

# CITY COUNCIL MEMORANDUM

FOR INFORMATION

**TO:** Mayor and City Council  
**FROM:** Alvin G. Coby, Interim City Manager  
**DATE:** August 25, 2008  
**SUBJECT:** Transportation Planning Organization -  
Inland Port Intermodal Terminal Feasibility Study

Earlier this year, the Regional Transportation Planning Organization (TPO) commissioned the Haas Center for Business Research & Economic Development to conduct a study on the feasibility of developing an Inland Port Intermodal Terminal within the TPO's region of influence.

At the Wednesday, August 13, TPO meeting, Phyllis Pooley, Associate Director of the Haas Center, presented the final study findings for acceptance of the TPO. Attached as information is the report document.

In general, the finds of the study were:

- Development of such a facility within the Northwest Florida region would serve as a means of expanding the Port of Pensacola's cargo handling capabilities and value-added services offerings by linking waterfront vessel loading/unloading operations to an inland cargo storage and distribution facility which could include assembly/light manufacturing and other value-added cargo manipulation operations.
- Development of such a facility within the Northwest Florida region appears to make some business and economic sense, but would require further study to determine specific markets / user niches and associated market shares / levels of utilization to be expected.
- Several tracts of undeveloped land do exist within the region to support development of such a facility. Available sites would need to be studied further in order to determine which location best meets the site characteristics required for a successful Inland Port Intermodal Terminal.

Following general discussion of the study report itself and questions regarding same, TPO members discussed who might be responsible for further study as well as potentially the development of an Inland Port Intermodal Terminal and the financing thereof.

City of  
Pensacola



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Mayor and City Council  
Transportation Planning Organization -  
Inland Port Intermodal Terminal Feasibility Study  
August 25, 2008

Santa Rosa County Commissioner Don Salter expressed his opinion that the Port of Pensacola is a regional asset because it creates job, provides economic impact and is an economic engine on a regional, rather than local, level. He said he believes that because the port is a regional asset, if it is ultimately determined that an Inland Port Intermodal Terminal is needed to make the port more competitive in the future, the investment should be borne regionally.

Based on Commissioner Salter's comments, discussion turned to possible methods for regional funding of such a project and vehicles for potential regional oversight thereof. At that point, several TPO members mentioned the possible establishment of a Regional Port Authority. There was no detailed discussion of the process for establishing such an Authority, methods for considering the viability of such a move, methods for transferring the port's assets from the City to another entity, or any other specifics as relates to process.

At the conclusion of discussion, the TPO accepted the study into its official record and directed TPO staff to forward the report along with information about the TPO's discussion of future port oversight to the Escambia County Administrator, Santa Rosa County Administrator, City of Pensacola City Manager, and Port Director of the Port of Pensacola for further discussion and consideration of next steps.

Attachment: 1) Pensacola Inland Port Intermodal Terminal Feasibility Study

**Haas**  
Center  
for business research and economic development

Revised

*Pensacola Inland Port  
Intermodal Terminal Feasibility Study*

# **Pensacola Inland Port Intermodal Terminal Feasibility Study**

**Final**

**Prepared for:** Florida-Alabama Transportation Planning Organization

**Prepared by:** Haas Center for Business Research and Economic Development

**Contact:** Phyllis Pooley, MBA, JD Associate  
Director 850-474-3388  
ppooley@uwf.edu

**Submitted:** July 22, 2008, revised August 18, 2008

**Haas**  
Center  
for business research and economic development  
Haas Center for Business Research  
And Economic Development  
The University of West Florida

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## Executive Summary

The purpose of this study is to examine the feasibility of locating an intermodal facility in the Pensacola area linked to the Port of Pensacola. Currently, the Port of Pensacola has limited growth potential without an inland facility. With approximately 50 acres of land and redeveloping downtown Pensacola outside its gate, the Port is landlocked with limited opportunities for increased throughput.

Current transportation infrastructure in place has the potential to sufficiently serve an inland facility. The area is home to a limited but connected network of highways and railroads; with ongoing improvements, and with appropriate site selection and development, transportation connectivity should be adequate. Interest of a railroad in providing short line services needs to be explored.

Existing cargo volumes may be insufficient for a viable intermodal facility – when compared to other inland facilities, Pensacola’s existing cargo tonnage may not be sufficient or the right type of higher value cargo necessary to support an inland facility. Further exploration of this topic with users and potential users is needed, although it should be noted that the Port of Palm Beach long range plans include an inland facility and it currently handles only roughly twice the amount of tonnage of Port of Pensacola. The Port may need to attract higher value cargos to justify additional handling costs – currently large volumes of lower value cargos generate much of the port tonnage.

There exist opportunities for Port of Pensacola to develop a niche market for handling smaller containerized ships – while ports such as the nearby Port of Mobile are developing and expanding containerized capacity, their main goals are to address the needs of larger ships, leaving the potential for a niche market in dealing with older smaller ships.

The inland facility may not relocate truck traffic from downtown Pensacola – if current users are unwilling to alter existing shipping schemes or the costs generated by the extra node are cost prohibitive, existing and perhaps increasing volumes of truck traffic will continue.

There must be a solid business case for constructing an intermodal facility – this is not a case of if you build it, they will come. Current port users and potential future users should be contacted to discuss potential port development and its impact on their supply chain – particularly in light of increasing fuel costs and potential truck driver shortages.

The possibility of a public-private partnership for funding intermodal development should be investigated. According to recent studies, institutional investor interest in infrastructure assets is on the rise and may represent a possible source of development funding.

Potential sites exist for development of an inland facility that can utilize existing road and rail infrastructure – several generalized areas could be suitable candidates for intermodal development.

The estimated economic impact of a moderately sized facility would include a one-time construction impact of \$19.8 million and an annual operating impact of \$18.8 million with the addition of a distribution center and a value-added manufacturer.

Possible next steps in the project include identification of key partners, identification of preferred site(s), refinement of the preliminary market analysis, definition of potential business plan options, and identification of potential funding structures.

## **Introduction**

An efficient transport system makes use of the mode or modes that optimize the often conflicting goals of speed, reliability, and low cost for each type of product and firm. It is a complex and always evolving process as markets respond to shifts in demand, the location of production facilities, and the relative costs of various transportation alternatives. As supply chains become more complex, businesses look for ways to reduce the number of links in the chain. By incorporating distribution, warehousing, and manufacturing at facilities such as inland ports or other intermodal facilities, for example, uncertainties related to “just-in-time” systems are reduced. Overall, an inland port or intermodal facility can be seen as a location where transportation capabilities, combined with value-added services, allow businesses to compete more effectively.

## **Background**

The purpose of this study is to examine the feasibility of locating an intermodal facility in the Pensacola area linked to the Port of Pensacola. The primary purpose of the facility would be to assist in accommodating future volume growth by facilitating increased throughput and positioning the Port as a niche provider of intermodal services. As cities have developed around them, several issues regarding traffic congestion and safety, waterfront availability, compatible land-use, and environmental impact have threatened the ports future growth potential. Issues relevant to any landlocked facility coupled with a renewed interest in alternative transportation



means driven by high fuel prices have prompted the consideration of developing a Pensacola intermodal facility.

In 2004, the City of Pensacola commissioned a port analysis from BST Associates. The *Port of Pensacola Business Strategic Analysis* found that the Port of Pensacola had limited facilities for handling cargo; the size of port and need for dredge disposal limited building opportunities; that cargo throughput relies heavily on existing long-term leases in effect through 2022 and that these leases should be honored; that the Port should seek non-cargo lines of business (cruises, mixed-use building comprised of retail, office and restaurant use, maritime museum); and that the City should establish partnership with public and private sectors regarding future development of port area. Additional work based on this study by J.L. Maygarden Co. further developed the concepts put forth in the study, and additionally concluded that the City should develop a multi-model transportation plan and that the multi-model plan should strive to reduce the negative impacts of a high-volume transportation services on the waterfront and downtown areas. Both reports were accepted into the record, but no incorporated into the City Council official port policy. See Appendix.

The present study evaluates the present state of traffic through the Port and considers its future as one of increasing demand for cargo services and maintenance of the Port as an economic engine. With this in mind, the analysis focuses on the feasibility of increasing Port capacity and throughput by using an intermodal transportation facility to facilitate cargo movement while potentially lessening the impact of increased usage on the Port's urban surroundings. The study also looks at potential sites for an intermodal facility and discusses the potential economic impact of such a facility.

## **Project Outline**

### **Port economics**

Demand for port services is a derived demand, in that it is driven by the demand for raw materials and finished products that pass through its gates. Additional factors may also affect the demand for a particular port's services – these include cost of transportation to and from the port; quality of inland transportation and infrastructure in the port's hinterland; dynamics of economic activity within the hinterland; availability and price of shipping services; availability of adequate and efficient port facilities; port services pricing and competition from other ports.

The basic activity consists of the ownership of land, quays, piers, and port surface. The port either maintains or controls these facilities itself or rents them out to other parties. Many ports

are also conservancy authorities, responsible for maintaining and dredging the channel to the harbor and for control and safety of traffic in these channels, including the provision and maintenance of navigational aids, pilotage, towage, and tugging. The port typically owns and operates or rents mechanical equipment such as cranes, forklifts, prime movers, straddle carriers, freight lifters, and trailers. It owns and operates transit sheds which form part of the standard general cargo berth and also open or sheltered warehouses, storage areas, container freight stations, which are outside of the port area. Finally, most ports either employ at least some of the labor required for moving cargo or have the stevedoring carried out by licensed contractors. Although there is currently a tendency towards 'privatization' of entire ports or parts of ports, in most countries the port 'owner' is still the governmental authority, whether national (the State) or regional or local.

Ports move different types of commodities in different ways. Broadly speaking, cargo can be classed as either "general cargo" or "bulk cargo," and is handled as follows:

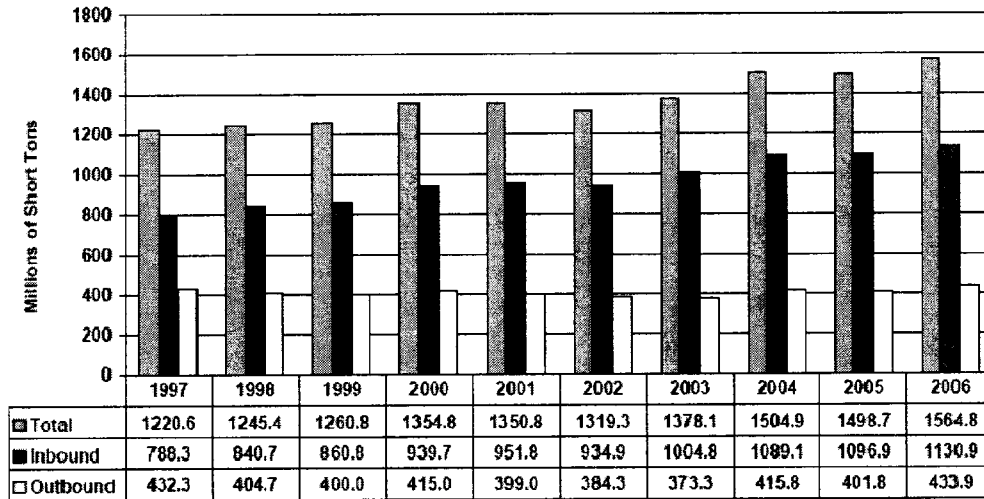
- Containers. Containerized general cargo is any commodity moved in an intermodal shipping container. Containers come in different lengths, between 20' and 45' (international trades) and up to 53' (domestic trades).
- Roll On-Roll Off (Ro-ro). Ro-ro general cargo is driven onto and off of vessels, and can include automobiles, construction equipment, boats on trailers, etc.
- Breakbulk and Neobulk. Breakbulk general cargo is typically packaged in relatively small units (pallets, bags, etc.) that can be handled by conventional stevedoring equipment. Neobulk cargo consists of larger or heavier units – such as coiled steel, or large machinery – that requires special handling equipment.
- Liquid Bulk. Liquid bulk is any liquid product that is shipped without packaging into smaller units, such as petroleum in the hold of a tanker.
- Dry Bulk. Dry bulk is any dry product that is shipped without packaging into smaller units, such as coal on an open barge.

## **Freight Trends**

Demand for waterborne cargo services for foreign shipments has been steadily increasing since 1997. Most of the increase is due to increases in outbound demand while domestic demand has remained flat. See Figure 1.

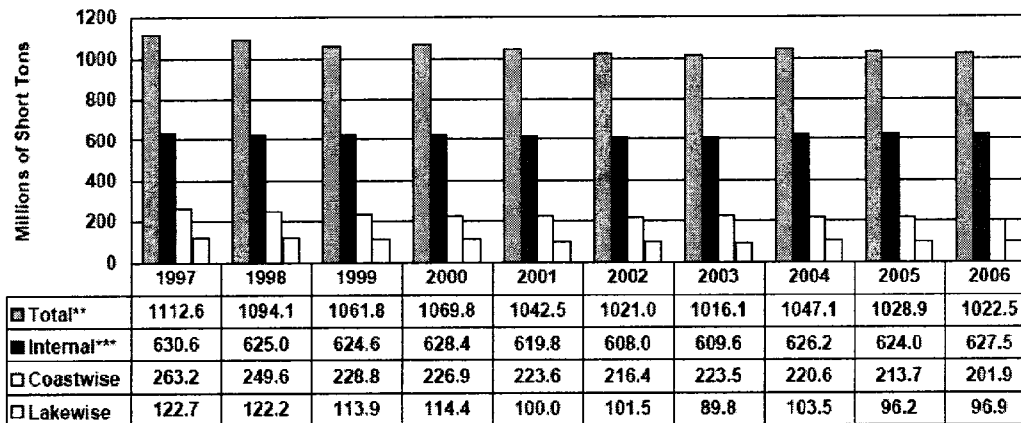
Figure 1 - US Waterborne Freight Trends

**Foreign Waterborne Inbound and Outbound Traffic**  
1997-2006\*, Millions of Short Tons



\*Preliminary as of October 23, 2007.

**Domestic Waterborne Commerce of the U.S.**  
1997-2006\*, Millions of Short Tons, by Type of Traffic



\*Preliminary as of October 23, 2007.

\*\*Total also includes Intraport and Intra-territory traffic

\*\*\*Total Internal excludes waterway improvement materials, and beginning in 1996, excludes fish.

Source: US Army Corps of Engineers Navigation Data Center

International trade forecasts suggest that demand for waterborne services will increase in all categories between 2005 and 2020, with the largest increase occurring in container shipping. See Table 1.

Table 1- International Trade Tonnage Forecast

	2005	2010	5-Year CAGR	2020	10- Year CAGR
<b>Gulf Coast Ports</b>					
Containers (TEUs)	4,097,787	5,131,473	4.6%	7,651,529	4.4%
Containers (tons)	36,857,098	44,846,688	4.0%	62,644,011	3.7%
Liquid Bulk	435,842,880	463,076,790	1.2%	494,202,813	0.8%
Dry Bulk	158,147,042	172,959,435	1.8%	194,192,994	0.6%
Neo/Break Bulk/Auto	12,805,726	14,506,476	2.5%	17,592,684	2.0%

Source: Global Insight, Inc.

One notable change in the world of waterborne commerce is the widening of the Panama Canal. The canal is being significantly upgraded and widened within the next 8 years, permitting passage of post-Panamax container ships. The Panama Canal Authority projects that after the supersizing of the canal, as much as 60 percent of the world's shipping trade will pass through its locks, compared with 30 percent at present. It is anticipated by many that some shipping that now unloads in Pacific coast ports will unload at gulf coast or east coast ports.

