

Growth Has to Pay For the Project, So the Forecast Really Matters

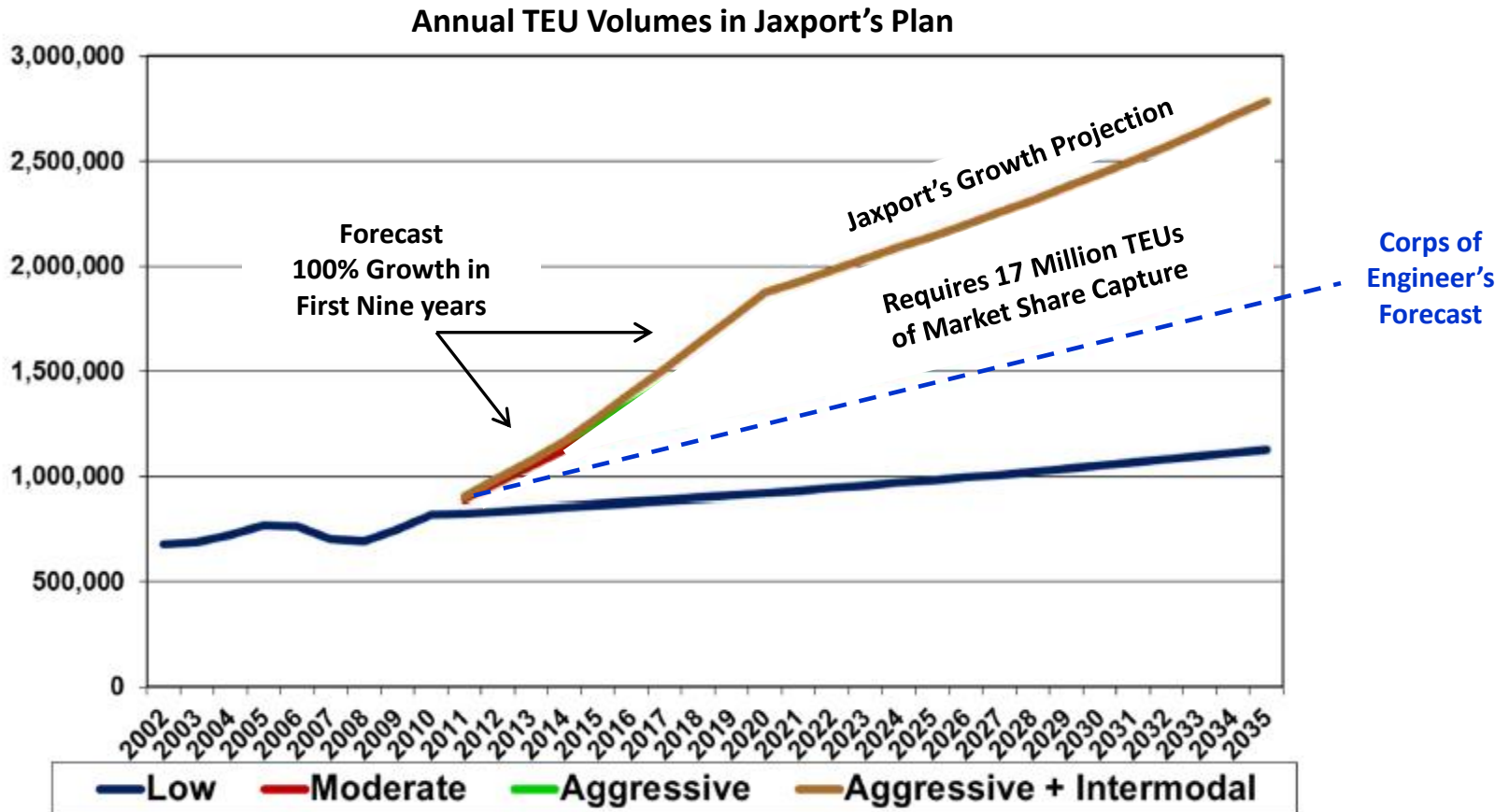
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08 June 2017**

Why do container growth forecasts matter?

