



OCTOBER 31-NOVEMBER 6, 2014 • SECTION C

SPECIAL REPORT

HOUSTON'S SHIP CHANNEL IS BIG BUSINESS

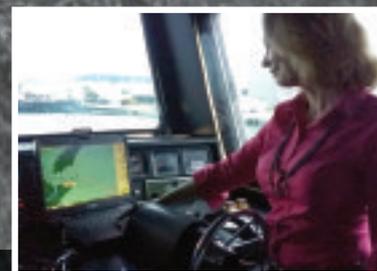
THE LARGEST PORT IN THE NATION IS IN YOUR BACKYARD,
AND IT'S GETTING BIGGER. HERE'S WHO'S DOING BUSINESS
AT THE HOUSTON SHIP CHANNEL.



MARITIME POWERHOUSE:
100 YEARS IN THE
MAKING 4C



CAN YOU DIG IT?
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A DAY IN THE LIFE OF
A HOUSTON PILOT 10C



PLUS: THE BUSINESS JOURNAL INTERVIEW WITH JANIECE LONGORIA 10C

SPECIAL REPORT

FROM THE PUBLISHER



John Beddow, Publisher, Houston Business Journal

The Houston Ship Channel is an economic behemoth that seldom gets its due when credit is handed out for Houston's boom times.

Yet, this bustling waterway connects Houston to the world and moreso every day. In fact, it has a tremendous economic impact on the entire state – \$178.5 billion, to be exact.

The Houston Business Journal is proud to be a part of the centennial celebration of the Houston Ship Channel. We hope the interviews and stories in this special publication bring to life the quiet, unassuming global pathway that lays at our door. We hope, after reading this, you come away with a clearer understanding of how impactful the channel is to Houston's economy – now and in the future.

Thank you to Promote Houston Ship Channel 2014 Inc. for supporting HBJ's coverage of the ship channel and for unlocking this special edition to all readers. You can find these stories at HoustonBusinessJournal.com. We invite you to share them with a colleague and spread the word about Houston's maritime gem.



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SPECIAL REPORT

HOUSTON: THE TOWN THAT BUILT THE PORT, WHICH BUILT THE CITY



COURTESY

BY NORA OLABI
nolabi@bizjournals.com

It's no secret – Houston has been getting a lot of love these days – lists around every corner shower the city with accolades. But beyond superficialities, Houston is the Energy Capital of the World, is home to the second largest petrochemical complex in the world and is the largest U.S. port in terms of foreign waterborne tonnage.

Houston's success story isn't one of overnight riches. Rather, waterborne commerce has been central to the creation of Houston as a global marketplace since the speculative real estate developers and brothers John K. and Augustus C. Allen settled on the banks of the Buffalo Bayou in 1836.

Long before the 52-mile Houston Ship Channel was deepened to 45 feet and expanded to become properly navigable, the most important port city on the Gulf Coast was Galveston. But as the coastal city's infrastructure continued to erode from the onslaught of hurricanes from the mid-1800s leading up to the Great Storm of 1900 – the deadliest hurricane in U.S. history – local business leaders looked to minimize potential risk caused by an exposed coastal port. A viable alternative was still in the works: the Port of Houston.

"Texas is a land of agricultural bounty that the early settlers soon exploited. The forests of East Texas created great fortunes in lumber. The year-round growing seasons of the Gulf Coast allowed farmers to grow cotton, fruit, vegetables and rice. Vast lands in Texas were ideal for cattle ranching. Texas raised more than it could consume, so farmers and businessmen wanted to trade what Texas had for what Texans needed," Executive Director of the Port of Houston Authority Roger Guenther said.

At the time, Houston's sophisticated railroad and banking infrastructure – five national banks and 17 railroads that met the sea – and its deepwater, inland port led it to become the center of the cotton trade, with one-third of the world's cotton production flowing through it, according to Texas A&M University Professor of Sociology Joe Feagin in his book "Free Enterprise City." Cotton from Oklahoma, Arkansas, Louisiana and Texas came to the sheds and compresses at the Port of Houston to be stored and processed before being shipped off to Europe and the rest of



the U.S. After oil was discovered in nearby Spindletop in 1901 and, later, in Humble, Houston would position itself as a major oil and gas production center. By 1919, 75 percent of Gulf Coast oil was coming from fields surrounding the Houston area. Again, the Port of Houston would serve as a critical part of its rise as a global city by connecting it to markets around the world.

A NEW WORLD

Both the Allied and Axis powers heavily relied on new, mechanized weapons in World War I to overwhelm each other – armored cars, tanks, aircrafts and chemical warfare. Mechanized weapons relied on oil, and the Port of Houston became critical in its exportation to fuel the Allied and American forces, which entered the war during its last year. Though funding for deep water development of the ship channel came to a standstill during the war, which started in 1914, its importance to the country's national security, especially because of its major role during the war, was realized.

After WWI ended in 1918, the Houston Ship Channel was well-positioned as a global port to serve in the development of world commerce.

Decades later, the Second World War would ravage Europe, and America would, again, step in to quell the violence. This time, not only was oil vital to the war efforts, but synthetic rubber based on a byproduct of petroleum and other chemicals were inspired by the war. Jesse Jones, who served under Franklin D. Roosevelt as Secretary of Commerce during the war, helped bring petrochemical manufacturing to the Port of Houston, which is the largest petrochemical complex in the country to date.

