

15 June 2017

To: Mayor Lenny Curry, City of Jacksonville, FL
From: Dale Lewis
Cc: Jacksonville City Council, Mayoral Staff

Dear Mayor Curry,

The \$21 Million Federal grant announced three weeks ago has an expiration date set for just three weeks from now, with Jaxport being asked to contribute \$21 Million by July 10. Authorizing Jaxport to spend these funds essentially takes the City Council completely out of the decision-making process until 2020, at which point it will be too late, with dredging already underway for two years.

This project is about sustained growth, and Jaxport has never delivered on a 5-Year growth forecast.

<u>Per Year</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Forecast	36.7%	42.7%	13.9%	13.0%	12.2%	14.2%	7.2%	15.8%	8.6%	8.7%
Actual	6.0%	6.6%	4.8%	2.1%	1.5%	1.2%	1.5%	1.7%	??	??

Jaxport's plans and presentations state that they will:

1. Grow Jaxport's container volumes 43% by 2021 (the current 5-Year Forecast), without dredging, after growing just 7.5% over the last five years, and 4.5% over the last 3 years. (See Page 2)
2. Grow the port's total container business by 100% in the first nine years after dredging.
3. Pass the Corps' 25-Year prediction of 1.8 Million TEUs in just 8 years, on the way to 2.8 Million
4. Create 15,000 new container market jobs.

To do these things, Jaxport would have to:

1. Capture growth that is 240% of the Corps of Engineers growth forecast. (See Page 3)
2. Take 17 Million TEUs of Market Share from Savannah, Los Angeles and other successful ports.

On the cost side, Jaxport maintains that the project will:

1. Incur a total container port expansion cost of about \$484 Million, just for dredging, while also adding almost 2 Million TEUs per year of shoreside container capacity at no cost to taxpayers

To accomplish this, Jaxport would have to, with no cost to taxpayers:

2. Overcome the loss of the 800,000 TEUs per year TraPac facility as a deep water terminal, along with the value of its 30-year lease revenue stream.
3. Add about 1.8 Million TEUs per year capacity on Blount Island, above its current operating level.
4. Not incur any other capital costs as we move existing tenants off of Blount Island to make room and prepare the pier systems for a new high-capacity, world-class container terminal.
5. Create the control systems, gate operations, road access, rail corridor and rail access required to operate at over 250% of today's volume levels.

The port has repeatedly said, "There is no Plan B." That's very surprising. Normally, a project like this would show the complete costs and the complete benefits for three cases: 1) Maximum Growth, 2) Lowest Growth and 3) Expected Growth, adjusted for market, political and other risks. Any project sponsor who couldn't clearly and factually lay out the details in these three cases would not survive in the boardroom.

