

Greater Houston Port Bureau

Port Bureau News

Quarter One / 2024



Securing the Port of the Future

Also in this Issue: Captain's Corner | Companies Rely on Strategic Planning | Port Watch | Women in Maritime Happy Hour | The Galveston Bay Park Plan | 2024 Maritime Leader of the Year | The 15th Annual Captain's Cup Golf Tournament | Industry Update | Commerce Clubs |

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The next two decades hold the promise of a dynamic and technologically advanced port sector, where the convergence of human ingenuity and artificial intelligence unlocks a new era of possibilities, ensuring a future that is both efficient and sustainable. Read more on page 6.



CEOs can get strategic planning right for companies willing to dedicate the time and resources to this goal. To read more on how to plan strategy and improve execution to achieve growth, see page 12.

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Numbers Keep Proving Our Port Region is Best



Happy 2024 to everyone! I hope you all had a great time over the holidays and were able to recharge for the year ahead. I had an awesome time with the family as we took some time off and traveled overseas. During our adventures, I was able to see the Barcelona Maritime Museum, and it is a fascinating cultural institution located in the heart of Barcelona, Spain. Housed in the historic Drassanes Reials de Barcelona, which served as a shipyard during the medieval period, the museum offers a unique insight into the city's rich maritime history. Visitors can explore a wide range of exhibits that showcase the evolution of Barcelona's maritime trade, naval architecture, and seafaring traditions. It made me excited to think of the plans for our own Houston Maritime Museum! Right now, the Houston Maritime Center & Museum is hosting lectures and Maritime Mondays while they await their new home at Midway's East River. They have leased over 6000 sq. ft. for a museum focused on the history of the city's nautical past and our future. Once opened, it will be a great venue to educate and engage our community as well as globally, in the maritime world.

Keeping in mind both museums, I cannot help but think of the immense global significance of the international reach and influence of Houston-Galveston ports. We know that our ports serve as a vital gateway for trade and commerce, connecting the United States with various countries across the world. Its strategic location along the Gulf of Mexico allows for efficient transportation of goods and facilitates the movement of cargo between land and sea. With its extensive network of shipping lines and connections to major global markets, our port facilitates the import and export of a wide range of goods, including petroleum products, chemicals, and other consumer goods. Our state-of-the-art port facilities (including our cruise ship terminals) and infrastructure ensure smooth operations and efficient handling of cargo and passengers, making it a preferred choice for businesses and industries worldwide.

Moreover, the ports of Houston-Galveston play a crucial role in supporting job creation and fostering economic opportunities. In January, the Port Bureau expanded our educational sessions, and conducted a Port 201 session to discuss the Port of Galveston and the cruise ship industry in-depth. The port's continuous growth and expansion initiatives further enhance its international importance, attracting investments and promoting economic prosperity. We currently have three terminals with five cruise lines: Carnival Cruise Line, Royal Caribbean, Disney, Princess, and

Norwegian. In addition, the Switzerland-based MSC Cruises, announced they would move a single ship, the 4,560-passenger *MSC Seascapes*, from Miami to Galveston in November 2025 to operate seven-night voyages to the Western Caribbean. This will add thousands of additional passengers per year to our already highly commercial cruise operations. In 2023, the Port of Galveston saw a 42% cruise passenger growth as compared to 2022, as they welcomed 1.49 million passengers and set a record of 354 cruise ship sailings. The forecast for 2024 is bright, as they are looking to have about 1,750,000 passengers, breaking all records! Keep in mind that we are currently #4 in the nation and #10 in the world, so I'm confident that our ranking will improve in the years to come.

Looking at the growth, it is important to know what kind of impact this will have to our region. Each cruise call requires roughly 100 longshoremen to handle stores and deliveries, 75-100 shore staff and 80-90 security personnel. This is a great boost to our economy, not counting the number of passengers that travel the day before or day after their cruise and stay in our area enjoying our amazing cities. These tourists not only contribute to the revenue of the port but also stimulate the local businesses, such as hotels, restaurants, and shops, creating job opportunities and generating income for the community. Additionally, the cruise ship industry generates employment opportunities for the local workforce, further enhancing the economic stability in our area. With its strategic location and economic significance, the Port of Galveston's cruise ship business plays a crucial role in promoting tourism and driving economic prosperity in the region. I keep saying it, we are the best, and we have the numbers to prove it!

#myportcommunityisbetterthanyours



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Greater Houston Port Bureau

It has been an absolute pleasure and a privilege to serve as Greater Houston Port Bureau's ("GHPB") Chairman over the last three years. Our Houston port region consistently ranks as number one in total tonnage, with more growth still coming our way. The Port Bureau sits in the middle of this, having grown to around 250 member companies representing over 50 different business segments that do business in and around the port.

At the start of my tenure as Chairman, we embarked upon a strategic review with the aim to develop a strategic plan that would enable the Port Bureau to serve its diverse membership and support growth around the Houston Ship Channel. As a result, we have developed outreach and influence programs to become the top source of information in our Houston port region by focusing advocacy efforts on governmental issues and developing deeper partnerships with other associations and organizations. We created an outreach committee to market, promote, and provide public relations to build Port Bureau thought leadership and brand.

We further strengthened our investment in resources to become the major source of data, information, and operating knowledge in making the port more efficient. We have worked hard to build engagement through networking and working groups and to include more early-to-mid-career professionals as well as hosting several very successful "women in maritime" events. Through providing excellent value for our members, we have continued focus on growing our membership base to increase the strength of our collective voice in advocacy.

The Advocacy Committee has been very active, having spearheaded GHPB's efforts to support the truly generational project to widen the Houston Ship Channel. Obtaining "new start" designation, and subsequently seeing the project being launched and

getting well underway, has been an absolute highlight for our port community.

Securing future growth of the Ship Channel is paramount for Greater Houston Port Bureau. As such, we have engaged constructively with the Gulf Coast Protection District to support the "coastal spine" flood control project. We conducted extensive simulations of ship transfers through the proposed Galveston-Bolivar gate system and provided our concerns related to safe navigation, future growth, barge traffic, anchorages and construction time. The Port Bureau supports flood control for our region, and will be a reliable partner to provide input from the port industries as the project progresses.

I have spent three decades of my professional career working on the Houston Ship Channel; fifteen of them on the GHPB board. One thing stands out: the people. The Houston port complex is successful because of the people that work here. When the Ship Channel faces adversity, such as closures due to hurricanes, accidents or prolonged fog, people come together to solve problems and GHPB is the natural place to turn for members to learn what is going on, share information and solve problems. The Port Bureau will continue to enhance networking opportunities and sharing of vessel and port information.

Over the last year, CAPT Bill Diehl retired from the Port Bureau. Once again, I wish to thank Bill for his tremendous contribution during his many years of service. Capt Eric Carrero was hired in July as his successor. I wish him, Christine Schlenker and the rest of the eminent GHPB staff smooth sailing, with many thanks from me for a job well done. I also wish to thank the Board, Executive Committee and the Officers for their service. As Vincent DiCosimo takes over as our new Chairman, I will remain on the Board as immediate past chairman. I look forward to seeing the next chapter of the Port Bureau and port region.

A belated Happy New Year to all. I am honored to begin the year as your new chairman for the Greater Houston Port Bureau ("GHPB"). As I have set forth in my discussions and speeches in the last year; it is my hope and desire to someday look back on a life and know that I have in a small way made a difference for generations to come. I can think of no better place to do this than in the Houston port region. In the now 103 years since the Houston Plan established the Harris Country Ship Channel Navigation District, i.e. Port Houston, the GHPB has been along almost continuously.

Let's examine some numbers:

- **95:** Number of years of the existence of the Greater Houston Port Bureau
- **200+:** The number of companies that are represented by the GHPB and advocated for across the region, state and in Washington D.C.
- **36:** The number of board members representing a tremendous cross section of the business on the water and around the Houston Ship Channel region.
- **95:** Number of Annual Maritime Dinner galas the Greater Houston Port Bureau will have had after this year's on August 24th.
- **6:** The number of companies that have already supported the Maritime Dinner with Queen of the Fleet sponsorships.
- **16:** The number of Annual Captain's Cup Golf Tournament held after this year's in November.
- **11:** The number of projects conducted on the Houston Ship Channel, including Project 11. Averaging one major about every 10 years.
- **1,312.01:** The LOA in feet of the largest container ship sailing the

seas that was launched last year. So projects like Project 11 and soon to be Project 12 require more Houston Plan commitments to maintain our success and ensure the future.

