

# Seaport Governance Models

*How Florida's Seaports Compare to  
U.S. and International Models*

A JOINT REPORT FROM





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Dear Fellow Taxpayer:

Florida seaports are a crucial pillar of the state economy, impacting our balance of trade and bolstering the diversification of state revenues. As the gateway to South America and the Caribbean, Florida's geographic location positions the state to succeed in the global marketplace. However, as the trade and logistics industry continues to grow, and large strategic investments are channeled into ports around the world, Florida seaports will have to work harder to retain and continue to grow their market share.

With the Panama Canal expansion expected to be completed in 2015 and global trade lanes continuing to shift, Florida has the opportunity to capitalize on its unique location and existing infrastructure, further expanding our trade footprint. To ensure Florida ports remain competitive in the global marketplace, Florida ports must have an effective ports governance structure. This independent review of the current regional governance structure of Florida seaports seeks to analyze the current structures as well as other comparable models to identify the characteristics of successful port governance models.

The findings of this report will help Florida policymakers and industry leaders understand and support those successful characteristics of port governance policy to navigate its seaports through the global market.

Sincerely,

A handwritten signature in black ink that reads "Dominic M. Calabro".

Dominic M. Calabro  
*President & CEO*  
*Florida TaxWatch*

A handwritten signature in black ink that reads "Doug Wheeler".

Doug Wheeler  
*President & CEO*  
*Florida Ports Council*

# INTRODUCTION

The global maritime industry is undergoing significant change with respect to vessel sizes, trade routes, global supply chains and carrier alliances. The industry, and especially carriers and vessel operators, came out of the recession with a need to fill empty container slots, reduce costs, and optimize scale economy investments. Network and operational adjustments are being made based on, or in response to, variations in trade growth and shifts in the geography of world production and consumption. There is a growing recognition within the maritime industry that the key to remaining relevant in this transformative global marketplace is to be reliable, competitive, and to provide carriers with a system that will efficiently deliver the goods. Consequently, many seaports in the U.S. and abroad are looking at how to increase channel depths, berthing and cargo capacity, and supply chain efficiencies.

The need for more efficiency, in addition to the shifting and integration of global trade lanes over the past few years, has led ports around the world to review whether their governance structures and operations are optimal in the new global marketplace. Some have suggested that publicly-owned ports, not subject to the full rigor of the market, are unable to effectively adjust to the new competitive pressures of globalization and are targets of city governments that want to “siphon off surplus funds”.<sup>1,2</sup> Others in turn have suggested that private port authorities are less beneficial to the local economies that surround them as private ports aim at maximizing profits, and may not have any interest in controlling the negative externalities that can be imposed to third parties.<sup>3</sup>

Moreover, some favor a more centralized port governance structure, arguing that it would allow a better coordination and less cannibalization among ports. Opponents to centralization argue that a centralized structure would create more bureaucratic inefficiencies and a lack of cooperation with local communities and economies.

Given the economic and fiscal importance of ports to Floridians, and the aforementioned concern of identifying the optimal port governance structure, this paper will determine if there is enough evidence to support changing the current regional governance structure for Florida seaports.

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1 Rodrigue, Jean-Paul. “Appropriate models of port governance: Lessons from the Port Authority of New York and New Jersey”.

2 Haarmeyer and York. “Port Privatization: An International Perspective”.

3 Trujillo and Nombela. “Privatization and Regulation of the Seaport Industry”.

# SECTION I: GLOBAL SEAPORT GOVERNANCE

There is a vast array of studies that evaluate the different port governance structures (or models, as some call them) with mixed results regarding the most effective structure in increasing seaport efficiency. The majority of these studies examine port systems in Europe and the U.S., because there are many ambiguities about the governance of Chinese seaports. It is clear that these Chinese models are governed by a controlling nationalistic structure, and while very successful, it would be impossible to replicate a similar structure in the U.S. due to the differences in regulation and the governance structure of the nation as a whole.

