

DISCUSSION RECORD

INDUSTRY GROUP: Maritime Advisory Council

DATE: September 16, 2011

LOCATION: Asheville, NC

The September 16, 2011 Maritime Advisory Council meeting agenda included communicating the Maritime Strategy timeline, challenges and sharing potential market scenarios. Focused discussion topics included Stakeholder input and market scenario risks and challenges.

The following subjects were raised and discussed by the Maritime Advisory Council.

PORT COMMUNICATION ISSUES

- Perception: infrastructure to and from North Carolina ports is ineffective
- Reality: Wilmington enjoys good interstate access to the ports; there are landside access challenges at MHC
- Perception: Wilmington does not have Trans Pacific service
- Reality: 60% POW trade is Trans Pacific
- Perception is not necessarily reality when it comes to port operations and incentives
- Proximity of port operations to tourism destinations creates opportunity for potential conflict that must be managed

AIR FREIGHT

- Was considered for the Maritime Study only where there may be synergies between needs of air freight and maritime cargo, i.e. at inland port facilities where logistics and distribution centers could use common infrastructure (goods typically do not transfer from air to ship)

MILITARY

- Maritime team is conducting a military workshop in October, 2011 to gather industry input
- While NC has a large military presence, the state is not a leader in doing business with the military per findings of the GLTF.
- Military lends a supportive base, but is not an economic driver

TRANSLOAD LOCATIONS:

- Ocean carriers own the containers used for international transport. When they are moved to the hinterlands rather than kept on dock, containers must be continually repositioned

- Transloading (transfer of goods from 20'- or 40' international containers to domestic 53' containers) would be beneficial to shipping lines
- NS noted that transload does not have to happen at port, but could be accomplished at near-port or inland port facilities

DISTRIBUTION CENTERS

- Discussion considered the question: if we build it, will they (shippers) come?
- Over a twelve year period, the following has occurred:
 - Port of Savannah
 - Savannah started with 1 client –Home Depot opened its DC in Savannah in 1998 – other retailers soon followed and Savannah has a 35 million square foot DC
 - Charleston has a 20-25 million square foot DC
 - Norfolk has a 30 million square foot DC
- Smaller shippers need some kind of security before committing to a DC- availability of trucking (i.e. presence of a large, “anchor” shipper) is important to attracting smaller shippers

Near-Port Model

- Provides incentives to locate closer to port
- Most port locations are also major tourist destinations and make industrial work less attractive - this model looks at a way to balance this
- Look past NC borders
 - Ports have spoken to potential clients inland - there is plenty of cargo in the state to justify the investment, however competing ports have been siphoning from NC
 - Charleston reaches far inland to generate business - 20% of their container volumes are moving out of state
 - Caterpillar recently built a massive intermodal facility in northern Ohio
- Focus on opportunities: Ohio (Wilmington is 2nd to Savannah); Intermodal; Potential geographic reach of rail

Inland Distribution Center

- Location Suggestion – at the I-40 and I-95 intersection
- Port: Carriers are looking for near-point models similar to Long Beach
- Equipment travels a short distance and back
- Retailers/Manufacturers are driving this, however carriers love it
- Ideal distance is within 20 miles – practical distance from port to be defined by examining truck turn distances

Shipper Incentives

- Provide tax incentives to locate near port
- Supports local economy and shippers

HIGHWAYS

- Team analysis of truck turn and line haul distances (2040) reflects projects in the funded TIP, not the unfunded TIP

- North/South routes (I-95 and I-85) clogged regionally, East/West access to NC ports is generally good
- Future N/S congestion will debilitate out of state access for trucks
- Today, container haulers from Wilmington take 73/74 to avoid Raleigh
- Politically, need skyway bridge to Wilmington to avoid impacts to local traffic

RAIL

- Rail reacts to ports and carriers rather than driving business – ability to provide cost-competitive rail service is market- and volume-driven
- Competition is Truck vs. Railroad NOT Railroad vs. Railroad
- Improve access to MC moving north
- Shared haulage, rather than dual rail access, could promote competitive rail freight volumes to MHC and Wilmington-
 - CSX could move NS freight to a common point, (example: Charlotte), for a fee and vice versa. That way CSX wouldn't have to bring their trains into MC and NS wouldn't have to move theirs into Wilmington.
 - NS and CSX expressed willingness to look at options, however they would need a third party broker and must be cautious of anti-trust issues
 - Could increase costs to shipper due to additional fee charged by host railroad
- NS would like to see a 5-year plan from the State as it is difficult to create long-term plans when the strategy keeps changing.
- For rail service, marketable volumes to NC ports is more critical than capacity at this point.
- While the Castle-Hayne connection might be important to meet other strategic objectives, it is not a critical element for improving rail freight service to Wilmington
- Tonnage information on North Carolina freight rail network that was available to study team has gaps in areas around Greensboro, Goldsboro; NS and CSX have gross tonnage maps - Steve Evans offered to provide the Team Gross Tonnage Maps

