ACTION PLAN 2017

In 2016, the Detroit/Wayne County Port Authority identified a number of issues and developed plans for addressing them. The issues identified included the potential for automotive cargo through the Port of Detroit, the need to prepare available land for port development, the opportunity to assist port operators through development finance programs as well as efforts to develop the potential for marine passenger operation. While there was some progress, many hurdles were identified that must be addressed. This 2017-2021 Action Plan is intended to identify these issues and map out a strategy to address these hurdles.

2016 IN REVIEW

Efforts to attract automotive cargo to the Port of Detroit showed significant progress in 2016. While the Ford Motor Company focused on utilizing a company owned but vacant parcel in Monroe Michigan for vehicle exports, General Motors directed its attention to opportunities at the Port of Detroit. Due to a test shipment in 2015, GM determined that including the Port of Detroit in its logistics network provided a variety of benefits including more competitive transportation cost, shorter delivery time, a reduced carbon footprint in addition to enhancing the economy of the Detroit area.

GM’s interest was enhanced due to the decision by the vessel operator Spliethoff, a Dutch based ocean carrier offering container service between the Great Lakes and Northern Europe, to increase its service offering to the Great Lakes. In addition, Erickson, a Grand Rapids based project cargo carrier, began construction of its $20 million, state of the art, cargo terminal on the Detroit River adjacent to Fort Wayne. General Motors, working with these two companies, the James International Group and the Port Authority proposed a demonstration cargo movement from Brake Germany directly to the Port of Detroit. While every effort was made to ensure a seamless movement, the Detroit office of the U.S. Customs and Border Protection (CBP) service notified the Port Authority that the cargo would not be cleared in Detroit and, as a result, the cargo was diverted to Cleveland where it was cleared by CBP and trucked to its final destination in the Detroit area. The Detroit/Wayne County Port Authority absorbed the additional cost of the trucking move.

The Detroit CBP decision impacted the entire State of Michigan. Port terminals in Muskegon, Charlevoix and Escanaba were also informed that CBP would not clear containers at their facilities. Even export movements through the Port of Monroe faced opposition from CBP causing Ford to cancel its proposed vehicle export movement. Needless to say, the actions of CBP had a chilling effect on the Port Authority’s marketing efforts to auto suppliers and the wine and spirit industry.
The State of Michigan’s Logistics Study calls for 250 acres of land in the Delray area to be consolidated and made available for transportation opportunities. Progress towards that goal was accomplished in 2016. As mentioned above, Erickson began its site improvements on a 17 acre terminal along the Detroit River that had been out of service since the 1980s. In addition, Erickson began working with the James International Group, which owns 21 acres of nearby land that has been dormant for 10 years. Additional adjacent, abandoned property has been identified that could bring the total available to nearly 100 acres. Many of these parcels are already under the control of the City or County Land Banks, while other properties are entering foreclosure proceedings.

The Port Authority also made application for a $22 million FASTLANE Grant in order to assist the Erickson project accomplish the necessary dock improvements. If selected, the funds would also be available for dock upgrades at the adjacent Warner Petroleum and James Group properties.

One other element associated with land consolidation is ensuring adequate infrastructure exists to serve that property. This was made apparent when a section of the bank on the Rouge River collapsed into the Federal navigation channel, blocking access to a dozen terminals including AK Steel, Marathon Petroleum, Morton Salt and many others. This is the third failure along the Rouge River in 20 years and, as much of the shoreline improvements are beyond their design life, future failures are inevitable. The Port Authority focused its attention in 2016 on amending the Michigan Port Authority Act which would allow the agency to assist port terminals upgrade their facilities and avoid future failures.

The proposed legislative change would expand the Port Authority’s ability to assist in marine and other economic development opportunities through financing. While the legislation passed by an overwhelming majority in the Michigan House, The Senate did not take up the legislation prior the end of the session.

