Smaller Maritime Ports: A Research Agenda

Price • Friedheim • Ross

Smaller Maritime Ports: A Research Agenda

Proceedings of a National Workshop

cosponsored by

University of Southern California Sea Grant Program
Institute for Marine and Coastal Studies (IMCS)

and the

Port of Sacramento
Melvin Shore, Director

Sacramento, California
April 26-28, 1984

Editors

Willard T. Price
Associate Professor, School of Business and Public Administration,
University of the Pacific, and
Adjunct Research Associate, IMCS,
University of Southern California

Robert L. Friedheim
Director, USC Sea Grant, and
Associate Director, Marine Policy, IMCS,
University of Southern California

Stuart A. Ross
Assistant Director,
Sea Grant Program, IMCS,
University of Southern California

USCSG-TR-04-84

This technical report (USCSG-TR-04-84) is the result of a research workshop sponsored by the University of Southern California Sea Grant Institutional Program, and supported by the National Oceanic and Atmospheric Administration's National Sea Grant College Program, Department of Commerce.

Published and distributed by:
USC Sea Grant Institutional Program
Institute for Marine and Coastal Studies
University of Southern California
University Park
Los Angeles, CA 90089-0341

Editorial and production coordination: Karen S. Charest
Cover photo: Port of Sacramento, California
11/84

CONTENTS

ACKNOWLEDGMENTS

This workshop was the second in the series on seaport management research, stimulated by the commitment of the University of Southern California's Institute for Marine and Coastal Studies to studies of seaports and marine transportation and the commitment of the National Sea Grant College Program to support such studies. As with our 1983 workshop, this session succeeded only by many people working together.

The workshop was conceived through the efforts of Robert Friedheim, director of USC Sea Grant; the Council of Sea Grant Directors; and the staff of the National Sea Grant College Program. Stuart Ross, assistant director for USC Sea Grant, coordinated substance and logistics throughout. Lola Williams, secretary for USC Sea Grant, mastered all the details of meals, facilities, schedules and transportation. Karen Charest, editor for USC Sea Grant, performed another excellent professional effort, smoothing our rough drafts and producing the attractive document you see. Thanks go also to the persons who acted as recorders for our discussions: Kathleen West, Sea Grant Trainee for a USC research project on pricing seaport services; John Knox, a recent graduate of the University of California, Berkeley; and William Shaw and Dana Marek, recent graduates of University of the Pacific's School of Business and Public Administration.

Melvin Shore, director of the Port of Sacramento, which co-sponsored the workshop, provided valuable cooperation and guidance, in addition to a personal tour of the port. Mr. Shore's administrative secretary, June Gentry, provided assistance at several critical points.

Alexander Krygsman, director of the Port of Stockton, California, led a plenary session presenting the views and experiences of smaller seaport managers. The individuals who contributed their time and experience to this panel were Michael Liffmann, of the Ports and Waterways Institute at Louisiana State University, representing the Gulf ports; Sal Bose, manager of the Port of Richmond, California; Steve Felkins, manager of the Port of Astoria, Oregon; and Robert McNannay, manager of the Port of Longview, Washington. Although that plenary session is not reported in this proceedings, the panel did provide valuable stimulus and information for the discussions that followed.

A special thanks goes to Thomas Panebianco, assistant to Commissioner Robert Setrakian of the Federal Maritime Commission, who delivered an important luncheon address on the 1984 Shipping Act and the recent activities of the commission.

As with our 1983 workshop, the substance of this workshop was dependent on the topic coordinators guiding the discussion and producing written summaries. I do appreciate the considerable help and contributions of the six coordinators: Jerry Fruin, Thomas Dowd, Marc Hershman, Donald Bryan, Frederick Smith and Ronald Heilmann.

Finally, it is important to acknowledge the contributions made by all the workshop participants, without whom no substance could have been possible.

Willard T. Price, Workshop Coordinator

INTRODUCTION

This proceedings is an attempt to stimulate and guide research on the problems of smaller maritime ports in the United States. The workshop that led to this document was motivated by the conventional assumption that economic cycles, technological changes and deregulation have all tended to favor larger ports, or "load centers," which implies that smaller ports are experiencing increased financial difficulty.

The workshop was designed to explore the ways in which that assumption might or might not be true, as evidenced by the experiences of port managers and the observations of academics; and to suggest which problems of smaller maritime ports most need research attention. Six separate discussion sessions, three plenary sessions and the associated informal discussions did produce a wealth of observation on the topic, most of it consistent with the general assumption of smaller ports' financial difficulty. These topics and issues are detailed in the pages that follow.

The workshop was cosponsored by the University of Southern California Sea Grant Program, part of the University's Institute for Marine and Coastal Studies (IMCS), and by the Port of Sacramento. The IMCS has a long-standing commitment to research and education for seaport management and related marine transportation issues. As part of a graduate curriculum in marine policy, for example, the Institute has developed and offered coursework in seaport policy and management, coastal zone planning, marine transportation systems, world sea trade and the economics of marine transportation. For several years, the USC Sea Grant Program has funded research projects in seaport policy and management. In 1983, the USC Sea Grant Program sponsored a workshop on the research problems associated with large maritime ports, and a research agenda was published as a result of that workshop. The workshop reported here is thus the second in a series, and a third is being considered for 1985, probably on the subject of non-maritime activities at ports and harbors.

The Port of Sacramento, of course, is one of the nation's successful smaller ports, and its director, Melvin Shore, is active in regional and national port-related organizations, and has served as past chairman of the American Association of Port Authorities. The Port of Sacramento, like other West Coast ports, also has cooperated in the Institute's other endeavors in seaport research.

In designing the workshop, we sought to attract a wide variety of participants. We wanted a good representation of port practitioners because of the variety of experiences among smaller maritime ports. We wanted to attract academics from several different disciplines and institutions, and we wanted good representation from state and federal agencies. The list of participants at the end of this document indicates that we satisfied these criteria, even though the Sacramento location led to a heavier representation of persons from the West Coast.

For the discussion sessions, no formal papers were presented; rather an assigned topic coordinator led an open-ended forum, seeking only to arrive at important items that could be written as researchable questions. These agenda items represent the formal outcome of the workshop and the principal part of this proceedings. The topics and the coordinators who led the discussions were:

Topic 1: Changes in Demand for Smaller Maritime Ports
Coordinator: Jerry Fruin, University of Minnesota
What are the impacts and trends that are affecting the distribution of demand for services at smaller maritime ports?

Topic 2: Strategic Management and Smaller Maritime Ports
Coordinator: Thomas Dowd, University of Washington
Smaller maritime ports face a complex and changing environment. Federal deregulation, geographical differences, technological changes and trade patterns pose serious challenges to strategic management. How do smaller maritime ports respond?

Topic 3: Non-Maritime Options for Waterfront Space
Coordinator: Marc Hershman, University of Washington
Land uses such as commercial fishing, recreation, hotels, restaurants, shops, housing, office space, marinas, boat repair and public access contrast the traditional maritime cargo movements. Do ports view these alternative uses as additions or as replacements for maritime activities?

Topic 4: Financing Capital Development
Coordinator: Donald Bryan, University of the Pacific
The availability of financing to support capital development is increasingly difficult for smaller maritime ports. More private sector involvement may be necessary if ports are unwilling or unable to take the financial risks. Are smaller maritime ports able to raise sufficient capital development funds to take advantage of business opportunities?

Topic 5: Port Managers and Commissioners: Managerial and Political Issues
Coordinator: Frederick Smith, Oregon State University
Governance of the typical smaller maritime port includes an elected or appointed board of commissioners. The commissioners normally appoint the top management of the port. The interaction of the commissioners and the port managers is critical to the success of the enterprise. What are the issues that arise out of this relationship?

Topic 6: Dredging and Federal User Fees
Coordinator: Ronald Heilmann, University of Wisconsin-Milwaukee
Federal legislative proposals on user fees to recover the cost of channl dredging and maintenance are still being debated. This debate has created a polarization between large and smaller ports. How do smaller maritime ports view the impact of different fee methods?

In a final plenary session, the coordinators each presented a summary of their research topics, and further discussion followed from those presentations.

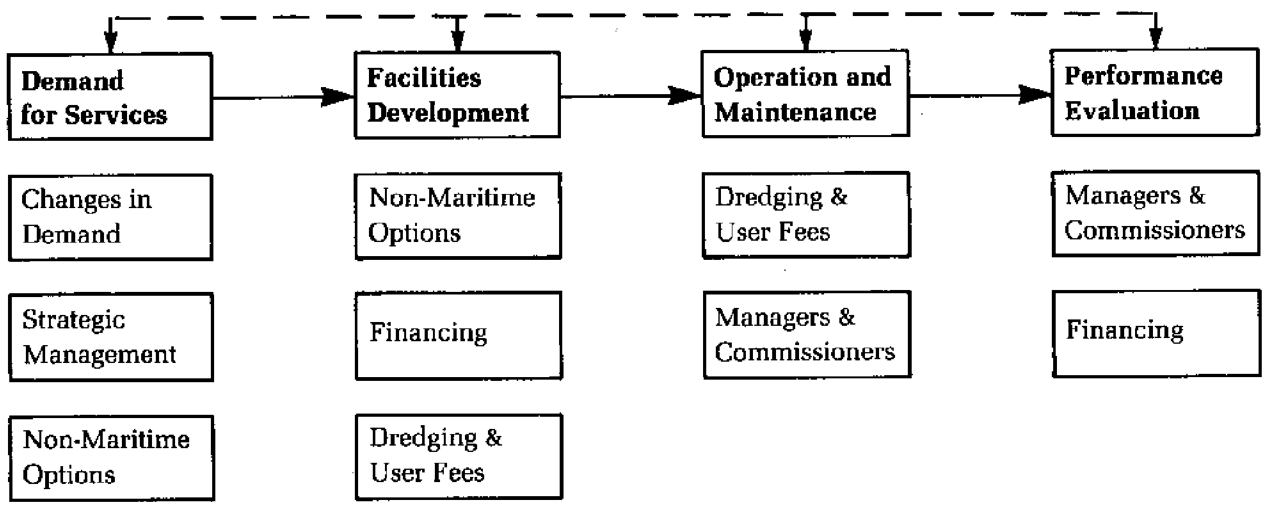
For the 1983 workshop, we developed a simple decision cycle model to order the topics selected for discussion. We continue this practice by again presenting the decision cycle (Figure 1) and assigning the six chosen discussion topics for this most recent workshop.

