

Minutes of the Special Meeting of the Business, Intergovernmental and Environmental Committee of the Board of Commissioners of the Lake Charles Harbor and Terminal District held at 5:30 P.M., Thursday, April 19, 2018 in the Board Room of the Port of Lake Charles located at 1611 W. Sallier St., Lake Charles, Louisiana.

In attendance and constituting a quorum, were:

David Darbone, Chairman
Carl Krielow, Committee Member

Absent:

Dudley Dixon, President

Also Present:

Mike Eason, Vice President
Elcie Guillory, Secretary/Treasurer
John LeBlanc, Assistant Secretary/Treasurer
Tom Lorenzi, Commissioner
Bill Rase, Executive Director
Richert Self, Deputy Executive Director
Mike Dees, General Counsel
John Ringo, Assistant General Counsel
Donald Brinkman, Director of Security, Engineering, Maintenance and Development
Channing Hayden, Director of Navigation
Todd Henderson, Director of Operations
Dan Loughney, Director of Marketing and Trade Development

Mr. Darbone called the meeting to order at 5:30 P.M.

The attached notice of meeting was posted and given in accordance with the Open Meetings Law. A Business, Intergovernmental and Environmental Committee meeting was held.

Mr. Darbone made a statement reminding the Public of the Port's procedure for the Public to address an agenda item to the Committee.

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1. Receive information and discussion from Stevedore companies in regard to the implementation of the Competitive Policy adopted by the Board for the Port of Lake Charles.
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Mr. Darbone thanked everyone for being here and providing the information they requested tonight. As everyone is aware, at the January 18, 2018 Business Committee meeting, the Committee made a recommendation to create a directional policy of competitive free trade at the City Docks and Port of Lake Charles for all stevedores. The Executive Director and staff were given the responsibility to create a plan that would open City Docks up for competitive bids on bag cargo, business and other cargo by competing stevedoring companies. This recommendation was unanimously passed at the Regular Board meeting of January 22, 2018 and they are now in the implementation phase of this policy and are seeking input from the stevedore companies for information and ideas going forward.

The stevedore companies were sent a questionnaire and hopefully will present the questionnaire. The Committee will give each 10 – 15 minutes to talk about what it is that they are going to present to the Committee. They will receive that information and probably make copies for everyone to have that information. He wanted to start with FMT – Federal Marine Terminals.

Mr. Michel Tosini, Executive Vice President of Federal Marine Terminals, based in Montreal, CA addressed the Committee. He has his entire FMT Lake Charles staff here. He asked them to stand up so the Committee could know who they are and what they are about. There are a lot of them based in Lake Charles.

They have packets that they arranged the questionnaire, along with all the answers included in writing. They have the information there in writing. Everyone has a full packet. He has a presentation in PowerPoint form to introduce their company and present who they are, where they are and what they are all about. A lot of the answers to the questionnaire are in the presentation, but also in the specific questionnaire document the Committee sent them and they have all been categorized by question and answer.

Mr. Tosini presented the PowerPoint presentation. Their presentation and packet are on file in the Executive Office.

During the presentation, Mr. Darbone stated they it is obvious that his company is a very broad company, spread all over the country. They have invested a lot of time and effort here. He asked if Mr. Tosini could narrow the focus and start talking about the solicitation efforts.

Mr. Tosini stated some of the answers to their questions were already in the questionnaire. He would keep going as quickly as he could.

Mr. Tosini finished his presentation and asked to present a video.

Mr. Tosini presented the two minute video.

After the video, Mr. Tosini stated that regarding the order of the questions, he believed had been mostly answered, but there may be some particular questions they made need to answer later on. He asked if it was ok with the Committee, they can let the other participants do their presentations. He wanted to introduce the company to them and then

there are some specific items in terms of tonnages and activities specific to the bag cargoes, as an example, that they would be able to answer. Mr. Darbone asked if they had someone who could answer the questions. Mr. Tosini said they absolutely do.

Mr. Darbone stated that part of it was to present the information for the questions. Mr. Tosini suggested they go to the pamphlet. There is a Word document with all the questions and answers and he can have these gentlemen (FMT staff) answer any specific questions.

Mr. Tosini stated that if they go to page 22, all of the questions and answers are there and they can add to it if they want right away or afterward, if possible.

Mr. Krielow asked in regards to the specific bids and examples cited in Question 9, they list some invitations that they had bid on recently – USDA. Did FMT actually solicit those bids or did they just supply a number to the Port for their services and someone else bid it? Mr. Tosini stated Mr. Matt McPhail, Vice President of Sales and Marketing, would answer the question. He deals on all USDA matters.

Mr. McPhail stated that in conjunction with the Port authority, they bid and solicit carriers and suppliers on every food aid tender. He thought Mr. Krielow was referencing two of the most recent tenders 028 and 038. Those bids had a chunk of rice on it so they targeted it even more than they would one that say, has a majority of sorghum or veg oil. On those bids, they also had veg oil and sorghum, which can funnel cargo to Houston. To answer his question, they pursue every food aid tender through rate quotes, phone calls and through the bid process with the Port.

