

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 5:00 P.M., Wednesday, August 22, 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:

- John LeBlanc, Chairman
- Mike Eason, President
- Dudley Dixon, Member
- David Darbone, Member
- Elcie Guillory, Member
- Carl Krielow, Member
- Tom Lorenzi, Member

Absent:

None

Also Present:

- 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
- Todd Henderson, Director of Operations
- Dan Loughney, Director of Sales and Marketing
- Michelle Bolen, Administrative Assistant

Mr. LeBlanc called the meeting to order at 5:00 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. LeBlanc 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. Discussion of bagged cargo handling at City Docks.
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Mr. LeBlanc stated tonight's meeting is for discussion purposes only. There would not be any other matters to come before the committee to be voted upon. This will be for discussion purposes and conversation.

Over the last year they have been working on some things with the Business Committee. The first thing is the bagged cargo handling at City Docks. Some of the things they have looked at is how can they make the Port of Lake Charles more competitive. In doing so, they have had five meetings over the past year to bring all of the facts together. What they wanted to do was call everyone together.

Mr. LeBlanc stated there will be a discussion amongst the board about the things they have looked at and the things they have done. Staff has put together their policies and procedures that encourage competitive free trade and commerce at City Docks. He stated all the commissioners should have had time to read all of the information and looked at the data that has been provided. Mr. LeBlanc asked for any concerns or any items to be discussed from the board regarding the packet that was put together by the staff.

Mr. Dixon stated staff and the Director did a very good job putting all of this information together. It gives them a good insight as to the operations of the port and how things operate. He thanked them for doing incredible job.

Mr. Darbone stated he appreciated the work that staff has done in following up on some of the policy that they voted on to make sure that they start looking at different ways that they might increase opportunities at the docks for competitiveness and to make sure they can create more work for the district. He stated he appreciates the options that they have given them to look at and to discuss.

Mr. LeBlanc stated he went back through the notes of the past board meetings and reviewed some items. There were a couple of questions he had on some data that they asked for and was not sure if they were supplied. He knew they had asked for some information at the meeting on April 19, 2018. They had asked some data of three years' worth of USDA inspections. He asked if anyone received the information. He stated he knew that they received some from FMT and the Port of Lake Charles that included FMT and Flanagan. He thought they had asked Mr. Flanagan to get some from Beaumont. He does not see those records. He asked if the board had ever received those records. Mr. Darbone stated not that he could remember.

Mr. LeBlanc asked Mr. Flanagan if he supplied those records. Mr. Flanagan stated he did not recall being asked to supply them. Mr. LeBlanc stated the April 19 meeting he asked if Mr. Flanagan would be willing to provide the three year USDA inspection records from his operations both here and at Beaumont. Mr. Flanagan stated no, he did not. He stated he would be happy to do so. Mr. Dixon asked how soon he could do that. Mr. LeBlanc asked if Mr. Flanagan could give the records to them in a timely manner. He was not sure how long it would take to get the records. He hoped that he could get them in two weeks. Mr. Lorenzi asked if they could ask Mr. Flanagan how long it would take to get those records. Mr. Flanagan stated it may be a few days or a week.

Mr. Krielow stated he knew Mr. LeBlanc had asked for the data and they keep talking about the data. At the last meeting there was some discussion regarding all kind of data that they had looked at. But at the end of the day, he thought the goal was to try and come up with a plan on how they could open up for a more free market competitive type operation. He is in the mindset that yes, the data is good to have, but at the same time, regardless of what that data bank says based on the options that staff put together, it gives them something as a committee to look at and say here is a plan and they could go forward this way. Here is another plan and go forward and open up and not just USDA. Maybe over the course of these discussions there has been a lot of emphasis put on USDA, but where the site has been maybe lost is the fact that the biggest part of bagged cargo is the commercial business. The USDA is a part of it. The data, and they all agree the USDA business is declining, and will probably continue to decline if you just look at data. From a practical standpoint, you have to look at all of it which includes the commercial cargo and look at the fact of what they are trying to achieve. Their goal and what they set out to achieve is to figure out how to open it up to be competitive so that the commercial people can benefit from the competitiveness so he respects the information on the data, but they have a lot of good information that staff has put together to give them some ideas to move forward.

Mr. LeBlanc stated he appreciated that, but he still would like to have the data. That way they could have a baseline on some of the decisions they are going to make and they could actually look at the data and also look at some other things. There may be some outline issues they can follow to make a formal decision.

Mr. Darbone asked if they were going to continue talking about the information that staff is given them. Mr. LeBlanc stated he wanted to follow up on some issues on some information and background stuff to make sure they get everything in there. One question he was going to ask staff to the actual packet that they put together - where we are at now, what the plans look like going forward and some timelines for that as well.

