

# Port of Cates Landing

Northwest Tennessee Regional Port Authority

## Business Plan



## **BUSINESS PLAN**

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The objectives for the Port of Cates Landing are:

- Gain access to U.S. Dept. of Transportation "TIGER" Discretionary Grant for the financing of the port and river terminal facilities at Cates Landing.
- Grow the port from a start-up operation in 2011 to handling over 1.5 million short-tons by the end of year three.
- Increase revenue to over \$3 million by the end of its third fiscal year.
- Increase client base by providing services that allow it to meet the needs of all local and regional companies that can ship through the port's location within a five-year time frame.

## **1.2 Mission**

The Port of Cates Landing's mission is to provide efficient, safe and environmentally friendly port facilities in order to create a customer driven business environment that will lead to increased economic output for northwest Tennessee and the surrounding region.

The Port of Cates Landing will utilize the Mississippi River, the Canadian National Railroad via the Tenn-Ken Railroad, as well as the local highway system and the future development of Interstate 69 to create an intermodal port that also provides over 3,000 acres of industrial park property for the location of port user industries.

In turn, the port will be the stimulus for creating hundreds of direct and indirect jobs in the three County area in which it serves. The Port of Cates Landing will undertake this effort in partnership with federal, state and local governments, as well as with partnerships with the private sector that also serve the intermodal shipping industry.

The Port of Cates Landing will develop its facilities based on the highest standards in the industry in order to ensure reliable, efficient and safe operations. The Port of Cates Landing will also undertake initiatives to market their facilities and develop trade programs in partnership with local economic development organizations and the private sector in order to create reliable and effective opportunities for the private sector to utilize the port for domestic and international shipping.

We pledge:

- Honesty.
- Ethical conduct.
- Fairness.
- Openness (Transparent business dealings).
- Quality Assurance.
- Customer satisfaction.
- State-of-the-art technology.
- Ongoing feedback and discussion.

### **1.3 Keys to Success**

Our keys to success are:

- Experienced executive management
- High-quality port facilities
- Projects completed on time, within budget
- The unfilled market need for our services
- To develop mutually beneficial relationships with private operating partners
- To obtain access to affordable financing and other funds for port development
- To undertake effective marketing efforts and trade programs that grow port use

### **2.0 Organization Summary**

The Port of Cates Landing is officially incorporated as the Northwest Tennessee Regional Port Authority. The Port Authority was created under the authority of Tennessee State statutes and is considered a quasi-governmental entity. The Port of Cates Landing was established in 2001. The Port Authority was established by three counties in northwest Tennessee. These counties are comprised of Lake, Dyer and Obion. The physical port property is located in Lake County near Tiptonville, Tennessee. The Port Authority is governed by a board of directors comprised of eight (8) members. The Port Authority is called the Port of Cates Landing due to its proximity to an area on the river that was historically used as a landing area on property owned by the Cate's family, and that was always known locally as Cates Landing.

The current board members are the following:

**CHAIRMAN**

Jimmy Williamson, Jr.  
211 E. Court St.  
P.O. Box 664  
Dyersburg, TN 38025-0664  
(731) 287-4600

**COMMISSIONER**

Ralph Henson  
P.O. Box 370  
Dyersburg, TN 38025-0370  
(731) 285-4410 ext. 320

**COMMISSIONER**

Billy Gray, Mayor  
408 South Main St.  
Ridgley, TN 38080  
(731) 264-5782

**COMMISSIONER**

Mack Forrester  
630 Headden Drive  
Ridgley, TN 38080  
(731) 253-7367

**COMMISSIONER**

Dave Frankum  
P.O. Box 1016  
Union City, TN 38281-1016  
(731) 446-8184

**COMMISSIONER**

Marcia Mills  
427 Wynn St.  
Tiptonville, TN 38079  
(731) 253-7203

**COMMISSIONER**

Richard Arnold  
1421 Forest Drive  
Union City, TN 38261  
(731) 885-1044

**COMMISSIONER**

Tony White  
3535 St. Route 21E  
Tiptonville, TN 38079

(731) 253-6654

Each board member is appointed by their respective County Mayor per guidelines established under the state statute creating port authorities in Tennessee.

### **2.1 Legal Entity**

The Northwest Tennessee Regional Port Authority is the legal entity. The Northwest Tennessee Regional Port Authority is also known commercially as the Port of Cates Landing. The port authority was created by the authorization of three counties in northwest Tennessee for the purpose of promoting trade, commerce and economic development in the region. The port authority is given its ability to organize and do business under Tennessee state statutes.

The port authority will primarily utilize the transportation benefits of the Mississippi River and its connectivity to deep water ports in the Gulf region as well as the inland ports on the U.S. inland waterway system to undertake its mission and related development plans. The Port of Cates Landing was formed by local ordinance passed by Lake, Dyer and Obion Counties. The Port of Cates Landing is governed by a board of directors comprised of two appointed officials from Dyer and Obion County and four from Lake County. The appointments are made by the county mayor of the respective counties. The board members are not compensated for their time and efforts.

The Board of Directors meet on a monthly basis to undertake the business of the port authority and can meet at any time to undertake immediate business needs of the port authority with proper notice to the public. The port authority is required to be audited on an annual basis under governmental accounting standards. The last three years' audits are attached.

### **Start-up Requirements**

<b>Start-up</b>	
<b>Requirements</b>	
<b>Start-up Expenses</b>	
Legal	\$10,000
Stationery etc.	\$500
Insurance	\$5,000
Rent	\$0
Computer	\$2,500
Other	\$2,000
<b>Total Start-up Expenses</b>	<b>\$20,000</b>
<b>Start-up Assets</b>	
Cash Required	\$700,000
Start-up Inventory	\$0
Other Current Assets	\$2,500
Long-term Assets	\$0
<b>Total Assets</b>	<b>\$702,500</b>
<b>Total Requirements</b>	<b>\$722,500</b>

## 2.2 Start-Up Summary

The start-up expense table was developed for business planning purposes and is based upon a hypothetical scenario the port authority would have been in at its beginning. The port authority did use granted funds for legal, accounting and office expenses. The port authority also used funds for engineering and other consulting expenses in order to assess the port's feasibility, select the development site and undertake a comprehensive development plan. Funds were also used to do some initial marketing to announce the planned development of the port and industrial park property.