## *Multiport governance structure reports*

Among the U.S. and European seaport governance literature, one of the most cited port governance reviews is Peter De Langen's 2002 "Governance in Seaport Clusters," which examines three different governance structures: public national port authorities, public regional/municipal port authorities, and private port ownership.<sup>4</sup> De Langen argues that the regional/municipal port authority is the most efficient form of port governance, as it does not have the political pressure that a public national authority has to redistribute funds to "competing ports." In addition, the public regional/municipal port authority does not have the pressure to increase profits exclusively for the private company with primary ownership.<sup>5</sup>

Another frequently cited paper is Ng and Pallis's 2010 review of port governance reforms in Asia and Europe, which explains how a more decentralized structure was implemented in high-traffic international ports. Busan, South Korea; Rotterdam, Netherlands; and Piraeus, Greece all created quasi-public legal corporations (Public Authority Corporations or PACs) – a legal status where the public governmental bodies hold the shares of separate entities with the responsibility for managing seaport operations. In Busan and Piraeus, both formally governed by national entities, this allowed for reforms to "address regional characteristics that had been overlooked by the national government-dominated system." In Rotterdam, a municipal port authority, this separate legal authority was devised from a desire to create an entity that was more "efficient and sensitive to cost, opportunities, and customer satisfaction." The National Government of the Netherlands also purchased 25 percent of the shares of the new Rotterdam PAC, but only after working out local government issues. The Rotterdam municipal government remained the most significant manager of the port system.<sup>6</sup>

Further, a 2010 European Sea Ports Organization (ESPO) report titled "European Port Governance 2010," found that regardless of port authority ownership, most of the surveyed ports maintained "intense contacts with local government." Nationalistic, governmental ownership/operator structures that were too distant to have adequate interaction with local stakeholders tended to devolve into a more political structure, abandoning market based decisions.

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<sup>4</sup> For simplicity purposes, this paper will focus on De Langen's three overarching categories. However, as noted in the Skagway Port Development Plan, some observers have identified as many as 11 different governance structures (or models).

<sup>5</sup> De Langen, Peter. "Governance in Seaport Clusters". Erasmus University Rotterdam.

<sup>6</sup> Ng and Pallis "Port Governance Reforms in Diversified Institutional Frameworks: Generic Solutions, Implementation Asymmetries." September 2010.

European ports governed by nationalistic authorities tend to be those newer seaports created after the fall of the “iron curtain.” Older and larger European seaports such as Rotterdam and Hamburg are governed by local municipal authorities, but have significant investments from their national governments.<sup>7</sup>

## *Single port governance reviews*

While the aforementioned multiport studies seem to agree on the advantages of a more decentralized structure, several recent reviews of port governance for specific ports agree on two characteristics that are essential for effective governance, regardless of the structure: governance structure stability, and the trust of local entities in the port governance structure. Two of these reports were commissioned for ports in Virginia, and Texas.

In the case of Virginia seaports, which are governed by the Virginia Ports Authority (VPA), the recent recession and unstable politics placed significant stress on their governance model. This stress was exacerbated by proposals to “privatize” Virginia ports in 2012 and 2013. In fact, the VPA was poised to enter into a long-term contract with a sole private port operator to manage and operate Virginia Ports but ultimately rejected such offers in March 2013, mainly due to concerns from many with “port-related jobs who worried that a company would look out for its own interests above that of the people of Virginia and that a private operator would unfairly discriminate against competitors.”<sup>8</sup>

In their 2013 report “Review of the Virginia Port Authority’s Competitiveness”, the Joint Legislative Audit and Review Commission (JLARC) reported that the VPA was living a period of “uncertain and unstable leadership” which began with the Governor’s removal and replacement of 10 of the 11 governor-

appointed VPA board members in 2011. This action precipitated turnover in executive-level management at both VPA and Virginia International Terminals (VIT).<sup>9</sup> The JLARC recommended that the Virginia Legislature amend VPA’s enabling statutes to allow for greater certainty and stability in the leadership of the VPA. The JLARC also specifically recognized the impact that the instability at VPA was having on existing and potential Virginia port users.<sup>10</sup>

### GENERAL PRINCIPLES OF SUCCESSFUL PORTS

- Local Community integration and support
- Integration of localized logistics and freight firms
- Stable and predictable governance/management structures
- Effective Management
- Responsiveness to market opportunities vs. political pressures

7 European Sea Ports Organization (ESO) “European Port Governance: Report of an Enquiry into the Current Governance of European Seaports.”, dtd 2011

8 Richmond Times-Dispatch “Virginia Port Authority Will Not Privatize Operations.”, March 27, 2013.

9 In 1981, VPA created the VIT, a non-stock and non-profit affiliate of the VPA, to operate and manage the three seaports in order to circumvent state statutes prohibiting state agencies from entering into contracts with unionized labor.

10 Joint Legislative Audit and Review Commission. “Review of the Virginia Port Authority’s Competitiveness, Funding and Governance.” October 2013.

