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Non-Maritime Port Activities:

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A Research Agenda

Non-Maritime Port Activities: A Research Agenda

**Proceedings of a National Conference
cosponsored by
University of Southern California Sea Grant Program
Institute for Marine and Coastal Studies
and the
Louisiana Sea Grant College Program
Center for Wetland Resources
Ports and Waterways Institute
in
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—James A. Fawcett
—Michael M. Liffmann

INTRODUCTION

Four years ago when our colleague and friend, Dr. Willard Price, undertook the planning and implementation of the first of USC's port conferences, the dimensions of this third conference were barely outlined. Yet, four years later, we have completed a conference on larger maritime ports, one on smaller maritime ports and this third conference on non-maritime ports and non-maritime activities in maritime ports and harbors.

The themes of the first two conferences were relatively clear from the outset: there were problems and opportunities faced by port managers that could benefit from academicians applying their insights and research tools. Clearly, the first step in the process was to identify which port management problems demanded early attention and which were not so urgent. Thus, the first two conferences provided opportunities for academicians and practitioners to come together to set agendas for research, which are documented in "A Research Agenda for Seaport Management and Related Marine Transportation Issues" (USC Sea Grant Publication, USCSG-TR-02-83) and "Smaller Maritime Ports: A Research Agenda" (USC Sea Grant Publication, USCSG-TR-04-84).

This proceedings reports on the 1985 conference, which addressed non-maritime ports and non-maritime activities in maritime ports and harbors.

In the course of designing and sponsoring this third conference, a number of people asked for an explanation of "non-maritime." For our purposes, non-maritime ports are those not primarily engaged in international trade. Often, non-maritime activities are contained within a maritime port and merely constitute one activity within that port. Such non-maritime activities include a vast array of port uses, including support of offshore oil and gas exploration and production, commercial fishing, marine recreation, urban waterfront revitalization, interstate (but not international) storage and transportation of cargo and, as we shall see, some activities that may not be commonly identified as port activities, especially when the port views economic development as one of its primary roles.

Non-maritime ports drew our attention largely as a result of research agenda findings of our second ports conference, held in 1984. During that meeting on smaller maritime ports, there was some concern about non-maritime activities within those ports. (As international trade has become consolidated at fewer, larger "load center" ports, there has been an evident need to diversify use of the waterfront in non-load-center ports.) In the preparatory discussions for our third conference, it became clear that a substantial part of the wide range of all port activities had been neglected in the first two conferences — namely, those activities that we have now termed "non-maritime."

Indeed, the difficulty with which we came to settle on non-maritime activities as the subject of this third conference is symptomatic of the problems commonly experienced by non-maritime ports: their relative invisibility within the constellation of all port activities. From the way in which we generally conceive of ports to the manner in which we keep port statistics, the activities to which these ports give domicile either are not conceived of as particularly important or their economic impact is so fragmented in our national port record keeping that we often fail to recognize their importance to the economy as a whole.

We directed the eight discussion sessions of this third conference to the problems that commonly affect non-maritime ports. Some of the discussions may appear directed to topics not necessarily unique to non-maritime ports, e.g., public participation. However, we found that a discussion on such a topic in the context of smaller ports (as are many non-maritime ports) revealed different problems than the same discussion directed to larger maritime ports. That quality is characteristic of all the discussions that, superficially, are not unique to non-maritime ports.

At the conference, we had a good balance of practitioners and academicians, all of whom were eager to share their experiences and impressions of port management. We also were honored to be addressed in our opening plenary session by Dr. Anatoly Hochstein, Director of the LSU Ports and Waterways Institute. Dr. Hochstein has devoted many years to the study of ports in both the Soviet Union and the United States, and it was inspiring to hear his comments about the management of non-maritime ports.

Three other speakers expanded our intellectual horizons during the conference and we are especially appreciative of the time they devoted to addressing the problems of non-maritime ports. Dr. David Duane, Assistant Director for Program Development in the National Sea Grant Office in Washington, D.C., spoke about the contributions of Sea Grant as a national program to the revitalization of ports and harbors in the United States. Sea Grant annually sponsors almost \$40 million of marine and marine-related research, a portion of it devoted to the study of U.S. ports and harbors. Ted Falgout, Executive Director of the Greater Lafourche (Galliano, Louisiana) Port Commission (and a former Sea Grant Marine Agent) was a forceful voice encouraging research into the problems of non-maritime ports. His experience both as a port manager and a former Sea Grant advisor gave us a unique perspective as to the feasibility of and need for Sea Grant assistance. Finally, Ronald Faucheux, Secretary of the Louisiana Department of Commerce, spoke to our closing luncheon and emphasized the importance of non-maritime ports to the economic health of Louisiana. If we had any doubts about the

importance of non-maritime ports as engines for local economic development, his remarks diminished our concerns.

Topic 1 was a discussion of a unique type of non-maritime port, specifically those ports supporting the offshore oil and gas industry. We asked Dewayne Hollin of the Texas Sea Grant College Program to lead the discussion based on his experience in assisting both the oil and gas industry and the ports serving this industry on the Gulf Coast of Texas.

One of the persistent problems facing any port manager is how to allocate the available land within the port, especially when choosing one allocation forgoes all other uses for as long as 50 years. In Topic 2, Dr. Jerry E. Clark, marine economics specialist with the Oregon Sea Grant College Program, addressed these land allocation issues with an eye toward the problems that small size has on non-maritime ports.

In these times of financial austerity at both the state and federal government levels, ports have been forced to rely more and more on their own ability to raise sufficient funds to undertake the development activities that will keep them competitive. Additionally, there is the problem of whether one good revenue-generating activity should subsidize another activity that does not generate enough revenue to support itself. Into this thorny bramble, we asked James G. Crew, assistant professor at the LSU Center for Wetland Resources, to lead us in Topic 3.

Dr. Kenneth Roberts, an associate professor in the LSU Center for Wetland Resources, accepted responsibility for the discussion on the economic significance of small, non-maritime ports. In that session, Topic 4, he led the participants through an exploration of alternate means of assessing the economic impact of non-maritime activities, especially in the local or regional context.

Topic 5 was led by Dr. James Fawcett, port management specialist for USC Sea Grant, who facilitated discussion on involving the public in the decision-making process at non-maritime ports. The central focus of this discussion became: To what extent should the public be involved in port management decisions and, when we refer to the "public," of whom are we speaking?

We asked the convenor of the first two port conferences, Dr. Willard Price, to lead Topic 6, a discussion of capital-funding sources for non-maritime activities. This session dovetails in many respects with the Topic 3 discussion on self-generated revenues: both are concerned with the availability of capital for construction and development when resources are scarce.

One of the trickier management problems for non-maritime port managers concerns conflicting port activities. In Topic 7, Dr. Charles Adams, assistant professor in the Department of Food and Resource Economics at the

University of Florida, addressed this area, especially the conflicts created when commercial fishing boats and recreational vessels attempt to use the same waterways.

In our final session, Topic 8, Dr. Bruce Marti, assistant professor in the Department of Geography and Marine Affairs at the University of Rhode Island, handled the pressing issue (especially where smaller ports are concerned) of state-local coordination and planning for non-maritime activities. In this session, the participants discussed whether the existing situation of virtually no port planning works to the benefit of most smaller ports or whether there might be advantages to more port planning. The session focussed on the type of questions that might be addressed in deciding to undertake statewide port planning.