Mr. Rase stated he felt they were kind of at the point of turning it back to the committee to see what their feelings are on the different issues. It has been playing as far as commercial cargo goes, they do get 100% of their cargo today. The increase in business can only come from one area, which would be the USDA. When they started to try and look at this, they were trying to make sure they protected the commercial cargo without exposing it and have the advantage of looking at other ways to provide the same operational situations that the committee was looking for. Operations is where their role is important in part of what has to happen. They have to be able to operate the port the way that a port should be operated and they have to operate it within the constraints of the type of facilities that they have in the area that they have. Quite frankly, the exclusivity that has been bothersome to some is related only to bagged cargo. His hopes are that they start finding other cargoes to replace the bagged cargoes. He is not only thinking that the USDA will be a problem in the future, the commercial is going to be a problem in the future. Most countries in most areas, if they ever start bulk rice, they will lose all the bagged business. They have to have something to replace that. They have to have room to do that replacement. Up to this point, from the staff side and from the stevedore's that have licenses, he does not think anyone has been able to produce anything different than what they have today, which is the bagged business. They have added Southern Ionics and they have been able to keep G2Ocean. They have

projects, but when you start talking about the manpower that everyone would like to see, you are really focused in on one area and that would be the bagged business. When they put this together, and they looked at this back in 2010, 2011 or 2012. They came up with the system that they have now. Operationally, he thinks this system works. It functions. It is the way they should run the port. But, the committee and the board voted on that they needed to look at other options. So, operationally and for the benefit of the port, he thinks where they are is where they need to be. However, here is two other options. They are functional. Whether it improves their business or not, whether it keeps them where they are in a position now where they not only have to look at the cargo they have, they have to look for cargo they do not have. That is going to take a more of an international branch. It will not be so focused as just the local rice community or the USDA that is available. They have been through the exclusivity, and basically every port has some form of exclusivity that they function under. All that being said, they presented two other options to the committee - one would allow just the USDA look for another stevedore and the second would allow one additional stevedore a look at all of the cargo.

Operationally, he does not think they can venture very much further than that. They have five companies but he thinks specifically there are two companies that really want to do the bagged business. But even if they had five that did, they would have to pare it back down to get to just two. It is a question of where does the commercial business want to go and where does the USDA want to go and the stevedore and big companies that are interested in that. He does not think they are going to increase the pie any. The pie is going to stay the same size it may be cut up a little bit differently, but that is what they will gain out of it. Anyway, they have two options in the book. He stated he would be glad to take each one individually and go through it. Each one is going to require that there be only two stevedores. He does not think operationally this port can stand any more than that. They have docks that are leased to Southern Ionics. They have docks leased to G2O. They have docks that are not serviceable anymore. They have a lot of issues. Shed nine is going to become about half of its capacity while they do structural repairs to it. Shed seven is going to undergo some construction and five has a big hole in the floor. They have to be able to store pallets and be able to take care of companies. The big thing is they have to make sure they do not damage their customers. They can do anything they want internally, but damaging customers is a problem. Most of their customers right now are satisfied, but this is where we are and he will participate further or back up and get out of the way, but they have a book that has in it what they think could be possible.

Mr. LeBlanc asked Mr. Rase if he could give them a summary of both of the options.

Mr. Krielow asked to address some of Mr. Race's comments regarding commercial business before they get into the plans. He stated he agreed with Mr. Rase that they are probably getting 100% of the commercial business in this area. But, in his view and in talking with the commercial customers they have who share the idea of competitiveness and would welcome the idea of competitiveness, even though they are very happy with the situation they have, the port is getting 100% of 150,000 tons a year. They do not know what they could get if they would open it up to competitiveness to where maybe these commercial customers could get a little better price on their stevedore operations. That hundred percent may turn into 100% of 200,000 tons, because the port may garner some business away

from South America, who the port competes with in the back to business in a large way. Just by the sheer fact of being competitive and until they try it they won't know. Mr. Rase may be absolutely right. It may not generate one bag of extra business, but he knows in the conversations and the indications he gets from all of the commercial customers is they would welcome an opportunity to at least be able to get another bid on loading their ship. Having said that, he would like look at the options and go over them and understand them and let the staff explain them.

Mr. Rase stated both options that they are talking about opening up and increasing by one stevedoring company would require that they - there are two segments of the business. There is commercial and there is USDA. Commercial business is handled by any company that would be awarded the contract. They would take the product from when it's received at the port all the way to the loading of the ship. That is how commercial cargo works. They would not split it between two different entities. The USDA does split it between two different entities. Because you get a bid on the receipt of the cargo. The receipt of the cargo is put on the floor and then the carrier also gets a bid from the stevedore. In the past they have had the advantage through pallet rental and different things that you could have that two-way street on USDA cargo. He does not think that is available anymore. He does not think it is in the best interest of the Port to do that. What they need to do here is entice the carrier. He is on USDA now. The supplier is less of a factor as in the bidding process, although their number counts. It is less of a factor than what the ship would be providing. They tried to look at, when they looked at both of these options for USDA, was to make sure they are enticing the carrier more so than the supplier. The only way that it functions smoothly, and you do not have finger-pointing and someone in the middle and all those things, is to provide a service that says once the cargo is received, that is because the total bid went to the ship here that they take the shipper side, vessel side and apply the receiving side on it. They have time to do that because the bids are about three or four days apart. There is not a big time differential. That way they would be encouraging the carriers, which is really the important side of the equation to get cargo to come to Lake Charles. They do that on both sides in both formats so they can establish a particular rate from receiving the cargo. The advantage of doing that is all suppliers, when they send out the port's bid, they still control the bid. When they send that bid out, every supplier is going to get the same number and the same cost as far as port charges go. When they do that then the stevedore, if they were going to compete for the business, they could adjust their rate if they did not think this rate was enough for what this cargo was then they could go up on their stevedoring side. If they thought it was sufficient for them here maybe they go down on their stevedoring side. Whoever gets the stevedoring bid would be the one that would control the cargo, unload the cargo and put it on the ship. That way they have continuity throughout the system. It is very similar to what you would do in commercial cargo. You do not have two different people. You have one receiving. They say who they want the cargo to go to and that is who it goes to.