Forecasts are used to secure funding.

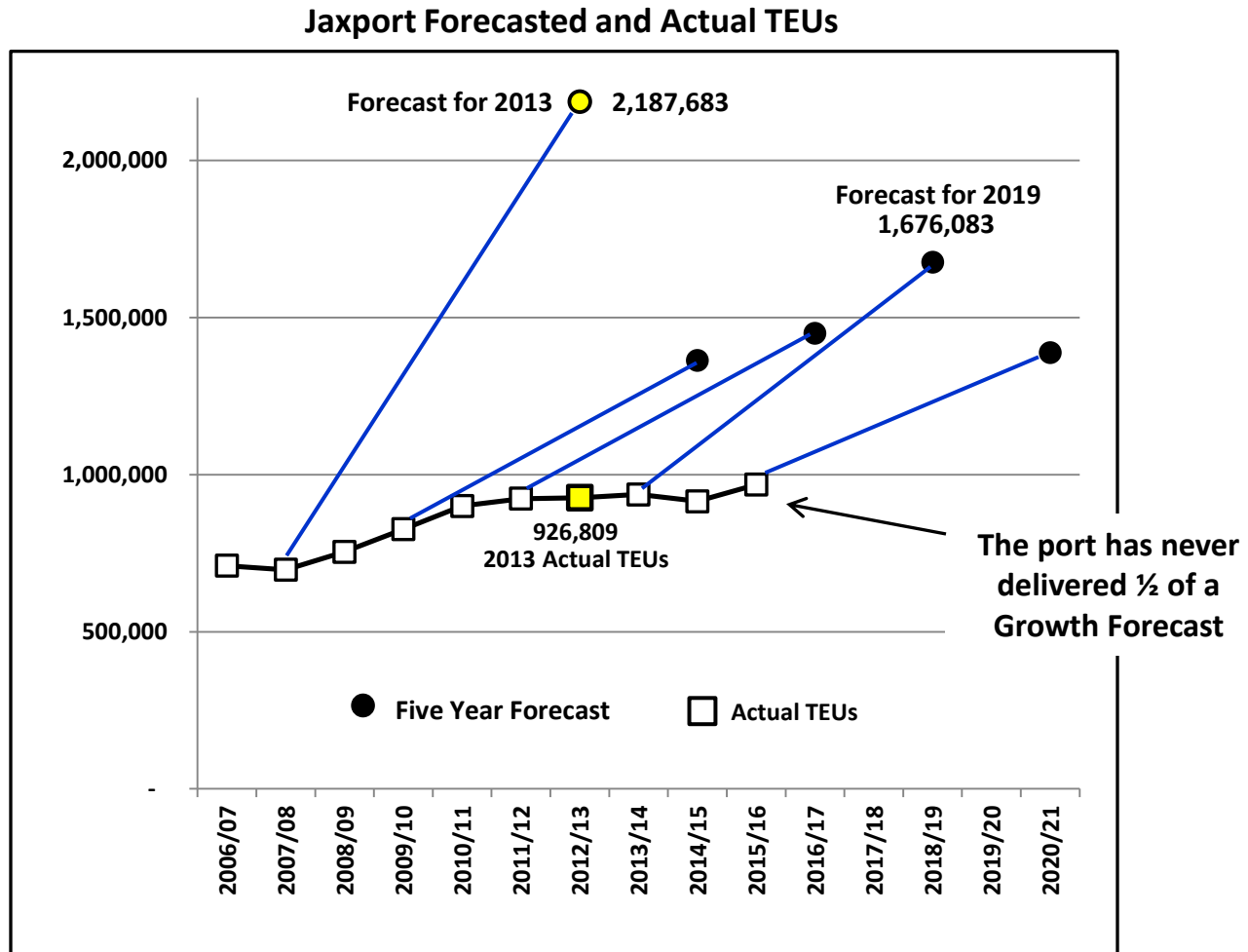
- Jaxport's dredging estimate is over \$800 Million. The State and Local share will be in the range of \$500 to \$550 Million
- The payback in the dredging presentations is based on rapidly achieving 100% revenue growth, starting immediately after dredging
- If you were an investor, and were asked to fund this project, you would immediately ask the project sponsor for evidence that the revenue projection is a good one
- The first thing you do is ask for history; What were your forecasts, and what did you deliver?
- We can do the same thing, using Jaxport data

Jaxport's plan is based on 100% Growth in the first nine years after dredging.