## 3.0 Service Summary

The Port of Cates Landing will develop the port facilities and industrial park, as well as market the port's assets. The Port of Cates Landing will take the traditional role port authorities undertake as a "landlord" port. The Port of Cates Landing will contract out the port's operating services (stevedoring) to a private firm experienced in the industry. This will include such services as handling material to and from barge, rail and truck. The stevedoring company will also provide other services for customers shipping product through the port such as warehousing and repackaging.

Currently, the Port of Cates Landing is negotiating a memorandum of understanding (MOU) with Cooper T. Smith Stevedoring, Inc. of Mobile, Alabama ([www.coopertsmith.com](http://www.coopertsmith.com)). Cooper T. Smith is an experienced dock operator in the Gulf region and will bring substantial benefits to this start-up port operation. Under the MOU, both parties will agree to undertake the work necessary to establish a contractual arrangement whereby the port authority and Cooper T. Smith will execute a contract giving Cooper T. Smith the exclusive rights to operate as the port's stevedore. Under such arrangement, Cooper T. Smith will pay the port authority rents for this exclusive lease arrangement. The port authority will also assess tariffs on products handled through the port for additional income. Income projections from these revenue sources are provided later in this plan.

The Port of Cates Landing, in conjunction with Lake County, will also develop the industrial park adjacent to the port and harbor (see schematic planned development attached). The industrial park will be an instrumental part of the port's success. By providing industrial park space, the port authority will be able to attract industry to the port that will provide substantial business to the port's dock operation. The industrial park will be rail served with access to the Class 1 Canadian National Railroad.

The port authority is planning to develop up to 3,000 acres of industrial park land. This will be done over three phases. The port authority is currently developing the first phase of the industrial park which will include up to 350 acres of property. To date the port authority owns approximately 350 acres of property. This area in Lake County has a long history of attracting interest from firms looking at locating large operations near the river. Unfortunately, the property did not have a dock operation

nor did it own or control land for industrial development. The time frame necessary to provide suitable property to locate the interested industries was not acceptable to the interested parties thus causing several prospects to locate elsewhere. The port and adjacent industrial park space is of interest due to its geographical location and the fact that the property sets above the 100 year flood plain. This is essentially the only large tract of developable property between Memphis and the mouth of the Ohio River that is above the flood plain, giving it a significant strategic advantage.

Together, the Port of Cates Landing will offer cargo handling and storage services at its terminal property while also offering industrial park space to industries that need access to river and rail.

#### **4.0 Market Analysis Summary**

##### **Site Location and Description**

The project area is located on the west side of Lake County, TN at Mississippi River Mile 900 on the left descending bank. As mentioned earlier, this site is elevated and not subject to flooding. In the past, the U.S. Army Corps of Engineers (USACE) used this site to cast and store concrete mats used in stabilizing the banks of the Mississippi River. With the reduction for concrete mat on this portion of the Mississippi River, the USACE donated this site to Lake County on December 15, 1992.

Cates Landing is adjacent to Tiptonville, TN, and is near state Highway 78 and 22. State Highway 78 runs to Dyersburg, TN, connecting with I-55 and the only bridge that crosses the Mississippi River between Caro, IL and Memphis, TN, U.S. Highway 51, while Highway 22 runs into Union City, TN, connecting with U.S. Highway 51. The site is located approximately 25 miles from Interstate 155 which has direct four lane connections to Interstates 40, 55, 24 and the Purchase Parkway in Kentucky. Moreover, the site will be less than 30 miles from proposed Interstate 69 which will be a major route connecting Canada to Mexico.

The TennKen Railroad that operates from Dyersburg to Hickman, KY, serves the area. The TennKen connects to the Class I Canadian National Railroad (CN). Many carriers throughout the area provide truck transportation service.

Utilities necessary to serve the site are available and provide great competitive advantage. The site will be served by Gibson County Electric Cooperative which has access to highly reliable and cost-effective power supply from TVA. The port authority is in the process of assessing the cost and financing of natural gas to the site.

### **Demographics**

According to the 2000 U.S. Census Bureau, the population of Lake, Dyer, and Obion Counties was 77,683. The population in Lake County is 7,954. Nearly 83 percent of Lake County's population was 18 years and older compared to 74.3 percent for the U.S. in 2000. Also, in 2000, high school graduates composed 56 percent of the county population compared to 80.4 percent in the U.S.

The Lake County labor force was composed of 2,556 persons in 2000. The labor force for Lake County represents 37.8 percent of the county population that is 16 years and older compared to 63.9 percent for the U.S. Per capita income in 2000 for Lake County was \$10,794 compared to \$21,857 for the national average that year. Individuals with incomes below the poverty level in 2000 accounted for 23.6 percent of all persons in county compared to 12.4 percent for the U.S.

The Lake County area remains the poorest county in Tennessee and ranks as the 49<sup>th</sup> poorest county in the United States. The County's main employment activity is agricultural. The non-agricultural commercial and industrial activities in Lake County as of 1991 are listed as follows: Keneric Corporation (apparel manufacturing with 55 employees), Rolane Industries (apparel manufacturing with 300 employees), Banner Printing Company (printing with 7 employees), Georgia Gulf Corporation (PVC pellets manufacturing with 72 employees), and Henry I. Siegel Company (apparel manufacturing with 210 employees). Since 1991, all of the apparel manufacturing

industries discontinued operations. There are no manufacturing jobs remaining in Lake County.