Proceedings from the previous two conferences have been very useful to a wide variety of Sea Grant researchers and professionals. It is our hope that the information contained here will further illuminate those areas of port management needing further research. We are especially indebted to the group of port managers who took time from their busy schedules to meet with us and to share their insights for two days in May 1985. They brought with them an invaluable store of experience and knowledge, and we were immensely impressed not only with their knowledge, but with their willingness to share it so that academia can begin to assist them in making better management decisions. It is our hope that the research that may evolve from our discussions will be credited against the debt that we owe them.

— J.A.F.

— M.M.L.

**DISCUSSION TOPICS
AND
RECOMMENDATIONS**

TOPIC 1: THE OFFSHORE SUPPORT INDUSTRY

General Comments

Providing port facilities for the offshore support industry presents many problems not usually experienced by general service ports. The most obvious of these is the direct correlation to the cyclical offshore industry itself. The universal requirement that port facilities be in close proximity to offshore development and production activity is complicated by the concurrent requirement that the oil company have no long-term commitment to using the facilities. Under these circumstances, oil service ports face the difficult task of financing a long-term facilities development program based on short-term contracts for facility utilization. This cyclical trend in the industry also leaves these ports with surplus facilities during down times and shortages of facilities during boom periods.

Four major factors are expected to affect future offshore industry development: 1) the price of oil and the uncertainty of supply; 2) the level of energy demand in the U.S.; 3) oil company takeovers and mergers; and 4) prospective changes in federal taxation that may impact the offshore oil production industry. Above all, however, is the specter of cheap foreign oil slowing the rate of new domestic offshore oil field development.

Adding to these concerns is the current oversupply of offshore drilling equipment, offshore supply boats and other offshore support industry equipment, which results in a dismal short-term outlook for the industry. If, as many believe, these circumstances will result in a restructuring of the industry, we can expect a smaller but healthier offshore service industry in the future. The impact of such a restructured industry on port facilities is in question, but many experts feel that it may bring about a healthy consolidation. In this view, port facilities will be consolidated, and there will likely be more competition between ports as surplus facilities are converted to other uses. Increased competition for port space will likely result in higher prices for facilities, an advantage to those ports that now are overbuilt.

It was apparent in our discussions that the definitions of port facilities for the offshore support industry differ, depending on the port under consideration (this is primarily a problem for collecting statistics on such facilities). In some cases, port officials include offshore oil transportation and fabrication facilities as a part of port infrastructure; in others, they are not included. We make no such distinction in the recommendations that follow.

Along the Gulf Coast, offshore service and supply companies have traditionally operated from shore-based staging areas or stocking points. It has become such a common practice that these stocking points are now regarded as major one-stop service areas for all major offshore supply items, such as drilling fluids, tubular goods, fuel, water and drilling equipment, as well as equipment for loading and unloading, trailers for offices and dispatching, and warehousing facilities. In addition, many offshore support bases have some fabrication capacity nearby and, in some areas, oil storage capacity. Thus, the key to developing future port facilities for this industry is in providing facilities that are expandable for active periods and convertible to other uses during slow periods.

Specific Research Recommendations

1-1. Develop long-term planning efforts that would moderate the effects of the boom/bust syndrome and would provide for more efficient port development practices. Market research could identify industry cycles and provide lead time for expansion or diversification of port facilities, avoiding some long-term development problems for port managers.

1-2. Identify key port facility location factors for the offshore support industry. Considering the competitive nature of industrial development activities, there is a need to identify the various incentive programs, contract terms and other factors that influence site location during expansion periods and consolidation of facilities during industry downturns.

1-3. Indicate where opportunities exist for regional, multiport cooperative efforts for major facilities for the offshore support industry. The focus of this research would be on the economic development benefits to be derived from such cooperation but there is a dearth of information on financing, managing and marketing such cooperatives. Researchers should focus on developing effective approaches toward these topic areas.

1-4. Evaluate various financing alternatives that could meet the long-term development needs of port facilities and still satisfy the constraint of the typical short-term user commitment. This research should consider the proper mixture of private versus public support for port development, recognizing the need for major capital investment to improve and expand port facilities but also recognizing that port tenants will be unwilling to make long-term commitments to use such facilities.

1-5. Investigate state and federal regulation of port development, including environmental concerns and conflicts that are unique to the use of port facilities for the offshore support industry (e.g., disposal of drilling fluids, lubricants and other toxic wastes).

1-6. Research the feasibility of offshore port facilities including financial, regulatory and operational efficiency considerations. This research, although very site specific, could cover general comparisons of pipelines as opposed to tanker/rail combinations for oil transport, with specific recommendations for accurate measurements of efficiency.

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Program, Texas A&M University

Rapporteur: Mike Wascom

TOPIC 2: INDUSTRIAL VS. NON-INDUSTRIAL ACTIVITIES

General Comments

For many, if not all, ports in the United States, the non-maritime use of harbor space is now, or is about to become, a pressing issue in the allocation of water and backlands. From large cargo-based ports, which often view non-maritime uses as additional complications to their already difficult task of coping with rapidly changing shipping technology, to smaller ports, which are already dedicated to the promotion of non-maritime activities, the issues raised are challenging ports of all sizes to reassess their reasons for existence. Even in those circumstances where a port may have few non-maritime uses, port managers know from the experience of their neighboring ports that they must begin to address these issues.

The larger, cargo-based ports, especially those in large urban areas, are finding the value of adjacent port lands increasing rapidly as developers set their sights to recycle the land to more intense uses. The new waterfront uses include hotels, shopping centers, and other commercial and civic projects. Pier 39 in San Francisco, Baltimore's Inner Harbor and Seattle's Pier 94 are all examples of this trend. Many of the larger ports will formulate responses to the challenges associated with balancing these competing market demands as non-maritime, non-industrial use proposals arise and are presented for review.

In contrast, smaller ports find these non-maritime, non-industrial uses already attractive and many of these ports are actively seeking such activities. Where the load center and feeder port movement has operated vigorously, many smaller maritime ports must seek non-maritime (often non-industrial) uses just to keep the doors open.

Recognizing that the dragon of non-maritime uses may not yet be at the door but is just down the street, most ports—large and small—are in the position of having an insufficient information base upon which to evaluate proposals for such activities within their jurisdictions.

The first step for most ports, then, is to develop that base. Generally, this process entails documenting the port's position within the local and regional economies. Technical data is required regarding: 1) local and regional ports and their physical characteristics; 2) local and regional economic data; 3) human resources data; and 4) a characterization of the institutional environment in which the port exists. Armed with data such as this, most ports can then begin to chart their options, both for cases where proposals for non-maritime, non-industrial uses are unsolicited and for those in which

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Rapporteur: Andrea Wagner

the port actively seeks such users. Central to the future success of these enterprises will be the ability of ports to anticipate and plan for the inevitable changes that will be associated with such uses; a planned response being assuredly more effective than one that is created ad hoc in response to an unforeseen problem.

