



SB2 – Connecting to the World: SRQ Airport & Port Manatee

September 25, 2014; 7:30 am- 9 am

IMG Academy Golf Club: 4350 El Conquistador Pkwy, Bradenton, FL 34210

Wes Roberts: Good morning and welcome to SRQ Magazine’s 2014 series on regional collaboration and dialogue between Sarasota and Manatee Counties, SB2: Connecting to the World: SRQ Airport & Port of Manatee. Our panelists represent both entities and possess an incredible amount of experience and expertise related to their fields. Today, they will provide us with a better understanding of benchmark projects.

We recognize our presenting series sponsor IMG Academy and our collaborative sponsor, Blalock Walters Attorneys at Law, for their support and vision in continuing the SB2 program, where we bring together leaders from both Manatee and Sarasota counties for lively discussion on important topics.

And on behalf of our Series Sponsor, IMG, We welcome Scott Dean, Associate Director of Athletics at IMG Academy. Scott has been at IMG Academy since 2010 and previously served as the IMG Academy Director of Soccer for more than two years. He has played and coached soccer all his life and before leading the program at IMG Academy he was the Head Coach at the University of Rhode Island and at Stony Brook University. He was extremely successful at both locations with both teams attaining national rankings and many of the players have gone on to pro careers both in the US and abroad.

Scott Dean: Thank you very much. Well, welcome. If this is your first time here, you’re part of our southeast campus at the country club, so welcome. If you’ve been here before, you may have noticed some changes on our west side of campus, which, if you’ve been back there, it’s been growing rapidly, so I’ll get into some of those details as we get going, but just briefly: I’ve been down here since 2010. Started as, when I graduated from college as a business owner. Got into collegiate coaching, and so since coming here ran a division of IMG Sport, I ran the soccer division, and now currently stepping into the role of overseeing RA Sport that we have on campus. To just give you a brief thumbnail sketch of IMG: currently, we’re made up of just under 1,000 student athletes, which is kind of the cornerstone of our business here. Of those athletes, we represent about 80 countries. So we have—the core of that international business is really coming from the Central and South American corridor, but as we start to expand, it’s now getting, becoming more and more global, and that’s thanks just to the outreach of our different sports. We currently have about 750 employees that we have on campus, and so we are growing rapidly. We’ve got 550 acres currently. We’ve had, just over the last, between last year, this year, and the next two years, we will go through a two hundred million dollar expansion, whether it’s just infrastructure or land acquisition. We’re growing at a pretty good clip right now. Where we kind of, maybe, try to re-differentiate ourselves is



our lower-core business happens to be our school. We really have four other entities that we kind of base our business around. So we have our school and we have our campus. Our campus business is quite large. We do that year-round. So we have a big international flavor that comes through, just depending on school cycle. So to give you a small example, in January, we had a really big influx of South American kids that come in to our campus because it's their summertime. Their school cycle is a little bit different. From there we have team training, where we have youth teams and pro teams. We'll have probably about 25 or 30 prep schools that will again be made up of international kids that will come down through in March and April in our lacrosse program. Tennis we have our Eddie Herr tournament that takes place over the Thanksgiving weekend. And then in soccer we do now a lot on the pro side, which kind of leads into events for us. So whether we have—host events here at the country club, or whether we host them at our new facilities, it's getting to be quite expansive. So, with the help of Mark Stuckey from SRQ, we went with another representative from the county through essentially Scandinavia to bring over international teams to come over and compete in February with the MLS teams that we have here. And through their help at the airport, we're trying to generate those international teams, actually touch down here in the Sarasota Bradenton area so that we can continue to promote this. And through that what we're also doing is leveraging media bodies to just promote our area into those international teams. To give you one small example, I don't know if there's any soccer games here but Malmö is the top team in Sweden, they play in the championship, which is the top league in the world, and they're playing against all the top players. They're one team that's been here for four straight years, they're coming back. And so with the help of the county and IMG we've leveraged a huge marketing opportunity that will go global for a very fixed cost, which is always helpful to continue to drive more people into campus. The last thing is, for those of you that may or may not have heard is IMG Corporate has been bought out. It's been bought out by WME. Now we're known as WMEIMG. Tough to say fast. And the reason that's important is we just built a brand new field house, we had 200 executives from both ING and WME, surprisingly from the ING side, probably 90% of them have not been in this area. Obviously very affluent, business leaders and agents from all over the globe, a lot of them based out of New York and LA. And the interesting thing, I was talking to a couple people before we started, is that now that they've been here their eyes have kind of been widened and they're kind of surprised that what a great area that we have and what the surrounding area is like. I think the majority of them were at the Ritz in Sarasota. They've kind of been awakened to this kind of little gem of an area that we have. And I think, now that we have collaborated with the owners and the owners have done the event here, is not only have we seen more, an influx of business from the sports end of it, but you'll start to see an influx of business from entertainment. So we've got some irons in the fire, and we're going to continue to try to evolve, and invite more people down here. It's been a privilege to be a part of this luncheon and what you're doing in the community. If we can be of any assistance please let us know we're happy to



be part of this community and hopefully we have an impact at some stage with everyone doing what they were doing today. Thanks for your time, and thanks for the opportunity.

(applause)

Wes Roberts: Thank you so much Scott, and today I actually got to eat my salad, which—that’s a unique occurrence at one of these, so it was a double bonus for me today. Thank you very much, again, without ING, we would not even be having this event that we’re sitting at right now, so, it means a lot. I’m also going to bring up another presenter as our opening presenter, which will be Mary. But before Mary comes up, I’m going to ask Jacob our senior editor to join me. And he’s going to give you all, our guests, some information about how you can be engaged in the conversation towards the end.

Jacob Ogles: And again, thank you all for coming to our event today. Thank you Wes, I’m Jacob Ogles, I’m senior editor for SRQ magazine and SRQ daily and all of our SRQ media group. I invite y’all to look at the table in front of you—there are cards that have the word “question card” on top of them and they have blank statements. Everybody, while you’re hearing the panel discussion, feel free to jot some questions down, we’re going to send some people around here at the end to gather questions and select ones I’m going to ask to our audience before we get up to leave. And even if there’s some overrun we’ll try to get them to our people after they leave to include in our transcript later. Anyway, I’m going to hand the mic back to Wes now, and thank you guys very much for coming to SB2 today.