- **5:** # of Key Components of our GHPB 2022 Strategic Plan:
 1. Advocacy for the Houston Ship Channel and the membership
 2. Engagement in our communities and networking through GHPB events
 3. Enhanced membership experience through examples like our Port 101 and 201 classes and PortXchange
 4. Ensure the future of the GHPB through additional funding mechanisms beyond membership dues
 5. Work with our partners' at the USCG, USACE, cities of Harris and Brazoria County, ports of Texas City, Galveston and Houston on flood control and federal funding for the O&M on the channel and Project 12 and beyond.
- **1:** Ranking for the Houston Ship Channel in almost everything—tonnage, ship movement, and let's not forget barge movements, too.
- **1:** YOU—without you and your companies participating in the Greater Houston Port Bureau, none of the above will continue.

This year, our new President, Eric Carrero, and the board will begin working a refreshed strategic plan for 2024 and beyond. The "Times they are a-Changin" said Bob Dylan and we must be proactive, adapt and advocate for our causes in a united front. This election year promises many surprises. As we look at all forms of energy, all forms of transportation, and all types of labor forces from part time, remote to union, we

must be ready with various scenarios to move the GHPB forward. Again, you are #1. We seek your input and look forward to having you give us your vision of the future.

As has been said lately, these are incredibly tumultuous times, with unbelievable opportunities. It is easy to seek the negative and believe in the worst of outcomes and people. We must work together as the Greater Houston Port Bureau has for 95 years and advocate for the future of our next generation.

To paraphrase Geo. Bernard Shaw—"Some men see things as they are and ask "why"? Dream things that never were and ask, "why not?".

Let us work together to seek that dream and to work to achieve the unimaginable for the future generations.

I thank you and look forward to serving you as your chairman.



Outgoing Chairman

Bernt A. Netland

Immediate Past Chairman
Intercontinental Terminals Co.



Incoming Chairman

Vincent DiCosimo

2024 Chairman
VP, Governmental Affairs
Targa Resources

Securing the Port of the Future



Photo courtesy of Port Houston

In the labyrinth of global trade, maritime ports stand as pivotal junctions where the ceaseless ebb and flow of commerce converges. However, as these ports become increasingly crucial, they also face a rising tide of challenges, both in the physical and cyber realms. In this intricate dance of security and efficiency, generative artificial intelligence ("AI") emerges as a beacon of hope, offering innovative solutions to safeguard these vital hubs.

The maritime industry, traditionally slow to adopt new technologies, is now at a crossroads. As the volume of goods and data passing through ports skyrockets, the need for robust security measures becomes paramount. Generative AI, a technological marvel that can create, simulate, and predict scenarios, is poised to revolutionize how ports manage these threats.

Physical security, a longstanding concern, entails safeguarding the port's infrastructure, cargo, and personnel against unlawful activities such as smuggling, terrorism, and theft. AI-powered surveillance systems, with their ability to analyze vast amounts of video data, can identify suspicious activities in real-time, offering a much-needed edge in preventing physical threats. Drones, autonomously patrolling the skies and seas, equipped with AI algorithms, can monitor the perimeters, providing an aerial view that is both comprehensive and detailed.

Cybersecurity, however, is a relatively new frontier. The interconnectedness of modern ports makes them susceptible to cyberattacks, which can cripple operations, lead to financial losses, or even pose safety hazards. Generative AI steps in as a formidable ally in this digital battleground. By simulating potential cyberattacks, AI systems can predict and prepare for various scenarios, enabling port authorities to fortify their defenses proactively. Furthermore, AI can monitor network traffic, detect anomalies, and respond to threats faster than any human operative, ensuring a resilient digital shield around these critical infrastructures.

The integration of AI in port operations also extends to logistics and management. AI systems can optimize cargo handling, berth scheduling, and even predict maintenance needs, enhancing operational efficiency. This synergy of security and efficiency is crucial, as it ensures that the tightening of security measures does not become a bottleneck in the fluid movement of global trade.

Nevertheless, the implementation of AI in maritime ports is not without its challenges. The cost of deploying state-of-the-art AI systems can be significant, and there's a steep learning curve involved in integrating these technologies into existing infrastructures. Moreover, the reliance on AI raises concerns about data privacy and the potential for AI-driven decisions to have unintended consequences.

To navigate these waters, it is imperative for maritime executives to foster a culture of innovation and collaboration. Partnerships with technology providers, continuous training of staff, and adherence to ethical standards in the use of AI are critical steps towards a secure and efficient future for maritime ports.

As the maritime industry steers into the future, the role of generative AI in port security cannot be overstated. With its unparalleled capabilities in surveillance, threat detection, and operational optimization, AI stands not

just as a tool but as a pivotal ally in ensuring that our ports remain safe, efficient, and ready to face the challenges of tomorrow.

Generative AI, while revolutionary, poses significant risks to an inheritance of blind trust and reliance placed on this new technology. One of the primary concerns is the potential for biased outputs and misinformation. The algorithms powering generative AI models learn from vast datasets, which may inadvertently incorporate biases present in the training data. As a result, the outputs generated by these models can perpetuate and amplify existing societal prejudices, leading to ethical and social challenges.

Machine language learning, a core component of generative AI, involves algorithms improving their performance over time by learning from experience. However, this learning process is not foolproof and can be vulnerable to poisoning attacks. Adversarial actors may manipulate the training data to introduce subtle distortions, causing the AI model to make incorrect predictions or generate misleading content. This raises concerns about the reliability and security of AI systems in various applications, including decision-making processes in critical domains.

Despite these risks, the adoption of generative AI is on the rise due to its positive capabilities. It has demonstrated remarkable achievements in natural language processing, image generation, and other creative tasks. Businesses and industries are leveraging generative AI to streamline processes, enhance creativity, and improve efficiency. However, this widespread adoption also introduces challenges in terms of cybersecurity.

In the digital realm of global internet connectivity, the threat landscape has evolved, with cyber intrusions and breaches becoming increasingly sophisticated. Generative AI systems, if not properly secured, can become attractive targets for malicious actors seeking to exploit vulnerabilities. The need for robust cybersecurity measures is crucial to protect sensitive information and ensure the integrity of AI-generated outputs.

In the context of cybersecurity, the concept of a digital-physical security perimeter becomes significant. As generative AI systems operate in





Photo : What will the port of the future look like?

interconnected networks, securing the boundaries between the digital and physical realms is imperative. Any breach in this perimeter could have far-reaching consequences, impacting not only digital assets but also physical infrastructure connected to AI systems.

The human side of change management is another critical aspect to consider in the deployment of generative AI. The integration of AI technologies often requires organizational and cultural shifts. Employees need to adapt to new workflows, understand the capabilities and limitations of AI, and participate in ongoing training. Resistance to change and lack of awareness can pose challenges, emphasizing the importance of effective change management strategies.

Culture plays a pivotal role in shaping the ethical use of generative AI. Organizations must cultivate a culture of responsibility, transparency, and accountability in AI development and deployment. Ethical considerations should be embedded in the decision-making processes, ensuring that the benefits of generative AI are harnessed without compromising societal values or individual rights.

In the port of the future, we must embrace new ideas and be open to change. The technology is so promising and in time will show great benefits to maritime trade and operations. In all things maritime and security, there will be risks and challenges and the same is true to the elements associated with generative AI. We must face the facts that these are real and require some careful consideration. While the positive capabilities of this technology are undeniable, a comprehensive approach that addresses biases, cybersecurity concerns, and cultural implications is essential for responsible and ethical AI adoption in our increasingly interconnected world.

Looking ahead to the next 20 years, the port of the future is poised for unprecedented transformation, fueled by the numerous possibilities offered by generative AI and advanced technologies. As we continue to harness the positive capabilities of AI, the port industry can anticipate unparalleled efficiency gains, streamlined logistics, and enhanced decision-making processes. With cybersecurity measures firmly in place, the digital-physical security perimeter will create a resilient environment, safeguarding critical operations. The integration of generative AI into

port workflows will not only redefine industry standards but also pave the way for sustainable practices, optimizing resource utilization. Cultivating a forward-thinking culture that embraces innovation and ethical considerations will be pivotal in navigating this transformative journey.

The next two decades hold the promise of a dynamic and technologically advanced port sector, where the convergence of human ingenuity and artificial intelligence unlocks a new era of possibilities, ensuring a future that is both efficient and sustainable.



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Marco Ayala is the InfraGard Houston President with over 27 years of experience working in critical infrastructure and site facilities. He has designed, implemented, and maintained their process instrumentation, automation systems, and process control networks. With 19 years in industrial cybersecurity, he has led efforts to secure the oil and gas, maritime port, offshore facilities, and chemical sectors, supporting federal, local, and state entities for securing the private sector. Marco is the Chair of Cybersecurity and Threat Intel for the Gulf of Mexico AMSC Outer Continental Shelf (OCS) Committee.