Each stage in the decision cycle is dependent upon many different aspects of the context in which seaport decisions are made. We have focused on the following relationships:

- The demand for services is tied to changes in demand, to federal deregulation and to the non-maritime options available.
- The development of facilities is tied to the non-maritime options, available financing and to the cost of dredging.
- The operation and maintenance of facilities are tied to the cost of dredging and to the available staff.
- The evaluation of performance is tied to the managerial and political structure and to the financing requirements.

This report consists of five sections. The first section is a jointly edited version of an academic framework proposed by Willard Price that sets the range of the topic and describes a model for understanding the many dimensions that are involved. The second section contains the reports of the six topic coordinators, including their research recommendations. These statements were initially prepared by the topic coordinators, reviewed by the editors and submitted to all workshop participants for comments. The third section contains the remarks by Thomas Panebianco of the Federal Maritime Commission. The fourth section is a simple three-level assembly and prioritization of the specific research recommendations. This prioritization is the work of Willard Price, submitted to all the participants for review and modified on the basis of their responses. Finally, the proceedings includes the list of participants, a directory of current Sea Grant projects related to seaports and a selected bibliography.

Figure 1
Decision Cycle in Seaport Management



SMALLER MARITIME PORTS: A FRAMEWORK FOR ANALYSIS

Willard T. Price, Workshop Coordinator

In planning this workshop, we wanted to bring attention to those seaports that do not have large cargo movements but, nonetheless, are committed to maritime activities serving the demand for international trade. In so doing, we sought to add to the research efforts already made on behalf of the large U.S. maritime ports, the focus of a Sea Grant workshop conducted by USC in 1983.[1]

To no one's surprise, some port managers objected to the label "small ports," believing the term might not separate them from purely recreational or fishing harbors. Therefore, we proceeded with the concept of "smaller maritime ports," based on the following categorization:[2]

Large Maritime Ports: significant maritime activity, more than 10 million tons of cargo per year.

Smaller Maritime Ports: some maritime activity, less than 10 million tons of cargo per year.

Non-Maritime Ports: no maritime activity, but other commercial, fishing or recreational activity.

The above categories recognize cargo tonnage as the only important size variable, although revenue is an alternative variable that may better represent the magnitude of a port's operations in some circumstances. Some cargo may pass through the port without the need for significant capital investment and might not be credited to the port's activities.

To demonstrate the distinction between large and smaller ports, a graph of cargo movements is shown for West Coast ports (Figure 2). The data in the figure show an unmistakable differentiation in total cargo tonnage between the large and the smaller ports.

Size is an important variable in understanding a seaport because we are asking whether smaller ports are facing unique issues that differentiate them from larger ports — perhaps even discriminate against them. Smaller maritime seaports may be losing cargo movements in competition with larger ports for a combination of reasons. Each of the following factors is, we believe, diminishing the advantage of these smaller ports at this time:

1) Shifts in the distribution of international trade patterns, concentrating cargo movements at large port "load centers," particularly for container cargo;

2) Increased vessel size, demanding greater harbor depth and increased dredging requirements;

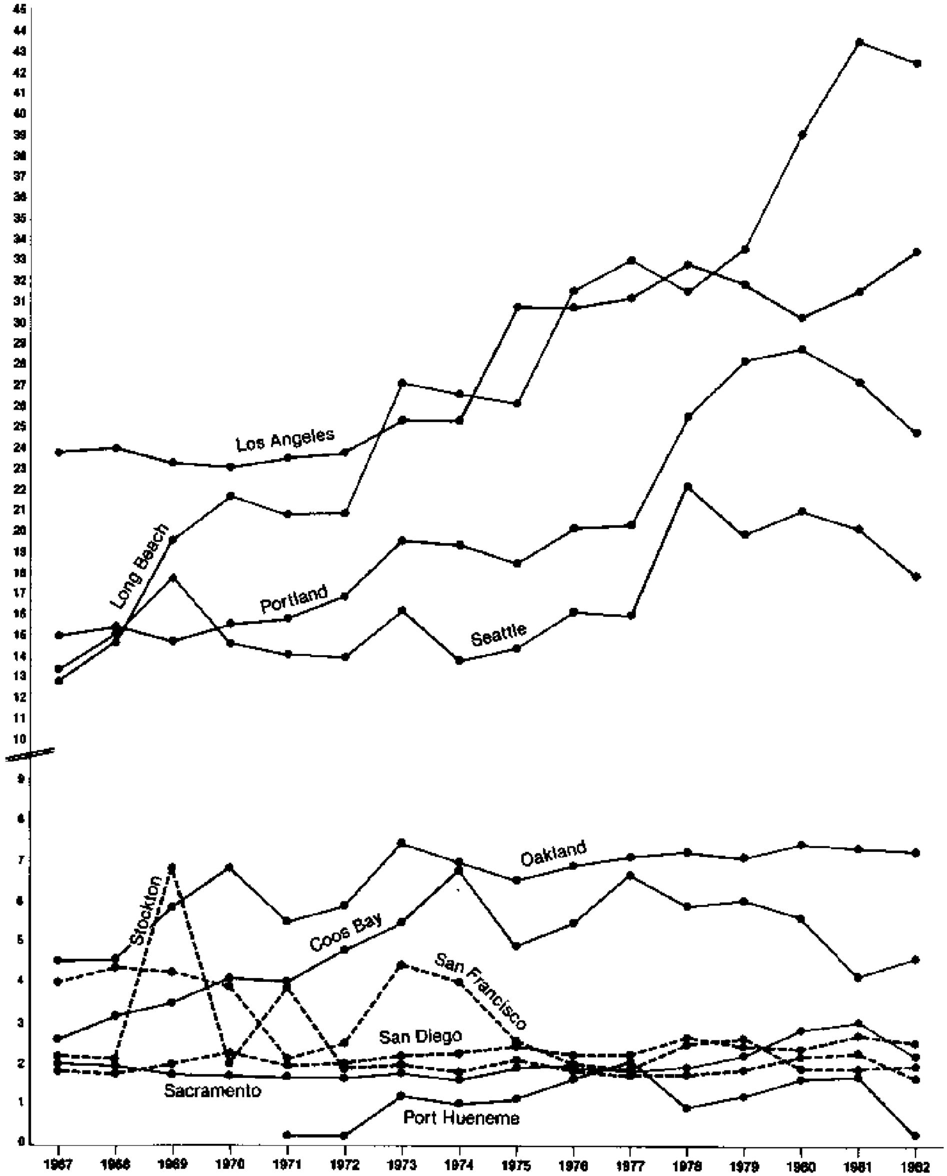
3) New ship-loading technology, required for the newer and more sophisticated ships and necessitating larger capital investments;

4) An international recession, affecting both imports and exports, but particularly those cargoes dependent on the recovery of the international economy;

5) Proposed legislation and regulations that may deregulate the Federal Maritime Commission's public review of tariffs and lease agreements and the right of seaport associations to meet and discuss common prices for their services[3];

6) Proposed legislation and regulations that may decrease the federal government's involvement in dredging by initiating user fees to be paid by port customers.[4]

Figure 2
West Coast Cargo Movement: 1967-1982
(total in millions of short tons)



Source: U.S. Department of the Army, Corps of Engineers, *Waterborne Commerce of the United States.*

Not all smaller maritime ports will be equally affected by these trends; each is in a different situation in many respects. But these factors, and possibly other conditions, may have diminished the ability of some ports to retain cargoes and generate the revenues necessary to operate their enterprises.

USC's Sea Grant program is supporting this author's research in 1984-85 specifically focused on the condition of smaller maritime ports. The research will explore the effects of the trends just mentioned on smaller maritime ports on the West Coast. To further discussion of these and related issues, this paper presents an initial framework for that study.

Given the environmental factors noted above, an initial hypothesis is that "large ports are getting larger and small ports are getting smaller." A second hypothesis, implicit in what has already been said, is that smaller ports are experiencing financial difficulty and such difficulty will increase if the ports get smaller. A longitudinal analysis is necessary to evaluate the second hypothesis and determine the behavior of these trends. Subsequent analyses will show cargo movements and port revenues over a long period, say 1968-1983, for both smaller and larger ports, to determine whether the suggested declines are occurring, how significant they are and how they vary between different ports and cargoes.

To test the second hypothesis, we will define financial difficulty or stress as the inverse of financial success. To measure success, we have chosen the following variables of financial performance:

1) **BUDGET GROWTH (BUD)**
Explanation: Allows room for inflation, opportunity for improvements, innovations and contingency for uncertainty.
Measurement: $\pm$ percent change in budget total.

2) **NET REVENUE OR SURPLUS (SUR)**
Explanation: Provides net return on investment, retirement funds for capital development and reinvestment in facilities and infrastructure.
Measurement: net revenue or surplus as a percent of total revenue.

3) **DEBT RATIO OR COVERAGE (COV)**
Explanation: Creates revenue to pay the debt service and retirement burden and minimizes financial risk to the port's public ownership.
Measurement: Ratio of the total revenue to amount of debt service.

4) **GENERAL TAX SUBSIDY (SUB)**
Explanation: Revenues from general tax levies or grants from federal and state governments decrease the cost to port users. Subsidies may increase the amount of cargo but decrease the financial independence of the port.
Measurement: Direct general tax subsidy from local or state sources as a percent of total revenues.

A simple performance index can be developed to integrate these four variables into an unweighted additive formula. The variables BUD and SUR are either positive or negative; COV is positive only; and SUB is negative only. We can then measure the port's financial performance as:

$$\mathbf{PERF = f(BUD,SUR,COV,SUB)}$$

or

$$\mathbf{PERF = \pm BUD \pm SUR + COV - SUB}$$

No attempt has yet been made to survey the public finance or public enterprise literature on the choice of these variables, and no alternative weighting scheme is considered at this time.

Obviously, the performance index is measurable yearly from annual reports. A declining performance index over a short term is an indicator of financial stress on the port and may be an inevitable result of the economic cycles of international trade. A continual downturn over several years is threatening to its existing purpose and political support. It may not be the absolute size of the port that causes financial stress, but the decreasing size that challenges management.

