# V. INSIGHTS INTO FLORIDA'S COMPETITORS AND THEIR DEVELOPMENT STRATEGIES

Who are Florida's main competitors and what are they doing to capture a bigger share of international trade? The full list of identified competitors, shown in Table 10, includes almost a dozen ports in other states such as Georgia, South Carolina, Alabama, Mississippi, Louisiana, and Texas as well as global distribution ports in the Bahamas, Panama, Puerto Rico, Jamaica, and the Dominican Republic. Florida's Atlantic and Gulf ports compete in somewhat different arenas, based on geography, trade patterns, and types of cargo handled. Most agree, however, that their top competitors include the five domestic ports -- Savannah, Charleston, Mobile, Gulfport, and the future Millennium port in Louisiana -- and several global distribution ports -- Freeport in the Bahamas, the Panamanian ports, and Caucedo in the Dominican Republic -- listed previously in Table 1. With respect to the global distribution ports, however, some of Florida's ports see partnering opportunities rather than all-out competition.

**Table 10: Identified Competitors with Florida Seaports**

| | |
|---|---|
| **United States Ports** | |
| Charleston | Mobile |
| Savannah | New Orleans |
| Brunswick | Houston |
| Wilmington | Norfolk |
| Gulfport | Freeport (Texas) |
| Philadelphia | Puerto Rico |
| **Foreign Ports** | |
| Freeport and Nassau (Bahamas) | Caucedo (Dominican Republic) |
| Kingston (Jamaica) | MIT and others (Panama) |

Each of the competitive ports discussed below is engaged in significant development activities designed to capture a greater share of international as well as domestic trade. In many cases, these activities extend beyond just the physical improvements needed to expand capacity and compete in today's shipping environment; they also reflect strategic policy decisions made at the state or regional level in support of international commerce.

### *Competitive Domestic Ports*

**The Georgia Ports.** Located in Savannah and Brunswick, with inland terminals in Bainbridge and Columbus, Georgia's seaport facilities move both consumer goods and raw materials between land transportation modes (rail and truck) and ocean-going vessels. Automobiles, machinery, grain, petroleum, iron and steel and consumer goods move in and out of Georgia every day via the state's deepwater ports.

**Georgia Ports Authority (Savannah and Brunswick):**

Savannah

- Large distribution centers for major retail chains within 3 to 4 miles of the port.
- New intermodal container transfer facility.
- "Strategic partnerships with state and local economic development authorities, business leaders and members of the maritime service community."

Brunswick

- Harbor deepening to -38 feet.
- Three international auto-processors.
- 15 percent increase in autos and machinery units.

Georgia's Port of Savannah tops the list of Florida's seaport competitors; eleven of Florida's fourteen seaports believe it poses a challenge to their cargo operations. The Port of Brunswick, a more specialized port, also is a competitor to Florida's ports in the northeastern and northwestern part of the state.

As reported in the *2001/2002-2005/2006 Five-Year Plan to Accomplish the Mission of Florida's Seaports,* Savannah's top trading partners are quite different from those of Florida's seaports: East Asia and Western Europe rather than Latin America dominate Georgia's trade.[2] Nevertheless, with its new state-of-the-art intermodal container transfer

[2] *Executive Summary, A Five-Year Plan to Accomplish the Mission of Florida's Seaports, 2001/2002-2005/2006,* Florida Seaport Transportation and Economic Development Council, January 2002.

facility (ICTF); an eighth container berth; and the deepening of its channel from -42 to -48 feet, the Port of Savannah is positioned to capture container trade from all markets, including Latin America.

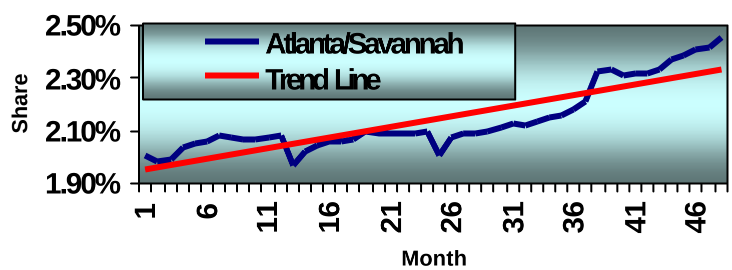
This targeted growth is particularly relevant to Florida's competitive concerns because the Savannah area has "become a haven for retail import distribution centers."[3] A compilation of the nation's importers and exporters confirms that one-third of these trade commercial enterprises are retailers, topped by Wal-Mart and Home Depot.[4] These and others -- Best Buy, Dollar General, Dollar Tree, K-Mart, Lowes, Michaels, Pier 1 Imports, and the Bombay Company -- have built distribution warehouse centers near Savannah, many within three to four miles of the port's doorstep.

