News From the Docks

Pictured: Port of Greater Baton Rouge
**News From the PAL Office**

**Mark Your Calendars!**
PAL’s 34th Annual Conference has been set for April 17, 18 & 19, 2017. The Conference will be held at the Baton Rouge Hilton Capitol Center. We are still solidifying our agenda, but things are shaping up quickly.

Sponsorship/Exhibitor information has been sent out and all Sponsor/Exhibitor fees and forms must be received by the PAL office by March 15, 2017. General conference registration forms will be sent out mid-March.

I would also like to remind all Corporate members to please send in your high resolution photos if you would like to be featured in the upcoming newsletters.

This is a chance for you to showcase your facility and everything you have to offer. I hope you all will take advantage of this opportunity!

Please send photos to Candaceatpal@gmail.com

Candace L. Griffin
Association Manager

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**Legislative Update**

The following may be subjects of interest:

**Port Priority Program**

DOTD has recommended the appropriations of $39.4 million for 2017-18 Recommended Port Priority Construction Program, which is the same amount appropriated for the 2016-17 fiscal year. The DOTD budget will be reviewed by the Division of Administration prior to being introduced for legislative consideration at the Regular Legislative Session commencing on April 10, 2017.

The 2017-18 PPP as of December 1, 2016 is comprised of 16 projects with a total projects costs of $425 million with economic benefits of $1.4 billion. Four additional projects with an estimated total cost of $42 million are under review by DOTD.

**Governor’s Task Force on Transportation Infrastructure Investment Funding**

The Task Force released a report to Governor John Bel Edwards last month that recommends a balanced approach for investment, which is sufficient, estimated at $700 million, to provide transportation infrastructure that addresses the state’s transportation requirements as outlined in the LA Transportation plan, with a current backlog of $13.1 billion.

The report further recommends that all required revenue must be dedicated to transportation projects, and included projects which addresses the backlog of highway and bridge needs, economic development enablers, quality of life, multimodal projects connecting its highways, rail, ports, waterways and airports, including urban and rural enhancements, all supported by sustainable, recurring revenue such as fuel taxes and innovative financing such as tolls and Public Private Partnerships.

DOTD has announced on January 30, 2017, the issuance of a Request for Information (RFI) to accelerate the enhancement of the I-10 Capitol Corridor through a Public Private Partnership.
Legislation which would implement the recommendations will likely be introduced in the Regular Legislative Session commencing on April 10, 2017.

Water Infrastructure Improvements for the Nation 2016 (WIIN) Public Law No. 114-322

WIIN authorizes legislation that assists the Army Corp of Engineers in making improvements to ports, waterways, dams and flood protection, and establishes a pilot program to encourage beneficial use of dredge materials. The legislation also amends the Water Resources acts of 1986 and 2014 and reduces the non-federal cost share for harbor deepening.

In the instance of deepening in excess of 20 feet but not in excess of 50 feet, the non-federal share is set at 25% and will reduce the cost to the state of Louisiana for the ongoing Mississippi River Ship Channel Deepening from the Gulf of Mexico to Baton Rouge when federal appropriations are forthcoming for the project.

The American Association of Public Port Authorities will honor Congressman Steve Scalise, Majority Whip, as “AAPA Port Person of the Year for 2017” in recognition of his leadership in the enactment of the Water Resources Development Act of 2016 and other legislation of critical importance to U. S. seaports. The award will be presented at the AAPA Spring Conference April 4-5, in Washington, D. C.

Task Force on Structural Changes in Budget and Tax Policy

This Task Force was created by the Legislature to look beyond recent temporary revenue fixes and recommend permanent solutions for the imbalance between annual state revenue and spending levels.


The report does not consider the recommendations of the Transportation Infrastructure Investment Funding Task Force noted above from which port and waterways may receive infrastructure funding, however it is likely that Port Tax Incentives will be considered in future incentive related legislation or rules revisions.