Mr. Krielow asked that when it deals with bag cargo, how they determined what their bid was, when they are the only game in town. He said he guessed he was getting back to the comment that was made at one of the previous Business Committee meetings that the bag cargo was never a big item for FMT. They relied more on the commercial rice as their main driver for here at Lake Charles. He said his question is, obviously they do not compete against anyone for commercial rice, so do they just have a set rate and here it is and this is what it is going to be? Mr. McPhail stated he did not agree with Mr. Krielow's comment that they do not compete with anyone on commercial rice. Rice is a global, global commodity. Lake Charles and the rice mills here in Southwest Louisiana are competing with Thailand and Argentina. It is not just FMT at Lake Charles. It is global competition on the commercial side. With food aid cargo, he thought the comment from the previous Business Committee meeting was taken out of context a little bit. They pursue every ton of cargo. That is his mandate from Mr. Tosini. If he heard he was passing on cargo, he would be looking for a job. They do not pass on cargo. Regarding the two tenders referenced, Mr. Joe Thornton and he got on a plane to Kansas City to meet with USDA this week. They have a meeting set up in D.C. to meet with USAID. They set up meetings. They pursue these businesses. When they establish rates, they talk to the Port Authority, their contact within the Port, and discuss the destinations, tender size and they bid on everything. As far as how competitive their rate is, it was refreshing to hear that when they were in Kansas City, the general cargo and the bridge rates that they are providing are cheaper than Beaumont and Houston. The rail rates – there is a difference there that they cannot control

and ocean carrier rates – they do not control. They have confirmed, through multiple sources that they are very competitive with their receiving rates and to the FAS position.

Mr. Darbone stated that within the last six months, can they tell the Committee what businesses they have solicited and actually brought to City Docks. He is not talking about business basically landed here that they took the opportunity to take care, thank you for taking care of it, but those that they personally went out and solicited and actually brought to City Docks.

Mr. McPhail stated that in October, Mr. Chris Dugas, FMT, and he were all out making sales calls and face-to-face meetings. This week he was with Mr. Thornton in Kansas City. In October he was with Mr. Dugas, their GM, at the Breakbulk Conference. They sat down with Farmers Rice, Spliethoff and FMT and that was the beginning of the plan to load the Spliethoff side loading vessels. It started in October and they executed it in January. He said they were very much involved in that process. They just discharged graphite barges, barged over from the Mississippi. They worked with FOSS Maritime on Puerto Rico utility trucks. That was four barges down and three barges back. He mentioned the three vessels of Iraq cargo that they loaded. He said that the Committee stated it was going to come here anyway, but he was not so sure it was not going to get shipped bulk. If the Iraqis are willing to buy their rice bulk, then they are going to do that because it is cheaper. They are part of the game here. They are just a component. They are visiting New York, D.C. They are out there pushing for business constantly. Mr. Tosini mentioned breakbulk Europe and Bremen. In the package, it will tell you where all they are, where they are advertising and they are constantly recruiting for business.

Mr. Krielow stated that Mr. McPhail would agree that the Iraq tender being a bagged rice business was coming to Lake Charles. It was their business. No one else had the opportunity to quote Farmers or Supreme. Mr. McPhail stated ADM can ship to any port they want. They could go to any port they want. They talk to ADM regularly and work with them and agreed on a rate. If they jacked up their rate because the Committee thinks they are being uncompetitive and just trying to gouge the system here, ADM would definitely go somewhere else. He can assure them their rate to ADM is competitive. That makes the business work for them. They are an extension of ADM's service. If FMT fails here, it looks bad on ADM.

Mr. Darbone asked when they talk about a competitive dock, if he has any ideas how they can create a competitive dock that will be advantageous to FMT and any stevedoring company that wanted to bring in any cargo, not just bag cargo. Does he have any ideas how they can create a really nice competitive dock to bring in more business? They have 13 berths and do not have any ships out there. They have all of these sheds and no cargo in them. Again, they talk about trying to create work that keeps people, local people, working. How do they increase and utilize those jobs and bring in more cargo?

Mr. McPhail stated they are always striving to bring more cargo. It was not that long ago when CB&I brought in some project cargo, structural steel, and about three ships in, the Port was full. They are constrained by the warehouse space. They are constrained by the outdoor storage. They are always trying to be competitive. The risk of – might be an

unpopular comment – one way to be competitive is to go nonunion. Do not have work rules. Do not have to pay benefits. They pay benefits to these guys. None of them have ever waited on a paycheck even when there are no ships, and they are working their hours in the terminal. They are always trying to get more business. How can they be more competitive? Constantly work for cargo. Warehouses were full a month ago. It is a cyclical business.

Mr. Darbone thanked them for all of the information they provided and they want to ask some of the tough questions because...

Mr. Tosini stated this business is not easy.

Mr. LeBlanc asked if they could provide the past 3 years of USDA inspectional reports to them. Mr. McPhail stated they could. They can provide those. The Port of Lake Charles manages the USDA warehouse license so they can get it or the Port Authority can.

Mr. Eason stated that he knew they have 10 – 12 employees here. These are all W-2 employees correct? They are not talking about contracted longshoremen correct? Mr. McPhail stated that was correct and they are full-time FMT staff here at the Port.

Mr. Eason stated FMT came here before he became a board member. What type of investment, and he has seen a lot of things they have talked about, would they give him a dollar figure that they have invested here since they came here. Mr. McPhail replied \$2.5 - 3 million, initial investment, now almost \$5 million.

Mr. Eason said regarding the last couple of USDA bids they got the emails on the success rate that they have had for the Port of Lake Charles. Obviously it appears JacintoPort has gotten several bids. What would he attribute to their success? Mr. McPhail replied that JacintoPort has four spiralveyors. They have guarantee on production – 1,200 tons per loader, if he is not mistaken. They are nonunion. They pay a lesser wage. Also, Jacinto is in Houston. If the tender is a US flag tender, that requires a US flag ship to carry it. There are only nine of those in circulation as far as the size of tenders that they are going after lately – 5 – 15,000 ton type shipments. One of the carriers controls seven of them. They operate their own terminal – essentially down the block from JacintoPort. It behooves them to fill up their ship when it is right next door to their home port. He would attribute it to a few things.