According to U.S. port rankings, the Port of Savannah is the eighth largest container port and fastest growing port in the nation for container traffic. Savannah's container-handling activity increased by 20 percent during FY 00/01 and 11.3 percent in FY 01/02. Much of these increases can be attributed to Savannah's growing trade with the Far East, the influx of the above-named retailers, and aggressive governmental policies that encourage new and existing businesses to utilize both Savannah and Brunswick for their waterborne commerce requirements.

The new ICTF provides users overnight rail service to Atlanta and 3-day delivery, or less, to Chicago, Detroit, Dallas/Fort Worth, Memphis, Kansas City, St. Louis, Louisville, Houston, New Orleans, and Mobile as well as to other key destinations throughout the U.S. The stated goal of the Georgia Ports Authority is "to grow cargo volume beyond present levels while providing seamless, expedited rail service to and from key inland destinations."

Exhibit 9 confirms the positive impact of Savannah's competitive activities. The Georgia ports' market share of U.S. trade is much lower than that of Florida, but the rapid upward trend is clear and expected to continue.

**Exhibit 9: Share of Total U.S. Trade ($ U.S.)**
**Georgia (Atlanta/Savannah)**
**January 1999 through December 2002, by Month**
(Source: Greenheart International)




While Savannah is expanding its container trade, the Port of Brunswick, which competes directly with the Port of Jacksonville and the Port of Fernandina among other Florida ports, is experiencing double-digit increases in the handling of all types of vehicles and machinery. Three international auto processors provide services ranging from total refurbishment to mechanical and cosmetic enhancements for import and export vehicles. More than 251,000 automobile and machinery units moved via the Port of Brunswick in FY 01/02, a record year. To further increase opportunities at this port, the outer channel of the Brunswick Harbor is being deepened from - 32 feet to -38 feet and the inner harbor is being deepened from -30 feet to -36 feet.

Besides its new facilities, extensive intermodal network, and numerous retail import distribution centers, Georgia has an additional competitive asset: local business that supports two-way trade. More than 1,700 Georgia companies are reported to currently ship or receive cargo through Georgia's deepwater terminals. Commodities

[3]"Sweet Savannah," Traffic World, July 15, 2002.
[4]Journal of Commerce, April 28-May 4, 2003.

such as wearing apparel, construction and building equipment, rugs and floor coverings, office machines, hardware, linens and granite are imported through the Port of Savannah to the Atlanta region. In turn, poultry, household goods, granite, machinery, and electrical products are exported through the port from the Atlanta region.

The Georgia Port Authority maintains a close relationship and ongoing dialogue with local business and community leaders involved in economic development, international trade, transportation, distribution, technology and other activities around the state. When the opportunity arises to compete for and capture a new business, support can be mobilized at the highest levels of government to facilitate site purchase, permitting, and tax-based and other incentives. This mobilization was evident in a recent effort to secure a Daimler-Chrysler manufacturing plant.

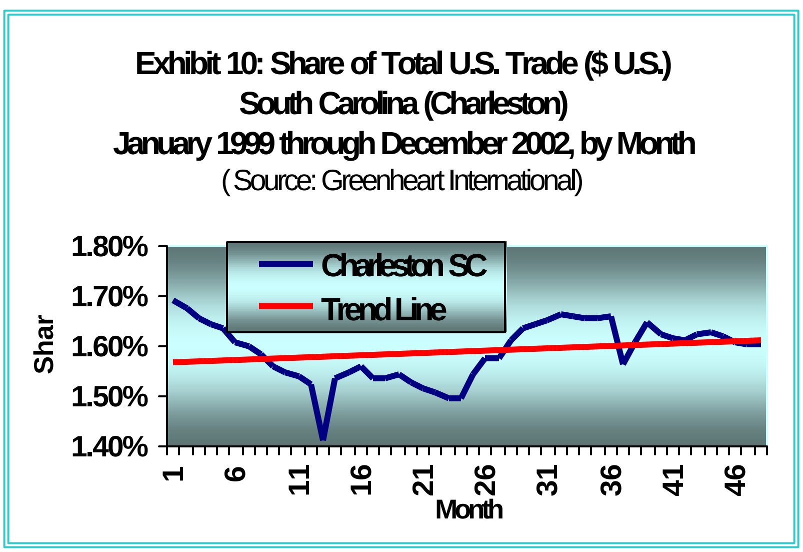
**South Carolina Ports Authority (Port of Charleston):**

- Busiest container port in Southeast.
- Harbor deepening to –45 feet.
- New terminal.
- Support of South Carolina-based manufacturers and businesses.
- Political support in attracting new industry.

