

Achieving Our 2016 Vision of Success in "Interesting Times"¹:

A Message from the Chairmen of the Florida Seaport Transportation and Economic Development Council, the Florida Ports Financing Commission, and the Florida Ports Council

As we framed last year's Seaport Mission Plan,² we posed the question, "Where will Florida be in 2016?" And we provided an answer:

"Every indicator points towards continued international and domestic trade expansion to serve both our state's growing population and our national and international markets. Our seaports' strategic goal now is to sustain the forecasted growth on Florida's trade lanes -- the traditional routes between the state and our neighbors to the south as well as the growing direct routes between the state and the Far East -- by acquiring the capital required to build critical capacity-enhancing infrastructure and intermodal connectivity. Building on our past successes and working with our public and private sector partners, we must take these positive steps towards achieving our 2016 vision of success."

What has the past year brought? Have we advanced along the road to the 2016 vision of success Florida's fourteen public deepwater seaports crafted with our tenants and other maritime industry stakeholders as well as public agency representatives in 2006? Have we earned

2016 Vision of Success

The 2016 vision of success that emerged from the visioning process builds on five key premises that are critical to our statewide seaport system's sustaining its competitive edge in the global marketplace. By 2016:

- Public and private partnerships will have increased investments in seaport growth.
- New freight and passenger transportation corridors will have created seamless intermodal connectivity, improving landside and waterside access.
- Port capacity will have expanded to allow for new business opportunities.
- The values of and synergies among ports, communities, and industries for economic development will have been recognized and supported.
- Regional and statewide cooperation will be enabling the optimization of port assets.

The eight elements that are keys to our seaport success follow this Chairmen's message.

¹In a speech in Cape Town, South Africa, on June 7, 1966, Robert F. Kennedy said, "There is a Chinese curse which says, 'May he live in interesting times.' Like it or not, we live in interesting times." Journalists picked up the phrase and it has become a commonplace expression. The popularity of this "Chinese curse," however, puzzles Chinese scholars, who do not recognize it. Regardless of the origin, if one has a positive outlook, one could interpret "interesting times" not as a curse, but rather as a blessing, an opportunity, and a challenge to keep up with constant change.

² *A Five-Year Plan to Achieve the Mission of Florida's Seaports: 2006/2007-2010/2011, published in March 2007.*

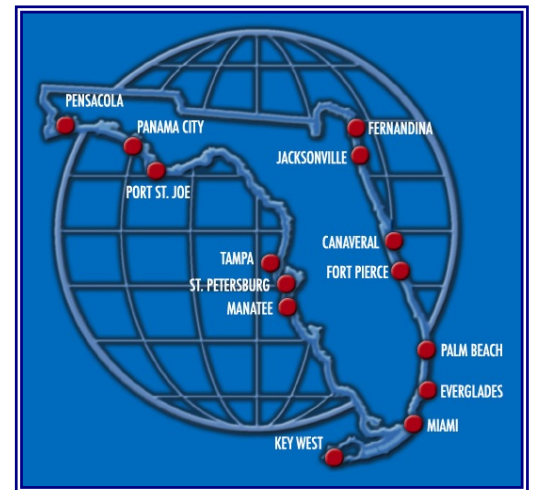
the continued confidence of the elected officials from around the state, business leaders from the cargo and cruise sectors, and other industry stakeholders who supported the initiative in a statewide summit and Maritime Leadership Conference?

Yes, We Are Advancing along the Road to Success

The seaports' record in 2007, while not as striking as in the past two years, was solid. Tonnage declined, the result of a national downturn in the housing and construction industries, but the seaports' container movements and cruise operations held fast. Statewide, the value of international trade increased by 4.7 percent; however, more important than the overall rate of growth, was the increase in the value of Florida's exports, which grew by 12.6 percent. This is consistent with the average rate of export growth nationwide and is a reflection of the weakening U.S. dollar against most of the world currencies. Florida has traditionally had a better import-export balance than the rest of the nation, and current conditions suggest a return to that status. The attached summary of seaport achievements and continuing challenges provides details of the FY 06/07 record.

Building an interconnected transportation system to compete in global markets is essential to Florida's continued economic development.