"You must have known that the end of the war would come before a world commerce would pour through your ship channel; yet you have made all ready for that world commerce when it does come. That is faith – and faith conquers worlds."

HOUSTON POST, Nov. 21, 1917

THE BACK STORY

Prominent, local historical figures like Charles Morgan and John Thomas Brady intelligently worked to fund dredging projects in the Houston Ship Channel during the 19th century to allow for heavier ships to sail through into the Port of Houston. But after local Congressman Thomas H. Ball became a member of the U.S. Rivers and Harbors Committee in 1897, momentum for the development of the ship channel went full speed ahead. Though Congress approved funding to dredge the port to depths of 25-feet, almost a decade later, the port was only at 18 1/2 - feet deep. Frustrated with the pace, Ball and Houston Mayor Horace B. Rice led a delegation to present the "Houston Plan" to Congress in 1909. They proposed to Congress that Houstonians pick up the tab on half of the project, while the federal government would foot the bill for the other half. No port project since has been built without guaranteed local funding since.

The Texas legislature allowed Harris County to create a navigation district, allowing for the issuance of bonds, and Jesse H. Jones, local real estate tycoon and banker, arranged for the sale of the citizen approved \$1.25 million bonds to fund the dredging of the channel to twenty-five feet deep.

The ship channel's dredging was completed in 1914, just in time for the outbreak of World War I. Though movement to dredge it to serve deepwater vessels slowed during the war, the U.S. Chamber of Commerce that approved the U.S. Board of Engineers' recommendation to deepen the ship channel to 35-feet at mean low tide and 800 feet across, according to the January 10, 1918 reportage in the Houston Post.

From the late 19th century to the oil boom fueled by World War II in the '40s, bank deposits in Houston's five national

banks increased from few million in deposits to \$350 million, according to Feagin.

PANAMA CANAL AND THE FUTURE OF THE PORT

A feat of engineering ingenuity, the Panama Canal has increased the pace and decreased the cost of global, waterborne transportation.

The man-made canal was completed in 1914, within a month of the completion of the 25-foot dredge project in the ship channel, after a decade of American leadership on the project. This canal has been a major force in creating a connected global marketplace by reducing the distance from one side of the Americas to the other, from the Atlantic to the Pacific.

After almost 100 years since the completion of the Panama Canal, the new expansion of the waterway is in its final stages of completion. The Houston Port Authority is funding \$80 million for the approved dredging of Barbour's Cut from depths of 40 feet to 45 feet to support increased traffic at the terminal, which handles shipping container, roll-on, roll-off and project cargo, according to Guenther.

He also said that the port would also expand its Bayport Container Terminal, noting that it was awarded a \$10 million Transportation Investment Generating Economic Recovery grant.

"Someone once said that "Houston is the town that built the port that built the city". The Houston Ship Channel is a vibrant economic engine that continues to stimulate our regional economy," Guenther said.

Time and time again, local business leaders to U.S. representatives have known the importance of navigable waterways and waterborne commerce for the development of sustainable communities and a stronger country.

SPECIAL REPORT

EXPANSION

Texas oil giants stake out territory on the Houston Ship Channel

BY NORA OLABI
nolabi@bizjournals.com

Houston has been synonymous with oil since it was discovered in Spindletop, Texas, in the early 20th century, and that reputation still holds true.

Domestic oil production has increased dramatically due to huge shale plays, particularly in regions across Texas. The oil coming out of the ground is quickly being sent south toward refineries dotting the Gulf Coast, and Houston is one of the top contenders.

To keep up with the ever-increasing energy demands from industry and consumer dependence as well as future demand from a growing global population, the big dogs of the energy industry are spending billions to build and expand facilities on the Houston Ship Channel.

Companies like Exxon Mobil Corp. (NYSE: XOM), Chevron Phillips Chemical Co. and Kinder Morgan Energy Partners LP (NYSE: KMP) are ramping up their footprints.

Approximately \$35 billion worth of public and private investments are expected up and down the channel, particularly in the oil and gas and petrochemical industries.

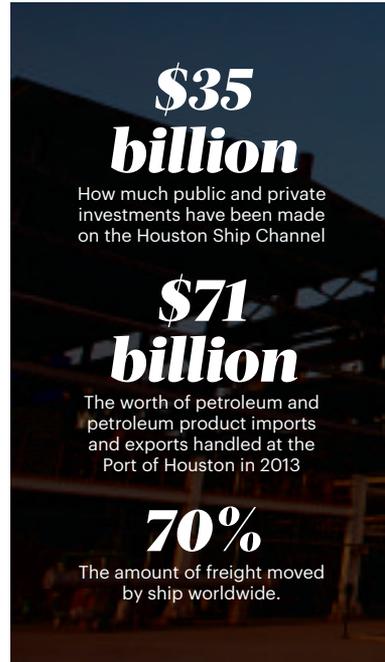
The Houston Ship Channel is at the logistical center of the growth. The global maritime shipping industry ships about \$13 trillion of goods a year, which is about 70 percent of total freight, according to the World Trade Organization. At the Port of Houston, the public wharf that sits at the mouth of the channel and was the driving force behind its construction, petroleum and petroleum products were by far the leading import and export commodities by both tonnage and dollar value in 2013, with a combined value of \$71 billion, according to the U.S. Department of Commerce.

