



State of Louisiana

International Commerce Master Plan

October 28, 2013

Introduction



Louisiana's Place in Int'l Commerce

- Louisiana has long been a center of international commerce and once epitomized the “Gateway to the Americas”. This leadership position and the competitive landscape has evolved over the years. Strengthening and maintaining our place in international commerce demands a renewed focus.

Today's Landscape

- Our task is challenging -- competition for trade and foreign direct investment (FDI) is fierce and will intensify in the coming years. However, we believe Louisiana is well-positioned for success given our geographic location, leadership in bulk cargo, and improving business environment.

Origin of the Int'l Master Plan

- In order to refocus Louisiana's international commerce efforts, legislation (ACT 687) was passed in 2012. The ACT created the Louisiana International Commerce Initiative and the Board.
- A.T. Kearney and the Boston Consulting Group (BCG) were tasked to develop a Master Plan for International Commerce for the State of Louisiana. This Master Plan provides a strategy and roadmap for creating jobs across three channels: Bulk Trade, FDI, and Re-Shoring.

Results of Our Efforts

- One of the project's first undertakings was to understand and assess the recommendations of the 37 previously published reports (ranging from 2001-2013) and incorporate applicable findings into the Master Plan.
- We then identified a range of international commerce opportunities and developed targeted recommendations around sector development and organizational strategy, structure, and processes.
- Recommendations were informed by competitive benchmarking, interviews with decision-makers (e.g., company interviews, site consultants) and stakeholder input.
- Overall, we believe that if the Master Plan is executed effectively, Louisiana can regain its leadership position in international commerce and reclaim its title of “Gateway to the Americas”.

Executive Summary

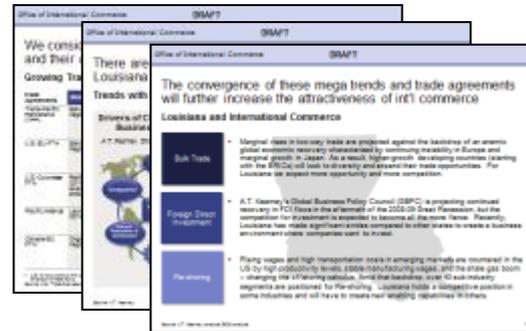
- Louisiana has an opportunity to create up to 15,000 total jobs per year through targeted sectors and initiatives outlined in the International Commerce Master Plan.
- This comprehensive strategy targets 4 sector categories and 14 source markets, and will require considerable collaboration between LED, regional economic development organizations (EDOs), and ports.
 - In Bulk Trade, Louisiana is a leader, but has room for improvement through organic growth, share capture, and value-added manufacturing.
 - In FDI, Louisiana has had significant success in recent years (e.g. Sasol project). However, more can be done by focusing on high-opportunity sectors aligned with its assets.
 - In Re-Shoring, Louisiana should focus on American companies in sectors that take advantage of its competitive wages, low energy costs, and logistics assets.
- The Master Plan to drive job creation is structured around five major initiatives:
 - Infrastructure
 - Trade outreach
 - Workforce skill, availability and retention
 - Lead generation
 - Board governance
- The Office of International Commerce and LaBIC board have endorsed the Master Plan and are taking actions to initiate execution (pending October 28th board meeting)

A.T. Kearney and BCG leveraged a number of resources to identify job creation opportunities and develop the Master Plan...

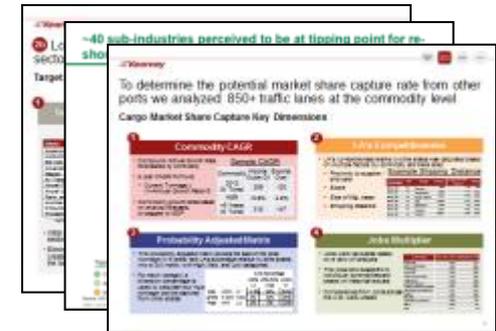
Reviewed previously commissioned reports



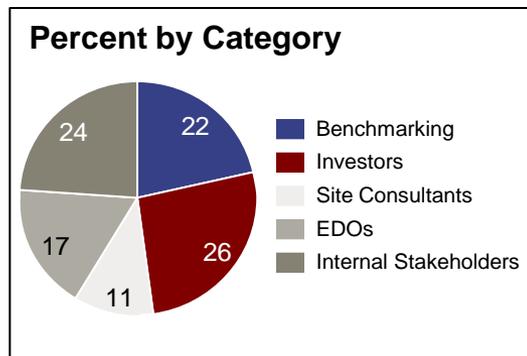
Examined global trends impacting Louisiana's position



Conducted analysis of sector growth opportunities



Completed >40 interviews of internal and external stakeholders



Benchmarked economic development organizations

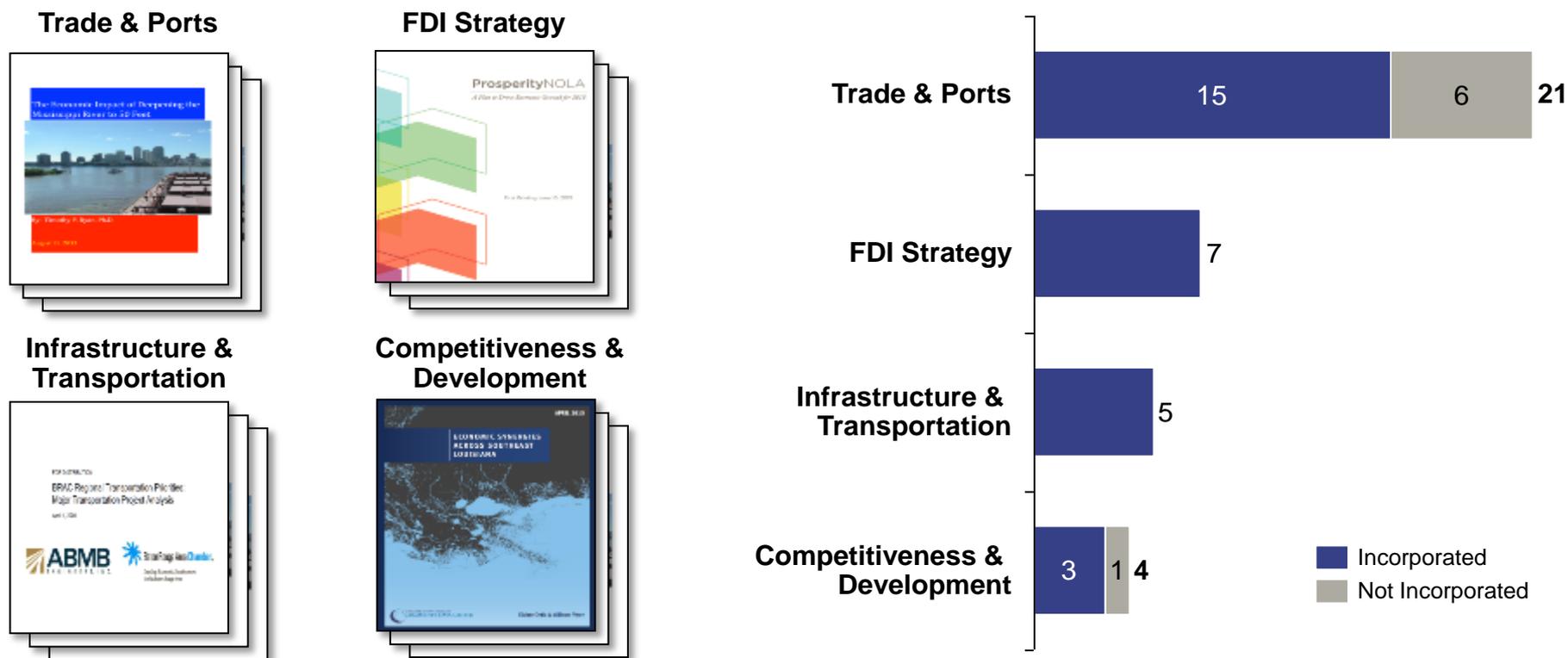


Conducted workshops with LED, EDOs, and LaBIC Sub-Committee



...beginning with a review of 37 previously published reports between 2001 and 2013

Breakdown of Reports by Type¹



30 of 37 reports were incorporated into the Master Plan – the balance were either not aligned with the Plan or did not provide specific recommendations

1. Summary of each report and connection to Master Plan included in the appendix.

The Master Plan is designed to strengthen Louisiana's position in Bulk Trade, Foreign Direct Investment and Re-shoring

International Commerce Master Plan Channels

Bulk Trade Objectives

1. Identify actions to expand bulk, break bulk and containerized bulk cargo
2. Develop initiatives to identify and attract trade-related value-add mfg. projects
3. Supplement organization to enable cargo growth and job creation

FDI Objectives

1. Define a strategic approach for attracting FDI
2. Identify initiatives to enable FDI job creation
3. Define organizational requirements and develop governance processes for long-term, sustainable job growth

Re-shoring Objectives

1. Identify re-shoring opportunities based on attractiveness and asset alignment
2. Develop initiatives to attract U.S. re-shoring and fill capability gaps where necessary

Contents

■ International commerce trends and implications for Louisiana

- Bulk Trade
- FDI
- Re-shoring

■ Target sectors

■ Job creation opportunities

■ Master Plan initiatives and timeline

■ Organization structure

■ Governance processes

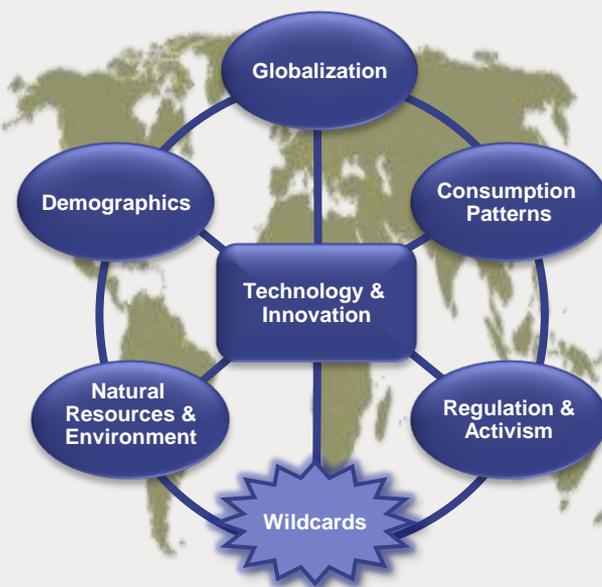
■ Appendix

There are 7 megatrends driving International Commerce for Louisiana

Trends with Potential to Impact Global Trade and Investment

Drivers of Change in the Global Business Environment

A.T. Kearney Strategic Foresight Framework



Drivers of change converge to form 7 megatrends

1	Global and regional demand patterns are changing international trade and investment destinations (<i>i.e.</i> , expanding Asian middle class driving demand to Asian markets)
2	Economic fundamentals are altering regional cost structures and changing where goods are produced (<i>i.e.</i> , Chinese labor cost growth making U.S. more attractive)
3	The shale gas boom is altering the U.S. <i>energy landscape</i> and Louisiana's energy import/export portfolio (<i>i.e.</i> , decrease in crude imports, increase in coal exports)
4	Evolving cost structures and the shale gas boom is leading to an increase in near-shoring and re-shoring (<i>i.e.</i> , U.S. manufacturing growth from improved productivity)
5	Gridlock has overtaken the current trading system, leading to more dominance of regional and bilateral agreements (<i>i.e.</i> , more, but narrower agreements)
6	As transportation costs increase, shipping vessels are increasingly larger to maximize economies of scale (<i>i.e.</i> , Panama Canal expansion driving larger ships)
7	Climate change is challenging historic trade patterns and driving global demand for alternative energies (<i>i.e.</i> , warmer temperatures causing shallower channel depths)

We considered the potential impact of several trade agreements and their ability to alter global trade

Growing Trade Fragmentation – FTA Outlooks and Impacts

Legend High ● Low ○

Trade Agreements ¹	Status	Description	Potential Passage	Louisiana Impact
Trans-Pacific Partnership (TPP)	Early negotiations	<ul style="list-style-type: none"> Slated to include Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam, as well as Canada, Mexico, and potentially Japan TPP would expand one of world's fastest growing trade lanes Japan's inclusion raises sensitivities over manufacturing, other heavy industry, and agriculture 		Positive
U.S.-EU FTA	Early negotiations	<ul style="list-style-type: none"> Most discussed FTA under negotiation; would create the largest trade block ever Constitutes U.S. response to Canada-EU FTA, and is symptom of multilateral WTO failures and stalled Doha Rounds U.S.-EU FTA could divert up to ~4% of trade from the rest of the world and increase inter-region trade by ~40% 		Positive
U.S.-Colombian FTA	Ratified (2011) – awaiting enforcement	<ul style="list-style-type: none"> Agreement would eliminate duties on 80% of U.S. exports of consumer and industrial products Additional 7% duty-free within 5 years, and remaining duties eliminated after 10 years Covers mostly agriculture, manufactured goods and equipment, electronics, chemicals, and plastics 		Slightly Positive
Pacific Alliance	Launched (2012)	<ul style="list-style-type: none"> Emerged after failure of Free Trade Area of the Americas in 2005 Members Mexico, Peru, Colombia and Chile already account for ~35% of Latin America's combined GDP with average growth of 5% Each country also has an existing FTA with the U.S. 		Slightly Positive
Canada-EU FTA ²	Agreement pending legislative approval October, 2013	<ul style="list-style-type: none"> Potential to increase Canada exports by ~20% and EU exports ~25%. Machinery, transport equipment, and chemicals largest share of bilateral trade Competition for state procurement, energy, and infrastructure projects also central High probability impact on U.S. industry if U.S.-EU FTA stalls; firms could use Canada-based manufacturing as point-of-entry into EU 		Negative

1. Only pending / ratified trade agreements included to understand potential changes to global trade – existing agreements (e.g., NAFTA) are drivers of current global trade environment

2. U.S. is not a party to the Canada-EU FTA negotiations. Agreement included because of potential impact for U.S. industry offshoring and diversion of trade flows.

Source: U.S. Trade Representative, U.S. Census, Brookings Institute, Sweden's National Board of Trade (Kommerskollegium)

The convergence of these megatrends and trade agreements will further increase the attractiveness of int'l commerce

Louisiana and International Commerce

Bulk Trade

- Marginal rises in two-way trade are projected against the backdrop of an anemic global economic recovery characterized by continuing instability in Europe and marginal growth in Japan. As a result, higher-growth developing countries (starting with the BRICs) will look to diversify and expand their trade opportunities. For Louisiana we expect more opportunity and more competition.

Foreign Direct Investment

- A.T. Kearney's Global Business Policy Council (GBPC) is projecting continued recovery in FDI flows in the aftermath of the 2008-09 Great Recession, but the competition for investment is expected to become all the more fierce. Recently, Louisiana has made significant strides compared to other states to create a business environment where companies want to invest.

Re-shoring

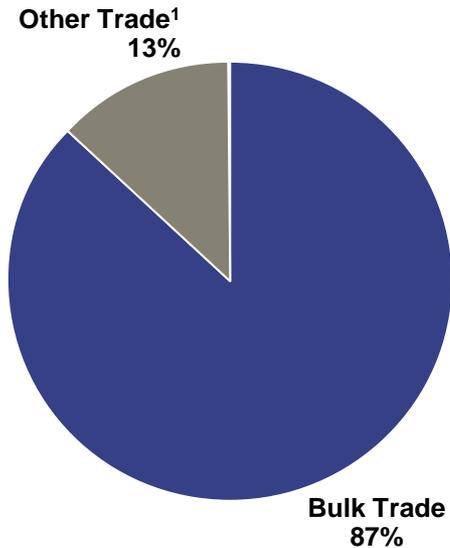
- Rising wages and high transportation costs in emerging markets, along with high productivity levels, stable manufacturing wages and the shale gas boom in the US -- are changing the offshoring calculus. Amid that backdrop, over 40 sub-industry segments are positioned for Re-shoring. Louisiana holds a competitive position in some industries and will have to create new enabling capabilities in others.

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~90% of Louisiana's total trade is bulk / break bulk – which represents 1.2 billion tons of import & export in the U.S.