Recently, the Florida Department of Transportation commissioned various studies on the state and future of Florida's transportation infrastructure, including a study on global trade trends and their potential impacts on Florida's ports. Potential growth markets identified for Florida ports that are potentially relevant to the Port of Pensacola included:

Mexico. According to one study, Mexico is the second leading U.S. trade partner, with over \$250 billion in annual trade. Florida and Mexico are separated by a relatively small expanse of navigable water, yet the value of Florida's waterborne trade with Mexico is just three percent of Florida's waterborne trade value. With growing and well documented congestion problems at the Mexico-U.S. land border, Mexico was deemed an excellent opportunity for future growth. The study noted that the major issues to be overcome are primarily on the Mexico side, where ports and inland access connectors must be upgraded, and where marine border

business practices must achieve a level of reliability comparable to the land border. (South Florida Inland Port Feasibility Study, Cambridge Systematics, Inc., 2007)

Cuba. Florida's ports today are crucial distribution platforms for goods being shipped to and from Latin America and the Caribbean, including Puerto Rico. This includes groceries, consumer goods and furnishings, construction materials, machinery, and transportation equipment. Many of these goods are transported to and from the State's ports by rail. The type of logistics or "supply line" relationship that developed between Florida and Puerto Rico is likely to be replicated, in some manner, with the opening of trade with Cuba. The Cuban market and related trade volumes are potentially huge. Cuba is a much bigger market than Puerto Rico (11.4 million versus 3.9 million people), although its economic size is smaller (gross products of \$39.2 billion and \$72.7 billion, respectively, in 2005). It is anticipated that Cuba will have a significant demand for American products, likely similar to those being shipped to Puerto Rico, and Florida should position itself as the critical link in the Cuban logistics supply chain. However, ports in other states, including Mobile, also plan to capture a significant share of Cuban trade once the market opens. (2006 Florida Passenger & Freight Rail Plan, Cambridge Systematics, 2007). Currently, humanitarian cargoes are eligible for shipment to Cuba and the Port of Pensacola has moved over one million tons of frozen poultry and bagged agricultural products to Cuba.

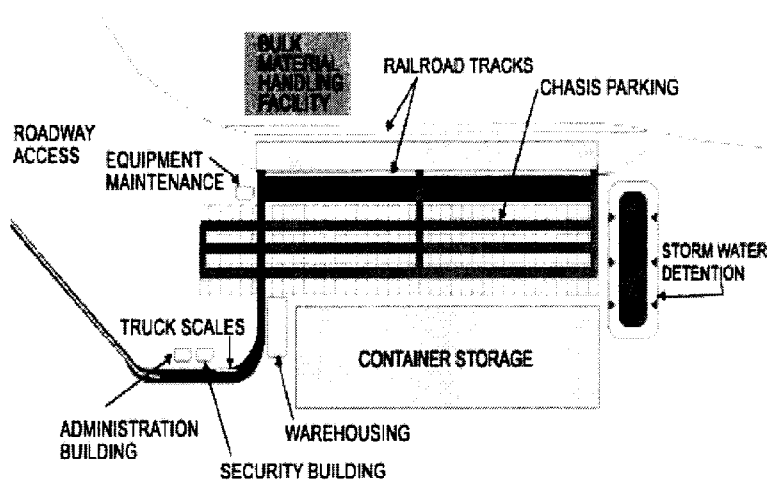
## **Overview of Inland Intermodal Facilities**

Intermodal facilities allow shippers to improve speed of delivery, increase reliability of schedules and condition of the goods shipped, and/or reduces costs. There are several types of inland facilities, with two of the better known being inland or dry ports and multimodal logistics parks.

An inland port is an inland facility specializing in the staging and transfer of intermodal sea-borne freight. The designed objective of an inland port is twofold; alleviate container and associated traffic congestion around a given seaport and move transportation and distribution infrastructure closer to inland commerce. Inland ports are an emerging, and relatively new business concept in America's freight transportation complex. The primary drivers behind inland port development is to position container facilities at uncongested inland locations, where rail and truck access are easier, where land use conflicts are less, and where economic development is desired. Some of the notable examples include the Virginia Inland Port in Front Royal, Port Inland Distribution Network in New York State, and North Carolina Inland Port Terminals. An Inland Port is a "strategic location" with the capacity to complement the activities normally carried out at dock-side at an ocean port. The specific purpose is to enhance the

efficiency of loading and unloading container ships with the objective of reducing the dwell time in port.

Figure 2 - Generic Inland Port



A logistics or business park located away from usual ports of entry but staffed with a U.S. or foreign customs broker is one example of an inland port. Inland ports are typically foreign trade zones, where duties aren't paid on imports until they're shipped out of the designated area to a U.S. location. If goods are sent to a foreign country, no duty is imposed.

Multimodal logistics parks are developments that have used multi-modal infrastructure (air-rail-truck, or sea-rail-truck) as the core of business/industrial parks. Whereas conventional business or industrial parks seek office buildings or manufacturers as "anchor tenants", these "logistics parks" use the transportation infrastructure as a selling point. These developments have much in common with the shippers, consignees, and ancillary businesses that surround seaports. They are "inland ports" without being extensions of seaports.

Other types of inland port facilities include:

**Maritime feeder inland port.** The concept behind this type of inland port is to provide a consolidation or deconsolidation point for goods shipped to a congested coastal load center port.

**Trade and transportation center.** This general category can be looked at as locations where border processing of trade is shifted inland and multiple modes of transportation are offered in combination with value-added services.

**Air cargo inland port.** Air cargo ports can exist in conjunction with passenger facilities, but it is becoming more common for dedicated cargo facilities to operate in the U.S.

Advantages of all types of inland facilities include:

- Inexperienced inland-based shippers have the opportunity to undertake international trade through local facilities;
- International functions such as customs clearance and labeling for export can be undertaken locally ;
- Uncertainties of customs clearance can be eliminated through the locational advantage of having all associated functions at one site (e.g. unloading, modal transfer, redistribution);
- Smaller shippers can benefit from consolidation of their consignments with others to form full loads;
- Inland-based shippers have direct access to international transport equipment such as containers or roll-on/roll-off vehicles;
- Inland-based domestic-only shippers have access to a wider range of local resources; and
- “Transportation-related waste” associated with inefficient supply chains can be eliminated or at least reduced.

*Example : Virginia Inland Port*

*Located on 161 acres (50 in use), the Virginia Inland Port (VIP) is an intermodal facility off Route 522 and near Interstates 66 and 81 in Front Royal, Virginia. The VIP is part of Virginia International Terminals, Inc., the affiliate and operating arm of the Virginia Port Authority, which owns the property and three general cargo terminals in the Norfolk, Portsmouth and Newport News areas. The Virginia Port Authority's strategy behind developing an inland port was to provide more competition with the Port of Baltimore. Previously, many containers were off loaded at Norfolk were barged up to Baltimore for further transshipment. Sending them inland to the VIP via rail proved more cost effective.*

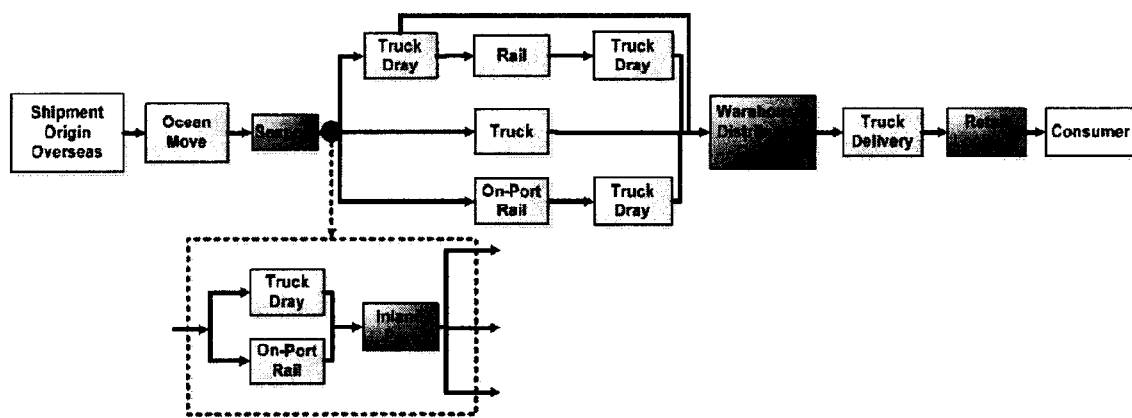
*When the VIP started as an intermodal port, its main market was exports of poultry and wood products, and those remain the majority of export commodities that pass through Front Royal. Imports destinations are mostly to distribution centers and businesses located in the market area of West Virginia, Pennsylvania western Maryland southern Ohio.*

*The Virginia Inland Port started operations in 1989 with initial annual volumes of 8,000-9,000 containers. The VIP's annual throughput volume approached the targeted level of 20,000 international containers annually in 1999.*

Source: Logistics Sector Developments: Planning Models for Enterprises and Logistics Clusters, United Nations Economic and Social Commission for Asia and the Pacific.

When properly located, an inland port or intermodal facility helps to streamline the distribution process, cutting costs and increasing efficiency throughout the supply chain. See Figure 3.

Figure 3 - Inland facility impact on supply chain



Source: South Florida Inland Port Feasibility Study, Cambridge Systematics, Inc.

Rail freight is most economic when freight is being carried in bulk and over long distances, but is less suited to short distances and small loads. Bulk aggregate movements of a mere twenty miles can be cost effective even allowing for trans-shipment costs, although distances of at least 50 miles may be needed to attract rail service. One rail car can hold 100 tons as compared to 25 tons for a truck. Rail can transport freight for 202 miles on one gallon of fuel as compared to 59 miles for a truck. (Source: Alabama Freight Mobility Study, Hanson Professional Services, Inc.). The main disadvantage of rail freight is its lack of flexibility. For this reason, rail had previously lost much of the freight business to road competition.

Inland ports provide an operational advantage for the rail carrier by aggregating demand from a port to an inland hub with enough scale to create single destination trains from the port cities. The importer is provided with increased velocity in their supply chains, as they have access to import cargo discharged from the rail carrier within hours, not days, of arrival. Additionally, the importer benefits from a significant reduction in drayage costs and improved security by not having the “last mile” of transportation performed on the public highways, but rather on the private roads within the logistics park. The ocean carrier also benefits by not having to manage



chassis and containers that travel great distances from the logistics hub, reducing turns in container utilization and lowering chassis control related challenges.

The Florida Department of Transportation commissioned the Center for Urban Transportation Research to examine various modes of transportation in Florida. The findings of this report supported the following areas to stimulate a mode shift for freight movement in Florida:

- Policy that seeks incremental gains rather than entire market segments in rail's share of freight movement may be most effective. Understanding which commodities are well suited to rail but are being shipped via road, and that have adjacent/accessible rail facilities, should be targeted.

- Identification of suitable sites for intermodal facilities or "Intermodal Parks" should be undertaken by the State, similar in concept to an industrial park. The concept of the parks would be to facilitate the rapid transfer of goods from rail to or from truck for local collection or delivery, and to promote rail as a mode alternative.

- A mechanism for financial and managerial coordination of the parks should be developed. Given that investment in intermodal facilities is a preferred policy position, the issue of who finances, who leads, and who operates the infrastructure must be addressed.

- Recognition of customer needs, such as those created by Just-In-Time (JIT) production processes and the fast growth of e-Commerce (direct Internet sales). JIT requires smaller though continuous batch delivery of goods, and vendors wish to warehouse minimal inventories. Shippers must have confidence that timeliness and reliability will be achieved in concert with any purported cost savings. Transportation infrastructure and connectors must be able to function reliably, so that businesses can count on their deliveries being on time, with minimal delays due to congestion at or near intermodal terminals.

Source: Florida Department of Transportation Rail Planning and Safety Analysis of Freight Movement Mode Choice Factors performed by the Center for Urban Transportation Research, USF

## **Value-added Opportunities for Inland Facilities**

The demand for an inland port can be divided in two parts, i. e. core competencies (transferring cargo from one mode to another/same mode of transport) and value added services. Inland ports not only move export or import processing away from potentially congested borders, seaports and airports, they also serve as a location where goods receive further processing before shipment to their final destination which is potentially beneficial to businesses with significant transportation and logistics elements such as distribution centers, warehouses, third-party logistics providers, and manufacturers.

For producers, shippers and carriers, inland ports offer lower supply-chain costs, foreign trade zone benefits and logistics improvements. Some goods may be processed at traditional ports but then travel to inland ports for extra processing and assembly. If the value-added operations occur at an inland port, one or more supply-chain links can be eliminated or significantly reduced.

Goods assembled or manufactured at an inland port can also be warehoused onsite, eliminating transport from manufacturing to warehousing. These gains are more likely at inland ports strategically located near sources of value-added inputs to imported components, including labor, or close to retailers and other final destinations.

Often there is considerable support for the secondary development that would accompany an inland port facility; that is, distribution centers, warehouses, trucking facilities and amenities, and other light industrial uses.

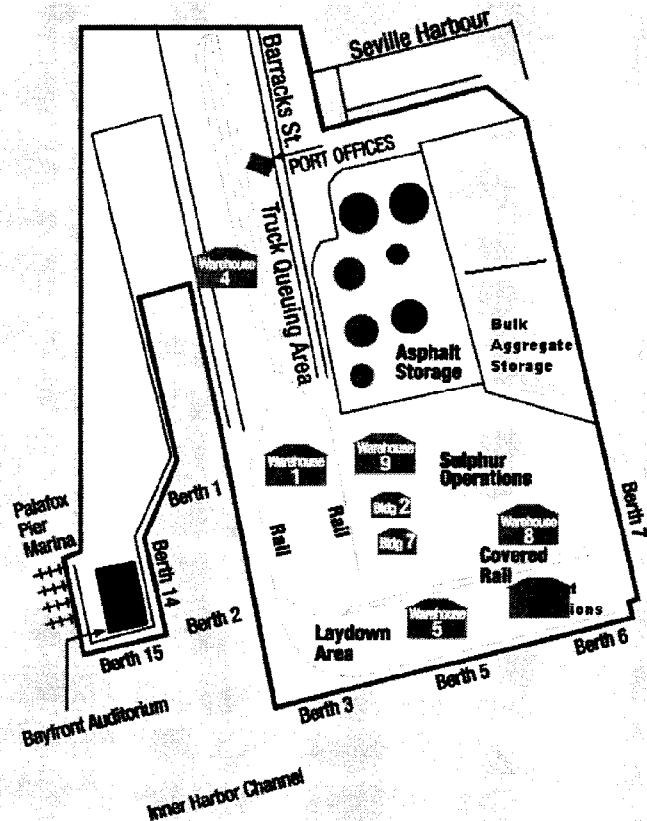
### **Containerized Shipping**

While not mandatory for the success of an inland facility, containerized shipping remains one of the fastest growing areas in terms of tonnage. Containership capacity is normally expressed in Twenty-foot Equivalent Units (TEU), which is defined as the number of 20' x 8' x 8'6" containers it can carry; or, similarly, in Forty-foot Equivalent Units. Containerships vary considerably in size. Some of those serving major ports have capacities exceeding 5,000 TEU and the largest over 9,000 TEU. Some recently built for feeder service (i.e., serving small outports from a major port) have capacities of 400 TEU or less. The increase in the maximum size of container ships does not mean that the demand for small feeder and coastal container ships has decreased. Ships with capacities of less than 2,000 TEU account for more than 50% of the number of ships delivered in the last decade. The larger the container ship, the more time is required for loading and unloading and, as the time schedule for a container ship is very tight, the extra time needed for loading/unloading means that, in general, larger container ships may have to sail at a proportionately higher service speed. One train is physically limited to 240 40-foot containers. Therefore, about 10 double-stack trains would have to be arranged to move the inbound containers from one such 9000 TEU ship. Those problems can be solved through infrastructure improvement, but container vessels in the size range of 400-3,000 TEU still hold a very important part of the freight market. Source: Global Insight

The Port of Mobile is scheduled to open a state of the art container terminal in the summer of 2008. It will offer an improved option in the US Gulf for reaching Midwest markets as well as Alabama and neighboring states. With a 45' channel and 2000' of deepwater berth, the new terminal will be capable of handling most post-Panamax vessels.