Mr. Eason stated that one of the things he remembered from a meeting a few months ago, they were shown the moving parts of a bid. As they bid for a USDA cargo, is his memory correct that what they control and what the Port of Lake Charles controls is somewhere less than 5% of the total bid? Mr. McPhail replied that was correct. To speak a little more on the Kansas City trip, they were upset that they missed the tonnage and they went to USDA and said they had done their research. They have pulled the data. They can see that when there is a lot of rice, it should not be passing Lake Charles by and this should be a savings to the suppliers by coming here. But if there is sorghum and veg oil, then that savings might be offset. They also asked USDA if they ever audit these results, because you put in your ocean freight number and you put in the supplier number, which includes their receiving charges, and it filters down and USDA says the lowest number gets the bid. So, they went

up there and said that what they see. The data they had, shows Lake Charles as the lower number. The only part they cannot see is the ocean freight. They asked if they could do a Freedom of Information Act on that data and USDA said no. The carriers will squash it immediately, saying it is proprietary information and they will not release the ocean freight numbers in a timely manner. USDA said they only do audits and reasonableness tests on these things is when someone complains. Mr. Thornton told them that is why they were there. They are going to follow up with USDA and see what they find out. They are going up to USDA to ask them the same questions.

Mr. Darbone said they appreciated their answers and information and they will take a look at it. He would like to move on try to get to others.

Mr. LeBlanc asked if they could submit some questions to the Committee...

Mr. Lorenzi appreciated what they said about filing a complaint. He would like to know the progress on that. Mr. McPhail replied they would follow up. Mr. Lorenzi stated the complaint part was important and wanted to be kept apprise of the progress.

Mr. LeBlanc asked if it would be appropriate to send the Committee some follow up questions to maybe get some additional answers besides the questions already asked.

Mr. Darbone stated that absolutely he can.

Mr. Leblanc stated they will submit them through the Chair and the Committee can submit them to the stevedores. They will all be the same questions.

Mr. Darbone called upon Sonic Stevedores representative Phillip Rogers to address the Committee.

Mr. Rogers gave the Committee their answer packet. (It is on file in the Executive Office.). He stated he answered the questions briefly and simply. He has been working a ship today, so he just got off the ship to come to the meeting and was a little dirty.

He stated he wanted to see what he could do to help competition at the Port. If they want to go over the questions, that is what he did on the first two pages and then gave them a brief handout of their website, a kind of overview of their company. He is based in Lake Charles. He has worked in the gate since 1986. He has worked for two different stevedore companies here at Lake Charles since 1992. He is well invested in Lake Charles. He is only focused on Lake Charles. He has worked with many steamship lines over the years that have bid Lake Charles on the bagged good contract. He has worked with USDA and USAID and many of the agencies with this type of cargo.

Mr. Darbone asked if he could verbalize about this competitive effort they are trying to create. Does he have ideas about it?

Mr. Roger replied that pertaining to the bagged good contract, if they are going to open it up for competition, that will be the only way to make it more competitive to where maybe there

are some lower rates and maybe put more of the local labor to work. Basically, what was done in the past is they were able to go out and bid directly to the steamship lines to get the work, whether it was one or two different companies working in Lake Charles over the years. It was always bid directly to the steamship lines to work the vessels.

Mr. Darbone stated if they put that cargo aside, are there any other types of cargo that he could go after to bring to City Docks.

Mr. Rogers replied that sure, they could work on some things. Sonic mainly loads bulk food product. He has gone after some other work locally. Question six is one of the questions of what work have they gone after. He has gone after and has listed some of the products that they have bid on. They have been very limited on the success of doing it. They are working every day to help Lake Charles be competitive and bring more work to the Port.

Mr. Darbone asked if they have been limited because it is an exclusive contract from the dock to bring cargo in or not. Mr. Rogers replied that if it is an exclusive contract, they cannot talk to a steamship line, offer any rates or do anything about working bagged goods. When people have called him over the years, because he has worked with a lot of these companies for 25 years, and has personal relationships with them, he is sorry, but he cannot help them with that type of work, is what he has to tell them. It is not fun to have to do that.

Mr. Darbone asked if there was anything else he wanted to mention.

Mr. Rogers stated that the committee asked who they were soliciting. They talked to many freight forwarders, ship lines and companies about work possible for just Lake Charles, because that is the only place their stevedore works. It easy to see their efforts are here directly for Lake Charles. If and when they get to where the bagged good contract maybe would open up, he has relationships with many of the lines and many commodity suppliers and they would be able to pursue avenues. One thing he would like to see, is the Port open up the bidding for work done at BT-1. They have never been able to bid on being the labor provider at BT-1. Sonic would like to be able to bid that if that comes up. He said in four or five years, he has never seen that bid come up. He just hopes they open it up for competition.

Mr. Krielow stated the policy directive not only is for bagged cargo at City Docks but for competition at the Port of Lake Charles. Hopefully, that will be a possibility for them. Mr. Rogers replied that he would like to do that and see what they could do to help the Port. Mr. Rogers stated he would like to see open competition. His presentation is short and sweet and if they have any more questions, he would be happy to answer.

Mr. Darbone thanked him.