Chris Wolski
President
Founder/Fractional CISO



Chris Wolski is the Cybersecurity Chair of the AMSC and Infragard Houston Maritime Domain Sector Chief. He is a distinguished information security expert, former Information Security Officer for the Port of Houston Authority, and now leads his firm, Applied Security Convergence. He is an U.S. Navy Veteran and award-winning transformational information security leader with nearly three decades of cross-industry cybersecurity expertise. He has a distinguished track record of architecting comprehensive resilient cybersecurity strategies and building and developing world-class security teams. Chris is fluent in bridging communication gaps, from frontline staff to boardroom dialogues, ensuring robust, organization-wide security alignment.

Women in Maritime Happy Hour, March 19: What Does a Shipping Agent Do?

The 52-mile Houston Ship Channel ("HSC") has more than 272 public and private facilities, housing chemical plants, refineries, petroleum storage facilities, container facilities, and other industrial facilities. More than 8,500 large vessel calls and 231,000 barge transits travel the HSC to these public and private facilities.

Who represents the shipowner, ship manager or charterer to help them complete ship-related declarations and other shipping agent work?

When a ship calls at a port, paying expenses are a high part of operating costs. It is impossible for shipowners, managers, and charterers to be present at every ship's port call. Who, then, makes arrangements for a ship in port to complete timely operations without delays, avoiding high costs to shipowners or charterers? Who arranges for crew member replacement, provides for crew necessities, such as food and water, or exchanges local currency? Who escorts maintenance specialists onboard or ensures that customs documents and declarations are arranged with port authorities? Who provides real-time updates and reports on port calls or cargo operations for ship owners or charterers? Join us at the WGMA office on March 19 to find out. The event is free, but registration is required.

For details, sponsorships, or to register, go to:
<https://www.txgulf.org/events>

We encourage our women membership to attend and bring early and mid-career women from their organization as their guests. This is a free event and includes food and drink.



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Port Watch

Sea Change



Photo: 1571 Battle of Lepanto, National Maritime Museum.

The string of Turkish victories on both land and sea over the past century had struck fear across Christian Europe. Knowing that the Sultan's ultimate quest was to invade the Vatican, Pius V implored Spain and Venice to set aside their differences and form a Holy League to prevent the Ottoman Empire from controlling the entire Mediterranean. Thus, the largest fleet ever assembled by the west set sail in September 1571 to break the Ottoman's siege at Cyprus – a strategic linchpin to maritime trade in the Eastern Mediterranean.

On October 6, 1571, Admiral Don John of Austria decreed his men to take up their rosaries and pray for victory against the larger and dreaded Ottoman fleet sailing from the Gulf of Lepanto. Meanwhile, Admiral Ali Pasha aboard his flagship *Sultana* had received word from his spies across the Aegean and Ionian Seas that the infidels under the Holy League banner were sailing in his direction. Confident that his force of 67,000 sailors and janissaries on nearly 300 rowing galleys would forever rid the Mediterranean of its unworthy foe, the Ottoman fleet with the wind at its back, furiously rowed towards its quarry on the morning of October 7th. Thus, the stage was set for the largest maritime battle in pre-modern history.

After Mass was held throughout the Holy Alliance's armada, Admiral Don John's flag ship - *Real* - took command of the center as the Venetians covered his left flank and the Genoese his right. Initially, the Holy League's formation was threatened with an envelopment by the Ottoman's crescent moon formation. That is, until the wind suddenly reversed so that the Holy League was favored with a strong stern breeze. At noon, the respective flag ships rammed one another as both admirals sought to personally

vanquish their despised adversary. The intensity of the fighting was unparalleled and ferocious with one continuous line of galleys locked in a death struggle. Finally, Admiral Ali Pasha's head was raised on a pike aboard his defeated flag ship. Panic spread throughout the Ottoman fleet as its Christian galley slaves were freed and ruthlessly slaughtered their former captors. By sunset, the sea belonged to the Christians who had lost only 7500 men and 15 galleys compared to the Ottoman's loss of 230 ships and 25,000 combatants.

2024 dawned with positive changes in nearly every Texas port. The final month of the year saw 2% more vessel arrivals on both a month-over-month and year-over-year basis. Unfortunately, the opposite was true for the brownwater fleet given that December witnessed the fewest daily movements through the Houston Ship Channel; both the year and month were off by 1%.

Ironically, the smallest port, Brownsville, ended the year with the biggest percentage gain of 13%. Bulkers and ocean-going tows posted impressive double-digit gains for the year signaling that goods were freely moving across the border. On the opposite end of the state, Sabine's final quarter of the year was second to none culminating in its highest vessel arrival count ever in December. Bulkers, integrated tug/barge vessels, and LPG vessels all registered highs for the year logging double-digit percentage increases. Chemical tankers, in particular, were up a torrid 32% for the year. Conversely, the port's most frequent visitor – tankers – trailed 2022's arrival count by 7%. Volleing back to the west, the Port of Corpus Christi failed to match Sabine's pace, ending the year a mere 1% below that of the prior year. The port's energy plays - comprised of tankers, LNG and LPG

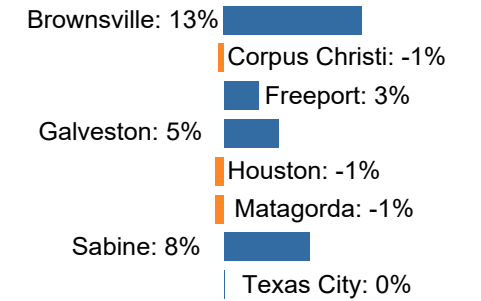
- suffered year-over-year wanes; the sole exception being chemical tankers. These darlings of the petrochemical trade eclipsed 2022's numbers by 18% - the only major vessel category to chalk up a gain in Corpus Christi.

Heading east, once again, Freeport joined Sabine with its best quarterly performance for the year yielding a 1% year-over-year rise. The port's most robust vessel category – chemical tankers – lagged 2022's count by 9%; however, its next two largest categories – LPG and LNG – outshined 2022's arrivals by 7% and a jaw-dropping 82%. Container vessels also enjoyed a healthy year with a 30% jump. Ultimately, the port's final monthly increase of 9% ensured it would remain in positive territory for the year to the tune of 3%. Likewise, the nearby Port of Galveston remained ahead of 2022's total arrivals by 5%; thanks to its burgeoning cruise ship business which surpassed last year's tally by 12%. Tankers also added to the port's largesse with a greater volume of traffic calling upon Texas International Terminal.

Several leagues to the north, Texas City's tanker arrivals could not match that of last year dipping by 9%. All major vessel types were left in the wake of 2022's figures save that of chemical tankers which rebounded by 7% over the last year. The continued decline of the tanker count – the most recent being 9% – reflects an ever-greater reliance on pipelines into the port's refineries.

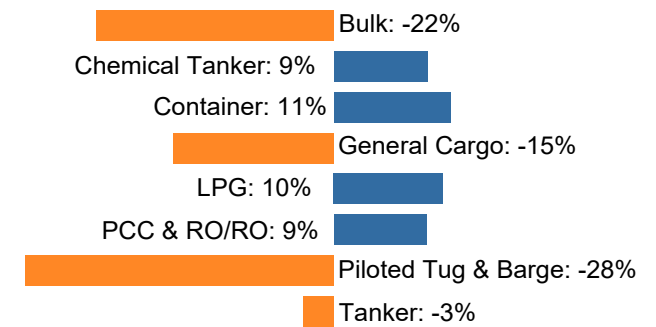
Houston's chemical tanker arrivals are the envy of the country at just shy 2000 for the year. More impressive is the fact that this ship type is slowly gaining on the tanker count after the former's 9% climb and

Deepdraft Vessel Arrivals by Port Q4 Year-to-Date Percent Change



Source: Greater Houston Port Bureau's Marine Exchange of Texas

Houston Deepdraft Arrivals by Type Q4 Year-to-Date Percent Change



Source: Greater Houston Port Bureau's Marine Exchange of Texas

latter's 5% descent. Nevertheless, with most categories ending the year in the red, Houston closed 2023's books with a mere 1% fewer arrivals. Container, car carriers and LPG ships managed to hold their own by crossing the annual finish line 10%, 14% and 10% ahead of 2022's close. Bulkers and general cargo fell off dramatically for the year reflecting project caution attributable to higher interest rates and a recession that failed to materialize. It appears that a port that dominates a city, located in a county with one of the largest increases in population, produces an environment that relishes consumption rather than rejecting it.

The Holy League's victory at Lepanto was a psychological watershed for western Europe. Whether attributable to divine intervention or technological prowess, the kingdoms of the west had the ability to defeat the Ottomans and arrest their hegemonic desires. Within decades, the likes of Spain, England, Portugal, and the Netherlands would usher in and dominate the age of sail until, eventually, Britannia ruled the seas. Yet, as the sail was eclipsed by steel and coal by oil, the powers that ruled the seas would fall prey to the sound of war drums on a regular basis. Today, once again, ideological and religious differences have created another tinderbox not far removed from the waters where Admiral Ali Pasha's once-feared galleys roamed.