Louisiana Trade by Category (2012)



U.S. Bulk Port Throughput (Imports & Exports, 2009-2012)



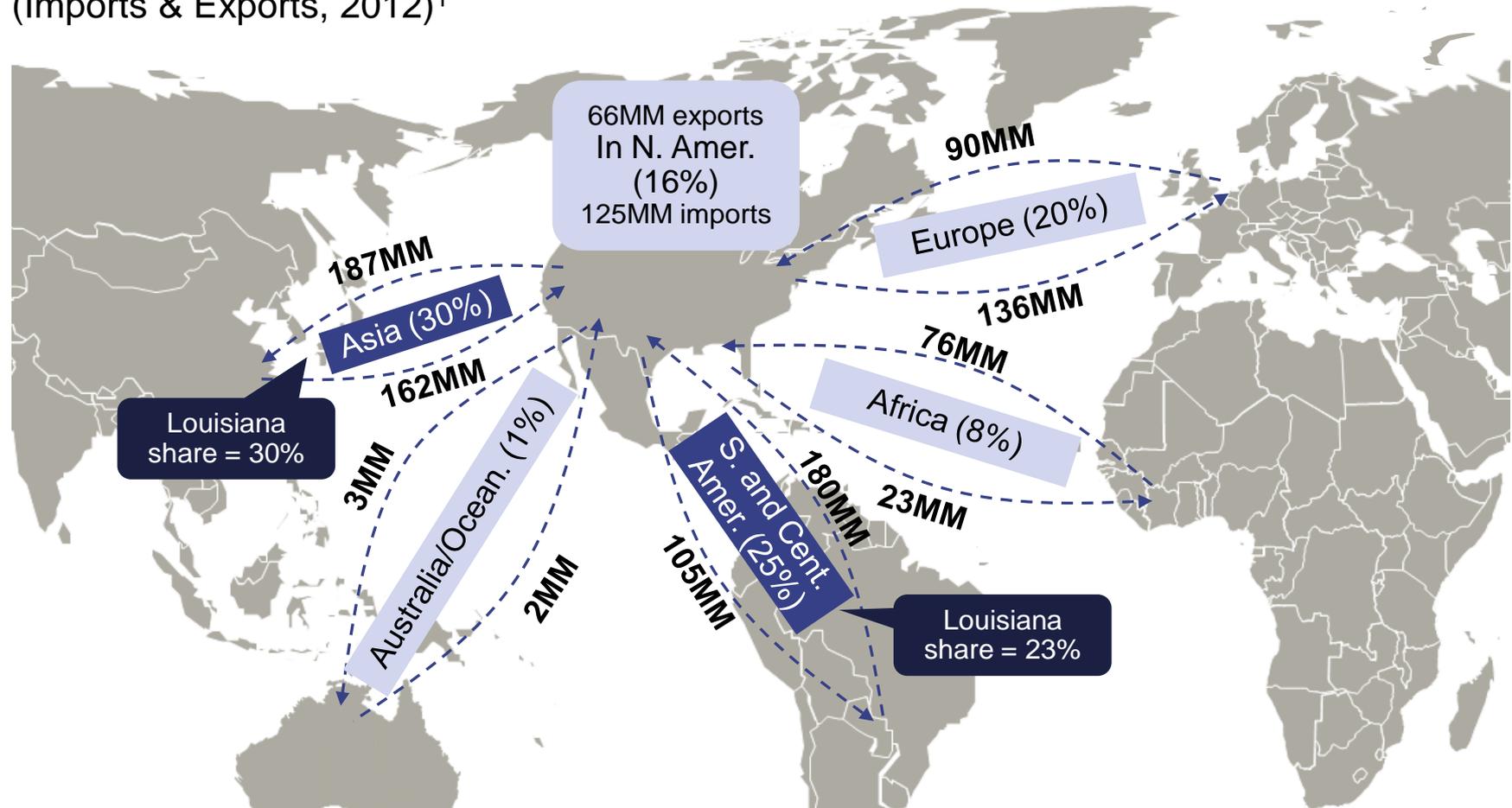
As the US economy continues to recover, total trade volume is projected to grow at a 2-5% CAGR over the next 5 years²

1. Other trade includes manufactures, per WTO
 2. Drewry Dry Bulk Forecaster; Economist Intelligence Unit; USDA
 Source: U.S. Department of Commerce; U.S. Census Bureau; HSBC Global Connections Report; A.T. Kearney

The Asian and South & Central American lanes represent 55% of total U.S. port traffic – Louisiana has a strong share of both

U.S. Bulk Port Flows By Region and % of U.S. Trade

(Imports & Exports, 2012)¹

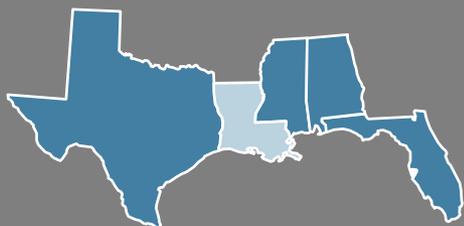


1. Bulk and break bulk weight in millions of short tons
Source: U.S. Department of Commerce; U.S. Census Bureau; A.T. Kearney

Given the importance of these flows, states are investing in bulk infrastructure to capture share

Example U.S. Bulk Private and Public Port Investments

Gulf State Investments



	Tonnage ¹ (2012, M)	Description of Select Private and Public Port Investments
Texas	319	2012: \$430MM for capital projects submitted from 9 ports
Alabama	27	2002 – 2012: \$700MM in investments in new warehouses, intermodal and rail
Florida	31	2012: \$87MM worth of improvements to bulk facilities
Mississippi	26	2012: \$50MM in wood pellet export infrastructure

Other State Investments



	Tonnage (2012, M)	Description of Select Private and Public Port Investments
Washington	55	2012: Deepened channel so ships can accommodate an additional 6-10 tons of bulk exports
Georgia	15	2012: Investments made to handle increased wood pellet exports and increased draft depth to 36 ft.

Despite investments, all states except Texas lag far behind Louisiana at 273M² tons

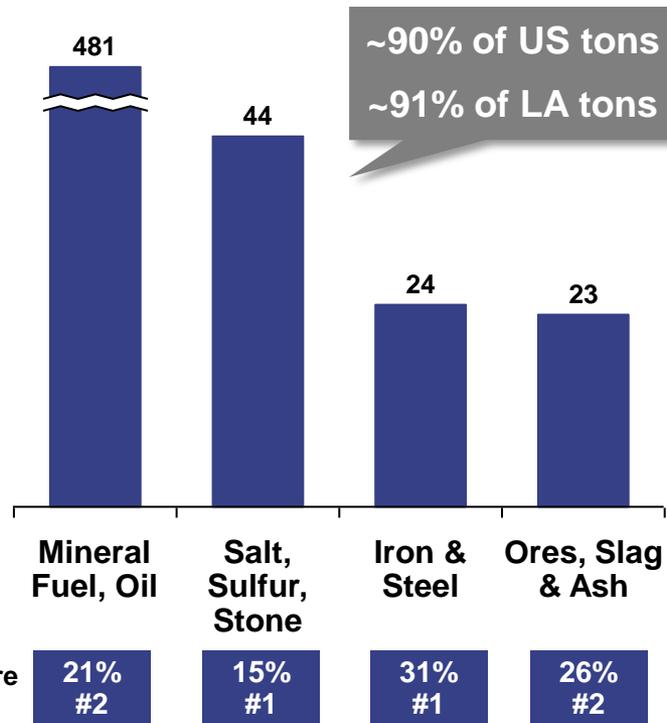
1. Tonnage based on imports and exports aggregated across state's primary ports

2. Total bulk short tons for Louisiana's primary ports

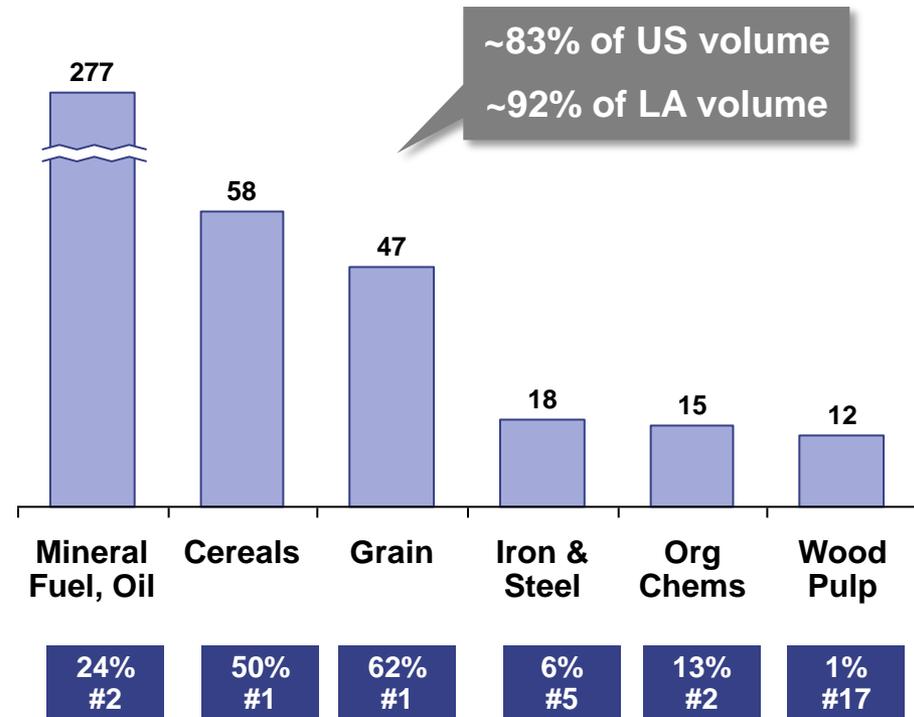
Source: 2012 Priority Seaport Projects, An Economic Analysis (FL), AAPA U.S. Port Infrastructure Investment Survey 2012-2016, Port of Gray's Harbor, World Trade Weight, Alabama State Port Authority

However, Louisiana is a leader in key commodities and can leverage its position to defend and grow its share

“Top 4” U.S. Bulk Imports¹
(2012)



“Top 6” U.S. Bulk Exports¹
(2012)



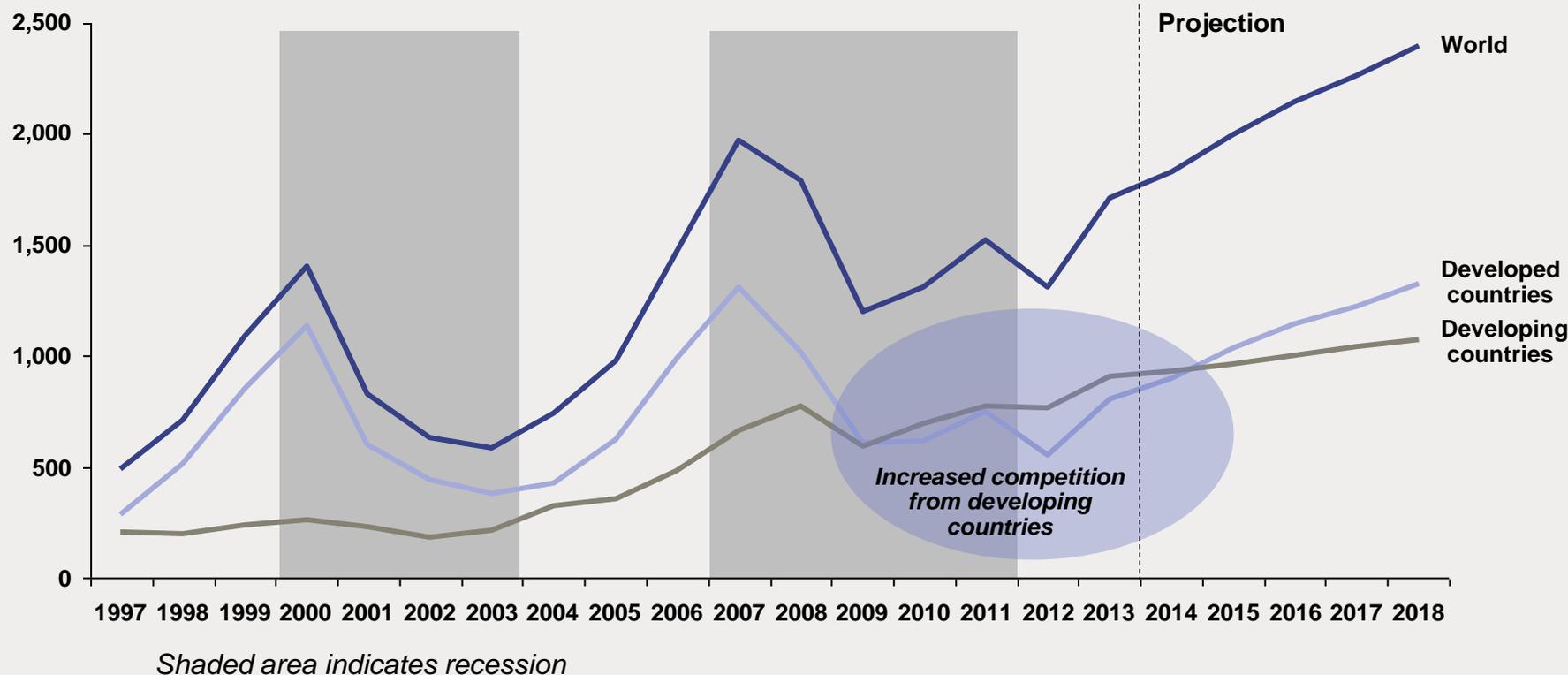
1. Bulk and break bulk weight in millions of short tons (2012)
Source: U.S. Department of Commerce; U.S. Census Bureau; A.T. Kearney analysis

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While developing countries have recently begun to capture a greater share of growing FDI inflows...

Global FDI inflows: 1997-2018 (\$B)

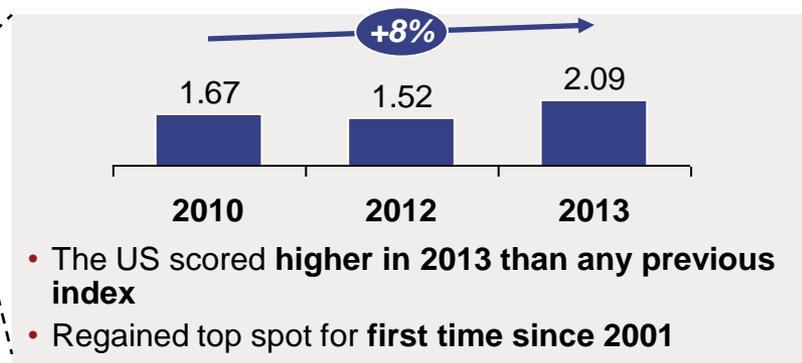


Access to local markets and improved business environment is driving more FDI toward developing countries

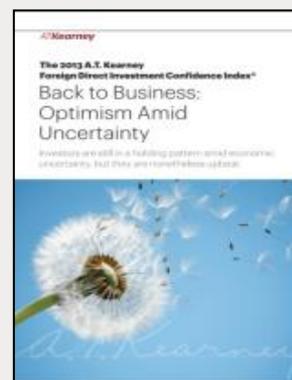
...the U.S. has regained its leadership position as a destination for FDI

FDICI 2013 rankings

2010	2012	2013		
2	4	1	United States	2.09
1	1	2	China	2.02
4	3	3	Brazil	1.97
9	20	4	Canada	1.86
3	2	5	India	1.85
7	6	6	Australia	1.83
5	5	7	Germany	1.83
10	8	8	UK	1.81
8	-	9	Mexico	1.77
-	7	10	Singapore	1.77
18	12	11	Russia	1.72
13	17	12	France	1.71
-	21	13	Japan	1.68
11	15	14	UAE	1.67
-	11	15	South Africa	1.63
-	24	16	Spain	1.63
-	16	17	Thailand	1.63
-	22	18	Switzerland	1.63
6	23	19	Poland	1.62
-	18	20	Taiwan	1.62
-	19	21	South Korea	1.62
-	-	22	Chile	1.60
-	-	23	Argentina	1.60
20	9	24	Indonesia	1.60
21	10	25	Malaysia	1.60



About the FDI Confidence Index



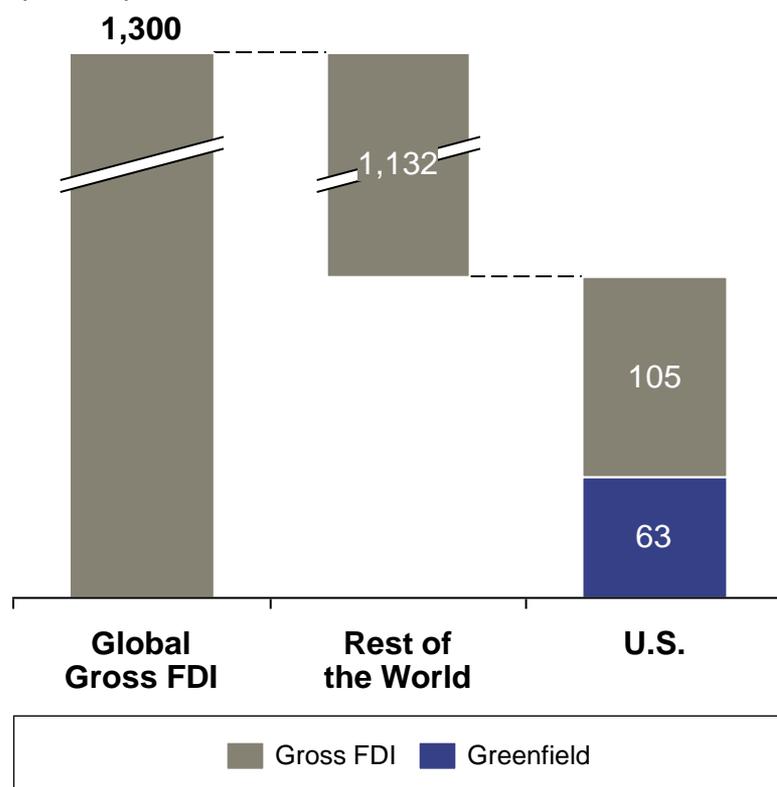
- Index is a forward looking indicator
- Index based on a proprietary survey of senior executives

Now is an opportune time for Louisiana to launch its International Commerce Master Plan given the positive U.S. FDI outlook

Louisiana has had considerable FDI success as a top 5 U.S. State for capital investment...