Next, Mr. Darbone called upon Lake Charles Stevedores to present to the Committee.

Mr. Tom Flanagan, President of Lake Charles Stevedores and James J. Flanagan Shipping Corporation, addressed the Committee and stated he appreciated the opportunity. He has with him De'Angela Edwards, their local manager with him.

Mr. Flanagan stated he brought a detailed response to the questions that he would like to hand deliver. Before doing so, he wanted to give them a summary of what it contains. He will talk to them briefly about their company, their capabilities and he brought some very confidential information. He thought it would be most useful to this Committee to understand what their company does and how they differentiate themselves from their competition. Also, how they add value along with some of the contributions they have made to the Port. To take them through several instances of deals they have put together bringing tonnage to the Port he thought they might find useful.

He asked that they consider this highly confidential. It includes rates and details they do not usually divulge. Would it be proper for him to ask that it be held confidentially and not copied? Mr. Darbone replied that yes, they would hold it confidentially.

Mr. Dees stated that no, they could not do that. Mr. Dees stated that Louisiana has public records law and there are only certain things itemized that can be confidential and unfortunately, this kind of data does not fall within that.

Mr. Krielow stated that financial data does. Mr. Dees replied that in certain... Mr. Krielow said also under the Public Records Act one can submit it to the agency but the problem they have is the Director or the Custodian of the Record has 30 days to determine if the record is confidential. It is submitted as a trade secret. He just went through all this with LSU.

Mr. Dees stated he did not hear "trade secret." Mr. Krielow stated if it is a trade secret or confidential financial information – Mr. Dees stated if he submits it that way and claims the exemption, Mr. Dees would be glad to look to look at it. Mr. Krielow stated there are 30 days for the custodian, which would be Mr. Dees, to determine if it is confidential under the Public Records Law and at that point it gets a cover put on it. They keep the record. It gets a cover on it so it cannot be produced as public records.

Mr. Dees stated that if Mr. Flanagan claims the right exemption, he would be glad to look at it. There are certain exemptions. He has not seen what he is submitting, so he does not know if that qualifies for that exception. It is quite technical. But, in the broad sense, the data and things that the Committee receives are public records. If he claims the right exemptions and they fit in that, he will be glad to look at that. They often can agree not to disclose it voluntarily, and only do if the law requires them to and if there is a request. That is generally how it works. Mr. Flanagan asked to make that request that it be held in confidence and only out if it is required by law. Mr. Dees agreed, but he does need to see it to look at it and determine it.

Mr. LeBlanc stated that if he hands it to them, and it becomes a public record and does not fit the criteria, then anyone has access. He stated that if Mr. Flanagan does not want to give it to the public, he should not give it to them right now until they had appropriate time to

review it and determine whether it is confidential or not. If he gives it to them now, it is a public record.

Mr. Flanagan stated he was more interested in answering the Committee's questions than he is, and yes he is concerned. Mr. LeBlanc stated he should have answered the questions and not worried about how confidential he was giving them about rates. Mr. Darbone stated he should just give them more generic answers in terms of what he thinks he can do to create this competitive situation and how he would approach, not only bag cargo, but other cargo to bring to City Docks.

Mr. Flanagan thanked the Committee for allowing him the opportunity to ask the question, but he would like to go ahead and submit the information. It might be helpful to them, if ok with them. Mr. Darbone stated it was ok with them. It was his call.

Mr. Flanagan stated he had five copies he gave to the Committee. The packet is on file in the Executive Office.

The main thing he wanted to say is they are a family company in every sense. They are one of, if not the oldest family stevedoring company on the Gulf coast. They are local. The combination of family and local, without going into a lot of details, makes a huge amount of difference to a lot of people, workers and customers. They appreciate and realize it is a privilege to be at the Port and they have worked here since the 1920's. More recently, since 2018, they solicited and obtained over a million tons of cargo for the Port from 2008 – 2012. In this presentation he will show how they did that.

Mr. Flanagan went over the packet and questions with the Committee. His company is the leading company in project cargoes, forest products, pulp and paper, lumber, bulk commodities, bulk grain, bag agricultural products, heavy lifts of all types, iron, steel, military and wind energy business. In recent years, they have been the project stevedore for the Sasol project in Lake Charles for Matheson TriGas and Axiall.

They solicit business with their contacts with ocean carriers, and also with the suppliers of commodities or the receivers as well as the truck lines and rail lines. They work with all of that.

He went over some items such as a list of accomplishments from his packet. (Page 4 of his packet.)

He stated they consider that in the Port of Lake Charles, they compete with nonunion terminals up and down the coast. That is a fact that they have to compete with them. When they were here, they did not have nonunion stevedores taking the work from local workers. He is not standing here telling them he is a magician or his company is, but they are competitive and they would go to local labor and they would compete for that business. They would try to find solutions. They feel like, that being local, not just as a company, but as local labor, ought to have the opportunity to work the business. He thinks they would benefit the local labor when they were in a much more vibrant position here.

He is here today for competition. He is pro competition. He is knowledgeable that for most of the Port's history competition was allowed across all cargoes including bag goods. The idea of non-competitive bag goods only started in 2012. Competition, and specifically allowing his company to come back into the market, will improve operational focus and efficiency. He assesses the operations as less productive than they have been. He hears that from customers all the time. It will result in lower claims and damages on cargoes. They can put together a more experienced and knowledgeable team, knowledgeable about the Port. The ability to make local decisions makes a huge difference. They are willing to take on the tough task of labor negotiations, which would be beneficial to local labor if it results in more business. It will result in lower handling costs and higher levels of service, productivity and performance.