Each of these issues is closely associated with a basic management principle: problem identification, option development and choice identification. Likewise, each of the issues has been raised in previous USC Sea Grant national conferences on port management (one on larger maritime ports and another on smaller maritime ports). Although the specific issues are raised here in the context of non-maritime uses, the problems are similar to those identified in the previous symposia.

It is appropriate, therefore, given the ubiquity of the problems, to develop a research agenda that is sufficiently flexible to respond not only to the non-maritime questions, but to the issue of industrial versus non-industrial uses in maritime ports as well. Thus, the focus of the research questions raised here will be on the ability of a port to respond to the diverse needs of industrial and, particularly, non-industrial users within the port. Where our experience has suggested that ports could become more sophisticated in dealing with these non-industrial users, especially, the research questions will reflect our observations.

Finally, as port functions become less strongly aligned with the traditional port tasks involving the movement of cargoes, we may come to question the propriety of that traditional political institution that is charged with managing harbor operations, the port district. For those activities associated with non-maritime uses, there may be other viable management alternatives to the port district, such as industrial development agencies, economic development authorities, redevelopment agencies or possibly even the private sector. (Also see Topic 6.)

These port management challenges are all associated with potentially important research for those academics and their institutions with an interest in the subject.

Specific Research Recommendations

2-1. Determine whether ports are the appropriate agencies to manage publicly owned, non-maritime industrial districts. Similarly, where the land uses in proximity to the waterfront are not only of a non-maritime nature but are also non-industrial, is the port district the appropriate agency to manage these uses on public lands?

2-2. Compare the performance of the private sector (large, mixed-use developments) with existing non-maritime ports to assess the comparative social welfare benefits accrual in each type of management.

- 2-3.** Investigate if the port planning process is substantially modified when non-maritime uses are included in the process?
- 2-4.** Assess, in terms of industrial location, whether ports have any comparative advantage over other public economic development entities in accommodating non-maritime industrial uses.
- 2-5.** Evaluate if the public welfare in urban locations is served by using port locations for non-water-dependent uses. Should those uses be specifically excluded from waterfront locations?
- 2-6.** Research the social and economic value of special trade and enterprise zones located in ports.
- 2-7.** Assess the need for a relatively large number of ports in light of the centralization of traditional port activities into a few large load centers. Are non-maritime activities (as we have defined them here) merely an attempt to find a mission for existing public entities that no longer have valid reasons for existence?

General Comments

The expense of constructing and maintaining port facilities has made it increasingly difficult for facilities to be self-supporting based on the revenues derived directly from the users of specific port services. Competitive pressures limit the ability of ports to increase revenues through increased service fees, although both construction and operating costs for these facilities continue to rise. In effect, most ports are no longer direct "profit centers," and it is unlikely that increased facility utilization will generate sufficient direct revenues to support them. In the recent past, many ports have used interest earnings on port operating surpluses to subsidize current operations in an attempt to maintain competitive port charges. However, this revenue source is also limited and cannot be relied upon as the sole basis for future port expansion.

As competitive pressures have eroded the ability of ports to cover expenditures by increasing the direct charges levied against existing users, it has become clear that ports must more closely examine the feasibility of generating additional revenues from non-traditional sources. While this contention is applicable to all U.S. ports, it is particularly applicable to those ports with limited direct involvement in international trade—those usually referred to as "non-maritime" ports. These ports normally have a limited revenue base and limited liquid assets upon which future port expansion can be predicated.

In a sense, these non-maritime ports find themselves in the same dilemma as older industrial cities: they need infrastructure improvements that are difficult to finance through direct user fees and they have limited revenue bases by which to finance the improvements. However, most ports are not empowered, as are cities, with the full-range of revenue generating options. Instead, these ports have limited, if any, taxing authority and generally lack access to any significant amounts of state or federal monies to support their programs.

In effect, ports must be self-supporting, at least on an incremental basis, and port expansion will be dependent on self-generated revenues to support construction and operation. As a result, one of the major foci of new research should be on the question of revenue-generating opportunities that can be used by non-maritime ports to broaden their revenue bases. Some of this research should address policy issues, although there is a critical lack of applied research on the nature of non-maritime revenue sources, asset

TOPIC 3: SELF-GENERATED REVENUES FOR NON-MARITIME ACTIVITIES

Topic Coordinator: James G. Crew, Assistant Professor,
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Louisiana State University

Rapporteur: Paul Kent

management by ports, and revenue collection mechanisms. Additional research in these areas would greatly enhance the ability of non-maritime ports to provide the port infrastructure needed for continued water resources development.

Specific Research Recommendations

- 3-1.** Because most ports find themselves in a quandary with respect to finance (they must be essentially self-sufficient — with limited federal or state subsidies—but they also provide public goods including subsidizing certain operations within the port), examine if these two functions can be reconciled in a manner that minimizes cross-subsidization. (Also see Topic 6.)
- 3-2.** Determine if a port's role as a facility landlord is appropriate within the context of revenue generation or should facilities be leased at cost plus overhead and depreciation allowance.
- 3-3.** Identify those characteristics of a port that encourage the development of non-maritime uses. What are the non-maritime resources possessed by a port? Can these resources be used in a manner consistent with the role of the port? Should the port limit its involvement with other prospective uses and users (i.e., are there functions in which the port should not engage)?
- 3-4.** Investigate the political and economic rationale for cross-subsidization between maritime and non-maritime functions. What are the implications of wide use of ad valorem taxes? What types of fees are most appropriate for ports to utilize, particularly in relation to federal-local cost-sharing proposals?
- 3-5.** Examine the competitive environment in which ports exist. How can inter-port competition best be managed? How can intra-port competition for available resources be managed to ensure efficient use of port resources? How does the port respond to equity questions in the allocation of port resources? Does the competitive environment contribute to achievement of port goals and revenue needs?
- 3-6.** Investigate how a port can best determine an optimal asset management strategy to ensure that available resources are most efficiently managed. Can asset management policies be reconciled with the goals and revenue needs of the port?

General Comments

When we consider the economic significance of small, non-maritime ports, we need to place the term "small" in context. Certainly, in relationship to a larger, maritime port, many non-maritime ports are "small." But we need also to keep in mind the economic importance of these ports to the local economic base of which they are a part—and this may not be "small" at all.

Conventional measures of scale—employment, port revenues, volume and contribution to the tax base—are often inadequate to accurately portray the importance of a small, non-maritime port to a community or region. Because most non-maritime ports are not designed to handle large volumes of cargo (the traditional measures of port size and importance), the impact of these smaller ports must be characterized by new indicators. Those indicators will probably be unconventional when judged by current standards; however, if their importance is to be adequately recognized, the standard measures of port size and performance must be broadened. Because not all the benefits of port activities are captured in statistics that describe the direct activities of the port itself, we need to look beyond the port district and into the community of which the port is a part to measure its impact. Especially where economic development is at issue, we need to take into account the entire area that realizes benefits, which may extend beyond even the local town, county or parish.

The issue of economic importance is especially pressing for a state such as Louisiana with 44 port districts, most of them small and non-maritime. Most of these ports have been dwarfed in the statistics (e.g., those kept by the Army Corps of Engineers) because all ports—maritime and non-maritime—on the Gulf Coast are evaluated in terms of volume of cargo handled. Yet, for non-maritime ports, volume of cargo handled may be irrelevant to the activity in the port and the contribution to local economic activity.