Those are the two options. Other than that it just comes down to pallet board storage. If you go with Option One, the second stevedore would will only be bidding on USDA cargo and because their bag quantities are so much smaller, it would be a smaller number of boards that would have to be on site. However, they cannot forget about the commercial so they would have to have one stevedore that will still have to do the commercial. He would have to

have a much larger number of boards on site. If you go to Option Two, you are almost going to have the same number of boards per stevedore, but what you end up with is a lot of board storage, a lot of equipment because they both have to be able to handle a larger amount of cargo and does not think the port will have the storage space to have that happen. If they never run together and it isn't a 90,000 ton Iraqi shipment, they will be fine. But when you get those bigger shipments... The other caveat would be, and they have to explore this further, they would have to control which cargo trumped another cargo as they look at things. If they are promising, just like the 30,000 tons of Iraq last week. When that starts coming in, it is going to severely limit the amount of space that they have for USDA cargo. They will have to take a look and make sure that works. If we have both stevedores having 20,000 pallets or so, that would limit the space that we have altogether. Operationally it is one thing to have the policy, it is another thing for the port to be able to operate within that policy. What they did is try to pair all of those things together to come up with some ideas that may fit what the commission is looking for and those would be the two options.

Mr. Krielow stated he read the deal pretty thoroughly and Mr. Rase and staff have done a lot of work and a lot of thought into it and incorporated a lot of the ideas that the Business Committee came up with as far as how to control the logistics of it, how to guarantee the financial end of it and how to have quality control oversight whoever the multiple companies would be under that scenario. Option Two kind of meets in the middle of what perhaps they set out to accomplish and helps staff come up with a plan that they can still logistically handle. It does not open it up to every stevedore company, but at least it opens up two companies to where the commercial side of the business can get some competitive bids and it does create a competitive atmosphere on the docks. It is a scenario where two companies operating under the license agreement for the bagged commercial and USDA, staff would be able to handle the logistics of who's on first and who's on second whenever cargo is going to come in. Option Two is in an excellent plan and an excellent way to start. It gives an outline for doing some follow-up on how the plan is working, so that we can get feedback in a year and the board can readdress it if they need to. If they are going to move forward, and this is what staff tells them they can work with, he personally favors Option Two.

Mr. Darbone stated he liked Option Two as well. Basically, when he looked through both options he thought it met the criteria of competitiveness. The end result of all of this for him is basically creating more jobs. The competition would actually create more opportunities for more jobs and for people to work. There is an old saying that if we keep doing what we are doing, we are going to keep getting the same result. Unless they do something like make it competitive, we may see different results with more people working. That is what he is hoping to get to see from Option Two.

When staff brought up the pallets, he said they had some ideas that they gave staff and they thought if they had to save space for pallets, the port might provide the pallets and let any stevedore come in and use the pallets and eliminate in having twice as many pallets on-site to deal with. That was just a thought they had in just brainstorming ideas that might help save some space.

Mr. Rase replied that there were several issues with that. In theory that was what was done in the past. The port had a single operator that controlled all of the pallets and anyone that

wanted the stevedore had to pay him to use his pallets. What Mr. Darbone is asking is the port become the pallet rental facility, which does several things. One is, it makes the port invest money into something where commercial companies are willing to do it. That to him is a negative. Two, is it increases the port's liability for something happening with that pallet by untold numbers. They talked to the lawyers they have here about that. Thirdly, the port will get themselves into a position where they will have to maintain the pallets, fix the pallets and will have to run a pallet shop and the expense just continues to add on. Eventually, they will have to repurchase pallets. If they were looking at a business that was expanding instead of contracting, he may have a different view. He would have to ask Mr. Self to see financially what the advantage or disadvantage of that would be, but the liability will be a huge issue for the port.

Mr. LeBlanc stated it was discussed previously and they kind of ruled out buying pallets. First of all the capital expense cost to purchase the pallets, the liability and the maintenance of the pallets because the pallets boards seem to always break. They would have to clean them. There are a lot of issues that go along with pallets. He feels because the current stevedore companies provide pallets he does not know if they want to put the port in the position to be buying \$1.5 million dollars' worth of pallets and the ongoing expenditures of them. He thought that was the consensus that they talked about through the board about not purchasing pallets at the Port of Lake Charles for cargo loading operations. He stated he understands it probably would save us some space, but is that enough value that would offset the cost.

Mr. Eason stated he was not in favor of the Port buying pallets.

Mr. Rase stated he was telling them what staff's opinion was. The board has the ball.

Mr. Darbone stated they were brainstorming ideas.

Mr. Lorenzi said the part of two companies competing is they each compete with their own equipment too. That is part of what you bring to the game as your own equipment and machinery etc. and that is part of how you produce. He would not be in favor of it.

Mr. LeBlanc said that asked if anyone had any more questions on Options One or Two.

Mr. Lorenzi stated that his only comment is his preference would be for Option Two as well in a sense if you are going to compete. His problem with Option One is it is sort of that half step, that baby step, that you are only doing USDA. Since everyone agrees that USDA is declining, you are asking someone to compete in a declining market. He does not think that is fair test of what competition truly does. If you going to compete then it has to be competition in an open market. It appears that the actual field to compete in is the commercial market more so than just USDA. It needs to be an all or none. He understands Mr. Race's opinion regarding exclusivity, but if there is going to be an attempt to change than it needs to be Option Two, which would be both USDA and commercial.