**The South Carolina Ports.** The South Carolina Ports Authority operates terminals in Charleston, Georgetown and Port Royal. Florida's ports on both the Atlantic and Gulf coasts ranked the Port of Charleston second as a competitor.

The Port of Charleston is the busiest container port in the Southeast, handling more than 1.5 million TEUs annually. Having overcome citizens' concerns about the impact of a proposed port expansion, the port reached a compromise allowing it to proceed with $300 million in terminal improvements over the next eight years. Among the planned improvements are a harbor-deepening project that will take the port's channel to –45 feet and the development of a new terminal on the Cooper River side of Daniel Island.

Exhibit 10 shows that Charleston has had significant fluctuations in market share. Like Georgia, the overall base is lower than Florida's, but the upward trend is expected to continue.




Like the Georgia ports as well, the Port of Charleston has the support of a regional business alliance and governmental agencies that attract new industry to the state. Just as important, the Ports Authority reports that "...45 percent of the port's tonnage and about a third of its containers are related to South Carolina firms."[5] Seven hundred South Carolina-based companies regularly ship goods through the port and 47 of the state's 50 largest manufacturing employers import or export. Also as in Georgia, when the opportunity arises to compete for and capture a new business, support can be mobilized at the highest levels of government to facilitate site purchase, permitting, and tax-based and other incentives.

[5] South Carolina Ports Fact Sheet, 2001.

**Alabama State Docks.** Florida's Gulf coast ports as well as the Port of Jacksonville and the Port of Fernandina see the Port of Mobile, which handles diverse bulk commodities and general cargo, as a major competitor. The ports in north Florida also see the Port of Mobile as a potential competitor for new-start cruise business. The Port of Mobile is engaging in a $300 million facility modernization and is investing in a container-handling and intermodal distribution terminal. This Choctaw Point facility, expected to be operational by 2005, is located on a 45-foot-deep ship channel and has rail and highway infrastructure in place. It is anticipated that the port will pay special attention to Latin American markets.

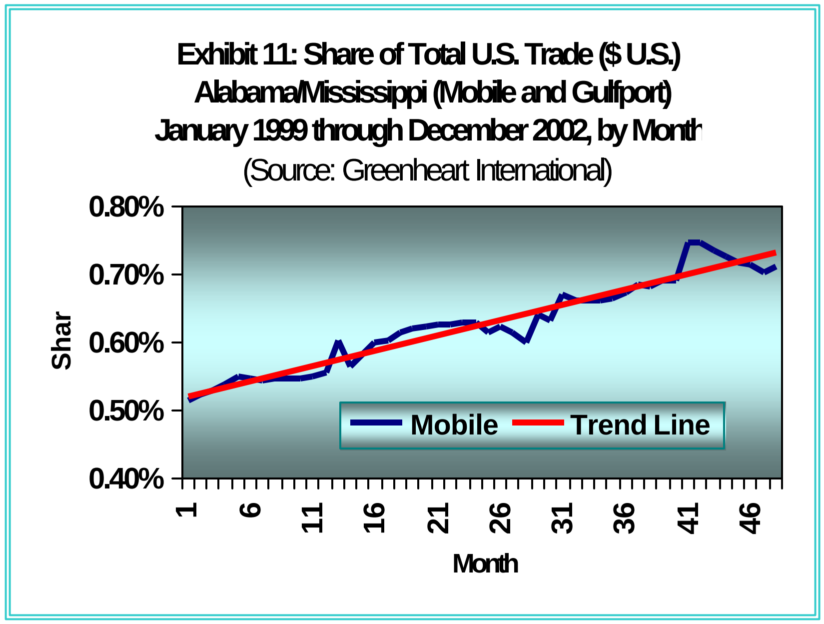



Exhibit 11: Share of Total U.S. Trade ($ U.S.) Alabama/Mississippi (Mobile and Gulfport) January 1999 through December 2002, by Month (Source: Greenheart International)

Among the characteristics this port has in common with other prime competitors to Florida ports: the Alabama Commerce Commission fosters a public-private partnership for joint port development and tax breaks are given to companies that make capital improvements at the State Docks. Alabama was successful in attracting a $600 million Mercedes Benz plant expansion. The State Docks will be the port-of-entry for the equipment to be used in this endeavor.