Breakdown of FDI Inflows and Louisiana FDI Performance

Breakdown of Global FDI Inflows, \$Bn (2012)



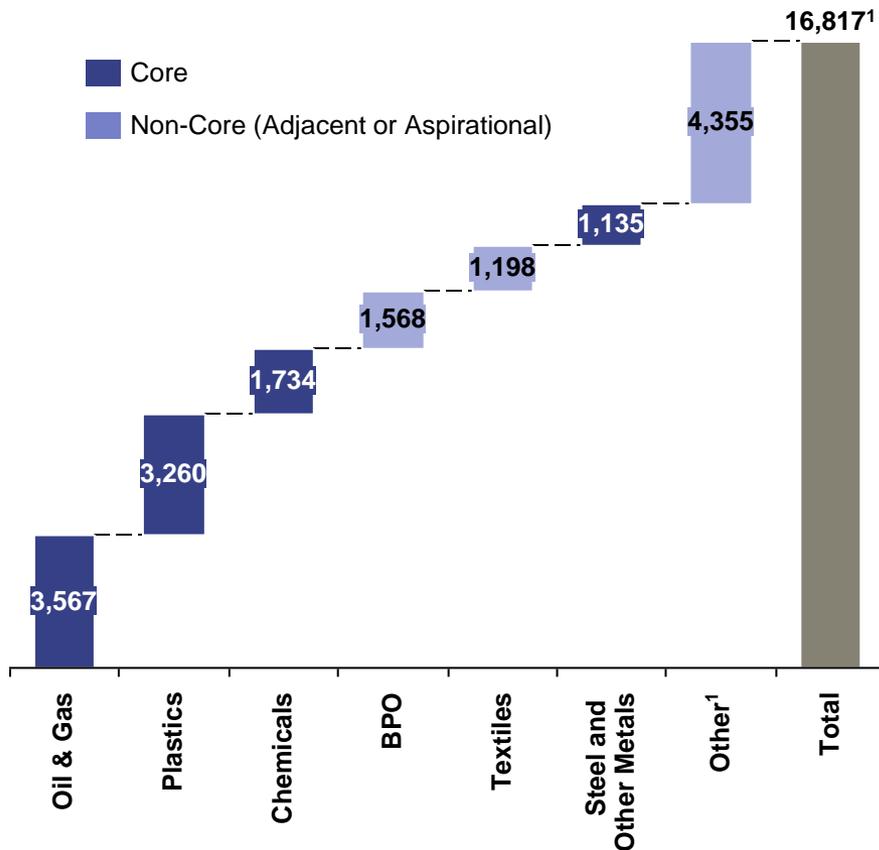
Top 10 Greenfield FDI in U.S. by \$ (2012)¹

Rank	State	FDI Inflows per Capita (\$)	Total Inflows (\$Bn)
1	Hawaii	1,573	2.2
2	Nevada	717	2.0
3	Texas	699	18.2
4	Louisiana	430	2.0
5	Alabama	424	2.0
6	S. Carolina	389	1.8
7	Florida	169	3.3
8	New York	141	2.8
9	Illinois	130	1.7
10	California	97	3.7

1. Per capita values for Top 10 U.S. states for total FDI inflows
Source: UNCTAD, fDi Markets, U.S. Census

...however, Louisiana should now replicate this success for FDI job creation

FDI Direct Jobs Created in Louisiana, 2003-2013

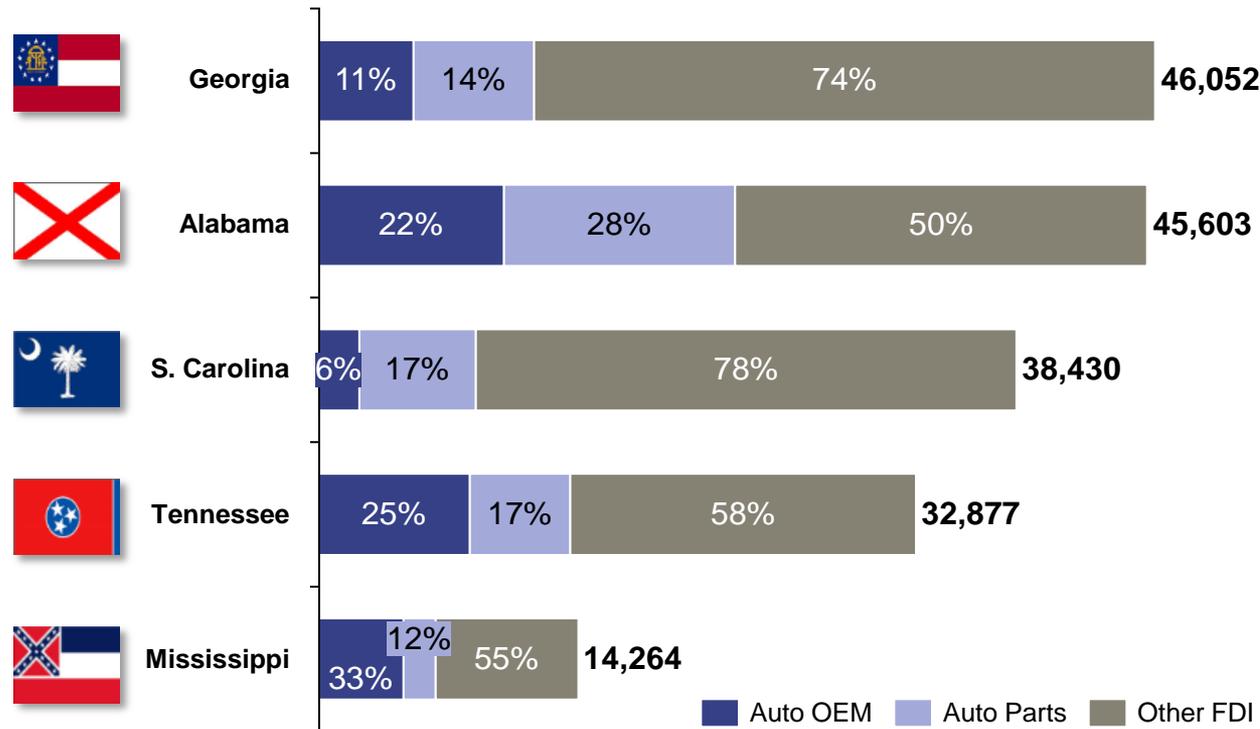


State Jobs per Capita (per 1k population)		Rate
	Alabama ²	9.5
	South Carolina	8.3
	Tennessee	5.5
	Georgia	4.9
	Mississippi	4.8
	North Carolina	4.6
	Louisiana	3.7
	Texas	3.2
	Florida	3.1
	Arkansas	2.5
	Oklahoma	2.2

1. Includes sectors with <1K jobs created over 2003-12 and Q1-2013 jobs not assigned sectors by fDi Markets.
 2. ~50% of Alabama jobs 2003-2013 connected to automotive sector.
 Source: fDi Markets, A.T. Kearney analysis

Furthermore, the automotive sector will require renewed attention given its capacity to create jobs

Automotive Concentration of Direct FDI Jobs (2003 – 2013)



Examples of Major Wins



There haven't been any greenfield FDI auto OEM assembly facilities announced in the U.S. for more than five years

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US competitiveness is increasing as it becomes one of the lowest-cost manufacturing locations in the developed world...

Re-Shoring Drivers of Change

Labor Cost and Productivity

- Wage rates in emerging markets are rising, eroding a long-standing cost advantage
- Low wages combined with increasing productivity, making the U.S. one of the cheapest, most productive workforces in the developed world

Energy Availability and Cost

- Shale gas discoveries and new recovery technologies are making U.S. energy costs among the world's most competitive
- These new energy supplies are creating a sustainable US advantage particularly in sectors where gas is a primary feedstock

Supply Chain & Logistics

- Transportation fuel costs are subject to volatility making for less predictable logistics
- Proximity to market and co-location of design and manufacturing also increase the attractiveness of re-shoring

...creating opportunities for low-cost Southern States such as Louisiana

Imagine a company...	...with the following location choices...	2000	2015F	
<ul style="list-style-type: none"> US-based auto parts supplier Most customers are US OEMs that manufacture in the US Parts take 8 minutes of labor on average in the US Labor represents 1/4 of the total cost of the part 	US Select Southern States <ul style="list-style-type: none"> Flexible unions/workers Minimal wage growth High worker productivity 	Wage rate (\$/hr)	15.81	24.81
		Productivity (%)	100	100
		Labor cost/part (\$)	2.11	3.31
	China Yangtze River Delta region <ul style="list-style-type: none"> Scarce labor Rapidly rising wages Low productivity relative to the US 	Wage rate (\$/hr)	0.72	6.31
		Productivity (%)¹	13	42
		Labor cost/part (\$)	0.74	2.00
		Labor cost savings (%)	65	39
		Total cost savings (before transportation, duties and other costs)	16	10

1. Average productivity difference between US and China's Yangtze River Delta Region. YRD productivity assumed to grow at ~7% CAGR over 2009 baseline, slightly slower than overall Chinese manufacturing productivity (~8.5%) as other regions adopt more advanced manufacturing practices.
Source: BCG analysis, BLS, EIU

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Louisiana is well positioned for success in international commerce across Bulk Trade, FDI and Re-shoring

Louisiana International Commerce Competitive Positioning

Bulk Trade



1. Louisiana is a global leader in bulk cargo – ranked #2 in total throughput in the U.S.
2. At 28% total share, Texas is the only state with similar tonnage scale to Louisiana
3. In addition to LA's scale, other competitive advantages include:
 - Proximity to industry clusters
 - Proximity to commodity sources
 - “Mississippi River Reach”

FDI



1. Between 2003 and 2012 Southern states¹ have increased their share of U.S. FDI from 33% to 37%
2. Business environment has improved dramatically -- Louisiana is #11 according to 2013 *Chief Executive* – a 33 spot jump from 2009
3. Louisiana's port and rail assets provide a competitive advantage – particularly for manufacturing

Re-shoring



1. Labor force is cost competitive with high levels of skilled workers in specific re-shoring segments
2. Louisiana has the lowest effective tax rate of any other state for new manufacturing firms
3. Intermodal transportation infrastructure and energy costs are highly competitive

1. South defined as Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, and Texas

Source: Secondary research, fDi Markets, U.S. Census, A.T. Kearney analysis

19 target sectors were identified across international commerce channels based on job creation opportunity and capabilities

FDI, Bulk and Re-shoring Target Sectors

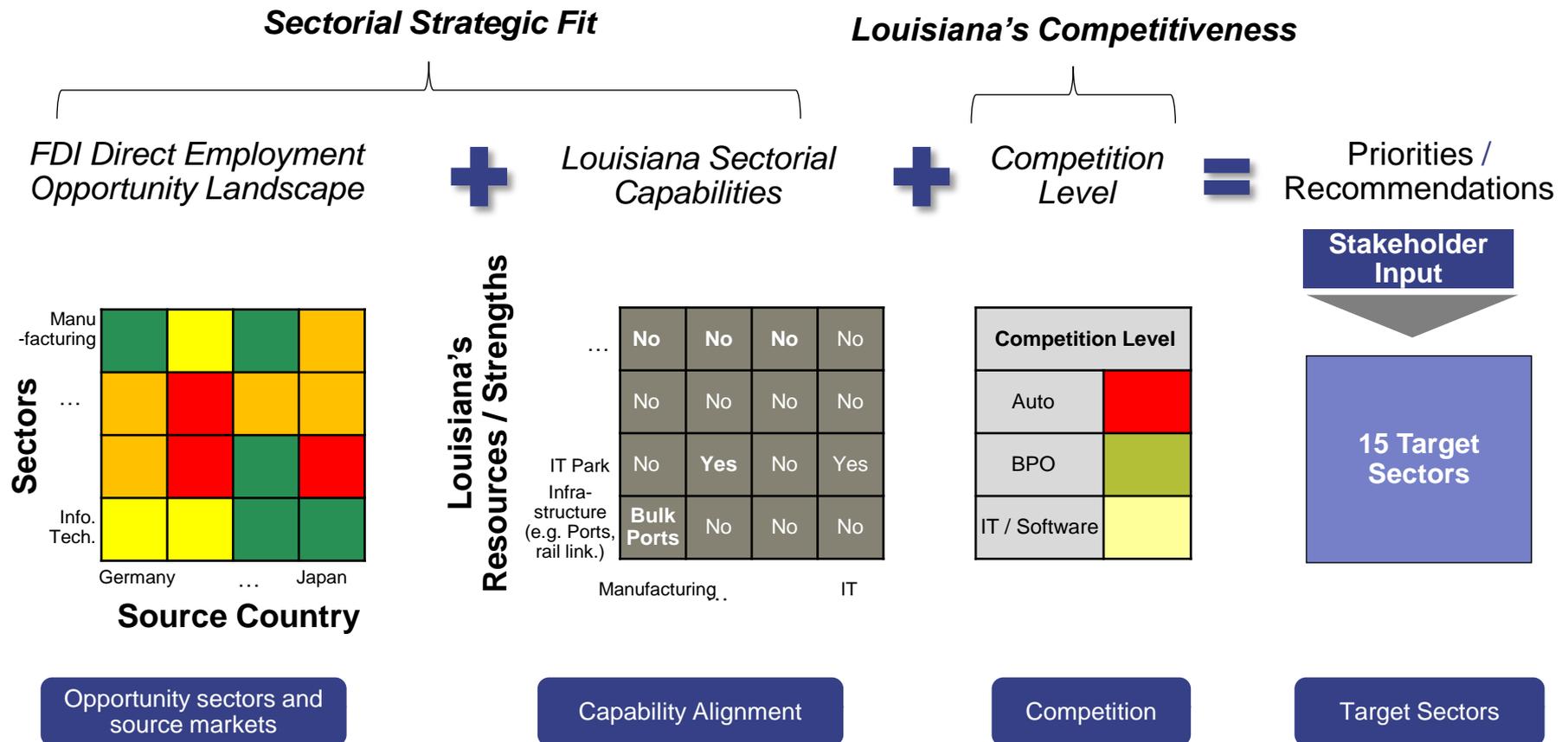
 Opportunities across all channels

		Bulk Trade	FDI	Re-shoring
Heavy Manufacturing	1. Automotive OEM	✓	✓	
	2. Automotive Parts	✓	✓	
	3. Steel & Other Metals	✓	✓	
	4. Railroad Rolling Stock	✓	✓	
	5. Industrial Machinery	✓	✓	✓
	6. Engines & Turbines			✓
Light Manufacturing	7. Rubber Products	✓	✓	✓
	8. Plastics	✓	✓	✓
	9. Consumer Durables	✓	✓	
	10. Wood Products		✓	
	11. Comp. & Electronics / Electrical Equip.		✓	✓
	12. Wires & Batteries			✓
	13. Food & Beverages	✓		
	14. Building Materials	✓		
Process Industries	15. Oil & Gas	✓	✓	
	16. Chemicals	✓	✓	✓
Technology Services	17. Software & IT		✓	
	18. Business Process Outsourcing		✓	
	19. Telecommunications		✓	

1. Steel & Other Metals projects also covered within process industries.
Source: LED Workshop, A.T. Kearney analysis

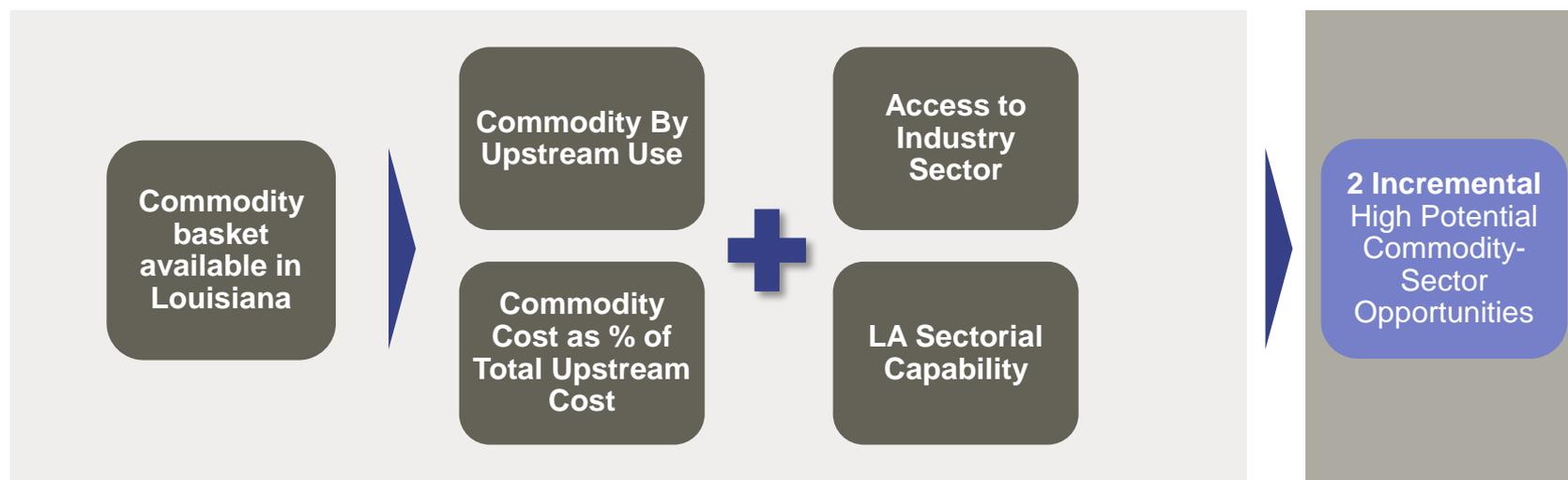
For FDI, 15 sector targets were identified based on a 3-stage assessment – job creation, capabilities and level of competition

Develop Strategic Focus



For Bulk Trade, we identified 2 incremental sectors through a systematic sector-commodity analysis

Assessment of Value-Add Commodity Opportunities



Building Materials



- Gravel
- Concrete
- Gypsum
- Iron
- Steel
- Soda/Sulfate

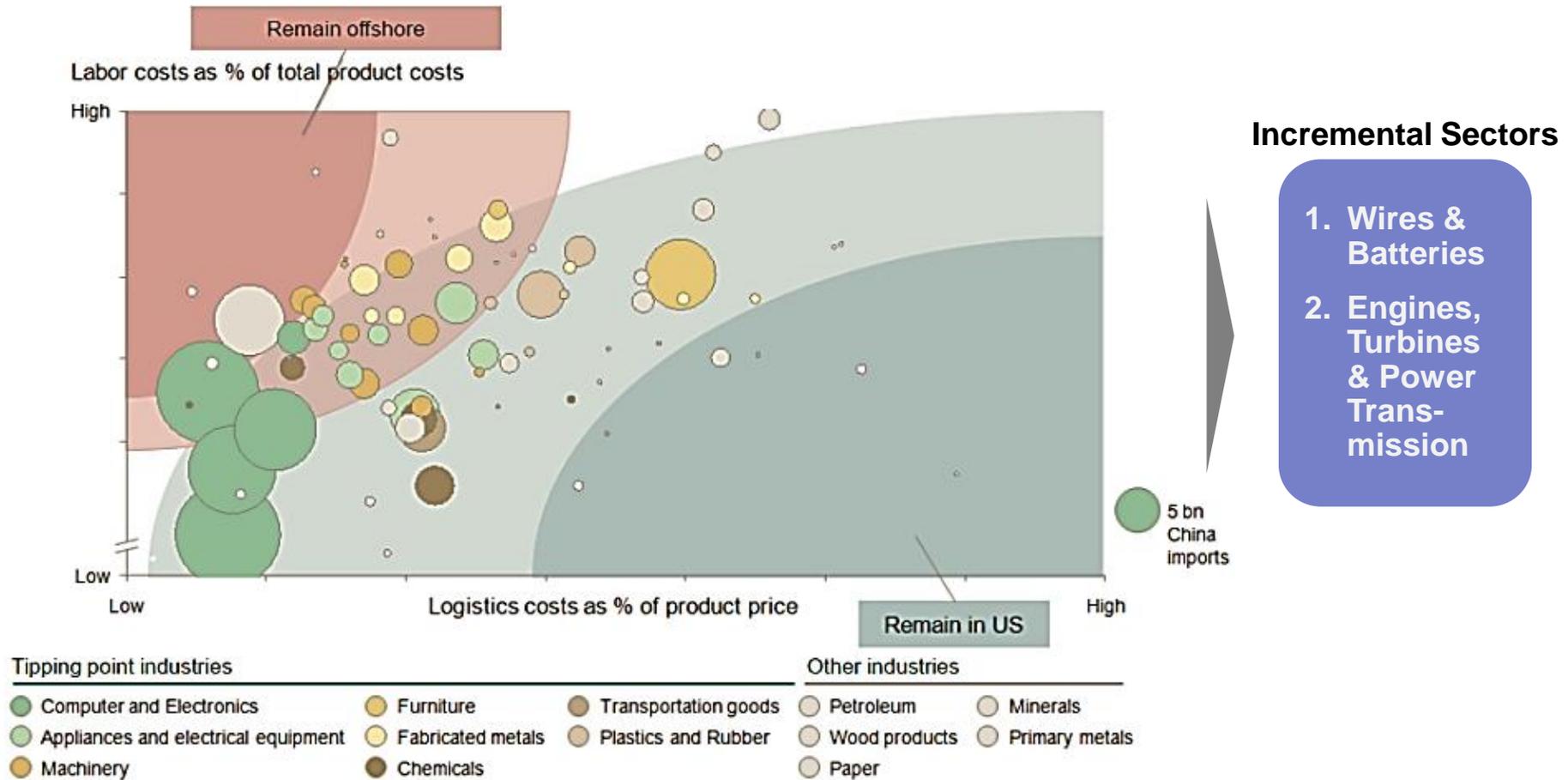
Food & Beverage



- Corn
- Wheat
- Rice
- Soybeans
- Salt
- Fertilizer

~40 sub-industry segments are at the "tipping point" for re-shoring, 2 of which are incremental to FDI and Bulk Trade