Mr. LeBlanc stated one of the questions he had and he had read through all of this and look through all of the data. What does it take to be competitive? They strive for being

competitive. They do not want to just focus on USDA, but that is a big part of their business is the commercial option as well. How do they do it? One of the things he wanted to ask the stevedore companies is if they have gone out and started doing sales calls to see what business they could bring into the port and what business that has been successful that they have been able to contact to say as a possibility or strategy that they could use to bring more commercial goods in, more industrial cargo, more USDA. Whatever it takes. He was talking to Joe Thornton with FMT and Mr. Thornton was talking about a business trip they made. He gave Mr. LeBlanc a business sales call report. Mr. LeBlanc thought they had gone out and done a good job of going out and meeting with customers. He does not want to put him on the spot because they were talking about it and he asked them if he could have a copy of it and Mr. Thornton graciously gave him a copy of it.

He wanted to give the other stevedoring companies a brief moment if they would like to say what they have done since the port has started this process to go out and attract new business Port of Lake Charles, whether it is commercial cargo or whatever it is. He wanted to give everyone an opportunity to take two or three minutes what they have done and what if they tried to do to get more business.

Mr. LeBlanc called on Mr. Matt McPhail of FMT to address the board. Mr. McPhail stated he was vice president of sales and marketing for FMT. Said he really didn't want to share too much because they are in a competitive environment. He said it has been kind of a bit of a misnomer that City Docks is not a competitive environment. There are many reasons and he thinks Mr. Rase and staff have done a good review and recap of the position that they are in now. However, over the last year and since they have been in Lake Charles, they are regularly marketing the port and their services here. They market their people, equipment, their brand and they go out to shippers, carriers and freight forwarders. They might go to New York for a sales call marketing another port and if they find out there is interest in Houston or Baton Rouge or New Orleans, they will tell them they have an operation in Lake Charles as well. They have a wide reach. They are always looking for business. They had a dialogue with the carrier today saying their rate in Houston is this. Okay, let us see if they cannot rework those numbers and work with them on what they can do. They are always looking for feedback and keep the dialogue open. It is a constant battle because they are competing with ports, other stevedores and other countries so it is a constant process.

Mr. Krielow asked Mr. McPhail if this was a policy that that they have done every year since they have been at the Port of Lake Charles - take a trip like this and go to all of these different potential customers to seek out what businesses is there. Mr. McPhail replied that yes every GM at their 12 locations has marketing responsibilities. They have a staff of four in his commercial group. They go out to markets everywhere. Where they have ports and also big markets such as Houston, where they do not have an operation, but it is a big shipping community. They regularly go to Houston every month and sometimes twice a month to trade shows and conferences. Mr. Krielow said that his question led to the fact is this something they just started doing this year or is this something they have been doing since FMT came here. Mr. McPhail stated that no, he has been with FMT for 13 years. He has been doing this since he started and they were doing it before.

Mr. Eason stated that he knows they are talking about marketing right now and obviously they run a business. Do they have a dollar figure they allocate to marketing specifically? Mr. McPhail replied that his controller is on him because he is over budget this year. He did not want to give a dollar figure. They are a private company they don't really give out that information. They are constantly marketing. He was in Cleveland earlier this week at an event. He met with their largest steel shipper. He is here now and met with one of their rice customers. It is a constant process.

Mr. Darbone asked if he would feel comfortable telling them in the last couple of years, with all the marketing that they have done, how much business have they actually brought to the port. Mr. McPhail replied that Mr. Rase alluded to G2O, previously Gearbulk, having been a very difficult account to keep. They have been spending the last 18 months in discussions with them. He knows they were here before. There was a company that asked them to come here. They responded to an RFP from the port because mills were asking for an RFP. They were asked to come here. When FMT responded, they invested in the equipment and ramped up the local company staff. They have pursued graphite in barges. They came. Some of the project cargoes came here last year and they competed with another stevedore, actually two or three if they include Coastal, who is no longer here. Project cargo is spot business, but they are always competing on it. He would like to comment that they struggled with project cargo last year because there were constraints at City Docks - outside storage space, strength of the dock. But, he has not heard about City Docks being competitive is the port investing in the infrastructure so the docks can hold the weight of these pieces. The loaders break down. There are certain issues here that are beyond stevedores, which have not been discussed, so that has been quite disappointing.

Mr. Darbone stated he would like to submit for the record the letter that they all received from a local farmers rice companies supporting the fact that they are open to allowing multiple stevedoring companies operating on City Docks for the opportunity to seek competitive pricing and so forth.

Mr. Eason stated he saw that letter and he found an email that was sent to the port from a Richard Deville from the same company that kind of refuted what that is letter said. That is what threw him off. He saw Mr. Darbone's and now they have this one from November 20 that basically said the current customer base for bagged US rice has diminished due to the fact that other countries are now using their own labor and bags for bagged rice. It is much cheaper for them to buy bulk US rice. Having a choice of stevedores to handle bagged rice will not influence this global picture. Mr. Darbone asked what date that was from. He said his was from the newest manager. Mr. Krielow said this one was from the new manager that took over.

Mr. LeBlanc stated they will enter both of them in for the record for documentation.