We need new evaluative criteria. Instead of net tonnage, we should look at employment in the market area of the port, income generated, extent of the area served and level of services provided to that market area by the port.

For ports to remain in existence, they must cover their direct costs; their existence will create employment. One of the major problems of small ports, especially those that are non-maritime, is that the impact on each of these evaluative criteria of a proposed new project in the port is difficult to make. Ports need to be able to make some benefit/cost comparisons of each proposal (i.e., where there will be an expenditure of public funds to support a new port activity, is the expenditure of those funds efficient?). By the same

TOPIC 4: THE ECONOMIC SIGNIFICANCE OF SMALL, NON-MARITIME PORTS

Topic Coordinator: Kenneth Roberts, Associate Professor,
Center for Wetland Resources,
Louisiana State University

Rapporteur: Perry Pawlyk

token, ports want to create jobs in the local economy but there is often the problem of whether to invest public funds in a project if the jobs created will only be of a short duration instead of permanent.

There is a difference in evaluative criteria if the port is publicly operated instead of privately operated. If it is public and must only cover its costs plus depreciation, is it more likely to be competitive with other ports because it is not required to produce the profit that private ports must produce? Are there economic benefits of private operation?

Specific Research Recommendations

4-1. Because it is difficult to assess the economic impact of small non-maritime ports—short of using sub-regional input-output analyses—investigate alternate means of measuring economic activity for these ports. Such alternate means should respect the wide distribution of benefits throughout a local or regional economy and should not rely on measures of cargo volume handled to represent economic activity generated by the port?

4-2. Assess port performance by evaluating the employment generating influence of a port. Unfortunately, this is a difficult indicator to measure; the labor area (area of job creation) is often discontinuous with the market area (area served by the port's facilities). Neither is likely to be congruent with the port's formal jurisdiction. If we are to adequately measure port performance, however, we need to refine measures such as these and standardize their application.

4-3. Investigate the effects of cross support. What factors in a community contribute to the success of a small non-maritime port?

4-4. Determine under what circumstances small, non-maritime ports should be landlord ports, owning property leased to industrial users as well as developing its own projects. Under what circumstances should harbor land and development be reserved for the private sector?

4-5. Evaluate if there is a difference in effect between a "port authority" and an "economic development commission" that also runs a port. Is one more effective than the other in managing small, non-maritime ports? Conversely, do port agencies have economic advantages over other types of public agencies in managing economic development activities?

General Comments

Of all the topics discussed at the conference, public participation seemed, on first consideration, to be the most troublesome for port managers. Historically, when the public has become involved in port matters it has often been to halt or at least impede the progress of temporally perishable projects. In another respect, the public may oppose projects that are economically important to the port and, thus, to the career success of its managers. The potency of the threat of public involvement lies in the *unpredictability* of its impact on the port development decision process. And, like good managers in other arenas, what cannot be controlled is to be avoided.

Although the issues raised by public participation in smaller non-maritime ports as reported here tend to emphasize the negative nature of public participation, that characterization is probably a function of the frustration that port managers feel in dealing with this subject. In one respect, most federal and state port legislation now mandates some form of public participation, yet involving the public in that complex decision-making process imposes costs on the port.

Because ports often behave as much like private companies as they do public agencies (where economic efficiency and inter-port competition constrain resource allocation decisions and bias managers toward rapid response to meet the needs of prospective tenants), public participation can be seen from the perspective of the port manager to be something less than an unmitigated benefit.

Yet, even in this context, the port managers who participated in this discussion noted that public participation could have direct, positive benefits to them. For example, when a port needs economic support from the state, a cadre of interested citizens who see the economic benefits of the port and can influence state legislation can be an invaluable asset to port managers. Those same supporters also can defend the port against criticism from other quarters.

The issues that follow arose out of discussions where the legitimacy of public participation was not in question, but where the difficulty in achieving wide participation presents multiple problems in implementation.

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Southern California

Rapporteur: Jerome Fournier

TOPIC 5: COMMUNITY SUPPORT AND PUBLIC PARTICIPATION

Specific Research Recommendations

5-1. Determine the extent to which the interests of a port are compromised by involvement of the public in port management.

Discussions indicated quite clearly that port managers are often reluctant to give much advance publicity concerning port management and planning matters because of the perception that the public will oppose the plans discussed. Also, the public is distrustful of the negotiations that take place between port management, tenants (shippers and warehouse operators) and prospective tenants in the process of bringing a proposal to reality. Port managers also have the perception that only crisis issues or clear vested interests are sufficient to arouse the public to action and that, once mobilized on that issue, the public is not likely to continue to be interested in the day-to-day activities of the port. In other words, the public is perceived in the role of a spoiler rather than a partner.

5-2. Develop a method for assisting ports to determine which portions of the public should be consulted over port plans and management practices.

The fundamental problem is that there is a difference in "publics" between those who are organized into some kind of interest group and those who are unorganized (the so-called "person on the street" public). In dealing with either of these groups, port managers face problems in determining whether the group is a special interest group or representative of the general public. Communications with the organized public is a relatively uncomplicated matter. More troublesome for port managers, however, are those situations that are of a crisis nature or where members of the unorganized public become organized over a specific issue. In these cases, it is difficult for the port manager to determine: a) who is an appropriate decision leader in this ad hoc group of interested citizens; b) whether the group articulates the interests of the public-at-large or whether it is representative only of itself; and c) whether the ostensible leader of such a group can deliver the support of others in the group at some point in the ill-defined future. The political consequences of choosing to deal with one group over another can have profound implications on the success or failure of an entire project.

5-3. Determine how much public access to a port's bidding and letting of contracts is appropriate to protect the public's interest and still retain economic efficiency for the port.

It is the perception of the port managers who participated in this discussion that the public is suspicious of the negotiations that take place between ports and tenants because at times those negotiations take place in secret, or at least out of public view. Port managers argue that competition is so keen between ports that the port must be able to quickly respond to interest expressed by a prospective tenant.

5-4. Examine how port issues can be usurped by other political jurisdictions that have no responsibility in the issue but who can use the co-opted issue for political advantage.

Here we have further reinforcement of the notion that to publicly announce port plans is a mistake in that other political jurisdictions may take political advantage of circumstances in which they are not directly involved. The co-option may adversely affect the proposed port project. Co-option may be accomplished by a variety of means, but often it is the public participation process that proves most convenient in taking on an exogenous issue.

5-5. Because economic considerations alone are insufficient to explain port actions, explore the role of political incentives in motivating the actions of port managers.

The participants in this session were emphatic that an understanding of the economics of the port was not a sufficient criterion for predicting the behavior of port officials, especially the board of port commissioners. Because commissioners are almost always appointed officials, they are inevitably attuned to the needs of their appointing authority—except in the unusual case where the appointing authority has no power of removal. Additionally, port commissioners may use their offices as a platform from which to gain publicity, but the issues thus raised may have little to do with the interests of the port.

5-6. Determine how ports can share some of their public relations responsibility with their tenants, especially shipping companies.