Re-shoring Opportunity Landscape



For FDI and Bulk Trade 14 countries show the greatest job creation opportunity due to their sector growth outlook

Louisiana Target FDI and Trade Countries

FDI Target Countries & Sectors

 Canada	<ol style="list-style-type: none"> 1. Oil & Gas 2. RR Rolling Stock 3. Software/IT 4. Auto-Parts 5. Machinery 	 Japan	<ol style="list-style-type: none"> 1. Auto-Parts 2. Auto-OEM 3. Rubber Products 4. CPU & Electronics 5. Chemicals
 China	<ol style="list-style-type: none"> 1. Machinery 2. Auto-OEM 3. Steel/Metals 4. CPU & Electronics 5. Telecom 	 UK	<ol style="list-style-type: none"> 1. Oil & Gas 2. Software/IT 3. Machinery 4. Telecoms 5. BPO
 Germany	<ol style="list-style-type: none"> 1. Auto-OEM 2. Auto-Parts 3. Steel/Metals 4. Machinery 5. Chemicals 	 S. Korea	<ol style="list-style-type: none"> 1. Auto-Parts 2. Auto-OEM 3. Machinery 4. Telecoms 5. Rubber Products
 India	<ol style="list-style-type: none"> 1. BPO 2. Plastics 3. Steel/Metals 4. Ind. Machinery 5. Software/IT 		

Top Bulk Trading Partners

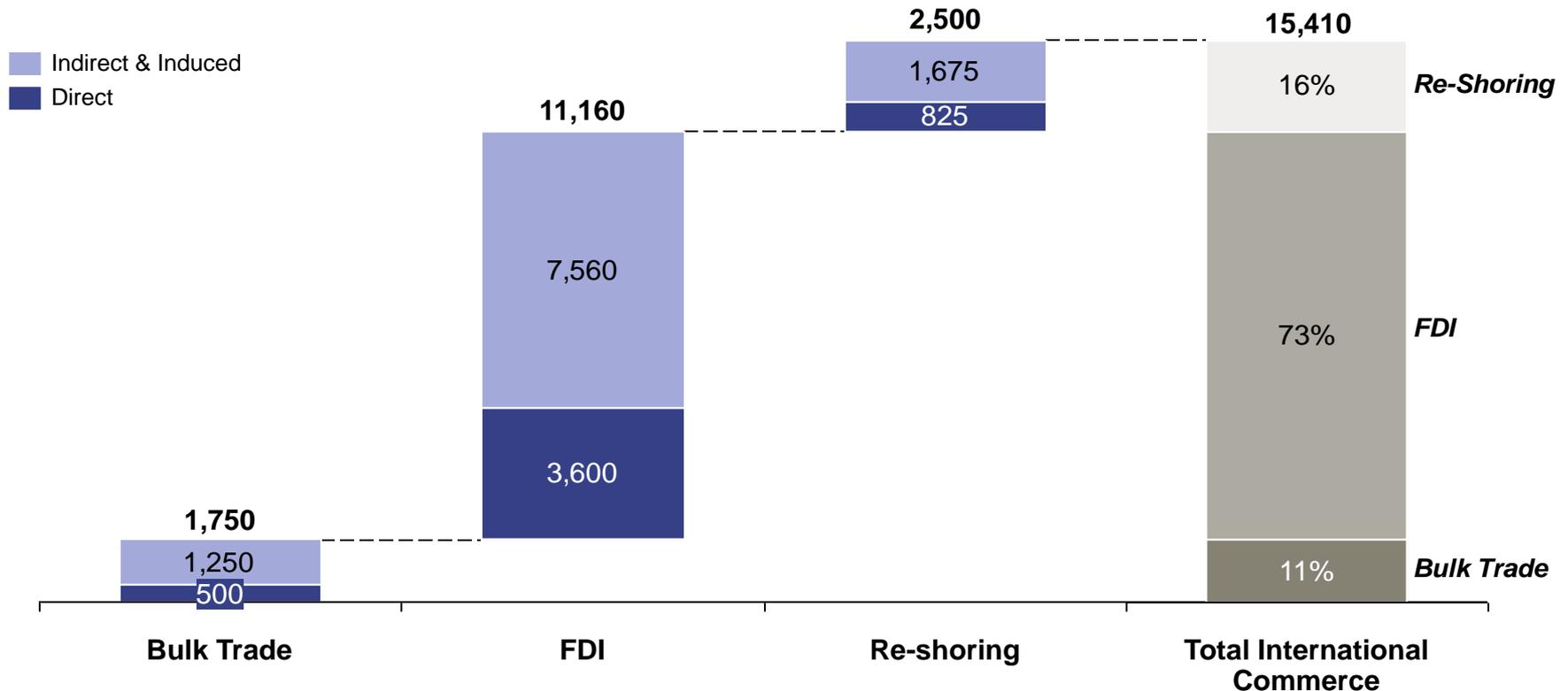
<h4>Top Regions</h4>  Latin America  Asia	<h4>Top Countries</h4> <table border="0"> <tr> <td>  Venezuela </td> <td>  Brazil </td> </tr> <tr> <td>  Colombia </td> <td>  Chile </td> <td>  Jamaica </td> </tr> <tr> <td>  S. Korea </td> <td>  Indonesia </td> </tr> <tr> <td>  India </td> <td>  Singapore </td> </tr> </table>	 Venezuela	 Brazil	 Colombia	 Chile	 Jamaica	 S. Korea	 Indonesia	 India	 Singapore
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Across these sectors and source markets, Louisiana could produce up to 15k new jobs annually

International Commerce Annual Job Creation Estimate¹
(2014-2018)

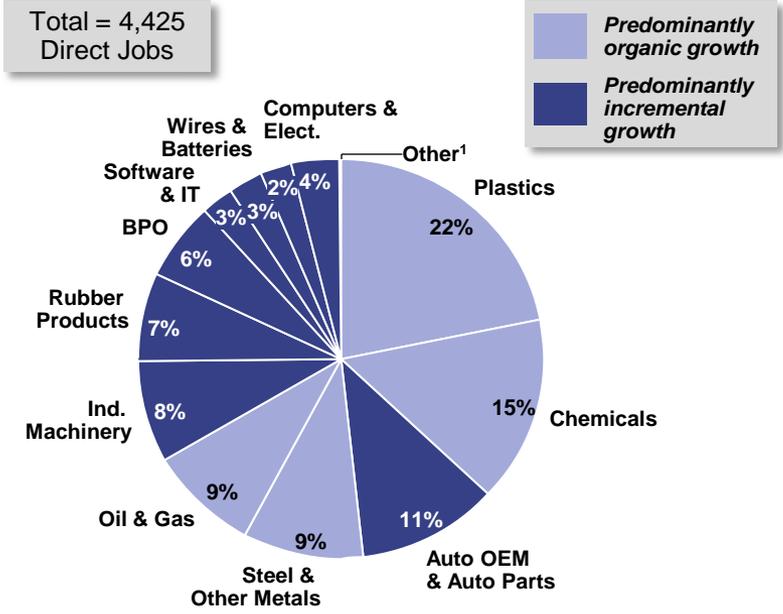


1. Job creation estimates assume relative macroeconomic stability – a significant economic downturn will negatively impact these estimates
Source: FDI and Bulk Trade Estimates from A.T. Kearney, Re-shoring estimates from BCG

Plastics and chemicals should lead a portfolio of job creation for FDI and Re-shoring – exports will drive growth for Bulk Trade

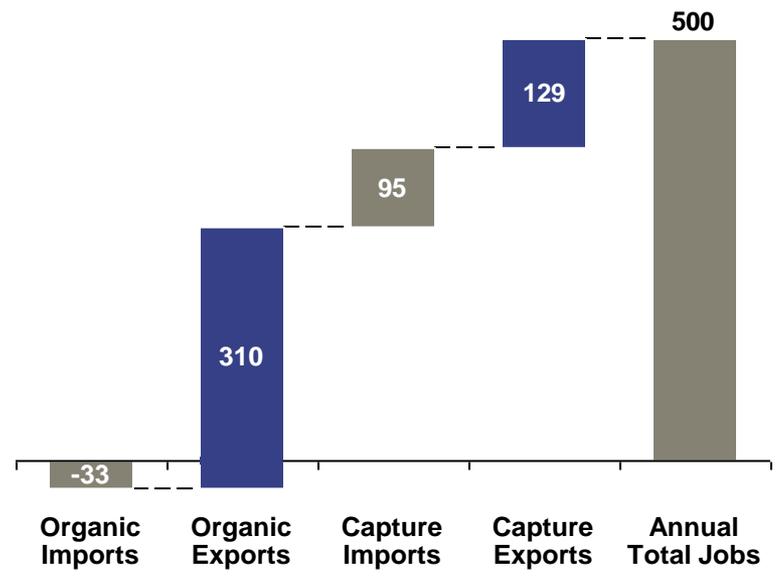
Job Creation Estimate Detail

Annual FDI and Re-shoring Direct Job Creation by Sector, %



- **Plastics and chemicals can generate ~37%** of job creation-- driven predominantly by organic growth
- **Auto OEM & auto parts will lead incremental job growth at ~11% of the total**

Annual Bulk Trade Direct Job Creation (Organic and Share Capture)



- Exports are estimated to drive nearly **90% of Bulk Trade job growth**
- Additional job creation is attainable through growth of **value-added manufacturing**

1. Other includes: (1) Wood Products, (2) RR Rolling Stock, (3) Consumer Durables, (4) Telecommunications and (5) Engines & Turbines
 Source: fDi Markets, U.S. Department of Commerce; U.S. Census Bureau; A.T. Kearney analysis, Made in America analysis, BCG analysis

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We recommend 22 initiatives across key dimensions – these initiatives will enhance competitiveness for int'l commerce

Initiatives Summary

Infrastructure	Workforce Availability / Skills / Retention	Lead Generation
1. Execute automotive OEM megasite conceptual design	5. Evaluate and develop certification programs for HS and Associate students around: <ul style="list-style-type: none"> • Manufacturing • Machinery • Digital Media • Electrical Equipment 6. Pursue domestic marketing campaign to attract workers from neighboring states 7. Develop project specific social media campaigns	12. Develop international commerce web portal 13. Create country and industry advocacy groups 14. Establish foreign presence in top 5 markets 15. Develop country specific marketing materials 16. Cultivate airport traffic for leads and end users ¹
Trade Outreach		
2. Establish International Trade Rep. / port liaison 3. Create Cargo Business Intelligence unit 4. Create Cargo Task Force within LaBIC	8. Increase outreach to engineering and finance / accounting students 9. Design a state - sponsored internship program to retain talent in priority industries ¹ 10. Expand engineering education as student pop. increases 11. Expand finance and accounting programs as student pop. increases	
Board Governance		
17. Re-align board along four sub-committees with distinct responsibilities 18. Conduct annual report out to legislature on Master Plan implementation 19. Recommend budget requirements for next fiscal year for Office of Int'l Commerce	20. Augment Office of Int'l Commerce with additional FTE for Marketing, Research, Sales & Trade promotion 21. Initiate project evaluation process 22. Roll out key performance metrics for Int'l Commerce	

1. Re-shoring specific initiative (Source: Boston Consulting Group Analysis)
 Source: fDi Markets, Secondary research, A.T. Kearney analysis, BCG analysis

Initiatives Timeline

Initiatives (1/2)

Year	2013	2014	2015	2016
Infrastructure				
1. Execute automotive OEM megasite conceptual design		[Progress bar from start of 2013 to end of 2015]		
Trade Outreach				
2. Establish International Trade Rep./ Port liaison		[Progress bar from start of 2014 to mid-2014]		
3. Create Cargo Business Intelligence Unit		[Progress bar from start of 2014 to end of 2014]		
4. Create Cargo Task Force within LaBIC		[Progress bar from start of 2014 to end of 2014]		
Workforce Availability / Skills / Retention				
5. Evaluate and develop certification programs for HS and associate students around key industries		[Progress bar from start of 2013 to end of 2015]		
6. Pursue domestic marketing campaign to attract workers from neighboring states		[Progress bar from start of 2014 to end of 2015]		
7. Develop project-specific social media campaigns		[Progress bar from start of 2014 to mid-2014]	[Dashed bar labeled "ongoing" from mid-2014 to end of 2015]	
8. Increase outreach to engineering and finance / accounting students		[Progress bar from start of 2014 to end of 2015]		[Dashed bar labeled "ongoing" from end of 2015 to end of 2016]
9. Design a potential model for state-sponsored internship program		[Progress bar from start of 2014 to end of 2015]		
10. Expand engineering education as student pop. increases		[Progress bar from start of 2014 to end of 2015]		
11. Expand fin. & accounting progs. as student pop. increases		[Progress bar from start of 2014 to end of 2015]		

Initiatives Timeline

Initiatives (2/2)

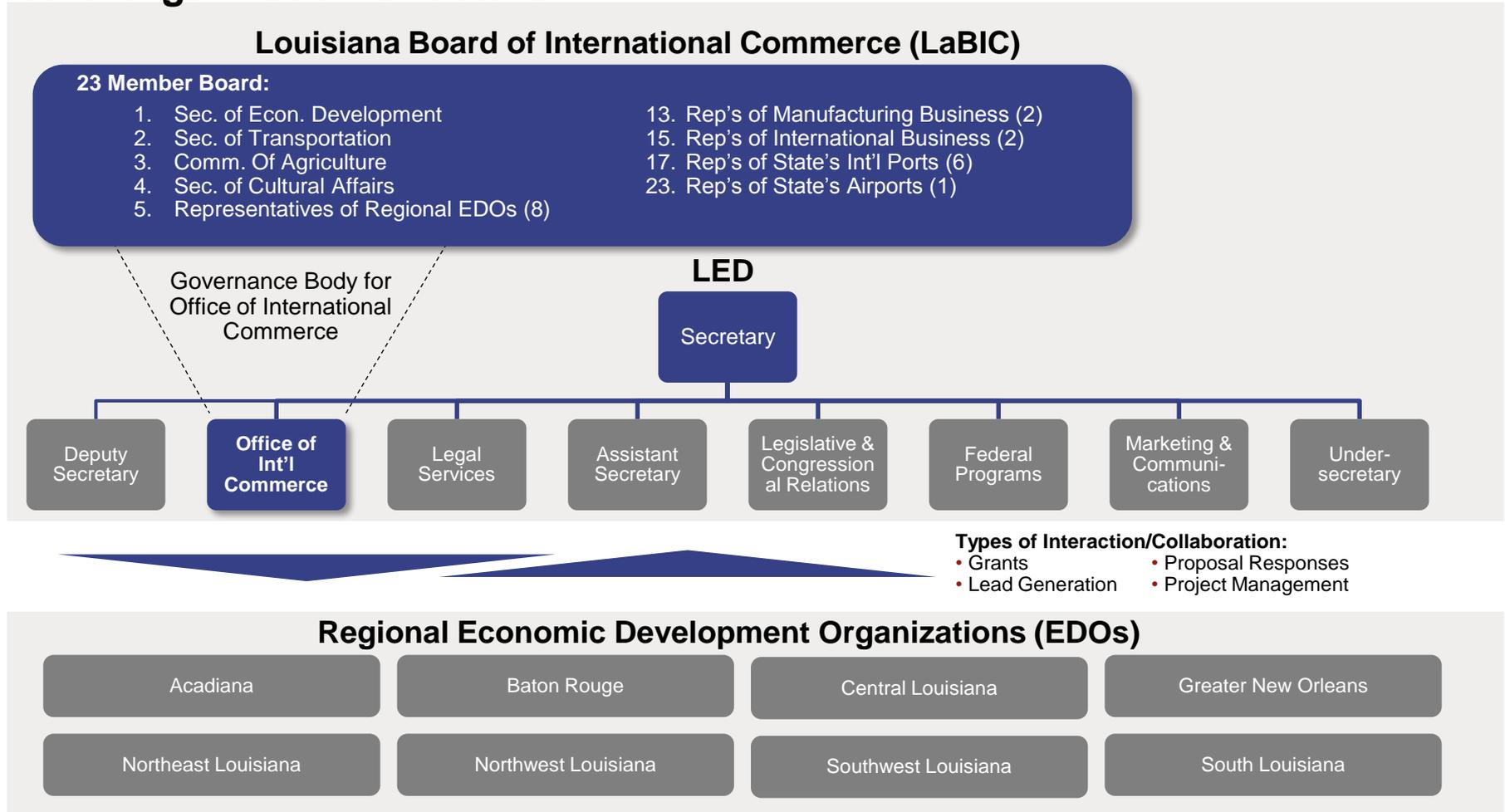
Year	2013	2014	2015	2016
Lead Generation				
12. Develop international commerce web portal				
13. Create country and industry advocacy groups				
14. Establish foreign presence in 5 markets				
15. Develop country specific marketing materials				
16. Cultivate airport traffic for leads and end users				
Board Governance				
17. Re-align board along four sub-committees with distinct responsibilities				
18. Conduct annual report out to legislature on Master Plan implementation				
19. Recommend budget requirements for next fiscal year for the Office of International Commerce				
20. Augment Office of Int'l Commerce with additional FTE for Marketing, Research, Sales & Trade promotion				
21. Initiate project evaluation process				
22. Roll-out key performance metrics for Int'l Commerce				

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The Int'l Commerce Board is the governance body mandated in enabling legislation to oversee int'l commerce strategy...