Mr. LeBlanc called upon Mr. Tom Flanagan to address the board. Mr. Flanagan, president of Lake Charles Stevedores, stated he had two or three quick things, regards to bagged goods. They used to get calls almost every day, then every week and then every month as the time has gone by, but they are barred from quoting on that business. Customers ask him when can he come back or they ask if he can quote for them. They are not getting a fair

shake. He tells them there is nothing he can do under the current situation. Because they are currently barred participating in that part of the business, we tell the customers when they call them asking them to quote that they cannot. That is their current situation.

Stepping back a few years, they traveled worldwide. They traveled the country night and day. Not to pat themselves on the back, but they never really got credit for the tremendous amount of work that they brought to the port. At one of the last meetings where they were asked to give their ideas about competitiveness, they gave the board dozens and dozens of letters from customers commending the work that they did. These were shipping lines and shippers that used to use the port and support them if he came back. They have that information. It is proprietary information. They took the risk of putting it into the board's hands knowing that they will be treated as such. They have given the board a tremendous amount of information from customers, actual customers, not hearsay.

Lastly, the problem with competitiveness, which they addressed in that same presentation is \$10 a ton. That is the problem here. The cost of loading ships is too high. Cost of doing business for customers. That is what is keeping the business away. If the board sees fit to allow a competitive situation on the dock, that is the only way to address. That is how far off the Port of Lake Charles is to be competitive on the Gulf Coast. The only way he thinks that could be addressed is through competitiveness. All of this information was presented in their proposal of some months ago.

Mr. LeBlanc called upon Sonic to address the board. Mr. Philip Rogers stated he didn't have anything to add.

Mr. Joe Thornton stated that they know for fact that they have had carriers share their rates at Jacinto port in Houston, which is where the majority of the bagged cargo is going that Lake Charles is not getting, the USDA cargo. FMT is significantly cheaper than them, but it is still going over to Houston. That is where the carriers want to be. That is where their other cargoes are. He does not know how they could be \$10 off the mark when they are ready cheaper than Jacinto port and it is already going to Jacinto port.

Mr. LeBlanc stated he appreciated the information but he does not want to get into who's paying for what. He stated he would give them the opportunity to respond but would appreciate if they didn't go into it. Same for Mr. Flanagan. He appreciated the information they were given. Mr. LeBlanc asked if there were any other questions or any other stevedores who would like to comment.

Mr. LeBlanc stated there were requests from audience members to speak and they will address them but wanted to know if there was anyone else that had any questions talking about the competitiveness.

Mr. Guillory stated he read through the documents and wants to commend the Executive Director and staff for doing a wonderful job. He read through the document and thinks either one of the options would be best for the port and employees and also to bring in business. When you bring in business you bring in jobs. That is what their main concern is here. If they are going to change and go through either one of the documents, then Option One and

Option Two, he is in between both of them. But, he wants the one that if they are going to change go to the one that will best serve the port and employees. You bring business in take care of your employees as well. That is if you're going to make a change. He has not made up his mind as of yet, but he sees they are leaning towards Option Two. He will go over it and he wants to make sure whenever he goes over it, that it is going to best serve the port and what they're trying to do here; because if it is not working in the past they want to make sure that that what they do in the future will work. If it does not work, they can always come back. They are not blocked in. Maybe they ought to try something new. He has not made up his mind what he wants to do yet, but they have to look out for the employees.

Mr. Eason stated he wanted to add is whatever decision they make one of the greatest factors he is going to pay attention to is maintaining the integrity of the port operations. That is extremely important he thinks to everyone up here. Whatever decision they make wants to be sure to keep that in mind.

Mr. Krielow said he would like to move forward on this. He said it was almost like they have beaten the horse to death. They have been working on this since October of last year. They have had multiple meetings. A lot of information has flowed. Out of what the staff has proposed Option Two comes the closest to what the committee set out to achieve. It has the ability to evaluate it over a period of time to determine what is working what is not working so that the board can address it. They basically let everyone know through the course of these meetings that by the August timeframe of this year that a decision would be made which would allow a six-month period for the transition to prepare for the change since FMT's exclusive is going to run until the end of January. Doing it now gives everyone such as the staff, stevedore companies that want to put in a proposal or application time to put their information together and beyond task so when that January timeframe comes, the game plan is in place. Having said that he would like to go ahead offer a motion. Mr. LeBlanc stated this meeting was for discussion only. It was said in the agenda discussion only. He will not entertain any motions during the Business Committee meeting. Mr. Krielow questioned that they could not make a recommendation to the full Board. Mr. LeBlanc stated they will discuss this at the next full Board meeting. It was not put on the agenda and prefer to just continue as discussion and at the next board meeting they could make a decision.

Mr. LeBlanc called upon Mr. Raymond Dallas, President of the Deep-Sea ILA local. For those of you that do not understand his members are responsible for loading and unloading the ships. Moving further he would like to recognize someone who is in the audience. They have a distinguished gentleman in the audience, Mr. AB Franklin, state representative. Mr. Dallas thanked him for being here. He has been a long time voice for the working man and woman in Southwest Louisiana. He thanked him personally for his voice in Baton Rouge.