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Companies Rely on Strategic Planning. The Problem: Many are Doing it Wrong.



Photo courtesy of Rice University.

When Jeff Immelt took the helm at General Electric in 2001, he shifted the company's strategy radically. Under his leadership, GE grew more inwardly focused, relying more on financial engineering and acquisitions in a bid to add revenue and cut costs. The company's stock plummeted. Yet Immelt stubbornly stuck with what many saw as a failing strategy.

Strategic planning is a core activity for senior leaders, regardless of business size. Over 88% of all large companies and 80% of small to medium-sized companies engage in strategy planning. For CEOs like Immelt, strategic planning is one of their most important duties, and they take great pains to communicate company strategy to stakeholders.

But there's a problem: many are doing it wrong. In the research for our new book, *Focus: How to Plan Strategy and Improve Execution to Achieve Growth*, we found that many CEOs have simply been mistaken in their approach to strategic planning. Contrary to popular belief, our research shows many CEOs fail to make their strategic decisions based on a systemic, science-based, statistical process. Instead, they rely on gut feel, emotions and salient information from past experience.

CEOs usually rely on strategic planning to set goals for their senior executives, define major initiatives, allocate and track resources across initiatives, create budgets and hold mid-level and frontline employees accountable. Strategies become the means through which a CEO sets goals, measures success, executes plans and communicates progress to the board and outsiders.

To be sure, strategic planning is a complex process and many CEOs agree current practices need improvement. Immelt, for his part, was unsuccessful at turning GE around in part because senior and mid-level executives weren't persuaded that his proposed strategy was coherent or would work. As one insider said, "We just became too internally focused and lost touch with our consumers."

Another example is Wells Fargo. In 2016, regulators fined the bank \$185 million for opening around 1.5 million bank accounts and applying for some 565,000 credit cards that weren't authorized by customers. The bank's strategy and employee incentives emphasized maximizing sales through cross-selling to existing customers rather than providing customers with real value.

Like GE and other companies that rely on a budget-based strategy to drive sales, Wells Fargo's strategic plan prioritized how internal

activities affected revenue rather than the effects of those activities on customer value. The problem was not that Wells Fargo's strategy was poorly executed – it was that the company followed it.

But what is it, exactly, that makes a strategy fail? When strategic planning goes wrong, our research indicates that it's typically for two main reasons. First, planning can fail when executives craft strategies based solely on their gut feelings, intuition, emotions and salient beliefs — beliefs that are top-of-mind. When these salient beliefs form the basis of the company's strategic priorities, mission, or vision, they become a vehicle for executives' desires and aspirations.

Strategies based on executives' salient beliefs often fail because they discount what's important to create customer value – and customers are the largest component of a company's cash flow. A company that relies on executives' salient beliefs, by default, discounts customer value and simply can't create a healthy and sustainable cash flow.

This is what happened at Wells Fargo, which began using the salient personal beliefs of its leaders to justify its cross-selling strategy. That strategy drove employees to open accounts rather than help customers, ultimately eroding customer value, sinking the company's stock and resulting in fines.

The second reason why strategic planning often flounders is executives' belief that if they simply ask customers what they want, the customers will seamlessly communicate exactly what's important to them. That's rarely the case. Instead, what customers state as their desire often differs starkly from what actually creates value for them.

Take, for example, the relationship between a doctor and a patient. A patient walks into their doctor's office with a health issue. Imagine what would happen if the doctor asked the patient what medicine and tests they desired and prescribed them. Or imagine the patient simply insisting on certain tests and medications without being asked. In both cases, customers have effectively stated their desires and wants, but the doctor is unable to discern what would truly help the customer. It's up to the doctor to perform tests and use accumulated statistical benchmarks to detect how best to help the patient.

Simply put, you cannot create customer value by simply fulfilling your customers' desires and wants.

Companies need to use the same process – using science, statistical expertise and data – coupled with effective listening, to set a customer-based strategy.

What’s important for customer value, in other words, is typically not be obvious to customers themselves. More often than not, they lack the expertise, data and statistical expertise to state what they need in a conversation. Yet a surprising number of senior executives rely on such conversations or “listening exercises” to unearth surface-level desires and wants and use them to develop a strategy. Such a strategy is doomed to fail.

Often, adversity provides the opportunity to pivot. During the COVID-19 pandemic, for instance, companies and leaders have been forced to rethink and retool their strategic habits, forced to learn about what’s most important to customers.

This transformation can be powerful. When CEOs continue to evolve – embracing humility and no longer relying on past experiences, emotions or gut feelings – they can organize around the most important, rather than the most salient, customer needs. They can simplify their plan. As a bonus, a cleaner, simpler strategy will be more engaging to employees.

CEOs can get strategic planning right. For companies willing to dedicate the time and resources to strategic planning, the research we describe in Focus: How to Plan Strategy and Improve Execution to Achieve Growth offers a road map of exactly how to do it.



Vikas Mittal

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Dr. Vikas Mittal is the J. Hugh Liedtke Professor of Marketing at the Jones Graduate School of Business. Prior to joining Jones, he was the Thomas Marshall Professor of Marketing at the Katz Graduate School of Management. Dr. Mittal holds a Bachelor's in Business Administration from the University of Michigan and a Ph.D. in Management from Temple University. Before joining Katz, he was on the faculty at Kellogg Graduate School at Northwestern University.

In addition to publications in leading marketing journals, Dr. Mittal has published extensively on decision making in journals such as Organization Studies, Organization Science, Journal of Applied Psychology, Journal of Psychiatry, Organization Behavior and Human Decision Processes, and Personality and Social Psychology Bulletin. He currently serves on the editorial boards of numerous journals.

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Jürgen Schröder Named as Greater Houston Port Bureau's 2024 Maritime Leader of the Year



The Greater Houston Port Bureau (“Port Bureau”) is pleased to announce that Jürgen Schröder, founder of Schröder Marine Services, Inc. (“Schröder Marine”), has been named the 2024 Maritime Leader of the Year. Schröder will be honored at the Port Bureau’s Annual Maritime Dinner on August 24, 2024. The Port Bureau Board of Directors named Schröder as the 2024 honoree for his staunch service to Houston’s maritime community and for being a champion of seafarer welfare.

“I have believed in building commitment and trust in my relationship with others throughout my life, whether it was working onboard a ship in my younger years, raising my family, or servicing our clients at Schröder Marine. Trust and relationship-building is not limited to clients or family, but it extends to those like our fellow seafarers coming into our great port,” said Schröder. “The Annual Maritime Dinner is a way we celebrate the strong values that make our unique maritime community thrive.”

Schröder’s maritime career started a young deck boy/able body seaman on the Deutsche West Afrika Line. Over the next 65 years he built a well-deserved reputation as a dedicated leader and industry expert, founding Schröder Marine Services, a stevedore and terminal operator company in the port of Houston, in 1986.

The Houston Ship Channel is the nation’s busiest waterway. Collectively, the more than 200 private and public terminals along the 52-mile channel make the area the nation’s largest port for waterborne tonnage and an essential economic engine for the Houston region, the state of Texas, and the U.S. Expansion of the Houston Ship Channel and improvements of the public facilities ensures its continued economic impacts.

“Jürgen’s lifetime of service to the port region and his passion for the welfare of everyone, whether onshore or onboard a vessel, is unparalleled. It is a privilege to recognize him as our 2024 Maritime Leader of the Year,” said Vincent DiCosimo, chairman of the Greater Houston Port Bureau.

Over 750 maritime, transportation, and industry professionals and their guests attend the Annual Maritime Dinner to recognize maritime leaders or companies that have exhibited outstanding leadership and support for the port region. Recent honorees include David Grzebinski, CEO of Kirby Marine Services, Port Houston Commission Chairman Ric Campo, Jim Teague, Co-CEO of Enterprise Products Partners L.P., ExxonMobil, and Shell Oil Company.

During the COVID-19 pandemic, vessel crews went many months without leaving their ships. Schröder was instrumental in organizing local industry efforts to bring aid and resources, including vaccines, for the thousands of seafarers confined to vessels calling in Houston.

The Annual Maritime Dinner is supported by Queen of the Fleet sponsors Buffalo Marine Service, Inc., Enterprise Products Partners L.P., Kinder Morgan, Moran Shipping Agencies, Inc., Port Houston, and Vopak. Proceeds from the Annual Maritime Dinner support the Port Bureau’s regional maritime advocacy efforts. Table and sponsorship opportunities and additional information are available online at www.txgulf.org/annual-dinner or call 713-678-4300.