Wes Roberts: Super. Thank you Jacob. Please, do fill out those question cards with your ideas as we go along. Grab one and put your questions on it. Our presenting sponsor is Mary Levine from Blalock Walters. Mary has, again, credentials that run down my page, I have a sheet here. Suffice it to say, she is a local attorney, par excellence, she has been the past president of the Manatee County Bar Association, the vice president of the Florida Association of Women Lawyers, she is the current president of the Port Manatee Propeller Club, which of course is very pertinent to today’s discussion. In addition she was the chair of the southeast regional annual conference of the Propeller Club for the United States. So she is quite a history with the port, and also is a major player on community. If you could come up and tell us a little bit about the Propeller Club—you’re supposed to talk about Blalock Walters but we’d like to hear about both.

Mary Levine: Thank you Wes. It’s really a pleasure to be here, and we really appreciate the opportunity to be here at ING, and we certainly acknowledge IMG’s wonderful impact on our community. On behalf of Blalock Walters we are excited to be sponsors of this wonderful series presented by SRQ Magazine, showcasing our great economic resources in Port Manatee and the Sarasota Bradenton Airport. Over the past ninety years since its founding, Blalock Walters has grown as our community has grown. As Manatee



County's largest law firm and one of its oldest law firms, in the past decade, we too have expanded, and have opened offices in Bradenton, Sarasota, and Saint Pete to better serve our clients. Out of our 80 attorneys, over 23 are Martindale Hubbard rated by their peers in the legal community for their knowledge, skill, and competency. Ten of our lawyers are board-certified in their fields of practice. Our firm offers 11 practice areas, which serves the needs of individuals, businesses, and clients in our community. These areas include banking, business, business litigation and deals, estate and business succession planning, healthcare and corporate, land use, real estate, tax, local government, labor and employment, and immigration. And IMG's influx of people into our communities has certainly been good for our immigration practice. Our firm has been very privileged to represent some of the regions oldest and largest businesses, as well as many new businesses and individuals who have relocated to our area. We have a long history of community service, with our lawyers having served as president and chair of the Manatee chamber of commerce, the Manatee Bar Association, the Economic Development Association, on numerous not-for-profit boards on behalf of our lovely universities. Bob Blalock, Mark Barnaby, Will Robinson and myself are very active on behalf of the chamber, the local bar, and the EDC, among a number of other organizations. For a little bit of historical perspective, because you're going to hear what is current at the airport and at Port Manatee, Bob Blalock told me he served as chair of the Manatee Chamber of Commerce Aviation Committee which was involved in planning the current Sarasota Airport. However it was originally designated as the Bradenton-Sarasota Airport. The airport was formerly a military training site, and somewhere along the way, the Bradenton part got dropped off. Mr. Blalock was also instrumental in facilitating the arrangements with Delta Airlines, and establishing their service connections with the airport. To thank him for his services, Delta named Bob a "Flying Colonel" for his services and gave him a card designating him in this capacity. However he tells me he's still not getting seat upgrades when he flies. Over the past several years I've had the pleasure of serving as the president of the Port Manatee Propeller Club. The Port Manatee Propeller Club is part of the International Propeller Club of the United States, and it is now in its 88th year, and has clubs throughout the United States, and throughout thirty different countries abroad. The focus of the Propeller Club is on business networking and to focus on maritime industry in global trade and commerce. Locally, we are here to support Port Manatee. Through this wonderful organization I've had the opportunity to get to know Dave Sanford, Carlos Buqueras, and many of the port staff, and the business people involved around and in the operations at Port Manatee. And I can tell you for a fact that we are all incredibly fortunate to have Dave Sanford here in Port Manatee to help with the explosive growth that is going on there. He brings to us a combined forty years of experience with the American association of port authorities, where he served as director, navigation policy and legislation; and he was with the army corps of engineers, serving at the district division and headquarters level. His exceptional background and skills are proving to be invaluable to the port's vision, development, and operations. One final historical anecdote, again courtesy of Mr. Blalock, is that the



Manatee County commission started Port Manatee at what was the old ferry site connecting Manatee County to Saint Pete. In 1965, the County Commission purchased 375 acres of farmland at the court. They then used Manatee County's share of the old racetrack and dog track profits that they got from the State of Florida as security to pledge for the bonds that were requested for the start of port operations. On August 29, 1965, the first ship, the M/V Fermland arrived at Port Manatee and there have been ongoing changes there ever since. At Blalock Walters we always strive to make a difference for our clients, for our community, and we are very proud to be a part of SRQ magazine today. Thank you all and I hope you have a wonderful time and enjoy the program. Thank you, Wes.

(applause)

Wes Roberts: Thank you very much. Okay, well we're going to jump right into it. Hopefully you guys will be able to chew occasionally, in between answers, we'll see how it works. What I will do is I will put the onus on these two men to tell us a little bit about their history, their background, and the roles that they have with their respective organizations. We want a couple of high brush strokes, to know who you are; but then perhaps more importantly, I always ask our panelists to tell us something about themselves. Something that's an experience they had, something that's a little personal. And I had a thought that I hope is a question that fits with your experience. Both of you are in charge of enormous organizations, enormous institutions that move tremendous amounts of people, a lot of people—has there ever been an epiphany moment, could be recent could be long ago when it sort of washed over you how many people were affected, were impacted by the decisions you were making in what you were doing. And it could be with army corps of engineers too. If there's a statute of limitations tell us about it otherwise. So tell us a little bit about yourself, little bit about your background just a few sentences, and then answer that question was there an epiphany moment you can tell us about.