## Port of Pensacola Overview

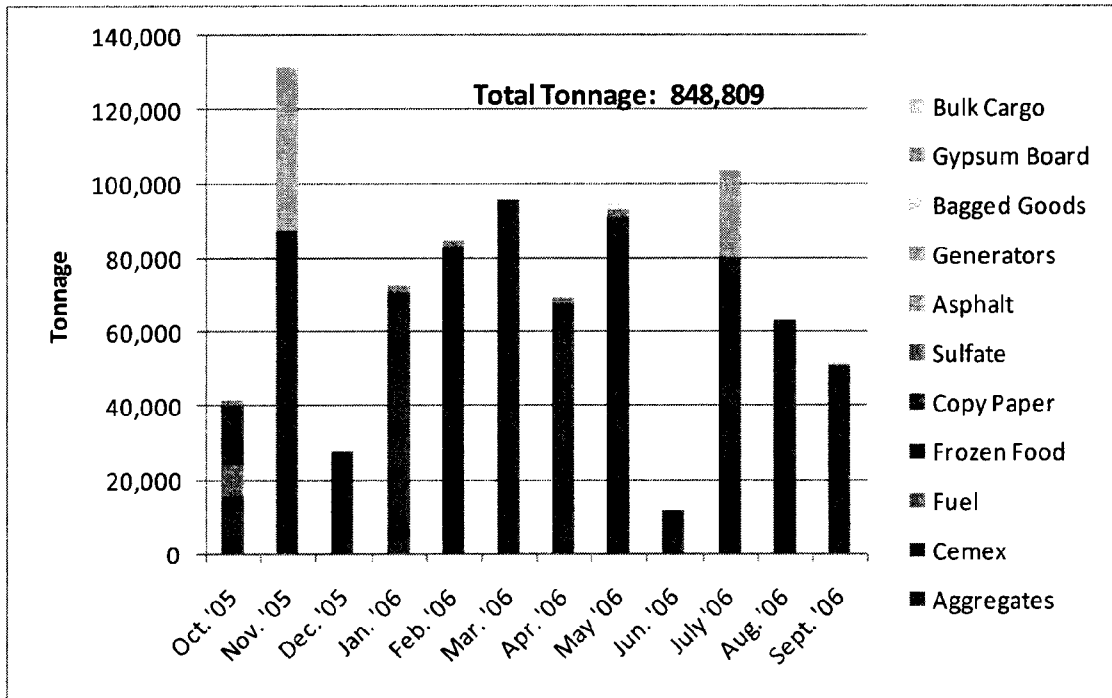
The Port of Pensacola is an enterprise department of the City of Pensacola and is governed by the Pensacola City Council. As a landlord port, all operations and equipment at the Port are owned or performed by private interests. This is done using either leases with the Port, or as guided by the Port tariff. The Port facility is housed on 50 acres located in downtown Pensacola. Among the Port's leading commodities are bagged agricultural products, cement, paper, aggregate, power plant and power generation equipment, animal feed and animal feed components, construction supplies and materials, and frozen cargo. Port infrastructure includes seven warehouses with 265,000 square feet of available indoor storage area; covered railcar loading and unloading; four acres of open, outside storage (lay down) area with 8-10 additional acres available for future development; on-dock rail service provided by CSX Transportation, with switching agreements with Burlington Northern Santa Fe Railroad, and Rail America (Alabama & Gulf Coast Railway); eight berths ranging in depth from 16 to 33 feet, including 2,360 linear feet of primary deepwater berths, 1,000 linear feet of secondary shallow draft berths, and 1,000 linear feet of shallow draft moorage with deepwater berths are supported by 1,200 linear feet of rail trackage; and 10 acres for permanent dredge spoil disposal.



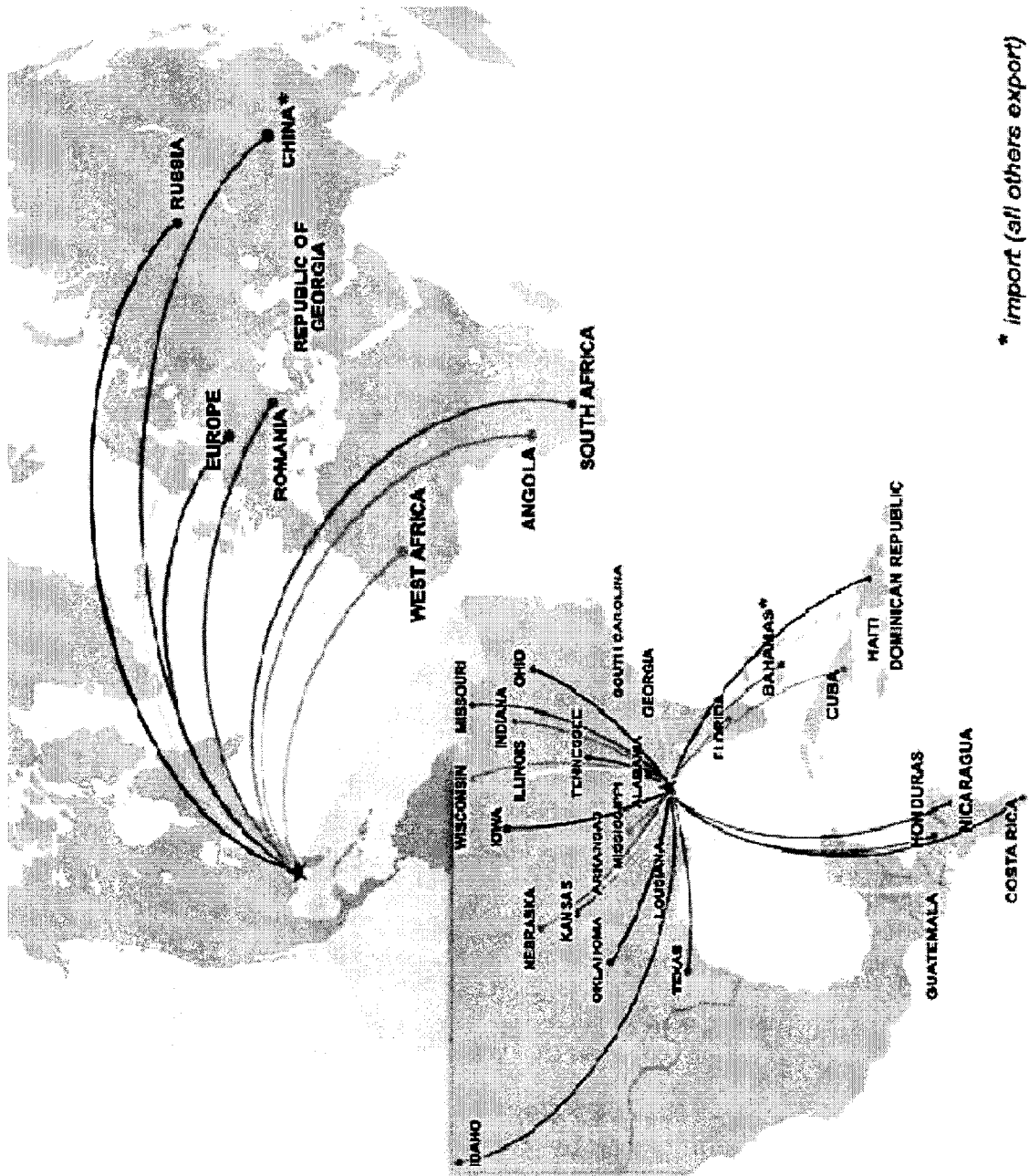
The entrance to the main channel to Pensacola Bay is by the Caucus Channel. The channel is 500 feet wide at its seaward end and dredged to 33 feet in depth. The approach channel to the Port of Pensacola is 300 feet wide with a control depth of 33 feet, and intersects Pensacola Bay in a generally northeasterly direction. The Gulf Intracoastal Waterway (GIWW) intersects the Port's entrance channel just north of Santa Rosa Island. The GIWW traverses the Gulf of Mexico from Brownsville, Texas to Ft. Myers, Florida before connecting to the Atlantic Intracoastal Waterway via the Okeechobee Waterway.

The port reported total cargo tonnage of nearly 850,000 tons in FY 2006. The bulk of the cargo consisted of aggregates and cement. See Figure 4.

Figure 4 - Pensacola Cargo Tonnage FY 2006



Source: Port of Pensacola



Imports made up approximately 3 quarters of the total tonnage for FY 2006, with dry bulk cargo constituting over 95 percent of the total import tonnage. See Table 2.

Table 2- Pensacola Tonnage by Type FY 2006

<b>PORT OF PENSACOLA TONNAGE REPORT</b>			
<b>Fiscal Year 2006 (Oct. 1, 2005 - Sept. 30, 2006)</b>			
	<b>Exports</b>	<b>Imports</b>	<b>Total</b>
<b>Cargo:</b>			
General Cargo	95,448	24,428	119,876
Dry Bulk Cargo	0	676,270	676,270
Liquid Bulk Cargo	44,258	8,405	52,663
<b>Total Cargo</b>	<b>139,706</b>	<b>709,103</b>	<b>848,809</b>
<b>Vessels:</b>	<b>Ships</b>	<b>Barges</b>	<b>Total</b>
	97	92	189
General Cargo:	Bagged Goods flour, beans, corn meal, etc. for USDA Humanitarian Aid programs Paper Sheetrock Energy Sector Equipment Frozen Cargo		
Dry Bulk:	Limestone Aggregates Cement Sulfate		
Liquid Bulk:	Asphalt Fuel		
Source: Port of Pensacola			

Maximum storage capacity at the port at any given time is 41,000 tons of cargo in unassigned covered warehouses. There is additional covered warehouse space under lease and open storage areas. At a maximum of 8 turns per year, the maximum annual capacity of existing port storage assets is 328,000 tons. See Table 3.

**Table 3 - Maximum Annual Capacity of Existing Available Assets**

Facility	Sq. Footage	Capacity (pounds)	Capacity (tons)	Turns Year	Max. Capacity (tons)
WH 1	72,000	28,800,000	14,400	8	115,200
WH 4	45,000	18,000,000	9,000	8	72,000
WH 5	50,000	20,000,000	10,000	8	80,000
WH 7	15,000	6,000,000	3,000	8	24,000
WH 8	83,000	33,200,000	16,600	8	132,800
WH 9	40,000	16,000,000	8,000	8	64,000
<b>Total</b>	<b>205,000</b>	<b>82,000,000</b>	<b>41,000</b>	<b>8</b>	<b>328,000</b>

Source: Port of Pensacola

Imported products primarily exit the port by truck, with exported products arriving by both truck and rail. Over one half of the monthly truck traffic at the port is generated by one user. The Martin Marietta Company imports aggregates which are picked up by end users directly from the port. See Table 4.

**Table 4 - Port of Pensacola Traffic Summary**

Port of Pensacola Traffic Summary Fiscal Year 2006														
		Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
<b>T</b>	CEMEX (I)	238	335	369	355	258	875	720	486	635	433	201	568	5,473
<b>R</b>	Containers (E)	-	-	-	118	313	105	-	-	51	40	6	48	681
<b>U</b>	GE (I)	-	-	31	5	2	6	3	15	-	7	1	-	70
<b>C</b>	Halcop (I)	61	62	85	161	62	342	184	204	275	172	237	210	2,055
<b>K</b>	Martin Marietta (I)	1,946	1,583	1,901	1,833	1,759	2,191	2,219	1,908	1,793	1,565	1,468	2,619	22,785
<b>S</b>	Misc. (50% E) (50% I)	160	353	242	69	40	124	157	229	470	234	212	132	2,422
	Pate Cold Storage (E)	945	330	284	89	577	928	325	192	117	98	72	32	3,989
<b>RAIL</b>	Railcars (Boxcars) (E)	44	6	46	35	-	76	97	37	29	45	74	84	573
	<b>Total</b>	<b>3,394</b>	<b>2,669</b>	<b>2,958</b>		<b>3,011</b>	<b>4,647</b>	<b>3,705</b>	<b>3,071</b>	<b>3,370</b>	<b>2,594</b>	<b>2,271</b>	<b>3,693</b>	<b>38,048</b>

(I) = Import Cargo  
(E) = Export Cargo  
Source: Port of Pensacola

### Existing rail connectivity

The port is currently served by two railway lines and has the capacity to store 65 to 85 cars. The Alabama and Gulf Coast Railway (AGR) is a Class III railroad operating between Pensacola,

Florida, and Columbus, Mississippi. AGR also serves Mobile, Alabama. AGR operates 44.6 miles in Florida, representing approximately 15 percent of 288 total route miles. AGR's Florida route traverses Escambia County from the State border at Atmore, Alabama, to Pensacola. A small portion of the Atmore-Pensacola route passes back into Baldwin County, Alabama, between Barrineau Park and Muscogee, Florida. In Florida, AGR connects with CSXT at Cantonment. The railroad's other primary connections include: BNSF at Amory, Mississippi; CAGY at Columbus, Mississippi; CN at Mobile, Alabama; CSXT at Mobile, Alabama; NS at Boilgee, Demopolis, Kimbrough, and Mobile, Alabama (over NS); MNBR at Linden, Alabama; and TASD at Mobile, Alabama.

Annually, AGR handles approximately 16,000 carloads of freight in Florida. AGR primarily serves the paper production industry with service to four paper mills and a large paper consolidator, Oren International, in Pensacola. The principal commodities associated with the paper industry (both outbound and inbound) include woodchips, logs, chlorine, sodium chlorate, hydrogen peroxide, rolled and boxed paper, and kaolin clay. AGR also hauls aggregate rock for use by Escambia County for highway projects. AGR also serves the Pensacola Marine Shipyard Complex.

CSX Transportation (CSXT) is a Class I railroad operating the most extensive rail network in Florida. CSXT provides the peninsula with its principal national rail connections and maintains its national headquarters at Jacksonville. CSXT operates over 1,700 miles of track in Florida, including some 50 plus miles in the Pensacola area. Products shipped include coal, orange juice, sugar, fertilizer, feed, phosphate, limestone, new and used automobiles and aggregates. Recently there has been increasing demand for shipment of wind turbine components. CSXT service connects to AGR and BNSF. Currently CSXT runs 19 trains a day in Pensacola, with one going to the Port of Pensacola. CSX Railroad Company operates three intermodal facilities in Florida (Jacksonville, Orlando and Tampa) and has plans to develop a 1,250-acre intermodal facility in Winter Haven. This facility will become the center of CSX's Florida intermodal rail service and is expected to have a significant impact on regional (and likely state) distribution patterns.

Train transportation via CSXT between Tallahassee and Mobile is labor intensive due to manual switching requirements and a single main track structure with only three passing sidings.