Marine passenger operations have been a priority of the Port Authority for many years. Two cruise ships visited the Port Authority Passenger Terminal in 2016. While a sign of progress, the two visits demonstrated, once again, the difficulty presented by CBP’s service to marine activities. CBP took three hours to clear the first vessels (at other U.S. Great Lake Port the process takes approximately an hour) and the second visit had CBP clear passengers twice. Such time consuming delays threaten the ability of cruise operators to schedule shore excursions in Detroit.

In order to encourage a Detroit based Great Lakes Cruise Service, The Port Authority explored financing options for start-up operations. Due to surplus catering revenues, the Port Authority determined that it generated sufficient funds to provide a financial guarantee to a loan of up to
$750,000. The first source of payment would come from a passenger surcharge collected by the vessel operator. The Port Authority guarantee would only apply if the passenger charge was insufficient to meet debt service obligation or if the service ended altogether. The Michigan Economic Development Corporation turned down the loan request and the City of Detroit viewed the opportunity in a negative light. Consequently, the effort to establish a service in 2016 failed.

There were no water taxi demonstrations in 2016. Instead, the Port Authority chartered a vessel and hosted a tour of the Detroit River front for a number of business representatives and public interest groups. The objective was to explore the many opportunities for establishing destinations for a proposed water taxi service. In addition, Port Authority staff surveyed a number of potential docking facilities to determine their physical condition and ability to handle passenger operations in a safe manner. This survey demonstrated that many existing docks, while serviceable, present a number of safety issues or vessel constraints.

**2017-2021 ACTION PLAN**

**Cargo:** Building on the experience of 2016, the Port Authority, in cooperation with the Governor’s office, must focus its attention on addressing the problems presented by CBP. The initial step in this effort will be to determine the interest of the Auto Companies in pursuing the Great Lakes as a transportation option. The vessel and terminal operators have already expressed their interest in proceeding. With the support of the Auto Companies, Michigan’s entire Congressional Delegation must be engaged. With the assistance of the Governor’s office, the Port Authority will reach out to the Congressional Offices and establish a strategy to convince CBP of the need to cooperate on container/vehicle movements through the Port of Detroit and the Great Lakes.

If CBP can be convinced to working with the State and Port then a 2017 demonstration program can be initiated. The demonstration will have three primary objectives; 1) Determine if the Great Lakes can competitively serve the auto sector; 2) Identify operational issues at port terminals, and 3) Clearly define operational needs of CBP. While GM believes that the Great Lakes can help reduce overall transportation costs, reduce congestion problems and reduce their carbon footprint, until a real world demonstration is conducted these goals are just theoretical. Regarding terminal operations, discharging containers, while not completely foreign to the Port of Detroit, it is not a daily occurrence. A demonstration will prove to the terminal operators what capabilities exist and where there are deficiencies. Finally for CBP, a demonstration will identify manpower requirements, equipment needs and security shortcomings.
Assuming a successful demonstration, the Port Authority in 2018 will focus on 2 areas. The first will be to secure the necessary improvements to terminals in order to accommodate the new cargo opportunities. This could include paving of cargo handling and storage areas and the acquisition of new material handling equipment such as cranes, forklifts and straddle carriers. In addition, the Port Authority must concentrate its efforts on land consolidation. The new cargo opportunities will stress the capacity of existing terminals. However, in the Delray Neighborhood, where the port facilities are located, there is an abundance of vacant property that could serve these storage needs. The second focus will be on marketing. If GM can prove the effectiveness of direct water transportation to Detroit, other shippers, including GM suppliers, should be attracted to the opportunity. This will require an aggressive outreach effort through the area chambers of commerce, Automation Alley and Ann Arbor SPARK.

It is the Port Authority’s hope that by 2020, the development and marketing effort will begin to bear fruit and the water borne service will continue to grow. In that case, the Port Authority will direct its attention for 2021 and 2022 on additional port development needs, such as equipment and land along with the development of other logistics services in and around the port facilities to serve the transportation and cargo handling needs of area manufacturers and shippers.