Whatever the cause, no port enterprise can be financially successful if, in the long term, its budget is not growing, a surplus is not occurring and debt coverage is not adequate. Any port requiring a substantial and continuing general tax subsidy will have difficulty retaining political support for its existing activities in an era of general tax retrenchment and increased demand for public enterprises to raise revenues and operate as autonomous agencies. Seaports, more than many other public enterprises such as airports, water districts and mass transit agencies, receive relatively little subsidy and have a strong professional ethic of independence from other levels of government.

On the basis of USC's research over the last few years, we believe a smaller port's independence is being challenged by the political, social and technological environment. It is our perception that some smaller ports are indeed experiencing declining cargo movements, net losses and an inability to raise capital funds.

Not all smaller ports may be experiencing similar stress, and those that are may have already identified means to adapt to the changing environment. We believe smaller ports seek to remain viable and independent public enterprises and prefer to continue the maritime activity that serves their communities and their regions. We assume some changes are necessary and are occurring as ports respond to the changing environment. To examine responses of port managers to such stress, to the extent that it exists, a set of alternative actions they might take to improve their performances also will need to be investigated.

A research effort to examine the condition of smaller maritime ports will therefore have to include interviews with port managers to determine their responses to the social and economic changes noted and the impact on their organizations' health. We would seek to determine what policy changes or land uses, terminal agreements and financial arrangements have occurred in the recent past or are planned for the near future.

Without the insights yet to emerge from this workshop, and without having conducted the research on the performance, policies or attitudes of smaller ports, this paper will, for the sake of discussion, introduce alternative scenarios for possible responses by seaports to the financial stress that has been hypothesized. We need to emphasize that this is a range of possibilities for consideration, not an observation of the current situation. Not all of these scenarios may be desirable or even possible for any given port; on the other hand, the list may suggest appropriate alternatives that for various reasons may have been overlooked.

MARKETING

- Seek, with renewed marketing efforts, to expand existing or to establish new maritime cargoes that provide a clear competitive advantage over other ports.

- Consider non-maritime land uses, such as fishing, commercial recreation, property development, etc., capable of generating sufficient revenues for financial independence.(5)

PUBLIC-PRIVATE COOPERATION

- Shift the risk of port operations from the public sector via increased private investment in capital and operating costs.(6)

- Shrink the port's involvement in waterfront activities, for example, by keeping only the more lucrative maritime cargoes for the port, negotiating secure fee and lease agreements with shippers and terminal operators who handle these cargoes.

SUBSIDY

• Petition the appropriate jurisdiction to provide direct subsidy via general tax levies to continue the maritime business and sustain the enterprise, if financial difficulties occur.[7]

• Seek more indirect subsidy from federal and state governments via grants, loans or infrastructure support for adjacent transportation and other facilities.[8]

INSTITUTIONAL CHANGE

• Expand the institutional breadth of the public enterprise by including associated public works activities such as airports, mass transit or property development, to have some activities subsidize others as economic cycles take place.

• Shift the port ownership to a mixed enterprise in which both government and private interests own shares and the function of the port would not necessarily be limited to water-dependent activities.[9]

DIVESTITURE

• Abandon the public ports' involvement in all or part of the waterfront space to other government agencies or private developers. The organizations would then bear the risk, even though it would mean that the natural waterfront and harbor resources would be in the hands of the private sector.

• Divest the public port agency of operating responsibility for port activities and ownership of some property, but retain legal authority to regulate land uses and to collect port revenues for use of the channel and delivery of other public services.[10]

Within this range of scenarios we make no presumption as to the most likely result or the best action. No criteria for comparing these alternatives is suggested; local circumstances and politics will certainly affect the choice. These management options are not even mutually exclusive; combinations could readily occur. Despite the wide range of smaller ports' experiences with such options, there is as yet very little academic literature analyzing what has happened or might happen.

A model of the suggested research design is shown in Figure 3. This model relates the analyses of size and financial performance to the possible data results and the alternative strategies facing seaport management.

This framework of policy options will, it is hoped, spark debate and discussion among the workshop participants and will, thereby, help us to understand how smaller ports are faring and how they are reacting to their environment.

Beyond the objective role as a researcher in observing the conditions of and the management attitudes in smaller ports, I offer for discussion some normative positions on the role of seaport enterprises in serving the public interest.

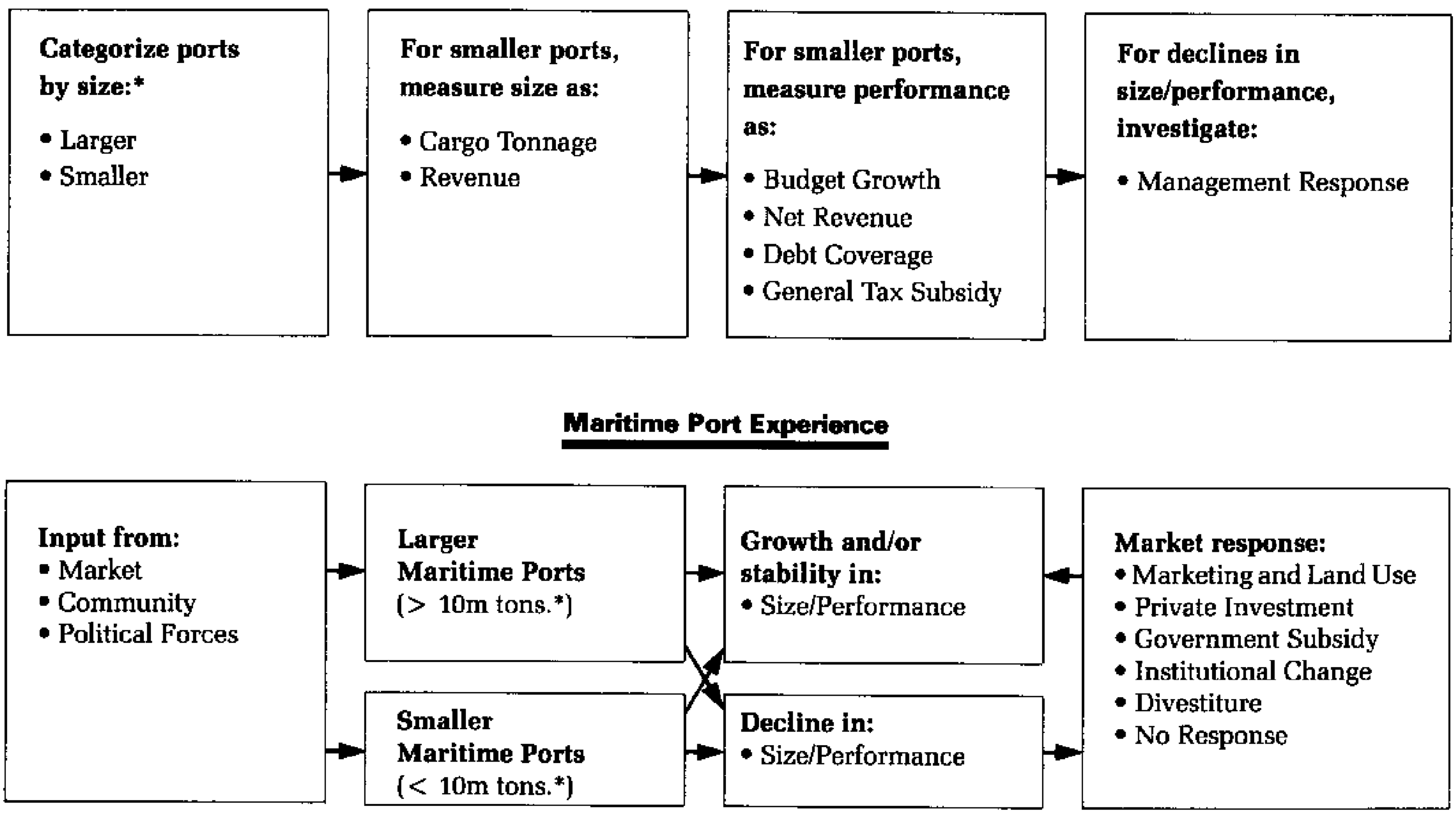
If there is a concentration of seaport cargo occurring, then we can suggest that the few larger ports are winning the competitive battle. With fewer ports having more of the cargo share, we can argue that there is less competition or, at the least, fewer resources devoted to sustaining competition. This old antitrust argument asks whether the new giants of the seaport industry have sufficient reason to be responsible, given they have the power to become anticompetitive.

I am additionally concerned about the decreases in economic activity and employment in the smaller port communities, which are certainly critical to the local political structures. While general cargo, and especially container cargo, may be concentrated at larger ports, smaller ports may be retaining bulk cargoes — their own niche in the distribution of cargo. Nonetheless, one can support a broad sharing of maritime cargo, not only to distribute the wealth, but also to lessen the environmental impact in any one metropolitan region. However, there is no acceptable way to affect such cargo distribution other than the economic market, which seaport managers usually insist be left free of governmental intervention. The competitive sword has two edges.[11]

I always like to remind myself of the constitutional provision that "no preference shall be given by any regulation or revenue to ports of one state over those of another."[12] If neither the federal government nor state governments are or ought to be influencing the trade patterns through U.S. ports, then the future of smaller maritime ports is clearly in the hands of local authorities, subject to the changing political, economic and social environments. The natural law of economic viability is no less applicable to public enterprise than to private enterprise.

From this or almost any other perspective, it is clear that the nation may be letting a major economic and political transition go unanalyzed, with little thought given to the gains and losses incurred. This workshop is intended to begin and to guide such an analysis.

Figure 3
A Research Project Design:
Smaller Maritime Ports



* Ten million tons annually is an arbitrary discrimination between larger and smaller ports, based on historical evidence of cargo tonnage for the period of 1967-1982 (see Figure 2).

FOOTNOTES

(1) Willard T. Price, Robert Friedheim and Stuart A. Ross (eds.) *A Research Agenda for Seaport Management and Related Marine Transportation Issues* (Los Angeles: USC Sea Grant Program, Institute for Marine and Coastal Studies, University of Southern California, 1983). USCSG-TR-02-83.

(2) A research project on "Smaller Seaports: An Examination of Selected Attributes and Trends" has been accepted for FY '85 funding by the USC Sea Grant Program.

(3) The Federal Maritime Commission (FMC) recently conducted an inquiry, Docket No. 83-38, to review the regulation of ports and marine terminal operators. A report on the results of that inquiry was distributed by the FMC on September 26, 1984.