### **Market assessment**

The Port is a relatively small niche player focusing on bulk and breakbulk accounts. Competition with other area ports is significant. Within this environment, the Port can maximize its chances



of success by targeting cargoes within its primary market area (within 100 miles of the Port terminals). This includes products generated by/for local industry, which account for the majority of the cargoes moving through the Port. As the distance from the Port increases, the competition also increases but the Port has also been successful in attracting cargo from distances beyond 100 miles. Part of the Port's

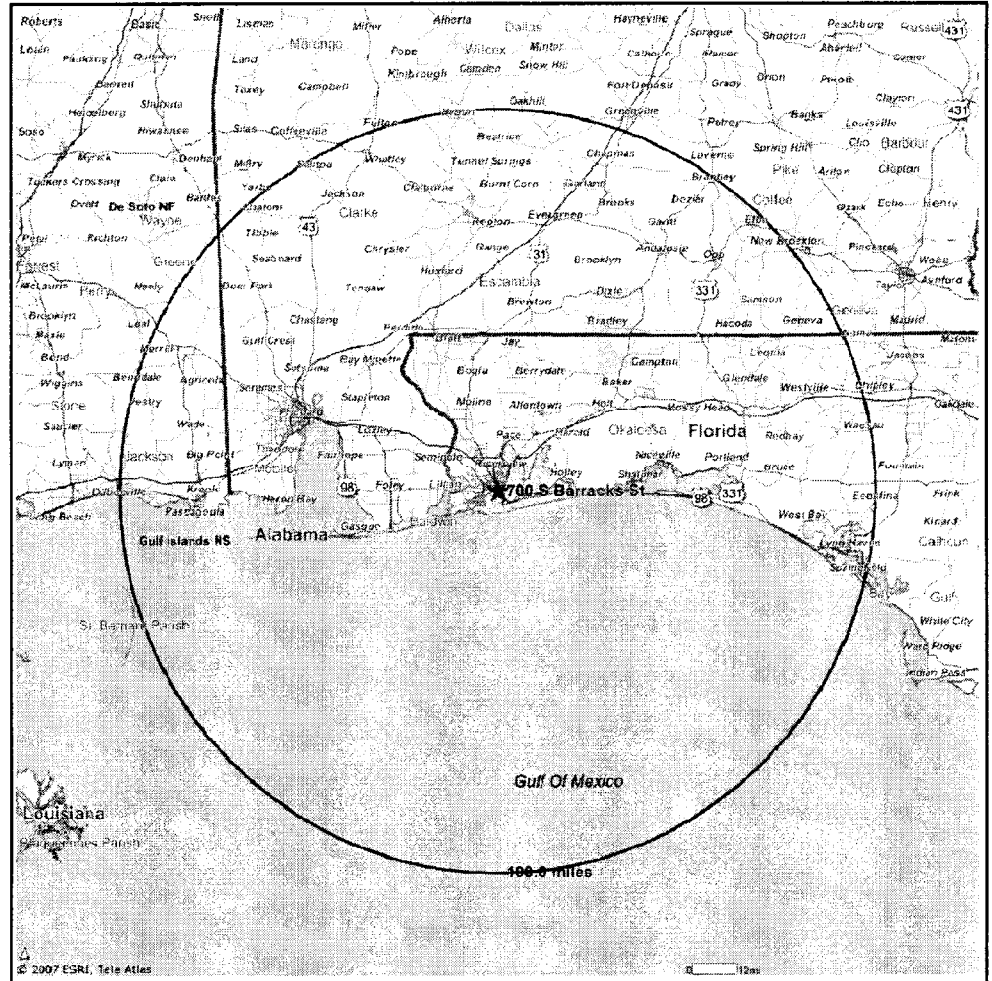


Figure 5 - 100 Mile Market Radius

marketing strategy is to work with existing accounts to increase their business and to continue to cultivate business with local industry.

Recent and planned expansions at the ports of Mobile and New Orleans in anticipation of the expansion of the Panama Canal and the resultant increase in container traffic could offer the Port more opportunities to serve as a short sea shipping feeder port to the larger ports and to capture breakbulk and neo-bulk cargo clients displaced by expanded container operations at neighboring ports. The Port's main marketing thrust continues to be targeted towards the trade lanes to Mexico, Central America and the Caribbean. Part of the Port of Pensacola's future strategy will involve developing a niche market in smaller, older container vessels that fit the current channel depth.

Table 5 - Market area demographics

Demographics	2000	2007	2012
Population	1,671,049	1,831,355	1,962,787
Households	638,135	713,007	771,251
Families	450,533	494,815	527,147
Average Household Size	2.53	2.49	2.47
Owner Occupied HUs	460,602	529,657	573,621
Renter Occupied HUs	177,533	183,350	197,630
Median Age	36.1	38.1	39.2
<b>Income</b>			
	<b>2000</b>	<b>2007</b>	<b>2012</b>
Median Household Income	\$35,647	\$42,590	\$48,153
Average Household Income	\$46,392	\$56,258	\$65,234
Per Capita Income	\$18,158	\$22,337	\$26,091
<b>Trends: 2007-2012 Annual Rate</b>			
	<b>Area</b>	<b>States</b>	<b>National</b>
Population	1.40%	2.44%	1.22%
Households	1.58%	2.51%	1.27%
Families	1.27%	2.24%	1.00%
Owner HHs	1.61%	2.60%	1.29%
Median Household Income	2.49%	3.21%	3.29%
Source: ESRI Business Analyst			

The 100 mile market area encompasses portions of three states and overlaps the market area of the Port of Mobile and the Port of Panama City. Demographic trends in the area indicate that population growth is expected to exceed the national growth levels, although incomes are anticipated to continue to lag behind national growth rates. See Table 5. Manufacturing accounts for 2.6 percent of the number of firms, but nearly 9 percent of employment. Wholesale trade and construction represent 4.3 percent and 10.3 percent of the total number of businesses respectively. See Table 6.

Table 6 - Business Summary

INDUSTRY	BUSINESSES		EMPLOYEES	
	Number	Percent	Number	Percent
Agriculture & Mining	1,810	2.5%	6,899	1.0%
Construction	7,429	10.3%	48,422	6.7%
Manufacturing	1,890	2.6%	64,197	8.9%
Transportation	2,028	2.8%	17,821	2.5%
Communication	669	0.9%	5,197	0.7%
Electric, Gas, Water, Sanitary Services	380	0.5%	6,582	0.9%
Wholesale Trade	3,142	4.3%	26,781	3.7%
<b>Retail Trade Summary</b>	<b>15,939</b>	<b>22.1%</b>	<b>160,580</b>	<b>22.2%</b>
Home Improvement	1,249	1.7%	12,348	1.7%
General Merchandise Stores	608	0.8%	21,554	3.0%
Food Stores	1,937	2.7%	18,620	2.6%
Auto Dealers, Gas Stations, Auto Aftermarket	2,135	3.0%	17,678	2.4%
Apparel & Accessory Stores	1,064	1.5%	5,714	0.8%
Furniture & Home Furnishings	1,634	2.3%	11,287	1.6%
Eating & Drinking Places	3,582	5.0%	56,874	7.9%
Miscellaneous Retail	3,730	5.2%	16,505	2.3%
<b>Finance, Insurance, Real Estate Summary</b>	<b>7,256</b>	<b>10.0%</b>	<b>41,266</b>	<b>5.7%</b>
Banks, Savings & Lending Institutions	1,693	2.3%	12,746	1.8%
Securities Brokers	399	0.6%	1,724	0.2%
Insurance Carriers & Agents	1,429	2.0%	6,913	1.0%
Real Estate, Holding, Other Investment Offices	3,735	5.2%	19,883	2.8%
<b>Services Summary</b>	<b>27,584</b>	<b>38.2%</b>	<b>267,167</b>	<b>37.0%</b>
Hotels & Lodging	771	1.1%	15,675	2.2%
Automotive Services	2,029	2.8%	8,061	1.1%
Motion Pictures & Amusements	1,707	2.4%	16,740	2.3%
Health Services	3,836	5.3%	85,271	11.8%
Legal Services	1,504	2.1%	7,112	1.0%
Education Institutions & Libraries	1,126	1.6%	44,718	6.2%
Other Services	16,611	23.0%	89,590	12.4%
Government	2,869	4.0%	76,740	10.6%
Other	1,278	1.8%	949	0.1%
<b>Totals</b>	<b>72,274</b>	<b>100.0%</b>	<b>722,601</b>	<b>100.0%</b>

Source: ESRI Business Analyst

Currently, the Port of Pensacola does a large part of its trade volume in aggregates, cement and general cargo. These markets are discussed below.

### Aggregates

Aggregates demand mirrors population growth, which in turn demands new capital expenditures and the ongoing need for repair and replacement of infrastructures. The only

substitute for newly mined aggregates is recycled aggregates from previous infrastructures. However, recycled aggregates has not gained complete acceptance. Since it's been replaced for some reason, it's not perceived to be as strong. In addition, it does not meet the demand for new infrastructure. According to the USGS, currently, total U.S. aggregate demand by final market sector was 30%-35% for non-residential building (offices, hotels, stores, manufacturing plants, government and institutional buildings, and others), 25% for highways, and 25% for housing. A 2007 study prepared for the Florida Department of Transportation on aggregates provided the following information for demand in Northwest Florida. See Table 7.

Table 7 - Aggregates demand in Northwest Florida

District 3:	1999	2004	2009
Bay	820,698	1,509,331	1,287,766
Calhoun	35,250	55,942	89,792
Escambia	1,587,201	1,828,942	1,815,518
Franklin	80,155	157,489	186,033
Gadsden	278,626	165,745	236,645
Gulf	95,859	132,292	123,437
Holmes	220,392	88,079	165,563
Jackson	385,764	275,969	400,900
Jefferson	177,791	142,929	145,667
Leon	1,567,869	1,525,566	1,762,419
Liberty	51,613	34,746	48,976
Okaloosa	1,035,614	1,323,798	1,463,077
Santa Rosa	679,591	1,060,630	996,371
Wakulla	198,371	173,748	213,028
Walton	494,167	762,934	805,005
Washington	225,759	98,149	183,632

### Cement

According to the Portland Cement Association, in 2005, the United States consumed a record 121.3 million metric tons of Portland cement, reflecting a 5.6% increase over 2004 levels. Cement consumption is seasonal. Nearly two-thirds of U.S. cement consumption occurs in the six months between May and October. The seasonal nature of the industry can result in large swings in cement and clinker (unfinished raw material) inventories at cement plants over the course of a year. Cement producers will typically build up inventories during the winter and ship them during the summer.

The cement industry is also regional in nature. Because the cost of shipping cement quickly overtakes its value, customers traditionally purchase cement from local sources. Nearly 98% of U.S. cement is shipped to consumers by truck. Barge and rail modes account for the remaining distribution modes. See Table 8.

**Table 8 - US cement and concrete consumption**

Florida	2003	2004	2005	2006	2007	2008
Cement Consumption (000 Metric Tons)	8,589	9,698	11,233	11,180	8,470	8,091
- Growth	9.7%	12.9%	15.8%	-0.5%	-24.2%	-4.5%
Concrete Consumption (000 Cubic Yards)	37,877	42,768	49,536	49,306	37,354	35,680

Source: Portland Cement Association

In the near term, the housing crisis and general economic slowdown in Florida and the region is expected to spread to nonresidential and public construction in 2008 and 2009 – adversely affecting cement consumption.

### **General Cargo**

A recent study on the feasibility of an inland port in south Florida performed by Cambridge Systematics reported that general cargo tonnage is expected to reach 1,422 million tons in 2020. This represents a near doubling of tonnage since 1998. All modes of transportation are expected to see growth, with water transportation increasing to 107 million tons and rail transportation increasing to 235 million tons. See Table 9.

Table 9 - Florida General Cargo Forecast

Florida	Tons (millions)		
	1998	2010	2020
<b>State Total</b>	<b>787</b>	<b>1,141</b>	<b>1,422</b>
<b>By Mode</b>			
Air	2	4	6
Highway	562	834	1,052
Other	6	14	22
Rail	143	193	235
Water	73	96	107
<b>By Destination</b>			
Domestic	723	1,033	1,258
International	65	108	163
Note: Numbers may not add due to rounding; Other category includes pipeline and unspecified			
Source: Cambridge Systematics, Inc.			

### Logistics Ranking

Logistics factors are absolutely critical to most companies and any location it chooses needs to be supported by a robust transportation infrastructure. Regardless of the specific type of facility, a business will need to be able to quickly and economically move raw materials, supplies and finished products in and out. Logistics Today, in its annual ranking of logistics infrastructure, most recently ranked the Pensacola metro area 84th on its list of 362 “logistics friendly” metropolitan regions—based on scores in 10 major categories important to logistics professionals. Table 10 shows the scores for each category for Pensacola as compared to eight other south Florida cities. Only four cities in Florida outranked Pensacola in terms of logistics strengths. Strengths of Pensacola’s system are in the areas of waterborne commerce (64<sup>th</sup>), while a notable weakness came in road density/congestion/safety (349<sup>th</sup>).

Table 10 - Logistics Rankings for Florida MSAs 2006

Metropolitan Area	Jacksonville, FL	Miami-Fort Lauderdale-Miami Beach, FL	Tampa-St. Petersburg-Clearwater, FL	Orlando, FL	Pensacola-Ferry Pass-Brent, FL	Sarasota-Bradenton-Venice, FL	Lakeland-Winter Haven, FL	Palm Bay-Melbourne-Titusville, FL	Port St. Lucie-Fort Pierce, FL
<b>Regional Rank</b>	1	2	13	21	<b>24</b>	27	32	34	50
<b>National Rank</b>	10	16	45	80	<b>84</b>	101	113	124	160
<b>T&amp;D Industry Rank</b>	27	5	31	36	<b>148</b>	160	84	88	188
<b>Work Force/Labor Rank</b>	21	4	16	135	<b>124</b>	152	82	126	265
<b>Road Infrastructure Rank</b>	17	17	17	17	17	17	17	17	17
<b>Road Density, Congestion and Safety Rank</b>	283	355	362	352	<b>349</b>	354	193	353	278
<b>Road Condition State Rank</b>	24	24	24	24	<b>24</b>	24	24	24	24
<b>Interstate Highway Rank</b>	52	36	23	157	<b>120</b>	120	157	157	157
<b>Taxes &amp; Fees State Rank</b>	251	251	251	251	<b>251</b>	251	251	251	251
<b>Railroad State Rank</b>	63	151	310	151	<b>151</b>	225	225	310	151
<b>Waterborne Commerce Rank</b>	29	19	12	178	<b>64</b>	46	178	47	80
<b>Air Cargo Rank</b>	48	5	20	14	<b>101</b>	79	156	126	237

Transportation and distribution (T&D) industry is based on businesses and employment base providing transportation, distribution, warehousing and related services.

Work force/labor is geared to existing and available logistics-related workers in the area.

Road infrastructure measures factors like available lane miles per capita, interstate highway access, miles of paved roads, etc.

Road density, congestion and safety ranks the city on traffic volumes and delays as well as accident statistics and other factors affecting the smooth flow of traffic.

Road condition draws on state performance and includes condition of highways and bridges, among other measures.

Interstate highway includes access to interstate highways, spending on highway construction and maintenance, etc.

Taxes and fees provides a measure of logistics-related costs, including highway and fuel taxes, inventory taxes (where present), etc.

Railroad offers a state-based rank of access to Class 1 and other rail services, miles of track, etc.

Waterborne commerce includes ocean port capacity as well as inland waterways.

Air cargo ranks the city on its access to cargo services, including widebody passenger service by combination carriers, international and expedited services.

Source: Logistics Today

### Pensacola Container Terminal Capacity

Assuming that a terminal is used as a throughput terminal, a modern state-of-the-art facility can usually handle 5847 TEUs/acre/year. This capacity is achieved by using Rubber Tired Gantries (RTG's) for stacking of containers as much as 5 units high for maximum land utilization. With a medium level of automation, a facility can handle 2500 TEUs/acre/year. This capacity is achieved by using top loader machines stacking in the 3 unit high range. The top loaders are rubber tired lift machines designed specifically for handling containers. At the lowest level of automation, a port can handle 1875 TEUs/acre/year. This capacity range assumes stacking with top loader machines, standard smaller forklifts and a partial wheeled operation (a wheeled operation is one in which a portion of the containers are kept on chassis ready for immediate movement out of the terminal via truck conveyance).