To believe that Jaxport can grow at this forecasted pace, you would have to know that they have delivered on their previous forecasts.

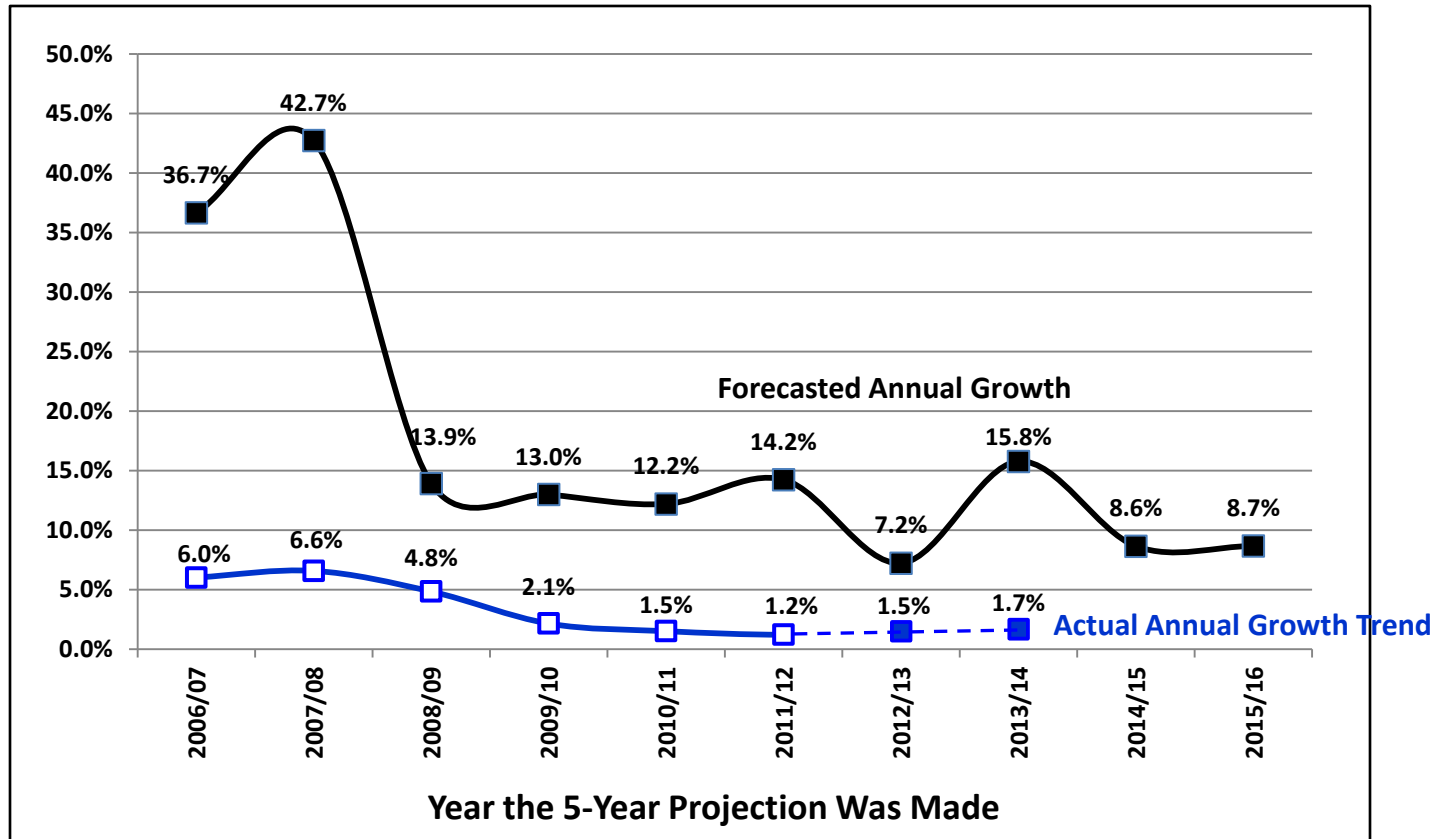
In general, Jaxport has forecasted 50% to over 100% growth in each five year plan.



