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Port Freeport's new CEO has deep thoughts

Phyllis Saathoff oversees a plan
to deepen the Freeport channel.

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Houston energy exec to build community

The former CEO of ConocoPhillips and current chairman emeritus of Chesapeake is quietly developing a community in northwest Houston. Here's the skinny. **PAUL TAKAHASHI, 10**

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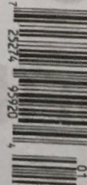
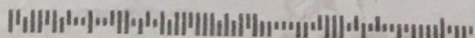
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Baker Hughes, GE to form \$32B company

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SHIP SHAPE

PORT CEO DIGS DEEPER FOR SUCCESS



PORT FREEPORT

Ranks 31st in the U.S. in total tonnage

Economic impact: \$46.2 billion annually; 16,400 direct jobs, 69,500 local indirect jobs and 126,000 jobs economywide



► CLOSER LOOK

PHYLLIS SAATHOFF

Executive port director and CEO of Port Freeport

Age: 53

Hometown: Lake Jackson

Education: Bachelor of Science in accounting, University of Houston-Clear Lake

Family: Son

Eric, student at Texas A&M University, and daughter Kayla, staff accountant for KPMG



Q&A

BY LADAWN FLETCHER
SPECIAL TO THE
HOUSTON BUSINESS
JOURNAL

Phyllis Saathoff has a panoramic view from her office of trucks, cranes and boats moving around as the water sparkles in Port Freeport.

As the port's new CEO, Saathoff is laser-focused on what is less visible – where Port Freeport is headed. The port welcomed its first Neopanamax ship, which are larger vessels, earlier this year and has applied to the U.S. Corp of Engineers to dredge the Freeport harbor channel to make it 55 feet deep.

Saathoff didn't start out in the port business. Her undergraduate degree is in accounting, and while working as an auditor for a local firm, she was assigned Port Freeport. She was intrigued by what she learned during that time. When the position for director of finance administration became available, she applied and was hired.

"I became intrigued with the fact that it was a government body functioning like a business," Saathoff said. "Ports play an important role in moving goods around the world and it has a great impact on our day-to-day existence."

She also knew within a relatively short time that she had the ability to lead.

"When I realized I wanted to make a career in the port industry, I took every opportunity to learn everything I possibly could," said Saathoff. "I positioned myself to be a candidate for an executive level position and ultimately a CEO role."

After a couple of years as finance director, she was promoted to managing director, the No. 2 position at the port and also served as interim CEO in Freeport before heading to the Port of Houston Authority where she was chief people officer.

Eventually, Port Freeport lured her back.

"I feel like she went to Port of Houston and got her graduate degree in ports," said Ravi Singhania, chairman of Port Freeport. "When the post (at Port Freeport) became available and she was one of the candidates, it was an easy choice."

Discussions of ports in the Houston area are almost always dominated by the much larger Port of Houston. It dwarfs Port Freeport in almost all areas, but there is a crucial difference – travel time to deep water. Because of its proximity to the intercoastal waterway, vessels from Port Freeport can enter the Gulf of Mexico in an hour or less. It can take up to 12 hours from the Port of Houston.

Unlike the Port of Houston, Port Freeport is a landlord port, not an operating port. Companies lease port-owned land and facilities and those companies carry out their port and terminal operations. Under this public-private partnership model, the Port has attracted long-term tenants to the port attributing to its steady growth.

EXPANSION

A deeper channel is something Port Freeport began looking into in the 1990s.

"We began asking the shiplines and

industry of the channel, 'What's the next step that would help you achieve operational efficiencies and make you viable long term?'" said Saathoff.

The answer was a deeper channel, so the port began the feasibility process and worked on it for more than a decade.

The project to dredge the Port Freeport channel to beyond the 50-foot depth is currently in the pre-construction engineering and design phase. Construction, which is expected to begin in 2018, will take between 18 and 24 months and the projected \$240 million cost will be split almost evenly between the federal government and the port.

"To have a port on the Texas coast and in the Gulf that is at 55 feet for \$240 million – we think that is a great investment," said Saathoff.

The channel is not the only expansion Port Freeport has in the works. The infrastructure of the port continues to increase.

"We own close to 8,000 acres and 500 of that is already environmentally mitigated and ready to develop today," Saathoff said.

Currently, there are \$25 billion in construction projects underway in Brazoria County, with approximately \$19 billion at the port.

"We are seeing a huge renaissance in the petrochemical industry in our area," said Singhania. "And with the widening and expansion of the Panama Canal, that makes another opportunity for the Gulf ports that we want to take advantage of."

The economic impact of an expanded Port Freeport has a ripple effect

throughout the state and beyond.

"I just see other industrial development on the remaining acreage that again help to support those long-term investments that create good-paying, long-term jobs," said Saathoff. "That's one of the great things about being a port, you attract the type of investment that supports jobs of every kind – degreed or not, and technical – it creates a lot of opportunity for all and we're excited about that."

To elevate the port to the next level, Saathoff, under the leadership of the board, has already identified additional areas in which they can be competitive with other ports and their eyes are set on the West Coast.

Many of the goods coming into Texas come through the West Coast, primarily from the Californian ports in Long Beach and Los Angeles, which are the largest in the country. From there, they are ferried by freight train or trucked to Texas and beyond. Port Freeport commissioned a study and discovered that they are more than competitive with West Coast ports for goods destined toward Texas and the midwest portion of the U.S.

"Our analysis shows that it would reduce the cost enough to ship through the Gulf and that there is a large section of the U.S. that we definitely would be the most competitive, and a much larger section that will be just as competitive," said Saathoff.

This interview has been edited for length and clarity.