Competitive Rail Transportation

PAL has supported the efforts of the LA Chemical Association (LCA) to have the U. S. Surface Transportation Board adopt rules which will allow rail customers with no competitive transportation options to request that their freight be moved to another Class I railroad at a reasonably accessible interchange. A recent survey found that in Louisiana 60% of all freight shippers have only one rail option.
The Board of Commissioners of the Port of New Orleans and the St. Louis Regional Freightway recently entered into a Memorandum of Understanding (MOU) to exchange market and operational information with the goal of growing trade and building upon existing and new business relationships between the two regions and critical ports. The agreement also calls for joint marketing efforts to meet those objectives.

The MOU is the culmination of discussions begun during a September 2016 visit to St. Louis by top officials for the Port of New Orleans. At that time, it became evident that it would be mutually beneficial to foster even greater collaboration and leverage the intermodal connectivity between the Port of New Orleans and the St. Louis region.

“The Port of New Orleans historically has strong ties to business and industry via the St. Louis corridor,” said Brandy Christian, President and CEO of the Port of New Orleans. “Located in the Lower Mississippi River system and served by all six Class 1 railroads and the interstate highway system, Port NOLA is the most intermodal port in the nation. This agreement solidifies our efforts to work with our inland neighbors to develop new opportunities and optimize our connectivity.”

The MOU was signed by Christian and representatives of the St. Louis Regional Freightway, an enterprise of Bi-State Development (BSD). Signing the agreement were BSD President and Chief Executive Officer John M. Nations, St. Louis Regional Freightway Executive Director Mary C. Lamie; and representatives from each of the three regional ports, Susan Taylor, Director, Port Business Development, St. Louis Development Corporation; Dennis Wilmsmeyer, Executive Director, America’s Central Port; and Ed Weilbacher, General Manager, Kaskaskia Regional Port District. They travelled to New Orleans this week as part of a 11-member delegation from Illinois and Missouri that also included Rick Barbee, Vice President Marketing, SCF Marine; Elizabeth Triggs, Business Development Analyst, Ingram Barge Company; Asim Raza, Chief Legal Officer, Director of Real Estate and Marketing, Terminal Railroad; and consultant Masao Nishi, Principal, M. Nishi Strategic Advisory.

“This agreement, and the collaborative partnership it is founded on, will go a long way toward helping coordinate the Port of New Orleans’ supply chain with our supply chain and enhancing the St. Louis region’s ability to move freight up and down the Mississippi River for the entire nation,” said Lamie. “We now have a framework to work more closely together to generate new business activity that will help accelerate the present level of economic growth by increasing revenues to the Port of New Orleans and optimizing
the St. Louis region’s freight network.”

The Port of New Orleans is served by the Mississippi River and its tributaries, which combined offer 14,500 miles of navigable waterways. With three inland ports, including the nation’s third and eighth largest inland ports, the St. Louis region holds an enviable position within that inland waterway system, strategically located in the heart of the nation at the northernmost ice-free and lock-free point on the Mississippi River.

At the core of the MOU is the shared recognition that continued growth at the Port of New Orleans and future growth of freight movement through various ports in the bi-state St. Louis region, are intrinsically connected, with 500 million tons of cargo being handled by ports on the Lower Mississippi River annually.

Lamie has been working with the team at the Port of New Orleans over the past several months to finalize the details of the MOU, but there was agreement from the outset that branding and jointly marketing the St. Louis region’s multimodal assets, the Port of New Orleans multimodal assets and the St. Louis region’s direct connection to the Port of New Orleans, would be key components. Aside from its significant inland ports, among the other assets the St. Louis region offers are six Class I railroads with international market access (the same six that also operate at Port of New Orleans), two international cargo airports, two foreign trade zones and four interstates that provide national access.

Nations commented on the importance of the MOU for the St. Louis Regional Freightway, which is the newest BSD enterprise. “We believe the agreement entered into this week will stand as one of the most significant accomplishments of The Freightway due to the far-reaching positive impact it will have for the region and the nation,” Nations said. “With a projected 40 percent growth in freight volume over the next 30 years, the actions we take today are laying the groundwork for our region to be a premier gateway for the freight community in the 21st century.”

