

# Ports and Harbors Create Economic Opportunity

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**Alaska Association of Harbormasters**

**and Port Administrators**

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Mike Fisher

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**Northern**  
Economics

# Agenda

- The Role of Ports and Harbors in the Local Economy
- Sustainability and Economic Development
- Public and Private Roles in Economic Development
- Traditional Means of Encouraging Private Investment
- Emerging Methods of Encouraging Private Investment

# The Role of Ports and Harbors in the Local Economy

- Interface between water and uplands
- Economic engine and opportunities
- Bring in outside dollars
- Community facilities

# Sustainability and Economic Development

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## Sustainability

- ✓ Financing
- ✓ Funding
- ✓ Continued operations and long-term survival
- ✓ Your facility's bottom line
- ✓ Public

## Economic Development

- ✓ "Unsustainable?"
- ✓ Community-wide benefits
- ✓ Economic activity
- ✓ Public, private, and public/private

# Public and Private Roles in Economic Development

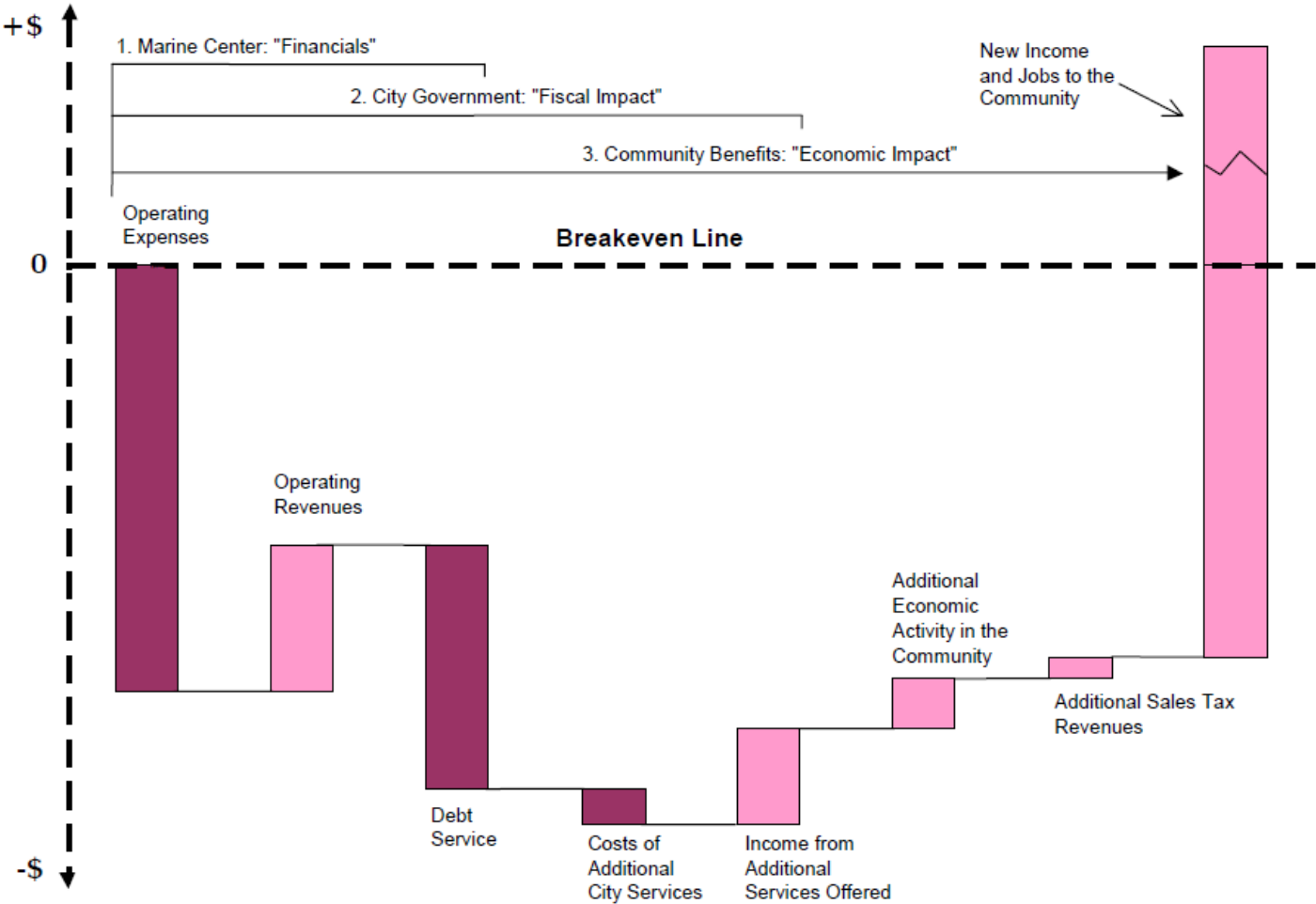
- At its core, economic development is the process of increasing the standard of living in an area
- **Public Role**
  - Establishing infrastructure
  - Establish a regulatory framework
  - Establish a business environment
  - Encourage economic opportunity
  - Encourage private investment
- **Private Role**
  - Investment to meet a need
  - Generate a rate of return