**Data Sources: Florida Ports Council: Five -Year Plan Books
And Jaxport Online Reporting System**

Jaxport's growth has been about 1/5th of the forecasts.

Jacksonville's Forecasted Growth per Year
versus Actual Growth per Year



Data Source: Florida Ports Council 5-Year Plans And Jaxport's Online Cargo Reporting System

Forecasts and Actuals are Jaxport Only

Summary

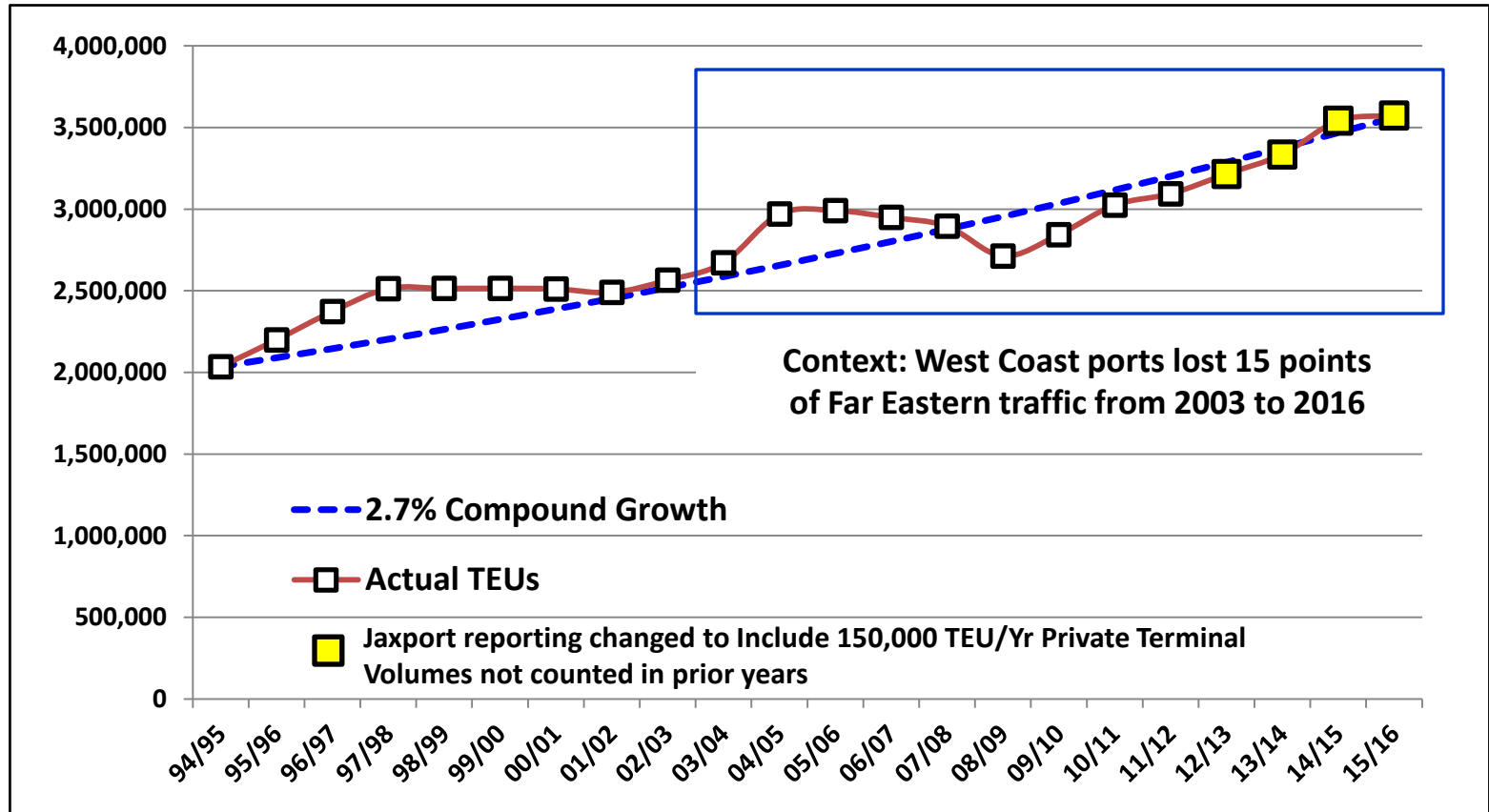
- Jaxport's growth forecasts have been very aggressive, at 40% to over 100% for each five year period
- Actual growth has been a fraction of forecasted growth
- The current forecast is equally aggressive
 - The latest 5-year forecast was published in April of 2017 by the Florida Ports Council
 - Jaxport's forecast shows 43% growth, to be achieved before dredging is completed
 - This would be 5 times the growth the port has achieved over the last 5 years
- Looking beyond the current 5-year forecast:
 - Jaxport's dredging plan forecasts delivering 100% growth in the first nine years after dredging
 - Jaxport's "Post Dredging" forecast is the basis for estimating 15,000 future new jobs and for predicting over \$ 1 Billion in new state and local tax revenues
 - If actual growth is at the volume levels forecasted by the Corps of Engineers, the future jobs and tax revenues are likely to be around half of Jaxport's plan
- Jaxport's history does not support the idea that their growth forecasts are reliable