Board Organization Structure



...however, the Board sub-committees should be realigned to ensure efficient implementation of the Master Plan

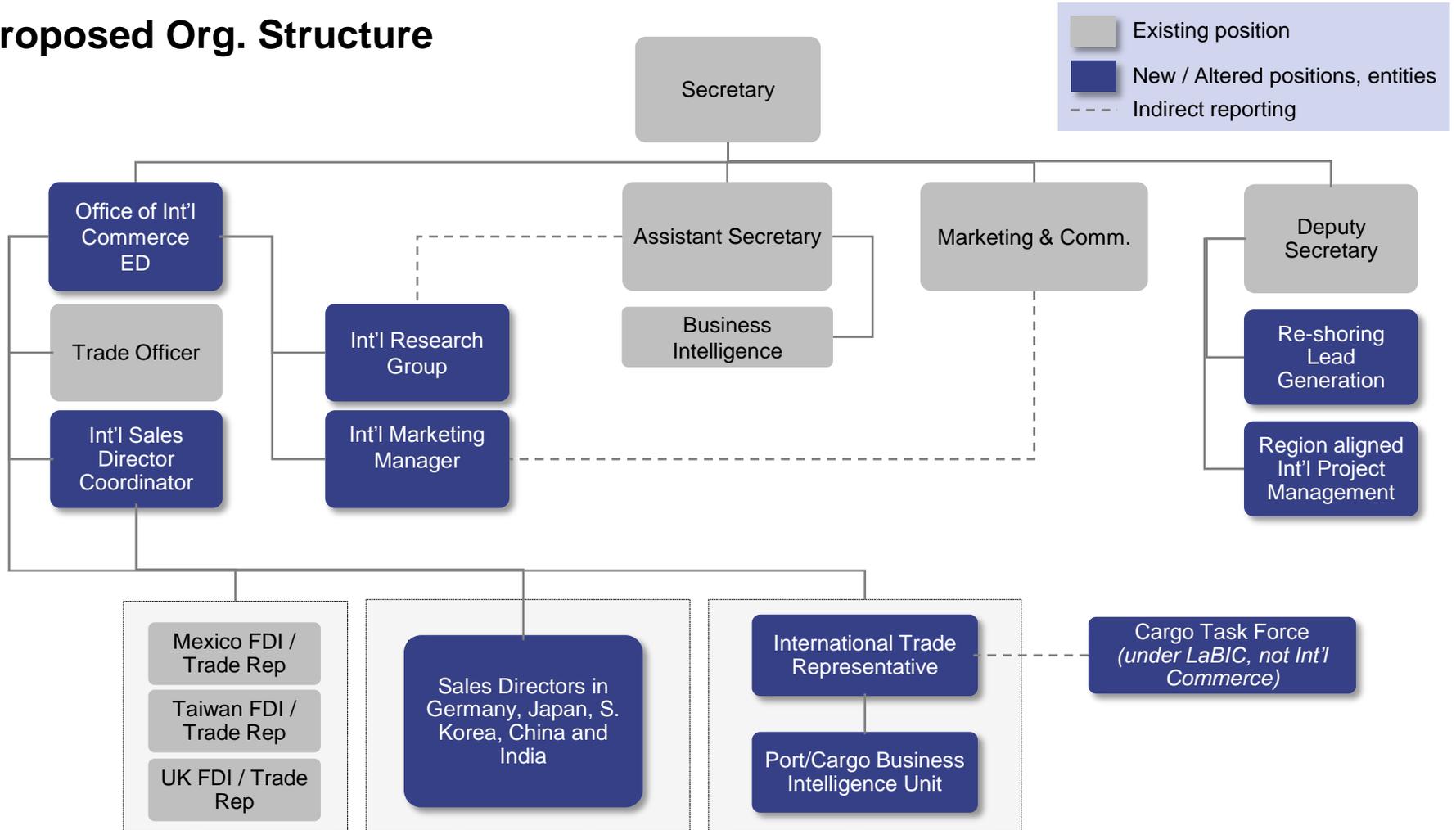
Recommended Sub-committee Structure

Board Responsibilities	Sub-committee Responsibilities			
	Executive (Strategy & Planning)	Finance & Budget	Project Governance	Cargo Task Force
Master Plan progress report to the Legislature	✓			
Provide recommendations to the legislature re: implementation and funding	✓	✓	✓	
Integration of planning, marketing, and resources for relevant State / private interests	✓		✓	
Identify and recommend target companies, partnerships, joint ventures etc. to implement the Master Plan	✓			
Review and approve process for project evaluation			✓	
Review projects based on approved process			✓	
Prioritize projects based on established priority mechanism			✓	
Monitor implementation of the strategy to attract investment			✓	
Identify funding (foreign, federal, state, and private)		✓		
Develop and implement methods to self-generate funds		✓		
Recommend an annual budget for the operation of the office		✓		
Foster formal collaboration with Office of Int'l Commerce				✓
Target and convert potential value-add opportunities				✓
Represent interests of all ports				✓
Leverage shared business intelligence to gain insights on growth trade patterns and growth opportunities				✓

1. Section name in the document for more details on the topic
Source: LED inputs, A.T. Kearney

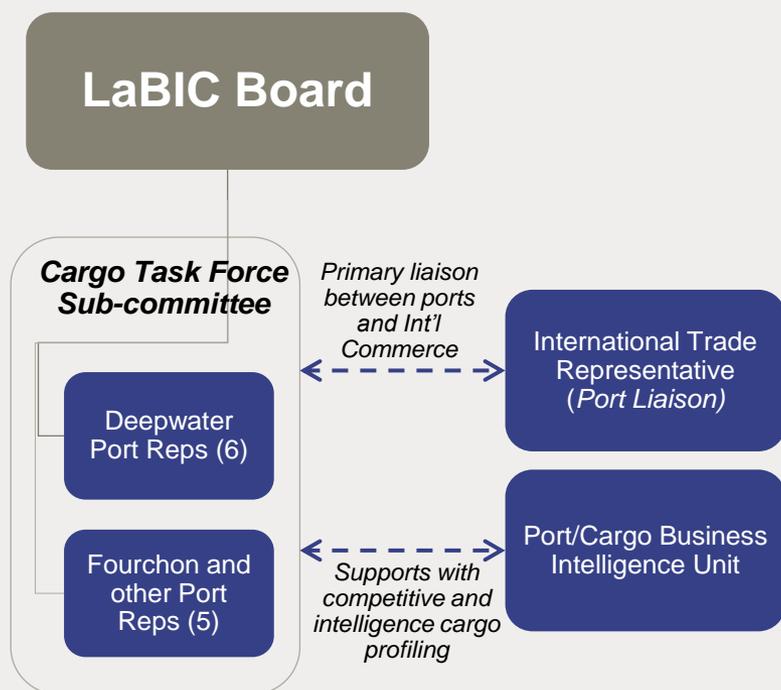
To enable the Master Plan, selected functions within Int'l Commerce should be supplemented

Proposed Org. Structure



A Cargo Task Force should promote trade by fostering collaboration across the State, ports and regional EDOs

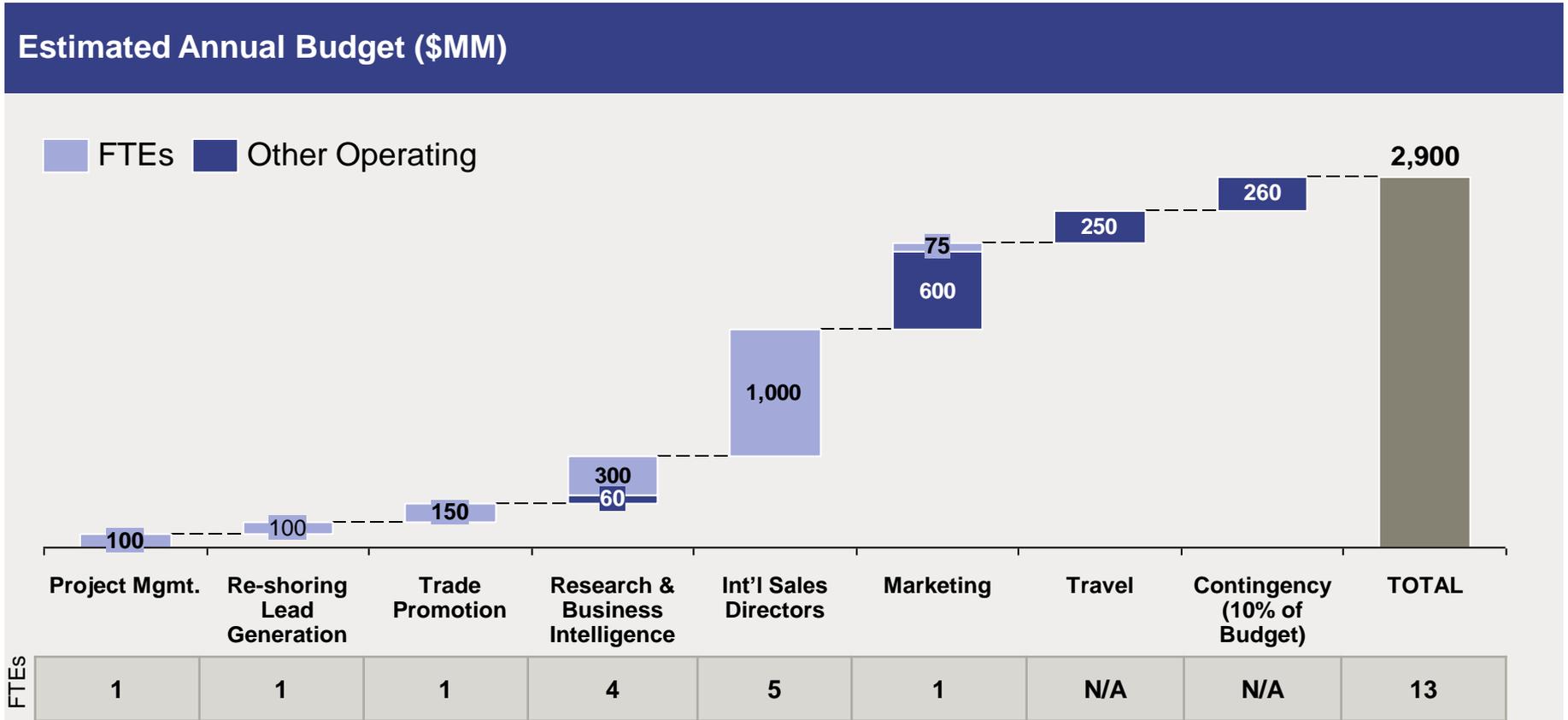
Cargo Task Force Sub-committee Composition



Cargo Task Force Charter

- Foster formal collaboration with Office of Int'l Commerce through Int'l Trade Representative, coordination among Louisiana ports to defend and grow cargo market share
- Serve as the primary mechanism, with Office of Int'l Commerce coordination, to target and convert potential value-add opportunities
- Represent the interests of all Louisiana deepwater ports with rotating participation from inland and coastal ports
- Leverage shared business intelligence to gain insights on growth trade patterns and growth opportunities

In order to obtain job creation goals, an incremental \$2.9MM in annual budget will be required



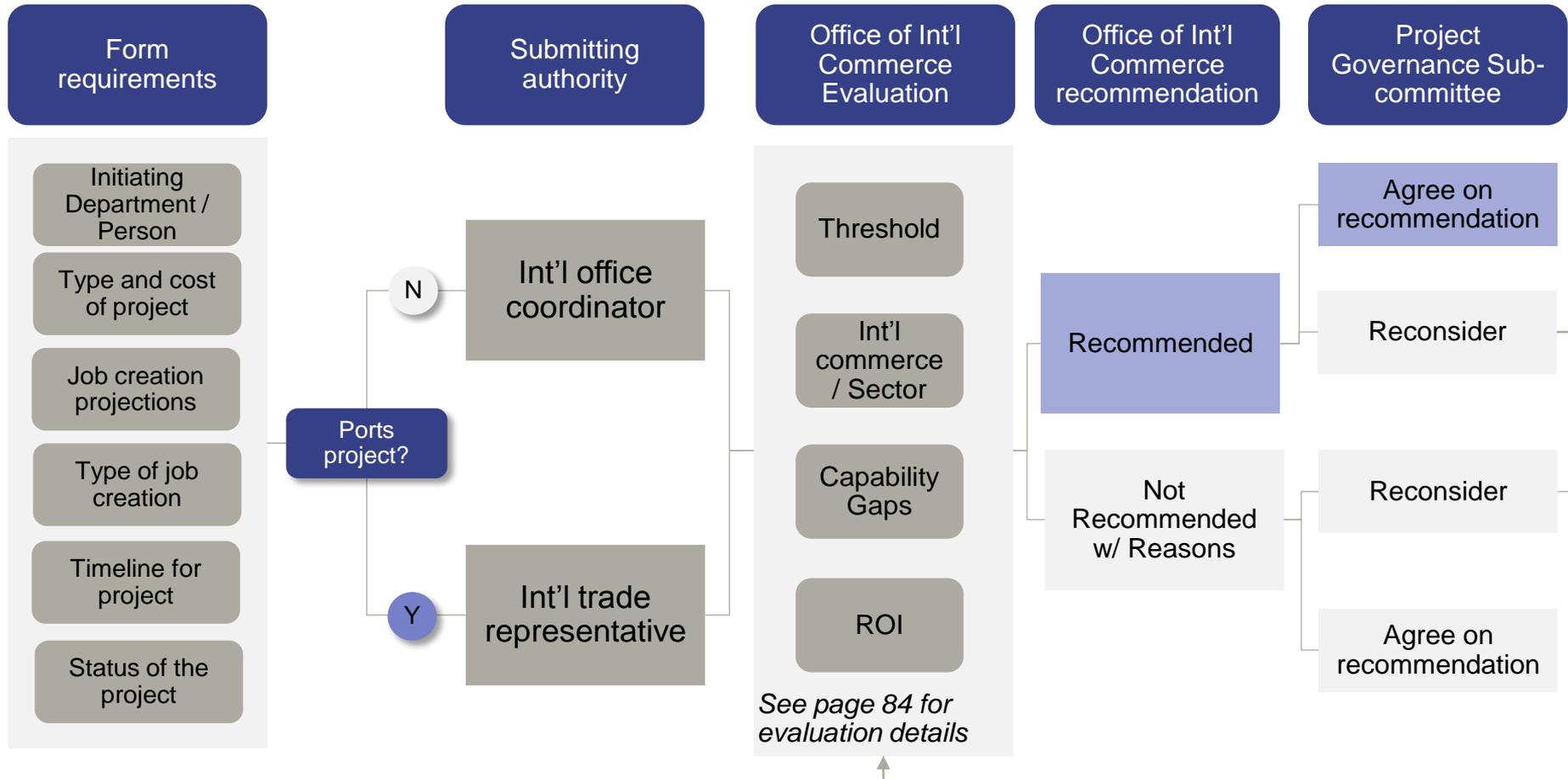
Budget is in line with estimated spend of competitive States

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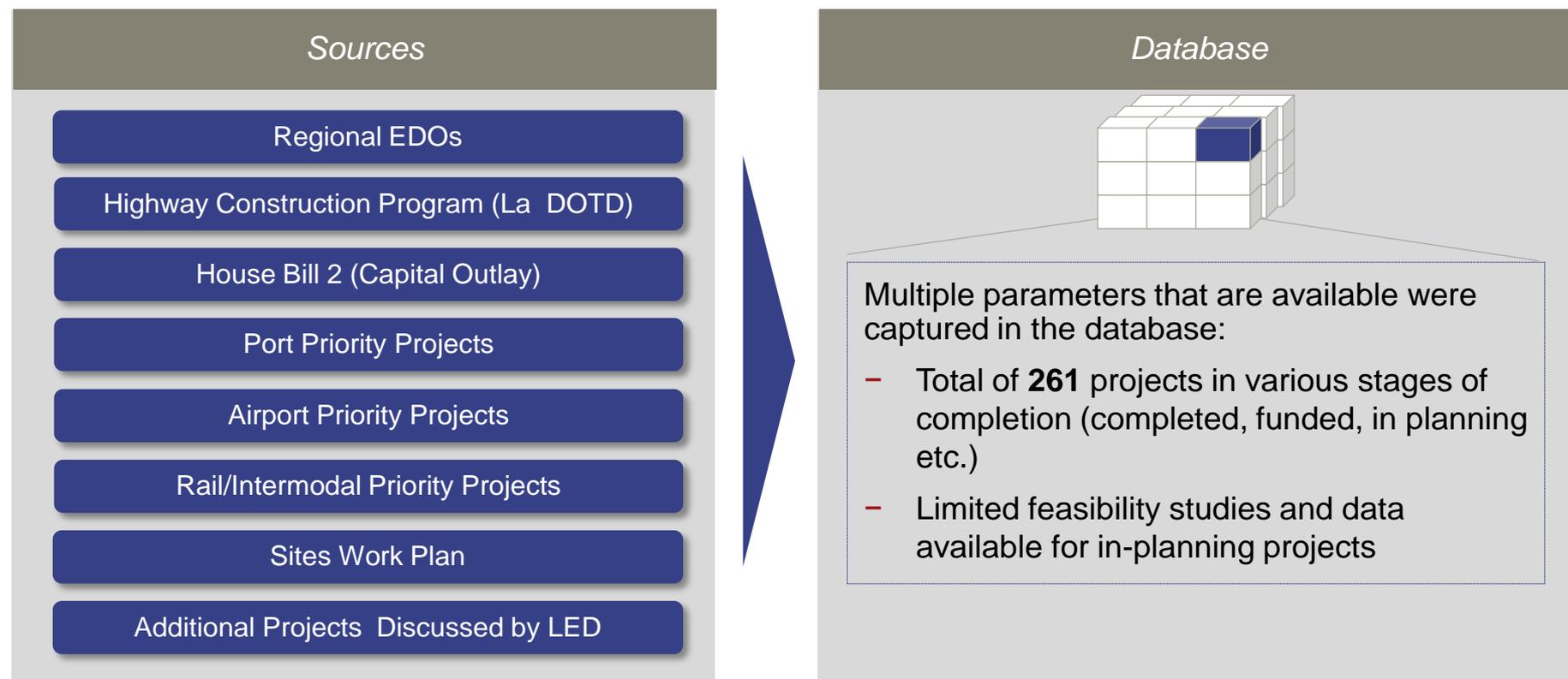
LaBIC and Office of Int'l Commerce will also be responsible for key processes – including standardized project evaluation