The poorest link in the port public relations chain is between the users of the port (shippers, industrial users of port land and fishermen) and the public. Especially in small ports, the port administration does not have the manpower to effectively mediate between the public and port users. Small ports, especially, want to share some of this public relations burden with the tenants of the port who impose such externalities on the public.

5-7. Explore how ports can better characterize their decision processes to avoid negative portrayals in the electronic media.

The participants noted, above all else, the interest that ports have in limiting all kinds of publicity about their activities. Television is only the most egregious medium for revealing the richness of the public policy debate. Not only is the interest of the ports in limiting publicity broached, but the issues are often distorted in their brief portrayal in television news programs.

TOPIC 6: CAPITAL FUNDING SOURCES FOR NON-MARITIME ACTIVITIES

General Comments

A traditional definition used for examining capital project funding in public agencies can be: "Capital projects are fixed-life activities required to add new facilities for growth, to bring new technologies to ports, to replace existing facilities/land uses and to rehabilitate/replace decaying infrastructure. These projects are often significant in size, critical to the port and require large expenditures over short periods of time."

First, it is assumed that port agencies use methods of capital budgeting similar to those used in private industry to successfully manage such projects. At the same time, it is recognized that ports must comply with state laws concerning the financing of public port authorities and port districts. Several methods of financing are available to ports, including:

- Debt, tax exempt bonds
- Retained earnings, budget surplus
- Grants and loans from governments
- Subsidies from general taxation
- Public-private partnerships.

No judgment is made here as to the preferred or prevalent alternative financing method for small or non-maritime ports. Instead, the discussion by session participants focused on the more recent and creative methods available.

Specific Research Recommendations

6-1. Examine a national sample of non-maritime ports or ports with little or no international trade and select a range of different development and redevelopment projects. Determine the nature of the funding method used and query the port managers' views on why a particular method was selected and what changes in port financing law and practice are desirable. Compare regions of the country and alternative port governance structures.

Survey the funding sources that are external to the port itself, including federal or state agencies, bond underwriters and investment bankers or other private interests. Look for their reactions to existing laws/regulations, financial markets and success of present port financing.

Topic Coordinator: Willard Price, Associate
Professor, School of Business and
Public Administration,
University of the Pacific

Rapporteur: Fred Whitrock

6-2. Determine the role of state governments in providing assistance for non-maritime ports, including those states where the port is not operated as a state-chartered entity. Are there special programs for ports without the capacity or ability to attract or retain maritime cargoes? Does this assistance take the form of subsidies, grants, loans or guarantees? (Also see Topic 8.)

- A) Investigate the Texas Coastal and Marine Council as one example of how infrastructure development banks have been made available to ports.
- B) Study the Oregon revolving funds as an example of revolving local funds targeted for seaport development. What repayment conditions are utilized and can ports be forgiven or extended in times of economic stress?
- C) Examine the experience of Rhode Island and Maine regarding public support to allow the passage of statewide bond issues to fund capital projects.
- D) Investigate if public and private agencies differentiate between maritime and non-maritime activities in their fiscal decisions regarding ports. If not, do funding agencies merely discriminate between levels of financial risk or other factors in making investment/funding decisions?

6-3. Determine the extent to which state and local general obligation bonds are available to ports, as contrasted to revenue bonds. Because local governments also reap rewards through increased economic activity, are municipal subventions of tax revenues to ports a means of compensating for the instability of port revenues? Do non-maritime ports create the same magnitude of economic multipliers as maritime activities/international trade movements? Do such economic arguments affect public policy on debt?

6-4. Examine if non-maritime ports are faced with a "cruel paradox" whereby there is ample demand for services/space but most often by users who cannot pay the full cost of capital improvements through fees from fishermen, small boat services, sport fishing, commercial recreation and other small businesses. Can ports generate what might be called "self-aggregating revenue" from all users, including adjacent businesses, to allow construction of piers, bulkheads, wharfs, ramps and other infrastructure without debt or financing from external sources? One hypothesis is that the revenue available from these traditional small port users is not sufficient to generate the surplus revenues necessary to obviate external funding. In addition, this self-aggregating model will likely include cross-subsidization, where certain users will pay more than their total cost and others will pay less. This may be necessary to serve some desirable users who cannot be

charged the full cost while others may be able to pay more than their actual share and thus benefit from a fuller range of activities in the harbor than would otherwise be there. (Also see Topics 3 and 7.)

6-5. Determine what other special government programs are available to provide support for non-maritime port customers. For instance, what role can be played by the following programs?

- A) The Fishing Vessel Obligation Fund of the National Marine Fisheries Service, which was established by the American Fisheries Promotion Act of 1980. This fund guarantees loans for shore-side seafood processing and holding facilities.
- B) Low-cost housing programs for fisherpersons and their families.
- C) The Production Credit Association, Farmer's Home Administration or other programs serving rural agricultural activities and might support export port facilities.
- D) Federal and state programs for oil and gas development, contributing to the offshore support services offered by coastal ports.
- E) Federal or state programs for waterfront and historical preservation.

6-6. Investigate the role that private investors and facility operators play in smaller, non-maritime harbors. Given a political trend to decrease the size of the public sector, is there a growth of private funding to replace the involvement of the public sector in port capital development? If not, what statutory incentives or modifications in financial regulations are necessary to stimulate the private sector? Would these changes enhance the financial health of non-maritime ports? (Also see Topic 3.)

6-7. Determine if private ports, operating successfully outside of the jurisdiction of public ports, are affecting the balance of port investment and operations. What has been the impact on port users and what is the reaction of local communities to more private sector influence on the valuable waterfront resources? (Also see Topic 2.)

General Comments

During the past few years, increasing demands have been placed on non-maritime ports to provide all kinds of services to a wide variety of users. An almost inevitable consequence of significantly increased non-maritime activity is conflict between the various non-maritime users who find themselves competing for limited waterfront space or support facilities. Conflict is often a result of, or exacerbated by, factors such as port expansion that is disproportionately oriented toward a single use, changes in demand for port facilities by industrial uses, or shifting priorities in the communities located within the port market area. Thus, conflict may be attributable to factors that are within or outside of the port facility. Regulatory agencies also may exacerbate the problem when their jurisdictions overlap or jointly include the port and their expectations of port performance are at variance with one another.

User conflicts in non-maritime ports can manifest themselves in a number of ways. The rapid proliferation of recreational activity, for example, may result in port plans biased against commercial fishing interests, often the traditional non-maritime user. The loss of commercial fishing dock space due to recreational waterfront development may produce conflict when recreational boats encroach on slips reserved for commercial boats.

In some regions, rapid population growth may result in small non-maritime ports being encroached upon by residential and, often, tourist-oriented development, thereby escalating property values and making the retention of waterfront property for traditional (e.g., fishing) uses more difficult. When the space available for shore-side facilities dwindles, conflict may also arise between competing commercial interests, further complicating the symptomatic appearance of the user conflict already existing.