EVERYTHING IS BIGGER IN TEXAS

Petrochemical plants requires natural gas, oil and coal to produce the building blocks of almost all modern consumer goods. Everything from communication devices to medical sterilizers is produced from a product of the petrochemical industry.

Shale oil production has shot up and the price of petrochemical feedstock has dropped in the U.S., so many companies are looking to heavily reinvest in their domestic operations. Houston is home to the second largest petrochemical complex in the world, only second to Rotterdam, The Netherlands.

"Before this renaissance because of the abundance of natural gas, we were trying to convince (companies) to stay here versus ... Singapore, the U.K., Asia and Saudi Arabia. We were losing those battles to around



the world. But now, it's most economical to build those facilities here because of the price of feedstock that we have," said Chad

Burke, president and CEO of the Economic Alliance Houston Port Region, a non-profit dedicated to regional economic development around the port.

Irving, Texas-based Exxon Mobil Chemical Co., the chemical arm of the global energy company is investing in a multi-billion dollar ethane cracker at its Baytown location. The facility, which sits on 3,400 acres, is the nation's largest integrated refining complex, according to the Office of the Governor. More than 7.2 billion pounds of petrochemical products are manufactured at the Baytown facility, according to the company. The ethane cracker is expected to increase its steam-cracking capacity by 1.5 million tons per year and is expected to be completed by 2017.

"The project is made possible in large part by abundant, affordable supplies of U.S. natural gas for energy and chemical feedstock," said Steve Pryor, president of Exxon Mobil Chemical Co. "Shale development has provided U.S. chemical producers a double benefit as an energy source and as a key raw material to make plastics and other essential products, creating jobs and economic activity across the value chain."

The petrochemical industry represents about 60 percent of the global oil and gas consumption, according to Exxon Mobil



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Corp. Oil and natural gas liquids are used as raw materials to create ethylene, propylene, butane, ethane and other chemicals for plastics, olefin, aromatic and chemical manufacturing.

Just north of Exxon Mobil's Baytown operation rests another industry heavy hitter: The Woodlands-based Chevron Phillips Chemical Co. Chevron Phillips is expanding its Baytown and Old Ocean locations at a combined cost of nearly \$6 billion for a company with \$10.5 billion in existing assets. Dubbed the Gulf Coast Petrochemicals Project, it includes two polyethylene facilities and an ethane cracker. Construction is expected to be completed in 2017.

BIG OIL BIGGER THAN EVER

The 52-mile Houston Ship Channel is home to nearly 8 percent of U.S. refining capacity, and with that comes the middlemen of the oil industry: pipelines and storage tanks.

Houston-based Kinder Morgan Energy Partners LP and Denver-based TransMontaigne Partners entered into a joint venture to construct and operate an oil storage center on 185 acres near the ship channel. The joint venture called BOTSCO is expected to have 51 storage tanks, a two-berth ship dock and 12 barge berths. The tankers will be able to store sulfur diesel, residual fuels and other black oil terminal services. BOTSCO is the first greenfield terminal to be built at the Port of Houston in more than 25 years, according to the Port of Houston Authority.

Meanwhile, Houston-based Enterprise Products Partners LP is bringing the

world's largest ethane export terminal to the Houston Ship Channel. The company signed a 30-year agreement with POHA for its refrigerated ethane export facility in Houston to build off of the ongoing domestic shale boom. Enterprise also plans to build a pipeline from its Mont Belvieu natural gas liquids fractionation and storage complex to provide direct access to the ethane supply. It's expected to begin operation in 2016.