Project Evaluation Process



We created an initial database of the existing project pipeline using multiple sources

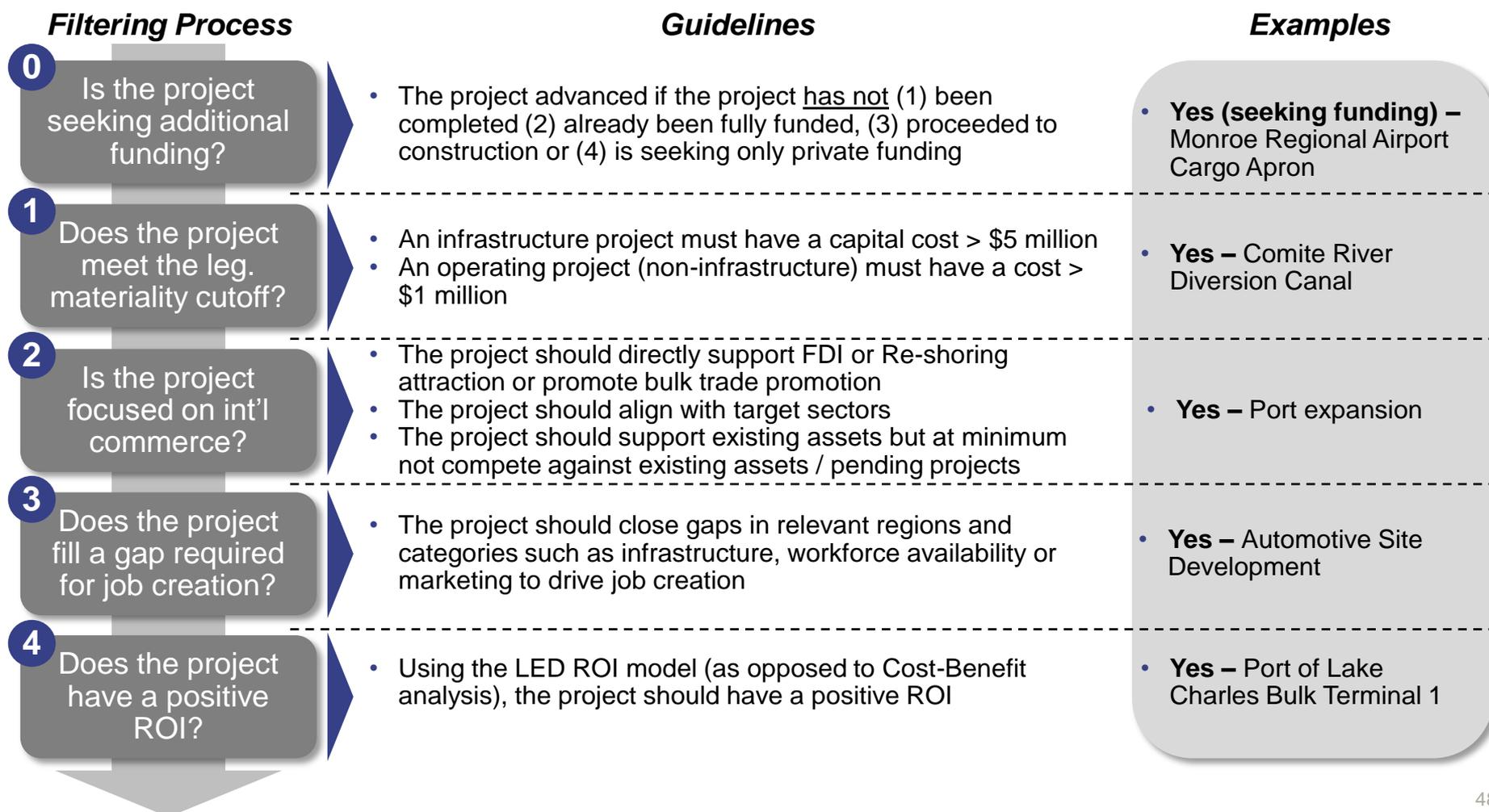
Project list database



Projects in the database reflect a snapshot in time, some parties have yet to submit their projects

A filtering process determines potential projects for consideration under the Master Plan

Existing Project Pipeline Filtering Process



The International Commerce Master Plan legislation specifically calls for ROI evaluation of potential projects

ROI vs. Cost-Benefit Analysis

Return-on-Investment **Cost-Benefit**

Revenue Calculation

Tax revenues from wages, construction, and purchases

Total payroll revenue to workers, operating revenue to companies, etc.

Cost Calculation

Cost of requested **project investment**

Example: Port of South Louisiana Reserve Grain Facility

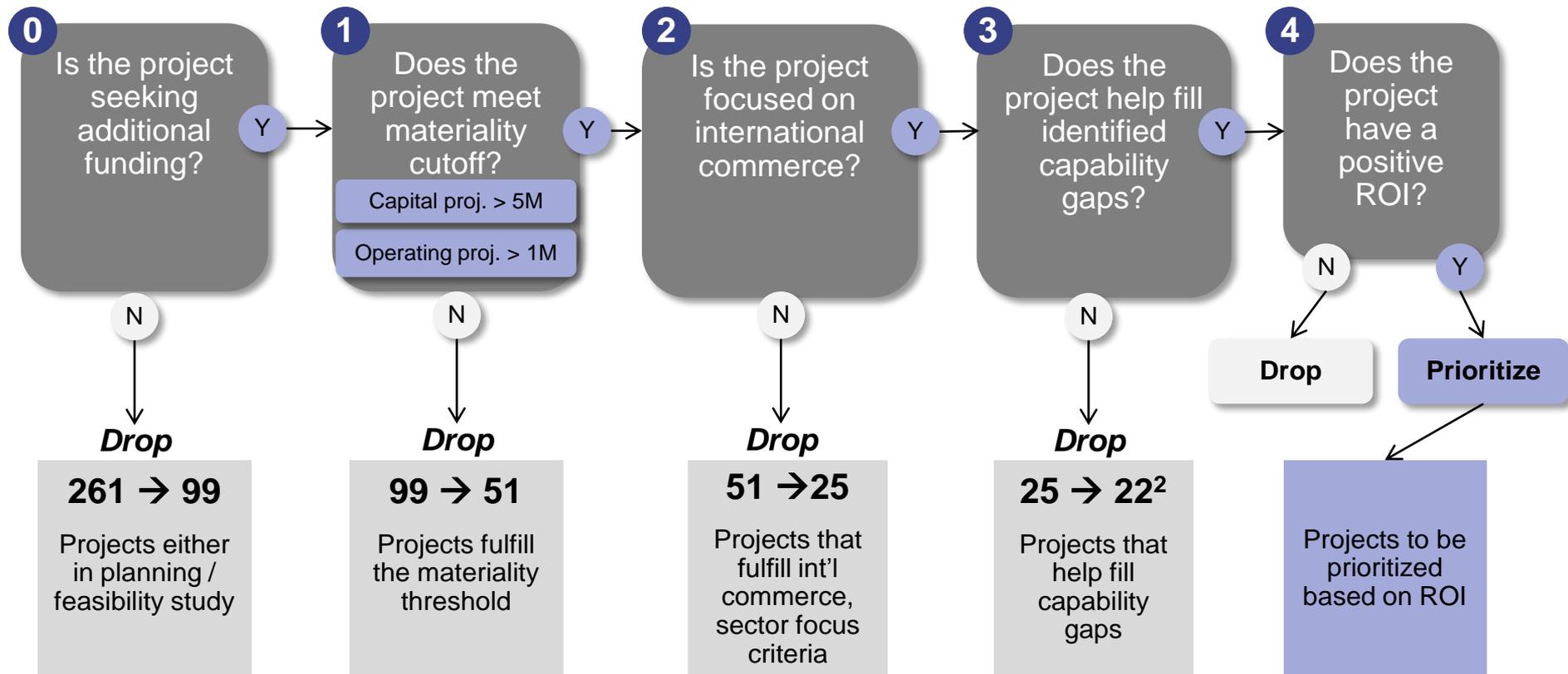


Investment Requested	\$22mm
Net Benefits¹	\$26mm
Benefit-Cost Ratio	4.9
Return-on-Investment	(\$1mm)

1. For Grain Facility, Benefit-Cost analysis showed present values of \$5mm for program cost to State, \$7.9mm for port revenue, and \$20.3mm payroll and payroll spinoff benefits.
 Source: LED, Stakeholder Submitted Cost-Benefit Analyses

The review of the existing database of projects resulted in 22 projects proceeding to ROI analysis

Existing Project Pipeline Filtering Process Output¹



1. The project database, including rationale for projects proceeding or dropping by filter, will be provided to the Board as an appendix to the Master Plan

2. Dropped projects: Baton Rouge – NOLA High-Speed Rail, Chennault Airport Taxiway and Manufacturing Industry Training in Acadiana

Source: A.T. Kearney Analysis

These 22 illustrative projects span across numerous categories, including ports, sites, roads, rail, airports, and workforce

Illustrative Existing Project Pipeline Output

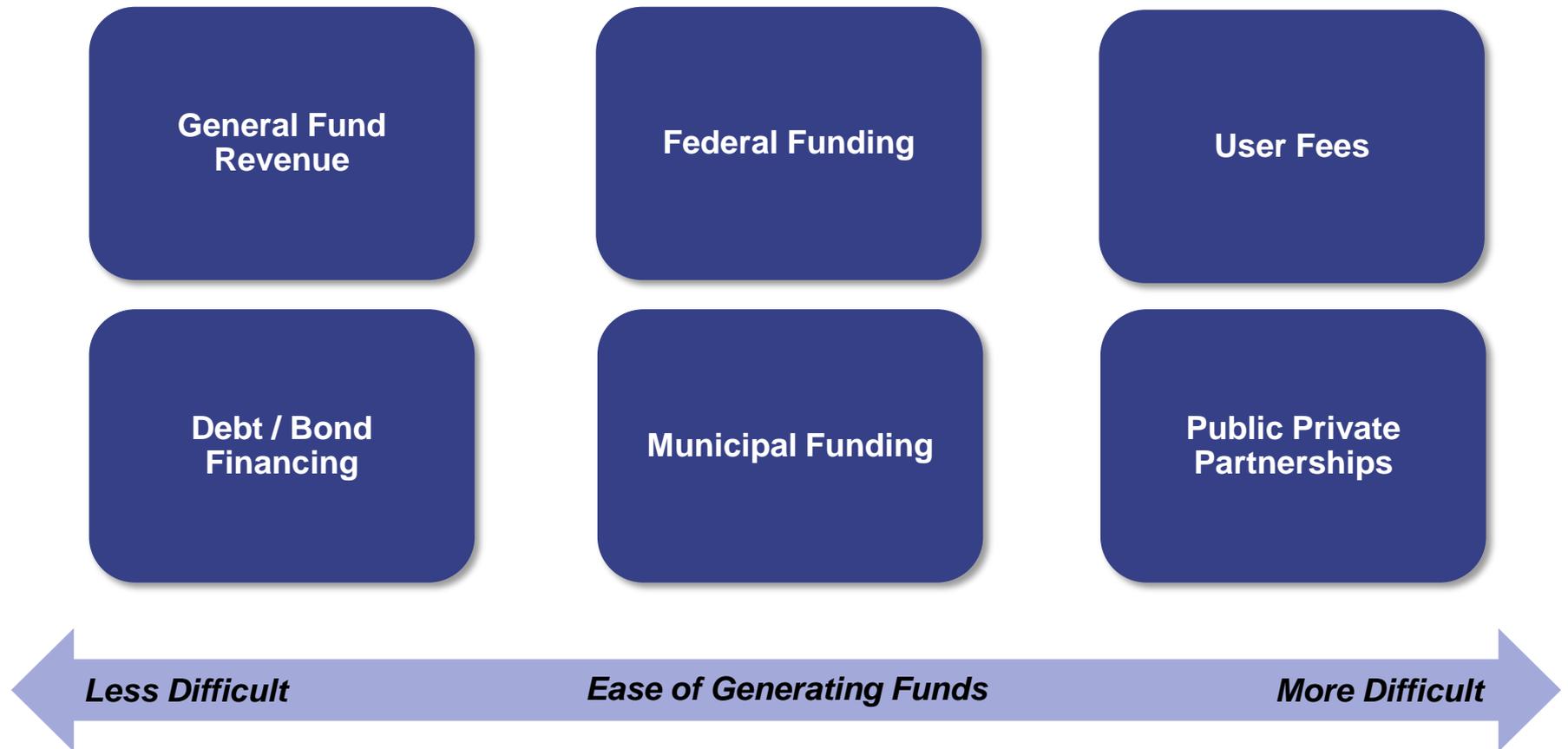
Port	Dredging	Rail
<ul style="list-style-type: none"> Port of Lake Charles Bulk Terminal 1 Port of New Orleans Milan Yards Port of S. La Grain Facility Port of S. La Liquid Bulk Terminal Port of S. La Globalplex Port of S. La Industrial Park Port of Lake Charles Trans. Shed Port of Fourchon N. Expansion Port of Iberia Bulkheads Relocations Port of St. Bernard ARABI 	<ul style="list-style-type: none"> Mississippi River Dredging Acadiana Gulf of Mexico Access Channel Terrebonne & Morgan City Dredging 	<ul style="list-style-type: none"> New Orleans Rail Gateway
	Sites	Airport
	<ul style="list-style-type: none"> Auto Site Development Acadiana Certified Sites 	<ul style="list-style-type: none"> New Orleans International Airport Terminal
	Road	Other
	<ul style="list-style-type: none"> I-49 America's Energy Corridor 	<ul style="list-style-type: none"> Deepwater Fabrication Yard University Commons at ULL Southeastern Computer Science Facility Acadiana Oilfield Training

These 22 projects are examples of projects that should proceed to ROI -- additional diligence will be required to identify all relevant international commerce projects across the State

The Board should consider a number of funding options for International Commerce initiatives and projects

Funding Source Options

Not Exhaustive



1. Not yet established – policy proposal
Source: A.T. Kearney analysis

The Board will prepare an annual progress report to the Legislature...

Annual Progress Report

Section	Potential Content to Include
Master Plan Implementation	<ul style="list-style-type: none"> - Progress update on all initiatives - Recommended annual budget for next fiscal year - Update on sources and uses of funding
Job Creation	<ul style="list-style-type: none"> - # of jobs created (target vs. actual) - Sectors at risk to achieve target
Stakeholder Project Submission Evaluation	<ul style="list-style-type: none"> - Status of project realization (i.e. # of projects approved, not approved, for reconsideration)
Sub-committee report-outs	<ul style="list-style-type: none"> - Executive committee (Strategy & Planning) - Finance & Budget - Project Governance - Cargo Task Force

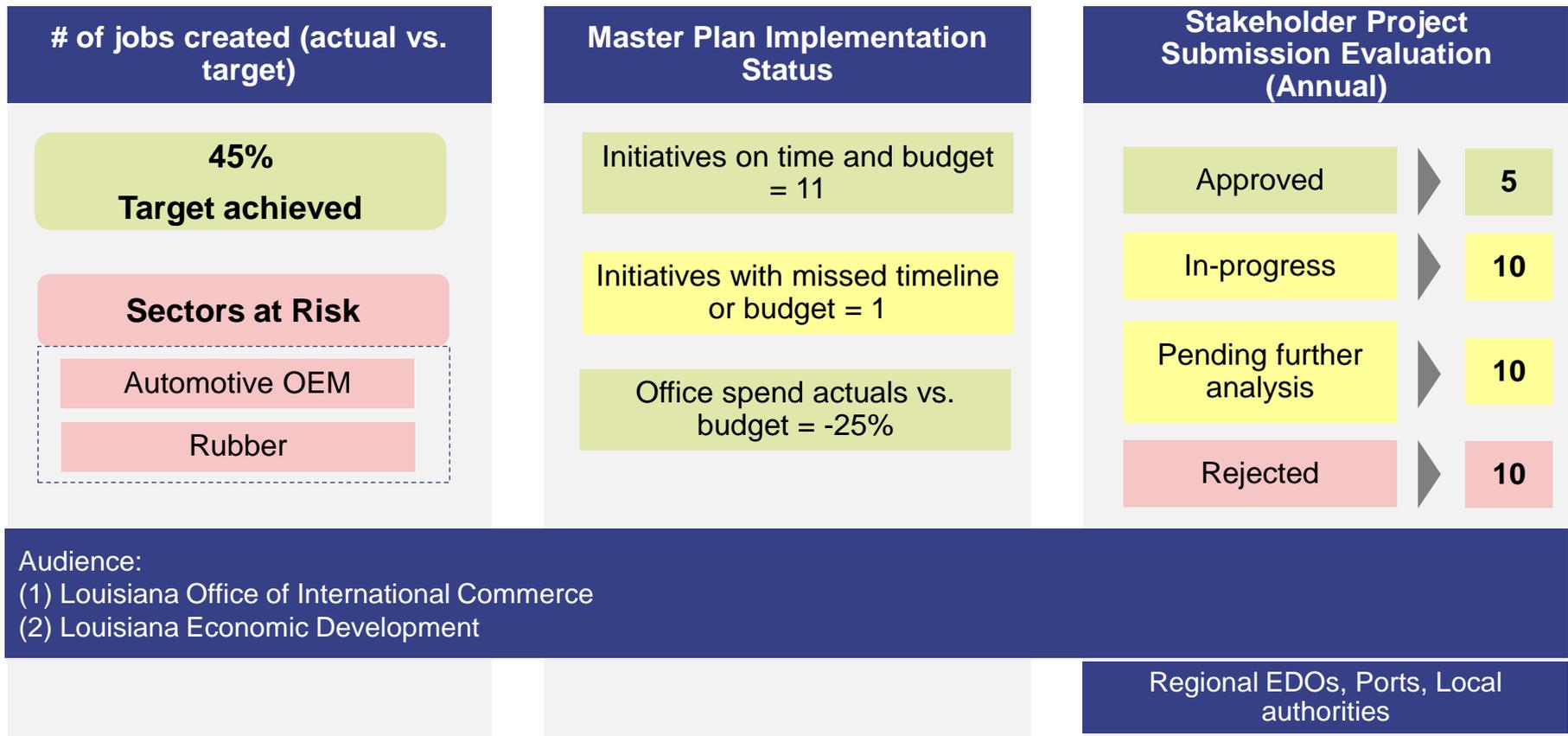
Main objectives

- The annual progress report will provide a comprehensive status overview of all initiatives included in the Master Plan
- Additionally, it should include sub-sections to update the legislature on the work of each sub-committee
- The report should be aligned with the Office of Int'l Commerce and approved by the full board before submission to the legislature