Mr. Dallas stated he listened to the State of the Port address. Mr. Rase does a fantastic job on reporting as Mr. Richert Self does on the finances. They seem to be a little worried about the future finances. He believes they are in great shape. Mr. Rase does interviews with Lake Charles American Press. He does interviews with Lagniappe. He does KPLC interviews. The port is doing great. He has people that he was born and raised with in this area coming to him every day saying that the port is kicking butt. You all are doing great. Mr. Dallas tells them that yes the port is doing very well, but let him give them the state of the

longshoremen. They currently are almost extinct. They are an endangered species at the Port of Lake Charles. He is not blaming anyone. It's the fact of what is happening. He thinks there are some decisions that could be made to protect their future because the ILA was very instrumental in helping Mr. Rase get the Port Director seat. And he told them that he would always take care of them and he believes him. Moving forward with competition, it strikes him funny that this should be a no-brainer. He cannot understand how. They need more ships coming into the port so there is more revenue. Thank goodness they have so much rental property. Thank goodness they have so much revenue with the casinos and Conoco. Mr. Self does a great job. Like he said, they know there is money coming in. They would like to be a part of it is longshoremen. He remembers a year or two ago the same staff and maybe a few other commissioners sitting here beating each other up. They were having major problems about competition. They were all for it. They had a company come in from out-of-state that brought in 12 to 15 workers from out-of-state. They were sitting on the outside looking in watching project cargo get loaded right here on City Docks. They live here. They pay taxes here. Every one of these members that he has the privilege to represent are good and law-abiding taxpaying citizens. He thought Mr. Self gave him a report of \$3.7 million that this port collected on taxpayer money. They are part of those taxpayers. He stated he did not want to carry this a lot further, but they just want to be a part of the future. They asked themselves about the bagged business. He talked to Mr. Rase. He knows there are times that they put in bids for almost (inaudible) and the port just does not get it. He does not understand how the rice mills can drive east and west of Lake Charles but not stop here at this port and drop any bags off.

Mr. Dallas stated his father worked here from 1958 to 1988. He has been here since 1976. They used to always have great times, a lot of work and then they would get slow. He remembered asking him when he thought the work would pick up. His father told him the port of Lake Charles will always be there. They will always be there. It was built for working men and women and it will protect the local rice farmers. He stated he believed them. Now, for some reason, he knows everything is going bulk and going containers. He just asks himself why this staff and this port authority did not think about the future.

Mr. LeBlanc stopped Mr. Dallas stating he had given him five minutes. Mr. Dallas asked why that was. Mr. LeBlanc stated he had asked for three minutes only and asked him to wrap it up.

Mr. Dallas stated they always had slow periods and good. He thought they had 2300 tons a couple of weeks ago of USDA. Then they had the private sale in January, February and March. He has been here 42 years and cannot ever remember going this many months without any bagged cargo on the docks. Talking about the project cargo, they were so happy knowing that Sasol, Axiall and these companies coming in such as LNG were coming in and bringing in jobs that were not bags. They would get some easier work. What did some past commissioners do? He understands the laws in the state. They gave a license to a company that brought out-of-state workers in here. They were on the outside looking in. He went to Beaumont and worked a couple of week ago and there was a ship unloading steel. He went over there and inquired as to where this was going. He was told they were trucking it to Lake Charles. This port has nothing, they do have some. The state of the longshoremen is they have FMT that has G20. They have probably 35 to 40 people that

come in about once a month. Lake Charles stevedores has Southern Ionics. They have about six at the minimum up to about 17 people. That job comes in once a month. Their lifeline is the bagged goods and until they can get steady bags coming in here, he knows it is tough. He thinks this port has enough revenue and they have enough brainpower that they could all three: labor, stevedore, and port work together and be a family again like they used to be. He thanked the board for their time.

Mr. LeBlanc called on Mr. Bobby Hanks of Supreme Rice Mill to address the board. Mr. Hanks stated one of the concerns from the rice miller's perspective, at least from his company, is stability at the port. Any time that you go off on an endeavor to look at changing stevedores or anything that happens at this port, it causes concern from the mill's perspective and the shipper's perspective. He knows the FMT people very well and he knows Mr. Flanagan and has been in business with him over 20 years. When the transition came several years ago, it made them a little nervous to see a new company that they were not familiar with come into this port. They were concerned about their ability to perform. They were concerned about rates and having competitiveness. It was a difficult transition, but things have been running very smoothly. He just wants to caution the port. Please move carefully when you are looking at changes when it comes to stevedores. He supports Tom and he supports FMT. There was a comment made earlier about the port can always come back. When you lose a company that has been here for many years it will make it difficult for them to come back. They have a hard time finding stevedores that will handle this type of business. They have a lot of competition from the mills in Arkansas. They are constantly looking for ways to compete in this bagged business. It is not just other countries, such as South America or Asia. It is also other states such as Texas and Arkansas. Arkansas, in particular, is looking for ways to participate in the bagged business. If they can figure out a way to put bagged cargo on barges and use slings to load ships, he will be in trouble over here. He is all for competitiveness. He is in a business that is highly competitive. Again, he supports FMT and supports Mr. Flanagan, but asks the board to keep their eyes wide open about the possibility of the lack of stability of stevedoring here and the potential for the users to say that this is not working out. They are going somewhere else. If they lose FMT, they have Flanagan here. Hopefully Mr. Flanagan stays a long time. But, if he decides to close, getting these guys back or anyone else back is going to be quite difficult. It is not so easy to get somebody and do this business given the limited amount of business that they have. He applauds the Executive Director for coming up with these two options. Hopefully, whatever the board decides it will be something that shippers and millers can live with.