Some of them may laugh, some may not, to sum up their business philosophy as a family business, their desire to participate and contribute makes a difference.

With that, he wanted to take few minutes to speak about a proposal, in his packet. It was for a shipment regarding a cargo ship for Matheson TriGas, near the Sasol plant, coming from Japan and was a Chinese Government ship, who wanted to discharge the vessel in Houston and barge it here. What they are looking at is not stevedoring. They did the entire transportation package. They provided a stevedoring rate, barging and heavy haul transport to the site. They were able to convince them doing it here in LC was more efficient than trying to make it work out of Houston. The ship was already scheduled to go to Houston. They did not want to divert to LC. This resulted in, so far, four ships coming to the POLC. One of the questions from the questionnaire was giving some examples of real business that they brought here. He is demonstrating that they do that. He is showing that they are doing something that no other stevedore in this Port, as far as he knows, has ever done.

There is more information behind that information including a letter from the Chairman of TriGas.

In case anyone believes that because a project is built in LC that the ships come to LC. That is not necessarily the case. Most of the shipments for projects built by CB&I went to Houston and were trucked over. Same thing with a lot of the Sasol business. It did not come here. Just because a plant is being built here, does not guarantee the cargo will come to the POLC.

It is their job to make sure, as a stevedore, that that happens. They do not wait back and hope that someone calls them that a ship is coming here.

He showed a page of an email exchange from Liberty Maritime, a large American flag company. They wanted to load cargo out to Corpus or Beaumont. Mr. Flanagan told them he would like to discuss LC and is offering the entire capacity. That is important. It may not seem it, but it is because there are a lot of different ways to compete, and there are containers going to Houston. Unless they have enough cargo on a ship and fill up that entire ship, in the POLC, the breakbulk carrier economics are not competitive with container. Not only do they have to go for the cargo, but they have to go for enough cargo and have to

put a shipping client together with that cargo in one port. One port load. You do not see that very often. Ships bounce around sometimes the Gulf coast and East coast and sometimes the Great Lakes. When they have the opportunity to load the entire cargo in one port, it is rare on the breakbulk side.

Mr. Flanagan showed a bid (page 3 in his packet) that let to 70,000 tons of cargo. There were two ships coming to the Port simultaneously. They offered an incentive rate. This rate is \$7.00 – 10.00 lower than the current operator. When they were the primary bag good stevedore in the Port, carriers bid them lower than any port in the U.S. Today, carriers are bidding the POLC higher than any port in the US. He wants to walk the Committee through this to show them what they did and how they did it and the difference between where they were then and where they are now.

Starting on page 3 of his packet, there is the base rate. Next is item B. No competing stevedore does Item B like they do. No competing stevedore does Item C in the POLC. Items A, B and C were instrumental and a requirement to land this shipment of cargo in the POLC. Same with Item D. The next page shows Items E. He is not aware of any stevedore doing Item E either. They gave them an incentive and also a requirement.

Mr. Flanagan told the members of the Committee and Board that this is important enough for him to come in and tell them some of the key elements of how they turned the Port around, how they did it with higher cost labor, with a lot of work rules and in a very competitive environment and the effort with which they put and the business risk they put. All of these items in blue also represent business risks by them. If they do not perform, they have to pay. There are financial penalties.

Mr. Darbone stated, for the sake of time, if Mr. Flanagan thought three stevedoring companies can coexist at the same time at City Docks and bring in different types of product. Mr. Flanagan stated they could and they have for the majority of the history of the Port. It is just a matter if they want to make it work. Mr. Darbone said that Mr. Flanagan was for competition. Mr. Flanagan replied that he is speaking for competition and asking for the opportunity to contribute to the Port again. They are a member of the community and have been and want to continue.

Mr. Leblanc asked if he, with regard to bringing more business to POLC, implemented the same process in Beaumont. If they look at actually where he operates now, if he can bring all of this cargo to LC, he would expect all of that cargo to be going to Beaumont. He does not see the results in tonnage in Beaumont. If he can bring it into LC, why not Beaumont? Mr. Flanagan stated he was glad he was asked that question and could have a chance to clear that up. Beaumont has no waterfront sheds that you can dock a ship at and put cargo in. Beaumont is a diverse port. They do a lot of wind, military and Sasol cargo. All of their warehouses have been full of project cargo for the last three years. They do not bid that aggressively in Beaumont. If they do, it usually gets stuffed into containers. But, they are not a major player in bag goods there because of the facilities.

Mr. LeBlanc asked regarding exclusivity, Mr. Flanagan does not think having exclusivity is not really advantageous for competitiveness. Is that correct? Mr. Flanagan replied that he

thinks the Port is suffering now for lack of competition. The Port is suffering because there is not room for a local company. A local company is barred from doing that business. He thinks they would benefit from that, yes.

Mr. LeBlanc stated then Mr. Flanagan supports not being in an exclusivity. Mr. Flanagan replied that was correct. He asked if Mr. Flanagan has an exclusive contract anywhere that he operates in. Mr. Flanagan stated he does in Beaumont. But, they do not really do bags in Beaumont. Mr. LeBlanc said he does other projects. He is hearing Mr. Flanagan saying he does not want do an exclusive for bag business. Mr. Flanagan said he was not exclusive in Beaumont. Mr. LeBlanc asked if someone wanted to off load military vehicles in Beaumont... Mr. Flanagan stated they could do it. Mr. LeBlanc asked if he had exclusivity in Beaumont. Mr. Flanagan said they do not.