Dave Sanford: Well, Mary thank you very much. You took care of the background part. As Mary mentioned my checkered past is laid out for you here. I've got to tell you that working at Port Manatee as essentially the Chief Operating Officer is absolutely the best job I have ever had in my life, and I've had some good ones. We try hard out there to be an economic driver and job creator for the county. That's our primary mission. It's really that simple. My epiphany moment was in North Dakota standing just down the stream of a dam that was filling up and the engineers telling me that we needed to evacuate the town. And I wondered at that point if the water business... You can fill in the rest. I've had a very exciting career, I've been involved in navigation of water resources literally my entire life, growing up on the banks of the Ohio river watching the flow so, you know it's in the blood.



Rick Piccolo: Again, first of all, my bio is in there, that little pamphlet. I will say that I've been in the business now 44 years, I started when I was 8, so it's been a long career. I don't know, an epiphany moment might be, as far as the effects on the community, I'd look at two things, one is the fact that my decisions began about the employees. If I make a decision, it not just has an effect on the employees, but the families, so I take that very seriously. And the second part is that the airport has a community. It was a few years ago the FDOT did an economic impact study. It showed the airport had about a million dollars a year impact on the community, and over 11000 jobs are derived from activities at the airport. And that's a huge impact on the community, a huge responsibility and again, making the right kind of decisions so you can have a positive impact, because if you make the wrong decision you can have such negative impact. So those were the epiphany issues I might have had: just realizing that the position I'm in the decisions I'm making was having a very good impact but also could also have a very bad impact.

Wes Roberts: And sort of a foundation question was the one I posed to both of you before we started. The brief version, the layman's understanding, of what it means when we say "the airport"—to the outsider, the airport is where you go when you want to fly somewhere, and you kind of assume it's like a fast food restaurant you go in you get what you need you move on. The infrastructure, how it engages with federal, local, and state landowners, its got to be incredibly complicated.

Rick Piccolo: It has a lot of layers to it, a lot of regulatory oversight, just to give people an overview of what airport authority is. The airport authority is an independent special district created by the state legislature—it's kind of a quasi-governmental organization. We have a six member board: three from Sarasota County three from Manatee County. Sarasota and Bradenton are still in the name. they are appointed by the governor, they serve four year terms, maximum two four year terms. So that's how we're governed. We have no taxing power, which is my favorite part of any speech I do. We have no taxing power; we have no effect on your local tax bill. The only time you pay taxes at the airport are when you pay sales tax when you buy stuff. You pay ticket tax on an airline ticket, and airlines, aviation pay, aviation fuel tax. Those go into a trust fund. So we only tax because if we applied for a grant, trust funds are for capital construction only. So everything we do out here is self-sufficient. And the best way to describe the airport in addition to the way it's governed is it's kind of a mini city, because we have our own police department, our own fire department, our own public works department, and all the administrative positions that go on at any government agency. So if you look at the airport we have all the same regulatory requirements for our fire departments and police departments as the city of Bradenton, Manatee County, or anywhere else. So you have all those levels of government oversight in addition to the aviation regulations involve and that's a real brick wall in your way.



Wes Roberts: And before we hand it off, I guess the second half of that question, in terms of services provided, as a somewhat informed community member, I'm aware of private aircraft, like private jets, private aviation where people are flying their own planes, which I guess is sort of the same thing.

Rick Piccolo: We have a myriad of services. It's kind of like the mall. The infrastructure, the facilities, the security, and the maintenance, and then you have all these stores...

Wes Roberts: What are those kind of categories?

Rick Piccolo: So there's commercial aviation, there's general aviation; there's also at the airport the services those and other ancillary businesses that are anywhere from the Hampton inns on our property—new college is on our property. Bozeman's Antiques, Rick's Golf, Honeywell. All those are on our property and paying money to us which helps us support, keep our rates low and that's why we're a business operation combined with a government organization with police and safety and public safety responsibilities at the same time.

Dave Sanford: What's interesting is how similar we are. Primarily we differ in government structure but not terribly. We are a dependent special district of the county that was created by the state legislature as opposed to the airport being an independent. A little different flexibility there. We are essentially governed by the county commissioners. They govern us in the form of a court forwarded order and they elect a different chair. Right now Carole Whitmore chairs the court guardian, but it's the same seven members as the county commission. We see ourselves, as I mentioned earlier, as an economic driver and job creator in the county. The port is a world city if you will, and we have our own security department. We just recently transitioned to North River Fire. In the past we have had our own fire brigade too. So we're very self-contained as well. Port Manatee is a land-moored port, where we provide the infrastructure and we lease that infrastructure, whether it be on the waterside the docks or the land side the warehouses and land assets. So in that regard we do have a lot of similarities we both we're a world business and we certainly are but I think that Manatee and Sarasota Counties in particular have a tremendous asset in that they're a world class airport and a seaport. So we're really looking forward to our future opportunities here.

Wes Roberts: I think the exciting discussion is always what is coming what is next opportunity what can we see. I know it was in the news recently that you all have two locomotives—I didn't know you had any locomotives!—you have a railroad! I didn't know that! You didn't mention it, I just didn't think that port is also partially responsible for managing a railroad.



Dave Sanford: No, we own and operate the Port Manatee railroad. We have seven miles of track on the port. We just recently purchased two very green hybrid locomotives. We've been able to cut pollution by 90%, we've been able to cut fuel utilization by 50%, so we're looking forward in that regard as well. Plus we have a very very seriously managed environmental storage program for the port as well. Both on the land and on the waterside. We've got 1100 acres up in the north county where we're kind of out of sight, out of mind. We're developing the property on the port we've been working with developers around the port to help them market their property for port uses because again we think that that creates higher salary levels and creates more economic activity throughout the county.

Wes Roberts: Are they sort of a short throw transport, you're taking things a relatively short distance—you don't load things up and go to Nebraska, do you?

Dave Sanford: No, they're basically switching the locomotives, we're on the CSX main line. CSX locomotives push cars to the port, our locomotives push them onto the port and then switch them to the tenants facilities that are on our track.

Wes Roberts: And then what percentage—is there any passenger transport coming out of the port—cruise ships transport ships?