From a capacity standpoint, the Pensacola terminal capacity would probably be somewhere between Levels 2 and 3, or about 2200 TEUs per acre per year. This figure can be realized with

lower capital investment in equipment, although the higher the capital investment, the greater the storage capacity. This analysis does not include acreage necessary for administration, maintenance and repair, cargo trans-loading or inspection facilities. Source: Port of Pensacola

### Port Comparison - Palm Beach and Canaveral

Within the state of Florida, the two ports most like the Port of Pensacola in terms of cargo and urban location are the Port of Palm Beach and Port Canaveral. The Port of Palm Beach does a similar amount of foreign import trade while doing a significantly larger amount of foreign export trade and approximately twice as much domestic. Port Canaveral does significantly higher import trade than Palm Beach or Pensacola, but does slightly less than twice as much export trade as Pensacola and a nearly identical amount of domestic. Both the Port of Palm Beach and Port Canaveral have significant cruise traffic in addition to their cargo traffic. See Table 11.

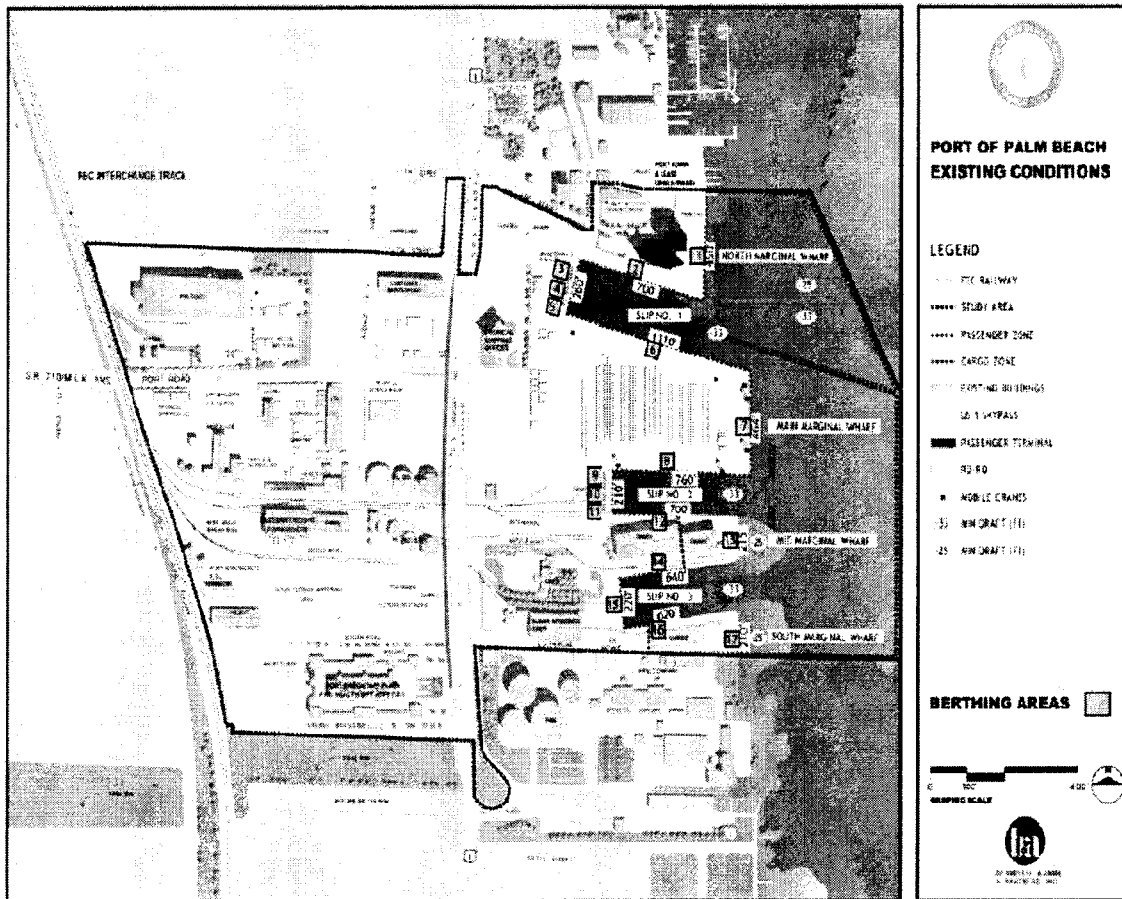
Table 11 - US Port Rankings by Cargo Volume, 2006

U.S. PORT RANKING BY CARGO VOLUME 2006								
Short Tons								
RANK	TOTAL TRADE		RANK	TOTAL DOMESTIC TRADE		RANK	TOTAL DOMESTIC TRADE	
	PORT/STATE	TONS		PORT/STATE	TONS		PORT/STATE	TONS
132	Pensacola, FL	1,332,047	98	Pensacola, FL	662,976	130	Pensacola, FL	669,071
103	Palm Beach, FL	2,764,545	75	Palm Beach, FL	1,612,530	108	Palm Beach, FL	1,152,015
86	Port Canaveral, FL	4,071,593	57	Port Canaveral, FL	3,402,205	129	Port Canaveral, FL	669,388
94	Panama City, FL	3,563,628	73	Panama City, FL	1,687,540	94	Panama City, FL	1,876,088
10	Mobile, AL	59,832,197	10	Mobile, AL	34,337,030	13	Mobile, AL	25,495,167

Source: U.S. Army Corps of Engineers, Waterborne Co



The Port of Palm Beach is located 80 miles north of Miami and 135 miles south of Port Canaveral. Vessel entrance is through an inlet channel 300 feet wide with no aerial obstructions leading into Lake Worth. Berthing is 20 minutes from first seabuoy to anchorage with operating drafts of minus 32 feet mean low water (MLW). The largest vessels capable of through putting via the Port's "dog leg" channel are those up to 700 feet length overall. A swing (turning) basin measuring 1,100 feet by 1,400 feet provides a safety margin for cruise and cargo vessels at minus 32 feet MLW draft (salt water). The Port of Palm Beach is the fourth busiest container port in Florida and the eighteenth busiest in the continental U.S. In addition to intermodal capacity, the Port is a major nodal point for the shipment of bulk sugar (domestic usages), molasses, cement, utility fuels, water, produce and breakbulk items. The Florida East Coast Railway Company (FEC) services the docks and piers through the Port's industrial rail switching operations. Palm Beach is the only port facility in South Florida operating a rail system with pier-side box, hopper and intermodal cars operating 24 hours a day. Located on Port property are six miles of trackage for intermodal transfers and handling. The Port is an important distribution center for commodities being shipped primarily throughout the Caribbean Basin.





facilities, with truck and rail connections to the region's seaports, with truck access to regional markets. Key findings from the study included:

- A centrally located facility would not effectively serve multiple South Florida seaports. The seven cargo handling ports in South Florida each have specific needs and improvement programs. Terminal expansion via an off-site shared facility was not an effective answer for most ports. It was noted that most inland ports are developed to serve a particular port authority, not a network of competing ports.
- Inland port would provide the Port of Palm Beach with the ability to expand bulk and break-bulk services. Bulk and break bulk products are characterized as heavy, large volume shipments with significant storage requirements. Current terminal capacity does not allow the port to market these types of customers.
- Direct rail connection between the inland port and the Port of Palm Beach is required. The economics of moving bulk/break bulk products by truck are constrained; an efficient ship-to-rail connection on port with consistent and reliable connection to and inland facility for off-loading and processing is preferable.
- New services more likely to benefit new freight operations – limited benefits for existing customers. Creating a new transportation hub can have a negative impact on existing supply chains; new business, that otherwise could not become established in the region, has a better chance of making it work.
- Facility must provide cost competitive, value added, and marketable service bundles. A new transportation hub has the potential to create additional moves to integrate it into established supply chains. This makes it critical that the new facility add value to the supply chain.

In June 2007, First Industrial Realty Trust announced that it had acquired a 537-acre land site in Palm Beach County, Fla., to develop an inland port. The rail-served hub, First Park South Florida, will host more than 6.2 million square feet of master-planned industrial product, and is designed to serve as a trans-shipment and warehouse facility for land, air and sea shipments. The project is expected to draw trade through the ports of Everglade, Miami and Palm Beach. This project reflects a growing trend in institutional investment in infrastructure assets. According to a recent study by Stanford University (cited in *Inland Ports Ahoy*, Florida Shipper, June 25, 2007), there are significant amounts of investors looking for returns in real estate and related activities. A trend is developing whereby institutional investors see infrastructure investment as a source of high returns.

## **Application of Inland Port requirements to Pensacola**

There are many operating scenarios possible for an inland facility in the Pensacola region. Before a final design is determined, further exploration is needed of actual and potential port user shipping requirements; investigation of development issues around potential sites, including land acquisition, land use and environmental issues; and detailed cost benefit analysis.

In one possible scenario, short line trains are formed at the port with imported cargo, including containers, bulk and breakbulk items. Ideally sufficient cargo is available to create unit trains – i.e., trains carrying only one type of cargo. The inland facility is the short line train's first stop. There, within the ports foreign trade zone, containers are unloaded and unstuffed, ultimate users pick up cargo, value-added producers receive parts, and additional cargo is drayed to facility to add to the trains for ultimate destinations. For export cargo, trains would add the port as a stop to pick up additional cargo that had been drayed to the facility, pick up containers, and pick up value-added producers export product.

### **Site Requirements**

In order capture market share for the Port of Pensacola, the inland port site should intercept existing cargo traffic as well as potential future markets. It should allow for easy access to uncongested rail and interstate highway networks that would connect it with its key markets within its catchment area. To be successful, the inland port should be located in an area characterized by good availability of developable land, where conflicts are minimized. The inland port would also benefit from being within close proximity of a pool of available labor.

Most experts consider the following as desirable site location characteristics for intermodal facilities:

- Ideally the site should be adjacent to an existing mainline and be within economic hauling distance of the port of approximately 35 to 50 miles.
- There must be sufficient land both on the railway reserve and/or terminal site to accommodate a fully made up train (up to 2 miles long) plus the required over-run extensions, without interfering with the main track.
- The site must have sufficient area to accommodate the main access spur line, associated marshalling yards, transit buildings (undercover areas for goods handling and train loading/unloading), storage warehouses, hardstand areas for container storage and

handling, and the requisite roads, parking areas, and landscaped areas - minimum of 65 acres.

- The site must be of a shape and topography that enables critical railway design criteria to be met (i.e. horizontal and vertical curve limitations and maximum track gradient).
- The site must have good access to the arterial road network, and be accessible to other transport hubs (i.e. ports and airports) and other major warehousing and distribution centers.
- To the extent possible, the site should seek to minimize associated roadway costs that might be required (\$2.4 million to \$5.8 million per mile depending on type and number of lanes).
- To the extent possible, the site should seek to minimize the additional track costs that may be required (\$1 million per mile).

## Potential Sites

The potential market of a new inland port facility is in large part dictated by the location, site characteristics, and transportation connectivity. Because location is a critical element in determining whether the value added by an inland port justifies the cost of its construction and operation, location selection must be based on relevant criteria, including accessibility, land area availability, existing modal capacity, economic impacts, environmental impacts, construction costs, and traffic impacts.

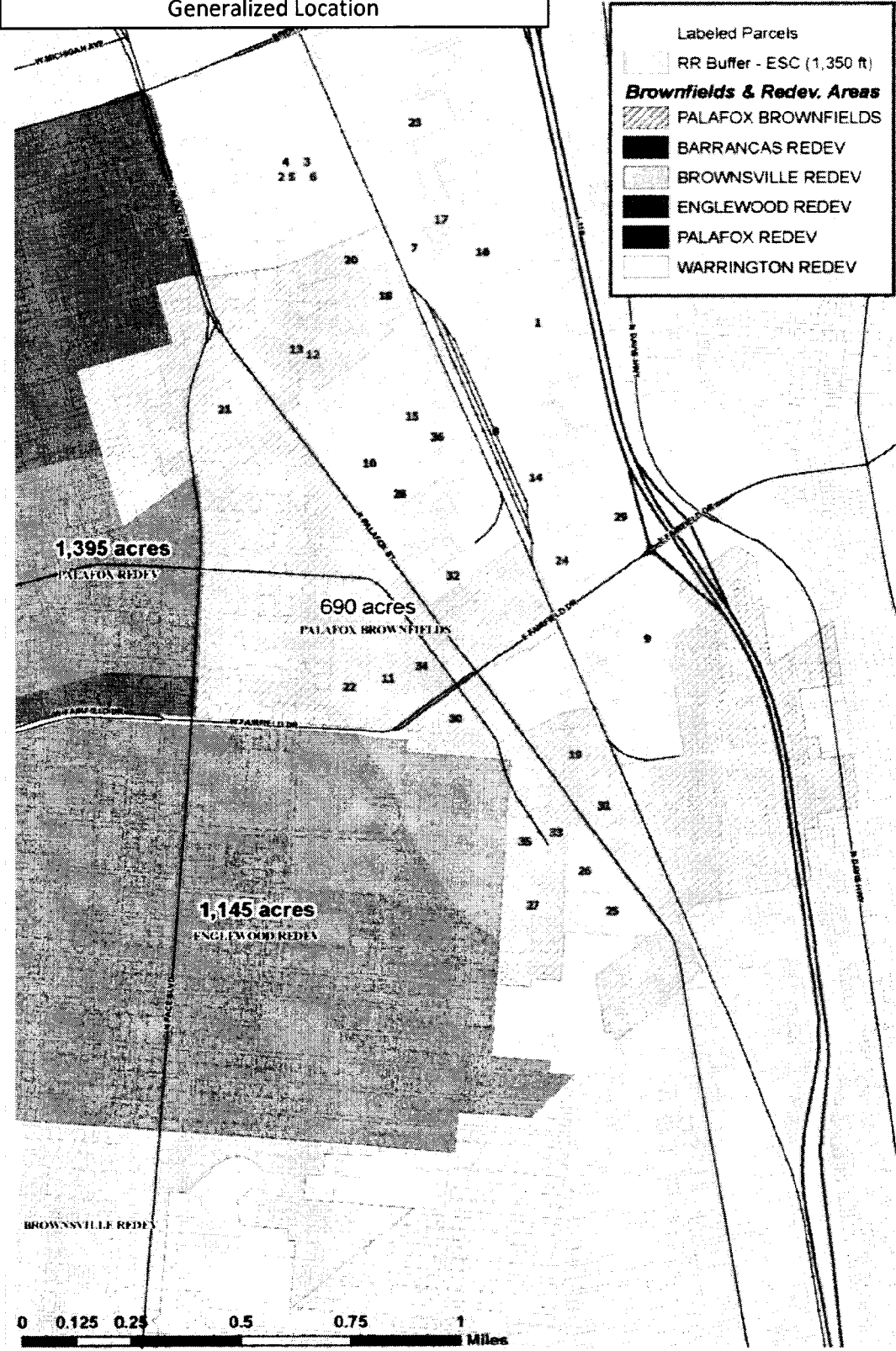
An important ingredient in analyzing the feasibility of an intermodal facility for the Pensacola area is determining whether any potentially suitable sites exist to locate the facility. Using information from property appraiser databases, GIS mapping tools were used to identify potentially usable sites. Because additional track or roadway mileage could make the development of such a facility cost prohibitive, a buffer zone was created around existing rail and roadways for use in identifying whether sufficient acreage existed adjacent to existing infrastructure to warrant further consideration of an inland facility. Consideration was given to potential sites in Escambia County, Florida; Santa Rosa County, Florida; Baldwin County, Alabama and Escambia County, Alabama, although it should be noted that it is too early in analysis of an intermodal facility to confidently identify which location will offer the greatest benefit to the Port of Pensacola.