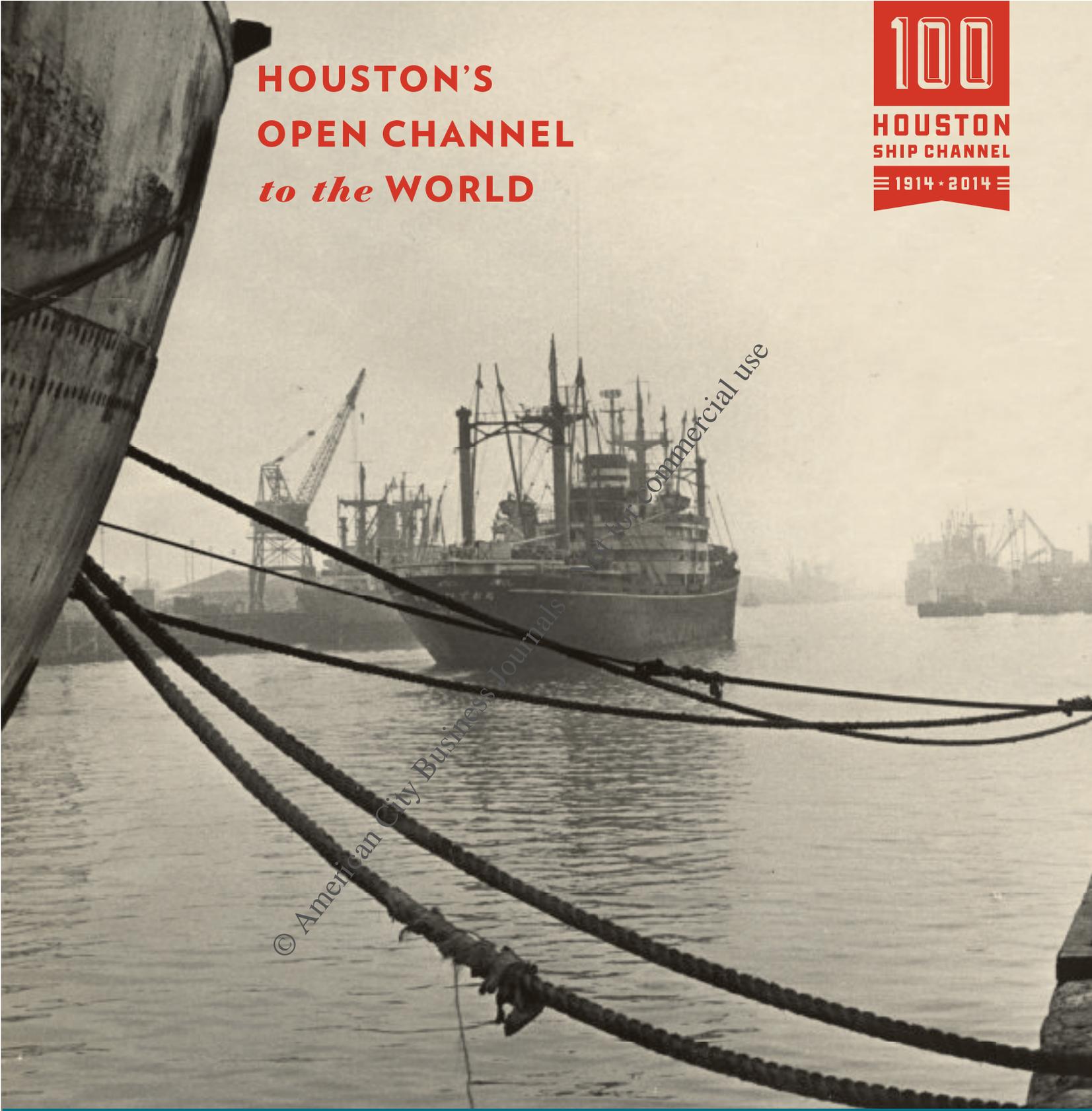
ENERGY SPURS OTHER SECTORS

All of the chatter on the channel means greater economic activity in Houston and the surrounding region and greater job opportunity, and entrepreneurs from all sectors are prospering from the growth in the energy industry.

The retail, convention and hospitality industries are booming from the increased population and tourism. Commercial and residential real estate has exploded as corporate campuses, headquarters and logistic centers are erected around the greater Houston area and people from across the country move to the city for job opportunities.

The channel itself directly impacts the region by bringing in \$52.1 billion in tax revenues nationwide and has a statewide impact of \$178.5 billion.

"As our population grows – and it's growing at a very rapid rate here in the Houston area – correspondingly, we will continue to import at greater and greater numbers to meet or satiate that demand," Burke said.



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SPECIAL REPORT

THE BUSINESS JOURNAL INTERVIEW WITH...

Roger Guenther, executive director, Port of Houston Authority

BY NORA OLABI
nolabi@bizjournals.com



After 26 years at the Port of Houston Authority, Roger Guenther has been involved in all aspects of the Port of Houston's operations, including the masterplanning of the Bayport container terminal and the redevelopment of the older Barbours Cut container terminal.

Former Executive Director Leonard Waterworth resigned in January after two years in the post, and Guenther, the deputy director at the time, was named the permanent replacement soon afterwards. Guenther worked his way up from a crane engineer to executive director of POHA, overseeing port-wide maintenance, construction projects, and real estate interests at the port. With all of the capital investments underway at and around the ship channel, the expansion of the Panama Canal and channel dredging at both Bayport and Barbours Cut, Guenther has a lot to keep up with.

What was your path to becoming executive director of the Port Authority?

I knew that there was always a goal out there. I worked hard, went back and got my MBA, learned more and more about the operation and the container terminals, and the more you learn and apply yourself and get involved, the more value you give to the organization, the more satisfaction you get from your job.

How would you describe your leadership style? It's a very open relationship. I believe my style is that I have the trust in those who report to me as well as depend on the leadership and accountability of those reporting to me. And in return I give them the responsibility to do a lot of things. It's flatter than vertical in terms of structure; I'll talk to anybody. If you're not understanding everyone in the organization, it's going to limit your ability to grow as an organization and as a leader.

As the new executive director, what do you have in store for the future? That's pretty simple. Working with the Port Commission, I hope to ensure the Port Authority will continue to work to play a key role in the economic expansion that drives growth for our region and economy.

Where do you see the Houston Ship Channel in 10 years? What's your

Roger Guenther sees great opportunity at the Port, thanks to the energy boom.



CHRIS CURRY/HBJ

vision? The Houston Ship Channel has helped the Port of Houston be an important economic driver for the region, state and nation for 100 years as a deep-water port, and I see that continuing well into the future.

Since you've been at the port for almost three decades in various roles, what's something that you've learned from your experience that you wouldn't have otherwise? Without a doubt, it's understanding the customer needs. The main thing that has allowed me to sit in this chair and take off running with a smooth transition was my understanding of the business of the Port of Houston Authority. At the end of the day, we are a governmental entity licensed by the state of Texas. However, the business of the port generates a lot of revenue that we take the results from and turn it back into more capital investments to create the ability to grow cargo and more jobs.