### **The Mississippi River**

The Mississippi and its watershed have a drainage area of 1.25 million square acre miles. The river has a length of about 2,350 river miles from its headwaters in Minnesota to the Gulf of Mexico. The river drains approximately 41 percent of the contiguous United States including all or part of 31 states and two provinces in Canada. It is a major transportation artery that provides access to international markets for mid-continent producers via the highly cost-effective mode of barge and deep-sea vessel. The river is an important asset in meeting the goals of the North American Free Trade Agreement, allowing access to opportunities created by the agreement for businesses along the river. Moreover, the river is linked to the nation's rail and highway system, making available the flexibility of a truly multi-modal system in North America. Five basic categories of commodities (grain, fertilizer, coal, aggregates and petroleum products) are transported on this waterway. In addition, a great deal of semi-finished and finished products (steel, aluminum, rubber, paper, etc.) is shipped on this river system at competitive market rates.

The three-county area is in need of a harbor and terminal to make its proposed industrial site intermodal, thus increasing the site's potential for local employment. As mentioned, several industries have indicated a desire to locate to the area if the harbor and terminal was constructed.

### **Harbor**

The USACE has recently completed a major component of the project by completing the dredging of a 9,000 linear foot harbor. The harbor will consist of a 130-foot bottom width (entry/exit) and a 300-foot turning basin at the harbor's end. The harbor will consist of a 9-foot channel depth with a 2-foot over-dredge. This harbor will be maintained by the USACE in the future up to a cost of \$8.0 million.

The harbor construction was undertaken by the Corps as the Port of Cates Landing acting as the "sponsor" for the project. The port authority contributed funding for the dredge disposal area while the USACE contributed \$4.0 million to dredge the harbor. It was necessary to place the dredge spoil on land rather than back into the river as a result of regulations imposed by the Tennessee Department of Environment and Conservation on such projects. The dredge spoil property will provide twenty years of dredge spoil area from maintenance. A detailed environmental and economic assessment was completed by the Corps. The assessment found that there was no significant environmental impact that would result from the harbor project. The assessment also concluded that there was a benefit-to-cost ratio of 1.89 to 1 when using federal government guidelines. The USACE assessment considered a total of five different harbor sites and was completed in conjunction with several local organizations as well as TVA, U.S. Department of Commerce, Tennessee Department of Economic Development and various other state and federal agencies.

### **Dock Design and Development**

The Port of Cates Landing needs the funds necessary to finance the construction of the dock and lay down area in order to make the port operational and provide a major asset for the development of the associated industrial park. The port authority has assessed two alternative dock designs and their associated costs (see attached dock comparison summary). The port authority has selected the multi-purpose "open cell" concept as proposed by PND Engineers, Inc. Essentially, this is an earthen based dock that provides the terminal operation with more operational advantage than the pile supported proposed. The "open cell" design concept is attached for review. The proposed cost of the dock including mooring dolphins is estimated at \$6.3 million with engineering costs at approximately 6% of construction costs or \$378,000. Along with other improvements necessary to make the dock operational, the port authority is requesting funding of \$34.7 million from the U.S. Department of Transportation to complete the dock design, construction, lay down area and roadway improvements, as well as utility and other necessary improvements.

By completing the dock, the port will be positioned to begin handling material to and from barge. Although other improvements (i.e., rail) are needed long-term, the construction of the dock as the primary asset for the port operation would put the port authority in an immediate position to handle material and begin a revenue stream for future development.

#### **4.1 Market Analysis**

Thirty-nine companies within a 50 mile radius were identified as having strong interest/interest in utilizing the Port of Cates Landing. Thirteen companies signed non-binding letters of support for the port development, and 960,000 tons of freight was identified by these companies for the port authority (Younger & Associates, 2001). In 2001, 326,000 annual tons of cargo from the non-binding letters had been qualified by the U.S. Army Corps of Engineers. In addition, other companies have been contacted since studies were completed by Younger & Associates, the U.S. Army Corps of Engineers, and the University of Memphis.

In summary, the following tonnage by manufacturing was identified by the University of Memphis in December, 2005 for the region. The three county area shows over 2.5 million net tons shipping by rail and truck (inbound/outbound) for the three county area. When adding additional tonnage from outlying counties that are likely users of the port, total tonnage exceeds 8.4 million tons.

The purpose for compiling this information is to assume that certain percentages can make a "modal shift". In other words, product currently being shipped by either rail or truck will move to shipment via barge. It is assumed that much of this product is not conducive to barging, therefore, only small percentages should be considered for a modal shift.

**Table 4.0**

Estimated Truck and Rail Shipments Associated with Manufacturing						
Estimated Totals			Estimated Tons by Mode			
County	Inbound Tons		Inbound Tons		Outbound Tons	
	Inbound Tons	Outbound Tons	Tractor Trailer	Rail	Tractor Trailer	Rail
Dyer	489,753	753,411	400,066	89,687	629,751	123,660
Lake	7,300	8,849	5,948	1,352	6,876	1,973
Obion	420,693	856,815	377,278	43,415	787,048	69,767
<b>Subtotal</b>	<b>917,746</b>	<b>1,619,075</b>	<b>783,292</b>	<b>134,454</b>	<b>1,423,675</b>	<b>195,400</b>
<b>Total Inbound/Outbound</b>	<b>2,536,821</b>					
Haywood	49,407	83,835	41,853	7,554	69,719	14,116
Lauderdale	57,332	268,608	50,343	6,989	234,546	34,062
Crockett	89,100	238,307	80,807	8,293	207,570	30,737
Fayette	48,367	118,904	42,380	5,987	102,536	16,368
Gibson	162,316	271,261	141,384	20,932	249,350	21,911
Hardeman	160,787	421,539	135,851	24,936	356,487	65,052
Madison	1,195,886	1,924,018	887,591	308,295	1,719,009	205,009
Tipton	126,004	676,522	106,702	19,302	629,696	46,826
<b>Subtotal</b>	<b>1,889,199</b>	<b>4,002,994</b>	<b>1,486,911</b>	<b>402,288</b>	<b>3,568,913</b>	<b>434,081</b>
<b>Total</b>	<b>2,806,945</b>	<b>5,622,069</b>	<b>2,270,203</b>	<b>536,742</b>	<b>4,992,588</b>	<b>629,481</b>
<b>Total Inbound/Outbound</b>	<b>8,429,014</b>					

