

INDUSTRY STAKEHOLDER MEETING RECORD

INDUSTRY GROUP: Bulk and Breakbulk

DATE: October 21, 2011

LOCATION: AECOM Office, 1st Floor Training Room, Raleigh, NC

PARTICIPANTS: Industry Group NC Maritime Strategy Team

Attendees In person

Bill Holliday / AP Exhaust Products	Vijay Agrawal
Chuck Burwell / Potash Corp	Eddie McFalls
Janette Rhodes / Mercer Trucking	Alix Demers
	George Santos

Attendees on phone

Tom Eagar / NCSPA	Toni Horst
Bill Fox / NCSPA	
Chad H / Mercer Transportation	
Dale Helgason / Domtar	
Mike Carroll / Meherrin Fertilizer	
Dan Vits / Bridgestone America	

The NC Maritime Strategy team met with representatives from break-bulk and bulk industries on October 21, 2011 from 2 pm to 4pm EST at the AECOM offices in Raleigh, NC. The purpose of the meeting was to receive feedback from the break-bulk and bulk industries for the NC Maritime Strategy. The following provides brief notes from the meeting.

Following welcome and introductions, AECOM presented an overview of the NC Maritime Strategy objectives, methodology and stakeholder involvement as well as a summary of feedback received from the bulk and breakbulk questionnaire distributed to participants in advance of the workshop:

- Cargo types handled include raw materials, industrial prod, tires, fertilizer, paper
- Storage methods include warehouse, outdoors, tanks
- Mean dwell time for bulk and breakbulk cargos varies: 5 days, 14-28 days, 30 days

Workshop discussion was then focused on discussion and response to the following questions to gauge industry perception and obtain industry feedback on North Carolina Ports:

1. Why have you chosen North Carolina Ports for your business? (Channel depth, port costs, productivity, turn time, other services?)
2. What are your requirements in a port operation? (Warehouse, open space, silos, offices?)
3. How long are the North Carolina Ports terminal lease durations? (Too long/ too short?)
4. What is your experience in delivering your product either from or to the port (by rail, truck, barge)? (Equipment availability, transit time, security?)
5. How do you compare North Carolina Ports to other ports that you use? (Rates, services, care of product, ease of doing business?)
6. Do you have any suggestions on how North Carolina Ports can improve?

Feedback is summarized below:

AP Exhaust Products

- Manufacturer of aftermarket exhaust products, up to 30,000 lbs.
- Steel is brought in via Port of Wilmington; however, Asian shipping lines want to go to the Port of Savannah or the Port of Norfolk, and not North Carolina Ports so majority of steel ends up at non-NC ports, especially when time is an issue.
- All products are delivered to port by truck. Rail is too limited and too inconvenient, so eliminated industry rail spur to manufacturing site.
- Site is 70 miles away from Port of Wilmington so rail could be an option, but comparison of rail vs. truck cost shows that there is no big difference.
- Products can easily be offloaded and moved. Rail can move single shipment.
- Steel must be store inside a warehouse. Port of Savannah storage facilities are very bad, opened warehouses which is not good for steel.
- Business has grown from \$36 million in 1999 to over \$100 million in 2011.
- Steel dwell time at port is typically 45 days.
- Volumes range from 28M lbs to 48M lbs; 40-50 containers.
- Concerns about capabilities at NC Ports include
- North Carolina Ports has too short of hours of operation. (NCSPA noted that loading starts at 8 a.m. and ends at 5 p.m., but port ops personnel can come in as early as 7 a.m. and stay as late as 6 p.m. if there is a need and when demand is there. At the Port of Wilmington, current operating hours can handle about 100 trucks/day. Port has previously handled up to 120-150 trucks/day, 5 days/week.)
- Transit time and customer relations at Port of Wilmington has been good.
- Port rates are no different between the ports, but it is the trucking distance is the key cost difference.
- Export destinations are primarily Germany and Europe; very little volume to Asia, but likely to increase in coming years. Past export destinations have included Greece, Italy, and England but not recently. The company's primary market is domestic, throughout North America and trucking to Mexico.
- No anticipated shift to containers because more cost is involved. Bulk will continue to be used for imports; if container costs are competitive, containers can be used for export of finished goods.
- Interested in increasing load weights of dry trailers to reduce landside transport costs.
- Better promotion, public relations at NC Ports is needed. Greater visibility for breakbulk could improve ocean service.