Our strategy is dependent on the needs of our stakeholders. We have to make sure that we have a short-term, near-term and long-term plan to capture the cargo that needs to come to or leave Houston.

What do you think is your greatest challenge? There are many physical project challenges that are ongoing, but I think the greatest challenge and opportunity is to make sure our staff has the right direction from me. The dredging is sort of obvious. It's the renaissance of the energy industry that is driving most of our opportunities going forward.

We're expanding facilities, not just for

the Panama Canal. We're already seeing ships that are currently too large to go through the Panama Canal. We have to plan for capacity to export products that are going to be produced and manufactured here in the port region. So it's more than just pouring concrete and building physical capacity. We have to continuously improve the processes so we can handle that cargo efficiently through our terminals.

What's the plan to increase capacity at the port? We expect to get 30 to 40 percent more capacity out of Barbours Cut after we redevelop. We continue to refine processes of moving containers in and out of the gate. The less time a container dwells on a facility and the quicker you can get it, then you can minimize the footprint you need to handle that container. The greater the increased throughput velocity, the better utilization of your footprint and the less capital investment you have to make per container.

The Port of New Orleans seems to be a strong contender on the Gulf Coast, especially for containerized cargo. How does the Port of Houston Authority expect to continue to be an attractive choice? I'm not going to comment on other port strategies – I know our strategy and our opportunities are such that this region the industry that has developed here and the increased capital investment on development here in this region – is going to develop a lot more cargo.

The Port of Houston Authority handles 66 percent of the containerized business on the Gulf; Houston is the

► THE GUENTHER FILE

Title: Executive director, Port of Houston Authority
Age: 54
Hometown: Baytown
Education: Mechanical engineering degree from Texas A&M University, MBA in international trade and finance from the University of St. Thomas
Family: Wife, Fabiana, and two kids
Hobbies: Avid sports fan and ardent supporter of his alma mater. He also enjoys hunting, fishing and golfing.

fourth largest city in the nation. It's one of the fastest-growing regions in the nation, and for those reasons, we expect to not only experience growth in import opportunities through the Panama Canal but in exports with the renaissance from the energy sector. We're going to see growth that is very significant over the next three to five years.

It's generated here. It's manufactured here. And also the imports of consumer retail goods are going to be in higher demand because more people are here. We believe that with the expansion of the canal, with Houston's ability and the dimension of the deeper water and the larger cranes, we have the opportunity to be the gateway to the heartland of America.

What projects are you currently overseeing? We have begun work on an \$80 million project – raised from POHA revenue – that includes the deepening and expansion of the federal channels accessing our container terminals at Barbours Cut and Bayport. The need for this work is so critical that we have taken the initiative of self-funding the project, instead of waiting the possible 15 years it would normally take for the federal government to fund the project. Work at Barbours Cut began in late July, and we have received final approval on our permit for Bayport. We anticipate the dredging to be completed by the summer of 2015.

In addition to the dredging, we are making substantial investments in the expansion and refurbishment of our docks and container yards, as well as in larger cranes at Barbours Cut that are expected to be delivered in the first quarter of next year. Bayport is about 50 percent complete, and we continue to expand it as market demand dictates. We are also making substantial investments in our traditional cargo-handling facilities at our Turning Basin terminals.

SPECIAL REPORT

INFRASTRUCTURE

Houston Ship Channel digs deep

BY NORA OLABI
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The Houston Ship Channel is at the center of modern life in Houston.

This maritime freeway links everything from grain and produce to fine china to the oil that powers the petrochemical manufacturing complex, the largest in the country.

But to keep up with the pace of growth, globally and locally, the Port of Houston Authority is digging deep to expand its facilities and waterways.

A \$68 million expansion of both Barbours Cut and Bayport container terminals is underway through Orion Construction LP. The project will deepen the terminals from 40 to 45 feet, matching the federally approved depth of the ship channel, as well as widen the terminal berths. The expansion is, in part, due to the Panama Canal expansion, which will impact global shipping, both on the supply chain end and in

sheer volume.

To speed up the channel dredge projects, the Port of Houston Authority bypassed the federal process and self-funded it through the port's operating revenues. POHA's 2013 total operating revenues were \$233.7 million and its 2014 budgeted operating revenues is \$249.1 million.

"The need for this work is so critical that we have taken the initiative of self-funding the project, instead of waiting the possible 15 years it would normally take for the federal government to fund the project," said Executive Director of the Port of Houston Authority Roger Guenther.

The ship channel is home to the Port of Houston, the largest port by foreign trade in the country and the largest by containerized cargo on the Gulf Coast. The port, located 52 miles inland, is responsible for \$178.5 billion in statewide and nearly \$500 billion in nationwide economic activity, according to a 2012 study by Martin Associates con-



66%

How much of all Gulf Coast container traffic is handled by the Port of Houston

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ducted at the request of the Port of Houston Authority.

After the Panama Canal expansion, container shipping vessels holding up to 13,000 TEUs – one TEU is equivalent to a shipping container – will be able to sail between the Pacific and Atlantic Oceans. Around 97 percent of container ships in service or on order would be able to fit through the expanded Panama Canal, according to the Boston Globe. The Port of Houston Author-

ity typically handles 4,500 TEU vessels, but it is expecting to handle 8,000- to 10,000-TEU vessels after the canal opens.