...which will be based on a comprehensive dashboard used to monitor and implement the Master Plan

Tracking Categories

Illustrative



From a policy perspective, Louisiana is considered highly competitive relative to its regulatory environment and incentives

Review of Business Policy Options

Free Trade Zones



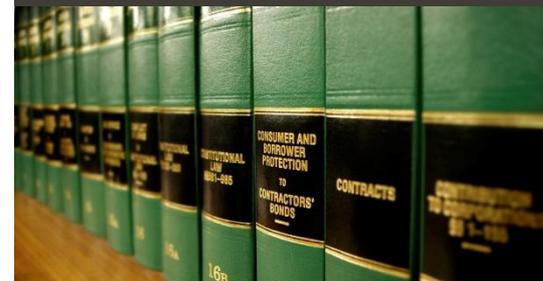
Free trade zones were not heavily used by best-in-class states to promote FDI. That said, targeted efforts should be explored on a case by case basis

Business Incentives



Per investors and site consultant interviews, Louisiana is considered highly competitive for business incentives

Regulatory Environment



Louisiana's regulatory environment is competitive, and ranks as one of the nation's most improved in recent years

Immediate Next Steps

- Louisiana Board of International Commerce to vote on approval of the Master Plan
- Realign the LaBIC sub-committees based on the Master Plan recommendations
- Commence Office of International Commerce organizational design & governance roll-out
- Operationalize Master Plan strategy including defining sales plans for company and country outreach
- Socialize the International Commerce Master Plan with key stakeholders and the public

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- **Synthesis of published research**

- Global megatrend detail

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (1/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
FDI Strategy	2009	An Action Plan to Strategically Grow Louisiana's Economy	<ul style="list-style-type: none"> • Create incentives for global businesses • Address factors affecting Latin American companies' competitiveness: speed to markets, supply chain efficiency, market integration and free-trade agreements, and export to earn "hard" currencies • Rebrand the region through international marketing campaigns • Build relationships and exchange among leaders through governor-led missions 	✓	Master Plan addresses sector and source market targeting & international branding strategy
	2010	Getting There First: Louisiana's Blue Ocean Initiative	<ul style="list-style-type: none"> • Pursue six industries: digital media/software, next-generation automotive, specialty healthcare, renewables and energy efficiency, water management, and next-generation oil and gas. 	✓	Complementary to Blue Ocean sector focus
	2012	SB 723 Enabling Legislation LEDIC	<ul style="list-style-type: none"> • Create Office of International Commerce within LED (roles and responsibilities defined by legislature) • Establish LaBIC to oversee the initiatives and objectives defined in the International Master Plan 	✓	Master Plan established to cover legislation
	2012	BR Economic Marketing Report	<ul style="list-style-type: none"> • Hire FDI specialist and create foreign offices to attract companies • Study FDI trends and structural changes in regional sector skill and knowledge base • Encourage trade and internationalization of the supply chain • Build relationships with foreign consulates and existing investors; leverage FDI networking opportunities. 	✓	FDI trends identified; go-to-market strategy and organization structure recommendations incorporated

1. Reports categorized based on where the majority of relevant recommendations were concentrated

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (2/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
FDI Strategy	2012	Int'l Development Strategy in Louisiana	<ul style="list-style-type: none"> Track foreign-owned companies in LA and target U.S. subsidiaries of high growth companies for FDI lead generation Assist organizations leading trade initiatives, form export committees, and develop a 5-year state trade and FDI strategy. Increase the state's international visibility in the EU, Japan, Brazil, and China. 	✓	Potential company targets identified and process put in place
	2012	FY13-14 Business Plan	<ul style="list-style-type: none"> Develop and implement Int'l Commerce Master Plan that includes the following initiatives (not exhaustive): <ul style="list-style-type: none"> Build and market a strategic inventory of sites and buildings Create a world-class workforce development system; market jobs statewide via website Facilitate process for updating economic development priorities and vision in each region Strengthen the Louisiana Innovation Council's impact on economic development 	✓	Master Plan established with sector-enabling initiatives proposed
	2013	Prosperity NOLA	<ul style="list-style-type: none"> Coordinate with state and REDOs to rebrand New Orleans for new business. Market New Orleans internationally, working with BR-NO super region on an FDI attraction strategy Exploit N-S trade routes, commodity flows, and ports and rail infrastructure to capture new business Target global water management, evacuation, debris management, hazard mitigation, health care, and regional HQs for international business. 	✓	Value-adding manufacturing complementary to trade and FDI proposed

1. Reports categorized based on where the majority of relevant recommendations were concentrated

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (3/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
Infrastructure & Transportation	2003	La. State Transportation Plan	<ul style="list-style-type: none"> Comprehensive list of recommendation for infrastructure investments under 4 different funding scenarios by transportation mode (i.e. Highways, trucking, aviation, freight railroads, ports and waterways) 	✓	Aligned with DOTD
	2008	DOTD 5-Year Strategic Plan	<ul style="list-style-type: none"> Updated 2008 transportation infrastructure plan 	✓	Aligned with DOTD
	2008	La. State Transportation Plan (Update)	<ul style="list-style-type: none"> Updated 2003 plan: 3 new 'non-transportation' goals were added to the 7 confirmed 2003 goals 	✓	Aligned with DOTD
	2009	BRAC Regional Transportation Analysis	<ul style="list-style-type: none"> Prioritizes area highway projects representing the dollar-cost per hour traffic saved along I-10/-12 corridors: Pecue Lane Interchange, I-12 widening Range to Walker, I-10 widening Siegen to LA 73, and I-10 widening LA 73 to LA 22. 	✓	Relevant projects from report evaluated in Master Plan
	2010	MSY Airline Service & Airport Facilities Assessment	<ul style="list-style-type: none"> Offer nonstop flights to Latin America and encourage U.S. and LatAm low-cost carriers to establish hubs in New Orleans Develop an ecosystem of freight forwarders, 3PLs, and cargo carriers focused on Latin America 	✓	Expansion evaluated in Master Plan – ROI remains TBD
Trade & Ports	2001	Latin American Trade & Transportation Study	<ul style="list-style-type: none"> Fully utilize existing terminals before building new ones, and encourage technology integration, increasing gateway productivity and raising operating throughput Build agreements/partnerships between ports and other industries Improve freight profile (cargo tracking capabilities) and institutional relationships to hold future growth Increase public awareness in the port's environment contributions 	✓	Cargo Task force to help coordinate ports strategy

1. Reports categorized based on where the majority of relevant recommendations were concentrated

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (4/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
Trade & Ports	2004	International Trade	<ul style="list-style-type: none"> Promote the benefits and opportunities that exist abroad among small business owners Increase small-business owners' awareness of government programs for export sales assistance (i.e. ITA, SBA, etc.) 	✓	Master Plan explores export assistance best practices
	2004	Collective action regimes in seaport clusters: the case of the Lower Mississippi port cluster	<ul style="list-style-type: none"> Further integration of the activities of the five port authorities. Implement model by which the five authorities are managed by five independent executives, but are governed by one overarching board of directors with representation of the parishes involved, the business community and the state of Louisiana. 	✓	Org. structure recommends trade business intelligence and cargo task force
	2007	GNO Target Industry Analysis	<ul style="list-style-type: none"> Develop International Trade, Logistics, and Distribution sector for the region Develop skilled workforce at reasonable wages (e.g., logisticians, inspectors, marine engineers) Niche sectors include value-added manufacturing, international finance, logistics & supply chain, and regional distribution centers. 	✓	Value-added manufacturing a key focus of ports strategy
	2007	Louisiana Marine Transportation System Plan	<ul style="list-style-type: none"> Improve current physical constraints which include channel depth limitations, dredge disposal issues, and outdated locks. Improve existing institutional constraints such as cumbersome organizational structures, project selection procedures, funding approaches and methodologies, and implementation processes bureaucracy. 	✓	Existing projects evaluated and ROI pending for dredging projects

1. Reports categorized based on where the majority of relevant recommendations were concentrated

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (5/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
Trade & Ports	2007	Ports Association of Louisiana Five-Year Capital Improvement Plan 2007-2011	<ul style="list-style-type: none"> • Recommends 104 projects totaling \$820 million with the “highest probability of potential development during the planning period”. • Prioritizes projects with private and public funding and development momentum. • Recommends new sources of port project funding used in other Gulf States, including ad valorem taxes (TX), port property taxes (MS), constitutional amendments (AL), and bond issuing and funding authority to a state port commission (FL) 	✓	Cargo Task Force to grow market share & value-added manufacturing
	2007	A Comparative Analysis of Intermodal Ship-to-Rail Connections at Louisiana Deepwater Ports	<ul style="list-style-type: none"> • PONO plans to expand the Napoleon Ave Terminal; as a result, the report gives the following recommendations: <ul style="list-style-type: none"> – In-depth study of the intermodal process and options – Evaluate alternative usage of waterfront land – Question whether the State should invest in the necessary infrastructure required to promote the development of a complimentary site at another riverside location 	✓	Napoleon Ave. Terminal improvement passed through ROI
	2008	SB 780 Act 699 LIGTT	<ul style="list-style-type: none"> • Outlines the activities, authorities, and powers of the LIGTT Authority and governing Commission 	✓	Project evaluated but no public funding requested
	2008	Ports of LA Strategic Economic Development Plan - Container Analysis	<ul style="list-style-type: none"> • LA needs to better prepare for the growth in the container industry, its increasing concentration (larger ships), and the Panama Canal expansion. Deepening the channel and expanding container terminals will serve this purpose 	✗	No container terminal projects evaluated outside of LIGTT and St. Mary Container Port

1. Reports categorized based on where the majority of relevant recommendations were concentrated

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (6/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
Trade & Ports	2009	Napoleon Avenue Container Terminal Development Utilizing Public-Private Partnerships	<ul style="list-style-type: none"> Capacity Improvement recommendations (in order or preference): <ul style="list-style-type: none"> – Reduce dwell times and increase storage density – Combine terminal operations – Expand existing and develop new terminals Public-Private partnerships recommendations: <ul style="list-style-type: none"> – Invest public funds to strengthen the interconnectivity of PONO to the surface transportation and inland waterway links to better compete with facilities in neighboring states. 	✓	Napoleon Ave. Terminal improvement passed through ROI
	2009	Report on State Financial Assistance for Capital Improvements at Public Ports in the U.S.	<ul style="list-style-type: none"> Create statutorily dedicated funds and a revolving loan fund for ports capital construction Modify the port priority program to benefit deepwater ports Use port planning as a tool for new funding Consider port overview within State government 	✗	Outside of scope --prohibited from affecting Port Priority Program per legislation
	2009	Five-Year Ports and Maritime Plan	<ul style="list-style-type: none"> Create a dedicated funding source for maritime development Put port priority funding under a single fully staffed LED office LED to develop an ongoing, comprehensive, coordinated, and integrated marketing plan Deepen the Mississippi River channel to a depth of 55 feet Incentivize maritime training and education programs 	✓	Projects such as Miss. Dredging addressed in project evaluations
	2009	Port Complex Market and Feasibility Analysis	<ul style="list-style-type: none"> Analysis revealed Louisiana is primarily competitive along two trade lanes—Latin America-East and Latin America-West This limited level of traffic does not warrant major state-level investment in container port infrastructure 	✓	Cargo strategy primarily focused on bulk/break-bulk segments

1. Reports categorized based on where the majority of relevant recommendations were concentrated

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (7/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
Trade & Ports	2009	BRAC and GNO, Inc. Trade Study	<ul style="list-style-type: none"> Develop a new governance for infrastructure development with global commodity groups and a clear trade vision and mission Pursue Latin American trade primarily and East-West trade strategically Evaluate new infrastructure projects based on their ability to reduce cost and improve service, its economic benefit or ROI, and categorize projects as transportation and non-transportation. 	✓	LaBIC and Cargo Task force structured in Master Plan to address requirements
	2010	SR 119 LEDIC Task Force	<ul style="list-style-type: none"> Enabling legislation for Senate Task Force on Global Trade-Based Economic Development Strategies tasked with building an economic development strategic initiative to grow trade Sector focus includes deep draft marine, air cargo, value-added manufacturing, distribution, business ventures, road and shallow-draft transport, and other services This body no longer meets 	✓	Trade intelligence and Cargo Taskforce working groups to address sector opportunities
	2012	US Port and Inland Waterways Modernization: Preparing for Post-Panamax Vessels	<ul style="list-style-type: none"> Recommendations to secure adequate and timely funding for navigation improvements include: <ul style="list-style-type: none"> Port authorities to enter into partnerships with shippers Raise fuel tax and appropriations for waterway improvements Replace fuel tax with a vessel use fee and raise appropriations for waterway improvements Maintain fuel tax but add a vessel user fee to raise appropriations for waterway improvements Enter public-private partnerships to support infrastructure modernization 	✓	Projects evaluated and ROI pending for dredging projects

1. Reports categorized based on where the majority of relevant recommendations were concentrated

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (8/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
Trade & Ports	2012	The Economic Impact of the Ports of Louisiana	<ul style="list-style-type: none"> None, an economic impact study modeling the ROI of port expansions 	✘	No formal recommendations
	2012	Jaxport: An Urban Growth Strategy	<ul style="list-style-type: none"> Jacksonville and JAXPORT should be part of a larger rational planning process for East coast ports The St. Johns River deepening/dredging should represent a clear economic net gain also for the larger community JAXPORT should sign on to “green” initiatives that formally commit the port to environmentally sound practices and policies Replace diesel engines with electrical power when possible Stakeholders to establish employment relationships for the drayage drivers and warehouse workers in the logistics sector Stakeholders should provide accurate information on true costs and benefits of the port economy Taxpayer and logistics industry government support and incentives to be linked to job creation and FT employment 	✘	No formal recommendations
	2013	SB122 Act 431 Port Tax Credits	<ul style="list-style-type: none"> LED should only grant Port Tax Credits to qualifying projects, i.e. projects that are trade or business activities on port premises that are sponsored or carried out by a public port and one or more investing companies with Capex greater than \$1.5 million 	✓	Cargo Taskforce to review potential future incentives
	2013	Economic Impact of Deepening MS River to 50 Feet	<ul style="list-style-type: none"> Economic impact study of proposed river deepening project 	✓	Project evaluated and ROI pending for dredging projects

1. Reports categorized based on where the majority of relevant recommendations were concentrated

We incorporated insights from past reports into the Master Plan

Summary of Report Recommendations (9/9)¹

Type	Year	Focus	Key Recommendations	Incorporated?	Comments
Trade & Ports	2013	Enterprising States	<ul style="list-style-type: none"> None, reviewed for background information on state competitiveness for small business 	✗	No formal recommendations
	2012	Tax Foundation: Location Matters	<ul style="list-style-type: none"> None, reviewed for background information on state competitiveness in effective tax rates 	✗	No formal recommendations
Competitiveness & Development	2013	FastStart (SME interview)	<ul style="list-style-type: none"> Begin workforce training at high school and associate education levels with certificate programs (eg, Manufacturing, Machinery and Digital Media) Partner new companies with universities to provide potential employment for graduates of certification programs Strengthen social media efforts (has shown some initial promise with company-specific employment marketing) 	✓	Extensive workforce availability, skill, and retention incorporated in Master Plan
	2013	Economic Synergies Across Southeast Louisiana	<ul style="list-style-type: none"> Target six broad industry sectors that represent the best growth opportunities in the state: energy and chemicals, advanced manufacturing, water management, clean tech, digital media, and biosciences 	✓	Study sectors complementary to Master Plan
	2013	Sites Initiative	<ul style="list-style-type: none"> None, reviewed for background on state’s site inventory and development efforts 	✓	Database evaluated and used for initiative development

1. Reports categorized based on where the majority of relevant recommendations were concentrated

Contents

- Appendix

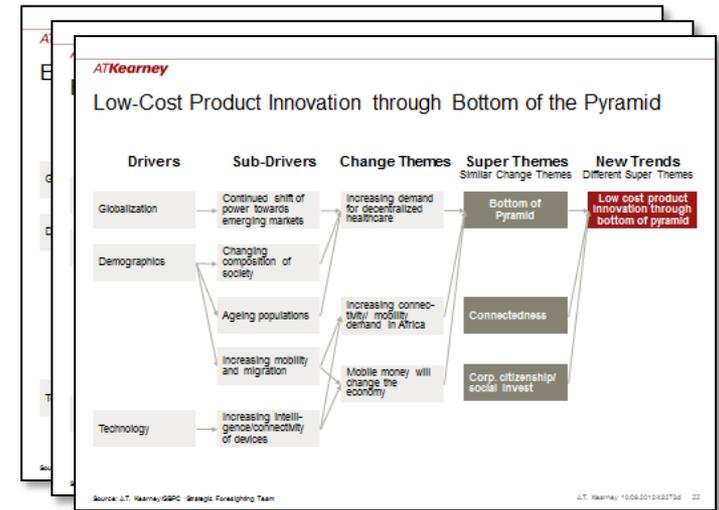
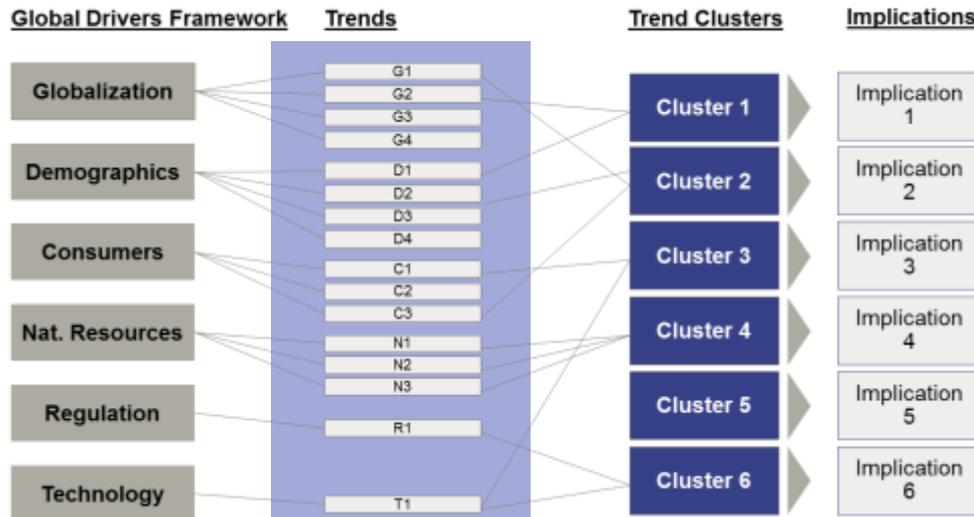
- Synthesis of published research