## *Florida's public seaports invest in competitiveness*

Cargo and cruise activity on Florida's seaports currently support more than 680,000 jobs, and contribute \$96.6 billion of output to the state's economy, equivalent to about 13 percent of Florida's Gross Domestic Product. Maritime trade provides \$2.4 billion in tax revenue to state and local government coffers, according to the Five-Year Florida Seaport Mission Plan.<sup>1</sup>

Florida's seaports have also been vital economic centers for their regions and their communities. Local citizens have been integral to the construction and operation of their seaports; whether through the passage of local revenue and development referendums, or other community outreach efforts. Florida's seaports are all creatures of local governments and continue to be dependent on local support.

Given their importance to the local and state economies, the state of Florida and the local government seaports have partnered over the past three years in investing in port capacity and off-port connector and distribution capacity.<sup>2</sup> These statewide investments have been noticed by maritime trade journals like the *Journal of Commerce*—and perhaps more importantly—logistics, distribution companies, and vessel operators.

As recently as 2012, Florida's seaports worked with the Florida Legislature and FDOT to pass a comprehensive Strategic Port Investment Initiative Program, with an expected minimum statewide investment of \$35 million, for projects that “meet the state's economic development goal of becoming a hub for trade, logistics, and export-oriented activities.” The 2012 legislation also created a new Intermodal Logistics Center Infrastructure Support Program to provide funds for roads, rail facilities, or other means of conveyance or shipment of goods through a seaport.<sup>3</sup> Finally, the 2013 legislation directed FDOT to develop a Freight Mobility and Trade Plan that would include recommendations to increase the flow of domestic and international trade through the state's seaports and airports.<sup>4</sup>

A business environment has been created in Florida that promotes the growth of global maritime industries. Florida's seaports are discussing how to increase the movement of cargo and passengers through their ports and improve the economic competitiveness of Florida as the global gateway to the world. The seaports have also been working together to reduce and streamline regulations with state and federal governments for needed infrastructure funding, and they have been cooperating within the state to find more efficient and innovative ways to attract and grow business.

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1 Florida Ports Council. “2013/2014-2017/2018 Five Year Seaport Mission Plan.”

2 Florida Invests in Competitiveness. *Florida TaxWatch*. September 2012.

3 Florida Statutes, Sec. 311.101.

4 Florida Statutes, Sec. 334.044.

In Texas, the state Legislature commissioned a review of the Port of Houston Authority in 2012, after concerns over misuse and misappropriation of Port Authority funds. The overall finding of the Texas Sunset Advisory Commission was that the Port of Houston Authority was not a “broken organization,” but they did express concern that it had lost the trust of the local community. The Authority is one of the more unique regulatory entities in the U.S., not only serving as the development and management board for the Port of Houston, but also serving as the regulatory body for the Houston Port Pilots. The “confusing set of governing laws” of the Authority led to some conflicting and potentially competitive business functions unique to the Port of Houston Authority.<sup>11</sup>

The major issues and recommendations coming from the Sunset Advisory Commission involved actions to restore trust in the Port Authority’s ability to carry out its mission. The Commission specifically noted that the Authority needed to enact a proactive stakeholder engagement strategy, and add additional controls and transparency the Authority’s Promotion and Development Trust Fund. The Commission did not recommend a major change in the structure of the local government authority, but did recommend adding a Governor-appointed member with required business experience in addition to those appointments made by the City of Houston and Harris County.<sup>12</sup>

After reviewing the literature at both the multiport and the individual port level, it was concluded that while the regional structure has several advantages, essentially none of the different governance structures is so significantly superior that it should be chosen as the premier port governance structure. Yet two points are clear: first, successful port structures feature community integration, support, and trust, and second, they are stable and predictable. The JLARC of the Virginia Legislature had an insightful statement on the possible scenario if these two do not hold: “shippers and ocean carriers have the option of using other ports, and unpredictable or unstable governance could negatively impact their use.”<sup>13</sup>

## SECTION II: FLORIDA SEAPORTS’ GOVERNANCE STRUCTURE AND OPERATIONAL MODEL

Florida’s 15 public seaports are governed at the local level, either by an independent or dependent special district, by their county commission, or by the city (for a port-by-port governance explanation, please refer to the appendix). Port directors are usually appointed by the Special District’s board, the County Commission, the City, or the Mayor. All 15 port directors serve as the Board of Directors for the Florida Ports Council (FPC), a nonprofit corporation that provides leadership, advocacy, and information on seaports and related topics before the Florida and the U.S. legislative and executive branches. The FPC provides administrative support services on matters related to the Florida Seaport Transportation and Economic Development (FSTED) Council and its program. It also provides similar services to the Florida Ports Financing Commission.<sup>14</sup>

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11 Texas Sunset Advisory Commission. “Port of Houston Staff Report.” August 2012.