The following table represents the total tonnage shipped by agricultural commodity by each area county. This information was also developed by the University of Memphis in December, 2005. As illustrated, the region produces slightly more than 2.0 million net tons. It can be generally estimated that this tonnage equates approximately 75.0 million bushels of agricultural product. Based upon terminals operating in similar agricultural markets, it can be assumed that at least 10% or 7.5 million bushels could shift to barge transportation.

**Table 4.1**

Agricultural Commodities Summary							
Tons							
County	Corn	Sorghum	Soybeans	Wheat	Cotton	Cottonseed	Total
Dyer	82,880	4,844	112,500	33,900	10,500	15,120	259,744
Lake	38,780	-	54,900	12,600	4,750	6,840	117,870
Obion	207,900	3,416	102,000	43,500	1,000	1,440	359,256
<b>Subtotal</b>	<b>329,560</b>	<b>8,260</b>	<b>269,400</b>	<b>90,000</b>	<b>16,250</b>	<b>23,400</b>	<b>736,870</b>
Haywood	32,480	7,560	20,700	10,800	40,000	57,600	169,140
Lauderdale	61,320	4,200	79,500	9,600	14,000	20,160	188,780
Crockett	13,300	1,848	13,800	5,850	29,500	42,480	106,778
Fayette	38,080	10,304	29,250	8,700	16,500	23,760	126,594
Gibson	173,936	-	97,200	63,000	13,500	19,440	367,076
Hardeman	16,940	2,240	10,800	3,300	7,750	11,160	52,190
Madison	35,980	2,800	21,750	6,300	15,000	21,600	103,430
Tipton	43,260	3,780	43,500	21,000	23,750	34,200	169,490
<b>Subtotal</b>	<b>415,296</b>	<b>32,732</b>	<b>316,500</b>	<b>128,550</b>	<b>160,000</b>	<b>230,400</b>	<b>1,283,478</b>
<b>Total</b>	<b>744,856</b>	<b>40,992</b>	<b>585,900</b>	<b>218,550</b>	<b>176,250</b>	<b>253,800</b>	<b>2,020,348</b>

The table below represents the combination of Table 4.1 and 4.2. The three county area ships nearly 3.3 million net tons of both manufacturing and agricultural commodities, while the total region ships nearly 10.5 million net tons. It is estimated by USACE and other professional estimates, that a public port can become self-sufficient if it can handle 1.0 million net tons of material across its dock facilities. As illustrated in table 4.4, it would take a modal shift comprising 10% of existing tonnage to produce 1.0 million tons of product to be handled through the proposed dock. The 10% modal shift assumption is considered an attainable goal by most professional estimates. Most modal shift assumptions range from 5% to 25%.

**Table 4.2**

Estimated Totals - Manufacturing			Agricultural Commodities Summary							
County	Inbound Tons	Outbound Tons	Corn	Sorghum	Soybeans	Wheat	Cotton	Cottonseed	Total	
Dyer	489,753	753,411	82,880	4,844	112,500	33,900	10,500	15,120	259,744	
Lake	7,300	8,849	38,780	-	54,900	12,600	4,750	6,840	117,870	
Obion	420,693	856,815	207,900	3,416	102,000	43,500	1,000	1,440	359,256	
<b>Subtotal</b>	<b>917,746</b>	<b>1,619,075</b>	<b>329,560</b>	<b>8,260</b>	<b>269,400</b>	<b>90,000</b>	<b>16,250</b>	<b>23,400</b>	<b>736,870</b>	
<b>Total Inbound/Outbound</b>		<b>2,536,821</b>								
Haywood	49,407	83,835	32,480	7,560	20,700	10,800	40,000	57,600	169,140	
Lauderdale	57,332	268,608	61,320	4,200	79,500	9,600	14,000	20,160	188,780	
Crockett	89,100	238,307	13,300	1,848	13,800	5,850	29,500	42,480	106,778	
Fayette	48,367	118,904	38,080	10,304	29,250	8,700	16,500	23,760	126,594	
Gibson	162,316	271,261	173,936	-	97,200	63,000	13,500	19,440	367,076	
Hardeman	160,787	421,539	16,940	2,240	10,800	3,300	7,750	11,160	52,190	
Madison	1,195,886	1,924,018	35,980	2,800	21,750	6,300	15,000	21,600	103,430	
Tipton	126,004	676,522	43,260	3,780	43,500	21,000	23,750	34,200	169,490	
<b>Subtotal</b>	<b>1,889,199</b>	<b>4,002,994</b>	<b>415,296</b>	<b>32,732</b>	<b>316,500</b>	<b>128,550</b>	<b>160,000</b>	<b>230,400</b>	<b>1,283,478</b>	
<b>Total</b>	<b>2,806,945</b>	<b>5,622,069</b>	<b>744,856</b>	<b>40,992</b>	<b>585,900</b>	<b>218,550</b>	<b>176,250</b>	<b>253,800</b>	<b>2,020,348</b>	
<b>Total Tons - Manufacturing</b>		<b>8,429,014</b>	<b>Total Tons - Agricultural Commodities</b>						<b>2,020,348</b>	
	5%	421,451							5%	101,017
	10%	842,901							10%	202,035
	15%	1,264,352							15%	303,052
	20%	1,685,803							20%	404,070

It is important to realize that this estimate does not consider the development of new business that would be developed as a result of a new port serving the region, as well as business likely to locate in the port authority's industrial park. It should also be noted that the port will be a fully integrated intermodal port as rail is developed to the terminal facilities at the river's edge. This will allow for the creation of additional tonnage not considered in the illustration above.