An initial review ruled out locating the facility in Baldwin County, Alabama. Lack of existing road infrastructure linked to existing rail lines coupled with ownership of large parcels of land around the railroad by the Nature Conservancy make site location within the county a difficult proposition. Additionally, sites in western Escambia County, Florida were ruled out for similar

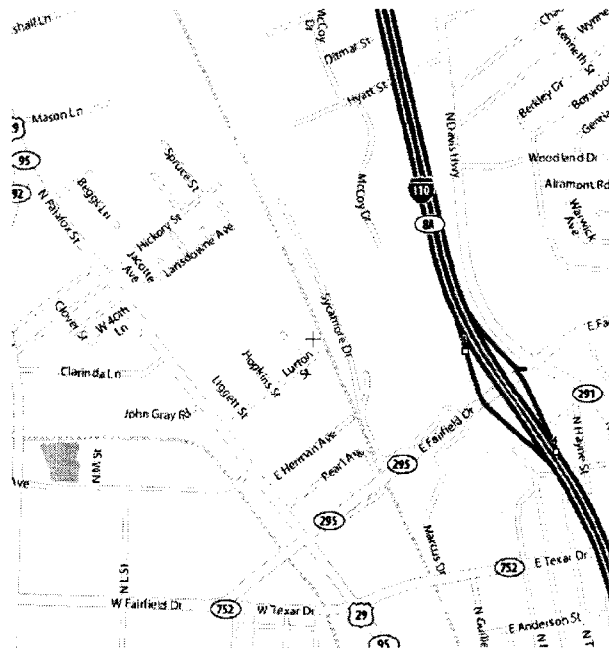
reasons – a lack of existing road infrastructure that would make locating value-added businesses such as distribution centers difficult.

In terms of the relevant factors, four general locations were identified as possible locations for an intermodal facility. At the request of the TPO, and additional two sites were added to the initial list. They are by no means exhaustive. These locations are broadly characterized on the following pages as the Palafox Brownfields Redevelopment Area Generalized Location; the Century Florida/Flomaton Alabama Generalized Vicinity Location; the East Milton Generalized Vicinity Location; the Atmore Alabama Generalized Vicinity Location, and the Avalon Boulevard Generalized Location.

The Palafox Brownfield Redevelopment Vicinity  
Generalized Location

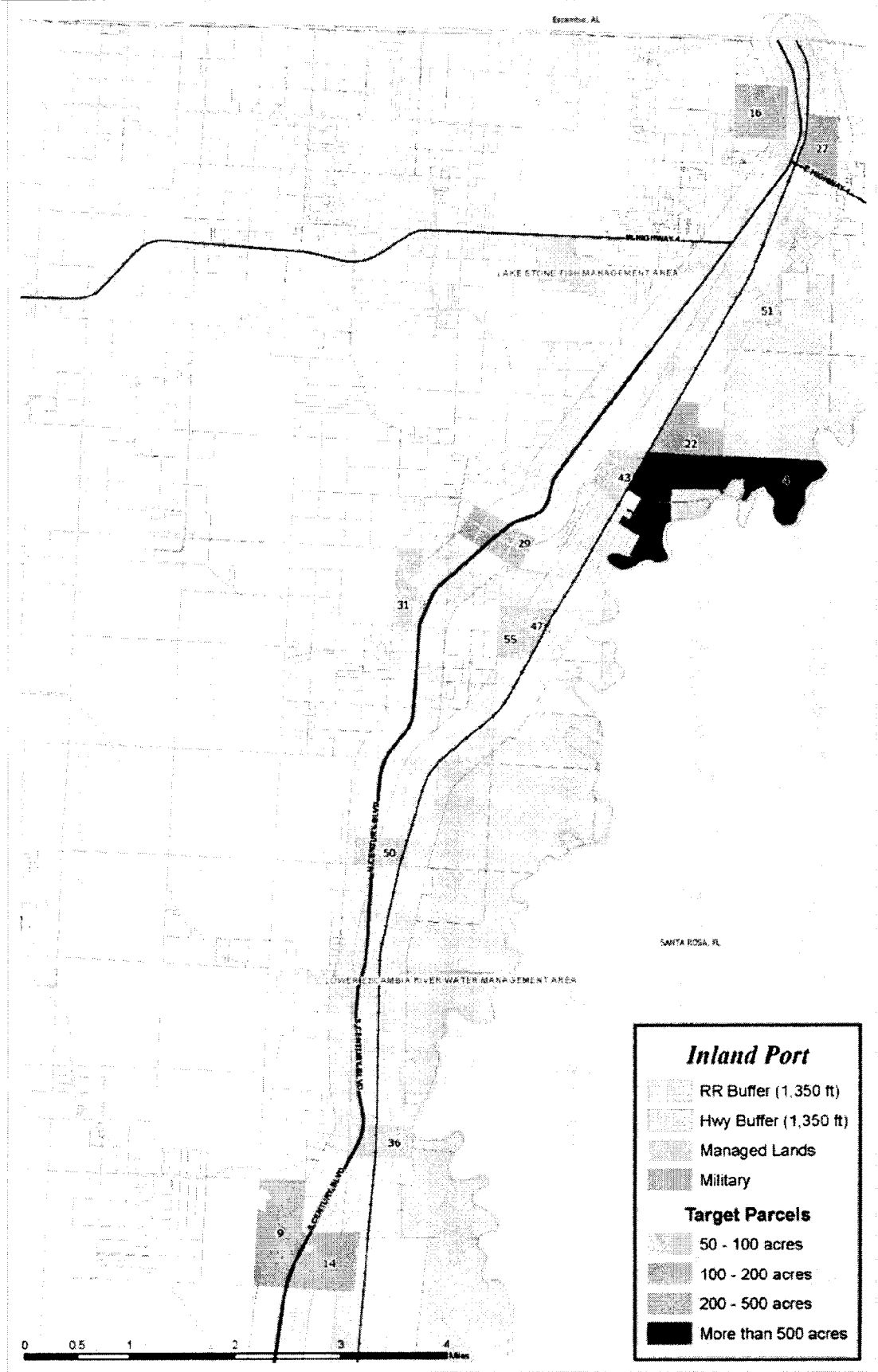


- Intercepts the flow of trucks to South Alabama and South Georgia
- Has very good Interstate highway and rail access, but is not on the CSXT intermodal line
- Very close to the Port and inside the dense and congested urban area
- Rail haul is very short – not cost effective
- Has sites available for value-added development, but parcels would have to be aggregated to produce and area of sufficient size
- Potential for redevelopment funding exists
- No sites with Foreign Trade Zone status

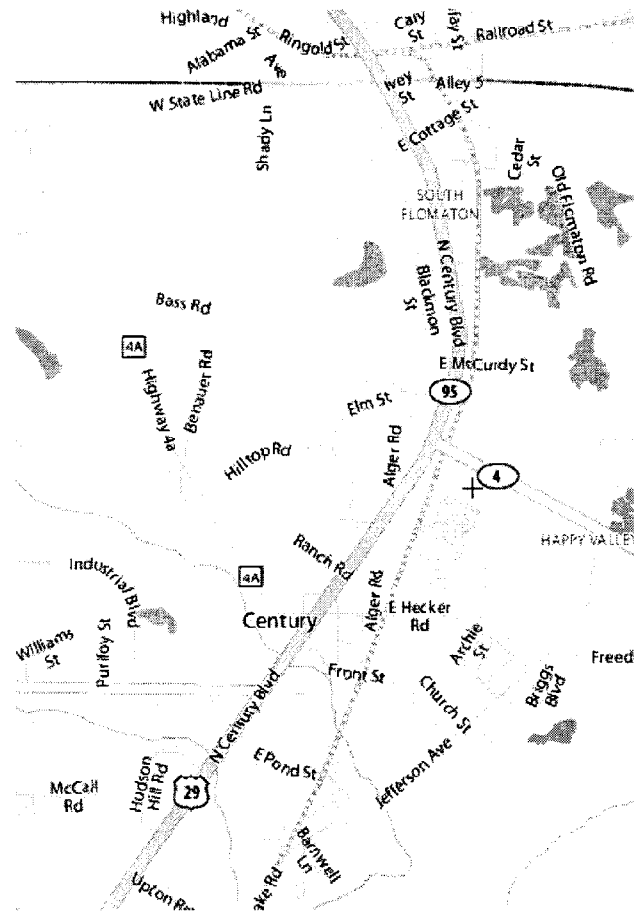




The Century FL/Flomaton AL Vicinity Generalized Location

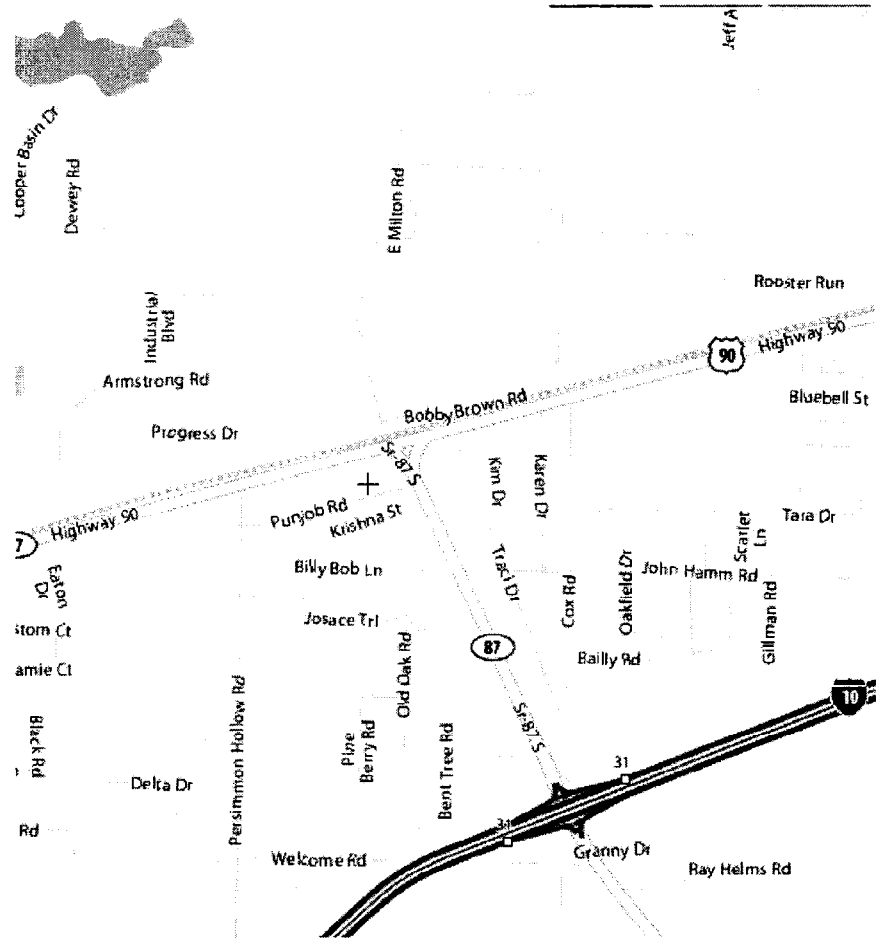


- Can capture strong flows of truck traffic to South Alabama and South Georgia
- Has both north south and east west interstate access via Florida Hwy 29 existing 4 lanes and Alabama Hwy 113 (currently being widened to 4 lanes).
- Has good rail access, but it is not on the CSXT intermodal line
- Close to the Port of Pensacola (approximately 50 miles), but outside the dense and congested urban area
- Rail haul is potentially within the limits of cost effectiveness
- Provides good availability of developable land
- Nearby industrial park in Century has Foreign Trade Zone status but is not adjacent to the existing rail
- Existing rail passes on Florida side through water district managed lands and requires road crossings.

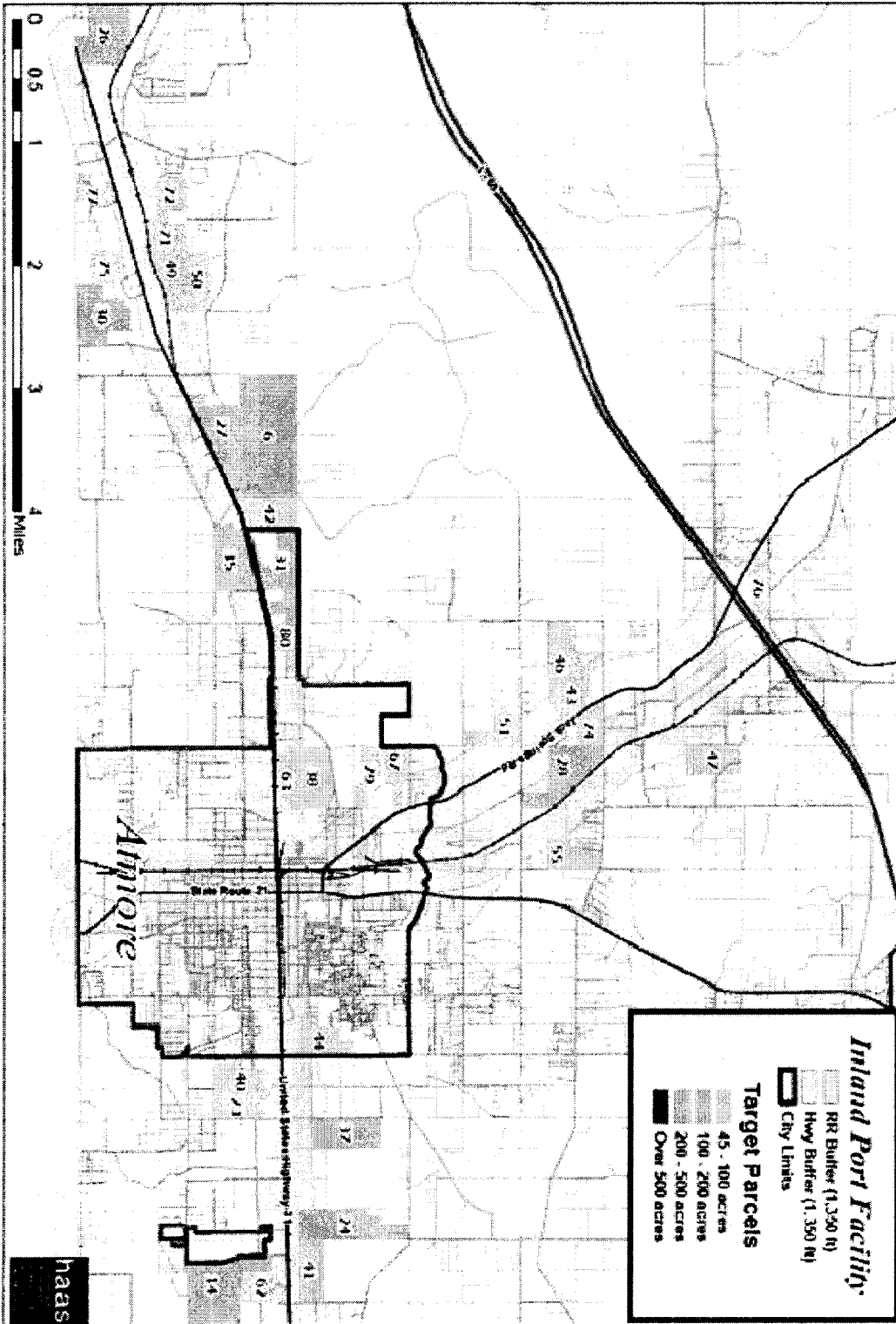




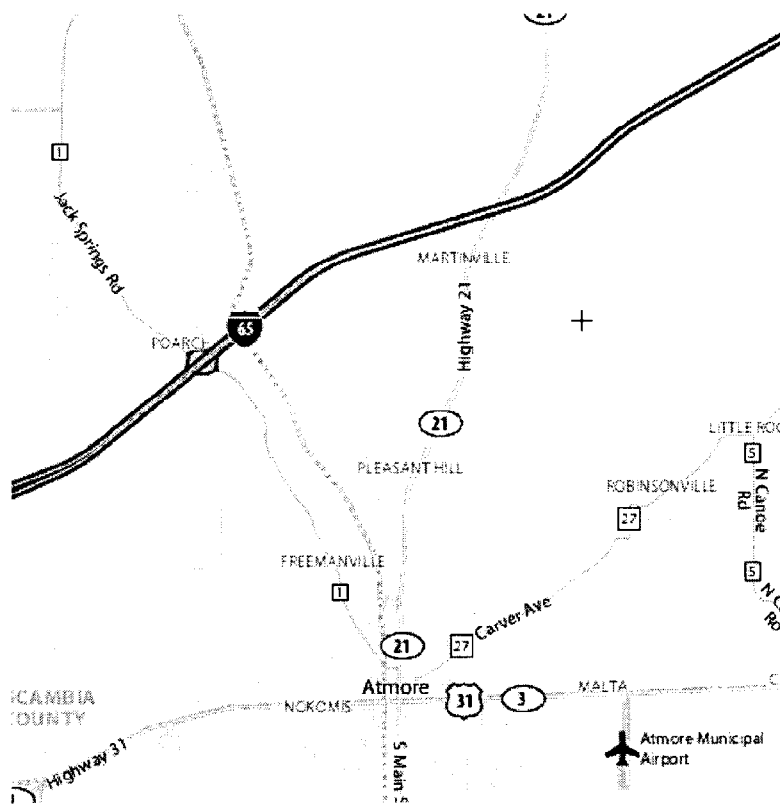
- Can capture less existing cargo traffic from South Alabama and Georgia
- Has east west interstate and rail access, but is not on the CSXT intermodal line
- Near an existing industrial park
- Close to the Port of Pensacola (approximately 25 miles) and outside of an urban area
- Rail haul is shorter
- Provides good availability of developable land
- No existing Foreign Trade Zone