Schröder has also been as an active member of the Port Bureau since 1978, serving as a director, a member of the executive committee, and past president of the board of directors (1981-1983). He is an active member of the Houston International Seafarers’ Center, serving on their board since 1985 and as board president from 1992-1993.



The Galveston Bay Park Plan: Rapid Hurricane Protection and Long-Term Economic Stability for Galveston Bay



Photo courtesy of Rogers Partners.

It has been 15 years since Hurricane Ike narrowly missed the Houston region, and we must act now to protect us in the future. The Galveston Bay Park Plan is an in-bay multi-use hurricane surge flooding protection barrier designed by the Severe Storm (SSPEED) Center at Rice University that combines flood protection with navigation improvements. It is estimated to cost from \$3 billion to \$6 billion and can be constructed in about five to seven years. It is compatible with the larger coastal barrier plan being developed by the U.S. Army Corps of Engineers ("the Corps").

This exploratory work was completed by SSPEED Center from funding provided by the City of Houston, Harris County, Port Houston and private entrepreneur Joe Swinbank. It offers the swiftest opportunity for protecting the most people and our national economic resources in the shortest amount of time while the Corps works to bring about comprehensive protection with the barrier plan.

The basic concept of the Park Plan is to initiate implementation of Project 12 to deepen the Houston Ship Channel and use the dredged material from that project to build a hurricane surge protection levee. Dredging will begin in the upper portion of Galveston Bay and the virgin clay that is dug up for the channel deepening will be used to construct a 25-foot-high levee that will run from Chambers County on the northern end of the project to the Texas City levee on the southern end. Additionally, the Texas City levee is proposed to be raised from its current 17 feet to about 25 feet and is also proposed to be extended westward to address back side vulnerability from surge flooding crossing Galveston Island.

A diagram of the first phase of the park plan is shown in Figure 1 and the use of dredged material is shown in Figure 2. Additionally, park space and environmental enhancement are world-class design attributes for everyday use by the public that would be phased in over time as maintenance dredging contributes sediment to be beneficially used for park and wetland creation purposes.



Figure 1. Layout of 25-foot barrier adjacent to the Houston Ship Channel. Image by Rogers Partners Architects for SSPEED Center.



Figure 2. Diagram illustrating use of Houston Ship Channel dredged material for levee construction. Image by Rogers Partners Architects for SSPEED Center.

The purpose of this barrier is to provide in-bay surge protection from category 3, 4 and 5 storms that are larger than the Corps' design for the coastal barrier. Over time as the federal procurement process evolves, the coastal barrier can be completed to provide more comprehensive protection for the entire bay system. But in the short-term, the park plan can provide significant reduction in surge vulnerability at a very

high rate of return on the investment and can also propel forward our next required navigation improvements.

As part of this system, a new gate structure will have to be built for the mid-portion of Galveston Bay where the levee switches from the east side of the channel to the western side in order to make the connection into the Texas City levee. The engineering firm of Walter P. Moore and Associates, Inc., has created an elegant and relatively inexpensive gate design that is deployed from either side of the channel and connects to make an arc that will more naturally withstand hurricane surge. This structure is shown in Figure 3.

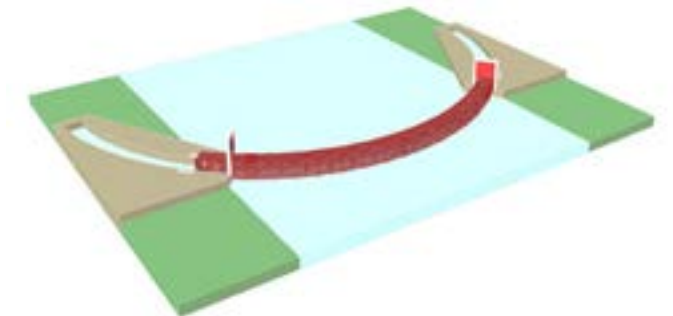


Figure 3. The gate deploys from dry docks at either side of the channel and floats to the center of the channel where the arc is connected and lowered to the bottom to block the oncoming hurricane surge. Image by Walter P. Moore for SSPEED Center.

And make no mistake about it. The Ship Channel and Bayport industrial complexes have significant vulnerability. At the current time, a category 3 or larger storm would generate well over \$100 billion in industrial damage and would destroy much of the LaPorte, Seabrook, Clear Lake, Kemah and Texas City communities. It would likely be the worst human, economic and environmental disaster in United States history. The extent of current vulnerability of the Galveston Bay region is shown in Figure 4.

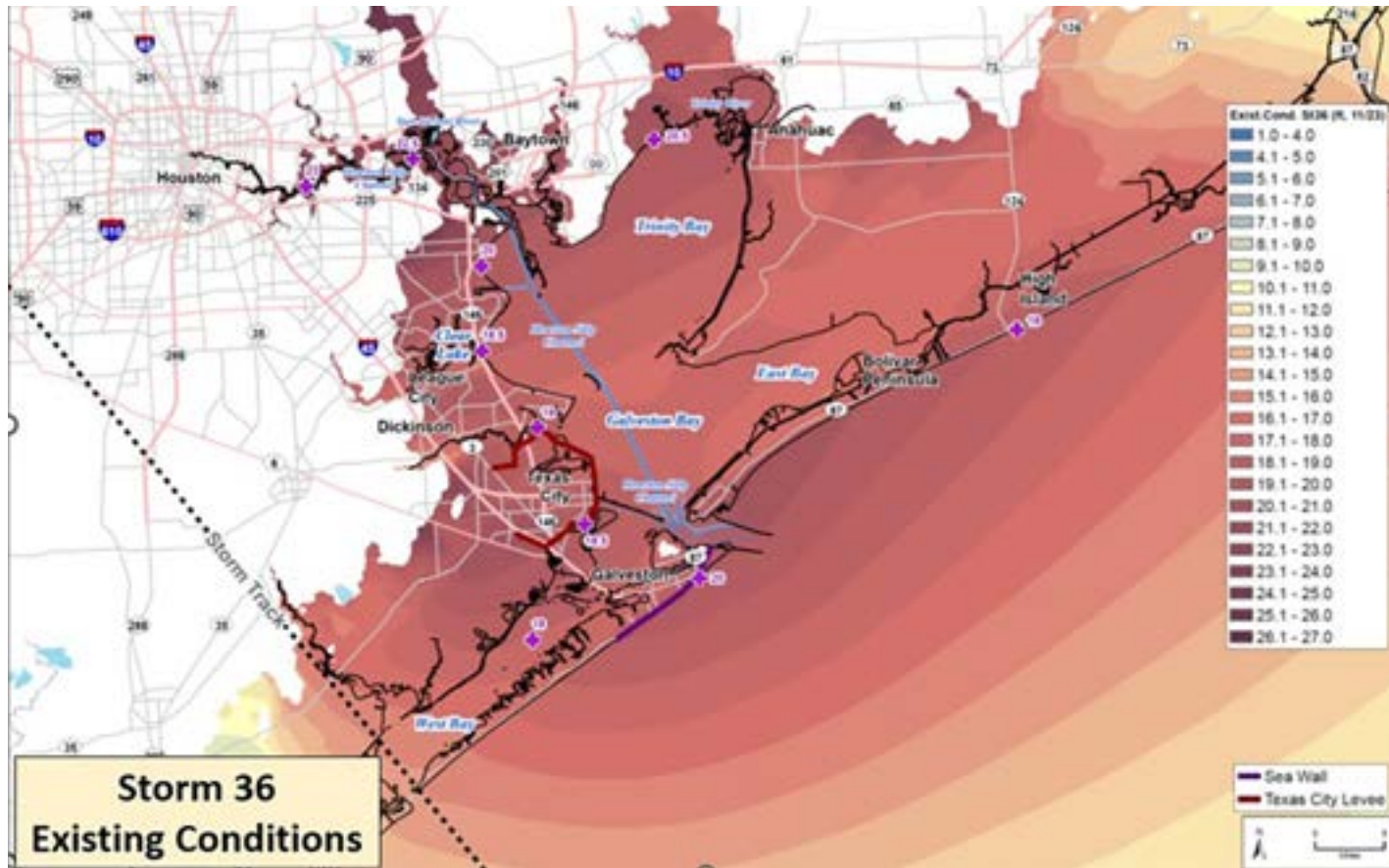


Figure 4. Computer simulation of small category 4 storm (FEMA Storm 36) coming ashore near San Luis Pass. Flood elevations are shown in feet. Image by Dr. Clint Dawson and Dr. Avi Gori for SSPEED Center.