Dave Sanford: No no surprisingly, Port Manatee has had cruise services in the past. We're concentrating on some other areas right now. My boss Carlos Buqueras is pursuing opportunities now for both cruise and ferry service.

Wes Roberts: I hear there's a lot of demand in January from South America to ship up an athlete's only cruise ship?

Dave Sanford: You never know. In fact Carlos was recently in Brazil, Cuba and Chile. Next week actually. So we're constantly out there trying to generate economic activity, new business for the port. We've got two major new tenants just in the last few months. And I know this doesn't sound very sexy, but Port Manatee scrap metal. For us it's huge. It is a gem for a seaport to get that kind of business because 54% of our revenue is earned on the waterside—docking mortgage, harbormaster fees, et cetera. So that's a big deal for us. The second new business you may have read about it recently we now have a container service that's running between Veracruz, Mexico and Port Manatee. We're the closest US port to Veracruz, it makes sense. We think they'll grow that business as well.

Wes Roberts: What are we able to see from out an outsider's perspective, lets assume fantastic success over the next few years. How are people who aren't directly engaged with the port receive that or is it over structural enough that it's a little removed?



Dave Sanford: Well I mean locationally to a point we are removed. But we think that people will see it in terms of the economic activity that's generated, the jobs. For example Air Products recently had a huge developments across US 41. And they've located here specifically because they can move these huge heat exchangers directly next to the dock. They discovered they couldn't do that anyplace else in the country. Their ultimate workforce will ramp up quickly to 250 jobs, very high paying jobs that resulted in new curriculums at MTI, more specialty welders., So these new business opportunities really have an escalator effect for the economy throughout the county and the region.

Wes Roberts: And also we've seen some exciting news, the grant that coming through for the new tower? What is that news, but more to the interest of our audience, how do people experience that, how does that have an effect?

Rick Piccolo: Well from the Sarasota perspective, the newest developments will be the new surface that starts in February. We're starting to see incremental additions to the service at the airport. For the international standpoint, we're working with Iron G, CMND, we think the growth of sports tourism brings great opportunities for the sports charter operations. We just went through a two and a half million-dollar expansion we just doubled the size of our customs operation. We actually have a federal arrival facility, it'll handle 300 passengers, a wide body jet, a 727 a 767 the type that would arrive from Europe. From the standpoint of construction and projects, in addition to the construction going on, the final phase of the terminal project is going on, and it's actually been about a five year program, just everything behind the scenes from ceilings and escalators. Most of the things that you see in public, the first level, have been finished; the second level is going on now. That's about a 20 million dollar project. And as you said, the tower is due to go out on the street this spring that's a 20-25 million dollar construction project, so it creates a lot of short-term construction jobs. The tower will actually move from its location, which is near Tallevast Road, it'll move to the other side across US 41 where USF is. In addition the existing tower is about 85 feet before, the new tower will be about 145 feet. It's a single stack, much more modern. Just from a public relations standpoint, it's going to give us a more modern look. That'll be nice for the airport to look in that more modern scheme. But more importantly, the infield area in the airport right now sits between the old tower and the runway. So if we want to build anything in there, and that's about 50 acres, we can't, because it blocks the view from the tower to the runway. What this will allow us to do is go forward in the future with future development on the airport going back to that business model where we're self sufficient have to generate our own revenues it's rare real estate to have real estate adjacent to our runway. So that gives us possibilities for the future to develop that area in the future. We also have a 5 million dollar rollaway project that will start this spring as well. Next year we have the potential to have anywhere between 35 and 40 million dollars worth of work going on. I don't think that people realize that on average the airport spends about 10 million dollars on capital construction a year, and has for the last 18 years I've been there. So that's 180



million dollars of construction. In addition we just retired our debt. That's 150 million dollars in debt payments, and we did it, and I like to keep stressing this, without taking any tax money. We did it without reaching into your pocket, and at the same time had a billion dollars a year, a billion, positive economic impact on the community at no cost to the community. So even before, even though we're a little airport, I think we have a very good story to tell.

Wes Roberts: What is the maximum capability in terms of runways?

Rick Piccolo: Well, we lengthened the runway in 1999 after many legal battles and lengthened it from 7500 feet to 9000 feet. The main reason we did that was not because of international travel, it was because of domestic travel. The runway was too hot on summer days for many aircraft to take off fully loaded. So we we're at a competitive disadvantage at that time because a 727 has a 150 but could only fill 130 because of the weight restrictions. So if you're an airline, and you know you can leave a different airport fully loaded if there's enough passengers there, and even if there's enough passengers here I can't leave fully loaded—it put us at a very competitive disadvantage. So that was the key to that. So we have more than enough runway capacity, terminal capacity is at 50% of passengers so we could double our traffic and still not incur debt to build the terminals. So we're positioned very well from a financial standpoint we're positioned very well from a physical standpoint, and I think the third leg of that is the position of the community is coming along very well now. With the growth we've seen of sports tourism—Lakewood Ranch, IMG, the new mall, it seems like we're on the precipice of something much bigger.

Wes Roberts: And what are the limitations? What could we never do with the airport in its current location?

Rick Piccolo: It's constrained, obviously. It's a plus and a minus. We're located in the city, so it's small in terms of acreage, we're only about a hundred acres. Expansion capability and trying to lengthen the runway would be more expensive and cause more legal fees than I care to imagine. I think sometime in the future we can see expansion of the terminal, moving to 4 or 5 million passengers from the 1 or 2 we have. You're never going to see us expand beyond that for a few reasons: one, I don't think the community would want it and there's no way to move the airport. There was a referendum back in the 80s about moving a piece of I75, that was defeated and that is now Lakewood ranch. So I don't see that happening. But 4 million passengers, that's three times what we have now, and that would be wildly successful, and I don't see that happening except over the next 20 to 30 years, which is a very reasonable timeline.

Wes Roberts: And Dave, what about the port? Where does our ports capacity put us in comparison to other ports?