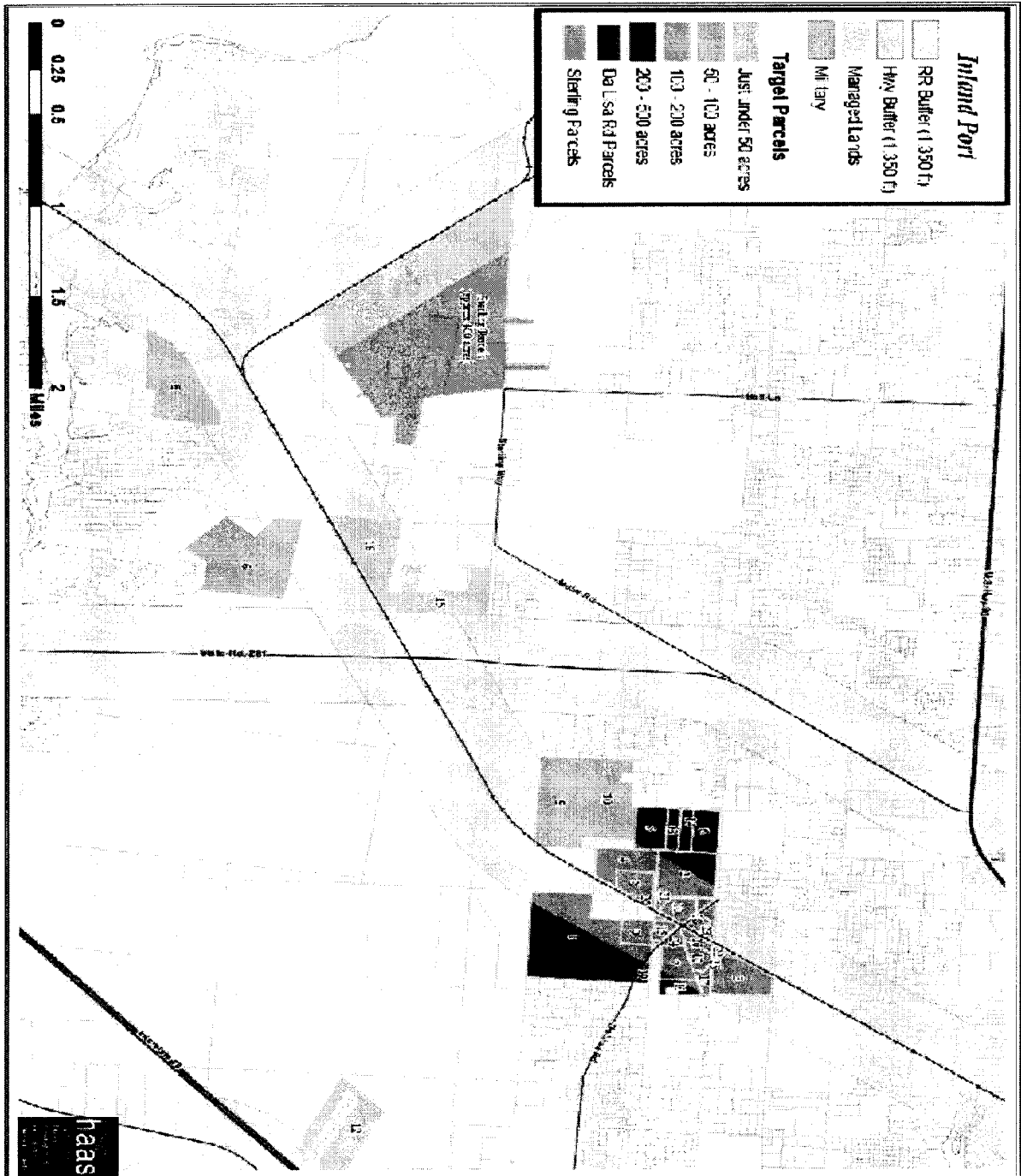
The Atmore Alabama Generalized Location



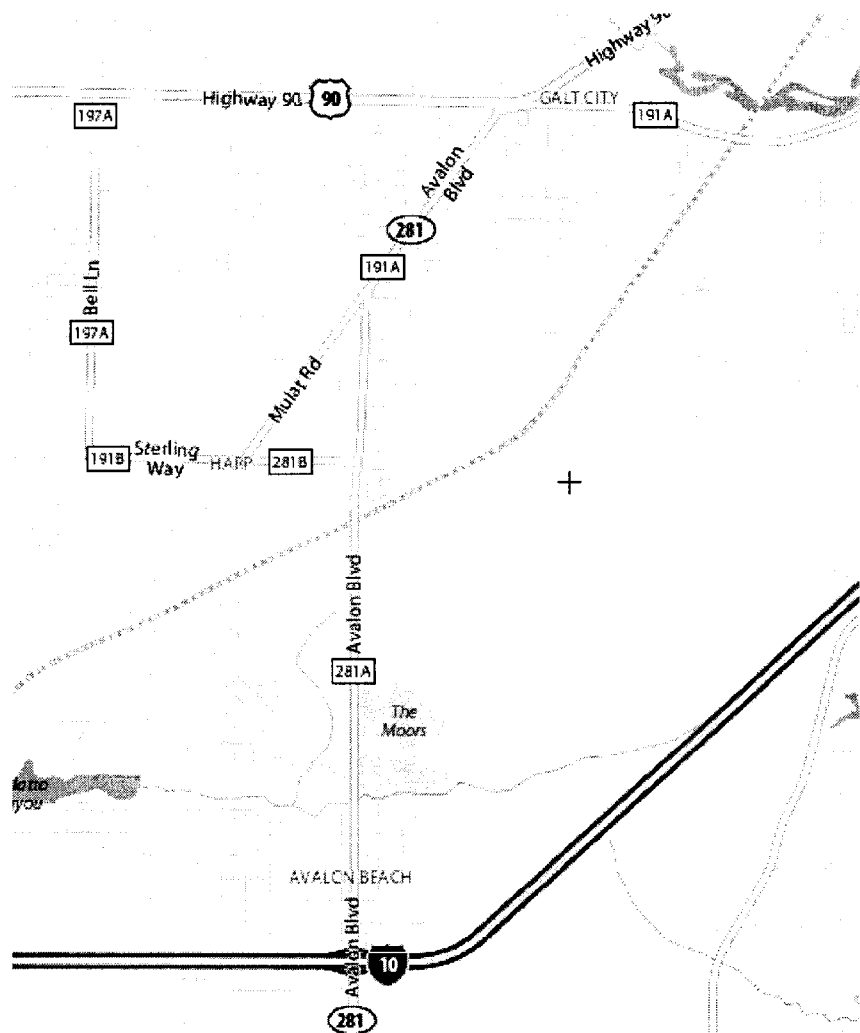
- Can capture strong flows of truck traffic to South Alabama and South Georgia
- Has north south interstate access via Interstate 65
- Approximately 60 miles from the port and outside of an urban area
- Large tracts of potentially developable land available
- Adjacent to existing rail
- Could require additional roadway infrastructure development
- No existing Foreign Trade Zone



The Avalon Boulevard Generalized Location



- Can capture less flows of truck traffic to South Alabama and South Georgia
- Has east west interstate and rail access, but is not on the CSXT intermodal line
- Close to the Port of Pensacola (approximately 25 miles) but in a developing residential area
- Large tracts of potentially developable land available
- Adjacent to existing rail and has old industrial site at Sterling Way and developing sites near Galt City
- Could require additional roadway infrastructure development – Avalon Boulevard is currently two lanes south to Interstate 10
- No existing Foreign Trade Zone





All five generalized locations offer, through active infrastructure development and activities aimed at attracting various institutions, very good economic development opportunities that could take place at and around the inland facility. This list of locations should not be considered exhaustive, as other locations, while less obvious, may have the potential for inland facility development. The table below summarizes the sites using the major desirable site characteristics.

Table 12 - Site Comparison

Site Location	Proximity and Good Truck Access to Interstate	Located on CSX or Other Rail	Intercepts Existing Cargo Flow	Site Acreage, Topography and Layout Suitable for Intermodal Operations	Minimizes Roadway Costs and Traffic Congestion	Economic Distance from Port
Palafox Redevelopment	Yes	Yes	Yes	Yes	No	No
Century Flomaton	Yes	Yes	Yes	Maybe	No	Yes
East Milton	Yes	Yes	Yes	Yes	Yes	Yes
Atmore	Yes	Yes	Yes	Maybe	No	Yes
Avalon Boulevard	Yes	Yes	Yes	Yes	No	Yes

### Development Issues, Limitations and Constraints

**Local desire to see a portion of the port redeveloped for non-industrial use.** Propositions have been put forth that mixed-use development would be more in keeping with the redeveloping of downtown Pensacola than a working port.

**Reluctance to disrupt existing shipping schemes.** Potential users must see the benefit of adding an additional node to the supply chain. Any value-added by the inland facility must overcome additional time or cost or it will not be utilized.

**Environmental factors.** Over the past decade, both urban and intercity highway traffic has continued to grow at rates far in excess of capacity expansion, leading to increasing congestion-

related delays increased accident rates and reductions in delivery reliability, all of which have regional economic consequences. In addition, congestion can have negative implications for air quality, security and vehicular incursion into residential areas. The approaches for reducing the growth of traffic congestion on highways can be classified into three basic categories: (a) expand highway system capacity, (b) institute pricing or regulations to shift traffic to different routes or times of day, and (c) expand options for alternative (non-road) modes of travel.

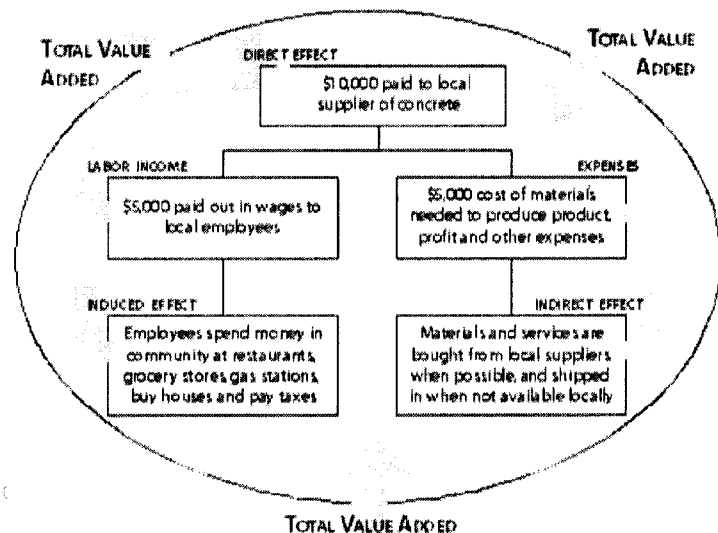
**Truck driver shortage.** A 2005 study by Global Insight reported a shortage of long-haul heavy-duty truck drivers equal approximately 1.5% of the over-the-road driver workforce, or about 20,000 drivers. In the absence of substantial market adjustments, this driver shortfall – projected demand less projected supply – will rise to 111,000 in 2014.

**Fuel costs.** Retail diesel fuel prices are likely to remain elevated as long as crude oil prices and world demand for distillate fuels remain high. Previously, the cost of maintaining inventory was higher than the cost of transportation, making the “less than truckload” quantity premium price attractive. The high cost of fuel is reversing this situation and is becoming the highest variable cost in operating a tractor trailer, surpassing for the first time driver pay. As a result, truck drivers are also reducing speeds in an effort to save fuel – a move that will add to roadway congestion and delivery times. CSXT reports increasing demand for freight service in response to these issues.

**Crowding at other ports.** Where ports once served the needs of a local community, in today's intermodal world, ports generally serve regional interests. Accordingly, there is an unprecedented level of competition between ports in the United States. Major ports compete to establish themselves as a "hub-port" for international ocean trade in a region, with other regional ports serving as "feeder ports."

### Estimated Economic Impact

On their own, intermodal facilities are not high generators of employment. But providing value-added services at the facility can generate employment and attract larger export-oriented manufacturers.



The tons of cargo that would be handled at an intermodal facility generate revenue for firms in four different economic sectors. For example, revenue is received by the railroads and the trucking companies within the surface transportation sector as a result of moving export cargo to the marine terminals and distributing the imported commodities inland after receipt at the marine terminals. The firms in the maritime services sector receive revenue from arranging for transportation services, cargo handling, providing services to vessels in port and repairs to vessels calling the port facilities. The City of Pensacola receives revenue from terminal leases and port charges such as wharfage and dockage assessed on cargo and vessels. In addition, revenue is received by shippers/consignees from the sales of cargo shipped or received via the marine cargo terminals and from the sales of products made with raw materials received through the terminals.

Estimated capital costs associated with an inland port can be subdivided into costs attributable to the construction of the terminal and the acquisition of rail equipment for the inland port service. Construction costs would differ depending on the terminal location within the region, need for infrastructure improvements, and the size and type of facility planned.

For economic impact analysis, the intermodal facility is envisioned to be initially large enough to accommodate a throughput of about 5,000 annual containers and 1 million tons of breakbulk cargo. It would have a land size of at least 125 acres, efficient rail configuration, space for administrative and inspection offices, storage and warehousing. Cost projections can range anywhere from \$5 to \$22 million depending on the desired facility, although for analysis figures, \$12 million was chosen as a mid-price estimate. The estimate includes components such as site work, rail track work, track roadbed, buildings, utilities, engineering, inspections, property acquisition, and contingencies. Because the most cost effective means of tying in to rail service would be to utilize the existing infrastructure of the rail lines with trackage rights and operations in the area, costs for laying new track are not included in construction estimates. Also for analysis purposes, the projected facility would be the home to one distribution center with 10 employees and one value-added manufacturer with 50 employees. It should be noted that until a site is selected and the type of facility determined, decreased transportation costs cannot be included in the modeling.

Using these parameters, the estimated one time economic impact for the Pensacola MSA of constructing the inland facility is \$19.8 million. This includes direct, indirect and induced spending. The project would also generate 205 direct, indirect and induced jobs. Industries benefiting the most would include professional and scientific services, wholesale trade, health care, real estate, and food services. See Table 13.