12 *Ibid.*

13 Joint Legislative Audit and Review Commission. “Review of the Virginia Port Authority’s Competitiveness, Funding and Governance.” October 2013.

14 Florida Ports Council. About us.

The FSTED Council was created by the Florida Legislature within the Florida Department of Transportation (FDOT) to provide statewide input on the development and implementation “of port facilities and an intermodal transportation system consistent with the goals of the Florida Transportation Plan.” The FSTED Council consists of all 15 port directors in addition to a representative from FDOT and the Department of Economic Opportunity (DEO). Over the past 24 years, the FSTED Council has helped carry out the state’s economic development mission by facilitating the implementation of seaport capital improvement projects at the local level.

The FSTED Council is statutorily responsible for the preparation of a 5-year Florida Seaport Mission Plan that not only defines goals and objectives for the development of seaports in Florida, but also includes specific recommendations for the construction of transportation facilities or port facilities that enhance trade, promote cargo flow, increase cruise passenger movements, increase port revenues, and provide economic benefits to the state.

The FSTED Council also oversees the allocation of state funds under the FSTED port funding program to finance port transportation projects on a 50-50 matching basis.<sup>15</sup> This FSTED port funding program created a partnership between the state and its local government seaports, and requires preparation of a seaport master plan which is consistent with state transportation and local comprehensive plans, and matching funds from each seaport; thus seaport investments are driven by a local commitment to meet the community’s strategic objectives. In addition, many of the seaports’ master planning processes are integrated into their regional visioning processes. Responsibility for project development through this program is initiated at the local level and coordinated at a regional level, based on an understanding of market demands and seaport opportunity and capacity to implement statewide goals. At the state level, project review is accomplished by the FDOT and DEO.

As for operations, most Florida seaports fall within the landlord/tenant category, where the seaport authority focuses on base infrastructure financing issues such as dredging and landside access, and enters into lease agreements with a variety of private sector terminal operators that provide the cargo and cruise operations.<sup>16</sup> This model is different than the operational business model, where the port authority provides cargo and cruise operator services. Many U.S. and European ports currently follow this model, especially in response to the increasing financial strain of infrastructure costs and operational services.

## SECTION III: THREE STATES WITH STRUCTURES SIMILAR TO FLORIDA

The states of California, Louisiana, and Texas, which have the longest coastlines in the continental U.S. after Florida, and who are home to some of the busiest ports in the country and the world, follow a seaport governance structure that is almost identical to Florida: local government seaports with statewide advocacy and system development organizations. It is also interesting to note that the local government port authority structure is the most common one in every U.S. state with significant ocean access and lengthy shore lines.

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<sup>15</sup> Section 311.09, F.S.

<sup>16</sup> European Sea Ports Organization (ESO) “European Port Governance: Report of an Enquiry into the Current Governance of European Seaports.”, dtd 2011

As in Florida, the common theme for this type of governance is the important ability of these local government entities to interact with the local cluster of maritime stakeholders. Like Florida, even when these local government boards have gubernatorial appointments, they are generally statutorily required (through a local or state bill) to appoint leaders from the local area.

This structure seems to have worked positively for the ports, as these ports remain the top transited ports in the U.S., and have remained so for more than 10 years. In fact, California, Louisiana, and Texas are home to 9 out of the top 10 ports in 2012 by tonnage, and 16 out of the top 50 ports. These ports have retained these high rankings since 2001, and a majority have experienced an increase in tonnage from 2001 to 2012.

## CONCLUSION

Florida seaports are of great importance to the local and state economies and should therefore remain competitive in this constantly changing maritime industry. In an effort to improve efficiency, several states have reviewed their governance structures in order to determine if it is the most optimal one for their performance. While the available literature shows mixed results regarding the most favorable structure, several researchers point out that the regional/municipal structure has several advantages over more centralized ones. Further, historical data shows that the top U.S. ports by tonnage, most of which are located in states with an almost identical structure to Florida's, have remained competitive for more than 10 years.

After reviewing the literature, we also found that regardless of the structure, successful seaport structures should have two main characteristics: stable and predictable governance structures, and local community integration, support, and trust.

This study leads to the following conclusion: none of the different governance structures is so superior that it would require one structure to be chosen as the universally superior port governance structure. Further, Florida seaports already follow the same structure that the top, successful ports follow, and are generally doing well. Moreover, our seaports interact with the local clusters of maritime stakeholders, and appoint leaders from the local areas, therefore fulfill the local element discussed above. Finally, the ports have been working together with the state Legislature to increase business and benefits in their local areas, which shows their commitment to making Florida a national and international leader in trade.