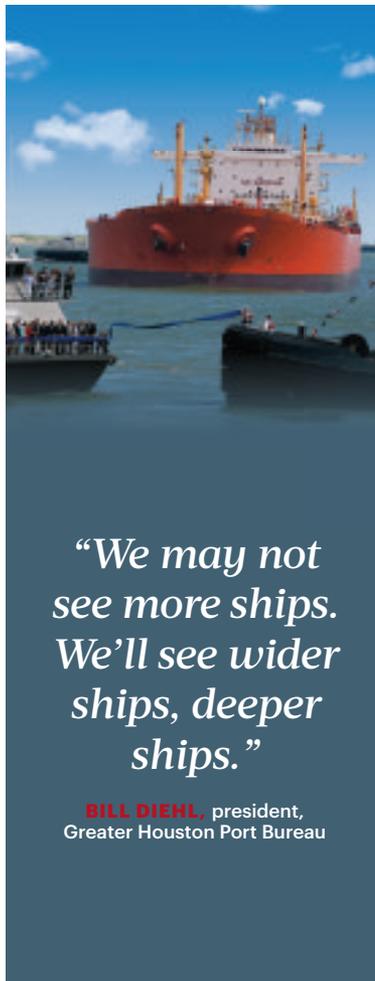
FOLLOW THE OIL

Domestic oil and gas is on the rise, and increased shale in the Eagle Ford, Barnett and other plays around the state are being shipped to the Gulf Coast as quickly as possi-

"DREDGING" CONTINUED ON PAGE 11C

SHALE GALE

HOUSTON SHIP CHANNEL COULD SEE NEW WAVE OF EXPORTS



"We may not see more ships. We'll see wider ships, deeper ships."

BILL DIEHL, president,
Greater Houston Port Bureau

BY JORDAN BLUM
JBLUM@bizjournals.com

The large oil tanker, BW Zambesi, quietly made history at the end of July when it left the Houston Ship Channel and Texas City with nearly 400,000 barrels of ultra-light crude oil, called condensate, for a 40-day trip to South Korea.

Thanks to a recent U.S. Department of Commerce ruling, Houston-based Enterprise Products Partners LP (NYSE: EPD) and Irving-based Pioneer Natural Resources Co. (NYSE: PXD) are the first two companies with permission to export Eagle Ford condensate, which was banned as part of the 40-year-old crude oil export ban. The Commerce Department essentially ruled, in some cases, that the condensate is a product and not crude oil.

With the Houston Ship Channel and southeastern Texas already seeing record traffic thanks to the ongoing shale boom and the upcoming manufacturing surge, condensate exports and the growing debate over ending the crude export ban could lead to even more tankers cruising through the Houston region. Pioneer CEO Scott Sheffield told Reuters that the plan is to export 50,000 barrels of condensate a day on average in 2015.



Bill Diehl

Bill Diehl, president of the Greater Houston Port Bureau, said exporting more condensate and potentially more crude would not necessarily equate to a lot more traffic, because

it could also lead fewer refined products to be exports.

But the crude and condensate tankers are often bigger vessels that take up more channel space.

"We may not see more ships. We'll see wider ships, deeper ships," Diehl said.

The larger tankers can be 900 feet long and 165 feet wide, he said. This could happen simultaneously with the manufacturing boom and container ships becoming larger, as well.

"We predict that's where we'll see the bigger ships sooner than later," Diehl said of the container vessels.

Right now, fewer tankers are coming into the Houston area because the U.S. is importing less oil, but more could soon be needed for exports. The exports also should rise with the expansion of the Panama Canal and quicker shipping times to Asia and elsewhere.

"We look at it as what is the global demand for energy and for products," Diehl said. "It will grow."

Diehl said he is confident the Houston Ship Channel will be prepared to avoid "traffic jams" thanks to the preparations and dredging in the works.

"How do you stay safe and efficient and environmentally sound? It sounds very basic, but it goes back to communication," he said.

Janiece Longoria, chairwoman of the Port Commission of the Port of Houston Authority, said at least \$35 billion in industry port investments are in the works through 2015. Port activity in 2014 is exceeding the "record" performance of 2013, she said.

That includes, for instance, Houston-based Kinder Morgan Energy Partners building a petroleum condensate processing facility near its Galena Park terminal on the Houston Ship Channel. The approximately \$360 million project is supported by a long-term, fee-based agreement with BP North America, based in Houston.

The Port of Houston is undergoing more than \$1 billion in upgrades over the next five years to prepare for all the growth, Longoria said, including building new cargo container cranes.

"We are ready for what's ahead," she said. "We are proactive."

As for the federal debates on condensate and crude exports, U.S. Rep. Gene Green, D-Houston, said he supports the "reasonable" expansion of condensate exports. But ending the crude export ban is a more complicated issue because so many of the Houston region's refiners, manufacturers and chemical producers rely on affordable American resources to make their products.

Even with the ban in place, U.S. crude exports recently reached their highest level in 15 years, according to a federal analysis. Most of the exports went to Canada. The increase in crude exports is largely the result of rising U.S. production, which has reached nearly 9 million barrels per day and growing.

Green said there is the potential for a "slippery slope."

"Let's see if the (export) market is there without driving crude oil prices up for our refineries," Green said. "We want to export more, but we also want to keep those downstream jobs down here."

SPECIAL REPORT

THE BUSINESS JOURNAL INTERVIEW WITH...