Table 13 - Construction impact estimate

	Output			Total
	Direct	Indirect	Induced	
230 Construction	11,620,014	27,822	34,279	11,682,114
541 Professional- scientific & tech svcs	0	1,343,272	222,318	1,565,590
92 Government & non NAICs	0	41,747	884,551	926,298
42 Wholesale Trade	0	207,788	287,106	494,895
621 Ambulatory health care	0	62	448,754	448,817
561 Admin support services	0	280,288	114,815	395,103
622 Hospitals	0	0	334,987	334,987
531 Real estate	0	103,953	230,376	334,329
722 Food serviss & drinking places	0	22,249	287,288	309,538
515 Broadcasting	0	101,621	160,829	262,450
524 Insurance carriers & related	0	102,063	156,069	258,132
521 Monetary authorities	0	59,208	162,876	222,083
441 Motor vehicle & parts dealers	0	37,779	138,360	176,139
532 Rental & leasing services	0	135,882	39,094	174,976
811 Repair & maintenance	0	90,992	70,669	161,661
452 General merchandise stores	0	28,481	103,560	132,041
444 Bldg materials & garden dealers	0	24,438	75,274	99,711
484 Truck transportation	0	53,748	44,577	98,325
445 Food & beverage stores	0	20,872	75,814	96,686
813 Religious- grantmaking- & similar orgs	0	24,269	72,249	96,519
623 Nursing & residential care	0	0	89,042	89,042
551 Management of companies	0	36,650	51,268	87,918
522 Credit inmediation & related	0	39,051	40,189	79,241
812 Personal & laundry services	0	1,919	71,300	73,220
624 Social assistance	0	2	70,691	70,693
611 Educational services	0	1,887	68,180	70,067
221 Utilities	0	13,582	54,694	68,277
721 Accomodations	0	26,555	38,877	65,433
448 Clothing & accessories stores	0	12,302	48,133	60,435

Source: IMPLAN

For facility operations and the addition of a distribution center and value-added manufacturer, annual estimated economic impact would be \$18.8 million. The operations would also generate 100 direct, indirect and induced jobs. Industries benefiting the most would include wholesale trade, transportation, professional and scientific technical services, health care and real estate. See Table 14.

Table 14 - Operations impact estimate

Industry	Operations Output			Total
	Direct	Indirect	Induced	
339 Miscellaneous mfg	7,940,995	391,082	7,531	8,339,608
Institutions	3,359,336	0	0	3,359,336
42 Wholesale Trade	1,113,293	357,463	164,189	1,634,946
487 Sightseeing transportation	698,260	27,451	7,416	733,127
541 Professional- scientific & tech services	0	494,909	127,151	622,061
92 Government & non NAICs	0	46,720	506,055	552,775
551 Management of companies	0	287,738	29,322	317,060
621 Ambulatory health care	0	56	256,650	256,706
515 Broadcasting	0	155,009	91,984	246,993
531 Real estate	0	110,496	131,706	242,202
722 Food services & drinking places	0	34,557	164,318	198,876
622 Hospitals	0	0	191,597	191,597
561 Admin support services	0	111,483	65,671	177,154
521 Monetary authorities	0	73,224	93,133	166,357
524 Insurance carriers & related	0	19,527	89,287	108,814
334 Computer & other electronics	0	103,327	2,461	105,787
441 Motor vehicles & parts dealers	0	8,740	79,130	87,869
484 Truck transportation	0	58,671	25,497	84,168
811 Repair & maintenance	0	34,198	40,427	74,625
230 Construction	0	48,978	19,607	68,585
522 Credit intermediation & related	0	45,593	22,988	68,581
452 General merchandise stores	0	6,589	59,227	65,816
532 Rental & leasing services	0	33,553	22,364	55,916
325 Chemical Manufacturing	0	36,722	17,660	54,382
511 Publishing industries	0	40,034	13,013	53,047
721 Accommodations	0	30,058	22,245	52,302
813 Religious- grantmaking- & similar orgs	0	10,742	41,335	52,077
221 Utilities	0	20,395	31,273	51,668
623 Nursing & residential care	0	0	50,930	50,930

Source: IMPLAN

Based on the assumptions that demand for port services will increase; failure to build an inland intermodal facility could lead to increased truck traffic downtown, exacerbating congestion and the environmental effects associated with it. Or if fuel costs and long haul driver shortages continue to effect logistics costs; demand for port services could be driven down simply because it would no longer be cost effective to utilize the existing port facility. Capacity

constraints could also limit employment growth as resulting increases in logistics costs might drive businesses to choose other locations.

## Findings and Conclusions

- ✚ Port of Pensacola has limited growth potential without an inland facility. With approximately 50 acres of land and redeveloping downtown Pensacola outside its gate, the Port is landlocked with limited opportunities for increased throughput.
- ✚ Current transportation infrastructure in place has the potential to sufficiently serve an inland facility. The area is home to a limited but connected network of highways and railroads; with ongoing improvements, and with appropriate site selection and development, transportation connectivity should be adequate. Interest of a railroad in providing short line services needs to be explored.
- ✚ Existing cargo volumes may be insufficient for a viable intermodal facility – when compared to other inland facilities, Pensacola’s existing cargo tonnage may not be sufficient or the right type of higher value cargo necessary to support an inland facility. Further exploration of this topic with users and potential users is needed, although it should be noted that the Port of Palm Beach long range plans include an inland facility and it currently handles only roughly twice the amount of tonnage of Port of Pensacola.
- ✚ There exist opportunities for Port of Pensacola to develop a niche market for handling smaller containerized ships – while ports such as the nearby Port of Mobile are developing and expanding containerized capacity, their main goals are to address the needs of larger ships, leaving the potential for a niche market in dealing with older smaller ships.
- ✚ The Port may need to attract higher value cargos to justify additional handling costs – currently large volumes of lower value cargos generate much of the port tonnage.
- ✚ The inland facility may not relocate truck traffic from downtown Pensacola – if current users are unwilling to alter existing shipping schemes or the costs generated by the extra node are cost prohibitive, existing and perhaps increasing volumes of truck traffic will continue.
- ✚ There must be a solid business case for constructing an intermodal facility – this is not a case of if you build it, they will come. Current port users and potential future users should be contacted to discuss potential port development and its impact on their supply chain – particularly in light of increasing fuel costs and potential truck driver shortages.
- ✚ The possibility of a public-private partnership for funding intermodal development should be investigated. According to recent studies, institutional investor interest in

infrastructure assets is on the rise and may represent a possible source of development funding.

- ✚ Potential sites exist for development of an inland facility that can utilize existing road and rail infrastructure – several generalized areas could be suitable candidates for intermodal development.
- ✚ The estimated economic impact of a moderately sized facility would include a one-time construction impact of \$19.8 million and an annual operating impact of \$18.8 million with the addition of a distribution center and a value-added manufacturer.

## **Proposed Next Steps**

- ✚ Identify key partners. As part of the next step in the analysis process, it will be important to identify and define key partners. These partners should be part of an advisory or stakeholder committee that provides input throughout the project and should include current port users. Modal partners, such as the railroads, will be major factors in the definition of service options and must be consulted at the earliest stages of project design. Land use and environmental interest groups will be a vital part of any discussions as will any private sector investors necessary to promote new site developments.
- ✚ Identify a preferred site(s). Potential sites have been identified in only the most general terms in this first analysis. If it is determined that the project should move forward, the interested stakeholders should make recommendations for further analysis of the likely candidate sites. Work to date suggests a location in or near the Santa Rosa County industrial park would serve the largest set of needs, however, a final determination should be made based on stakeholder input. Consideration should be given to how potential sites fit into the planned freight study for the region.
- ✚ Refine the preliminary market analysis. Based upon partner input, the preferred site, and addition analysis, as necessary, a detailed market analysis should be completed. This analysis should define the actual project parameters and then work to identify the potential market size based on available trend data, economic development staff input, and other stakeholder commitments.
- ✚ Identify and define potential business plan options. The ownership, operation, and services offered are critical elements of a facility. Whether privately or publicly run, a

facility must have an effective business plan. Further, public facilities may be eligible for additional funding programs.

- ✚ Develop a phased approach. It is unlikely that a complete industrial complex will be able to be designed, funded, and constructed all at once. A phased approach will help show a planned development and integration of various components into a final facility scheme.
- ✚ Identify and define potential funding structures. Potential funding is based in large part on the way in which the project is defined. An inland port will likely require at least a quasi-public partner, like a port authority, and potentially other public funds. A private sector, market driven distribution center will be privately funded, although there may be an opportunity for the public sector to provide some type of incentive. As this concept advances, it will be important to more clearly define funding opportunities.
- ✚ Provide ongoing outreach public involvement to build consensus. As this project is developed, defined, and implemented, it will be important to expand the outreach activities beyond the professional level to involve the general public.



## Appendix

### **PORT ADMINISTRATION AND OPERATIONS POLICY** **Adopted February 24, 2005**

The following policy of the City Council relates to the administration and operation of the Port of Pensacola. The policy addresses: the types of uses for port property; port cargo and lease administration; and port financial obligations.

In approving this policy statement, the City Council acknowledges the importance of a vibrant, highly diversified seaport as an economic stimulator for the region. Council further recognizes that a professional port staff must be allowed to conduct routine business and make day-to-day decisions. Therefore, the guiding principles contained in this policy statement are designed to reinforce staff's role in making routine business decisions while, at the same time, setting forth the guidance required to ensure judicious use of port assets, facilitate the optimum practical level of diversification of business lines, and maximization of revenues to the port.

#### **Types of Uses/Operations for Port Property**

- In order to maximize revenues and buffer industrial uses from their surrounding neighbors, the Port of Pensacola should operate as a combination of industrial maritime, cruise maritime/maritime related and mixed-use operations.
- The City should honor its lease commitments; therefore, existing port leases should be allowed to run to term.
- As a component to honoring lease commitments, the port should continue to maintain existing infrastructure, improve existing infrastructure and/or develop new infrastructure as required to service existing lease tenants' operational requirements.
- Transient cargo operations (traditional import/export operations not associated with specific lease tenants) are a critical component of any successful commercial seaport operation; therefore, the port should continue to undertake all compatible transient cargo opportunities in accordance with the rules, regulations and authorities granted under the Port tariff.
- Because of the potential for significant economic benefits to both the Port and the community, Staff should initiate efforts for development of cruise opportunities at the Port of Pensacola. To facilitate this effort, staff should continue established marketing efforts designed to attract cruise vessel operations to Pensacola and work diligently with interested cruise vessel operators to develop reasonable operating agreements and financing packages that are attractive to the operator but still provide a reasonable financial return to the port.
- Mixed-use development opportunities on appropriate parcels of land within the port, particularly on border parcels where such development could serve as a

buffer between neighboring uses and the port's industrial-maritime operations should be considered when appropriate parcels of land become available, either through lease expiration or other forms of termination, mixed-use development opportunities should be pursued and considered.

- In its efforts to explore development of a mixed-use port that includes industrial maritime, maritime related and retail/commercial ventures, all reasonable and compatible business opportunities should be fully evaluated by staff and those deemed fiscally and operationally viable should be brought forward to the City Manager and Council for consideration.
- Any mixed-use and cruise developments at the Port of Pensacola should preferably be located to create a buffer between the port's industrial maritime operations and its surrounding properties. The placement and size of new and future operations of all types should be determined based on the requirements of the specific business opportunity being considered.

#### **Port Cargo and Lease Administration**

The following operational practices are critical in establishing the framework under which these future development principles are implemented and in recognizing the inherent operational differences between transient cargo/tariff operations, short-term operating agreements, and long-term leases.

- **Port Cargo** - The Port's Tariff details rates and charges on commodities/cargoes that the Port may handle. The attached Tariff Section IX details those cargoes. For those cargoes not listed, there is Tariff Item #900 Articles Not Otherwise Specified (N.O.S.). Any potential port cargo that is an N.O.S. item shall be presented to Council for approval prior to the Port's acceptance of that cargo.
- **Short-Term Operating Agreements** – Port staff, with City Manager approval, may enter into short-term operating agreements with port users. Such agreements are not to exceed 12 months in duration and must include a 30-day cancellation clause. Council will be notified through information item memorandum to the Enterprise Operations Committee of all such agreements at the next Council meeting following execution of any such agreements.
- **Long-Term Lease Agreements** – Port staff should continue to consider and evaluate all (industrial maritime, maritime related, and mixed use) long-term lease opportunities. Appropriate proposals should be brought forward to Council for consideration in accordance with established City policy on Council and public notification of proposed port leases.

### **Financial Obligations**

- As an Enterprise Department of the City of Pensacola, the Port is required to meet certain financial obligations including covering 100% of its operating, maintenance and administrative costs, funding its capital improvement requirements, paying its debt service obligations, and maintaining operating and capital project reserve funds.
- In order to meet these obligations, port management should negotiate all leases on port property and retain the revenues generated as a result of those leases.
- In cases where the port generates revenue greater than that required to meet these obligations, excess revenues could be retained by the port, contributed to the city general fund, or a combination thereof, as Council may determine on an annualized basis in accordance with its legal authority to determine disposition of excess revenues.

### **General Port Administration Policies**

The following policy items are intended to be general in nature. While they may not apply in every situation, they should be considered as appropriate:

- The port's historic prominence in the community should be preserved.
- Improvements should be made to port property that are, to the extent practical, compatible with surrounding historical and cultural assets.
- The professional services necessary to identify appropriate parcels of land within the port for possible mixed-use development should be retained.
- Development strategies that are common to other heritage harbors and historic port places should be examined and considered.
- Opportunities to improve transportation planning should be sought out.

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**RESOLUTION  
NO. 12-05**

**A RESOLUTION  
TO BE ENTITLED:**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF PENSACOLA REGARDING THE PORT OF  
PENSACOLA AND ITS MARINE OPERATIONS.**

**WHEREAS**, the City Council of the City of Pensacola did, on September 11, 2003, engage a professional consultant to undertake a Port Business Strategic Analysis for the Port of Pensacola, and;

**WHEREAS**, in conjunction with that Analysis, the City Council appointed a 15-member Port Public Advisory Committee to provide input and advise to the City's consultant, and;

**WHEREAS**, the Consultant and the Committee completed their Analysis over an 8-month period from February through September, 2004, and;

**WHEREAS**, City Council accepted into the record a comprehensive Port Business Strategic Analysis Report, and;

**WHEREAS**, upon accepting that Report into the record, City Council directed that individual findings and recommendations made within the various components of the Report were to be presented, discussed and considered by City Council in a Special Workshop Session, and;

**WHEREAS**, City Council conducted such a Workshop on February 1, 2005 and, as a result, adopted policy statements and operational guidelines for port operations; **NOW THEREFORE**,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PENSACOLA, FLORIDA:**

**SECTION 1:** City Council reaffirms its support for the existence and continuation of the Port of Pensacola as an Enterprise Department of the City of Pensacola.

**SECTION 2:** City Council recognizes both the fiscal and societal value of considering any combination of a broad range of uses for port property given the evolutionary environment in which all commercial seaports operate including, but not limited to, fluctuations in the local, regional and national economies; shifts in the sectoral composition of those economies; evolutions in the composition and makeup of their surrounding geographic environs; etc.

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**SECTION 3:** City Council directs staff to be mindful of, open to and consider a wide range of potential opportunities including, but not limited to, traditional and non-traditional industrial maritime and transient cargo operations, maritime related operations, and mixed-use development opportunities, and, without mandating any specific use or combination of uses.

**SECTION 4:** City Council directs that, in considering these opportunities, existing and projected economic and environmental conditions such as those previously delineated must be considered in context with the port's obligation as an Enterprise Department to maximize revenues in order that the Port, the City, and Council may provide sound stewardship of the public asset known as the Port of Pensacola as it is now or may in the future be geographically defined.

**SECTION 5:** This resolution supercedes Resolution No. 41-95.

**SECTION 6:** This resolution shall take effect immediately upon its adoption by the City Council.

Adopted: February 24, 2005

Approved: \_\_\_\_\_

Mayor

Attest:

Shirley F. White  
City Clerk

Legal in form and valid if adopted:

Don J. Colan  
City Attorney