BARGE SERVICE

- Study is examining – not ready to give recommendations
- Barge service could serve as a supportive mode to attract more ship calls
- Barge operations offer an efficient alternative to move heavy/bulk cargo (e.g. grain)
- Potentially avoid congestion
- Intercoastal Waterway
 - Limits the scope of how far goods can ship via barge
- Case Studies
 - Investigate global case studies (Northern Europe: Netherlands and Hong Kong)
 - Europe: no rail to support inland movement
 - New Orleans – a huge investment helped make that port successful
 - NY/NJ tried container-on-barge thinking it would alleviate congestion (NE has limited rail network – trying to balance different modes)

COASTAL ENGINEERING AND REGULATORY INPUT

- Aquifer will need to be considered but it was not a big concern
- As development continues, less water will be coming out of aquifer
- Request study of Castle-Hayne Aquifer be uploaded to the website

MARKET OPPORTUNITIES

- NC is the only state that can serve both (N/S and E/W with a container port)
- Market opportunity is around containerized, not bulk.

Grain:

- China will ship from west first, gulf second, east third - Europe will go east first, gulf second
- Grain will come from the east coast only if moving east, MC could be positioned to go south as well
- Brunswick, GA grain facility – currently has 136 cars; exclusive operation of one grain company. Exclusivity in control of grain facilities may limit ability to use storage/elevators for other products
- Risk with grain – volatility and seasonality
- Grain moves by containers and by bulk
- One of the big four grain companies has to be willing to build a facility and commit for an extended period of time
- Chinese are very concerned about not being able to feed their people, there are discussions to facilitate export of grains from NC.

Wood Pellets

- An emerging market; projections vary widely from 33% to 200% growth over next 20 years
- In Europe most pellets are subsidized by the government - if the subsidy is removed, the market disappears; however, the Kyoto Agreement is the driving force for the subsidies
- Necessitates dry storage and transfer
- Wood pellets cannot be stacked higher than 8' as the fiber is prone to degradation and therefore may become flammable. Similar to grain.
- Few facilities on the east coast
- North Carolina is at the center of the nation's "wood basket,"
- Increased pellet demand has potential to cause competition for trees between the paper industry and the pellet industry
- Linking wood pellet manufacturers with European utility companies is promising
- PPP wood pellet facility could offer opportunity for grain as well.
- There is both a woodchip facility and wood pellet operation in MC
- POW is looking for a Public-Private-Partnership to develop a facility there (a 10- 20-year life cycle)
- Enviva announced a new wood pellet manufacturing facility in Northampton County, N.C. - the State has provided incentives.- pellets will move to both VA and POMC
- Two additional wood basket companies are also looking at POW
- Doesn't require schedule service; bulk vessels are on "contract call" and will serve ports on demand when volume is there
- Pellets are shipped in bulk mode - containers are not practical for the tonnage they want to move
- The pellet producers can't use barges because it has a bonding agent that cannot get wet - moves via covered hopper cars or covered trucks (removes the barge option)

Cold Storage

- Users of common equipment – vegetable, meat, fruit, textiles, synthetic rubber, etc.
- Clusters – safe to tap into multiple industries

- Frozen food has the strongest competitive edge in NC

Wood and Paper (including pulp)

- Risk: big players in worldwide paper industry are importing more paper to the US.
- If you are looking at making POMC and POW big paper places, there is an opportunity potential but not for export.

RO-RO/Oversize

- Reiteration: NC is only State where both ports are strategic for military
- Adequate width clearance is an important issue
- Ex. Spirit Aviation moved fuselage components in boxes that are turned sideways – a width issue. 13' is about the max. Spirit's boxes at about 18' wide, are wider than standard rail clearance.
- Cost to widen argues for targeted location
- 2 NC nuclear facilities will be renovated in the next few years, requiring movement of large components by rail.
- Siemens in Pineville, NC cannot currently use NC ports because of width restrictions

Wind Power

- Wind industry is in infancy
- If a manufacturing operation was built in NC, this would generate jobs
- Available land in Eastern NC

There was no public comment.

NEXT ADVISORY COMMITTEE MEETING:

- Proposed for first week of November in Raleigh
- Agenda will include: Input from remaining industry workshops and results of infrastructure analysis, including railroad and water