A clear path forward exists here. The Corps of Engineers' coastal surge barrier project has been assessed in an overall environmental impact statement that set up a process called a "tiered" environmental impact analysis. Under the Corps proposal, there are several elements:

- A coastal sand dune barrier system on West Galveston Island and Bolivar Peninsula,
- A gate structure across Bolivar Roads which is the pass between Galveston Island and the Bolivar Peninsula,
- A levee system and seawall heightening project for the City of Galveston,
- An in-bay component involving two flood protection gates, one on Dickinson Bayou and another on Clear Lake.

Under the "tiered" system, each of these four projects will have their own EIS and no work can be undertaken until the individual project's second tier EIS documents are completed and approved.

The basic implementation concept is to accelerate the timing of the in-bay "tiered" analysis to include consideration of the Galveston Bay Park Plan initial dredging and levee construction proposal. This in-bay analysis could also be generated by a permit application to construct this project and the completion of a stand-alone EIS. Either way, the first phase of the Galveston Bay Park Plan could be under construction as soon as two to three years. This is both very timely and relatively inexpensive when compared to the \$50 billion price tag for the coastal barrier.

The bottom line is that there is pathway forward for the region that advances both navigation and coastal surge protection goals while protecting the long-term integrity of the Corps of Engineers' coastal spine project. Our vulnerability to a major hurricane is very real. Our economic future, and the bay's ecological future, depend on our acting quickly and positively.

It is important for our region to coalesce around this important first step. This goes beyond any area's individual interests about short- and longer-term gains. This project is about protecting the core economic engine of our national economy as well as the Texas and regional economy and the folks living on Galveston Bay. The time has come for the region to come together for the benefit of all.



Jim Blackburn

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The 15th Annual Captain's Cup Golf Tournament



The Riverside Team Wins the Cup

Team: Tara Battle, Bill Diehl, Tim Studdert, and Jamie Sylvester

The Captain's Cup Golf Tournament returned to the beautiful greens on Nov. 6 at Sugar Creek Country Club again in 2023. From the first tee to the last putt, the sun shone on players from 33 teams for a full day of competitive sport and camaraderie at the tournament.

The top honors of the day were carried off by the team from The Riverside. Winning first place gross were teammates Tara Battle, Bill Diehl, Tim Studdert, and Jamie Sylvester. Second place gross went to Damien Cantrell, Ernie Farrand, Joe Brown, and Kersey Johnson of the Watco team.

Additional team wins were scored by:

First place net: Moran Shipping Agencies team - Adam Black, Robert LeClair, Daniel VanDuzer, Jesse Villareal

Second place net: Arc Marine team - Paul Ayala, Grant Leal, Chris Puig, Alfred Reyes

Third place net: Lloyd Engineering team - Brandon Bicknell, Craig Drachman, Patrick McKinney, Owen Parker

It was an action-packed day, with players vying for the top spot in the Closest to the Pin and Longest Drive contests. Winners were Tim Studdert, David Figueiras, and Shannon Odom for Closest to the Pin and Grant Leal for Longest Drive. Many players tried, but no one hit the ace for the Hole-in-One in 2023. New this year to the competition was a Chipping Contest. Numerous players tried their luck at sinking a long shot, and the first of several to succeed was former Port Bureau president, CAPT Bill Diehl!

In addition to breakfast, lunch, and dinner, hospitality tents dotted the course, offering beverages, snacks, and giveaways. The raffle, dinner and awards ceremony were hosted on the patio of the country club's restaurant, lending extra conviviality to the evening's celebration.

Thank you to our players and to the sponsors of the 15th Annual Captain's Cup Golf Tournament. In addition to our generous sponsors, we would also like to thank the Golf Committee for their hard work: Tim Studdert, Chair (Shamrock Marine), Jamie Sylvester, Co-Chair (Crowe, LLP), Royce Clutter (Suderman & Young Towing Co.), Blaire Hoffman (Haugen Consulting), Shannon Montes (Mobilease, Inc.), Gavin Osorno (AccuTRANS), Kyle Plaisance (McCarthy Building Companies), Crissy Rivera (Texas Capital Bank), Richard Rojas (Stellar Bank), Karl Schröder (Schröder Marine Services), Kate Skaggs (Mobilease, Inc.), Heather Ward (Kinder Morgan Terminals), and Frank Yonish (Fifth Third Bank).

The Captain's Cup sells out rapidly each year. If you or your company is interested in participating in the 2024 tournament, please send an email to golf-info@txgulf.org to receive updates.



2nd Gross-Watco



2nd Net-Arc Marine



1st Net-Moran Shipping Agencies



3rd Net-Lloyd Engineering



Team Wins

First place gross:

The Riverside - Tara Battle, Bill Diehl, Tim Studdert, and Jamie Sylvester

Second place gross:

Watco - Steve Arnold, Scott Marr, Bob Newell, and Dave Weston

First place net:

Moran Shipping Agencies - Adam Black, Robert LeClair, Daniel VanDuzer, Jesse Villareal

Second place net:

Arc Marine - Paul Ayala, Grant Leal, Chris Puig, Alfred Reyes

Third place net:

Lloyd Engineering - Brandon Bicknell, Craig Drachman, Patrick McKinney, Owen Parker



Industry Update:

EPA's Clean Water Act Hazardous Substance Worst Case Discharge Planning Regulations

The Environmental Protection Agency's ("EPA") proposed "Clean Water Act ("CWA") Hazardous Substance ("HS") Worst Case Discharge ("WCD") Planning Regulations" are under final review and are set to be published as a final rule no later than September 2024. As no final drafts have been published, this article will focus on what will be coming down the pipeline and provide adequate time for the regulated community to start preparing.

Background: (<https://www.epa.gov/hazardous-substance-spills-planning-regulations/proposed-rulemaking-clean-water-act-hazardous>)

On March 21, 2019, the Natural Resources Defense Council, Clean Water Action, and the Environmental Justice Health Alliance for Chemical Policy Reform filed suit in the United States District Court for the Southern District of New York, alleging violations of the CWA section 311(j)(5)(A)(i) and the Administrative Procedures Act ("APA"). The plaintiffs and the EPA entered into a consent decree on March 12, 2020, that resolved the suit's claims. (The decree can be read at <https://www.regulations.gov/docket/EPA-HQ-OGC-2019-0667>).

On March 10, 2022, EPA Administrator Michael Regan signed a proposed rule to require certain facilities to develop facility response plans ("FPR") for a WCD CWA HS, as well as for any threat of such a

discharge. A WCD is the largest foreseeable discharge in adverse weather conditions, including those from climate change. (The decree can be read at <https://www.ecfr.gov/current/title-40/chapter-I/subchapter-D/part-117/subpart-A/section-117.3>).

The FPR requirements would apply to facilities that could reasonably be expected to cause substantial harm to the environment based on their locations. These include industrial facilities with a maximum onsite capacity of a CWA HS that meets or exceeds threshold quantities, located within a 0.5-mile radius of navigable water or conveyance to navigable water, and meets one or more substantial harm criteria.

The proposed action considers the increased risks of WCD from climate change and the impacts on communities with environmental justice concerns.

The public comment period on the proposed rule was closed on July 26, 2022. Comments can be viewed at www.regulations.gov (Docket No.: EPA-HQ-OLEM-2021-0585).

The Federal Register Notice for the CWA HS WCD Planning Regulations Proposed Rule can be viewed at: <https://www.federalregister.gov/documents/2022/03/28/2022-05505/clean-water-act-hazardous-substance-worst-case-discharge-planning-regulations>

Proposed Applicability Determination:

PROPOSED APPLICABILITY CRITERIA: HAZARDOUS SUBSTANCES

Differences in applicability criteria with the Oil FRP program:

- Adequate secondary containment not a substantial harm criterion.
- Facility within 0.5 mile of WOTUS part of applicability (rather than just planning distance).
- Public receptors as a substantial harm criterion.



Image provided by: US EPA Office of Emergency Management September 2023 Update



- Facility information
- Owner/Operator information
- Hazard evaluation
- Reportable discharge history
- Contracts
- Notification lists
- Discharge information
- Personnel roles and responsibilities
- Response equipment information
- Evacuation plans
- Discharge detection systems
- Response actions
- Disposal plans
- Containment measures
- Training procedures
- Drills and exercises
- Self-inspection
- Consistent with National Contingency Plan (“NCP”) and Area Contingency Plans (“ACP”)

Key proposed provisions and applicability determination:

(Information taken from the U.S. EPA Office of Emergency Management’s September 2023 Update.)

Proposed CWA HS Reportable Quantity (“RQ”) Multiplier (subject to change once the rule is published):

- EPA designated 296 CWA HS under 40 CFR 116.
- The RQs were established from categories of quantities EPA deemed harmful based on acute aquatic toxicity, set in 40 CFR 117.3.
- A 10,000x multiplier of the RQ was set as the threshold amount.
- The provisions propose using onsite storage capacity rather than quantity on-site.