2012 Ranking	PORT	2012 Tonnage
1	South Louisiana, LA	252.1
2	Houston, TX	238.2
3	New York, NY and NJ	132.0
4	New Orleans, LA	79.3
5	Beaumont, TX	78.5
6	Long Beach, CA	77.4
7	Corpus Christi, TX	69.0
8	Los Angeles, CA	61.8
9	Baton Rouge, LA	60.0
10	Plaquemines, LA	58.3

Source: U.S. Army Corps of Engineers, Waterborne Commerce Statistics Center.

## *Appendix: Florida's Port by Port Governance Structures and Operational Models*

<b>Seaport</b>	<b>Governance Structure</b>	<b>Port Management</b>	<b>Operational Model</b>
Canaveral	Independent Special District with a board of five elected at-large officials serving four-year terms.	CEO/Port Director hired by the Board.	Landlord/Tenant Model
Citrus	Dependent Special District of Citrus County governed by Citrus County Commission.	County Administrator serves as Port Director.	Landlord/Tenant Model
Everglades	Department of Broward County governed by the County Commission.	CEO/Port Director hired by the County Administrator and confirmed by the County Commission.	Landlord/Tenant Model
Fernandina	Independent Special District with a board of five elected at-large officials serving four-year terms.	A private port operator company manages the port pursuant to a long term contract with the Port Authority	Landlord/Tenant Model
Ft. Pierce	Dependent Special District of St. Lucie County governed by the St. Lucie County Commission.	County Administrator serves as Port Director.	Landlord/Tenant Model
Jacksonville	Independent Special District with board of seven – four appointed by the Mayor and three appointed by the Governor – serving four-year terms.	CEO/Port Director hired by the Board.	Landlord/Tenant Model
Key West	Department of the City of Key West governed by the City Commission.	Department head hired by the City to oversee port and marina operations.	Operational business model
Manatee	Dependent Special District of Manatee County governed by Manatee County Port Authority.	CEO/Port Director hired by the Port Authority.	Landlord/Tenant Model
Miami	Department of Miami-Dade County governed by the County Commission.	CEO/Port Director hired by the Mayor of Miami-Dade County.	Landlord/Tenant Model
Palm Beach	Independent Special District with a board of five elected at-large officials serving four-year terms.	CEO/Port Director hired by the Board.	Landlord/Tenant Model
Panama City	Independent Special District with a board of five selected by the Panama City Commission.	CEO/Port Director hired by the Board.	Operational business model
Pensacola	Department of the City of Pensacola governed by the City Commission.	CEO/Port Director hired by the Mayor of the City of Pensacola.	Landlord/Tenant Model
Port St. Joe	Independent Special District with a board of five appointed by the Governor	Port Director hired by the Board.	Landlord/Tenant Model
St. Petersburg	Department of the City of St. Petersburg governed by the City Commission.	Department head hired by the Mayor to oversee port and marina operations.	Landlord/Tenant Model
Tampa Bay	Independent Special District with a board of seven – five appointed by the Governor, a County Commissioner and the Mayor of Tampa.	CEO/Port Director hired by the Board.	Landlord/Tenant Model

## ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

Florida TaxWatch is supported by voluntary, tax-deductible donations and private grants, and does not accept government funding. Donations provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves for the last 34 years.

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## ABOUT THE FLORIDA PORTS COUNCIL

The Florida Ports Council (FPC) serves as the professional association for Florida's 15 public seaports. The FPC is governed by a Board of Directors comprised of Florida port directors with the association staff located in Tallahassee. The FPC provides leadership, advocacy and information on seaport-related issues before the legislative and executive branches of state and federal government.

Whether moving over a hundred million tons of cargo annually or millions of cruise passengers, Florida's 15 public seaports play a critical role in the lives of our citizens and continue to drive Florida's economy. From what we wear to what we eat, from building materials to automobiles, almost everything we use in our daily lives flows through our ports.

Currently, cargo and cruise activities at Florida seaports support more than 680,000 direct and indirect jobs, and contribute \$96 billion in economic value to the state. These activities contribute more than \$2.4 billion in state and local taxes. The Florida cruise industry alone generates more than 130,000 jobs and \$5.8 billion in wages for Florida workers.

A re-alignment of global trade routes is clearly underway, and Florida ports are strategically positioned take advantage of these opportunities. Our goals are to grow our economy by investing in infrastructure, improving the business climate, and capturing an even larger share of international trade to benefit the state of Florida and grow our economy.



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