Mr. LeBlanc asked if Mr. Hanks feels that opening it up and being competitive is something that would benefit him as well or is he saying he would rather have the stability of having someone here that knows the business and knows that the quality of operations will continue. Mr. Hanks replied that in order to answer that question he has to include the port's role in all of this. Over the years, the port has done a really good job, a fantastic job of minding the stevedoring operations, whether it is a monopoly or with competing about their role in their need to support the local mills and local businesses. Having said that, there is a level of scrutiny given when there is only one stevedore. They do not just have carte blanche range to do whatever they want. He does not know enough about the stevedoring operations worldwide to know how many operators are out there. They have two obviously

that want to operate at this port. If something were to happen if one of them and they are stuck with one then they are back to the same situation where they are going to rely heavily on the port to make sure that one person does not all of a sudden change rates. It could be worse than it is today. He is not against Mr. Flanagan. He is for Mr. Flanagan and is for FMT. He uses Mr. Flanagan when he ships product through the Port of Beaumont. There is just a lot more to it than just getting a competitive situation here and everything will be good. He does not see it that way. He knows the port is doing its best to try to find new business to come into the port. He commends them for that. But, there is not necessarily going to be some magic that all of a sudden happens once you have this option voted on. They are doing everything they can to try to push cargo to Lake Charles. It is an advantage for the mills in Louisiana to go to Lake Charles. Mr. Dallas was talking about product going to Beaumont and Houston. They have done that in the last couple of months – 10,000 tons of bagged goods to the Port of Houston and Port of Beaumont. The issue is containers. If you are going to look at competitiveness here, you really need to look at and how they can entice container shipments to come to the port. That is more where they are missing the business. The commercial bagged business the port is getting.

Mr. LeBlanc thanked him for his comments.

Mr. Eason asked Mr. Hanks in the last five years have they been satisfied with FMT. Mr. Hanks stated they have been. Communication is really good. They have invested heavily in the pallets. There was some discussion earlier about pallets and possibly the port taking on the pallets, which is a good idea, but there are some challenges with that. They get trucks that show up at their mill and if those pallets are in poor condition they cannot load that truck. They will have to come back to the port, try to find new pallets and they have to hire USDA here to try to check the pallets to make sure that they are good. FMT has invested heavily in those pallets and they have not had an issue since then.

Mr. Krielow asked that prior to FMT if he was satisfied with the stevedoring operations that were taking place then. Mr. Hanks stated he supported both of them and saw a letter that he had written at one time as Louisiana Rice Mill in support of Lake Charles Stevedore or J.J. Flanagan, one of the companies. Mr. Hanks stated that yes, there were challenges and Mr. Flanagan and he have talked about it. There were some issues back then. The letter that he wrote in the comments that he is making right now are consistent in the sense that what he had back when he knew Mr. Flanagan and he knew what he could do and what he was capable of. There were some issues that needed to be addressed. He was not sure what was going to happen when a new stevedore came in. It's the uncertainty that concerns him more than anything else. They have had Ports America, Lake Charles Stevedores and several of them have come and gone. Every time someone leaves it causes concern for them. What is going to happen? What is the issue there? How's the port going to handle this? He stated he was not picking sides. Mr. Flanagan is a good guy and so are the people at FMT. He is more concerned about the message it sends to the industry and making sure that what they do not end up with is a situation where they do not have the proper stevedoring operation that can handle the business that they are going after. It looks like they just got 30,000 tons as Mr. Rase mentioned earlier. This year is setting up to be a really good year in terms of being able to sell to Iraq. Iraq has a shortage of rice this year. Their acreage is down tremendously because of water problems. South America's prices are

coming up. They should have a US only tender in the next few weeks. If so, they will be well-positioned to offer them a good bit of cargo. That is why when things like this come up he says whoa, this is the worst time for them to be messing with the stevedoring operations out there. Again, he is not against or for anyone. It is the uncertainty.

Mr. Krielow stated this was not a loaded question, it is just a practical question, he knows that Mr. Hanks serves on state boards that deal with public entities and public funds. In his opinion as a steward of the public fiduciary of the Board that he sits on or the committee he sits on, does he feel that public funds should be used to make non-competitiveness. Mr. LeBlanc stated he did not think that question had anything to do with this. Mr. Krielow stated it has to do with the fact that they are a public body and they should have their doors open for anyone that could qualify and meet the criteria of the policies that they have set up to open it up for everyone and not have a closed-door. Mr. Leblanc stated it was not fair to ask Mr. Hanks about his beliefs about a policy that does not pertain to this.

Mr. Hanks said he would make a broader statement about this. The port has a job to do on the port board and looking for ways to be more competitive. He applauds that. However, there are scenarios in his mind where the actions that they take could end up being resulting in just the opposite of what they are trying to accomplish. As an example, if FMT leaves, Mr. Flanagan is the only one left, and what happens if something happens to him, who will be the stevedoring operation in here and now they have to try to beg someone to come in here and do it. It is just a lot concern along with crazy ideas, but any time in business when there is change it creates concern for them.

Mr. Eason asked a question that was not audible. Mr. Hanks replied that did not think it is. In terms of cost, he thinks they are competitive. He thanks the port for that because the port is also doing everything they can to make sure whoever the stevedore is, that they stay cost competitive. They are constantly giving feedback to Mr. Rase and his staff about where the Port of Lake Charles stacks up relative to other flows that they have. They have been fairly competitive. He was nervous when FMT came in, honestly. He did not know any of them. He didn't not know if the rates were all of a sudden going to start getting jacked up and now they would have to try to find an alternative way to ship. But, it worked out pretty good. These guys have invested heavily in pallets and things are working okay. He sympathizes with labor and if there's an opportunity to bring in more business he is in full support of them.