The challenge facing agencies having regulatory authority over non-maritime port facilities is to distinguish between the symptom and the underlying problem, and to deal effectively and directly with the latter where possible. Any number of factors may limit the plausible options for effective long-lasting conflict mitigation, such as the stage of port development (new, expanding, mature and stable, or declining), geographic limitations, political climate, local legal and environmental constraints, or expectations regarding service industry development. Conflict may be a chronic problem. However, periodic changes in the intensity of use by

TOPIC 7: CONFLICT BETWEEN COMMERCIAL FISHERIES, RECREATIONALISTS AND OTHER USERS OF NON-MARITIME PORT FACILITIES

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Department of Food and
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Rapporteur: Walter Keithly

commercial and recreational users may place a burden on existing port capacity, resulting in temporary conflict that may be difficult for port management to eliminate. A problem often facing port managers is pressure to retain a traditional, yet comparatively "less profitable" group of users at a time when expansion calls for the greatest revenue return from available space. An equitable resolution of conflict must take into consideration pertinent economic and political issues on a case-by-case basis. Achieving that mix of non-maritime users with use patterns that will mesh with minimal conflict must be one of the primary goals of those involved in the management of a given port. Consideration must not only be given to those who physically use the port facilities but also to special interest groups and the surrounding community at large. Thus, those involved in port management must place a high premium on the willingness to be innovative and rational in dealing with often highly charged issues.

The responsibility for providing solutions to problems associated with user conflict should not fall entirely upon the shoulders of those who deal directly with port management. The academic community must assume some responsibility through research and extension programs. The session on user conflict yielded a number of suggestions for research, shown below in order of perceived importance and timeliness.

Specific Research Recommendations

- 7-1.** Examine case studies of non-maritime port systems that have successfully mitigated conflict. These studies, for example, may touch on the feasibility of alternate use patterns (e.g., mooring zones, designated commercial or recreational areas, etc.) in heavily congested ports.
- 7-2.** Research specific alternative methods of subsidization and cross-subsidization among non-maritime users to forestall conflict and preserve non-maritime port uses. (Also see Topics 3 and 6.)
- 7-3.** Assess the role that overlapping regulatory agencies play in contributing to, or resolving, conflict and provide strategies for dealing with often disparate port management directives. (Also see Topic 8.)
- 7-4.** Perform studies regarding the economic impact (i.e., benefits/costs) of the various non-maritime user groups on the local economy to provide an additional piece of information when assigning priorities.
- 7-5.** Provide methods (possibly only of a qualitative nature) to assess the impact that anticipated growth and socioeconomic characteristics in a port region will have on the use of port facilities.

General Comments

Because no two ports in the United States or, for that matter, the world operate in the same manner, it is difficult to suggest how state-local coordination and planning could or should be accomplished. Session participants were in general agreement, however, that under certain specific circumstances, coordination and planning could be beneficial to ports.

All ports, large or small, have been or will eventually be confronted with issues relating to the allocation of waterfront lands for non-maritime uses. What port, for instance, has not struggled over deciding how much space to provide to commercial fishermen, the most traditional non-maritime use in most ports? As the public becomes more aware of the recreational potential of large, maritime ports, the demand for recreational use in these ports increases. To respond to these demands for new kinds of waterfront uses in ports, some believe that even better methods of port planning can be developed to provide a more efficient and equitable waterfront use allocation model. But the issue is not discussed without considerable controversy.

This conflict over planning for non-maritime uses exists in two dimensions, each factor influencing individual port decisions as to whether to enter into the planning process: 1) the unique institutional structure of each individual port, and 2) port size. If we view planning in the context of one jurisdiction, soliciting and conferring with other jurisdictions in the allocation of waterfront uses, we will be able to observe most clearly the potential of port planning for generating controversy.

Ports that have been granted relative autonomy, generally through legislative mechanisms, are most resistant to coordination with other jurisdictions or agencies, seeing policy compromise as the inevitable handmaiden of cooperation. For these autonomous ports, the coordination that is required for effective planning will come out of necessity rather than conviction of its appropriateness. Indeed, there is a resistance by all ports to relinquish control over their own destiny. Coordination, from the port operator's point of view, should be instituted by the port (not the public) and only for those matters that it chooses to bring to the public forum.

In another dimension, the physical size of a facility has importance for the amount of planning and coordination that is possible. Large ports, with in-house personnel and expertise, can perform planning functions quite well and are reluctant to accept outside assistance, feeling that it is interference.

Topic Coordinator: Bruce Marti, Assistant Professor,
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Rapporteur: Arlene Alexander

TOPIC 8: STATE-LOCAL COORDINATION AND PLANNING FOR NON-MARITIME ACTIVITIES

Intermediate and smaller ports, however, often require planning assistance because budget and staff limitations preclude full-time planning experts on their staffs. Thus, a number of factors complicate our ability to make a clear and universal statement as to how ports should be planned.

A major impediment to instituting improved relations between state governments and port authorities is the absence of a clear definition of what a port is and what it does. This problem is aggravated when we consider non-maritime uses in large ports or exclusive non-maritime ports. Specifically, the functional roles of a port must be identified. The traditional task of a port has been to regulate the trade and commerce within the harbor, and to transact, at the land/water interface, the loading and discharging of cargo to and from coastal and ocean-going vessels. Ports, however, are complex facilities that also can provide other benefits:

- Promoting economic development at the national and subnational level
- Creating local employment and revenue
- Stimulating local business and generating additional income by multiplier effects.

Three major factors will surely influence the future viability of individual ports in the United States. First, the rapidly changing maritime transport system is promoting the development of larger port facilities at the expense of intermediate and smaller ports. Secondly, the desire of the federal administration to recover all or part of its expenditures related to navigation and port commerce has increased pressure on ports. The imposition of user fees—for deep and shallow-draft channel projects and U.S. Coast Guard services—seems inevitable. Finally, in public port development, there is a current trend away from public support and toward revenue-support operations. Faced with these problems, many U.S. ports may have to rely more heavily on non-maritime functions to provide the necessary financial support.

Specific Research Recommendations

8-1. Determine if there is a need for state-wide data bases pertinent to non-maritime activities. Such information could provide an impetus for improving coordination and planning for non-maritime activities and industrial development. With this data in hand, states could assist in port marketing (but not sales), project future cargo movements, or aid in acquiring federal financial support.

8-2. Investigate the impact of state and local politics on port development. Although many port authorities have taxing power, they may not have the ability to amass sufficient funds to undertake a large-scale project. The gap between the funds they can generate and the amount required by a project might be filled with state support if the project had a sufficiently statewide impact. However, most states have no existing mechanism by which to evaluate such projects on any but an ad hoc basis. Are such mechanisms available in theory and how might ports assist in integrating them into state decision processes? (Also see Topics 3 and 6.)

8-3. Examine differences in the styles of state and local port planning. Do these two levels of government have a means of communication that allows for reconciling inconsistencies between the general goals of their processes. If there is no formal communications mechanism, are the plans similar in general goals based on similar perceptions of port needs? How were those perceptions arrived at? (Also see Topics 7 and 8.)

8-4. Research if coordination between ports and their local communities can be improved? Experience suggests that ports do not easily communicate with the community. How might better port-community relations affect the management of non-maritime ports?

RESEARCH RECOMMENDATIONS BY PRIORITY LEVEL

To further the usefulness of the recommendations, each has been assigned to one of three priority levels. This prioritization was completed by the workshop coordinators, James Fawcett and Michael Liffmann, and has been reviewed by the topic coordinators.