(4) Since 1982, Congress has been debating several bills that would establish user fees so seaports could recover the cost of federal dredging programs. In 1984, HR3678 and S1739 both died with the 98th Congress. We can watch the 99th Congress for new initiatives in federal user fees.

(5) The ports of San Francisco and San Diego have clearly found success with tourist and recreation activities. These land uses are capable of producing revenues that can subsidize other port activities.

(6) Many capital development projects at both smaller and larger ports are feasible only when the private sector is willing to invest and take the risk. Development projects at ports are increasingly dependent upon private initiative, e.g., the coal terminals at Portland, Oregon, and Stockton, California.

(7) It can be argued that general tax subsidies may ensure port survival and continue economic benefits to local and state governments in the form of tax revenues. These revenues ought to be included in benefit-cost analyses of port development projects, but they do not ensure the financial independence of the port from other governmental units.

(8) The State of Oregon has legislated a loan program for its port districts to spark development. Of course, the level of funding of that program may not be sufficient to have much impact on cargo movements.

(9) Mixed enterprise is an arrangement in which both government and private investors own part of the enterprise even though the enterprise is run as a private corporation. This model is relatively common in other countries, such as Brazil and Canada, but it has had limited application in the United States.

(10) The Port of Coos Bay, Oregon, is an example of a harbor with extensive private terminals that are neither owned nor operated by the port. While the port does not receive tariff or lease revenues, it does charge a fee for the use of the channel and other services. This concept of private involvement within the harbor may become more popular as public ports feel more stress.

(11) Harre Demoro and Vlae Kershner, "San Francisco Bay's Faltering Ports," *San Francisco Chronicle*, September 10, 1984, pp. 54-55.

(12) United States Constitution, Article I, Section 9.

DISCUSSION TOPICS AND RECOMMENDATIONS

TOPIC 1: CHANGES IN DEMAND FOR SMALLER MARITIME PORTS

General Comments

Changes in demand for service are important to ports of all sizes. There is a need for port management and community leaders to be aware of trends in port volumes and their implications. For example, the number of port-related jobs and the economic welfare of the port and the port community are related to traffic volume. Investment and disinvestment decisions by the port, the port community, port-related private industry and by land transportation companies are also dependent on actual and expected changes in traffic volumes. Unlike large ports, smaller ports generally lack the staff and resources to adequately forecast and/or determine the impact of traffic flows. Consequently, smaller ports frequently are at a disadvantage when demand changes occur.

Some changes in traffic volumes are inevitable — the result of economic forces beyond the influence of the port and/or its hinterland. In those instances, investment should be redirected to growth areas and away from those in decline. The port and port community must adjust, but knowledge of the causes of the demand change and whether it is permanent or transitory will be helpful to decision makers, including port management, politicians and labor leaders. For instance, changes in port traffic can be caused by any of the following:

1) Structural changes in national and international industries, such as steel and chemicals, where low-cost foreign producers have captured former U.S. export markets and now export to the United States.
2) Depletion or obsolescence of a resource base, such as mines and forests, in a port's hinterlands.
3) Changes in the size or shape of a port's hinterland because of changes in land-based transportation technology or regulation.
4) Trends in international trade relationships, including changes in the purchasing power of developing countries or fluctuations in exchange rates.
5) Changes in ship specialization, size and scheduling.
6) Business cycles, including recessions and recoveries and different rates of recovery between countries.

These changes in demand will affect ports differently and require different responses depending on the circumstances of the individual ports.

Topic Coordinator: Jerry Fruin, Associate Professor,
Agricultural and Applied Economics,
University of Minnesota

Specific Research Recommendations

1-1. Research and develop data bases to meet the market forecast information requirements of smaller ports. This research would include:

A) Identification of data needs;

B) Identification of data sources; and

C) Design of retrieval and processing systems, including the utilization of microcomputer technology where appropriate.

1-2. Develop methods to make adequate public macro forecasts of national or regional commodity demand. These are needed so that smaller (and larger) ports are not misled by euphoric government projections of future trade volumes, as happened recently for grain and coal.

1-3. Investigate the impacts of land transportation regulation on flows from the hinterland to ports. Both regional and port specific studies are needed to determine:

A) What is the effect of transportation deregulation including contracting, mergers and intra- and inter-modal facility abandonment, as well as rates and services?

B) What are the impacts of the transportation regulations that remain on hinterland definition and flows (e.g., the lack of West Coast intracoastal moves)? What is impact of the load center concept on smaller maritime ports?

1-4. Research and evaluate market development techniques for smaller ports. These might include:

A) Backhaul identification for either inbound or outbound cargo;

B) Marketing the port in cooperation or collaboration with regional hinterland interests; and

C) Data base and software developments to identify the potential traffic.

1-5. Develop risk analysis methods and computer software appropriate for use by smaller ports to evaluate potential investments in new or replacement facilities. Risk analysis is critical for smaller ports as they frequently do not have the opportunity to spread risk over investments in diverse enterprises.

1-6 Complete research on the advantages of smaller ports for:

A) Specialized cargo and services;

B) Diversification and dispersion of population and jobs; and

C) Service to the local hinterland economy.

1-7. Support educational activities:

A) For the general public on the role and importance of ports of all types and sizes; and

B) For government officials and labor unions on long-term trends that affect smaller ports and port employment.

1-8. Analyze the issues and questions raised by a 200 mile limit of national economic jurisdiction in terms of a marine resource base. What is or should be the role of ports in developing and using this area?

TOPIC 2: STRATEGIC MANAGEMENT & SMALLER MARITIME PORTS

General Comments

The two most significant facts to come out of our discussion were that smaller ports are heterogeneous and that the private enterprise interests in these ports was dominant in most decisions. The heterogeneous makeup exacerbates the problem of identifying research areas that will be of universal value to these smaller ports as a group. However, the interplay between private and public demands on this public enterprise operation serves as a fruitful area of research.

Significant managerial problem areas were identified, including return on investment versus survival, community support, subsidization, marketing effort, decision making and the relationship between the port's board and manager.

One area of change currently receiving considerable attention is federal deregulation. Federal deregulation efforts on both the land side (deregulation of both truck lines and railroads) and on the ocean side (the Shipping Act of 1984 and the Federal Maritime Commission's recent inquiry) have brought changes to the port industry. Our workshop session looked at the effect of these and other federal deregulation efforts on the smaller maritime ports.

Discussion centered around the smaller port's managerial problems, some of which are affected by federal deregulation and some of which are not. Although federal deregulation was often mentioned as a factor, in the majority of situations it was just one of several things that were affecting the managerial environment of these ports.

Specific Research Recommendations:

Research in identifying port managerial areas that apply to "smaller" ports, "larger" ports or both would appear to be of high priority, possibly accentuated by the competitive nature of seaports and decreasing regulation. Specific areas of research that appear most valid are: planning, financing, decision making, marketing, pricing and community relations.

2-1. Determine if larger and smaller ports approach long-term planning in the same way. How do they differ in their methods? Is it fair to assume that smaller ports are less sophisticated?

2-2. Analyze what financing techniques are most useful for smaller ports. Are these methods different than the most useful ones for larger ports?

2-3. Research whether smaller ports really tend to give extensive weight to profit versus the public demands in decision making. If so, is it because their political environments are less complex, or for some other reason?

2-4. Compare how marketing approaches used by smaller ports differ from those used by larger ports. What explains the difference?

2-5. Determine if community relations in smaller ports are handled differently or given more or less priority than in larger ports. What part do general tax subsidies play in shaping the port's community relations?

Topic Coordinator: Thomas Dowd, Affiliate Associate Professor, Institute for Marine Studies, University of Washington

---

TOPIC 3: NON-MARITIME OPTIONS FOR WATERFRONT SPACE

General Comments

The subject "non-maritime options" refers to port uses other than the traditional cargo movements between ship and shore and the activities related to these central functions. It includes four major categories of use:

1) Tourist and recreation-oriented uses such as marinas for pleasure craft, parks and viewpoints, hotels, and visitor-related retail shops and restaurants;
2) Marine resource development and conservation activities, including energy development support services, fisheries vessel and processing activities, aquaculture support, marine research and education functions, and establishment of sanctuaries or preserves;
3) Economic development, such as the establishment of industrial parks, construction of office space and provision of export trade assistance and services, wastewater treatment, and public parks and accessways.
4) Civic functions and facilities, including convention centers, public transit, parking, recreational vehicle parks, power development and wastewater treatment.

A primary problem facing port managers is determining the criteria they should use in deciding types of non-maritime uses for port lands. A port's legislative mandate may specify uses or limit port activities. Where legislation is broad and allows choices among many uses, the port manager must consider the potential for revenue, the potential jobs the use may create, how compatible the use may be with other uses and whether the service is being provided by others. Because a port authority is a governmental entity and subject to political and constituency pressures, outside forces in the community may be influential in the decision process.

Topic Coordinator: Marc J. Hershman, Professor of Marine Studies, Adjunct Professor of Law, University of Washington

Specific Research Recommendations

3-1. Research cross-subsidization among land uses. Many specific issues of port policy will confront the manager considering an array of possible land uses. A port could be viewed as a supermarket for harbor services, providing a mix of uses for the maritime industry and the public. Does this go so far, however, as to require that some current revenues be foregone in order to keep or bank lands for a future use that will contribute to the mix? Would the desire for balance require that some port users subsidize others less able to pay their way?

3-2. Determine land-use mix preferences. Given the rapid changes taking place in the port industry and the competition for scarce waterfront lands, the question of how to find the "proper" mix of uses in the harbor will be a major challenge in the years ahead. Ports with large land-holdings will be in the land-use planning business. They will need to decide when to retain lands and when to sell off "excess" property. Ports may adopt policies that limit uses to those that are water-related or that seek to emphasize mixed use at individual facilities. Port development projects that displace existing uses may need to provide new locations for them. Finally, limits may have to be established on non-maritime options; otherwise ports become indistinguishable from general purpose government.

3-3. Investigate the port as an entrepeneur. Traditionally ports have responded to market demands for port-related services on a reactive rather than proactive basis. Should ports be involved in longer-range business development ventures, such as fisheries development, and be active in promoting public policy that would improve port business?