In a year that augured an even more serious downturn in the housing and construction industries as well as an overall economic decline, the statistical record is not as telling as the proactive measures Florida's seaports are taking to plan for the future in these "interesting times." Seaports large and small -- Port Everglades, the Port of Tampa, Port Manatee, Port Panama City, the Port of Port St. Joe, and



others -- have been updating their master plans to reflect the expected doubling of international trade, the changes the expanded Panama Canal will bring after its completion in 2014, and the growth in Florida's population -- the primary consumers our seaports serve. We understand the lead-time required to permit, fund, and build the infrastructure needed to meet the forecast demand and hope to accelerate the process with our strategic planning initiatives. To achieve this, we are working with our tenants, users, public agencies, and other stakeholders to instill the sense of urgency needed to achieve our vision.

Yes, We Are Earning the Continued Confidence of Elected Officials, Business Leaders, and Other Industry Stakeholders

Several positive events took place in 2007 that point to a new appreciation of the role Florida's seaports play in the state's economic development:

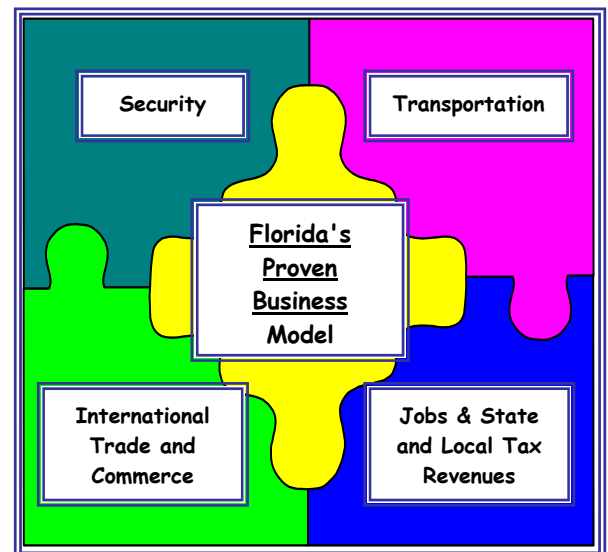
- *First, at the highest levels of state government, seaport activities were recognized as major contributors to Florida's economic well-being. Several Florida Department of Transportation (FDOT) studies confirmed the importance of all fourteen seaports to the state's transportation and economic well-being and identified the actual benefit of the state's investment of matching dollars to build*

seaport infrastructure: every \$1 the state invests in matching grants with the seaports yields \$6.9 to the state's economy.

Besides the annual funding of the Florida Seaport Transportation and Economic Development Council's (FSTED) Chapter 311 (Florida Statutes) Program, the Legislature authorized an additional \$50 million in 2007 to fund strategic seaport projects that would serve as an economic stimulus in regions throughout the state. Missions to Brazil and other countries in Central and South America and the Caribbean Basin helped strengthen the two-way trade ties between Florida and its neighbors to the south.

- *Second, at several major seaports, innovative public/private partnerships are helping build the terminals needed to serve the next generation of cargo and cruise ships and attract new business to Florida.*
- *Third, the public and private sectors are gaining a greater appreciation for the regional synergies that can be created by an integrated approach to the state's multimodal transportation systems. With the collaboration of the seaports' partners on the FSTED Council -- FDOT, the Department of Community Affairs (DCA), and the Governor's Office of Tourism, Trade, and Economic Development (OTTED) -- it is anticipated that a regional program will be initiated statewide to prioritize critical multimodal needs of mutual benefit.*
- *Fourth, a public information program that tells the seaport story to elected officials, government agencies, the print media, and other interests has helped expand the universe of those who "get" what our seaports mean to their individual communities and to the state as a whole.*

Clouding these positive events, however, are the escalating costs of state-mandated security, which continue to impact our ability to fund essential capital improvements. As discussed in the recent study of our seaports' funding capacity, we expect to spend \$216.8 million more in excess operational security costs between FY 07/08 and FY 11/12 than we would have projected spending, using an annual growth rate of 6.5 percent from the base year, FY 00/01.³



Our Statewide Seaport System: Fourteen Ports, All Different, but All Economic Generators with a Common Public Purpose

Florida's fourteen seaports, arrayed along the state's multiple coasts, are quite diverse. This diversity includes our size, governance, operational characteristics, domestic markets served, and geographic trading partners.

Within this diversity, we share a strategic perspective that frames our business models and drives our ability to succeed:

³First Southwest Company, *The Capacity of Florida's Seaports to Fund their Five-Year Capital Programs (FY 07/08 through FY 11/12) and The Cost of Mandated Seaport Security*, February 13, 2008.