The Port of Detroit is also a significant hub for bulk cargo movement, such as iron ore and coal for US Steel and AK Steel, liquid bulk for Marathon Petroleum and stone for the construction industry. Most of the 15,000 jobs related to port activities are engaged in these cargo movements. It is the Port Authority’s objective to serve these businesses as well as press for new cargo opportunities. Given the limitations place on the Port Authority by existing State law, the Port Authority, in 2017 will concentrate on marketing the Port of Detroit to local officials. This is necessary, as many officials are unaware of the presence of these port terminals or the economic impact to the region. A better understanding of the Port will help avoid poor public policy decisions that could harm the industry.

The first step in the awareness issue will open in May of 2017 at the Port Authority Building on Atwater Street. The Port Authority in cooperation with the Riverfront Conservancy and General Motors will open a Maritime Kiosk, displaying historical material about the Port of Detroit and a computer station featuring “Boatnerd” software that track vessel sailing on the Detroit River and throughout the Great Lakes. The Kiosk will help educate the public as to the history and significance of the Port to the City, the State of Michigan and the entire Great Lakes region.

In 2018, the Port Authority will build on the experience of the 2017 efforts. The Port Authority will look at ways to add additional Kiosks along the water front. The target location in 2018
would be the Outdoor Activity Center operated by the Michigan Department of Natural Resources. A Kiosk at this location would not mirror the one at the Port Authority Building, but focus on other facets of the marine community such as recreation or commercial fishing.

In addition to informational kiosks, the Port Authority would like to find ways to expand tour opportunities along the Detroit and Rouge River. Some of this can be accommodated by the Water Taxi (see passenger operations), but the tour of port facilities will require a different approach and funding source. If a water tour demonstration can be accomplished in 2017 and expanded in 2018, then a long term plan can be developed that would determine the appropriate vessel for such a service and the funding source to support the operation. It is the Port Authority's hope that over the next 5 years this program can be fully developed and funded.

In addition to the public outreach effort, in 2017 the Port Authority intends to begin discussion with the U.S. Army Corps of Engineers regarding deepening the Federal navigation channel on the Rouge River. The authorized depth of 21 feet is not adequate to serve the many terminals along this waterway. According to a preliminary study conduct by the Corps of Engineer, deepening the Federal channel would have a 15 to 1 benefit to cost ratio. To proceed with this effort the Corps of Engineers needs a local sponsor that can provide the 50% local match for the engineering study estimated to cost $600,000. While the Port Authority is the logical sponsor the agency does not have the local matching funds. Prior to any further action on this project, The Port Authority must secure the local matching funds. If the funds can be secured, a schedule can be established with the Corps of Engineers for study completion and construction.

Financial Assistance: In many States, Port Authorities play a critical port and economic development role through the issuance of bonds to finance facility development. Unfortunately, in the State of Michigan, State law limits the Port bond financing to “facilities owned by a Port Authority”. This has stymied the ability of the Agency to assist private terminals in the Detroit area. In order to remedy this situation, the Port Authority in 2015 began working with the Michigan House Commerce and Trade Committee on modification to the Port Authority Act to address this limitation. Legislation to correct this problem was introduced in the Michigan House of Representatives in 2016 and passed 98-8. Unfortunately the Senate was not able to take up the legislation prior to the end of the session. The Port Authority is working with its supporters in both the House and Senate to have the legislation introduced and passed as soon as possible.

The inability to finance facilities not owned by the Port Authority has severely limited the agency's ability to assist the maritime industry in Southeastern Michigan. With this change in
State Law, The Port Authority will be positioned to assist terminal operators as they take advantage of the new cargo opportunities associated with the automotive sector and containers. In addition, as the Army Corps of Engineers conducts its’ engineering analysis of the Rouge River dredging project, there will likely be some dock infrastructure problems identified. Much of this infrastructure is over 50 years old and beyond its designed life. The legislative changes sought by the Port Authority will allow the agency to assist the private terminals upgrade their docks and take advantage of the new opportunities presented by the Corps of Engineers improvements.