Total Tons - Mfg. & Ag.	
<b>Modal Shift</b>	<b>10,449,362</b>
5%	522,468
10%	1,044,936
15%	1,567,404
20%	2,089,872

Market Analysis		2009	2010	2011	2012	2013	
<b>Potential</b>	Growth						CAGR
Break-Bulk	45%	5	7	10	15	22	44.83%
Bulk	25%	4	5	6	8	10	25.74%
Grain	25%	2	3	4	5	6	31.61%
<b>Total</b>	36.33%	11	15	20	28	38	36.33%

#### **4.1 Market Segmentation**

Product that will ship through the Port of Cates Landing by barge or rail will generally be the result of economic efficiency. Because barge freight is typically one-fifth of truck freight and one-third of rail freight, material that will ship through the port will do so because it can reach its destination with better economic efficiency than otherwise. When moving by barge there may be additional handling charges involved but the much lower barge freight rates will compensate for these additional handling charges. However, it is important to note that not every type of product is likely to be shipped via barge. It is commonly thought that product must ship no less than 150 miles to be cost effective via barge freight. The following type of cargo listed below are types commonly shipped by barge.

##### **Break Bulk**

Break-bulk material is defined as product that ships and handles individually and not in shipping containers or in bulk such as grain or fertilizer. Break-bulk is often known as general cargo as well. This product may consist of steel (coils, rebar, plate), non-ferrous metals (aluminum, copper, zinc), drums, crates, paper (rolls), super-sacked material, as well as many other types of general cargo.

##### **Bulk**

Bulk material is typically made of granular type of material or material that can be easily handled by a clam shell bucket. This material may include fertilizer, coal, pet-coke, pig iron, metal ores, and aggregates.

##### **Grain**

A great deal of the inland waterway system is used to support movement of agricultural products as it is easily handled via barge. This includes corn, soybeans, wheat, sorghum, cottonseed and related meal by-product. Most agricultural products are shipped out for export but can also be moved domestically for use by ethanol plants as well as for feed lots.

#### **4.2 Target Market Segment Strategy**

The Port of Cates Landing will focus on establishing business from existing business in the region while working with local economic development officials in recruiting new business to the port's industrial park.

Efforts are underway to discuss business operations with local industry that are likely port users. These prospects will consist of firms already using a port in the region that could save freight by using the Port of Cates Landing. It will also focus on companies using rail and truck freight that are receiving or shipping product that could be shifted to barge transportation. This will include heavy manufacturers in the region that consume or produce steel, aluminum or other manufactured or semi-manufactured product that could be transported to destinations using barge transportation on the inland river system. For example, this would include industries in automotive parts, paper, and rubber.

The Port of Cates Landing will likely begin its marketing strategy by focusing on agri-business. It is more likely that the port authority will find immediate interest from regional companies currently shipping or receiving grain and fertilizer by rail or truck that can save considerable freight by moving to barge transportation. There are already regional agri-business firms that are using ports in the region but that would save freight costs by moving their business to Cates Landing. Considerable interest has been shown by firms in the fertilizer industry for example. Discussions are currently underway with these companies to discuss developing storage and handling operations at the port.

#### **4.3 Service Providers Analysis**

The Port of Cates Landing will be responsible for developing a completely integrated intermodal terminal that will serve the bulk and break-bulk cargo handling needs of the region. This will be done in order to spur economic development and create a more viable business environment for those who depend a great deal on the transportation of their goods as a vital part of their business.

As mentioned earlier, the port authority will act as a "landlord" port in that it will be responsible for the development of the port's physical assets. Dock operations and other needs will be contracted out to private service providers experienced in this line of business. The Port of Cates Landing is working to establish a memorandum of understanding with Cooper T. Smith Stevedoring of Mobile, Alabama for its dock operation services. Cooper T. Smith has considerable experience in this business and can also provide the port authority with new business opportunities due its network of customers and partners in the shipping industry ([www.coopertsmith.com](http://www.coopertsmith.com)).

#### **4.3.1 Alternatives and Usage Patterns**

The port's competitive situation will be based on competition with other freight modes and competition from area riverports. First, the port's competitive situation will be factored against rates and associated costs of a firm moving a particular product by truck or rail. For example, if a plant is located directly on a rail line and is shipping or receiving product to/from a destination that is also located on a rail line, it is unlikely barge freight could compete with such a move. However, if a plant could move product to and from the port at a low cost and the destined product could be trucked or railed to its next location at a cost effective rate, it may likely be cost effective for this plant to use the port's facilities. Essentially, a firm's use of the port's facilities will be based upon its total transportation costs to move a product from point A to point B. Time of the movement will also come into play as barge transportation is considerably slower than truck freight and can be slower than rail freight as well.

The Port of Cates Landing will also compete with other river terminals in the region. The Port of Cates Landing's primary market will be western Tennessee and western Kentucky. There are several ports on the Arkansas and Missouri side of the Mississippi and it is unlikely that firms on that side of the river would find it cost effective to bypass these facilities and bring product over the river.

The Port of Cates Landing's primary competition will be with the Port of Memphis and Hickman County Port Authority in Kentucky. The Port of Memphis is approximately 90 miles south of Cates Landing. The Port of Memphis primarily serves users in the Memphis metro area. The Port of Cates Landing could easily compete with any firm that is 50 miles outside of Memphis since this would equalize the cost of truck freight rates into either port. The same would be true for competition with the Hickman County Port Authority. However, the Hickman County Port faces highwater problems that often cause it to become inoperable. This causes a major disruption in services to customers and will give the Port of Cates Landing an operational advantage over this facility.