- *A common public purpose: service to local and regional communities with benefit to the state and the nation.*
- *Creation of well-paying jobs across all disciplines.*
- *Generation of substantial statewide economic benefits.*
- *The need to be efficient and cost-effective to compete in today's marketplace.*
- *The need for dollars to build competitive infrastructure.*
- *The need to be secure in today's world.*
- *Public understanding as to what a port does and why it is a good thing for a community to have a port.*

Florida's Growth and Our Seaports' Capacity Are Intertwined

Florida's seaports play a significant role in the daily lives of every resident in the state. Just about everything these residents use crosses the docks of our seaports, including automobiles, tile, apparel, fruits and vegetables, paper and wood products, building materials, petroleum, computers, televisions, and industrial machinery. Although Florida is no longer one of the nation's fastest growing states, it is still on track to break the 20 million mark during 2011 and become the third most populous state, surpassing New York.⁴

By 2016, Florida will be home to an additional 2.4 million people. To serve this population, and the increased demand for goods and services, our seaports must develop additional capacity. Florida's traditional international markets also are growing and new markets are opening, creating further capacity demands. Ever-changing technologies dictate longer and stronger berths, more powerful equipment, and new terminals as well as land for development. In addition, the expansion of the Panama Canal, whose completion in 2014 is a mere six years away, will strengthen Florida's connections to the fastest growing global economies, those in China, India, and others in the Far East.

Almost everything Floridians wear, eat, or use in their daily lives flows through our seaports. Goods and services moving through Florida's seaports generate more than \$1.3 billion in state and local revenues.

The following excerpt from an opinion piece by Mr. Paul Anderson, a commissioner on the Federal Maritime Commission, which was recently published in the Sun-Sentinel, helps frame our seaports' 2016 vision of success within the larger global vision of international commerce and explains why the urgent development of new seaport capacity is so important to our state.⁵

⁴ Source: Florida Legislature, Office of Economic and Demographic Research, January 2008. Whereas in the mid-90s, Florida's annual growth ranged between 2.0 and 2.6 percent, it slowed to 1.8 percent in 2007 and may slow further.

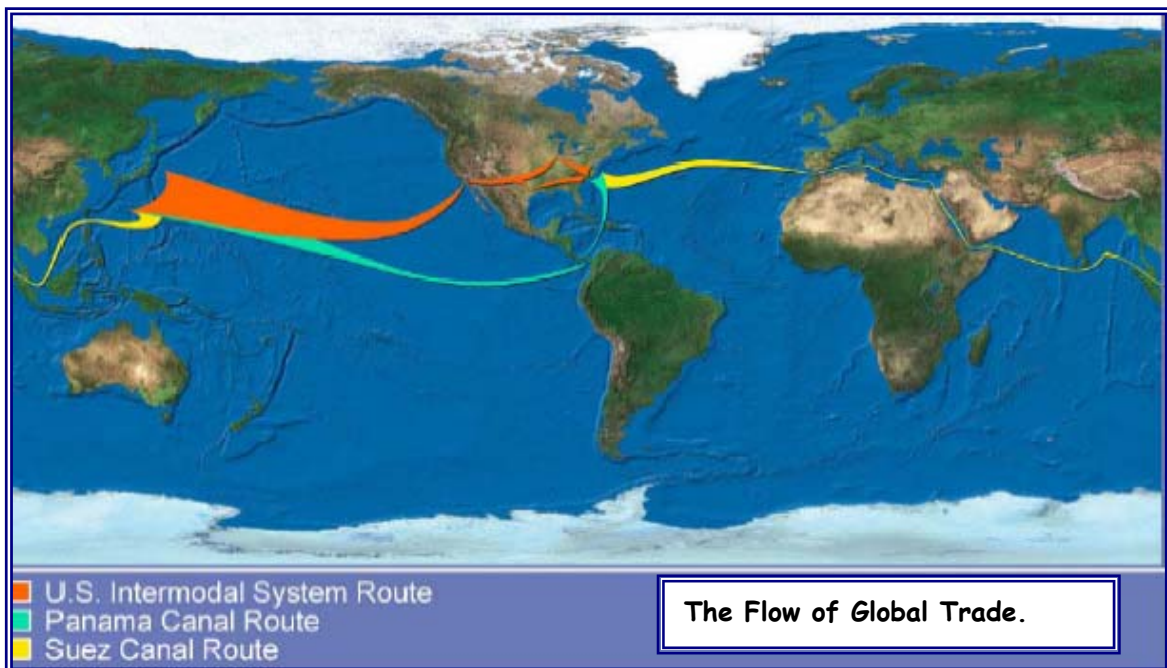
⁵ Sun-Sentinel, March 7, 2008. The author, Mr. Paul Anderson, who is the chairman designate of the Federal Maritime Commission, is intimately familiar with both the global forces that are shaping international commerce and the competitive needs of Florida's seaports. The Federal Maritime Commission is an independent ocean transportation and shipping regulatory agency charged with implementing various components of the Shipping Act of 1984, as amended by the Ocean Shipping Reform Act of 1998.