Mr. LeBlanc asked if he would be willing to provide 3 years of USDA inspections. Mr. Flanagan stated he would.

Mr. Eason stated Mr. Flanagan was working at the POLC currently and asked how many employees were in his employment, with W-2s. Mr. Flanagan stated they were currently in the POLC and he has one employee.

Mr. Eason asked Mr. Flanagan why he thought JacintoPort is so successful. Mr. Flanagan stated there were a couple of reasons. JacintoPort is nonunion and has spiralveyors. Mr. Flanagan stated he was able to beat the pants off of them though, however. They do not do a great job. The operations here are suffering. If they talk to the customers, they will come to the same conclusion. Productivity is down, damages are up, labor turnout is worse off, costs have increased, not decreased. All of the things that the Port based the assumption to go to this new agreement with FMT have proven to be wrong. The results have shown that. He is not saying that to be ugly. He is saying that to advocate for his company and the benefit of competition. The operations have suffered and that is why JacintoPort is being successful.

Mr. Eason asked if, outside of this presentation tonight to the Business Committee, have there been any preparations or discussions in preparing for this tonight with anyone on staff or Committee outside of the meeting tonight. Mr. Flanagan replied that there have not been.

Mr. Darbone stated regarding James J. Flanagan Corporation, since it is Mr. Flanagan's, they will not need to go over that again.

Mr. LeBlanc asked Mr. Flanagan how many stevedore company he owns. Mr. Flanagan stated he owned two.

Mr. Darbone next called upon Mr. Brett Holliday, Manager of Lake Charles, Baytown and Freeport of Gulf Stream Marine to address the Committee.

Mr. Holliday stated he passed out a presentation. Their presentation is on file in the Executive Office. He is based in Houston but has two employees based in LC.

He gave the presentation. He made note that Gulf Stream Marine was acquired by Logistec out of Montreal, CA.

One key point is Logistec is by and large a union company. It did operate before in some locations as nonunion. Gulf Stream is a nonunion organization. As they look ahead to developments in LC, they will be evaluating all options. They are also a public company now.

He stated that as far as USDA cargo is concerned, he could not help them. It is not something they have an expertise in as Gulf Stream. Logistec has some interest in that. Hearing that there is a possibility that competition might be open, at this point he honestly cannot tell them how they would go. They are very interested in listening and just in general feel like competition is good in any place where they are operating. Other nonunion companies, union companies, however they turn out – competition is good. He hopes FedNav is here in another six years with 12 guys and they are too. That is the best possible world for Lake Charles.

Mr. Krielow asked if there would be some interest through the other company, it would be through the union side of it. Mr. Holliday replied that he could not answer that now. They were open as Gulf Stream too and had some terrific conversations with the union. They just needed volume. They needed another three LNG projects.

Mr. Darbone thanked him for his presentation. He said the good thing is the majority of the Board has been able to hear everyone talk. What they will do now is take a look at the information. He would like to as a group, maybe in a session and talk about the information and look through it all, make the determinations and recommend some certain things after that.

Mr. Krielow stated he had a couple of questions for Mr. Dees. In regards to exclusivity and marine terminal operator agreements, is the Port regulated or have any oversight by the Federal Maritime Commission with regards to the exclusivity of the terminal operations. Mr. Dees said yes. The Port is a marine terminal under the Shipping Act, which is overseen by the FMC. They operate on a complaint basis. In general, the Shipping Act says marine terminals, such as a port, cannot impose unjust or discriminatory type conditions. He is not giving them verbatim quotes. In general that is what they do. They operate on a complaint basis. If there was a complaint, then the FMC would investigate and determine whether – and in the Port's factual circumstances – whether it is a complaint about exclusivity, does that violate the Shipping Act.

Mr. Krielow asked if there was any kind of waiver that had to be obtained under the 1984 Act under 6g, with regards to doing exclusivity stevedoring. Mr. Dees said no. Mr. Krielow asked if there was a requirement to have those agreements on file with the FMC. Mr. Dees said no.

Mr. Dees stated there was a complaint filed and they filed everything the FMC – they gathered a bunch of data and so forth. The FMC ended up concluding in spring of 2013 that there was no issue.

Mr. Krielow asked if they hired an attorney from Washington D.C. to represent the Port with the FMC. Mr. Dees replied they did. Mr. Krielow said that in essence, when the – his understanding and correct him if he is wrong because there were conversations through their various Business Committee meetings about how this Port has always had exclusivity. His understanding is that there was an exclusivity for in and out truck handling that went into effect in 1992 that got amended to handling rail cars in 1993 or 1994. Then it ultimately turned into an amended agreement with the spiralveyors and all of that was on file with the FMC. But, it was never exclusive to stevedores loading the ships, even at the time the spiralveyors were here. There was an agreement with Lake Charles Stevedores with the spiralveyors. There were other stevedores operating in the Port and if they would so choose, they could still compete and load if they did not want to use the spiralveyors, which were exclusive to the agreement because they spent money bringing them over here. They could still operate as a stevedoring company to load a ship until 2012. That is the first time that an exclusive agreement for stevedores loading ships went into effect at the Port on the bag cargo in 2012. Is that correct?

Mr. Dees stated he believed so, but did not want to tell him something that is a long time ago and in general he thinks he has mostly correct. What he would add is by contract it was not exclusive, but by practical circumstances it was. Mr. Krielow said understandably, but as a contract matter, the first time that the exclusivity issue came to the POLC on stevedoring ships was 2012.