Dave Sanford: Depending on the year, and the tonnage—of Florida’s fifteen seaports, we typically rank around fourth. When, really, when you think of the other great ports in Florida: Miami, Everglades, Cape Canaveral, Port Tampa Bay, et cetera, is a pretty cool accomplishment for a small port like Port Manatee. And, interestingly, we occupy the same number of acres, we’ve got 1100 acres behind the fence back there, and again, no tax money involved, we like to see ourselves positioned very well, in terms of Florida seaports and nationally as well. We just received a customer service award, one of only four golf courses to receive that award, that we’re very proud of. We are transitioning from a capital improvement mode at the port to one of maintenance. We have been adding facilities, cold storage facilities; we have more cold storage facilities than any other place in Florida. But in order to have those kind of capital projects, frankly, you have to defer maintenance. We’re concentrating very heavily now on the rehabilitation of our berths, our docks and bulkheads, and on our facilities in general. But again, that creates jobs locally as well. We were looking at a 60 million dollar berth rehab project that was going to be partially funded by the state and partially funded by the port.

Wes Roberts: Is the depth of the berths, is that a big issue? Is that something you standardize? In maybe the size of the ships you can take?

Dave Sanford: That’s a big deal for a port (laughs). We have 40 feet of water, with tide 42, 43 feet. The Army Corps of Engineers has just undertaken a build study that would take us to 45 feet. That would match the depth of the ship channel coming up to the bridge. That’s huge for us. That would make us the deep-water port on the Tampa Bay, and allow us to accommodate any vessel that could make it through the new and improved Panama Canal. But under any circumstances we’re going to benefit from the canal expansion. There’s going to be a lot of trans shipment.

Wes Roberts: What’s the Panama timeline?

Dave Sanford: End of next year. So they say. But at any rate, there will be a large amount of trans shipment, the large ships will come out of the canal, they’ll go to a trans shipment point, the goods will be offloaded to smaller vessels, and they’ll be dispersed.

Wes Roberts: So then it comes to competition. Does competition mean offering vendors great offers if they’re exclusive with you, what are your negotiation points? How can you make them come to our venue?

Dave Sanford: We do it with service. I say that unabashedly. The port business is extremely competitive. With our friends in Tampa Bay. Of course we compete. But we don’t compete on price. If you look at our tariffs, they’re relatively the same. We would tell a new tenant or customer that we will out service any other port you could go to, and



I think our tenants would tell them we do. I think it's the hallmark of our operation, and we will continue to do so. It is an extremely competitive business.

Wes Roberts: Same question. Competition. Over the years, you and I have often talked about airlines that were hoping to get in. Is the leverage point simply an amount of dollars that it costs them to fly in and out? What else is there?

Rick Piccolo: Actually, we're competing—when you talk about competition for SRQ, SRQ is competing with every other airport in the world. And the reason for that is the number of aircraft, there's a limited number of aircraft, especially with consolidation and price of fuel. SO when an airline is making a judgment about where to put that next aircraft that comes off the line, they're not confined to a limited number of ports. Remember that we have all three US network carriers, Delta, American, and United. And they look at where to put that aircraft throughout the world. So we have to compete with the world for that aircraft. And it's not just that "Oh, you can make money in Sarasota and Bradenton" it's "What's the profit margin on this route versus every other route that exists out there." Now do we compete with airports in the local communities as well? Yes. We compete based on a convenience factor that you can't get at some of the other airports. At the same time, people get the misconception that pricing is determined at the airport, it's not. And I know that when we do look at our prices, we do compete with other airlines from a pricing standpoint as well. Our square footage rate is less than half of Tampa's. Our landing fee is about three cents per thousand less than Tampa, it's half of what Ft. Myers is. Our rental rate is a third—no, two thirds of what Ft. Myers is. So from a price standpoint, SRQ is far, far lower. The difference is, airlines don't make their decision based on price of the airport. It's totally irrelevant. It's based on, what's the market configuration, what's the yield out of that market, and what they can expect out of it. It's a much different landscape than what Dave deals in, and it's much more global in its thought process.

Wes Roberts: What's our history with international flights?

Rick Piccolo: We do about 30,000 non-stop Canadian passengers a year. And I know a lot of people think of that as the 51st state, but it actually is a sovereign country. So we do about 30,000 Canadians. But about 12% of our customers, about 140,000 customers a year are international destinations; they just use a gateway before SRQ. But they originate from or are travelling to a foreign country. So 12% of our customers being international is a real good percentage, it's a high percentage, and international passengers are a higher yielding percentage for the airport.

Wes Roberts: Is it a goal to have direct international flights?



Rick Piccolo: It is a goal to have non-stop service to those higher yield markets, Europe, the UK, the Netherlands, and Germany. We think a goal for that for a couple charter flights during season, or a year-round service, that could be realistic, that is what we should shoot for. I doubt we'll have daily round trips to Frankfurt, London, Amsterdam, and Rome. There just isn't the support for that.

Wes Roberts: When we put out the info that we were doing this discussion, normally people never pepper me with questions to ask. It just doesn't happen. And this time it did, and it all had to do with Ebola. I think it was on people's minds at the moment. But it did bring up a question in terms of safety and the safety process, and there are two sides to that. One is what is the airports role in maintaining safety, and this one is more a personal opinion thing, but the customer experience is not what it used to be, flying generally. Having recently flown Rom to Frankfurt, Frankfurt to Chicago, the Frankfurt transfer, horrible. The Chicago transfer, horrible. Hours and hours and hours of standing line after line with no appreciable security evaluation of what—was very weird. So I wanted to know, who takes a role, who keeps us safe.

