FINANCIAL STATUS OF U.S. PUBLIC PORTS

Income Statement

Table 30 shows the 1996 consolidated income statement for the U.S. public port industry by coastal region. Appendix E contains the 52 ports responding to the survey.

Table 30
1996 Income Statement for Responding U.S. Ports
(Thousands of Dollars)

	North Atlantic	South Atlantic	Gulf	North Pacific	South Pacific	Great Lakes	Total
OPERATING REVENUES:							
MARINE TERMINALS	$125,314	$433,988	$211,966	$77,743	$409,006	$1,579	$1,259,596
OTHER MARINE REVENUES	$69,940	$61,453	$52,606	$95,903	$128,973	$1,480	$410,355
TOTAL OPERATING REVENUE *	$195,254	$495,440	$264,573	$176,841	$537,979	$3,059	$1,673,146
OPERATING EXPENSES:							
OPERATING & MAINTENANCE	$114,828	$237,216	$124,914	$84,985	$136,502	$1,642	$700,087
SECURITY	$10,611	$18,746	$10,874	$1,652	$11,065	$63	$53,011
SALES PROMOTION/ TRADE DEVELOP.	$8,956	$18,762	$7,381	$2,101	$7,023	$1,038	$45,261
OTHER ADMINISTRATIVE EXPENSES	$29,587	$66,812	$37,051	$10,332	$76,653	$909	$221,344
DEPRECIATION	$50,167	$79,535	$55,112	$45,988	$97,223	$1,032	$329,057
TOTAL OPERATING EXPENSES *	$214,149	$421,069	$235,332	$145,058	$328,466	$4,684	$1,348,758
OPERATING INCOME *	($18,896)	$74,369	$29,240	$31,783	$209,512	($1,625)	$324,383
OTHER INCOME (EXPENSES):							
INTEREST EARNED	$533	$16,770	$21,329	$11,690	$19,489	$111	$69,922
BOND INTEREST EXPENSE	($33,084)	($48,872)	($30,706)	($16,135)	($68,497)	($141)	($197,435)
TAX LEVY	($1,217)	$2,057	$38,460	$51,079	$0	$0	$90,379
CONTRIBUTION	$10,052	$21,290	$987	$87	($1,299)	$360	$31,477
OTHER	$325	($3,952)	($405)	($1,900)	$5,097	$99	($736)
TOTAL OTHER INCOME (EXPENSES)	($23,391)	($12,706)	$29,665	$44,821	($45,210)	$429	($6,392)
NET INCOME *	($42,286)	$61,664	$58,905	$76,604	$164,302	($1,196)	$317,993
Number of Port Responding	7	11	15	8	9	2	52
Net Income to Total Operating Revenue	-21.7%	12.4%	22.3%	43.3%	30.5%	-39.1%	19.0%
Operating Ratio (Tot. Op. Exps./Tot. Op. Revs)	109.7%	85.0%	88.9%	82.0%	61.1%	153.1%	80.6%
Operating Margin [before Depreciation] (Op. Inc.+Deprec./Tot. Op. Revs)	16.0%	31.1%	31.9%	44.0%	57.0%	-19.4%	39.1%
Operating Margin [after Depreciation] (Op. Inc./Tot. Op. Revs)	-9.7%	15.0%	11.1%	18.0%	38.9%	-53.1%	19.4%

* Some components do not add to totals - either some ports did not provide a breakdown or there were differences due to rounding.
Source: American Association of Port Authorities

The combined net income for the 52 public ports was $317.9 million. Of that amount, 38.3 percent ($121.9 million) came from tax levies and contributions.

- o The two most profitable ports, Los Angeles and Long Beach, accounted for 44 percent ($139.8 million) of the public port industry's combined 1996 net income and 85.1 percent of the South Pacific region's net income. These rankings showed a decline from 1994, when the percentages for the two ports were 76 percent and 96 percent, respectively. When including the third most profitable port, Seattle, these three ports accounted for 57 percent ($181.0 million) of the combined net income.

- o The North Pacific ports received the largest portion of the tax levies and contributions at $51.2 million. The Gulf and South Atlantic followed with $39.4 million and $23.3 million, respectively.