3-4. Study possibilities of regionalization of port services. There will continue to be pressures by some interests for greater rationalization of port services along regional lines, i.e., allocation of functions among ports to reduce duplication and overcapacity and minimize competition. In addition, high capital costs and load centering trends will result in greater specialization of functions among ports — each will find its own niche. Most ports are wary of regional cooperation (except in the traditional areas of lobbying, pricing of services and, occasionally, cooperative marketing), and arguments can be made for not forming regional port agencies. But the combined effect of coastal zone legislation and increased cost of state and federal infrastructure development could create strong pressures for regionalism.

TOPIC 4: FINANCING CAPITAL DEVELOPMENT

General Comments

Every port requires capital expenditures beyond ordinary operating costs. Terminal buildings, pipelines, roads, cranes and other equipment typically require long-term financing. A combination of circumstances and preferences seem to make capital expenditures and their financing a most important issue in the future of smaller ports.

First, even though smaller ports will not likely be a growing segment of the seaport economy, still a substantial amount of capital expenditure must be undertaken in the next few years. Some of this will be required as smaller ports attempt to find and adjust to their special niche in the provision of port services; other capital spending will be necessary just to restore and maintain existing facilities. Although no comprehensive data exist, it is generally agreed that capital facilities have been one of the casualties of the attempt to maintain operating budgets in the presence of inflation, high and volatile interest rates, and changing demands for port services during the last decade or two. Much of this capital spending can no longer be deferred.

Second, the outlook for future operating budgets is not much improved over the recent past and, although there will be exceptions, smaller ports generally will not be able to finance capital expenditures with internally generated funds.

Finally, there are strong preferences both for ports to operate and to be treated as if they are private businesses and against increased government participation in port affairs, which suggests that governmental sources of capital may not be readily available. To continue in operation, then, many smaller ports must finance substantial amounts of capital expenditures in the next few years with outside, nongovernment funds. This seems to mean:

1) Increased private direct investment in port facilities; and/or
2) Port investment financed through outside sources, primarily the tax-exempt debt market. Interestingly, this occurs at a time when many feel that "conditions in the tax-exempt debt market could hardly be worse" and "even when put in its most favorable light the outlook for the tax-exempt market remains gloomy."

Topic Coordinator: Donald Bryan, Associate Professor,
School of Business and Public Administration,
University of the Pacific

Specific Research Recommendations

4-1. Determine the economic viability of smaller ports.

A) Has there been overinvestment in port facilities?

B) Because economic viability varies among ports, can useful measures be developed for identifying "problem" ports?

C) What changes, if any, are useful in keeping or making ports economically viable?

4-2. Research whether it is desirable to stimulate private direct investment in seaport development. What will improve the likelihood of private investment in smaller ports?

A) Can underlying cash flows be improved in such a way as to increase the return on investment without increasing risk?

B) Could the risk characteristics of port investment be improved?

C) What are the possibilities of various kinds of joint public-private participation in capital facility investment?

4-3. Investigate the possibilities of smaller ports financing with outside sources, such as the tax-exempt debt market.

A) Could various regulations, restrictions and policies be changed to improve smaller ports' access to and use of financial markets?

B) What is the potential role for industrial development bonds, especially considering recent federal legislation restricting the use of industrial development bonds?

C) What kinds of innovative financial contracts might be developed to enhance the attractiveness of port borrowing?

4-4. Analyze the positive features of smaller ports (e.g., flexibility in providing services) in attracting investment. How can these features be developed and emphasized in investment and financing decisions?

4-5. Study how well financial markets have worked historically in providing resources for smaller port investments. What has been the risk-return characteristic of port investments? If funds have been insufficient and/or too costly, as some people seem to believe, was this because markets did not perform well or because of some nonmarket factors? If market factors are responsible, what imperfections have affected the availability or cost of funds, and from a public policy standpoint what might be done to improve market performance?

TOPIC 5: PORT MANAGERS AND COMMISSIONERS: MANAGERIAL AND POLITICAL ISSUES

General Comments

Smaller ports may have many of the same managerial and political challenges as large ports. However, there are some fundamental differences between managing a large port and managing a smaller port.

The staff of a smaller port may be relatively more pressured because there may be nearly as many administrative functions and many of the functions require approximately the same investment of staff time and resources for a smaller port as for a large port. Preparation and filing for a two acre landfill requires about the same time as preparation and filing for a twenty acre landfill. Marketing a $500,000 bond requires about the same time as marketing a $5,000,000 bond. Budgeting, public relations, environmental management, marketing, engineering and other functions are required of a port of any size.

Smaller ports are more likely to be in small communities, while larger ports are most often located in large urban areas. Not all ports are administered by locally elected or appointed commissioners; but for those that are, the skills, interests and background of commissioners from smaller rural communities are significantly different than those of commissioners from large urban areas. Port commissioners from smaller communities may be more involved in small business (restaurants, fishing, banks, contracting, etc.) and they may be more interested and skilled in operational matters. Port commissioners from a large urban community may more frequently be professionals, already on a corporate board of directors, or with local public administration experience.

Public ports are challenged to work effectively with private industry, while remaining accountable to the public which created them. Experienced civil servants understand the need for and methods of public accountability. The skills and procedures required are not necessarily those that contribute to effective relations with private industry. Yet, ports more than any other local public enterprise must work effectively with private enterprise. While it may be publicly acceptable for private enterprise to entertain clients and to employ the relatives of company officers, such practices are more limited for public enterprises.

Ports with taxing authority usually have elected commissioners who are then accountable to the constituency that elected them. These elected commissioners may each represent some special community interest, such as fishing or shipping, or some geographic area; in these cases, the board of commissioners may perform like a legislative body. In the debates over the relative merits of the different special interests, the long-term well-being of the port may give way to expedient compromises. The commission that performs more like a board of directors may be more likely to make decisions that will lead towards the port's long-term goals and not necessarily serve the short-term interests of constituents.

Although many of the managers and commissioners in smaller ports are doing an excellent job, these tendencies and structural challenges remain. The challenges require special attention by the larger and smaller ports themselves, by the port associations, by the legislative bodies that created the ports and by the academic community.

Specific Research Recommendations:

5-1. Develop and conduct training programs directed at smaller ports. Although this recommendation is not for research per se, it emerged as the most important conclusion of the discussions. For example, when commissioners are elected or appointed they know that they are to act as the policy-making body of the port and are not to be involved in operational matters, but their background does not automatically provide them with policy-making skills and orientation. Such commissioners could receive training on a regular basis. This training might include a clarification of the role of commissioners, the meaning of policy making and some of the techniques of making policy. Commissioners could be reminded of the pertinent legislation for the port, meeting procedures, and public and financial responsibility. Managers, who tend to be operationally oriented, could be reminded of the policy and public relations problems confronting commissioners (e.g., the training efforts of the Pacific Coast Association of Port Authorities).

5-2. Study and develop cases of smaller port techniques and materials for training. Managers of smaller ports have developed many useful techniques for working effectively with commissioners. A compilation of these techniques and an analysis of their effectiveness could be the basis for publications, training and individual advice to be provided to the smaller ports.

5-3. Study conflict between commission structure and port goals. Such a study would identify the extent of this conflict and analyze the impact on port performance. Further, the study would identify possible solutions if the problem was found important. The first part of such a study might include a comparison between the legislation upon which elections are based and the actual performance of commissioners once they are elected. The second part of the study might compare legislation and/or commission procedures which contrast the "legislative body" and the "board of directors" characteristics.

Topic Coordinator: Frederick Smith, Professor, Marine Economics, Department of Agricultural and Resource Economics, Oregon State University

TOPIC 6: DREDGING AND FEDERAL USER FEES

General Comments

Although user fees are not new and cost sharing for port development has been practiced for years, the controversy generated by the Reagan Administration's proposal to impose user fees for financing all port and channel operation and maintenance (O&M) and improvements has been extremely divisive. Smaller ports have been opposed to larger ports, ports requiring high maintenance have been opposed to those requiring low maintenance; and so on. Every proposal has been assailed for causing an unequal economic impact.

A user fee can be defined as the fee per unit of a good or service provided by a government or other public entity that is collected from the recipient. The primary philosophical argument in support of user fees states that those who receive benefits should pay for them. The supporting pragmatic argument is that user fees are a non-tax source of revenue. Two critical questions must be answered whenever a user fee is to be implemented:

1) How much is to be charged?
2) Is that charge fair?

The latter question is, of course, an equity issue. Such issues are not readily resolved by the simple application of principles of economics or accounting, although these may contribute valuable information. Rather, political considerations are involved and, indeed, may dominate.

The users do not seem to be able to unite behind any alternative acceptable to the Reagan Administration. Disagreement centers on the following points:

1) Whether fees should be port specific or uniform.
2) Whether fees should be based on tonnage or value.
3) What is an acceptable percentage of cost sharing.
4) Who to assess and how to collect any fee.

The Great Lakes ports stand almost alone in favoring a uniform ad valorem user fee that would replace their present tolls. Many parties hoped that passage of legislation in Congress would have resolved the impasse. HR3678, an omnibus bill proposed by House Representative Robert A. Roe of New Jersey with many cosponsors, provided 50% cost sharing only for operations and maintenance and improvements deeper than 45 feet. Additionally, Senator James Abdnor of South Dakota had introduced S1739, which also required 50% cost sharing for operations and maintenance beyond that depth. One specific difference between HR3678 and S1739 was that the latter called for local cost sharing of 30% for improvements at depths of less than 45 feet and 100% beyond that depth. Hope had been expressed that a House-Senate conference could have produced a bill acceptable to all interests. As of early November 1984, the House-Senate conference had not taken place. HR3678 was attached to the continuing resolution designed to provide stopgap spending authority until a budget bill for FY 1985 can be passed. The Senate voted against attaching S1739 to the continuing resolution, thereby killing any hope of getting a port and waterway development program through Congress in 1984. We will have to wait for the next Congress. As an equitable and politically acceptable arrangement is sought, research recommendations should focus on determining the economic impact of any likely legislation.

Economic impact studies are needed for alternative forms of user fees and other legislated forms of cost sharing for port operations, maintenance and improvement. These studies could draw on the legislative histories and testimony, the analytical economic literature, and other data.

The response to the possibility of user fees has deeply divided maritime interests. Some of these wounds will linger. Thorough economic impact studies could substantially assist an agreement between all parties.

Specific Research Recommendations:

6-1. Study not only the direct and indirect tax revenue, but also the complex effects on the balance of trade, traffic distribution, employment and income.