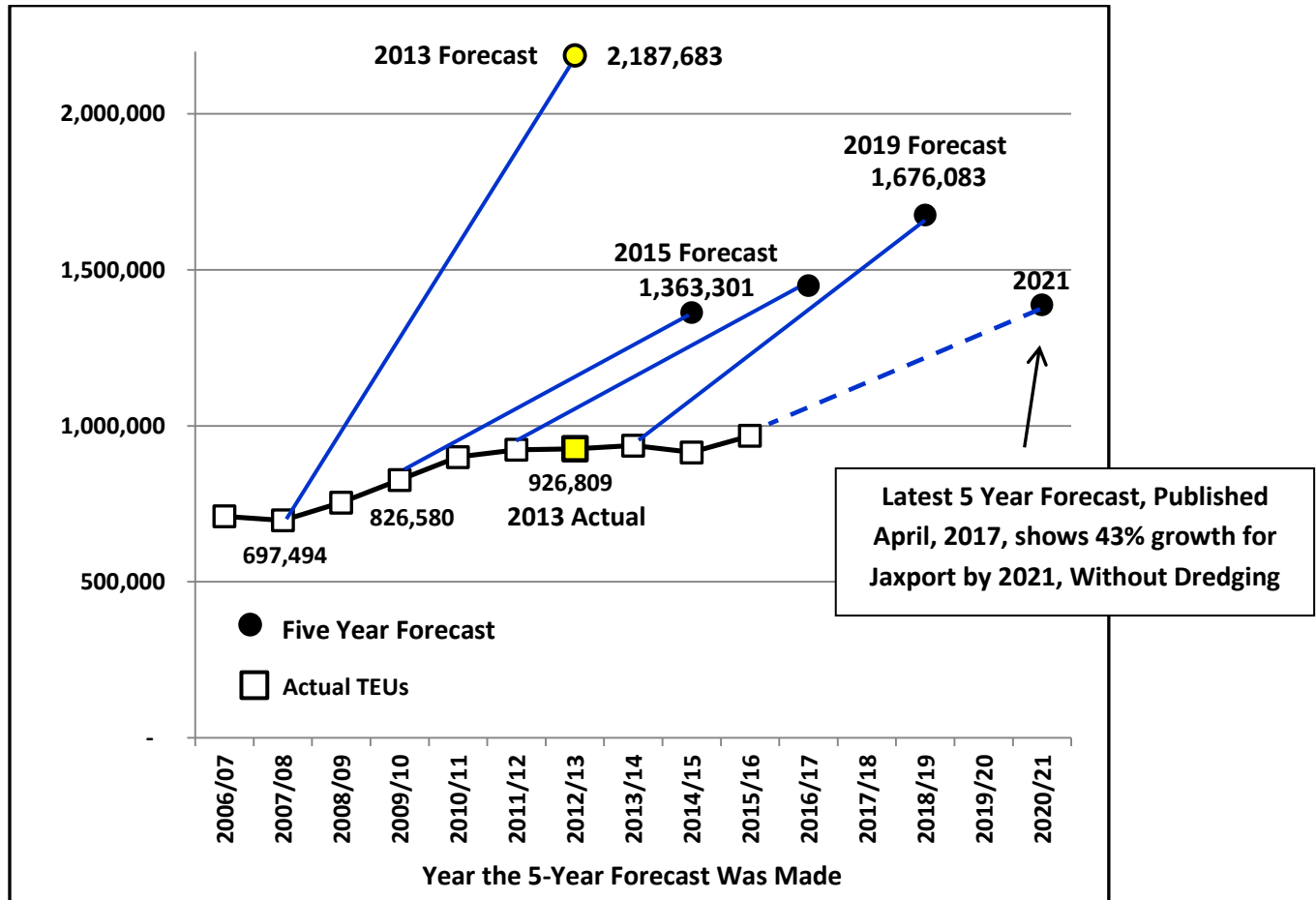
I urge you, as a business man, to slow down and establish a financial review forum that examines the high and low cases, so that an informed decision can be made by City Council over the next 90 days.

Jaxport’s aggressive growth forecast is troubling. The forecasts over the last 8 years have promised very large growth rates, but they have never been achieved.

The “Post Dredging” forecast is essentially the **same growth rate** as the forecast for 2019 shown below, which would have brought Jaxport to the 1.6 Million TEU level.

Five year forecasts are made with the knowledge that dredging takes more than 4 years, and with an understanding of market conditions, competitive pressures and other key factors.

Jaxport’s Forecast History for Five Year Plans (TEUs)



Annual Growth Rates in Each Five-Year Plan

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
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Average Annual Growth Rate from 2011 to 2016 was 1.5%.

Average Annual Growth Rate from 2012 to 2016 was 1.2%

Contact data@SoutheasternPorts.net for more information.

We have to be able to clearly answer these 4 questions to make an informed decision.

Question 1: If we are able to grow the volumes at the level predicted by Jaxport, how and when do we add almost 2 Million TEUs of deep water shoreside capacity to Jaxport, and at what cost?

Question 2: If the Corps of Engineers is right about growth, how much deep water capacity do we need to add, when, where and at what cost?

Question 3: What new tax revenues, and how many new jobs, would we see if the Corps is right about steady growth to the 1.8 Million TEU level?

Question 4: If we dredge, move TraPac’s operation and upgrade Blount Island to reach the Corps’ 1.8 Million TEU forecast, do the economic gains (jobs and tax revenues) exceed the costs?