Figure 4
1996 Net Income for Responding U.S. Ports by Region

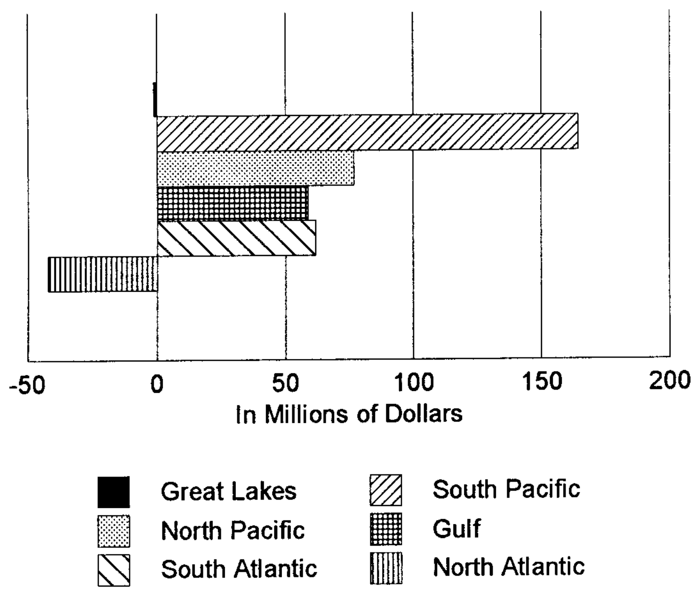

Table 31 compares the distribution of net income for 1994 and 1996. The data reflects the continued narrow profit margins within the public port industry. Table 32 provides more detailed information on the 1996 net income distribution.

Table 31
Summary of Net Income Distribution: 1994 vs. 1996

	1994			1996		
	No.	Pct.	Pct. of Total Ports	No.	Pct.	Pct. of Total Ports
Profits *Range*	-	-	78% *$0 to $92.4M*	-	-	77% *$0 to $73.5M*
Losses *Range*	-	-	22% *-$213K to -34.5M*	-	-	23% *-$219K to -$26.7M*
Of those with net profits:						
Low range: net income below $1M	16	37%	29%	11	28%	21%
Mid-range: net income between $1M to $5M	15	35%	27%	12	30%	23%
High range: net income greater than $5M	12	28%	22%	17	42%	33%
Sub-total	43	100%	78%	40	100%	77%
Of those with net losses:						
Low range: net loss under $1M	3	25%	5%	6	50%	11%
Mid-range: net loss between $1M to $5M	7	58%	13%	2	17%	4%
High range: net loss greater than $5M	2	17%	4%	4	33%	8%
Sub-total	12	100%	22%	12	100%	23%
Total	55		100%	52		100%

Several interesting trends that can be identified from Table 31:

- o The percentages of profitable and not profitable ports remained virtually unchanged from 1994 to 1996.
- o The distribution of profitable ports shows improvement. Profitable ports reported higher profits in 1996 than in 1994, with percentages dropping in the low- to mid-ranges and jumping from 28 percent to 42 percent in the high range.
- o Unprofitable ports also showed a shift in distribution. A 71 percent drop in the number of mid-range ports (from 7 in 1994 to 2 in 1996), was compensated for by a doubling in the other two ranges. Overall, however, there are a third fewer ports reporting losses greater than $1 million in 1996 (6 ports) than there were in 1994 (9 ports).

Table 32
Distribution of Net Income for 1996

Net Income (Millions of Dollars)	Number of Public Ports	Percent
$-35 to <$-30	-	-
$-30 to <$-25	1	1.9%
$-25 to <$-20	-	-
$-20 to <$-15	1	1.9%
$-15 to <$-10	1	1.9%
$-10 to <$-5	1	1.9%
$-5 to <$-1	2	3.8%
$-1 to <$0	6	11.5%
$0 to $1	11	21.2%
$1+ to $5	12	23.1%
$5+ to $10	7	13.5%
$10+ to $15	1	1.9%
$15+ to $20	4	7.8%
$20+ to $25	2	3.8%
$25+ to $30	-	
$30+ to $35	-	
Over $35	3	5.8%
Total	52	100.0%

Source: American Association of Port Authorities

Balance Sheet

Table 33 displays the 1996 U.S. public port consolidated balance sheet. Appendix E lists the 47 public ports responding to AAPA's survey.

Table 33
1996 Balance Sheet for Responding U.S. Ports
(Thousands of Dollars)