Janiece Longoria, chair, Port of Houston Authority



BY NORA OLABI
nolabi@bizjournals.com

The chair of the Port of Houston Authority, like her fellow commissioners, is an appointed, unpaid volunteer.

Janiece Longoria, who is a commercial litigator and partner at a Houston-based law firm, oversees everything from the day-to-day operations to the funding and regulatory standards of the port. But most important, she guides it with a vision.

Since her appointment to the position by the Harris County Commissioners Court and Houston City Council, she has worked on several initiatives. Arguably, the most important in the works are the recent dredge projects at the Houston Ship Channel in preparation for the expected opening of the Panama Canal expansion in early-2016.

Rather than seek federal funding for the 5-foot deepening of the Bayport and Barbours Cut container terminals, she has pushed to pull the \$80 million from the Port of Houston Authorities revenues, allowing the ship channel to be ready in time for the completion of the Panama Canal expansion rather than the possible 15 years it would have taken to cut through the federal red tape.

Longoria started her professional career as a commercial litigator before joining POHA as a commissioner in 2002. Her institutional knowledge of the port coupled

with her position lends her a unique vantage point and a glimpse into its future.

What drew you to the port? Public service has been a very important part of my professional life, and I've always had some element of public service in what I do. It has now become the case that public service is taking the majority of my time.

How do you balance your duties to your law practice and chairman of POHA? I don't have time to practice law anymore because this position requires practically full-time devotion. When I was a commissioner, it was easier to balance my law practice. But as chairman, it is very time consuming. So, my partners have been generous with me at the firm in allowing me to discharge my public service. They certainly recognize the importance of the Port of Houston Authority to the region from the standpoint of its economic impact.

How has your background as a commercial litigator helped you in your position at the Port Authority? I would say that all of my life experience has really helped me be an effective person in this role. Certainly, the ability to analyze complex situations and look for solutions for not only the Port of Houston Authority but the diverse stakeholders is a skill set that has served me well.

What's the Port of Houston Authority's greatest challenge moving forward, considering the Panama Canal expansion?

The biggest challenge continues to be maintenance of the ship channel at its authorized width and depth because of continual silting. It needs to be dredged continuously.

The only other piece that we continuously work on is trying to figure out how to get a larger share of the federal maintenance tax. People are surprised to learn that the uses of our channel contribute \$100 million to the harbor maintenance tax in something called the Harbor Maintenance Trust Fund, but it's not held in trust for Harbor Maintenance. It's reappropriated by Congress for maintenance, waterway projects and other general purposes unrelated to harbors and waterways.

How do you expect to keep up with the pace of commerce? Our industry partners have advised us that their exports in the short term in two to three years are expected to double or triple out of the Port of Houston Authority. The staff and commission are doing everything in its power to assure that it's ready not only for the increased exports in the short term, but what we anticipate to come in increased imports with the expansion of the Panama Canal. And we will be ready.



"Our industry partners have advised us that their exports in the short term in two to three years are expected to

double or triple out of the Port of Houston Authority."

JANIECE LONGORIA, chair,
Port of Houston Authority

▶ THE LONGORIA FILE

Title: Managing partner at Ogden, Gibson Broocks, Longoria & Hall LLP, independent director at CenterPoint Energy

Age: 61

Hometown: Pharr, Texas

Education: J.D. from the University of Texas School of Law

Initiatives started: Dredge Task Force, Citizens Advisory Council and Business Advisory Council

Ongoing projects: Dredging of Bayport and Barbours Cut terminals, due for completion in the summer



A Day in the Life of a Houston Ship Channel pilot

The Houston pilots reign supreme on the Houston Ship Channel. Vessels can't come across the sand bar in Galveston Bay to enter the channel, nor can they leave or even travel between docks in the ship channel without one of the 100 men and women from the Houston Pilots. They work every day — rain or shine — guiding ships through the busy, 52-mile channel to ensure all goods are delivered safely.

On an average day, a group of about half a dozen pilots are out on the ship channel maneuvering, on average, 60 vessels. All of the pilots have captain's licenses and have worked for years before joining the Houston Pilots, which requires an additional three-year, intensive deputy training program. All vessels in the channel are required to be turned over to a certified pilot to navigate because of their local knowledge and experience.

This year, the Houston Pilots is

celebrating its 90th anniversary with the ship channel's centennial, and the Houston Business Journal set sail for a day with them to see what keeps goods flowing, the ship channel ticking and the Houston economy running day in and day out.

8:45 A.M. SET SAIL

Arrive at the Houston Pilots' headquarters a couple miles from the banks of the Buffalo Bayou past Beltway 8 and right off Highway 215 in Deer Park, Texas.

8:50 A.M. NO ROOM FOR ERROR



Presiding Officer of the Houston Pilots Capt. Mike Morris and Capt. Holly Cooper, one of only four female pilots, talk shop about the Houston Ship Channel and their jobs as local navigators. The margin of error for a pilot navigating the channel is just one millimeter.

9:55 A.M. ALWAYS ON CALL

The pilot dispatch center is at work 24/7/365 to maintain the flow of goods.



Whenever a captain puts in a call to the Houston Pilot headquarters as his or her vessel sits at the sand bar near Galveston, the dispatchers send out a pilot to guide it into the channel and to the appropriate dock. There are about 150 public and private terminals up and down the channel.