Proposed toxicity thresholds:

- Adult fathead minnow tests used to create the original RQ classification; they are available for all 296 CWA HS.
- The provisions propose 10% of the Lethal Concentration 50 (“LC50”) to extrapolate to lower concentrations than the lethal dose that is more relevant to discharges of hazardous substances to the environment.
- If a facility exceeds the maximum capacity onsite for a CWA HS, the owner/operator must determine proximity to navigable water. The onus for these calculations will be on the owner/operator.
- It is also proposed that any facility owner or operator whose nearest discharge opportunity is within 0.5 miles of navigable water or conveyance must complete a planning distance calculation.
- Consistent with the approach in 40 CFR 112 for oil (precedent).
 - Location of fish and wildlife and sensitive environments (“FWSE”) receptors.
- Whether a WCD of CWA HS would result in offsite receptors being exposed to a concentration meeting or exceeding the concentration on the list provided by the EPA.

Similar to an FRP under the EPA’s Oil Pollution Act of 1990 (“OPA90”) requirements under 40 CFR Part 112.20, under the proposed rule, this FRP would require the plan to include these components.

- Specific substantial harm criteria worksheet, including the following new nuances from the oil approach:
 - Public receptor: parks, recreational areas, docks, or other public spaces inhabited, occupied, or used by the public at any time where members of the public could be injured due to a WCD into navigable waters.
 - o Same planning distance parameters recommended for FWSE, but toxicity thresholds are set at 10% of the RQ concentration value for mammalian oral toxicity for each RQ category.
 - o The operator has had a discharge of a CWA HS above the RQ that reached water within the last five years.

Unlike the EPA’s oil FRP, the new rule proposes coordination with public water systems. Facility owners/operators would need to work with water facilities to determine whether a WCD would result in a concentration at a downstream public water intake that could result in any of the following:

- Violating any National Primary Drinking Water Standard or State Drinking Water Regulation;
- Compromising the ability of the drinking water treatment facility to produce water that complies with any National Primary Drinking Water Standard or State Drinking Water Regulation;
- Posing a risk of adverse health impacts in people exposed;
- Contaminating public water system infrastructure; or
- Impairing the water’s taste, odor, or other aesthetic characteristic.

The list above is not exhaustive, nor should it be considered final. However, it provides summaries of what the EPA has shared publicly. Operators with an EPA oil FRP should be able to augment their plan to address these new planning requirements, as much of what is being proposed is already captured in an oil FRP. For those previously exempt under the EPA’s oil FRP rule, this will be a new plan development.

For now, for operators who have CWA HS onsite, this rulemaking should be on your radar, and you should be prepared to act quickly once the final rule is published. How long will you be given to comply? This, too, has not yet been published.

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MarineSafe811 Provides Best Practices, Training for Safety and Underwater Line Damage Prevention



Photos courtesy of Texas811.

Founded in 1984, the non-profit Texas811 is the link between anyone intending to dig and their utility companies. Texas811 notifies utility companies that are registered with the organization of the planned excavation, and locators are sent to mark their underground and underwater utility lines. These markings represent the approximate location of the utility lines. Their mission is to facilitate damage prevention, promote public safety and protect the environment through stakeholder education and communication.

Because underwater excavations such as dredging and marine construction pose many of the same risks as landside operations, Ed Landgraf was hired as director of marine operations and safety, at Texas811 because of his expertise in marine pipeline safety. Landgraf is also the founder of Coastal and Marine Operators Pipeline Industry Initiative and serves as the chairman of its board of directors. (www.camogroup.org). In May of 2023, Landgraf presented marine safety measures for underwater pipelines and utilities at the Southeast Texas Excavation Safety Workshop, marking the beginning of the MarineSafe811 program and resource.

The average marine damage incident can cost an estimated one million dollars to repair, not including the expense of reputational damage or decreased ability to operate in the region, or the incalculable costs of human injury or loss. Unintended marine vessel interactions with underwater hydrocarbon pipelines, electrical, and telecom lines can have devastating impacts to many communities and cause safety implications to mariners, especially if a gas line ruptures from a vessel strike. Any force that contacts the water bottom could cause damage no different than on land. A "One Call" or 811 notification should be made prior to the activity, some of which include dredging, anchoring, pile driving, marine excavation or construction.

In December 2023, MarineSafe811 teamed up with Callan Marine for a dredge operations marine pipeline and utility safety tour. The attendees included representatives from the U.S. Coast Guard, Pipeline Hazardous Materials Safety Administration, Texas Railroad Commission, U.S. Army Corps of Engineers, Texas GLO, Houston Pilots, and industry for feedback and enhance knowledge on dredging, pipelines, regulations, 811 and utility safety. The meeting included a tour aboard Callan Marine's, *General MacArthur*, operating in the Houston Ship Channel.



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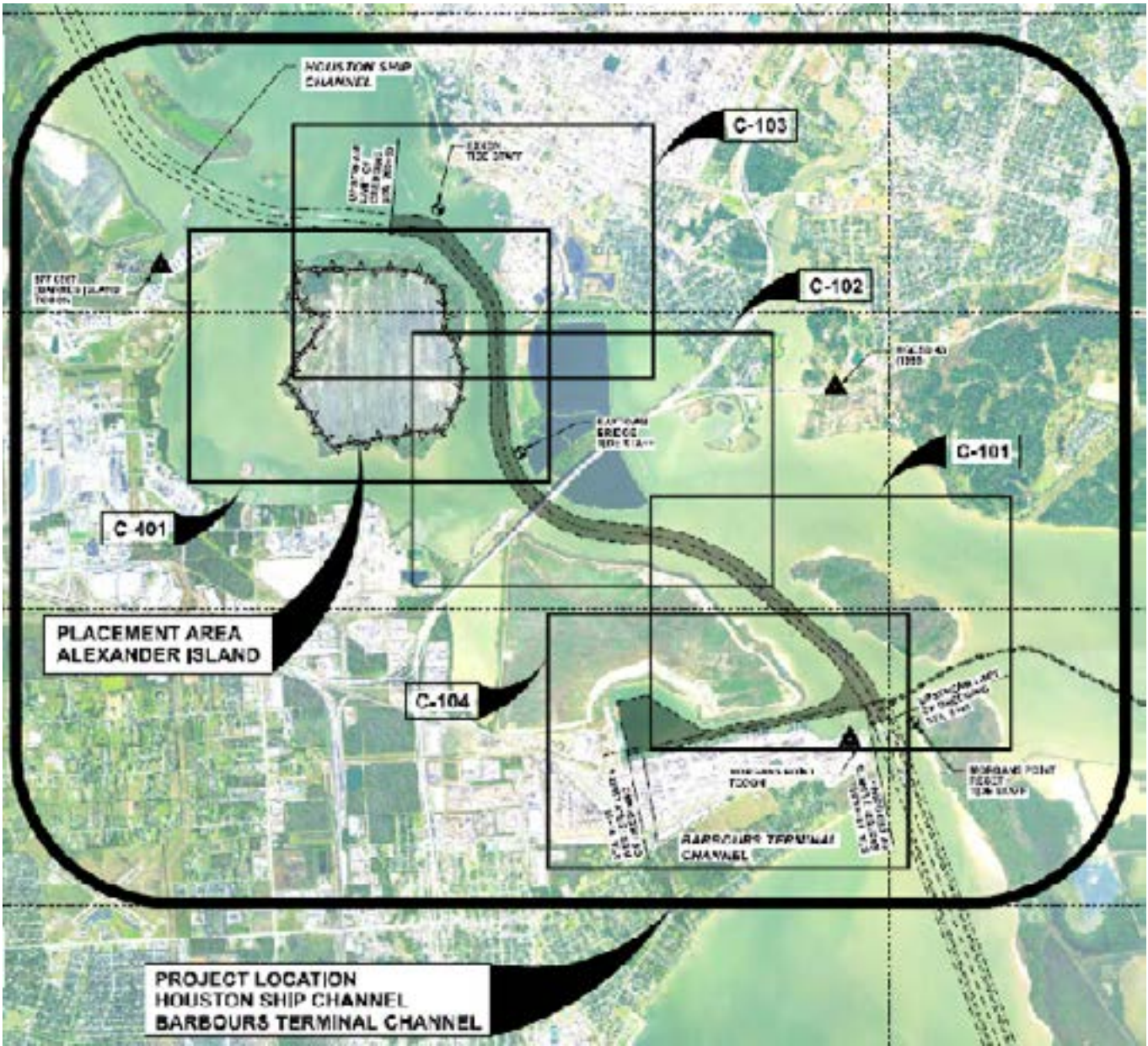


Photo: The route of the dredge and pipeline tour on board the Callan dredge vessel General MacArthur on the Houston Ship Channel.