Mr. Rase stated that was not right. One stevedore that was here in 2007 or 2008 came in and asked for exclusivity. He asked for exclusivity and then asked not to have exclusivity and then asked for exclusivity. He then is back today and is saying he does not want exclusivity. The question of exclusivity has been batted around since 2008 or 2007. Mr. Krielow stated that back in 2008, that exclusivity was not granted. Mr. Rase agreed, but the company bought the business, so it was exclusive at that time. It operated many years with just one stevedore. Now, whether he wants to call it exclusive or one stevedore, is a term needing to be looked at. But there is a lot of exclusivity in the marine business. There is the terminal side, which many people have exclusivity on. Just about every stevedore here has that exclusivity at some terminal. Any cargo that comes into the Port or leaves the Port is at least handled in some portion by that stevedore. That does not exclude anyone here. If he is saying is there ever an exclusivity for a stevedore, there are many ports that have that. They were looked at by the FMC and they decided what the Port was doing was not in violation of the Shipping Act.

Mr. Krielow stated there was a pretty concerted effort to put on presentations in Washington to show the logistics of City Docks and why it was advantageous to the Port. Mr. Rase said yes because there was a complaint filed against the Port and they cannot ignore it. They did put on and hire a lawyer that deals with FMC, just like the other side had done. Staff presented documentation and they were fine with it.

Mr. Krielow stated that as a practical matter the FMC does, through their Bureau of Trade Analysis, basically encourage competitiveness in all aspects of ocean shipping marine terminal operations. Mr. Rase stated they look mainly if you have liner services or direct call ships that come to your port every time. They do not look at the individual ship that might be here one day and not come back for three months or five or six months. It has something to do with the liner situation versus those that handle just ships that are chartered on a here and there basis. Example, any ships coming to BT-1, there is no liner service coming to BT-1, so it would never fall under the category Mr. Krielow is looking at. That is what the FMC looked at to see what happened in LC.

Mr. Darbone stated the next step for them was to have the Business Committee meet with the team.

Mr. LeBlanc asked now that they have gotten to this point and at the last meeting there were some questions about factual data or factual information. He requested at the Business Committee meeting to supply the Commissioners the data that was collected. Where did they get the data from? How was it collected?

Mr. Darbone asked that when he mentions data, is he talking about data that they collected. Mr. LeBlanc replied that was correct that they spoke of some of these things as fact. Mr. Darbone said back to the time when he brought up the fact when he made the tour as new Commissioners, the data that he is talking about is when they rode through City Docks and he remembered saying something that "it hit him in the face like a 2x4" in that he saw no activity going on in City Docks and no ships at City Docks. He saw empty sheds and if he looked back on the record, which is the data that he said bothered him, because there was no work going on. That is what he was talking about – that data. That is accurate based on what he saw. That is what encouraged them to get the Committee together to try to promote getting more activity at City Docks.

Mr. LeBlanc said that in the meeting, Mr. Darbone stated he said there was a strong decrease in the number of ships and cargo activities at the Port. Where did that data come from? Mr. Darbone stated the antidotal data of no ships coming in the Port is what he saw. He does not have any hard data that says, but Mr. Rase presented data that said...Mr. LeBlanc said more ships were coming to the Port. Mr. Krielow said they are losing to containers.

Mr. LeBlanc said they still have more ships. They are focusing on one small aspect of operations at the Port. They had more ships come in year after year. They are saying there is a strong decrease in the number of ships and cargo activities in the Port of Lake Charles. That is not a factual statement. That is what he was trying to make clear the other day. He wants to find out where Mr. Darbone found the data that said there was a strong decrease in the number of ships. They did not go to staff. They did not ask for the data that was actually there. When you make a statement that there was a strong decrease, which is not a factual statement. Mr. Darbone replied because people were not working at that time. There was no activity. Mr. LeBlanc does understand what Mr. Darbone is saying, but he is trying to get the information on where he got the facts. When you make a statement in a public meeting and say that there is a strong decrease in the amount of ships and if you

look at the data, they have increased ship traffic year after year. Ships continue to come in. Then say that hundreds of longshoremen have lost their jobs. Look at the FTE, there is a total of about ten that may have lost their jobs. He wants to know where they got the data that supports the hundreds of longshoremen have lost their jobs. To him, they are saying things that, and have gotten off base here and are focused on one portion of the business at the Port. They say they want to be competitive. Every time a stevedore comes and says this is how they can be more competitive. How do they get more bag cargo? They cannot get it in because they have one stevedore that has the rights to do it. He does not think that is the root cause of why they are not competitive. It all depends on what do they mean by competitive. They throw the word competitive around and everyone has a different opinion of what competitiveness is. You see the amount of ships come in here. Are they saying they are not competitive because one portion of the workforce is not getting enough work or is the general cargo not coming in as a whole and getting a total aspect of all the tonnages coming in? They are still continually bringing in more cargo. He feels they have lost sight here because they are trying to pin point it on one small piece of the pie and not looking at the whole picture.

