

FINANCIAL TIMES

The Port of New Orleans (PONO) is seeking a privatization advisor with a proven international track record to launch a major public-private partnership of the port, New Orleans Port Authority President and CEO Gary LaGrange told mergermarket.

In an interview with this news service at the Critical Commodities Conference in New Orleans, LaGrange said that the port would like to offer a long-term concession, possibly 30 years, to a single operator.

LaGrange said that the Port has already commissioned numerous studies and would now like to begin a privatization process in earnest. He would also be open using a strategy successfully used in Poland of launching an initial public offering of the port ahead of a sale to a strategic investor. Prior to the economic crisis, Goldman Sachs had expressed interest in the project, or possibly running the process, he added.

The Port is not seeking to compete against large East Coast and West Coast ports but to become a super-regional player that can exploit the opportunities offered by its waterways such as the Mississippi and its rail infrastructure, he explained.

LaGrange said that to make the Port more efficient and competitive, he is pushing for a single operator for the Port of New Orleans rather than having two major operators such as the Mediterranean Shipping Company (MSC) or AIG Highstar unit Ports America. MSC is about to formally take over a 51% stake in the New Orleans Terminals with Ceres Gulf Holding while Ports America runs other terminals at the port.

However, he said that he did not necessarily discount either MSC or Ports America becoming the sole operator and that the port has received interest from other operators such as Hong Kong's Hutchison Whampoa, and Hapag-Lloyd.

Sources at MSC and Ports America said they would be interested in the project. A source familiar with Ports America said that a single operator would be necessary to improve operations at the port. PONO also needs to beef up its intermodal transportation with a Class 1 railway to enhance its competitive advantage.

A source at China's COSCO shipping group said the firm would not be interested in investing in the Port, despite requests from neighboring ports. The company's freight lines do not carry enough cargo to the region.

An industry banker was skeptical of the PONO privatization going ahead at this time. The major operators are not operating from positions of financial strength, with the global decline of container shipping. The banker also discounted the likelihood that Hapag-Lloyd could be interested, as it is primarily concerned with shipping lines and only operates from that perspective.

An executive at the Port of Houston Authority said they would welcome a private operator at New Orleans, such as MSC, and that New Orleans and Houston are not direct competitors. The executive also noted that MSC has a significant presence in both New Orleans and Houston.

LaGrange was confident he would have the necessary political backing for a PPP/privatization and said he received positive responses from both New Orleans Mayor-elect Mitch Landrieu and State governor Bobby Jindal. An aide to Governor Jindal said the state would be open to a privatization of the Port and is willing to help push through legislation that would make such a move possible.

"We really do not have the funds that would allow New Orleans to expand the port as it needs to be. Also, we have to give money to all the ports so a private operator would be a better solution," the aide said.

Louisiana Senator Mary Landrieu told this news service that she would support any measure that would allow a further expansion of PONO.

LaGrange said he was not able to give an economic figure to the value of the port but noted it has physical assets worth a minimum of USD 600m.

Industry sources said that if New Orleans was successful, it would become the largest privately-operated port in the US.