### **5.0 Fundraising Strategy**

The Port of Cates Landing is requesting \$34.7 million in funds for the design, construction and other related improvements for the open cell dock concept. These funds would be granted through federal government stimulus money targeted to intermodal projects in distressed areas. These funds will allow the port to be operational and meet the majority of needs of most immediate customers over the first three years of business. It is anticipated that these improvements will allow the port to generate enough revenue to repay debt associated with these improvements as well as to plan and develop additional improvements needed in the near term.

The port authority has fee title in nearly 400 acres of property that can be utilized for collateral with additional property soon to be acquired and available for collateral as well. It is anticipated that the port would amortize this debt over a 30 year period with construction interest to be capitalized over a 12 to 18 month build-out period.

Funds generated from the port's tariff schedule as well as lease income from the dock operator and business tenants would provide the majority of revenue needed for operating expenses and debt amortization. Sources and uses of funds are attached as Table 6.0 while revenue projections from tonnage throughput or tariff income is detailed in Table 6.1.

The port authority would have minimal personnel and other operating expenses as the operations would be contracted out to a private dock operator (i.e., Cooper T. Smith Stevedoring). The port authority would likely employ a port director and an administrative assistant to handle management, administrative, and marketing functions. It is estimated that all expenses associated with these two employees would total approximately \$198,000 including benefits.

Personnel with the dock operator/stevedore would provide much of the operational management, customer relations and marketing for the port. It is anticipated that much of the marketing for the port's industrial park would be done jointly with the dock operator as well as area economic development agencies, as well as the State Department of Economic Development and TVA.

**Table 5.0**

Funding - Sources and Uses of Funds			
Source of Funds		Use of Funds	
TIGER Grant	\$ 34,768,347	Engineering Design	\$ 858,800
		Survey/Subsurface	\$ 105,700
		Reimbursable	\$ 55,000
		Port Construction	\$ 26,276,169
		Inspection/Contract Administration	\$ 450,000
		Construction Coordination	\$ 1,293,678
		Testing	\$ 280,000
		Land Acquisition	\$ 1,572,000
		Contingency	\$ 1,750,000
		Other	\$ 2,127,000
<b>Total</b>	<b>\$ 34,768,347</b>	<b>Total</b>	<b>\$ 34,768,347</b>

**6.0 Strategy and Implementation Summary**

**6.1 SWOT Analysis**

**6.1.1 Strengths**

**Location**

One of the primary strengths of the port is its geographical location as well as its physical development attributes and potential. The port location is positioned in an

area that lacks any strong competition and appears to have potential to start generating business in a region where demand for such services exists.

As mentioned earlier, the port is located approximately 90 miles north of Memphis thus placing it in a position where it will not be in direct competition with the Memphis market. In addition, the port's primary competition to the north is the Hickman County, Kentucky riverport. This facility is small in capacity and is inoperable during high water. In addition, the Hickman County riverport does not have any industrial park property to help it spur additional customer base.

The port is also well positioned on the Mississippi in that it would be just south of the mouth of the Ohio River. This would give it the competitive advantage over terminals on the Ohio River. With the port authority serving western Tennessee and Kentucky, customers would face a lower barging cost since barges would not have to traverse up the Ohio River. Most barges moving up the Ohio River are dropped in fleet at Cairo, Illinois and made into new tows. This is an additional cost that would not have to be incurred for barges being discharged or loaded at Cates Landing.

### **Organization**

The Port of Cates Landing has strength in the fact that its board is comprised of community leaders that have been long involved with the port's development and are well connected to the business community, as well as to political leaders in the region.

The board of directors has created a port Marketing Committee made up of various business leaders in the three county area. The Marketing Committee has been involved in developing marketing ideas for the port authority to pursue as well as to create opportunities to discuss the plans of the port with area political leaders.

### **Partnerships**

The Port of Cates Landing has developed a relationship with Cooper T. Smith that has allowed it to develop another source of operating and development expertise, as well as contact with prospective customers.

Cooper T. Smith has recently undertaken a strategy to develop and acquire terminals on the inland river system. This effort has allowed the terminal operator to work with the Port of Cates Landing to begin negotiating a memorandum of understanding (MOU) that creates a formal relationship between Cooper T. Smith and the port authority wherein the two parties will agree to work toward establishing a contract for Cooper T. Smith to become the port's exclusive dock operator. Under this arrangement, Cooper T. Smith brings a large customer base to the port as a source for new business. In addition, this motivates Cooper T. Smith to work in the regional business community to develop prospective customers.

### **6.1.2 Weaknesses**

The primary weakness of the Port of Cates Landing is its current need for funding to complete dock construction and other facility improvements that will allow it begin business operations.

The port authority has been very fortunate to date in that it has received considerable state and federal funding from a number of supportive agencies. This has allowed the port to acquire the property necessary for development of the dock and terminal, as well as for nearly 400 acres of industrial park property. The port authority has received financial support from the U.S. Army Corps of Engineers, TVA, the Delta Regional Commission, Tennessee Department of Economic Development. As equally important, the port authority has received local financial support from a revenue bond issue from Lake County as well as support of its own revenue bond issue from Lake, Dyer and Obion Counties. The local funding sources have essentially committed as much as they can to the port's efforts.

It is now imperative that the port gain access to funding to complete the design and construction of the "open cell" dock concept and other terminal improvements.

### **6.1.3 Opportunities**

Growing market with a significant percentage of our target market still not understanding our benefits to them.

Strategic alliances offering sources for referrals and joint marketing activities to extend our reach.

#### **6.1.4 Threats**

Slowness in economic activity that could slow the process for immediate growth. However, it appears that the timing for construction will conclude at a time when economic activity will re-emerge.