One area of finance that does not require a change at this time is the Port Authority’s role in brownfield remediation. The Cardinal Health and Ferrous Steel projects are two of the success stories.

The Port Authority’s objective over the next 5 years is to deploy the available $1.3 million in brownfield revolving loan funds provided by the Federal and State government to those projects that will have the greatest impact on the local economy. As these funds are fully deployed in 2018, the Port Authority, will be working with the City of Detroit, Wayne County and the Detroit Economic Growth Corporation to secure more funds in 2018. As the loans are repaid, the funds available to be used for further environmental remediation will be made available for other transformative projects. The Port Authority, in cooperation with its local partners will continue to seek to grow the program through 2019 to 2021.

With regards to the bond financing capability of the Port Authority, the agency’s priority in 2017 is the passage of the Port Authority legislation. With the financing limits removed, the Port Authority will begin reaching out to area terminals in 2018 and beyond to offer its assistance to help these private sector companies meet that capital investment needs.

**Passenger Operations:** Building on the water taxi experience through 2015, the Port Authority intended to do several demonstration water taxi runs in 2016. This was not accomplished due to scheduling conflicts. Instead the Port Authority will attempt a month long demonstration during the summer of 2017. The length of the trial will depend on the funds available from the Port Authority reserve and the revenues generated through the demonstration. The intent is to determine the real world market for such a service and the price point necessary to attract customers. Based on the knowledge gained through this demonstration, the Port Authority can determine the type of vessel and the need for more or fewer stops. It may also prove that the private sector can provide the service without the Port Authority purchasing a vessel.

In addition, the Port Authority is working with the Michigan Department of Natural Resources to determine what stops at Belle Ile and Milliken State Park will work for the taxi service. As part of the effort the Port Authority will conduct an engineering evaluation of the available
docks to determine what improvement may be necessary for safe, efficient passenger operation. Other docking sites along the Detroit River will likely need evaluation as a result of the demonstration effort. The results of this evaluation may lead to a request to reprogram some of the Ferry Grant funds from the Federal Highway Administration available to the Port Authority. This may prove to be a more efficient use of the funds than the acquisition of a vessel.

With a better understanding of the market, the Port Authority would like to see a full time service initiated in 2018. The objective for 2019-2021 would be to expand the service area of the water taxi and explore the opportunity to use the water taxi for commuter use.

If possible, and depending on the cooperation of both the U.S. and Canadian Border Services, the Port Authority would like to conduct two cross river ferry demonstrations. Efforts are already underway to secure the political support necessary to encourage such cooperation. If the demonstrations are conducted, the Port Authority would like to expand to a regularly scheduled service in 2018 in order to determine the most appropriate vessel/vessels for the service. 2019 and beyond would allow the Port Authority to determine the length of the season and even determine if there is a commuter market in cross river operations.

While 2016 witnessed 2 cruise visits to Detroit, neither was without problems. Most of the concern was on the CBP clearance procedures. It appears that some of the concerns in 2016 have been worked out between the vessel operator and CBP, and 4 stops by the Victory 1 are scheduled for Detroit in 2017. In addition, the Port Authority is again attempting to package a financing plan to help start a cruise service based out of Detroit. This could add another 6 to 8 vessel calls on Detroit with the added benefit of hotel stays in the City by the passengers. If CBP cooperates with the vessels and the financing package can be developed, additional service will follow in 2018 and beyond. The expansion of service could strain the capacity of the Port Detroit Terminal and close coordination will be needed with the catering company conducting the functions in the building.

The 2017-2021 plan will continue to evolve as issues and opportunities develop.