State of Florida: Key Points

- Florida container ports have grown at the equivalent of a 2.7% compound rate over the last 21 years, losing regional market share over that time
 - Savannah, Houston and Charleston captured most of the regional growth
- The growth forecasts made by the Florida container ports have been very aggressive, typically calling for 40% to 60% growth over each five years
 - Reaching these forecasts requires significant market share growth vs other states
 - These forecasts were made with an awareness of the current competitive issues, infrastructure condition and market trends
- The forecasted growth rates have never been achieved
- It is important to note that, even though the 3.6 Million TEU forecast in the 1998 plan has never been reached, forecasts continue to increase, to over 5.0 Million TEUs in the latest forecast
 - Normally, a business plan would be adjusted downward as performance shortfalls against prior forecasts became known. This usually doesn't happen with Florida ports.

Florida ports have grown at a 2.7% compound rate for the last 21 years.

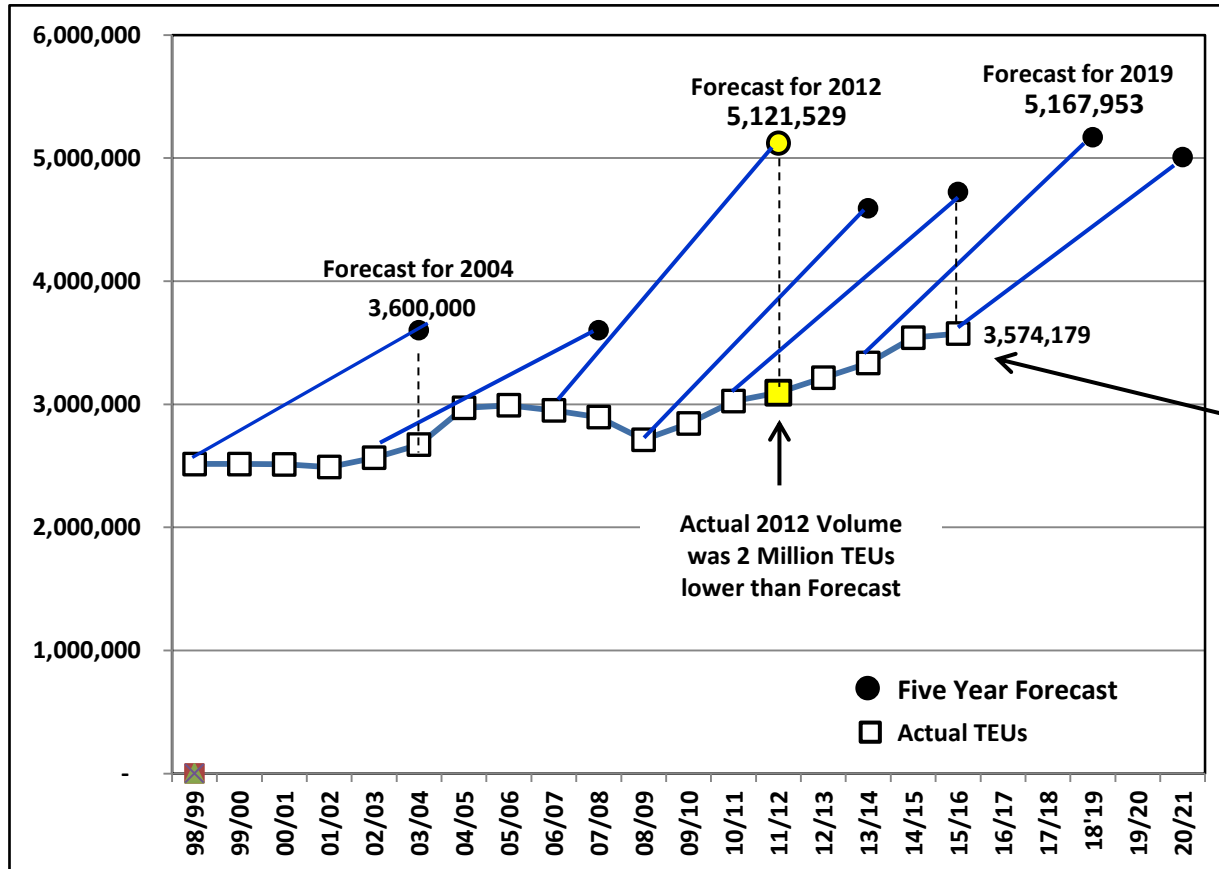
Actual TEU Volumes for Florida Container Ports



Data Source: Florida Ports Council 5-Year Seaport Plans, 2003 – 2017

Florida's container port forecasts are very aggressive, but have not been achieved.

Florida Ports Forecasted and Actual TEUs



Each forecast is done by port employees who understand the competition, plans for dredging, any infrastructure issues, and the expected demand levels