The levels of priority are:

- Recommendations considered critical to non-maritime ports at this time.
- Recommendations that are desirable for non-maritime ports 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 1 lists the eight 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 2 lists the three priority levels, each divided according to the eight topic areas.

Table 3 summarizes the other two tables in a matrix format.

TABLE 1: PRIORITY LEVELS WITHIN EACH TOPIC

TOPIC 1: THE OFFSHORE SUPPORT INDUSTRY	Critical for Seaport Management 1-1. Long-term planning 1-5. State/federal regulations Desirable for Academic Maturity of the Field 1-2. Key location factors 1-4. Long-term development 1-6. Feasibility of offshore port facilities Useful in Establishing a Data Base 1-3. Regional economic development
TOPIC 2: INDUSTRIAL VS. NON-INDUSTRIAL ACTIVITIES	Critical for Seaport Management 2-1. Management of non-maritime uses 2-7. Port centralization Desirable for Academic Maturity of the Field 2-2. Private sector analogs 2-4. Comparative advantage of ports 2-6. Enterprise zones Useful in Establishing a Data Base 2-3. Modification of port planning process 2-5. Non-water-dependent land uses
TOPIC 3: SELF-GENERATED REVENUES FOR NON-MARITIME PORTS	Critical for Seaport Management 3-1. Financial cross-subsidies 3-3. Port qualities enhancing non-maritime uses 3-6. Optimum asset management strategy Desirable for Academic Maturity of the Field 3-2. Facility landlord role 3-4. Maritime/non-maritime cross subsidies 3-5. Inter-port competition
TOPIC 4: THE ECONOMIC SIGNIFICANCE OF SMALL, NON-MARITIME PORTS	Critical for Seaport Management 4-4. Landlord vs. operating port 4-5. Port Authority vs. Economic Development Commission Desirable for Academic Maturity of the Field 4-1. Economic activity measurement 4-2. Employment vs. service area Useful in Establishing a Data Base 4-3. Success factors

**TOPIC 5: COMMUNITY SUPPORT
AND PUBLIC PARTICIPATION**

Critical for Seaport Management

- 5-1. Extent of public participation
- 5-2. Factions of the public
- 5-5. Role of political incentives

Desirable for Academic Maturity of the Field

- 5-3. Management confidentiality
- 5-4. Co-option of port issues by outsiders
- 5-7. Use of electronic media

Useful in Establishing a Data Base

- 5-6. Sharing public relations tasks

**TOPIC 6: CAPITAL FUNDING
SOURCES FOR NON-MARITIME
ACTIVITIES**

Critical for Seaport Management

- 6-4. Fair share payments by port users

Desirable for Academic Maturity of the Field

- 6-1. National port financing sample
- 6-2. State role in port financing
- 6-5. Special government support programs
- 6-6. Private vs. public investment
- 6-7. Efficiency of private ports

Useful in Establishing a Data Base

- 6-3. General obligation vs. revenue bonds

**TOPIC 7: CONFLICT BETWEEN
COMMERCIAL FISHERIES,
RECREATIONALISTS AND OTHER USERS
OF NON-MARITIME PORT FACILITIES**

Critical for Seaport Management

- 7-1. Mitigating use conflicts
- 7-2. Subsidizing non-maritime uses
- 7-4. Economic impact of port users

Desirable for Academic Maturity of the Field

- 7-3. Overlapping regulatory regimes
- 7-5. Predicting demand for services

**TOPIC 8: STATE-LOCAL
COORDINATION AND PLANNING
FOR NON-MARITIME
ACTIVITIES**

Critical for Seaport Management

- 8-1. Improvement of data bases
- 8-2. State-local political coordination

Desirable for Academic Maturity of the Field

- 8-3. Differences in state/local planning

Useful in Establishing a Data Base

- 8-4. Port-local government political coordination

TABLE 2: SPECIFIC RECOMMENDATIONS WITHIN EACH PRIORITY LEVEL

I. RECOMMENDATIONS CONSIDERED CRITICAL FOR SEAPORT MANAGEMENT

- Topic 1: The Offshore Support Industry
1-1. Long-term planning
1-5. State/federal regulations
- Topic 2: Industrial vs. Non-Industrial Activities
2-1. Management of non-maritime uses
2-7. Port centralization
- Topic 3: Self-Generated Revenues for Non-Maritime Ports
3-1. Financial
3-3. Port qualities enhancing non-maritime uses
3-6. Optimum asset management strategy
- Topic 4: The Economic Significance
of Small, Non-Maritime Ports
4-4. Landlord vs. operating port
4-5. Port Authority vs. Economic
Development Commission
- Topic 5: Community Support and Public Participation
5-1. Extent of public participation
5-2. Factions of the public
5-5. Role of political incentives
- Topic 6: Capital Funding Sources for Non-Maritime
Activities
6-4. Fair share payments by port users
- Topic 7: Conflict Between Commercial Fisheries, Recrea-
tionalists and Other Users of Non-Maritime
Activities
7-1. Mitigating use conflicts
7-2. Subsidizing non-maritime uses
7-4. Economic impact of port users
- Topic 8: State-Local Coordination and
Planning for Non-Maritime Activities
8-1. Improvement of data bases
8-2. State-local political coordination

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

- Topic 1: The Offshore Support Industry
1-2. Key location factors
1-4. Long-term development financing
1-6. Feasibility of offshore port facilities
- Topic 2: Industrial vs. Non-Industrial Activities
2-2. Private sector analogs
2-4. Comparative advantage of ports
2-6. Enterprise zones
- Topic 3: Self-Generated Revenues for Non-Maritime Ports
3-2. Facility landlord role
3-4. Maritime/non-maritime cross-subsidies
3-5. Inter-port competition
- Topic 4: The Economic Significance of
Small, Non-Maritime Ports
4-1. Economic activity measurement
4-2. Employment vs. service area
- Topic 5: Community Support and Public Participation
5-3. Management confidentiality
5-4. Co-option of port issues by outsiders
5-7. Use of electronic media
- Topic 6: Capital Funding Sources
for Non-Maritime Activities
6-1. National port financing sample
6-2. State role in port financing
6-5. Special government support programs
6-6. Private vs. public investment
6-7. Efficiency of private ports
- Topic 7: Conflict Between Commercial Fisheries,
Recreationalists and Other Users of
Non-Maritime Port Facilities
7-3. Overlapping regulatory regimes
7-5. Predicting demand for services
- Topic 8: State-Local Coordination and Planning for
Non-Maritime Activities
8-3. Differences in state/local planning regimes

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

- Topic 1: The Offshore Support Industry
1-3. Regional economic development
- Topic 2: Industrial vs. Non-Industrial Activities
2-3. Modification of port planning process
2-5. Non-water dependent land uses
- Topic 4: The Economic Significance of
Small, Non-Maritime Ports
4-3. Success factors
- Topic 5: Community Support and Public Participation
5-6. Sharing public relations tasks
- Topic 6: Capital Funding Sources for Non-Maritime
Activities
6-3. General obligation vs. revenue bonds
- Topic 8: State-Local Coordination and
Planning for Non-Maritime Activities
8-4. Port-local government political coordination