Among the opportunities the St. Louis Regional Freightway hopes to swiftly capitalize on are new container-on-barge services. The strengthened relationship fostered by the MOU should help to ensure that as growth continues at the Port of New Orleans, it triggers growth on the inland waterways, and specifically in the St. Louis region where it has been demonstrated that the ports can handle containerized freight shipments.

The bi-state area freight group visited the Seacor AMH Terminal located within the Port of Greater Baton Rouge, Louisiana, on February 22 to tour container-on-barge loading and to learn more about Seacor AMH operations which includes terminal services in the St. Louis area. The delegation also met with Mediterranean Shipping Company (MSC) representatives in Metairie, La., to gain insight into its freight movement through the Port of New Orleans. Prior to signing the MOU, the delegation also met with the U.S. Coast Guard to better understand its operations and coordinated efforts with other governmental agencies in New Orleans and Baton Rouge. Following the MOU signing, the delegation toured the Port of New Orleans aboard its Gen. Kelley fireboat.

Port of Lake Charles

Methanol Project Moving Forward

The Lake Charles Port Board recently voted to move forward on plans for the Lake Charles Methanol project, a $3.6 billion gasification facility that would prove a massive boost to port revenue.

Board President Daryl Burckel said the company behind Lake Charles Methanol has been trying to launch a project on port property for about nine years. But he said the company had difficulty securing a builder for the plant and was forced by market factors to repeatedly adjust its plans.

Things started looking up, however, when the company found a builder and secured significant financial backing this year. Burckel said the board was encouraged by the company’s progress and, although it hasn’t entered a formal agreement with the company, thought it was time to start paving the way for plant construction.
The board will now conduct property surveys and negotiate servitude agreements with nearby corporations, like Citgo and Axiall Corp., that would be affected by the construction of a water line needed to pump freshwater into the facility. Port Executive Director Bill Rase said the water line is essential to plant operations and a massive undertaking in itself.

“It takes about 10,500 gallons of water per minute to run the facility on an hourly basis,” Rase said. “That’s quite a volume of water that has to be piped in.”

Rase said the project would be the first plant in the U.S. of its size and type, and a huge step for the port. He said it would “triple the workload” at Bulk Terminal 1, which is the port’s biggest revenue driver.

The port would be the plant’s main handler of petroleum coke — the feedstock used to make methanol and other products at the facility, he said. The port might also be a primary handler of the methanol that’s shipped out to different off-takers around the world.

Rase said the finished facility will consist of a gasification plant, a pipeline, a tank farm and a liquid loading dock.

The board also voted to enter into negotiations with Citgo to work out a solution to an anticipated space issue. Citgo uses space near D-Dock that Lake Charles Methanol will need to use once operations begin. The port will now work toward a cost-effective solution to share that space.

Burckel said the port hopes to finalize plans in the first quarter of 2017.

By: Emily Fontenot
Americanpress.com

Port Cameron executive director Ted Falgout said the potential for the deep-water staging facility to serve the offshore energy needs in the Gulf of Mexico is endless.

The proposed $1.5 billion port will be built on 500 acres of property along the Calcasieu Ship Channel, with an additional 750 acres available for future expansion. Falgout said Port Cameron has a 99-year lease on the property, with the option to purchase the land immediately upon full funding.

Falgout served as director of Port Fourchon for more than 30 years before retiring in late 2009. The facility, located in Lafourche Parish, has grown to serve the offshore energy industry, including drilling, production and operation.

“We had the opportunity to build what is probably now the most significant energy port in the world,” Falgout said. “Nine of the 10 largest taxpayers in Lafourche Parish have facilities at Port Fourchon.”

Falgout said Cameron Parish has major assets “that would appeal to the energy industry.” They include its location along the Gulf of Mexico, a connection to the Intracontinental Waterway via the Calcasieu Ship Channel and its proximity to Houston.

Falgout said the plan with Port Cameron is to have companies share services in the Gulf, something that hasn’t happened.

“Rarely do they even share between drilling and production of same company,” he said. “The new buzzword in industry is sharing, and we hope this will be the opportunity to bring that in Gulf.”

