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Economic Impact Analysis of HTS Lease Negotiations (11/2017)

The purpose of this analysis is to identify the economic impacts associated with the guaranteed annual activity of the recently negotiated Horizon Terminal Services (HTS) agreement. The economic impacts presented in this analysis factor into account minimum annual guaranteed cargo volumes – annual auto units.

Initially, as part of the Port Everglades Master/Vision Plan (2006), Martin Associates was retained by the Broward County Port Everglades Department to measure the local, regional and state economic impacts generated by the marine cargo and cruise industry at Port Everglades. Since then, Martin Associates has continued to provide economic impact support to Port Everglades in terms of annual reports and individual sensitivity runs. The cargo impact model developed for Port Everglades is designed as a tool to test the sensitivity of impacts to changes in such factors as maritime tonnage levels, seaport productivity and work rules, new seaport facilities development, inland distribution patterns of ocean cargo, number of vessel calls and the introduction of new ocean carrier service. The cargo impact model can also be used to assess the impact of developing a parcel of land as a maritime terminal versus other non-cargo land uses. Finally, the maritime cargo impact model can be used to assess the economic benefits of increased maritime activity due to infrastructure development and the opportunity cost of not undertaking specific maritime investments such as dredging, new terminal development or warehouse development.

The study employs methodology and definitions that have been used by Martin Associates to measure the economic impacts of seaport activity at more than 250 ports in the United States and Canada, and at the leading airports in the United States. It is to be emphasized that only measurable impacts are included in this study. In order to ensure defensibility, the Martin Associates' approach to economic impact analysis is based on data developed through an extensive interview and telephone survey program of the Port's tenants and the firms providing cargo and cruise services at Port Everglades, which was recalibrated by a full re-survey of 298 firms in FY2015. Specific re-spending models have been developed for the Fort Lauderdale area to reflect the unique economic and consumer profiles of the regional economy. To further underscore the defensibility of the study, standardized impact models, such as the MARAD Port Kit are not used. Instead, the resulting impacts reflect the uniqueness of the individual Port operations, as well as the surrounding regional economy.

1. IMPACT DEFINITIONS

The impacts presented in this analysis are measured in terms of:

- Jobs [direct, induced, indirect and related shipper/consignee (related users)];
- Personal income;
- Business revenue; and
- State and local taxes.

Each impact measurement is described below:

- **Direct, Induced and Indirect jobs - Direct jobs** are those that would not exist if activity at the Port's marine cargo facilities were to cease. Direct jobs created by maritime cargo activity at the Port's terminals are those jobs with the firms directly providing cargo handling and vessel services, including trucking companies, terminal operators and stevedores, members of the International Longshoremen's Association (ILA) and Teamsters Union, freight forwarders and customhouse brokers, warehouse operators, vessel agents, pilots and tug assist companies.

Induced jobs are jobs created in the Fort Lauderdale area by the purchases of goods and services by those individuals directly employed by each of the Port's lines of business. These jobs are based on the local purchase patterns of Fort Lauderdale area residents. The induced jobs are jobs with grocery stores, restaurants, health care providers, retail stores, local housing/construction industry, and transportation services, as well as with wholesalers providing the goods to the retailers.

Indirect jobs are created throughout the Fort Lauderdale area as the result of purchases for goods and services by the firms directly impacted by Port Everglades activity, including the tenants, terminal operators and the firms providing services to cargo – which includes containerized cargo, petroleum, general cargo, RO/RO and dry bulks and cruise passenger operations. The indirect jobs are measured based on actual local purchase patterns of the directly dependent firms, and occur with such industries as utilities, office supplies, contract service providers, maintenance and repair, and construction.

Related shipper/consignee (related user) jobs are jobs with shippers and consignees (exporters and importers) using the seaport terminals for shipment and receipt of cargo. The majority of Port Everglades shippers and consignees impacts involve the import and export of ocean containerized cargo which creates jobs in the State of Florida's wholesale and distribution industries.

- **Personal income impact** consists of wages and salaries received by those directly employed by Port activity, and includes a respending impact which measures the personal consumption activity in the Fort Lauderdale area of those directly employed as the result of Port Everglades cargo activity. Indirect personal income measures the wages and salaries received by those indirectly employed.
- **Business revenue** consists of total business receipts by firms providing services in support of the ocean cargo activity.
- **Local purchases for goods and services** made by the directly impacted firms are also measured. These local purchases by the dependent firms create the indirect impacts.
- **State and local taxes** include taxes paid by individuals as well as firms dependent upon Port Everglades cargo activity.

2. IMPACT SUMMARY OF HTS CARGO ACTIVITY

The impact of the cargo volume guaranteed by the HTS new lease will generate significant economic impacts in the regional economy. It is anticipated that based on the lease minimum annual guarantees (MAG), HTS will handle, at the minimum, 29,500 import and export auto units annually over the life of the 5-year agreement through Port Everglades. The economic impact of these annual auto imports and exports at Port Everglades is presented in Exhibit 1.

Exhibit 1 Annual Economic Impact of Horizon Terminal Services Lease Negotiation

Impact Category	HTS 29,500 Units
JOB	
DIRECT	50
INDUCED	56
INDIRECT	25
TOTAL JOBS	132
PERSONAL INCOME (1,000)	
DIRECT	\$2,989
INDUCED	\$6,680
INDIRECT	\$1,215
TOTAL PERSONAL INCOME	\$10,884
BUSINESS SERVICES REVENUE (1,000)	\$7,286
LOCAL PURCHASES (1,000)	\$2,920
STATE & LOCAL TAXES (1,000)	\$1,012

In Years 1 through 5 of the agreement, HTS guarantees are estimated to create 132 direct, induced and indirect jobs for Fort Lauderdale/Broward County area residents. Of these 132 jobs, 50 are direct jobs, 56 jobs are supported in the Fort Lauderdale/Broward County area as the result of the purchases of the 50 direct jobs holders, while another 25 indirect jobs are supported in local industries that supply services and goods while vessels are in Port.

The 50 direct job holders receive \$3 million of direct wages and salaries. As the result of the purchases made locally with this income, (which support the 56 induced jobs in the Fort Lauderdale/Broward County area) an additional \$6.7 million of local income and consumption expenditures are created in the Fort Lauderdale/Broward County area. The 25 indirectly employed workers are paid approximately \$1.2 million, for a total wage and salary income impact of \$10.9 million.

Local businesses will receive \$7.3 million of sales revenue from providing services to the ocean cargo activity. This does not include the value of the cargo moving via the Port. Finally, as a result of the additional cargo activity, a total of \$1 million of state and local tax revenue is estimated to be generated annually by the direct, induced and indirect activity.