#### **6.2 Competitive Edge**

The Port of Cates Landing will provide an intermodal transportation service that is not available within nearly 100 miles. It will provide a mode of transportation that is significantly less than rail and truck freight and that can be utilized by a number of industries in the region, giving the port the potential to “hit the ground running” with immediate business. The ability to provide barge service will also lessen traffic congestion in the area and provide a “green” benefit to the freight demand on the area’s environment.

#### **6.3 Marketing Strategy Summary**

The primary purpose of developing the Port of Cates Landing is to utilize one of the region’s most valuable transportation resources – the Mississippi River. Combined with the region’s rail and highway system, the port provides an element of intermodal transportation service that is not available within nearly 100 miles. In addition, river transportation provides the most cost-effective and environmentally friendly modes of transportation other than underground pipeline systems. Barge freight rates are generally one-fifth the cost of truck transportation and one-third the cost of rail freight rates. Additional barge freight also lessens the congestion to both rail and road systems that are currently over capacity in the United States.

The Port of Cates Landing will essentially take a two pronged marketing strategy. The first approach will be to provide barge access and cargo handling services to regional and local markets that currently exist in the area or that would be organic growth. There are currently a number of industries (i.e., tire manufacturing, paper products, etc.) in the area that currently use other modes of higher cost transportation for inbound and import material. These industries could make a relatively quick modal change to barge transport as their raw material is already arriving in the Gulf region via ocean vessel. Rather than ship material to northwest Tennessee via truck or rail, these industries can easily begin shipping to the Port of Cates landing via barge and save tens of thousands of dollars per year. Some of these industries have been in the region for many years and face substantial cost savings pressure due to the production of their product overseas. By having access to barge freight, these industries would obviously gain back some of their competitiveness due to freight savings.

Also, there are "organic" growth opportunities as a result of the development of port facilities at the Port of Cates Landing. Such growth would primarily come from agricultural production in the region. Northwest Tennessee has a tremendous amount of grain and cotton production that results in export or movement of such product to processing plants near or on the inland river system that provide for immediate use of river transportation. In addition, this production requires the use of fertilizer which necessitates the need for inbound nitrogen, potash and phosphate based fertilizers. There is not a fertilizer distribution center currently located in northwest Tennessee. Cotton produced in the region is also exported and could easily be shipped by barge. Port officials feel that agricultural based industries would immediately begin using the port once it becomes operational. The Port of Cates Landing is planning for area along the entrance of the harbor for both grain and fertilizer operations. Cost savings provided by the lower barge freight rates not only provide an advantage to grain and fertilizer markets, but provide area farmers with higher grain pricing and lower fertilizer costs.

In addition, the Port of Cates Landing believes that its rich agricultural production provides it with the opportunity to attract ethanol and other energy based industries

that would utilize the region's crop production and other natural resources for feedstock. There is an ethanol plant located in Union City (Obion County) that would use the port for inbound grain as feedstock.

The second marketing strategy would involve the development of a large industrial park adjacent to the port facilities and harbor in order to attract new manufacturers to the region. Due to the fact that the area is supplied by low cost electrical power from TVA, low cost land and other factors that make the area attractive for industrial development, the Port of Cates Landing will be aggressively marketing industrial sites to prospective port users. The port has had three steel operations seriously consider the site for new and large production plants. The third steel company (Warren Fabricating and Machining Corp.) is still in the process of reviewing the site and would be an important user of the port handling facilities. This would be a \$250 million dollar investment by the company that would create 400 new jobs over its first three years. The port has also had interest from other prominent companies looking to locate new facilities but who eventually located to other sites due to the lack of infrastructure development at the port.

Due to the amount of international trade that has become an integral part of U.S. manufacturing (auto industry, etc.); the location of new production facilities that have low cost access to material and commodities used or manufactured at their plants become increasingly important to their location requirements. Consequently, companies that can benefit from shipping to and from the U.S. Gulf ports are very interested at sites that are adjacent or near the U.S. inland river system. This obviously makes the Port of Cates Landing a very valuable economic development asset to the region. The port property is not only located near a good road and rail system but is the only large tract of developable property above the 100 year flood plain between Memphis and Cairo, Illinois (mouth of Ohio River). This gives the port a very good strategic advantage with respect to distribution requirements.

The port has been very involved with the State of Tennessee in its development efforts. The State has granted the port \$3.0 million for harbor, land acquisition and infrastructure development. Port officials have deliberately developed a working

relationship with the State's Economic and Community Development Department not only for funding purposes, but with its industry recruitment staff in order to make the port and industrial land available to prospective industry working with state site selection staff. The port has also worked closely with the State's Department of Agriculture and Department of Transportation for agribusiness development and transportation planning and improvements.

The Port of Cates Landing has also worked closely with other regional economic development organizations to market the port. Both TVA and the West Tennessee Industrial Association take part in efforts to recruit industry to northwest Tennessee. As such, these organizations have been involved in projects that would locate at the port or that would be beneficiaries of port services. TVA would provide electrical power to the port and provides a great deal of marketing and recruitment resources for the port. Both organizations have provided funding assistance to the port for special projects and studies. Both TVA and WTIA will market port property and services in their particular industry recruitment programs.

Local economic development officials also work closely with the port in its efforts. The port works with local chamber's of commerce, rural electric cooperatives, as well as local governments to assist with economic development and marketing for the port. The Port of Cates Landing was established by Lake, Obion and Dyer Counties. Consequently, the port is publicly identified as a regional project that will provide jobs and benefits to northwest Tennessee.

The port will also employ its own efforts to market the port. This will be done by developing marketing products (website, brochures, DVD's, etc.) to be used for recruitment and promotional efforts. The port will also make marketing based trips to logistics based conferences and conventions taking place for both Gulf and inland river based constituents. As equally important, the port has been and will make personal visits to area industry that would benefit from utilizing port handling services or that may be interested in expanding its operations at the port.