TABLE 3: SUMMARY MATRIX OF PRIORITY LEVELS AND RECOMMENDATIONS

DISCUSSION TOPICS PRIORITY CATEGORIES	Topic 1: The Offshore Support Industry	Topic 2: Industrial vs. Non-Industrial Activities	Topic 3: Self-Generated Revenues for Non-Maritime Activities	Topic 4: The Economic Significance of Small, Non-Maritime Ports	Topic 5: Community Support and Public Participation	Topic 6: Capital Funding Sources for Non-Maritime Activities	Topic 7: Conflict Between Commercial Fisheries, Recreationalists and Other Users of Non-Maritime Port Facilities	Topic 8: State-Local Coordination and Planning for Non-Maritime Activities
I. Critical for Seaport Management	1-1 1-5	2-1 2-7	3-1 3-3 3-6	4-4 4-5	5-1 5-2 5-5	6-4	7-1 7-2 7-4	8-1 8-2
II. Desirable for Academic Maturity of the Field	1-2 1-4 1-6	2-2 2-4 2-6	3-2 3-4 3-5	4-1 4-2	5-3 5-4 5-7	6-1 6-2 6-5 6-6 6-7	7-3 7-5	8-3
III. Useful in Establishing a Data Base for Seaport Research	1-3	2-3 2-5	4-3	5-6	6-3	8-4		

NON-MARITIME ACTIVITIES: NEW CHALLENGES FOR MARITIME PORTS

**Dr. Anatoly B. Hochstein,
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Louisiana State University**

I appreciate the opportunity to address this Third National Sea Grant Conference on Ports. Frankly, I would prefer if we did not have to deal with the topic of non-maritime uses in our coastal ports and harbors. I say this because deep inside I equate ports and harbors solely with maritime activities and the thought of them having to convert or diversify to other uses is almost anathema to those of us who have historically identified ports exclusively as transportation links. Unfortunately, we must be realistic and face up the fact that our ports are struggling to make very difficult spatial decisions as a result of profound technological and developmental changes. The ports' struggles are being made even more difficult because this industry has to balance the challenges of new and changing demands for maritime services while having to compete with other, often conflicting, demands for uses of the limited resources that exist along the waterfronts in our coastal regions.

By way of background, let me reiterate that, as we all know, technological innovations, policy changes and recent economic trends have rippled through the whole range of port operations. Ports are having to take an extra careful look at what types of facilities will be needed in the future, and port development today is beginning to reflect fundamental changes in the amount and type of space required for port operations. Such changes have often been cited as being nothing short of revolutionary and have had tremendous implications for the entire waterfront community. Much of this revolution can be attributed to changes in cargo handling technology. Nearly \$5 billion was invested in land-side infrastructure improvements in the last 30 years. By far, the most significant development in recent years was the introduction of containerization in the late 1950s. Nearly all of the \$1.7 billion invested in a very intensive facility buildup period between 1973 and 1978 went for terminals capable of accommodating and handling containers. Furthermore, the high cost of modern container vessels encourages ships to stop at fewer ports, loading and unloading more at each port, often with transshipment to smaller feeder vessels.

The technological revolution of the past three decades has not only brought about a change in the nature and extent of port facilities, but—along with external factors such as the state of the world economy and the deregulation of transportation modes—it has also dramatically changed cargo distribution patterns. Many of the smaller seaports, those located along shallower channels and older port facilities have become, or seem very vulnerable to becoming, obsolete. Buffalo, for instance, is an example of a deteriorating situation that has been quite prevalent along the Great Lakes; once the Queen City of the Great Lakes, it is now not much more than abandoned wharves, dilapidated warehouses and obsolete manufacturing plants. The traffic associated with these operations has shifted to other eastern ports capable of handling the commerce more efficiently and getting it to and from the hinterland faster.

In other instances, rather than adapting or converting old facilities located in and congested by fast developing major cities, some ports have elected to move their more modern operations to other sites, beyond the central city, where land is more plentiful or more suitable. New York, New Orleans and Houston are examples of major ports that have constructed their principal container operations in outlying areas.

In the near term, there is reason to believe that this very confusing, complex and sometimes chaotic situation will lead to an excess capacity of port facilities and very intensive, tense and often harmful competition. In the long term, however, the

trend might well shift toward a concentration of facilities and development of regional ports which are capable of handling the "new trade" more efficiently. It is also entirely possible that many of the struggling ports will become specialized and carve their niche in the handling of one or very few types of traffic.

As I stated earlier, the impact of these relatively recent events on the waterfront has been very disruptive. Maritime activities and the transportation function associated with them, which historically had received priority treatment with respect to waterfront land uses, are now being actively pressed and often times displaced by other activities. These activities, which last year in Sacramento you labeled as non-maritime, are also dependent or could be enhanced by location on the waterfront. You defined these alternative uses or options as being those other than traditional cargo movements between ship and shore. You categorized them as follows:

- 1) Tourist and recreation-oriented uses such as pleasure-boat marinas, parks, viewing areas, hotels and visitor-related retail shops and restaurants.
- 2) Marine resource development and conservation activities, including offshore energy development support services, fisheries vessel and processing activities, aquaculture support and marine research and education functions.
- 3) Economic development such as the establishment of industrial waterfront parks, construction of office space, municipal wastewater treatment facilities, and power development.
- 4) Civic function and facilities, including public parks, convention centers and public transit.

It is quite clear then that the relationship between ports and waterfronts is in a particularly tense period of transition. Non-maritime uses are something that we might not necessarily like but are going to have to live with. We must, however, ensure that the maritime component is not sacrificed. The United States annually engages in trade of \$450 billion or more. We must make sure that the infrastructure needed to service such trade and national defense is enhanced, not deleted.

But I also know that we must be practical. Technology, shifting trade patterns, intermodalism, legislation, budgetary gloom and urban pressures have forced many of the nation's seaports to seek new missions along the lines of what I delineated earlier. I would like to stress, though, that if a port authority must opt for one or more of these non-maritime functions, that it should not be at the expense of maritime operations. Let me elaborate on this statement. If an urban port owns facilities that are underutilized, unprofitable and obsolete and the near- and medium-term prospects are not promising, or the port area is congested and has no room for development, then consideration might be given to the other uses. Waterfront conversion, however, should not be consummated until such time as the port authority is paid the fair market price for the real estate or, as a minimum, is paid a sufficient amount as to fully restore its maritime transportation capabilities elsewhere. By restoration of maritime transportation capabilities, I mean not only berthing space but, most of all, hinterland infrastructure and accesses. The most valuable waterfront land in congested urban areas occupied by cargo handling facilities can and should be yielded to higher and better uses, such as residential and commercial development. It is only fair to expect, however, that this "sacrifice" will be performed for a price that is sufficient to provide modern and truly intermodal port operations, at some other site where there is enough capacity to meet present and future needs for maritime trade.

I would like to conclude by stating that port development, whether it involves new facilities or expansion and modification of existing facilities and equipment, is in response to demands and pressures to accommodate marine traffic and its land interface. These demands and pressures are created by fluctuations of international trade, technological changes, institutional arrangements and other factors which, quite often, ports cannot control. They must, however, be able to respond to them constructively and rapidly, in tune with the dynamic environment of maritime activity. To do this they must be given sufficient public and financial support to plan, develop or redevelop.

Thank you very much for your attention and good luck with your deliberations of the next two days.

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