6-2. Determine the impact of various forms of user fees on larger and smaller ports, whether they have requirements for high or low dredging maintenance, in terms of both the additional cost burden on the users and the impact on demand at each port.

6-3. Examine the role that recreational users of ports and waterways ought to play, in terms of their benefit share and contribution to federal user fees.

6-4. Determine the relative costs to be assigned to national defense. Given its receipt of custom revenues, the federal government's benefit and consequent responsibility for bearing costs need to be understood.

Topic Coordinator: Ronald L. Heilmann, Director,
Management Research Center,
School of Business Administration,
University of Wisconsin-Milwaukee

LUNCHEON ADDRESS

Thomas Panebianco,
Assistant to Commissioner Robert Setrakian,
Federal Maritime Commission

I appreciate this opportunity to address you and to share with you another perspective on the port industry. I confess that my views are hardly those of an expert on the subject. However, my recent travels with Commissioner Robert Setrakian and involvement in the Federal Maritime Commisson's (FMC) port inquiry proceedings have provided me with some information and a few thoughts that I hope will be of use and interest to you.*

First, let me emphasize that to the extent I do express opinions, those opinions are my own and not necessarily those of Commissioner Setrakian or the rest of the commission.

The FMC initiated the port inquiry in September 1983 for several reasons. Like every federal agency, the FMC is required by statute to periodically review all its regulations to ensure that they are timely and appropriate. The FMC's timetable designated 1983 for review of our terminal agreement regulations.

The proceeding was broadened to include terminal tariff filing as well. The commission determined that, quite apart from legal requirements, it was a good idea to review and reconsider all its regulations, and decided that it would be productive to include terminal tariff filing along with terminal agreement filing as a subject. Federal regulations often remain on the books simply out of habit or longevity, and a periodic reexamination of the needs and effectiveness of those regulations is necessary to determine whether they are obsolete or in need of amendment.

Obviously, the commission could have undertaken a review of these matters via an in-house study. Instead, it chose to institute an inquiry, to solicit comments from as broad a spectrum of interested parties as cared to participate, and to include oral hearings to encourage as much communication and exchange of ideas as possible. Commissioner Setrakian was then designated to serve as the inquiry hearing officer.

The most immediate and apparent result of the inquiry was its enormous response. The port inquiry turned out to be the most widely participated in proceeding in the history of the commission. Written comments were submitted by 84 parties — most of them ports and terminal operators but also including carriers, shippers, forwarders, academics, labor and the press. Earlier this month (April 1984), Commissioner Setrakian and I completed our third and final regional hearing. Hearings also were held in New Orleans, San Francisco and New York, and those who had submitted written comments had the opportunity to expand on their views and respond to those of other parties.

Commissioner Setrakian provided for an additional 30-day period in which to accept final written comments. As there are still two weeks to go in that period, this proceeding is still officially pending, and it would be improper and premature for me to announce any conclusions on any of the issues. In fact, in one particular area — that of terminal agreements — we will indeed have our work cut out for us in deciding what to do, as I will explain later. I can, however, offer some comments on the sort of things we have heard and learned so far. Also, in the interest of brevity, I will limit my comments to the tariff and agreement issues, although antitrust immunity and several other topics were also addressed in the course of the proceeding.

*"Notice of Inquiry and Intent to Review Regulation of Ports and Marine Terminal Operators," Federal Maritime Commission Docket No. 83-38.

On the tariff filing issue, the FMC was primarily concerned with whether there was the need and desire on the part of the industry for the continued filing of terminal tariffs. The response we received was a resounding "yes." Nearly every port and terminal operator commented that tariff filing is important for one or more reasons: it makes users of port facilities aware of port charges; it allows the FMC ready access to information it needs for effective regulation; it prevents rate-cutting and rate wars; and — not least, I suspect — it provides other ports and operators with information about their competitor ports. Some also suggested that collection of various port charges is made easier by the aura of legitimacy those charges take on by virtue of being filed with a federal agency.

Slightly more controversy was raised in response to the question of whether terminal tariffs should be filed with a third party other than the FMC. While most parties indicated that the FMC, as the federal agency responsible for regulating terminals, was the proper repository for terminal tariffs, a few initially suggested that associations or tariff information services could also perform that function. However, we heard very little along that line during the oral hearing phase of our proceeding. I believe it is safe to say that the port industry overwhelmingly supports maintenance of the status quo insofar as terminal tariff regulation is concerned. Several times in the course of our hearings, port officials questioned the impact of the new shipping legislation on terminal tariff filing. A surprising number of port personnel appeared unaware that terminal tariffs are filed not because of federal statutory requirements, but because the FMC requires it on its own. The 1984 act doesn't mandate tariff filing for terminal operators, just as the 1916 act doesn't. It is strictly an FMC-imposed regulation. So the inquiry's inclusion of this subject was not mooted — in fact, was not even affected — by the new legislation. One peripheral issue raised in our notice of inquiry was whether ports should charge fees for tariff information. The present FMC rules on the subject require that ports keep "open business inspection" of their tariffs. The inquiry notice questioned whether the rules should be amended to state that tariffs should "be made available" to requesting parties, and whether ports might charge a fee for this information. This brought a very mixed reaction. Most operators indicated that they already made their tariffs available to anyone interested, free of charge, and were glad to do so; some indicated that in light of costs, a fee might be appropriately charged. At our hearings, we learned that a major East Coast port had a subscription list of about 2,000 parties (not all of whom, I presume, ever requested to be on the list). On the other extreme, we also came upon a single port that recently had begun charging a $25 subscription fee for its tariffs, and had not yet suffered any protests or cancellations.

A point of interest that came out of our San Francisco hearings: the Port of Seattle, generally reputed to be a maverick and strong supporter of deregulation, clarified at the oral hearings that it is not so opposed to terminal tariff filing as far as the physical filing of tariffs is concerned. Rather, it objects to the restraints on pricing that are imposed by the requirement that terminal tariffs be filed on or before their effective dates. Most other ports, on the other hand, issued dire warnings of rate wars and instability should the tariff-filing requirement be removed.

Another related topic that arose primarily at our East Coast hearings was the tariff automation issue and, specifically, what this augured for the marine terminal industry. We heard extensive testimony from a represen-tive of the Journal of Commerce, who described that publication's rapid-access, tariff-expediting service. To date, that service, and presumably others like it, are available only for carrier and carrier-conference tariffs, but there are plans to extend it into the area of terminal tariffs as well. Also relevant is the fact that the commission has recently invited public comment on the possibility of switching to an automated tariff-filing system in general. While the timing of such a changeover is questionable, it appears to me that automation of our tariff-filing system is inevitable. The question is simply when and in what format?

One of the questions we asked in the hearings was whether an automated system would create a burdensome capital investment requirement for smaller ports. The tentative answer we received was that only a minimal investment is necessary because a good system would be compatible with a relatively simple word-processing type terminal. So, one of many issues the FMC will be grappling with will be whether tariff automation will be burdensome or beneficial to small ports and entities. It also is something that port managers might keep in mind, for the present, for planning purposes.

The agreement-filing and agreement-approval issues produced a wider variety of responses. Specifically, the inquiry asked whether certain categories of agreements might be exempted from the FMC's filing and/or approval requirements. No clear consensus emerged. Some, including most of the Gulf area ports, supported maintenance of the status quo. They argued that the current procedures are not burdensome, and they liked the idea of all agreements being available for public inspection and challenge. The new 1984 shipping act provides further support for this position, in that agreements processed under it will become effective within 45 days or, if expedited, 14 days, unless the FMC seeks further information or a federal court injunction. The Gulf ports indicated that this further diminishes the burdensome nature and problem of delay inherent in agreement filing and renders unnecessary any exemptions from the filing and approval process.

Other ports indicated that while the agreement approval process was a burdensome and time-wasting procedure, there were certain categories of agreements that had potential for serious competitive effects, and that should therefore be filed, but exempted from the approval requirements. These included repetitive agreements, agreement renewals, long-term lease agreements and terminal conference agreements. These ports argued that such agreements should be subject to public scrutiny but should also become immediately effective.

A somewhat larger group of ports suggested that certain agreements could and should be exempted from all filing and approval requirements. Some suggested that all terminal agreements be exempted. Others said no, just exempt agreements that have little if any anticompetitive effect, such as landlord-tenant arrangements and nonexclusive use agreements. Those who objected to the exemption of agreements from filing requirements argued that all categories of agreements — even landlord-tenant type arrangements — are occasionally going to have anticompetitive effects, and that since there is always the possibility of a legitimate challenge to such agreements, they should all be filed for public and FMC access.

Terminal operators, both carrier-affiliated and independents, provided another set of claims and counterclaims to further complicate the issue. The independents protest that the carrier affiliates are putting them out of business via carrier-subsidization, and that carrier-affiliates should be subject to stringent agreement filing procedures for better monitoring by the FMC and the interested public. The carrier affiliates stress the public nature of publicly owned terminals, and suggest that public ports should be subject to more stringent requirements. Other carrier affiliates argued that no distinctions need be drawn among types of operators, and that it was the services performed, and not the makeup of the operator which the commission should be looking at.

The entire agreement processing issue is, of course, greatly affected by the new legislation. The most obvious change is that agreements under the new act will no longer require approval; they will simply become effective within 45 days unless the FMC seeks a court injunction. While this satisfies many port officials concerning delays in the approval process, many others continue to believe that delays of even a week or two are burdensome, and that the FMC should still consider exemptions from the process.

One question that remains to be answered is: How often and under what circumstances will the FMC seek to enjoin a terminal agreement? I suspect that the net result of the new act will be that injunctions will be sought much less often than under the old act. The standards of the new act are more specific and allow the FMC somewhat less discretion; instead of determining what is or is not in the public interest, the FMC will be determining whether an agreement is likely, by a reduction in competition, to result in an unreasonable reduction in service or an unreasonable increase in cost. This more stringent standard, plus the FMC's having to bear the burden of proof and its having to convince a federal court of the merit of its position, will mean, in my opinion, that greater numbers of agreements will pass muster.

A noteworthy change is that under the old act, if the FMC exempted certain categories of agreements from regulation, then those agreements became ineligible to receive the benefits of antitrust immunity. Under the new act, agreements exempted from filing requirements will nevertheless obtain antitrust immunity. This will be an important factor in the FMC's decision whether to propose exemptions of categories of terminal agreements from filing pursuant to our inquiry proceeding. I believe the FMC will be circumspect about such exemptions, as the FMC would be creating a class of agreements which would not be on file with the agency for anyone to challenge or be aware of, but which would authorize potentially anticompetitive activity under the protection of antitrust immunity.