Mr. Krielow stated he disagreed because the motion, when he made it, they looked at all the data that was presented at two Business Committee meetings and when he made the recommendation at the January Business Committee meeting, he cited his recommendation based on information obtained from the FMC as to carriers and customers that felt the exclusivity would harm their business. The fact that in 2008, the previous board had discussions about exclusivity on the stevedore loading and the Port denied it ultimately and the Port did not happen. The first time it happened was in 2012 and there was a series of complaints filed with the FMC. Based on that, he made the recommendation at the Business Committee for the competitive stevedoring, not only at City Docks but the entire Port of Lake Charles. He stated there was one stevedore company speak tonight about how they would like to compete in another aspect of it. Just as a common practice of business, Mr. LeBlanc is involved in business and knows competition drives business. It is good. They are a public body and should be open to allow companies that meet the criteria from taking a license to operate to compete. It allows the shippers and carriers and other companies to have options whenever they are looking at something instead of being forced to have to go to one or the other. He did not center it just on bag cargo. He agrees that they just started out looking at just bag cargo and a lot of other things got into the mix. That is where he came from as far as making a recommendation.

Mr. LeBlanc stated that if they look at the percentages of bagged cargo, they are still getting a pretty fair share. They are getting a good percentage of what is actually being bid. What he sees is the pie is only so big. If they open it up to every single person that can come in, there will be a downward spiral. It is going to be the poor last guy standing that is going to have to pick up the pieces. They are not going to get anymore cargo in. They are going to get their share of the same amount they are getting in. Mr. Darbone disagreed and stated that if they open it up to other opportunities and bring in more business, it is going to grow more. He is more interested in people working at the docks. He is more interested in getting competition to stir. He would like to see whoever is working to grow that one hundred fold. Look at the docks. There is nothing going on. What if they generated more and started getting more people in our district working? He does not see that growing. He

sees people begging for work. There was a spurt of work recently and that was encouraging, but it all starting to die off.

Mr. LeBlanc said he could give a good example. When Gulf Stream came here and said they would hire every single person that would go in and put in an application. The ILA stepped up and said they are going to be nonunion and they will take all of their work. They went out and said they would hire every single person that puts in an application in. They had one person put an application in. So, they do not want to work too badly or do not want to broaden the horizon and get to work here. (That is not true. – statement from someone in the audience.) If that was the fact they want to get more work generated in here, they would have more work generated in here. One of the things is, they continue to focus only on one small portion of it. It brings it back to there is only so much USDA cargo come in and if they open it up to ten stevedore companies, you will have ten people picking up that same amount of cargo. It will downgrade the quality of the stevedore companies that they have coming in here and everyone will get a smaller portion of it because it will be divided between three or four of them and no one can survive at that point. Mr. Guillory agreed.

He does business every day. If they said they would open it up to fifty people that want to come in, and do all the work that they want to do here, nobody will survive. You have to pick and choose and have to look at several things – quality of the work, safety of the work and look at the past. That is what they did. They made a reasonable decision that they were going to go with this particular company. They came in and have lived up to every single thing they have done. He is proud to say he voted for them to be in here. They have done every single thing they said they were going to do and they have done more for the Port. Right now, he supports the Port staying with one exclusive company doing the bag cargo so that they do not have the downward spiral where they end up with four people out here and no one end up getting any work.

Mr. Krielow stated they already passed the policy at the January meeting. Mr. LeBlanc stated they passed a policy to be competitive. That is a wide range of what is competitive. He thought they left it up to staff to say what is competitive and thinks they have done a good job at being competitive at the Port of Lake Charles.

Mr. Krielow stated it said competitive stevedores. Mr. LeBlanc replied that they can say competitive stevedoring but what it boils down to is they have to be competitive. They can pick and choose the way they do things around here and they can play the games that say we'll do this and we'll do that, but what they need to do, is make sure the successes they have had, they continue making those going forward and try and build on the things that they have done positive. He does not want to see them going back to some of the things where they were not successful.

Everyone has numbers and everyone can skew the numbers however they want. But, if you looked at some of the bragging on what happened in 2007 – 2008, there are some underlying factors that caused the Port to really increase the cargo here. It was not because one man walked in and opened his arms up and people rushed in to bring cargo in. There were a lot of underlying circumstances at that point to allow for that increase. As a Commissioner of the board, he does not support doing anything but staying with the way

they have it, having an exclusive on the bag business and if they want to be competitive, they have a lot of other things out there. He does not see anyone else jumping up and trying to do this. They say they want to be competitive, but all they want to do is bid on USDA and not a whole lot of other things.

Mr. Krielow stated he respects Mr. LeBlanc’s position, but as a Commissioner he disagrees and as a business person, he knows that competitiveness drives business. He knows in his business, if he did not have a choice of being able to go out and get competitive bids, he would never have gotten a contract when he was in the general contracting business. Competitiveness drives business. They have business people on this board and you can sit up here and maybe take a position, but at the end of the day, just like these stevedoring companies, when they have to operate their business and they run millions of dollars’ worth of equipment, they are not exclusive to one person or one manufacturer. They go out and solicit competitiveness for equipment and necessary capital items to run their business. It drives business. He respects where Mr. LeBlanc is coming from and knows he has had issues in the past and was here when some issues were going on and he respects all that. He just hopes he respects his. Mr. LeBlanc stated he did. He just wanted his feelings and thoughts to be known.

Mr. Darbone stated they will continue to move in the direction of what they voted on unanimously. They want to start talking about it with staff how to create this competitiveness so that they can create more work.

2. Other Matters which may properly come before the Board.

With no other business to be discussed, Mr. Darbone adjourned the meeting. The meeting adjourned at 7:37 p.m.

This minute entry is made to document the presence of a quorum of the Committee. No other minutes are required or necessary.

All discussions held on the above items were recorded on Compact Disc Number 1, and filed in the Executive Offices of the District.

DAVID DARBONE, Chairman

ATTEST:

CARL KRIELOW, Member