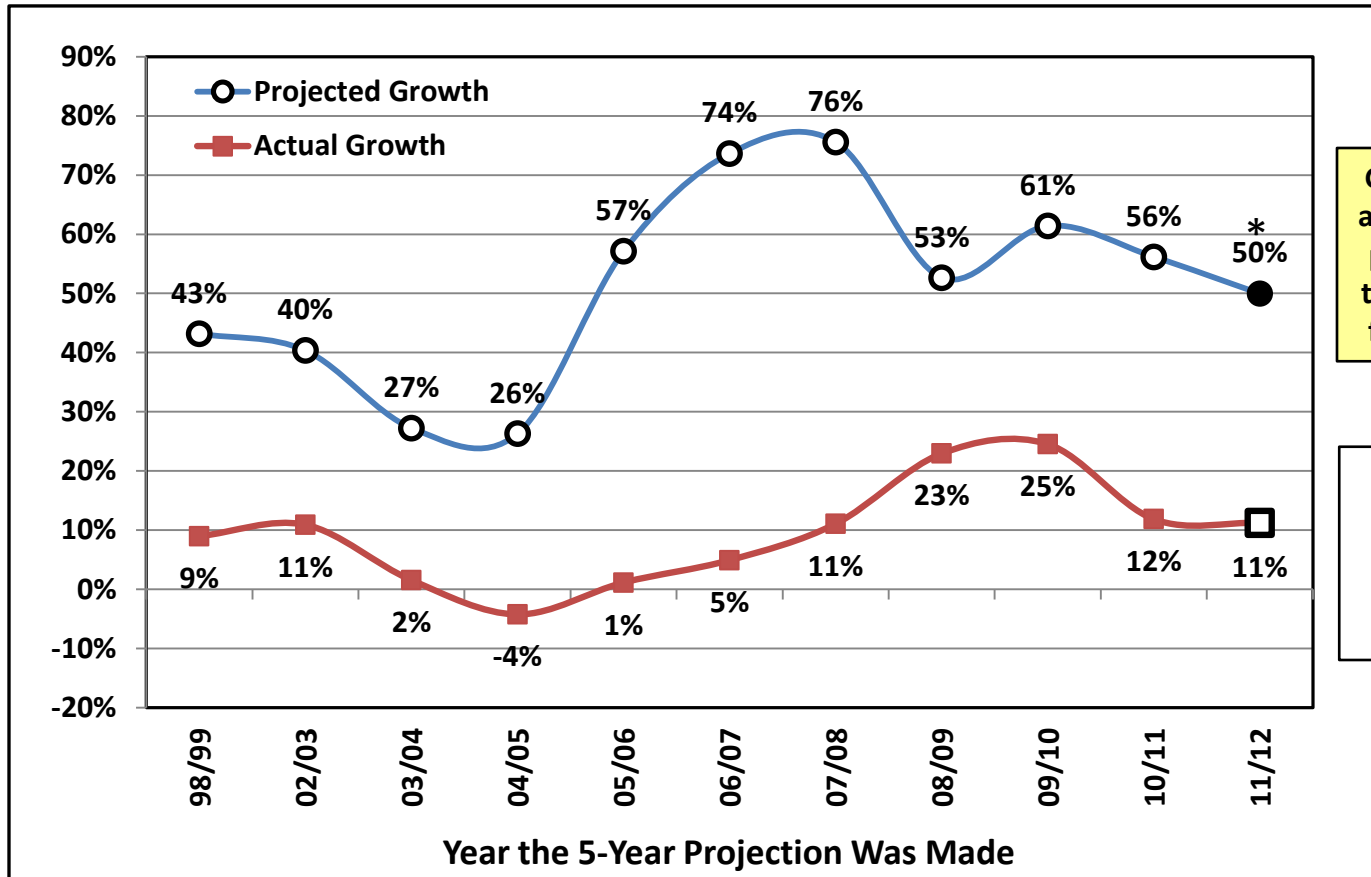
5 Year Projections are used to ask for funding.

Actual growth results have been less than 1/2 of the forecasted levels.

Data Source = Florida Ports Council: Five -Year Plan Books

Florida's container port forecasts are very aggressive, but have not been achieved.

Containers: 5-Year Growth Projections versus Actual 5-Year Growth



Growth Forecasts are used to ask for port funding and to publish the ROI for port projects.

Actual growth results are generally about one quarter of forecast levels.

Data Source: Florida Ports Council, 5-Year Seaport Plans, 2003 - 2016

* NOTE: the 2010 (5-Years) and 2011 (4-Years) forecasts both predicted the 2015/16 level. Both predicted a little over 10% growth per year. For scale consistency, the 2011 forecast is shown here as if it had been a 5-year forecast.

Summary

- Florida's container growth forecasts have been very aggressive, at an average of 50% for each five year plan
- Actual growth has been a small fraction of forecasted growth, never reaching the forecast from 1998, yet forecasts continue to rise
- The Current 5 Year Forecast is very aggressive, predicting 50% growth
 - The latest 5-year forecast was published in April of 2017 by the Florida Ports Council