#### **6.4 Fundraising Strategy**

The port authority has three levels of funding in needs to attain. The first has been accomplished in the completion of the port harbor. This projected is in its final stages as the USACE completes the final portion of the dredging this year. This was a major step in providing the waterway access of the port.

The second phase of funding comes in the form of land acquisition and capital improvements. The port authority is seeking funding in the amount of \$34.7 million from the U.S. Department of Transportation through TIGER program. This will allow the initial build-out of the dock, rail and roadway facilities. The port authority has already raised nearly \$5.0 million in local revenue bond financing to complete land acquisition for the river terminal, industrial park property, wetland restoration and harbor construction. The port authority has also received funding for these same assets from the Tennessee Department of Economic and Community Development, Gibson Electric Membership Corporation (via U.S.D.A.), Tennessee Valley Authority and others state agencies.

The final phase of funding will come in the form of investment from the private sector as well as the public sector. The port authority will partner with one or more private sector firms to establish stevedoring services, security services, maintenance and industrial tenants as it grows its industrial park.

#### **7.0 Management and Personnel Summary**

The port authority will be managed under the governance of the port authority board. This board is appointed by the three County Mayors that established the port authority. These board members will in turn hire the personnel needed to manage the port authority. It is expected that the port will hire one executive manager that is experienced in port operations, as well as and administrative assistant to assist with administrative and accounting functions. Additional port personnel will be hired when necessary as the port develops its facilities. These personnel will likely include maintenance, security, as well as marketing professionals and other administrative staff.

The port authority is in the process of partnering with an experienced and well known stevedoring company that will provide dock operating services at the terminal. This company will provide the management expertise to develop business that will utilize the dock facilities. This company will also partner with the port authority to assist in marketing the facility across a targeted group of industries in the region that will utilize the dock, as well as industry that will locate in the port's industrial park.

### **8.0 Financial Plan**

The port authority developed a three year revenue projection based on prospective tonnage that would flow through the port's facilities after the port was built-out and in operation. These figures were developed from studies completed by the U.S. Army Corps of Engineers, The University of Memphis, Younger & Associates and by contacting potential port users in the region.

Costs for the port operations were used by evaluating operations and similar ports in the Midwest and Mid-south region (see Tonnage & Revenue Projections in the Appendix).

### **8.1 Start-up Funding**

The port authority has already secured its start-up funding from revenue bonds issued by Lake County and the port authority, as well as state and federal agencies. The port authority is now in the critical stage of raising the funds needed to complete the dock construction and other vital infrastructure improvements to make the port operational. At this juncture, the port authority is requesting over \$32.0 million in funding from the U.S. Department of Transportation TIGER Grant Program. This funding has been provided the economic stimulus funding issued in July of 2009.

### **8.2 Income Statement and Projected Cash Flow**

Based on the Three Year Tonnage and Revenue Projection, an Income Statement was developed that summarizes revenue for both the port authority and the terminal operator. These revenues and expenses are also combined to show the overall

income generated by the port operation (see Tariff and Revenue Summary in the Appendix). Again, these figures were derived from the tonnage assumptions developed in the Three Year Tonnage and Revenue Projection based on the various sources of resources previously developed for the port authority.

The three year average can be used as a financial "snapshot" of what this facility could generate once it becomes fully operational.

By using the three year average P&L (which shows profits every year) and forecasting conservative cash inflows to initially higher outflows -- and then becoming approximately equal towards the end of the period -- the "positive" cash-flow would occur in month 16 of the 36 month period. You would see rapid cash accumulation for debt repayment and/or facility investment at that point.

**9.0 Appendix**

<b>Tariff and Revenue Summary</b>				
	<b>Tonnage</b>	<b>Port Tariff</b>	<b>Thruput Revenue</b>	<b>Total Revenue</b>
<b>Year 1</b>	1,353,750	\$ 272,735	\$ 3,997,288	\$ <b>4,270,023</b>
<b>Year 2</b>	1,748,750	\$ 357,100	\$ 6,759,973	\$ <b>7,117,073</b>
<b>Year 3</b>	2,011,300	\$ 753,235	\$ 8,694,168	\$ <b>9,447,403</b>
		<b>3 Yr Average</b>	<b>3 Yr Average</b>	<b>3 Yr Average</b>
		<b>Cates Landing</b>	<b>Terminal Operator</b>	<b>Total All Revenue</b>
<b>Gross Revenue</b>		\$ 461,023	\$ 6,483,810	\$ 6,944,833
<b>Labor/Benefits</b>		\$ 198,240	\$ 2,788,038	\$ 2,986,278
<b>Equipment Lease</b>		\$ 11,526	\$ 499,253	\$ 510,779
<b>Insurance/Utilities/Fees</b>		\$ 27,200	\$ 382,545	\$ 409,745
<b>Equipment/Facility Maint</b>		\$ 1,982	\$ 60,299	\$ 62,282
<b>Fuel/Supplies</b>		\$ 5,532	\$ 207,482	\$ 213,014
<b>Outside Services</b>		\$ 25,817	\$ 363,093	\$ 388,911
<b>Miscellaneous Exp</b>		\$ 323	\$ 4,539	\$ 4,861
<b>Depreciation</b>		\$ 2,766	\$ 1,037,410	\$ 1,040,176
<b>Total Costs</b>		\$ 273,387	\$ 5,342,659	\$ 5,616,046
<b>Net Income from Ops</b>		\$ 187,636	\$ 1,141,151	\$ 1,328,787
Other Income (Expense)		\$ 19,824	\$ 609,478	\$ 609,478
<b>Net Income</b>		\$ 207,461	\$ 1,750,629	\$ 1,938,265