Rick Sanford: We take safety and security very seriously. Like I said, our police and fire department have to meet the same standards as any municipal department in Florida. And in fact our fire department has to meet more, because they have to meet FAA criteria. That said we usually have agreements with agencies on the subject, we've already run drills with our tenants about what would happen if anyone exhibits any signals of having the disease. Now remember, the disease takes 5-21 days to manifest itself, so a person can have it and not show any symptoms. But if someone comes in on a flight and they're throwing up, and such, we already have a plan in place to isolate that passenger, we have an isolation room, we did a tabletop exercise with our tenants, and we've worked with the health department and the Sarasota County Fire department so that we have a plan in place so that we can do that. From a more global perspective of Ebola, the federal government recently said, only 5 gateway cities, I can't remember them all but Chicago, Atlanta, New York, will anyone coming from Ghana Liberia or Sierra Leone be rerouted to those cities where they will be tested to see if they are exhibiting any symptoms. My understanding is, in the last year there was only 100 passengers from those countries, so to some degree a lot of it has been overhyped. But it doesn't minimize the danger. The other thing is, there are no non-stop flights from those three countries to anywhere in the US. A great deal of that traffic goes through Europe, especially Brussels. Now, I was in Africa last week, so, for those that shook my hand, (laughter) the funny thing was, I was in South Africa, which is actually further from the Ebola-affected countries than London. And going into Africa, we went through Johannesburg, when you went through the customs and immigration line, they took an infrared picture of you to see if you were exhibiting any heat signatures. And when I went back to New York, it was, "Welcome back." So they haven't put in place the kind of protocols they already have in so-called



developing countries. So I think to a great degree it's overhyped. To your specific question of how are WE handling it, we take all these things very seriously.

Wes Roberts: All the policies you've put in place—did your team have to manifest those policies? Or did things come from a federal level?

Rick Piccolo: It was a combination of the two. Putting in place what was specifically at our airport, that was our team. But we have been on conference calls with the CDC, on conference calls with the Florida Department of Transportation, the governor's office, have all helped coordinate how we can have a unified response and work these things out. And as I said, we did an exercise last week, and our chances of having an Ebola patient—

Wes Roberts: And I ask in context, I'm certainly not encouraging worry. At the moment, more people are in the category of "killed by electric toothbrushes". Often we panic when it's not time to panic. There are times when it's time to panic—a hurricane takes your roof off—time to panic. But prior to that, maybe not. So then, the other half of that, and again, I may be asking similar questions, the um, how are you feeling, (laughter) Patient zero, alright. So the other question is, the customer experience, it...is... I guess I'm trying to ask the question without being opinionated about it, is the customer experience going to get any better, is the security working, does the tradeoff make any sort of sense, and I'm not just saying this in terms of our airport here, our airport here is not necessarily like coming home to a hug. You fly to Chicago and it's bizarre.

Rick Piccolo: I think the customer experience is going to get better, for a couple reasons. For those of our more frequent travelers—if you haven't done the Global Entry, if you haven't gone international, I highly recommend it. If you haven't done TSA pre-check I highly recommend it. They make the experience much easier, much quicker. When I entered the US from overseas, being the Global Entry participant, I take my passport, put it in a reader, I literally cleared immigration in thirty seconds. I'll get there before my bags do. That wasn't always the case. Customs and Border Protection and TSA are working on these risk-based protocols so that people that are not a risk are not using up all the assets and time that we have. So I think they're doing a better job, and I think that part of the experience is going to get better. I cannot say anything for the airline part of the experience. That depends on the airline, that depends on the route. Things are going to continue to be crowded, and it's a two-edged sword, because you're making money, you're making lots of money, which is a good thing, because that means they're stable, they can offer those services. But it can be a bad thing, because the experience isn't as nice as it used to be, it's not as nice in the airport as it used to be, it's not as nice in the airline as it used to be. We like to think at SRQ that we offer a product, that makes that one step of the experience that much better. I like to tell people we're kind of a boutique airport. We're the Whole Foods, and Tampa's Publix. It doesn't make Tampa a bad product, it depends on what you're looking for. We give you a product that's really nice. You don't



need a degree in aviation history to remember where your car was. It's right out front. Those are the types of things we try to emphasize with the public, we try to add more amenities as we go on. We're actually going through a very expensive upgrade of our Wi-Fi system that'll be done in another month to give ourselves much more bandwidth, because we were starting to lose—people were starting to complain they were dropping off our Wi-Fi, even though it's free, complaining that, well, free is no good if you can't use it. And we've added a tremendous amount of capacity to that next month because we think it's important to have a very good experience at the airport. It's our one competitive edge over the Tampa and the Fort Meyers, it's the experience.

Wes Roberts: Let me ask Dave something similar. So how are your Ebola imports doing, are they up? What is your responsibility as an institution to make sure the things that come in are safe, or legal? What comes in a container? How do you evaluate? Are they opened and looked inside?

Dave Sanford: Well, like the airport, we take security and safety just as seriously. We're governed primarily by the coast guard in those type of matters. The coast guard has put a protocol in place, every ship that comes in, they will look at the ship's itinerary, and the last five ship calls, the last five places that ship has been. There was a considerable concern, because a lot of ships were flagged out of west Africa. And that doesn't mean they've ever been there, but they're flagged there, it's in the back of the ship. There obviously is some connection, some concern. We have put programs and protocols in place. There's a customs and border station right next to our port authority building. They're very active, they work with every single tenant. Certain boxes they scan. We're buttoned up pretty tight when it comes to security and we're very much aware of the Ebola situation. Again, we're not typically taking cargos from that part of the world. Our business is primarily north-south, dealing with Mexico, Latin America, South America, and the Caribbean. So, maybe that electric toothbrush will get to you first?

Wes Roberts: Yeah, according to movies I've seen, about half of those shipping containers have killer robots or fully geared terrorists on the back of a motorized vehicle.

Dave Sanford: We have a high tariff on terrorists.

Wes Roberts: Well, that's good, as long as we make a lot of money off of them. Well, I did want to turn it over to the audience for questions. Write them down now, because after my next round I'm going to as Jacob to come up and ask your questions. And I sort of wanted to continue on the path of things that unexpected or interesting that happen with the facilities. One of the things is the relatively large number of times, over the past ten or fifteen years, that air force one has landed at our airport. What is that like, what happens then? Answer enough so that secret service doesn't come in,. Or other things that kind of go on that people would never imagine or expect.