There is an anomaly created by the new act which it appears many port officials were unaware of. The 1984 shipping act includes jurisdiction of marine terminal agreements that involve foreign commerce. For many U.S. ports, this would cover all its terminal agreements. But some ports, particularly on the West and Gulf coasts, serve domestic trades, such as Alaska, Hawaii and Puerto Rico. Agreements involving terminal facilities used for those trades will continue to be governed by the standards and the procedures of the 1916 shipping act. This means, for example, that a terminal agreement between a port and a domestic carrier will not automatically become effective within 45 days; it will have to be justified by the parties and approved by the commission pursuant to the 1916 act. Whether and how the FMC might attempt to address this discrepancy through rule-makings — perhaps by subjecting domestic-related agreements to the same procedures as foreign-related agreements — is one of the issues the FMC will be wrestling with in the near future.

One final aspect of the new act that I would like to point out to you: the 1984 act includes a provision which states that antitrust immunity is not available for agreements among common carriers to establish, operate or maintain marine terminals. The carrier-affiliated terminal operators we spoke with during our hearings were understandably concerned about this provision, although there appeared to be considerable confusion over exactly how it would affect them. I bring this up before this group because of its possible impact on ports. In our proceeding, there was a difference in opinion as to whether carriers' ability to jointly operate terminals was beneficial or harmful to commerce in general and the port community in particular. One comment we received, which I throw out for your consideration, is that if carriers do not enter cooperative arrangements with each other to operate terminals, small ports will suffer because it is in small ports that carriers may need to pool resources to operate a terminal where there is not enough traffic to support a public operation or to justify a single carrier's operation.

I have two final remarks to make concerning the FMC's port inquiry and the new legislation. One is that whatever the results, the inquiry has proven to be of great educational value to the commission and, I hope, to the port industry as well. The parties participating in this proceeding have done so with varying degrees of enthusiasm. Some approached it as a great opportunity to trumpet their ideas and complaints; others viewed the proceeding with reluctance and skepticism. One by-product of the inquiry, regardless of the eagerness of the parties, has been that it has forced ports and terminal operators to articulate their views, to express their needs, to tell the commission to what extent those requirements are useless or detrimental, and to indicate what amendments might be made and why. While associations and legal counsel both play vital roles in representing the view of ports, the individual ports should not totally abdicate their responsibility to help shape the regulatory system to which they are subjected. This is a rapidly-changing industry, and that regulatory regime is sure to continue to adapt to the needs and changes in the industry. Unless port personnel are content to have legislative and regulatory changes unilaterally imposed upon them, they had better be prepared to take an active role in the law-making process.

This leads me to my second point. Anyone who envisions Congress drafting legislation in the same manner as Thomas Jefferson writing the Declaration of Independence is mistaken. They say the two most disgusting things to see being made are sausage and legislation. This is true especially where, as here, the legislation is of a regulatory nature; such legislation is largely the actual written product of industry representatives. Congressional staffers massage the language and sort out, sometimes successfully, the inconsistencies and conflicts that are inevitable when a product has many different authors. But to a large extent, it is the industry itself which is, collectively, the author of this type of legislation. If this particular act is, as many have suggested, carrier-oriented, it is because the carriers did their homework and ramrodded in the provisions that were important to them. I am not suggesting that port interests were not involved in the legislative process leading to the Shipping Act of 1984, for I know that port associations and a few individual ports — especially those in states represented by a committee or subcommittee chairman — were very active. For example, port interests successfully argued against considerable opposition that antitrust immunity continue to be available for marine terminal agreements. However, I am struck by the number of port officials I have met recently who not only expressed no familiarity with the legislative process, but were largely unaware of what the new act contained. The week after the new act was signed into law by the President, I met a port director who had no idea that the bill had even gone through Congress.

America's ports are a significant segment of the maritime industry and are of vital importance to their particular geographic and political regions as well. Ports can be a docile subject or victim of regulation and legislation, or they can be a dynamic and forceful player in those processes. As new laws are passed and regulations promulgated, I urge you, individually and through your associations, to take an active part. You can count on other segments of the industry and the larger ports to do just that.

Thank you for your attention.

RESEARCH RECOMMENDATIONS ARRANGED BY PRIORITY LEVEL

To further the usefulness of the 29 recommendations, each has been assigned to one of three priority levels. This prioritization was completed by the workshop coordinator, Willard T. Price, and has been reviewed by the topic coordinators.

The levels of priority are:

— Recommendations considered critical to smaller seaports at this time.

— Recommendations that are desirable for smaller seaports and for the academic maturity of the field of study.

— Recommendations that are useful in establishing a data base for seaport research.

So that the recommendations may be aggregated by priority level as well as by topic area, we include three tables:

— Table I lists the six topic areas, with each set of recommendations divided by level of priority. For convenience, we have used the numbers and abbreviated phrasing from the recommendations discussed more fully previously.

— Table II lists the three priority levels, each divided according to the six topic areas.

— Table III summarizes the other two tables in a matrix format.

TABLE I: PRIORITY LEVELS WITHIN EACH TOPIC

TOPIC 1: CHANGES IN DEMAND FOR SMALLER MARITIME PORTS	***Critical for Seaport Management Now*** **1-1.** Market forecast information **1-7.** Community education on port's role ***Desirable for Academic Maturity of the Field*** **1-2.** Public macro forecasts **1-3.** Land transportation regulations **1-4.** Market development techniques **1-6.** Smaller port advantages **1-8.** Port service area funding ***Useful in Establishing a Data Base*** **1-5.** Risk analysis methods
TOPIC 2: STRATEGIC MANAGEMENT AND SMALLER MARITIME PORTS	***Critical for Seaport Management Now*** **2-1.** Long range planning by smaller ports **2-4.** Marketing approaches of smaller ports ***Desirable for Academic Maturity of the Field*** **2-2.** Financing techniques of smaller seaports **2-3.** Profit vs. public demands ***Useful in Establishing a Data Base*** **2-5.** General taxation influence on community relations
TOPIC 3: NON-MARITIME OPTIONS FOR WATERFRONT SPACE	***Critical for Seaport Management Now*** **3-2.** Land use mix preferences ***Desirable for Academic Maturity of the Field*** **3-1.** Cross-subsidization among land uses **3-3.** Port as entrepreneur ***Useful in Establishing a Data Base*** **3-4.** Regionalization of port services

TOPIC 4: FINANCING CAPITAL DEVELOPMENT

Critical for Seaport Management Now

4-1. Economic viability of smaller ports

Desirable for Academic Maturity of the Field

4-2. Stimulating private investment

4-3. Using outside debt markets

Useful in Establishing a Data Base

4-4. Attractive investment features of smaller ports

4-5. Market performance for smaller ports

TOPIC 5: PORT MANAGERS AND COMMISSIONERS: MANAGERIAL AND POLITICAL ISSUES

Critical for Seaport Management Now

5-3. Conflict between commissioner and port goals

Desirable for Academic Maturity of the Field

5-2. Case studies of smaller ports

Useful in Establishing a Data Base

5-1. Training programs for smaller ports

TOPIC 6: DREDGING AND FEDERAL USER FEES

Critical for Seaport Management Now

6-2. Smaller vs. larger port impacts of user fees

Desirable for Academic Maturity of the Field

6-1. Trade, economic and tax effects

6-4. National defense, customs revenues and federal benefit

Useful in Establishing a Data Base

6-3. Benefits and contributions of recreational users

TABLE II: SPECIFIC RECOMMENDATIONS WITHIN EACH PRIORITY LEVEL

I. RECOMMENDATIONS CONSIDERED CRITICAL FOR SEAPORT MANAGEMENT NOW

Topic 1: Changes in Demand for Smaller Maritime Ports
- **1-1.** Market forecast information
- **1-7.** Community education on port role

Topic 2: Strategic Management and Smaller Maritime Ports
- **2-1.** Long range planning by smaller ports
- **2-4.** Marketing approaches of smaller ports

Topic 3: Non-Maritime Options for Waterfront Space
- **3-2.** Land use mix preferences

Topic 4: Financing for Capital Development
- **4-1.** Economic viability of smaller ports

Topic 5: Port Managers and Commissioners: Managerial and Political Issues
- **5-3.** Conflict between commissioner and port goals

Topic 6: Dredging and Federal User Fees
- **6-2.** Smaller vs. larger port impacts of user fees

II. RECOMMENDATIONS CONSIDERED DESIRABLE FOR THE ACADEMIC MATURITY OF THE FIELD

Topic 1: Changes in Demand for Smaller Maritime Ports
- **1-2.** Public macro forecasts
- **1-3.** Land transportation regulation
- **1-4.** Market development techniques
- **1-6.** Smaller port advantages
- **1-8.** Port service area funding

Topic 2: Strategic Management and Smaller Maritime Ports
- **2-2.** Financing techniques of smaller ports
- **2-3.** Profit vs. public demands

Topic 3: Non-Maritime Options for Waterfront Space
- **3-1.** Cross-subsidization among land uses
- **3-3.** Port as entrepreneur

Topic 4: Financing Capital Development
- **4-2.** Stimulating private investment
- **4-3.** Using outside debt markets

Topic 5: Port Managers and Commissioners: Managerial and Political Issues
- **5-2.** Case studies of smaller ports

Topic 6: Dredging and Federal User Fees
- **6-1.** Trade, economic and tax effects
- **6-4.** National defense, customs revenues and federal benefit

III. *RECOMMENDATIONS CONSIDERED USEFUL IN ESTABLISHING A A DATA BASE FOR SEAPORT RESEARCH*

Topic 1: Changes in Demand for Smaller Maritime Ports
- **1-5.** Risk analysis methods

Topic 2: Strategic Management and Smaller Maritime Ports
- **2-5.** General taxation influence on community relations

Topic 3: Non-Maritime Options for Waterfront Space
- **3-4.** Regionalization of port services

Topic 4: Financing for Capital Development
- **4-4.** Attractive investment features of smaller ports
- **4-5.** Market performance for smaller ports

Topic 5: Port Managers and Commissioners: Managerial and Political Issues
- **5-1.** Training programs for smaller ports

Topic 6: Dredging and Federal User Fees
- **6-3.** Benefits and contributions of recreational users

TABLE III: SUMMARY MATRIX OF PRIORITY LEVELS AND RECOMMENDATIONS

DISCUSSION TOPICS / PRIORITY CATEGORIES	Topic 1: Changes in Demand for Smaller Maritime Ports	Topic 2: Strategic Management and Smaller Maritime Ports	Topic 3: Non-Maritime Options for Waterfront Space	Topic 4: Financing Capital Development	Topic 5: Port Managers & Commissioners: Managerial & Political Issues	Topic 6: Dredging and Federal User Fees
A. Critical for Seaport Management Now	1-1 1-7	2-1 2-4	3-2	4-1	5-3	6-2
B. Desirable for Academic Maturity of the Field	1-2 1-3 1-4 1-6 1-8	2-2 2-3	3-1 3-3	4-2 4-3	5-2	6-1 6-4
C. Useful in Establishing Data Base for Seaport Research	1-5	2-5	3-4	4-4 4-5	5-1	6-3

RELATED SEA GRANT PROJECTS

The National Sea Grant College Program has supported these projects related to the political and economic problems of smaller maritime ports.