- **Global megatrend detail**

Global drivers cluster to form trends with implications for the global business environment and Louisiana

A.T. Kearney Strategic Foresight Framework

Illustrative



Previous Trends Explored

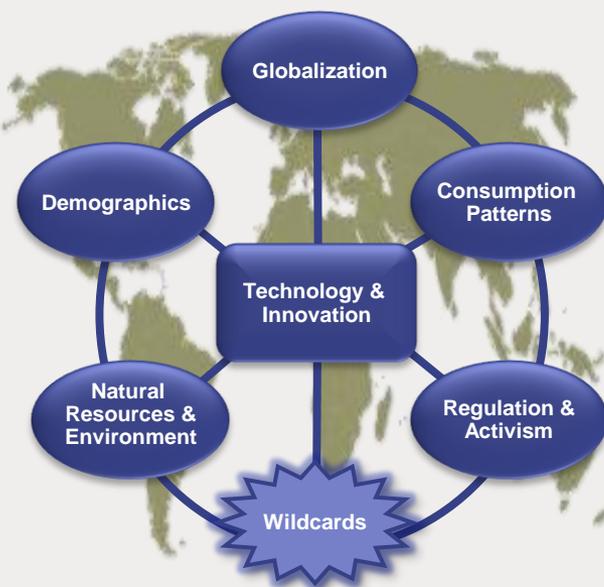
Globalization	Demographics	Consumption Patterns	Resources & Environment	Regulation & Activism	Technology
Increasing globalization of economy (e.g. trade, mobility)	Changing composition of society (e.g. nationality, gender, race, value system)	Increasing influence of (social) media and advertisement on consumer behavior	Changes in availability of natural resources	Changing scope of legislation (private, corporate)	Increasing importance of life sciences technologies
Increasing globalization of politics (e.g. international	Growing population	Increasing consumer diversity, diverse life styles/individualization vs	Increasing demand for finite/non-renewable	Changing stability and	Increasing knowledge and

There are 7 megatrends driving International Commerce for Louisiana

Trends with Potential to Impact Global Trade and Investment

Drivers of Change in the Global Business Environment

A.T. Kearney Strategic Foresight Framework



Drivers of change converge to form 7 megatrends

1	Global and regional demand patterns are changing international trade and investment destinations
2	Economic fundamentals are altering regional cost structures and changing where goods are produced
3	The shale gas boom is altering the U.S. <i>energy landscape</i> and Louisiana's energy mineral import/export portfolio
4	Evolving cost structures and the shale gas boom is leading to an increase in near-shoring and re-shoring
5	Gridlock has overtaken the current trading system, leading to more dominance of regional and bilateral agreements
6	As the <i>Panama Canal expands and transportation fuel costs increase</i> , shipping vessels are increasingly larger to maximize economies of scale
7	Climate change is challenging historic trade patterns and driving global demand for alternative energies

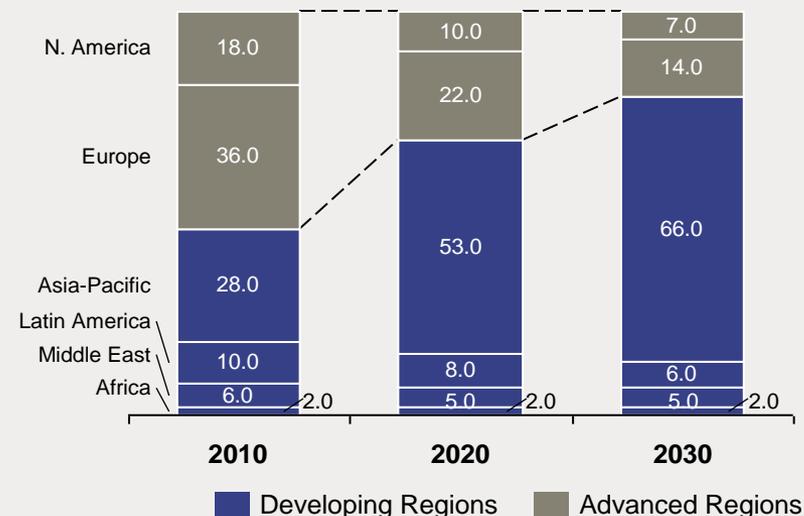
Global and regional demand patterns are changing international trade and investment destinations

1 New Geography of Economic Growth



The Asian middle-class explosion is producing particularly large shifts in consumption

Global % of Middle Class by Region, 2010-2030



- Asia's share of global middle class will double over the next 20 years
- The pull of Asia is driven by a large and increasingly affluent population, hyper-urbanization, and impressive economic growth
 - Regional demand growth is leading to more local manufacturing, and substantial intra-regional trade and investment
 - Asian consumer affluence is changing food preferences, and increasing their spend on durable and luxury goods
- Containerization has increased 6X since 2000 and accounts for ~10% of grain export tonnage
 - Nonetheless, grain exports are still primarily bulk down the Mississippi River and are expected to increase over time

Demand for raw materials and agricultural commodities that are destined for emerging regions will intensify even further

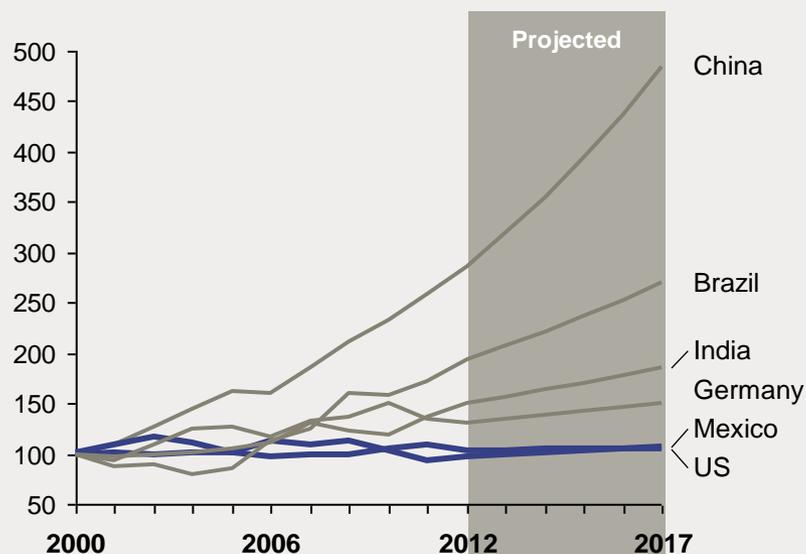
Economic fundamentals are also altering global cost structures and changing the calculus of where goods are produced

2 Shift in Offshoring Locations



Labor productivity in emerging markets has been eroding

Unit Labor Costs in Manufacturing, 2007-2013 (\$US)



- Globalization, post-crisis unemployment, low inflation, and high capital investment has created pressures on U.S. wages
- Meanwhile, operating costs in China are rising, and higher expectations are causing clashes with foreign management over pay and benefits
 - Since 2005, average monthly wages have soared more than 500% (dollar-terms)
- In China, currency appreciation and business environment risks increased business costs and low investment hampered productivity
- Fuel costs are large share of costs for offshored goods, and oil price volatility means less predictable, more costly transportation

Manufacturing is moving beyond China to lower cost destinations in South & Southeast Asia, as well as closer to the U.S. for shorter supply chains

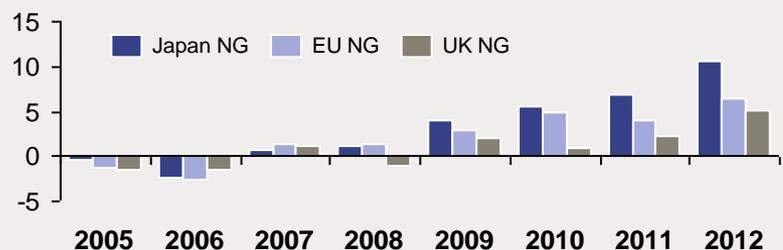
The shale gas boom is altering the U.S. energy landscape and Louisiana's energy mineral import/export portfolio

3 U.S. Shale Discoveries

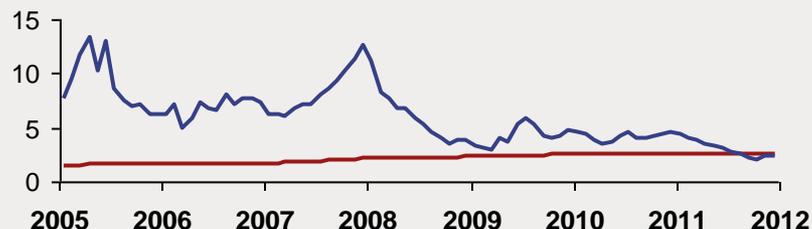


Shale fuels manufacturing and results in less crude imports and more LNG/coal exports

Gas Price Spread, U.S. vs. Other Markets (\$/MMBtu)



U.S. Fuel Prices (\$/MMBtu)



- Due to shale discoveries, U.S. energy independence will increase in coming years:
 - Gasoline-powered vehicles could decline 30% by 2030, reducing demand for crude
 - Coal's gain in U.S. market share expected to reverse and decline by 2020
- Meanwhile, shale production overseas is hampered by public concerns, regulation, and limited pipelines, expertise, and technology
- Production of North American LNG opens up exports to Asia, allowing domestic prices to align with global demand
- This increased global demand requires ~\$360bn in supply chain investments annually, some of which has FDI potential

Louisiana has a strong platform for transshipping and exporting coal and exportable natural gas in various forms

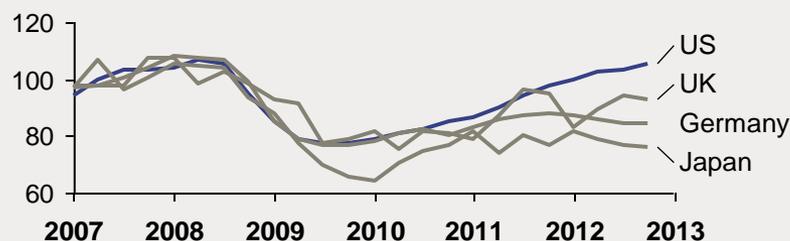
Changing economics and the shale gas boom is leading to an increase in near-shoring and re-shoring



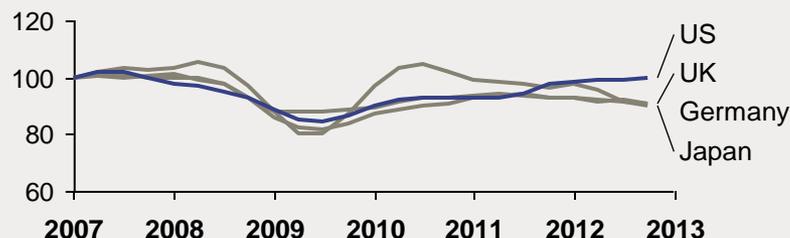
4 Near-Shoring and Re-Shoring

Of advanced countries, U.S. manufacturing has made the strongest recovery

Manufacturing Investment (Index: 2007 = 100)



Manufacturing Production (Index: 2007 = 100)



- American manufacturing is more competitive due to U.S. productivity improvements and rising wages in competitor countries
- Unconventional hydrocarbons (e.g. shale gas and tar sands) is also a key driver
 - These are making U.S. energy cheaper and more independent
 - Inexpensive gas and electricity benefits energy-intensive U.S. industries, particularly those using natural gas as feedstock
- The U.S. workforce is aging but younger than other developed countries
 - In 20 years will be younger than its closest, rapidly-aging rivals—China and Japan

Manufacturing should expand concurrent with the growth of raw material imports and primary metal and steel product exports in the Lower Mississippi

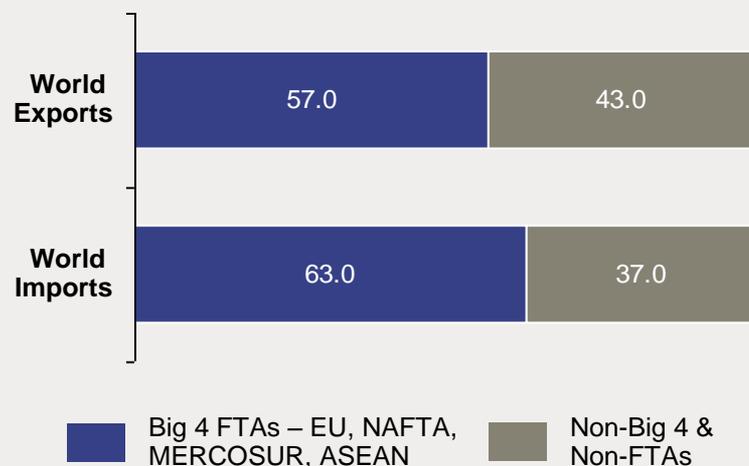
Gridlock has overtaken the current trade regime, leading to more regional and bilateral agreements



5 Growing Trade Fragmentation

Narrower free trade agreements (FTAs) have increased their share of commerce

2012 % of Trade Flows through Big 4 Free Trade Agreements



- Regional free trade agreements (FTAs) have become increasingly prominent
 - In 1990, there were 27 FTAs, and today, there are 259 FTAs
 - More than 90% of WTO members are now participants in one or more FTA
- FTA growth is due to continuing failure of WTO negotiations and have replaced complicated multilateral negotiations
 - Often involve nations in close geographic proximity and with common interests
- FTAs create efficiencies, but are by definition preferential—discriminating against parties outside FTAs and diverting trade flows

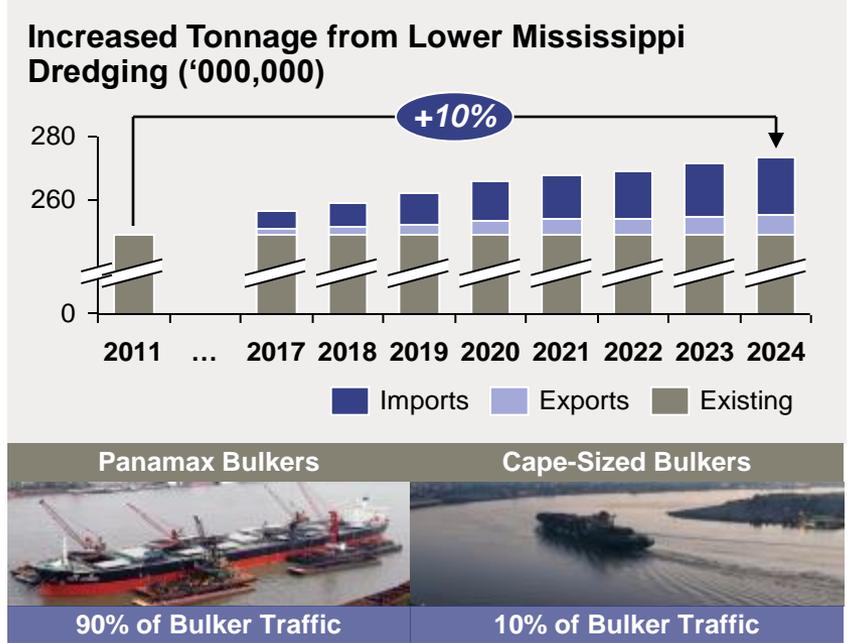
The dominance of specific free-trade corridors can increase both export opportunities and competition for limited trade growth

As transportation fuel costs increase, shipping vessels are larger to maximize economies of scale



6 Larger Transoceanic Vessels

Deeping Lower Mississippi to 50 ft. increases cargo by ~10% (incred. 24.3 mm tons)



- Container, bulk, and break-bulk will be on larger vessels following Panama Canal expansion in 2015
- By 2024, Panama Canal expansion will increase >75K-ton vessels 18% and lower Mississippi (LMR) tonnage by ~10%
- This means more tonnage on existing vessels and new larger vessels requiring deeper drafts
- Dredging impact greatest on commodities already in large vessels – e.g., crude oil, coal, pig iron, soybeans, corn, iron ore, and gasoline
- West Coast infrastructure investments are focused on containerization opportunities

Dredging of the Lower Mississippi will be critical for Louisiana to maintain and expand its current advantage in bulk and break-bulk throughput

Source: Dr. Timothy P. Ryan, "The Economic Impact of Deepening the Mississippi River to 50 Feet" (2012); Dr. Timothy P. Ryan, "The Economic Impact of Reduced Dredging of the Mississippi River" (2010); A.T. Kearney analysis

Climate change is challenging the logistics of historical trade patterns

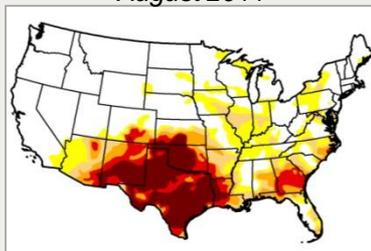


7 Climate Change Disruptions

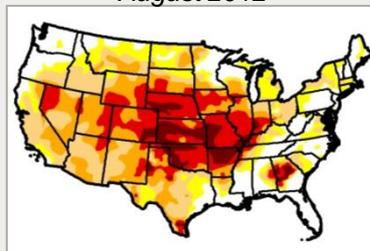
Channel levels reduced 1-foot from droughts causes ~\$1mm in daily losses

U.S. Drought Monitor

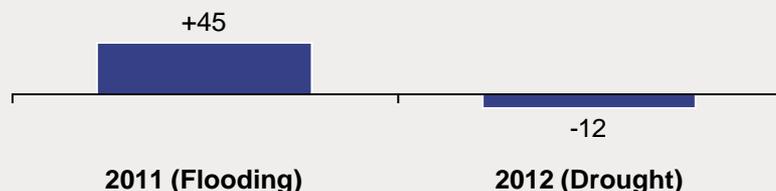
August 2011



August 2012



River Levels vs. Average, 2011 vs. 2012 (Feet)



- Recently river levels have been volatile, rising 45 feet above average in 2011 and falling to 12 feet below average in 2012
- During the Summer 2012, traffic through Lower Mississippi fell by ~33% due to extreme drought conditions
- Shallower drafts reduce commodity volumes, leading to cost increases for shippers and consumers
 - Barges from Baton Rouge cut their loads on each barge and total barges—on average from 12-ft. to 9-ft. draft and 45 to 30 barges
- During the drought, ~100 vessels became stranded, and many harbors were forced to close due to impassable water levels

Climate change will cause volatility in channel levels and potentially even output of agricultural commodities