 3, 2020. The RFQ offers 1100 acres of developable land off Hecksher Drive across from JAXPORT's Blount Island Terminal. A copy of the RFQ was provided to Board members.

Mr. Green then described a 284-acre parcel located off Hecksher Drive across from the Dames Point Terminal.

Strategy 4 is to build and expand the breakbulk business. Paper and pulp dominate JAXPORT breakbulk market and have shown consistent growth since 2015. Mr. Peek stated the three keys to growing the breakbulk business are to cultivate continued strong interest from forest product producers to use JAXPORT, explore additional breakbulk commodities (e.g. aluminum, steel) and accommodate breakbulk storage space requirements.

Mr. Green stated potential risks to successful execution of strategies include the prolonged pandemic which undermines economic recovery, failure to improve the Dames Point contract, the inability to create new container, auto and DMMA capacity, collective loss of the senior team and the failure or exit of a major tenant.

A Board member asked about the Cruise segment strategy. Mr. Wong spoke to the issues faced by the cruise industry as a result of COVID and requirements from the CDC before cruise can begin sailings. He noted the CDC requirements are onerous, but the industry is anxious to comply and return to sailing. Carnival has not provided JAXPORT with sailing dates for 2021, but the homeported Ecstasy remains in the Carnival fleet.

Board Member Daniel Bean stated there should be emphasis on the Port's successes in our Stakeholder engagement strategy.

Board Member Ed Fleming stated he would like to see a timetable for the port's short and long-term goals along with action plans for the strategies. He had specific interest in plans to create additional DMMA capacity.

Board Member Palmer Clarkson stated he believes the JEA property is important and the port should move sooner rather than later in an effort to secure the property.

Mr. Green thanked the Board members for their input to the plan. He stated he would take into consideration all the Board's input and give quarterly updates to them.

Chairman Shelton then thanked all participants for their attendance. The workshop adjourned at 12:48 PM.