Container Volume Forecasts in TEUs (Twenty Foot Shipping Containers)

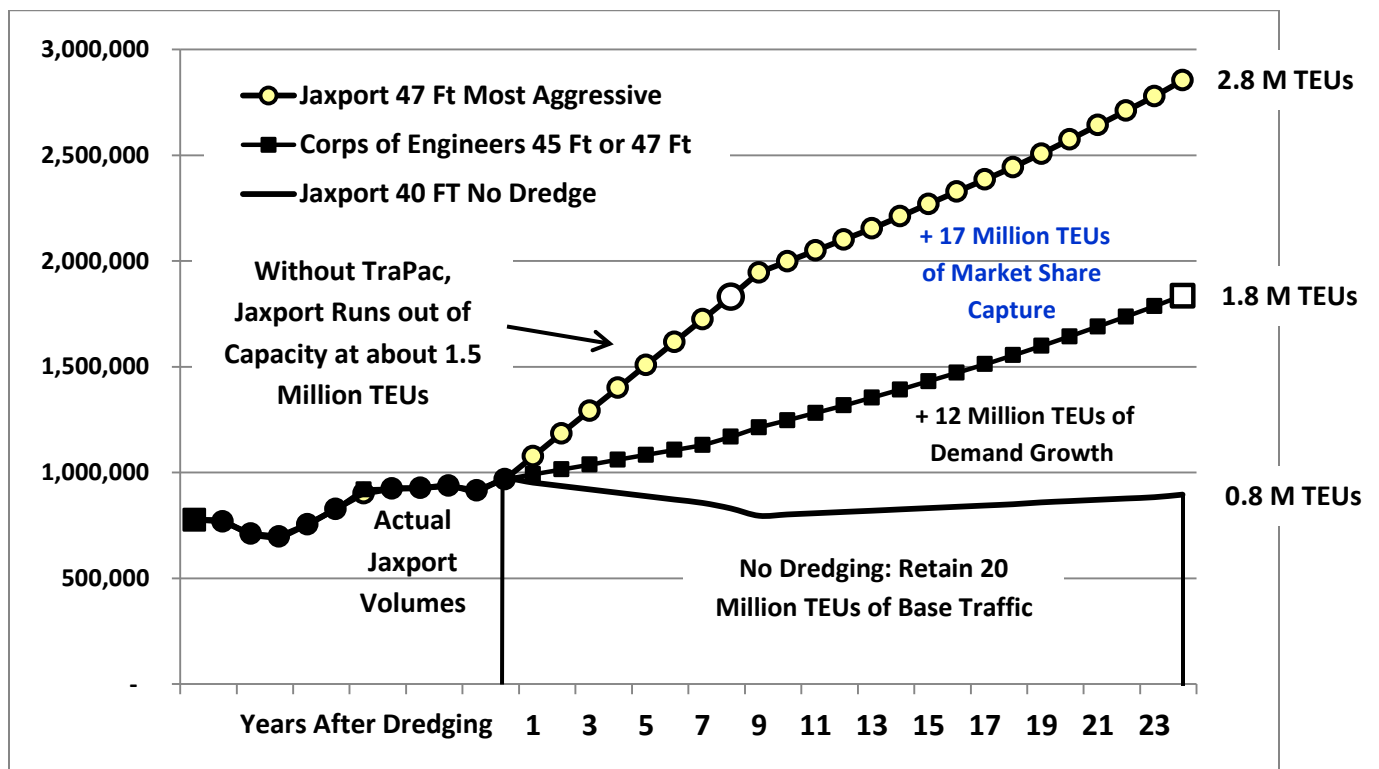


Chart Uses Jaxport and USACE Growth Rates. Year 0 reflects the 2016 Jaxport container volume.

Corps of Engineers is forecasting steady Demand Growth to 1.8 Million TEUs per year. This includes 6% to 10% growth for the Far East, 0% growth for Puerto Rico and 2% to 4% for other trades. These growth rates would bring us about 12 Million TEUs of new traffic over the 25 years.

Jaxport is forecasting 100% growth in the first 9 years after dredging, on the way to 2.8 Million TEUs per year. This requires that the port take 17 Million TEUs of Market Share away from Savannah, Los Angeles and other successful ports, on top of capturing 12 Million TEUs of Demand Growth and retaining 20 Million TEUs of Puerto Rico trade. Jaxport’s growth forecast is 240% of Corps of Engineers’ Growth.

The 15,000 jobs depend on Jaxport capturing all of the Most Aggressive case, at 2.8 Million TEUs.