Rick Piccolo: When you get a presidential visit, it actually starts about a week before the president comes. There's a lot of advance teamwork that's done. It's a tremendous logistical nightmare. A lot of equipment is coming in, cars, helicopters, military transport coming in. Secret service advanced teams, all these protocols you have to set up of where people go. We'll tape out on where the plane is supposed to go, there's an air force person that directs the plane. There's a lot of prep, and it's actually an inconvenience for the airport. Not that we mind having the president there, but there's a lot more there than people see. I'd say that the people don't realize goes back to the security question of what goes on behind the scenes, safety and security that people don't see. When people get a tour of the facility they don't realize the amount of work that goes into safety and security. We spent, probably over 11 million dollars since 9/11 on security and equipment. We have a 24 hour, 7 day a week, 365 days a year communication center. We have over 90 cameras at the airport, looking at every gate, every doorway, the parking lot, the airfield, the terminal. We have a virtual fence around our parking lot so that if you walk into the parking lot from the perimeter, not from the terminal like you should be, it will alarm that communication center, that camera will follow that person and we will dispatch a police officer. There's a lot of infrastructure that goes into that. The luggage screening, for those that remember, right after 9/11, we did those right out in the lobby. They're gone. And your experience is the same as it used to be, you just hand it to the agent. That doesn't mean the stuff isn't being screened, but all that was moved behind the wall and mechanized with quadruple the capacity to handle bags. But that was a very expensive thing to do. That's the quirky thing that people don't understand is just how much an investment is being put into their safety and security. We're about to receive a new fire truck in a couple of weeks. That fire truck was 600,000 dollars, and that's one of our smaller ones. A fire truck at the airport runs about a million dollars to buy. Our fire trucks have the ability to penetrate the skin of an aircraft and put an agent in the aircraft. The driver is in a video room. He's in a cab, in a three thousand dollar suit that keeps him safe, and just pushes the toggle switch and dispenses the agent. That technology is very expensive, and the airport is constantly making these types of investments.

Wes Roberts: Okay, what about in your case? Things we would not have expected?

Dave Sanford: Well, I got to tell you, we work really, really hard at Port Manatee NOT to have any exciting incidents. Roughly a third of our staff is in our sea force security department. Like the airport, we are camera'd all over the place. You cannot get in or out of the port without proper credentials. We are a very secure facility. On a day-to-day basis, we're very blessed to have three primary stevedores on the port, and they operate very safely. We're very safe in that regard, and a bad day, as far as I'm concerned, is when there are not ships in the berths.



Wes Roberts: Thank you very much to both of you. I'm going to ask Jacob to come up, and our team, if anyone has questions hold your card in the air. Thank you. I'm going to hand it over to Jacob.

Jacob Ogles: All right, thank you Wes, thank you for helping us navigate a very complex topic today. A round of applause for Wes.

(applause)

Now while Mary Darby is coming up, I wanted to ask a question regarding Port Manatee. We've seen news about Air Products moving to town. How reliant is Port Manatee, financially, on having business like that located in the area?

Dave Sanford: Well, it's a combination of new business and our existing tenants. We work both pretty hard. We have an individual who is responsible for working what you would call the "low hanging fruit" and that's the business that you've got and working with them and helping them grow their businesses. And then our trade development sales department are constantly on the road trying to develop new business. So it is really a combination of the two. When you bring in a company like Air Products it's literally the gift that keeps on giving because they provide a tremendous economic impact on the county as well as giving us a great new source for business. Air Products, for you that don't know what they do out there, they build heat exchangers for LNG gas converters. And those are estimated in the neighborhood at about 100 million dollars each. And they will be rolling four or five of those a year down our south docks street directly to berth. That puts us in a very very competitive position from an export standpoint. There aren't very many ports that are doing 500 million dollars worth of export a year. That is a tremendous asset for the county. It's good for us. That's a long answer. Short answer is that it's a combination of both. Revenue from our existing tenants and seeking out new businesses.

Jacob Ogles: All right, thank you. We have a question from Eric Mortimer. "With the debt on the airport nearly paid off, where would the increase in cash flow go?"

Rick Piccolo: Well first let me correct you, it's not nearly paid off, it's paid off. That's the really good news. The money—one of the lots is to lower the fees of the airlines, because there's no debt model to build into our rate model. Second the profits of the surplus that we're making, we just signed new four-year agreements with our airlines. That money used to go back to the airlines under the old agreements, any surplus we generated was refunded to the airlines. Last year the airlines realized about two and a half million dollars in refunds. Now we get to keep that. We estimate—this is the first year that we'll get to keep it, in our budget it's about a 1.3 million dollar surplus. That goes back into the airport's reserves. We get to use that for any lawful purchase. Now 99% of



the time, which is earmarked for further capital, so anything that we generate out there is being plowed back into the business. Unlike, while I like to say that we're very close to a private enterprise, the difference would be that in a private enterprise, some of that would go back into the shareholders. We don't have any dividends that we have to distribute, so all that money goes back into there.

Jacob Ogles: All right, question for both of you, for Port Manatee and for the airport, the effect of high-speed rail, what effect can that have on your business?

Rick Piccolo: For the airport, I don't think there will be any effect, because inter-state service in the state of Florida, not that profitable for airlines, so they're not going to be flying it. In our case, at SRQ, it's nonexistent. We're not losing any competitive advantage because we don't have any stakes in that. I'm not sure how it would have an effect on the Tampa or Orlando or anything like that.

Dave Sanford: And I would echo that as well. High-speed rail, as it is being looked at in Florida, is primarily passenger. Unless we're able to get the Regal Princess, something like that, it's very unlikely.

Jacob Ogles: Dave, do you see Port Manatee as a fuel depot? That's a question from Bob Matly.

Dave Sanford: We already are a fuel depot, in the sense that one of our tenants, TransMontaigne, is in the fuel storage business. They just signed a major new contract with the Racetrac gas stations, so they'll be bringing in a variety of petroleum products, both for storage and for local distribution. So that's another plus for Manatee County.