History

After Hurricane Rita’s landfall in September
2005, Falgout said then-U.S. Sen. Mary Landrieu approached him about advising the West Cameron Port Authority on a public port project. However, it never garnered enough momentum to materialize.

“There wasn’t $17 billion in LNG and other development going on at the time,” Falgout said. Some time later, Falgout said a private group of investors approached him about getting involved in building a private port in Cameron. He said he wasn’t thrilled with the idea at the time.

“I thought still that a public port was the best way to go,” Falgout said.

The port authority later used some Community Development Block Grant money to pay for a master plan on building a public port in Cameron. Falgout helped put together a team to do the report. After finishing the report, Falgout said it became clear that a public port wasn’t feasible because the federal government wouldn’t assume responsibility for such a large-scale project.

“At this juncture of the country, there were no more earmarks and no way to get major funding,” he said. “Private development was probably the only way to go if Cameron was going to get that opportunity.”

After that, Falgout said another private group of investors came together and hired Community Development Financing Services to serve as the majority owner of Port Cameron and be in charge of the entire project. Will Belton, a Lake Charles native who now lives in Baton Rouge, is the president/CEO of CDFS and Port Cameron.

“He took on that project,” Falgout said. “They approached me about being part of it, and I agreed.”

Development

Falgout said it took 30 years to develop Port Fourchon, much longer than the five years scheduled for Port Cameron. He said the shorter timeline is necessary to make sure another port isn’t developed along the west side of the Gulf of Mexico.

“If it takes 30 years to develop Port Cameron, what will happen is another western Gulf port will develop,” Falgout said. “The first one to get built is the one that survives. If we don’t have one in Louisiana, it’ll be in Texas and we will lose the tremendous economic benefit coming out of (Port) Fourchon.”

Falgout said one of the toughest hurdles was acquiring land in Cameron.

The concept is to dredge the land to create “slips,” or waterways, on the property, in an effort to create waterfront sites for development. The 500 acres of land will be elevated using the dredged materials.

“That’s pretty much how (Port) Fourchon developed,” Falgout said. “It’s a proven concept.”

Because there is a “considerable amount of wetlands,” Falgout said a substantial amount of mitigation has to be done, where marsh will be built on a federal refuge.

Other Steps

Falgout said port officials have met with groups that are interested in being prospective tenants.

“We have letters of interest,” he said. “That’s all we’re asking for right now. Most people want to see construction going on before they get serious about spending millions of dollars in operations.”

Recently, Port Cameron officials partnered with Peterson, a Netherlands-based company that will act as the port’s manager and assist in its planning, development and marketing efforts. Evans-Graves Engineers out of Baton Rouge is the acting engineering company for the port. Falgout said the company is experienced in large-scale projects like Port Cameron.

The Virginia-based KE Finance LLC will finance $1.1 billion of the project. Falgout said the investment will allow for dredging of the site and building 21,000 linear feet of bulkhead.

“Those are things that are necessary,” he said. “That (financing) leaves $500 million for financing, hopefully by Louisiana institutions. It gives them the opportunity to invest.”

Construction should start up as soon as the Army
Corps of Engineers issues a permit for development. He said they already have a coastal use permit from the state Department of Natural Resources. Falgout said they anticipate the Corps permit being issued within the first quarter of this year.

“We’re ready to start construction this year,” he said.

**Reception**

Falgout said Cameron Parish officials are excited to build a port in the parish.

“There is a huge opportunity for good paying jobs,” he said. “They all are extremely excited to have this opportunity for an economic engine. It’s an investment in the parish, and the tax base will be widened and broadened.”