11:15 A.M. HOME ON THE SEA

Living on a pilot boat and sleeping on the water takes some adjustment, but the pilots try to bring the comforts of home with them. There are small bunkers, a kitchen, a flat-screen TV and, most important, a full pantry to feed the busy pilots during their shifts.

11:35 A.M. ALL ABOARD



Cooper, along with a pilot boat driver and a deck hand, are ready to set sail to retrieve two of her peers who are out on the water guiding an oil tanker.

12:08 P.M. WELCOME, BERMUDA

We approached the Stena Penguin, which raises a Bermuda flag, to pick up two pilots who have completed a job. Typically, only one pilot is needed, but the huge oil tanker requires two pilots to properly guide it.

12:25 P.M. PREPARE TO BOARD



Captain John Vassar descends the floating stairs on the side of the ship and makes his way down the

rope ladder on the Stena Penguin Hamilton. Captain Mike Pizzitola soon follows Vassar. Both have been pilots, before and after joining the Houston Pilots, for several decades.

1:13 P.M. LAND HO'



Cooper and company make it back to the dock after a full day on the turbulent waves.

SPECIAL REPORT

“DREDGING”

CONTINUED FROM PAGE 9C

ble by rail, truck and pipe. Shale oil has significantly brought down the energy costs of U.S. manufacturing and bolstered petrochemical companies on the ship channel, which use crude, natural gas and coal to create plastic and other chemicals. Much of the plastic is stored as pellets and shipped to product manufacturers. Petrochemical companies also create fibers, surface coatings, resins, aromatics and a slew of other products that are used in almost every sector of the economy, including construction, retail, medical and agriculture. These products are shipped and sold all over the world, many times in shipping containers. Increased petrochemical activity on the coast has created a need for facilities and waterways that can handle the output from petrochemical manufacturing.

Traditionally, the U.S.’s relationship with the Panama Canal has been one of exportation, with total U.S. exports to Panama in 2012 at \$9.9 billion, according to the U.S. Department of Commerce. But at the Port of Houston, expected increases in imports via the Panama Canal is spurring activity at both Bayport and Barbours Cut. The Port of Houston Authority, the governmental entity which owns and operates the public facilities along the ship channel, is ramping up trade with China in the container industry with a new all-water service connecting Asia and



COURTESY

Houston via the Panama Canal. The service, called The Gulf of Mexico Express launched by Shanghai-based COSCO Container Lines America Inc., is the first direct container line from China to call the Port of Houston in nearly ten years. The port will be the only U.S. port of call on the Gulf of Mexico Express service. Nearly one-quarter of all containerized cargo at the port has been imported from China.

Expansion of docks and container yards and larger cranes are expected to be complete by early next year to handle increased capacity. The Bayport container terminal is only 50 percent built out, and the facility is expected to be completed in 2020.

NEW INFRASTRUCTURE NEEDED

Railroads are expanding to meet increased demand. Pipelines haven’t gone down fast enough to keep up with the shale

boom in Central and West Texas. So rail has been a critical infrastructure to transport crude to refineries on the Gulf Coast. Charlie Jenkins, managing director of channel development and environmental affairs, sits on the board of the Port Terminal Rail Association and has seen a shift in rail logistics in the past few years.

“There has been an enormous shift in rail traffic and logistics. Now, all of a sudden, we have crude oil coming by train. We didn’t have any crude oil a couple years ago. Recent years, we’ve had a bunch of coal. Go back 10, we didn’t have any,” Jenkins said. “So how the cargo is moving has changed dramatically where it had stayed stable for a long time. And the rail companies are businesses, and they’re investing in their asset for productive business.”

Union Pacific and BNSF Railway are the two main rail operators at the port. Antici-

\$52.1 billion

Tax revenue generated by the Houston Ship Channel

\$178.5 billion

Statewide economic impact of the ship channel

ated capital investments by the operators through the Port Terminal Rail Association include building a second track on both sides of the ship channel – allowing for two trains to come and go simultaneously – and for double tracks along Highway 225 from Barbours Cut to Beltway 8 near Pasadena.

Expansion of the rail lines isn’t just limited to the ship channel. Over the next few years, the Gulf Coast Rail District estimates about \$123 million for two rail expansion and improvement projects will be underway in the city, Executive Director Maureen Crocker said.

“We are a destination for the rail lines. It’s because of the port and the petrochemical industry; those were the reasons that they came here,” Crocker said. “Now, they’ve stayed, and a lot of companies come here and try to locate in areas around property that is rail-served.”

POHA projected a total of \$35 billion in capital and maintenance investments from both the public and private sectors along the channel between 2012 and 2015.

“The Houston Ship Channel is what has caused Houston to become the fourth largest city in the nation, to be the primary exporting metropolitan region in the nation,” Longoria said. “I think it’s really important to pause and consider how important this asset is and that we continue to work in partnership to assure that the second century of the Port of Houston is as remarkable as what we have seen in the first.”

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Friday: 8:00 AM
Read front page story on the bank and credit union merger plan.

Monday: 11:30 AM
Nominated my top sales person Cathy Miller for a Residential Real Estate Award candidate.

Tuesday: 6:10 PM
Sent congratulatory cards and emails to the People on the Move.

Wednesday: 3:35 PM
Forwarded HBJ Daily Email Update to sales staff.

Thursday: 1:00 PM
Spent the entire afternoon networking at the Best Places to Work Event.

Friday: 8:00 AM
Moved into the corner office!

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