Jacob Ogles: Rick, on 9/11, when Air Force one was at SRQ, there were no fighter escorts until it reached Tampa. Can you explain a little bit about how that works?

Rick Piccolo: I don't control the air force. Obviously there was a lot of consternation that day. I wasn't actually here on 9/11, I was in the air on 9/11. I landed in Atlanta when I found out what was going on. I'm told by staff that certainly, there was a lot of rumor swirling around as the president was returning to SRQ. It was a very, full-power takeoff with steep climb. Our guys spent about 45 minutes after the takeoff cleaning up the runway because of all the power leak runoff and all the debris it blew up the sides of the runway from the grass. The Air Force One has countermeasures on it for missile attacks from the ground. Everyone was on a very high state of alert, but I don't think having a fighter escort from Sarasota to Tampa was a very critical thing. I think they could have easily have gotten to Sarasota if they took off from MacDill, and I don't think that was an issue.



Jacob Ogles: From Daniel, how difficult is it and how long does it take to add new routes to SRQ airport? It's easy, right Rick?

Rick Piccolo: (laughs) It's a very difficult process and when I try to explain it to people, when you're talking to the airlines, first of all let's look at airlines. There's three network airlines left in this country. Delta, United, American. That's all that exists. My network carrier is a carrier that can get you anywhere in the world. If you're a frequent flier with Southwest, you're not going to Paris with your miles because they can't get you there. So there's only three network carriers left in this country. There's two what I'll call "national" carriers, JetBlue and Southwest. They do a little bit of international flying in the Caribbean and in Mexico but nothing else. Then you have five or six niche carriers, Spirit, Virgin America, Legion, Frontier, and one or two others that serve very specific niches. So there's very few carriers to go after, versus ten or fifteen years ago when there was twenty, thirty, or forty carriers to go after. We used to spend 80% of our time pursuing new carriers, 20% pursuing new routes from our existing carriers. It's the exact opposite now. About 80% of our time just talking to carriers we already have. So you have that dynamic in play that there are fewer airlines. There is the aircraft reduction in fleets because the fifty seat aircraft is going out because it's too inefficient. It doesn't allow it a hundred dollars a barrel of oil to make it money. So as they reduce the number of fifty seat aircraft, there's a ripple effect that if they were flying three fifty-seat aircraft out of a city, then they're going to need to steal a hundred-fifty-seat aircraft, that's the types we have, for some other city, to serve that market. So you have that also nipping away at airline consolidation. And then you have the economic stuff. Just to give you an example, when United made their decision to come in here after Southwest announced they were leaving, that one flight cost United 35 million dollars a year to operate. That's full in, that block overtime, that's pilots, that's crew, that's maintenance, insurance, fuel, the whole nine yards. That's a thirty five million dollar risk that they take. So when you talk to a network planner from an airline, and you say this network will support you and this community will support you, then that network planner has to go in and go through two or three layers of bosses above them, and get them to buy into a thirty five million dollar risk for just one flight. When they can say, "well if we take this scarce aircraft, and we put it between Dallas and Chicago, where we already make 15% profit, and there's enough demand there." That's what you're competing with. And you're also competing with, "Do we take this plane to an international destination." So that's that competitive factor and that's what makes it so difficult to make new routes. It's a very expensive risk, and it's one that you have to really hammer in for a long time. And understand, that network planning person is staking, maybe their job. It's a second or third-level person going into their boss saying, "we've got a great idea, let's risk 35 million dollars on Sarasota-Bradenton instead of putting it in Dallas," and if they're wrong, that person's probably going to be out of a job.



Jacob Ogles: Okay, I think we're down to our last question. And we'll pass on anything else to our panelists afterward, try to include it in the transcript if you guys still have questions. But I did have a question, what types of employment are available at your agencies for hard-to-hire groups? Whether it's disabled people, ex-felons, or unskilled laborers. Can either one of you talk to us about that?

Dave Sanford: Well again, as a landlord port with a relatively small staff, we're pretty stable. So in that regard, it's rather limited. However, our tenants, Kenner Morgan, et cetera, they have some pretty good opportunities and there is a good bit of turnover in those businesses. So I would say that because the work is so physically demanding, that might be a bit of a limitation, but there are other jobs out there. I know they go out of their way to recruit.

Rick Piccolo: First of all, felons probably have a hard time because they have to go through a ten-year background check. SO that one I don't know if I can offer a lot of assistance on. In the way of people with disabilities, one of the things that we have been able to do is in our communications center, where I told you was operated 24 hours a day, certainly that can accommodate, make reasonable accommodations for people with disabilities, especially if they have mobility issues. We've also reached out, recently hired some veterans from the Afghanistan war, Iraq war, we've made an effort with hiring veterans. We offer all sorts of jobs, we tell people to look at our website. We also don't have a lot of turnover because we're a pretty good employer. We have everything from mechanics to HVAC controllers, to people who cut the grass and manage the positions in the police and fire departments. A lot of the things you'll see in city governments you'll see in airports as well.

Jacob Ogles: All right, I'm going to hand the mic back to Wes to close things up here.

Wes Roberts: Thank you Jacob. A round of applause for Jacob.

(applause)

I think we did have one or two more questions, those will be provided to our panelists, and included on the transcript. Thank you, and a round of applause for yourselves as the audience for being here, for being engaged, for being interested. Thank you of course, to IMG for being our host, to Blalock Walters for being our sponsor. What a fantastic pair of companies and how great to bring them together with us on this program. One more thing here: the photos, the transcript, everything from here today will be on our website by next week, and then put on your schedule the next SB2 symposium, which is International Tourism and Business, which will be held on Thursday, November 20th at the Francis from 7:30 am to 9 am. Most importantly I want to thank our two panelists, Rick and Dave, you guys were just tremendous, and thanks for giving so much time, so



much information. You gave us a whole lot to chew on. I just want to say, Rick, when they asked what were you going to do with all that money, that was an Oprah moment. Tickets for you! Tickets for you! Crushing disappointment. But thank you guys very much, a round of applause for the panelists. And I hope to see all of you next month.