"... Florida ports are uniquely positioned to take advantage of shifting trade patterns, which will take place because of Panama's ambitious and visionary expansion of the Canal... Therefore, it is crucial for elected officials to recognize the potential opportunities and economic impact the Panama Canal expansion will have on ... Florida, when [the expansion] is completed in 2014. This expansion will allow ships almost three times the current size to transit the Canal. Consequently, for [many of] Florida's ports, it will be crucial to expand ship berths and ensure adequate harbor depth, as these larger ships will be the norm.

"The opportunities for [Florida] include increased volumes of consumer goods arriving directly to [the state], the ability to export American-made merchandise, and the significant creation of well-paying jobs to move those commodities in and out of [the state].

"By the same token, however, ...Florida will suffer the effects of log-jams at its seaports and on its roadways if we don't expand dock space, deepen the waterways, develop marine highways, and build and maintain intermodal connections, to handle our nation's and Florida's increased road and railway traffic".⁶

Florida's seaports, like others on the East and Gulf Coasts, are already seeing a diversion of trade from congested West Coast ports. For example, China is now the Port of Miami's top trading partner and is moving up the charts at Port Everglades. The Port of Jacksonville is implementing the projects needed to serve its agreements with Mitsui O.S.K. Lines and a second Asian carrier to initiate liner service from the Far East. Nevertheless, all-water service from the Far East at competing ports such as the Port of New York/New Jersey, the Port of Virginia, the Port of Charleston, and particularly, the Port of Savannah is growing even faster.



While the Panama Canal expansion will have the greatest impact on Florida's largest seaports -- Miami, Everglades, Jacksonville, and Tampa -- the ripple effect of larger ships plus new routes for smaller feeder

⁶ Underlining added.

ships will spread to all of the state's seaports. The diversity of our seaport system means that each seaport is preparing for the changes to best serve its own existing and future markets.

The Cost of Capacity-Enhancing Infrastructure

Our seaports' collective five-year capital improvement program through FY 11/12 totals an estimated \$2.6 billion in vital improvements to channels, wharves, terminals, container yards, and other components of the logistics chain. The most strategic of these projects, resulting from our seaports' prioritization process, total \$372 million. These are production-ready projects that could be implemented quickly if the seaports were to receive the appropriate match (\$182.9 million). The Florida Ports Financing Commission is tasked with finding the means to fund these prioritized projects as well as other projects, including critical dredging and bulkhead replacement, which are consistent with our vision of success. Among the means being considered are public-private partnerships, creative financing, and additional state funding.

Our Strategic Objectives

Florida's demographics, geography, and cultural connections -- combined with its role as a commercial hub for trade with South America, Central America, and the Caribbean as well as changing maritime dynamics -- provide opportunities for international trade growth. Regional trade agreements are facilitating this growth and will continue to do so. Florida also has opportunities to capture new trade with the Far East, as evidenced by the growth in the state's trade with many countries in the region and by the new liner service being initiated with several of our seaports. These opportunities will increase with the widening of the Panama Canal and the expected expansion of all-water service to East Coast and Gulf ports. Opportunities to trade with a free Cuba also cannot be ignored in planning for the future.

To capture these opportunities and sustain our roles as economic engines for local communities throughout Florida, we continue to pursue an array of strategic objectives:

- Florida's ports - individually and collectively - are critical to the state's transportation and economic well-being.
- Florida's ports are poised to take advantage of continuing growth in domestic and international waterborne trade.
- Florida's ports face significant choices with respect to improvements and investments.
- Florida's investments in its ports must be strategic, coordinated, and equitable to provide maximum benefit to the system as a whole.