Mr. Dixon asked Mr. Hanks if he was sending all of his rice through Lake Charles. Mr. Hanks replied all his bag rice or most of the commercial bag rice that he does which is about 90% is coming through the Port of Lake Charles. They have a lot of bagged rice that goes containerized that does not come through the port.

Mr. LeBlanc recognized State Representative A. B. Franklin to address the board.

Mr. Rase stated before they get started with Representative Franklin that is one of the drawbacks they list in the book. There are some drawbacks to doing what they are trying to do.

Representative Franklin stated he was concerned about something. It just so happened the other day was watching television and saw Mr. Rase on TV. He did an excellent job and commends him for what he did with Cynthia Arceneaux. He said one thing about this port, and they could look back on his record and see he has been very supportive of this port. Mr. Guillory and he worked very hard during their days on the Police Jury back in the 80s. The reason why he is here today is he has heard the reasons why they cannot do this and they cannot do this. He is here for one thing. They have done a very good presentation but he hasn't heard anything of what they are going to do for the guys here. This is his big concern. Every time he comes before the Board, this is what he is concerned about. The Port is doing well. Everybody can look and see. They have a state-of-the-art building. Someone is doing well. If you go back and look at the longshoremen, back in the days in the 60s, what made it to where they are now, you had to have a strong back and good hands. That was what it was about back then. But, apparently these guys have been forgotten. His thing is this. He would like to see that the port will do something to help these guys. He is going to put the ball in their court. The question is this. What is it that we can do to put these guys back to work? They talk about Lake Charles. If you go to Baton Rouge that's all they talk about. Baton Rouge is doing this. Lake Charles is doing this. But what disturbs him is when the longshoremen here have to go out of the state to make money. Just like they are doing everything else with this port, the real estate and everything else, they need to work just a little bit harder. That's why he is going to put the ball back in the port's court to help these guys' families, pay their taxes and have their insurance. If they do that things will be good. He heard a lot of this on a lot of that but that is one thing he is asking to get these guys back to work. He thanked the board for their time.

Mr. LeBlanc asked if there were any other questions.

Mr. Darbone asked as for a matter of record was there a reason why they could not make a motion to bring this to the full Board. He is not understanding why the committee cannot do that.

Mr. Ringo stated the notice was put out that just said discussion and anything that they want to take an action on can be placed on the agenda for Monday and can be done then. They just worry that the Open Meetings Law requires that the public be put on notice of what is reasonable specificity about what is going to take place. His fear is if it just says discussion, and they take a vote that it is going to be challenged, especially since there is a meeting Monday night, it is simple to put it on the agenda. Mr. Krielow stated this was what he was going to bring up what he was going to ask the chairman since the president is here and Mr. Rase who set the agenda, if they can have this item placed on the agenda and be assured it will be on the agenda for Monday night. Mr. LeBlanc stated the Business Committee meeting will be part of the agenda and he planned on bringing it up during the regular meeting on Monday night to take action on it. The Business Committee meeting will be on the agenda. Before they take action or vote on anything the committee meeting will move forward at the regular meeting. They will go forward make a motion at the Monday meeting and take action then.

Mr. Warshaw stated he had one thing to say. He had a lot to do with preparing the book and it is important to remember one of the things that they were challenged with. He is saying in the report and maybe not that many people read it and not that many will read is that they are worried about the delusion of revenue. They may not be able to keep all of the stevedores. That is one of the concerns in the book if you read it. Option One kind of was their split to that. It allowed what exists to stay and it allows other people to have an opportunity at the Port. He does worry there is only so much revenue out there. If you split it up, he does not think you will keep the current status.

Mr. Rase stated he has a pack of letters that came in just before we started the meeting and will have them distributed by tomorrow.

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2. Other Matters which may properly come before the Board.  
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Mr. LeBlanc asked about the progress on the IFG silos. He has not seen or heard anything about them. Mr. Rase stated he has not seen or heard anything either. Mr. Philip Rogers is here but does not know if he has any updates. Mr. Rogers stated they would have to ask IFG for comments. He did not know anything. Mr. Rase stated they told him to talk to Mr. Rogers. Mr. Rogers stated he has no information on that.

Mr. Rase stated they do not know where anything stands. Mr. Rase stated they are dumping railcars straight to the ship. It is a much slower process than normal and they also know that UP has lifted the embargo for IFG at the port. So there are unit trains running. There's a ship out there currently that is loading.

Mr. Krielow stated that as he understands it, the part where they actually load the ships was not damaged. It was the section where the big storage silos are. Mr. Rase stated that is correct in that they cannot put cargo into storage or into a silo which would allow things to go faster. Mr. Krielow asked if they could use the old silos. He thought they had a way to get there but the main leg is the problem. Mr. Rase stated he does not know and cannot answer the question because they have not been given much information. All he knows is they are back working the ship and working trains are coming. It is a much slower loading. A lot of that has to do with the product. A lot of that has to do with the capabilities, but they are loading the ship. It is been there close to a month. See the difference between the three or four day loading versus what they are doing. However it's all working far as they know.

With no other business to be discussed, Mr. LeBlanc adjourned the meeting at 6:19 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.

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John LeBlanc, Chairman

ATTEST:

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Michael Eason, President

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David Darbone, Member

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Dudley Dixon, Member

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Elcie Guillory, Member

\_\_\_\_\_  
Carl Krielow, Member

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Thomas Lorenzi, Member