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**Legal News**

On January 23, 2017 the U.S. Coast Guard issued its proposal to revise its monetary threshold standards for reporting serious marine casualties. Pursuant to 46 U.S.C. 6101, the Coast Guard is required to prescribe regulations on marine casualty reporting and the manner of reporting. Using that authority the Coast Guard promulgated regulations that included, among other criteria, a monetary property damage threshold amount for reporting a “serious marine incident” and for reporting a marine casualty. The intent of setting a dollar amount threshold in its marine casualty reporting regulations and within the definition of “serious marine incident” is to ensure that the Coast Guard is aware of those incidents that could be indicative of more serious problems and that may be averted in the future with timely intervention. The original regulations setting these property damage threshold amounts were issued in the 1980’s and have not been updated since. The Coast Guard has proposed that the dollar threshold amount be increased to account for inflation.

In 2013 through 2014 the Coast Guard undertook a review of marine casualty reporting requirements and requested comments from stakeholders. Several commentators from industry noted that property damage thresholds for reported marine casualties and serious marine incidents has not been updated to reflect inflation. Furthermore, the Coast Guard’s Towing Vessel Safety Advisory Committee recommended amendment to account for inflation.

Because the monetary threshold had not been raised in close to 30 years, the number of reported casualties has increased to include cases involving relatively minor property damage. As was explained in the 1980 interim final rule, “the Coast Guard’s selection of a monetary value as a reporting criterion is based upon the premise that increased repair costs are indicative of the increase seriousness of a maritime casualty. The monetary damage criterion has been chosen as the most effective method of ensuring that only the more serious casualties are reported.” The threshold chosen was $25,000.

Recognizing that it has never been the intent of the Coast Guard to require owners to notify it of casualties involving relatively minor property damage, it has decided to amend the monetary threshold so as to eliminate the reporting if minor incidents. The proposed threshold amount is now $72,000.

Additionally, because the regulations require mandatory drug and alcohol testing following a serious marine incident, current regulations require chemical testing for casualties that reach a minimum threshold of $100,000 in property damage. The Coast Guard has proposed that drug and alcohol testing will not be required unless the damage reaches $200,000 or more. In support, the Coast Guard reported that due to cost increases caused by inflation any casualty that results in less than $200,000 in damages is no longer representative of a “serious” casualty.

The Coast Guard projects that the new thresholds will result in an estimated annual cost savings of $40,809 to industry due to a reduction in the hourly burden of reporting and recordkeeping for both marine casualties and serious marine incidents, and an estimated annual
cost savings of $4,649 for chemical testing for serious marine incidents. This also translates to corresponding Coast Guard savings by reducing the hourly burden costs to investigate marine casualties as well as costs associated with processing marine casualty forms. This will also allow the Coast Guard to make better use of its manpower and allow them to focus on casualties that are truly substantive and serious. The Coast Guard sees this proposal as a win-win for it and the marine industry. As stated, “...the marine industry and Coast Guard resources would be able to focus efforts on higher consequence incidents”.

On another front the National Transportation Safety Board (NTSB) has issued safety recommendations to the U.S. Coast Guard, the National Association of State Boating Law Administrators and the National Water Safety Congress in which it addressed the need to identify and mitigate risks associated with shared waterways, training and education for recreational boaters. In its February 9, 2017 report the NTSB posed that all recreational vessel operators should be required to attain a minimum level of boating safety education before taking to the waters. It would require recreational boaters to demonstrate completion of an instructional course meeting the National Association of State Boating Law Administrators or equivalent standards.

The NTSB noted that the growth of both commercial and recreational vessel traffic in the last several decades is a significant risk factor. Its recommendations are offered to address the need to identify and mitigate risks associated with shared waterways. In support, NTSB investigators cited Coast Guard accident statistics between recreational and commercial vessels. In 2012, there were 56 accidents and four deaths; in 2013 there were 76 accidents and seven deaths; in 2014 there were 51 accidents and eight deaths; and in 2015 there were 76 accidents and six deaths. The NTSB report, “Shared Waterways: Safety of Recreational and Commercial Vessels in the Marine Transportation System, NTSB/MSR-17/01”, while lengthy, is well researched, well written, interesting and worthy of review. It may be found online.

Mark Your Calendars

Upcoming Board Meeting

March 2:
Associated General Contractors
Building, Baton Rouge, LA
10am

April 19:
Hilton Baton Rouge
Capitol Center
(34th Annual PAL Conference)