# Economic Development Beyond Marine Facilities

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- **Financial sustainability traditionally looks just at a facility**
  - Can we cover operating costs?
  - Can we set aside enough to replace the facility in 20 or 30 years?
- **Economic development must look beyond marine facilities**
  - What does the facility mean for businesses in the community?
  - Does the facility generate other benefits?
- **Three bottom lines:**
  - Financial – the facility
  - Fiscal – additional government benefits
  - Economic – additional community benefits

# The Three Bottom Lines of a Marine Center



Source: Adapted from a figure provided by Steven Spickard of Economics Research Associates.



# Traditional Means of Encouraging Private Investment

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- Infrastructure
- Lease structures and incentives
- Tax structures and incentives





# Emerging Methods of Encouraging Private Investment: Public-Private Partnerships (PPP)

- No accepted definition of a public-private partnership (PPP)
- Generally, PPPs are joint ventures funded and/or operated through a partnership of governmental and private entities
- In developed countries, PPPs are used for facilities within ports, not for entire ports
- Perhaps more useful as a concept than for practical application

# Why Use a Public-Private Partnership?

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- Government control (participation and ownership) with private efficiency and capital
- Gaps in the three bottom lines
- Access to a broader range of financing
- Access to additional capital
- Fewer constraints on accessing capital
- Risk sharing (specificity, complexity, uncertainty)
- Lower costs of service through specialization

# How PPPs Have Been Used

- Typically infrastructure projects
  - Highways
  - Mass transit
  - Hospitals
  - Wastewater treatment plants
  - Port facilities – limited, primarily small to medium ports
- Some federal funding now allows private contributions to its project match

# Issues with PPPs

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- Alaska's DOT doesn't have enabling laws to allow it to enter into public-private partnerships
  - Limitation of types of partnerships that may be available
- Port Authorities are allowed by statute, but do not have the power of taxation
- Public agencies can't compete with the private sector
- Not as applicable for smaller governments

# How PPPs Can Work in Alaska

- Rehabilitation, restoration, and reuse of facilities
- Public investment in infrastructure, private operation of facilities and services
- BOOT concept: private construction, ownership, and operation for a limited period, with transfer to public
  - Concern about maintenance
- Coordinated investment, virtuous cycle

# Recommendations for Governments

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- Be transparent
- Separate government agencies
  - Maintain objectivity, arm's length transactions
- Ensure that the bidding process is competitive
- Include standardized, low-cost arbitration procedures in the contract

Source: Vining, A. and Boardman, A., 2008. The potential role of public-private partnerships in the upgrade of port infrastructure: normative and positive considerations. *Maritime Policy & Management*, 35(6), 551-569.

# Recommendations for Governments

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- **Ensure that the private sector partner(s) have sufficient equity at risk to give them the proper incentives**
  - Use of stand-alone, specific-use corporations
- **Prohibit the contractor from selling early**
  - Synergies between construction and operation
  - Understanding fault if sold
- **Have a direct conduit to debt holders**
  - Protection in the event of bankruptcy

Source: Vining, A. and Boardman, A., 2008. The potential role of public-private partnerships in the upgrade of port infrastructure: normative and positive considerations. *Maritime Policy & Management*, 35(6), 551-569.

# Questions/Comments?

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**Northern  
Economics**

**Mike Fisher**  
Project Consultant

880 H Street, Suite 210  
Anchorage, AK 99501

**T:** 907 274.5600  
**F:** 907 274.5601

**E:** [michael.fisher@norecon.com](mailto:michael.fisher@norecon.com)  
[www.northerneconomics.com](http://www.northerneconomics.com)

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