While starting from a comparatively low overall share of the U.S. market, the State of Alabama is "getting its act together" with respect to capturing Florida's international market share, and more specifically, Latin American trade. Florida is already behind in countering this assault on its primary revenue resource by not having its seaports as an active participant in Florida's strategic economic development planning process. Exhibit 11 shows the 48-month trend line for Alabama; it also includes Mississippi since both states are in the same Customs District.

**Alabama State Docks (Port of Mobile):**

- New container facility with –45 feet of water, road, and rail access.
- Coal, forest products, ores, grain.
- Support of Alabama Commerce Commission for public/private partnership.
- Tax breaks to those who invest in the State Docks.

**Mississippi State Port Authority.** For Florida's Gulf coast ports, the Port of Gulfport represents competition for distinct cargoes: fruit imports from the Caribbean, poultry exports, and forest products. Recently, the port has been competing for automobile imports and is among those that have focused on the opportunities presented by the current legislation allowing the sale of food products to Cuba.

The Port of Gulfport, which has been energetically pursuing cruise operations, is also seen by several ports in the northern part of Florida as competition in that area. It has had several trial cruise initiatives over the past two years and is expected to see more regular operations with the industry's trend towards closer to home, "drive-to" cruising.

The Mississippi Development Authority supports the long-term growth, job creation, and internationalization of the state's economy, viewing its seaports as a critical component of these goals. Financially, the Major Impact Authority issues general obligation bonds to help communities develop large capital projects, whether new or expansions. Eligible projects include industrial or commercial, research and development, warehousing, distribution, transportation, processing, mining, U.S. government, and tourism facilities.

**Mississippi State Port Authority**
**(Port of Gulfport and Port of Pascagoula):**

- Mississippi Development Authority: long-term growth, job creation, and internationalization of state's economy.
- Major Impact Authority: General obligation bonds to help communities develop large capital projects -- new or expansions. Competing for automobiles (Nissan).
- Freight rail service incentives.

**Louisiana.** Louisiana's maritime facilities include the Ports of New Orleans, South Louisiana, Baton Rouge, three parish ports, and the proposed Millennium Port, a large new container port in the planning stages at Pilot Town, at the mouth of the Mississippi River. This Millennium Port is planned to allow southern Louisiana to handle deeper draft vessels and be the preferred port in the Gulf for north-south containerized shipping.

Reports prepared to assess the viability of such a facility calculate that the total cost of delivering a container from Chile to Chicago via the Millennium Port would be 15 percent to 18 percent less than via South Florida. Inland rail savings would account for 12 percent of the difference. To achieve this saving, the facility would have to be tied into an upgraded highway system, the six trunkline railroads serving lower Louisiana, and the Interstate network.

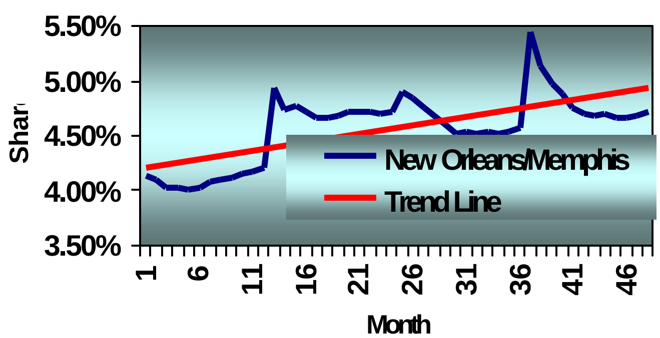
**Louisiana**
**(Port of New Orleans and other Louisiana ports):**

- Louisiana Statewide Transportation Plan: Louisiana Ports Priority Capital Improvement Program, increased from $24.5 million per year to $40 million per year for the next 30 years; additional port marketing fund of $500,000.
- Louisiana Vision 20/20: strategic economic development plan.
- Economic Development Award Program (EDAP) Program: ($5 million available annually through direct state appropriation) for publicly owned infrastructure to assist industrial or business development projects that promote economic development and that require state assistance.
- Industrial Property Tax Exemption: incentive program for capital investment; applies to manufacturers only.

The Millennium Port Authority overseeing the planning of the new facility was created by Louisiana Statute to maximize the state's opportunity to capture a significant share of Gulf of Mexico container commerce. Its purpose is to facilitate the regional planning process and ensure the development of adequate container port facilities and supporting intermodal transportation infrastructure. Authority operations are primarily funded by state appropriations.