	North Atlantic	South Atlantic	Gulf	North Pacific	South Pacific	Great Lakes	Total
ASSETS:							
CASH & INVESTMENT	$8,833	$124,316	$281,310	$133,269	$376,594	$2,501	$926,823
ACCOUNTS RECEIVABLE: NET	$10,940	$70,237	$36,818	$10,034	$97,747	$1,115	$226,891
BAD DEBTS	$3,834	$12,993	$3,877	$458	$8,709	$0	$29,871
OTHER CURRENT ASSETS	$6,668	$124,182	$23,349	$11,430	$108,473	$350	$274,452
TOTAL CURRENT ASSETS *	$26,441	$318,735	$341,476	$154,733	$582,815	$3,966	$1,428,166
PLANT, PROPERTY & EQUIPMENT:							
LAND	$258,723	$676,491	$315,109	$188,650	$1,646,832	$13,070	$3,098,875
BUILDINGS	$387,037	$777,980	$677,223	$164,275	$2,701,614	$14,820	$4,722,949
IMPROVEMENTS	$11,839	$889,353	$703,520	$358,710	$811,497	$23,057	$2,797,976
EQUIPMENT	$86,479	$507,823	$282,709	$122,808	$200,898	$7,429	$1,208,146
PLANT, PROPERTY & EQUIPMENT (GROSS) *	$828,948	$2,851,649	$2,159,923	$834,443	$5,360,840	$58,376	$12,094,179
ACCUMULATED DEPRECIATION	($227,753)	($724,019)	($809,091)	($256,942)	($1,521,780)	($27,321)	($3,566,906)
CONSTRUCTION IN PROGRESS	$56,618	$199,170	$200,705	$30,611	$1,211,917	$112	$1,699,133
PLANT, PROPERTY & EQUIPMENT (NET) *	$675,176	$2,326,798	$1,627,721	$608,112	$5,050,977	$31,167	$10,319,951
OTHER ASSETS	$15,704	$211,327	$313,113	$80,376	$889,819	$145	$1,510,484
TOTAL ASSETS *	$717,321	$2,856,860	$2,282,312	$843,221	$6,523,612	$35,278	$13,258,604
LIABILITIES & EQUITIES:							
CURRENT LIABILITIES	$22,938	$283,384	$99,701	$29,207	$292,808	$4,206	$732,244
LONG-TERM LIABILITIES	$85,496	$923,800	$700,494	$215,271	$2,370,152	$134	$4,295,347
TOTAL LIABILITIES *	$108,434	$1,207,184	$800,193	$244,478	$2,662,961	$4,340	$5,027,590
EQUITY:							
CONTRIBUTIONS: ST./LOCAL/FED'L/OTHER	$39,964	$661,348	$569,054	$38,987	$603,632	$35,768	$1,948,753
RETAINED EARNINGS	$15,318	$629,895	$913,062	$559,756	$3,257,020	($4,830)	$5,370,221
TOTAL EQUITY *	$608,887	$1,649,675	$1,482,115	$598,743	$3,860,651	$30,938	$8,231,009
TOTAL LIABILITIES & EQUITY *	$717,321	$2,856,860	$2,282,311	$843,221	$6,523,612	$35,278	$13,258,603
Number of Ports Responding	5	11	15	5	9	2	47
Net Income to Net Plant, Property, & Equipment (PP&E)	-6.3%	2.6%	3.6%	12.6%	3.3%	-3.8%	3.1%
Operating Income (before Depreciation) to Net PP&E	4.6%	6.6%	5.2%	12.8%	6.1%	-1.9%	6.3%
Operating Income (after Depreciation) to Net PP&E	-2.8%	3.2%	1.8%	5.2%	4.1%	-5.2%	3.1%
Net Income plus Bond Interest Exp. to Total Assets	-10.5%	0.4%	1.2%	7.2%	1.5%	-3.8%	0.9%

* Some components do not add to totals - either some ports did not provide breakdown or there were differences due to rounding..
Source: American Association of Port Authorities

Port Profitability

The following are the results of a June 1997 MARAD report, *An Analysis of U.S. Public Port Profitability and Self-Sufficiency (1985-1994)*.

- o With some exceptions, the study (based on annual port finance surveys) finds a steady decline in the average number of profitable ports during the ten years studied (1985-1994). This is not surprising in view of transportation deregulation, vessel sharing agreements, load centering, and the intense competition in pricing port services and facilities.

- o Despite the declining trend in profitability, in 1994 there were more self-sufficient U.S. public ports (31) than those not self-sufficient (25) responding to the port finance surveys. It is estimated that tax receipts and other contributions, grants, and subsidies were sufficient to enable all but four of the responding ports to have a positive cash flow.

- o In today's economic climate, it is doubtful that there will be any change in the port management philosophy of maximizing economic activity in the region served by the port.

- o Many ports will continue to follow past practices of (1) cross-subsidizing marine terminal operations, (2) receiving state or local government assistance for developmental costs, and (3) using the local port ad valorem tax base to obtain new funds for the development of new port facilities and, in some cases, for port operations and maintenance expenses.

- o As long as port operations and facility development can be cross-subsidized, funded by state or local governments, or local tax payers, ports having such financial assistance will continue to compete with other regional ports by pricing their services below what they need to cover port costs and produce a reasonable rate of return.

- o Each U.S. public port has a state or local constituency. Ports must satisfy their constituents that the economic impact generated by port activities is sufficient to warrant continued legislative or taxpayer support.

- o Those ports having tax support or other contributions and subsidies must build and operate facilities to produce a reasonable rate of return in order to justify the continued support by their constituents.

- Effective regional marine terminal conference pricing may be recognized as important, and utilized, if outside financial assistance enjoyed by ports in some regions is reduced or eliminated.

- Financing of new or improved port facilities from a combination of port revenues and revenue bonds will be extremely difficult for all but the most profitable ports. The increasing local costs related to channel dredging and port access represent major financing problems for all U.S. public ports.