The event included detailed discussions on dredge operations, utility and pipeline safety, 811, mitigations and challenges, revised best practices, National Transportation Safety Board recommendations, and the national pipeline task force.

MarineSafe811 plans to hold future discussions with the dredge and marine construction industries for their perspective on pipeline and utility damage prevention methods, current needs, and methods for working between the industries.

MarineSafe811's goals are to save lives, enhance 811 awareness, provide support for underwater pipeline and utility challenges, reduce safety, environmental, and system downtime risks to marine lines through education, support and awareness.

- The program provides:
- 811 direct marine SME support
 - Best practices for underwater line damage prevention
 - FREE online training for stakeholders

- Marine/underwater utility online resource library available with presentation and videos
- In-person or virtual marine risk evaluation
- Work to enhance 811 notifications from marine partners and include them in future 811 awareness/venues.

For more information, contact Ed Landgraf at ed@texas811.org



www.Texas811.org



Infrastructure and Port Investment: A Congressional Update



Vincent DiCosimo presented an update on the status of congressional work for infrastructure and port investment at the Port Bureau's October Commerce Club luncheon. DiCosimo is vice president of governmental affairs at Targa Resources.

DiCosimo named numerous federal issues pending that could potentially impact the port region business community in the year to come. Among the many topics, he included:

- Permitting Reform Bill – Accelerates energy permitting by setting maximum timelines for permitting reviews, including two years for NEPA reviews for major projects and one year for lower-impact projects. An estimated \$157 billion is blocked in permitting.
- EPA Non-Attainment Designation involving air quality standards. The EPA reclassified the eight-county Houston-Galveston-Brazoria area as serious to severe nonattainment in Oct. 2022.
- Carbon Capture, Utilization and Storage (“CCUS”) — The DOE's Office of Clean Energy Demonstrations, in collaboration with the Office of Fossil Energy and Carbon Management, intends to provide up to \$2.52 billion to fund two carbon capture programs. It can tackle emissions in hard-to-abate sectors, particularly in industries other than energy, such as cement, steel or chemicals.
- Fiscal Responsibility Act/Investment Act and Inflation Reduction Act — Many dollars are yet to be appropriated.
- Waters of the United States (“WOTUS”) – The U.S. Army Corps of Engineers and the Environmental Protection Agency released the pre-publication version of a final rule amending the agencies' definition of what WOTUS means under the Clean Water Act.
- Railway Safety Act
- USACE Regulations to Modernize Civil Works Program
- U.S. Coast Guard rules for implementing EPA Vessel Discharge Guidance

Looking at several issues from the state level, DiCosimo also noted:

- HB 5: Texas Jobs, Energy, Technology and Innovation Act - aims to help Texas stay competitive by creating new, high-paying jobs, encourage economic development, attracting attract large-scale business investment, and encourages energy and water infrastructure development.
- HB 19: Creates specialized courts with expertise to deal with business litigation. HB 19 became effective on September 1, 2023, but will apply only to actions commenced on or after September 1, 2024. Contains tiers of jurisdiction for the business courts created, based on the type of action, the amount in controversy, and whether a publicly traded company is involved.
- Grid Reliability: HB 1500 and SB 2627 – HB 1500 changed how companies that produce electricity can make money in the Texas market. SB 2627 allocated \$10 billion to provide low-interest

loans, with interest rates up to 3%, for new thermal energy projects with a capacity up to 10 GW. (Ed. Note: Texas voters approved the provision of SB 2627 as Proposition 7 on the ballot on Nov. 7, 2023.)

At home in the port region, DiCosimo stressed the importance of Port Houston's Project 11 – the widening and deepening of the Houston Ship Channel. He showed that according to a 2022 John Martin Associates study, the Houston Ship Channel sustains 3.37 million jobs nationwide and generates \$906 billion in annual economic value and \$62.8 billion in revenue to the U.S. He highlighted the progress of Project 11 to-date and the work projected for 2025.

He also discussed the Coastal Texas Program and the measures under consideration for flood mitigation. He emphasized that the Greater Houston Port Bureau fully supports the mission of protecting the communities, environment, and economy of the port of Houston from severe weather while considering the safe and efficient navigation of the Houston Ship Channel. He mentioned the ship simulation study involving the Houston Pilots and Galveston-Texas City Pilots sponsored by the Port Bureau of the current design of the proposed Bolivar Roads Gate System. More than 40 separate ship transit scenarios, which considered variables such as weather, vessel size, currents, and visibility, were performed. The study showed that maintaining two-way vessel traffic would be comprised and an estimated 2000 ships would be eliminated from Bolivar anchorage area, should the proposed gate design be implemented. This was shared with the U.S. Army Corps of Engineers in Galveston, Dallas, and at their headquarters in Washington, DC, for further discussions on a redesigned plan.

Wrapping up the discussion, DiCosimo highlighted the many variables for the upcoming 2024 election year and their potential impacts to the port region. He ended his informative presentation with quotes from Andrew Shepard and Carl Sandburg, concluding with Sandburg's “I see great days ahead, great days possible to men and women of will and vision.”

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November 2023 Commerce Club Luncheon Featuring Rodger Rees, Port Director & CEO, Galveston Wharves



Photo Courtesy of Galveston Wharves

Galveston Wharves: State of the Port



“Obviously, the Port of Galveston is my favorite topic,” said Rodger Reese, port director and CEO of Galveston Wharves, as he opened his state of the port style presentation at the November Commerce Club luncheon. “We’ve had a lot of good luck, and we have a great team.”

The Port of Galveston is the 46th largest port in the U.S., including the business that comes from the ship channel. It delivers \$73 million in taxes. It is

also the nation’s fourth largest cruise port, hosting more than one million passengers a year.

The Port of Galveston issued \$50 million in revenue bonds which yielded \$52.6 million to the port for a \$53 million renovation of their oldest cruise terminal. Done in partnership with Carnival Cruise Line, the top-to-bottom improvements were designed to expedite passenger embarkation and debarkation, meet federal requirements for U.S. Customs and Border Protection operations at the terminal, and prepare the terminal for larger ships like the *Carnival Jubilee*. (Ed. Note: The *Carnival Jubilee* sailed on her inaugural cruise from Galveston on Dec. 23, carrying 6,200 passengers.)

Losing \$58 million in revenue during the pandemic period, the cruise industry has “come back with a vengeance.” Rees noted that demand is high, with capacity filled at 100% aboard cruise ship vessels.

The Port of Galveston is under a MOU (or Memorandum of Understanding) with Mediterranean Shipping Company to build another terminal, which will add a fourth cruise terminal to the port. The Galveston Wharves Board of Trustees voted on Nov. 7 to approve a \$5.3 million engineering and architecture services contract for the facility. Pending approvals and other circumstances, the terminal could be in operation as soon as 2025.

The cruise business is expected to continue its growth in Galveston. Approximately 360 cruise ships were anticipated in 2023, with 380 in 2024, and 400 in 2025.

In cargo, the port moved more than 4 million tons in 2022. In the first quarter of 2023, cargo movements totaled 994,000 tons, up 16 percent over the same period for the previous year. Rees indicated all cargo

categories, including bulk grains, bulk liquids, bulk fertilizer, wind and general cargo, and more were growing, with an expectation that wind energy products will become an area of cargo growth in 2024.

Considering future cruise and cargo growth, Rees noted their master plan includes an interior roadway with a total estimated cost of \$30 million. The phased project includes widening and expanding existing roads and improving drainage. The port has completed three sections, with two more to be completed in the next few years.

“We recently received a grant from TxDOT for infrastructure,” said Rees. “It was the first time for us to receive funding for use inside our gates – in the secured area.” Funding is for a major cargo infrastructure project on the west end, restoration of a section of the port’s interior roadway, and an enclosed pedestrian walkway over Harborside Drive (State Highway 275).

The Port of Galveston has been Green Marine certified since 2021 and was the second port in Texas to become accredited with the environmental organization. Their process began with benchmarking their annual environmental performance in the area of waste reduction through Green Marine’s self-evaluation guides. The port earned its certification after an accredited external verifier confirmed their results. Green Marine is a voluntary environmental program for North America’s maritime industry.

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- **February 8:** Commerce Club featuring Captain Keith Donohue, Commander, Sector Houston-Galveston, USCG. (Sponsor or register!)
- **February 13:** # My Port is Better Than Yours, CAPT Eric Carrero, Port Bureau president, will be the guest speaker at the Houston Maritime Museum and Center.
- **February 23:** Port 101 seminar hosted by CAPT Eric Carrero. (Free but registration required)
- **March 19:** Women in Maritime Happy Hour at WGMA featuring Shipping Agents. Free to attend, but you must register.
- **April 2-4:** Port of the Future. CAPT Eric Carrero, Port Bureau president, will moderate panel: More Than a Port.

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