Ports and Waterways Advisory Services
Michael Liffman, Louisiana Sea Grant College Program

The Scientific Basis for Assessing Dredged Material Disposal in the Duluth Harbor
Steven J. Eisenreich, Minnesota Sea Grant Program

Economic Analysis of the Competitive Position of Northern Great Plains Coal Exported Through Great Lakes Ports
Jerry E. Fruin and Charles L. Eldridge, Minnesota Sea Grant Program

Prospects for Waterborne Transportation in the Lower Great Lakes
A. Talvitie and Ezra Hauer, New York Sea Grant Institute

Impact of Maritime Policy Changes on Columbia River/Pacific Rim Commerce
James R. Jones and Kenneth Casavant, Oregon Sea Grant College Program

Smaller Seaports — An Examination of Selected Attributes and Trends
Willard T. Price, University of Southern California Sea Grant Program

Fees for Service at Seaports: Pricing Approaches, Federal User Fees and Public Policy Issues
Willard T. Price, University of Southern California Sea Grant Program

Laws Affecting Port Expansion in Washington State
Marc J. Hershman, Washington Sea Grant College Program

Regional Seaport Institutions
David J. Olson, Washington Sea Grant College Program

Great Lakes Transportation in the 1980s
Eric Schenker and H. Mayer, Wisconsin Sea Grant Institute

WORKSHOP PARTICIPANTS

Alderson, Jack B.
Humboldt Bay Harbor District

Bjur, Dorothy M.
USC Sea Grant Program

Bose, Sal N.
Port of Richmond

Bryan, Donald
University of the Pacific

Campbell, Diane
Office of Calif. Sen. John Garamendi

Chapman, Jeffrey
USC Public Affairs Center, Sacramento

Clarke, Robert S.
Crescent City Harbor District

Diffley, Michael
U.S. Army Corps of Engineers

Di Pietro, Fred J.
Port of Redwood City

Dowd, Thomas
University of Washington

Elmore, John W.
Oxnard Harbor District

Felkins, Steve
Port of Astoria

Friedheim, Robert
USC Sea Grant Program

Fruin, Jerry
University of Minnesota

Galstan, S.W.
U.S. Maritime Administration, Western Region

Hecht, Joy R.
Calif. Senate Select Committee on Maritime Industry

Heilmann, Ronald L.
University of Wisconsin-Milwaukee

Hershman, Marc
University of Washington

Hutchinson, Suzanne
Calif. State Chamber of Commerce

Ivers, William H.
Calif. Department of Boating & Waterways

Jacobson, Robert
Calif. Assembly Utilities and Commerce Committee

Kenyon, Peter
Humboldt State University

Knox, John H.
University of California, Berkeley

Krygsman, Alexander
Port of Stockton

Liffmann, Michael
Louisiana State University

Marek, Dana
University of the Pacific

Marti, Bruce E.
University of Rhode Island

McNannay, Robert E.
Port of Longview

Mignano, Gregory
California World Trade Commission

Neuwirth, Donald B.
California State Coastal Conservancy

Palmer, J.K.
Port of Newport

Panebianco, Thomas
Federal Maritime Commission

Park, Chan S.
Auburn University

Phagley, Milt
California Coastal Commission

Pope, Gerald L.
Port of Oakland

Price, Willard
University of the Pacific

Ross, Stuart
USC Sea Grant Program

Schroeder, Hans
Port of Bodega Bay

Shaw, Bill
University of the Pacific

Shore, Melvin
Port of Sacramento

Smith, Frederick
Oregon State University

Storre, Rick
Humboldt Bay Harbor District

Stubblefield, William
National Sea Grant College Program

Taylor, Richard D.
Crescent City Harbor District

Toole, Christopher
University of Calif. Sea Grant Extension

Ward, Jerry
Port of Olympia

West, Kathleen
University of Southern California

White, Gordon S.
Port Technologies International Inc.

Williams, Lola
USC Sea Grant Program

Williams, Ray
U.S. Army Corps of Engineers, Sacramento

SELECTED BIBLIOGRAPHY

From the literature on seaport management, most of which pertains to larger ports or to ports in general, we have selected those items that pertained specifically to the policy problems of smaller ports or case studies on specific smaller ports. These items were mostly found not in the principal academic journals, but rather in trade journals, Sea Grant publications and conference reports; there seems to be, in fact, a dearth of materials on the subject. Consequently this is a limited listing, presented both chronologically and alphabetically by first author. We hope, obviously, that this literature will be embellished by subsequent research. We have not included items published by and available from the ports themselves, such as annual reports.

1984

Bell, Howard. "International Trade — Upper Great Lakes," *The Seiche* 8(2):1-2, 4-5. Minnesota Sea Grant Extension, University of Minnesota, Spring 1984.

Carroll, Jill S. "350-Foot Barge for Sause Bros. in Coos Bay, Oregon," *Pacific Maritime* 1(11):36, May 1984.

Robadue, Donald D. Jr. "Gaining Approval for a Comprehensive Providence Harbor Plan," *Maritimes* 28(1):11-13, February 1984.

Special Report on West Coast Marine Transportation of Forest Products. *Pacific Maritime* 1(12):11-28, June 1984.

Weiant, William S. *The Great Lakes Port Range: Network Marketing Strategies for International Cargoes.* Ohio State University Sea Grant Program, Technical Bulletin. No. 16, February 1984.

Weinstein, David. "Port of Richmond, California: Transition Period for Bay Area Port," *Pacific Maritime* 2(2):9-10, August 1984.

Weinstein, David. "NORCAL Ports and Terminals Bureau," *Pacific Maritime* 1(10):8-9, April 1984.

1983

Berini, Nancy (ed.). *Maritime User Fees: Perspective on the Upper Great Lakes. Highlights of a conference in January 1983.* Minnesota Sea Grant Extension Program (MSGEP-83-500) 1983.

Hochstein, Anatoly, et al. *Modelling Small Port Terminals.* Unpublished conference paper, Ports and Waterways Institute, Louisiana State University.

Michigan Sea Grant College Program (ed.). *Is Great Lakes Shipping An Underutilized Resource?* MICHU-SG-83-500, 1983.

1982

Bish, Robert L. *Governing Puget Sound.* Washington Sea Grant Program and University of Washington Press, 1982.

Marti, Bruce. "Shift-Share Analysis and Port Geography: A New England Example," *Maritime Policy and Management* 9(4):241-250, 1982.

Muretta, Peri, and Willard Price. "Environmental Mitigation of Dredge and Fill Projects: A Case Study of Coos Bay/North Bend, Oregon," *Coastal Zone Management Journal* 10(3):223-254, 1982.

Robadue, Donald D. Jr. "A Move to Improve Providence Harbor," *Maritimes* 26(2):5-6, May 1982.

Thompson, Stanley R., and Rebecca L. Johnson. *Grain Transportation on the Great Lakes-St. Lawrence Seaway.* Michigan Sea Grant Program, MICHU-SG-82-501, 1982.

U.S. Maritime Administration. *A Report to the Congress on the Status of the Public Ports of the United States.* Washington, D.C.: U.S. Department of Transportation. August 1982.

1980

Evans, Nan, et al. *The Search for Predictability: Planning and Conflict Resolution in Grays Harbor, Washington.* Washington Sea Grant Program and University of Washington Press, October 1980.

Fehring, William K. "Mitigation of Port Development at Tampa, Florida," in *Coastal Zone '80,* Billy L. Edge (ed.). New York: American Society of Civil Engineers, 1980, pp. 1608-1620.

Kenney, Marcia. "Port Permitting Problems," in *Coastal Zone '80,* Billy L. Edge (ed.). New York: American Society of Civil Engineers, 1980, pp. 791-809.

1979

Clark, John, et al. *Small Seaports: Revitalization Through Conserving Heritage Resources.* The Conservation Foundation, Washington, D.C., 1979.

Oyala, James W., and Alex L. Pairs. *Oregon State Laws Relating to Public Ports. Oregon State University Sea Grant College Program, 1979.*

Schmissuen, W.E. *Oregon Port Commissioners: Suggestions for Effective Port Management.* Oregon State University Sea Grant College Program (ED-976), 1979.

1978

Hanna, John W., et al. "Decision Making in the Development of Urban Waterfronts for Park/Business Use," *Water Resources Bulletin* 14(1): 179 +, 1978.

Hershman, Marc, et al. *Under New Management: Port Growth and Emerging Coastal Management Programs.* University of Washington Sea Grant Program, 1978.

Nixon, Dennis. "Public Access to the Shoreline: The Rhode Island Example," *Coastal Zone Management Journal* 4(1/2):65-82, 1978.

1975

Mayer, Harold M. *Wisconsin's Great Lakes Ports: Background and Future Alternatives.* Center for Great Lakes Studies, University of Wisconsin-Milwaukee, 1975.

1974

Etter, Wayne E., and Robert C. Graham. *Financial Planning for the Texas Port System,* Texas A&M Sea Grant College Program (TAMU-SG-74-210), March 1974.

1972

Schenker, Eric. *Impact of the Port of Green Bay on the Economy of the Community.* University of Wisconsin Sea Grant Program, November 1972.

USC SEA GRANT PROGRAM
Institute for Marine and Coastal Studies
University of Southern California
University Park * Los Angeles, CA 90089