The Millennium Port will be 50 miles closer to the Gulf trade lanes than the Port of New Orleans. As such it will be able to target Latin America and Mexico, to compete with Florida's container ports statewide, including the Port of Jacksonville, the Port of Palm Beach, Port Everglades, the Port of Miami, and the Port of Tampa. It will take about 10 to 15 years to fully develop this port; but it is not too early for Florida ports and state interests to do everything they can to strengthen Florida's

**Exhibit 12: Share of Total U.S. Trade ($ U.S.) Louisiana (New Orleans and Memphis TN) January 1999 to December 2002, by Month**
(Source: Greenheart International)



relationships in these markets to counteract the effect of this new competitor.

Louisiana is also envisioning a new international and commercial airport, an access corridor to support outer-continental shelf oil and gas production, new hurricane evacuation routes, and coastal protection and restoration, as proposed by the state's coastal 2050 plan. These projects are part of a total "Louisiana Environment and Economic Resources Concept." Exhibit 12 shows the upward trendline in the Louisiana share of U.S. trade.

**Global Distribution Ports**

**Ports in Panama.** Panama has developed container hubs that may pose a greater threat to some of Florida's shipping activities than those identified among the top domestic competitors. In Panama, the Manzanillo International Terminals (Colon) are moving more than one million TEUs annually, a more than 500 percent increase since 1995. The Panama Canal Railway – a 47.6-mile railroad parallel to the Canal -- provides ocean-to-ocean transshipment service between ports on the Atlantic and Pacific oceans. Also, the expanding capacity of Hutchison ports at both sides of the Canal (Cristobal and Balboa) could create an "equatorial belt" for post-Panamax ships, particularly with the eventual widening of the Canal.

**Freeport, Bahamas**. For years, since its development was first announced, the Freeport container port in the Bahamas has been perceived both as a major threat to Florida's Atlantic coast ports and as an opportunity for new operations. Freeport has one of the deepest natural harbors in the region. It is located just 65 miles off the east coast of Florida, centrally positioned in trade lanes serving major global markets. As part of the Hutchison Port Holdings, Freeport is linked with a chain of container hubs around the globe.

**The Dominican Republic.** The new Port of Caucedo in the Dominican Republic is a collaboration by CSX World Terminals and the Caucedo Development Corporation. A potential Caribbean/South America transshipment hub, the port, with –49 feet of water has a free trade zone and logistics center.

In summary, off-shore competition, particularly in the Caribbean and Latin America, is increasing. This increase is due to the consolidation of shipping alliances and the need for carriers to create "hub" locations for large volumes of commodities so that they can cover transport costs and overhead economically. Freeport, ports in Panama, and other global distribution ports in the Dominican Republic, Jamaica, and Puerto Rico, to name a few, have deep drafts (in excess of -45 feet), on-port container-handling capabilities, and other assets needed to accommodate megaships unable to access Florida ports. Huge sums are being invested in these facilities to increase transshipment capacity. Today these global distribution ports control 12 to 13 percent of existing world traffic; this percentage will grow in the future due to the economic efficiencies generated from their abilities to handle large volumes of containers.

Florida's seaport community has recognized, however, that positive opportunities can be derived from these megahubs, rather than a completely negative outcome. The resultant "feeder"

**Bahamas**
**(Freeport)**

- Currently competes with Canaveral, Miami, Everglades, Manatee, Palm Beach and Pensacola.
- Serves major carriers.
- Through ownership and financial ties, linked to major ports around the globe
- Looming potential threat as a global port/ transshipment hub to bypass Florida.
- 3,400 feet of container berthing space.
- Berth depth – 51 feet
- No U.S. Jones Act restrictions.
- Continues unfettered cargo and cruise Phase IV expansion.

**The Bottom Line**

Huge increases in freight movement are worsening congestion and introducing inefficiencies throughout the nation's transportation system. International freight is growing even faster than domestic, and will double by 2020.

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services could greatly benefit Florida's regional niche ports in breaking down, short shipping, and distributing small numbers of containers to regional and national markets. Several Florida ports have already begun to capitalize on this future growth opportunity by marketing and supporting carriers willing to fill the feeder role. Opportunities to expand short-sea shipping, that is, inland distribution or feeder services, using barges and other vessels as well as new fast-ferry technologies on the state's waterways also exist. These opportunities are being explored both at the national and the state level. For example, in May 2003, FDOT released a *Florida Intracoastal and Inland Waterway Study* that addresses potential initiatives to make better use of Florida's navigable waterways for commerce.[6] Competing state ports are, however, courting the offshore load centers and are attempting to erode Florida's position in the feeder market as well as the market for the larger ships.

[6] Wilbur Smith Associates, CH2MHILL, and others, *Florida Intracoastal and Inland Waterway Study,* prepared for the Florida Department of Transportation Seaport Office, May 2003.