*Global Trade Trends:
Challenges and Opportunities for Florida's Ports
Cambridge Systematics, Inc.*

State-Level Strategic Objectives: At the state level, our objectives include:

- Develop intermodal transportation partnerships to provide innovative market service strategies.
- Increase public awareness and support for the maritime industry.
- Increase regional cooperation and coordination.
- Capitalize on the designation of the Atlantic Commerce Corridor as High Priority Corridor 49 in the 2009 transportation reauthorization legislation, building on the regional intergovernmental efforts made on its behalf, to obtain federal funding for projects within the Corridor.
- Champion other identified trade corridors for federal designation.

- *Work with the executive and legislative branches, addressing constraints to Florida's competitiveness and growth of international trade, including the rationalization of seaport security operational costs, which continue to take a substantial bite out of our seaports' budgets.*
- *Partner with public and private sector entities to create a hemispheric infrastructure for trade in the region and, in particular, to help Florida's regional trading partners achieve compliance with international security requirements.*
- *Collaborate with FDOT on research to help provide accurate forecasting to support investment decisions by intermodal stakeholders.*

Federal-Level Strategic Objectives: *Strategic objectives at the federal level include:*

- *Continue implementing an active Congressional outreach program.*
- *Help accelerate the process by which funds for harbor-deepening projects are authorized and allocated.*
- *Continue educating federal policymakers about Florida's Corridors of Commerce.*

Achieving these objectives requires the collaboration of all those involved in Florida's trade, including all levels of government -- federal, state, regional, and local -- as well as private sector users and owners of Florida's trade and transport system, and all modes of transportation -- seaports, railroads, airports, highways, transit, and space.

The Most Strategic Objective of All: Acquiring Capital and Retaining Investment Flexibility to Fund Our Vision and Meet Dynamic Global Changes:

Capturing trade is a dynamic process that depends upon a combination of political, economic, technological, and environmental trends and forces. In partnership with FDOT, DCA, and OTTED, our seaports have been working for almost two decades to expand seaport capacity and efficiency so that international trade can flourish in Florida. This partnership moved to a new level in 2007, when the Governor and the Legislature recognized that Florida's seaports, as an integral part of the state's transportation system, can be instrumental in stimulating the state's economy in a time of stress. Indeed, a renowned global economist supports this conclusion, noting recently: "Foreign trade is the strongest component of the national economy."⁷ Sustaining the competitive international trade network that fosters economic development is, however, a moving target and requires constant market vigilance and investment flexibility.

To accommodate the forecasted growth on Florida's trade lanes - both the traditional routes between the state and its neighbors to the south and the growing direct routes between the state and the Far East -- our financial objectives are:

- *Work with FDOT and the Florida Legislature to create a new revenue stream -- a five-year investment fund -- for market-driven priority infrastructure projects at our seaports, enhancing the state-seaport partnership to achieve the maximum matching funds for these capital needs.*
- *Leverage state funds with local funding from seaports and other transportation entities and federal funding from grants and loans.*

⁷ Stated by Global Insight's Chief Economist, Nariman Behraves, in a February interview on National Public Radio.

- *Develop a strategic plan to obtain federal funding in the 2009 transportation reauthorization legislation.*
- *Continue working with FDOT to identify additional funding for the seaports and their connectors within the SIS and SIS Growth Management programs.*

Global dynamics require this revenue stream to be implemented with the flexibility to prioritize strategic investments so that funds can flow where they are needed in response to market demands.

"Our Ports Are Open and Moving Essential Products to the People of Florida."

Florida's seaports supply aggregates, petroleum products, and building materials for state road and other public and private construction projects as well as the consumer goods Floridians use every day. Each of our seaports has different characteristics, resources, and opportunities; but all are poised to continue supplying these essential commodities while creating well-paying jobs and local, regional, and statewide economic development. To do so, however, they must have the capital and the investment flexibility.

The most important message Florida's Governor and Legislature can deliver in times of emergency: "Our ports are open and moving essential products to the people of Florida."

The pace of global change means that our seaports must build critical infrastructure and provide efficient and cost-effective services or Florida will lose its competitive edge on the critical trade lanes of commerce. Given the lead-time required to permit, fund, and build the new infrastructure needed to meet the forecast demand, there is no time to waste. We are hoping the state, in partnership with our seaports, will respond with the same sense of urgency we feel if we are to remain competitive in the global marketplace. Only a rapid infusion of the funds needed to provide adequate and flexible capacity will allow us to achieve our vision and continue fostering regional economic development throughout Florida in these "interesting times."

Phil Allen, Chairman
Florida Seaport Transportation
and Economic Development
Council

Ron Baker, Chairman,
Florida Ports Financing
Commission

Wayne Stubbs, Chairman
Florida Ports Council