Potash Corp

- Use ports to export mined products and for domestic distribution of fertilizer products.
- Expansion is difficult because the company seeks a larger domestic market via rail, but is hindered by lack of competitive rail rates.
- Port of Morehead City is the main port used.
- At Port of Wilmington, Potash imports urea from Trinidad and potash from Canada.
- A constraint of Port of Morehead City is community opposition; they want tourism, not industry.
- At the Port of Morehead City the import & export is approximately 2-5M tons (30 in/70 out).
- Product is barged to/from the port to Aurora.
- Morehead City is first choice, but considering other locations for more access. Wilmington has barging issues. Liquid barge issues too on Intercoastal waterway. Same time from Aurora to go to Wilmington or Norfolk.
- While the supply market has changed, it is difficult to move with the markets.

- Cost advantage realized by barging in and out of port with company-owned vessels.
- Turn times on vessels, vessel time at dock, overall service at North Carolina ports is very good.

Mercer Trucking

- Value-added transportation service provider for breakbulk cargo
- National flatbed carrier with 2100 trucks.
- Works with Bill Fox at Port of Wilmington as well as Maersk
- Primarily serve Port of Wilmington rather than Morehead City because of MHC focus on bulk. 25-30 trucks/week via Port of Wilmington.
- Trucks navigate to Baltimore, Norfolk, and Savannah.
- 75% drivers have TWIC cards.
- Primarily provides long-haul, 500-mile radius minimum; some short haul work from 50 to 120 mi.
- Have also provided some container hauling, usually containers need expediting.
- Rail is both partner & competitor.
- Handles much of the military freight.
- Military usually wants trucks for speed.
- Rule of thumb competitive market will realize at least \$500/day for a truck haul. For short hauls, cost is by shipment rather than by miles.
- Port of Wilmington offers fast turnaround - in and out in one hour
- Long deadhead to get to Port of Morehead City, because there is no backhaul opportunity.

Bridgestone America

- Use North Carolina Ports to serve product facilities in North Carolina and South Carolina.
- Raw materials imported to supply local plants.
- For finished goods, have direct contracts with steamship lines for door-to-door delivery; the most favorable rates have been through Port of Savannah and Port of Charleston.
- Natural rubber is shipped to Port of Morehead City, Port of Wilmington and Graniteville. Material is stored at the port, then shipped via van trailer.
- Sometimes encounter trucking capacity issues and TWIC card issues.
- Hauling distance to NC plant is about 2 hours; South Carolina plant is 5 to 6 hours away via truck. Rail would have to be cost competitive with other locations that we ship to inland before we'd use it for such short trips.
- Increasing product capacities at Graniteville and building a new facility in Aiken.
- Natural rubber is also imported through other ports, but that product is destined for plants outside the Carolinas. Port of Savannah is southernmost port of use on east coast.
- The ability to secure truck capacity at Port of Morehead City and ability to head haul is too low as compared to non-NC ports is main issue.
- Difference in cost between ports is not a big driver.
- Most rubber imported comes in bulk, but some in containers. The size of the actual packaging can often determine whether it goes into a container or not. Containers can expedite delivery.
- Would be advantageous to increase steamship calls to NC ports.

Domtar

- Domtar is the largest paper producer in America, and the second in world.
- Manufacturer and exporter (90% is wood pulp, 10% paper) 30,000 TEU. And 200,000 1.1M tons per year exported from America.
- NC ports are used only for nearby the plants.
- Ship via containers as well as some bulk and breakbulk through the Port of Wilmington.
- Seek diversification in shipping.
- Fluff pulp (breakbulk) 2,000 tons/month out of Port of Wilmington.

- Paper exported to Europe as breakbulk, which is competitive to containers.
- Pulp exported to China as breakbulk because containers not competitive (repositioning requirements; need to be clean, dry, odor-free)
- Wilmington have retrofitted a facility to serve needs; great handling with low to almost zero damage rates at the Port of Wilmington for pulp rolls.
- Truck transport of containerized pulp is more cost effective, because can fit 25.5 - 26 metric tons of pulp in a container truck; as opposed to 20 metric tons in unsealed truck. \$/ton for transport cost is critical cost metric. Permits to load a 53-foot trailer to be loaded to 26 tons would be competitive with containers.
- Preferred port is Norfolk but pulp goes to Wilmington. Port costs are very similar.
- NC Ports offer service is at or above other ports.
- Exports projected to increase by 5-10% per year. Global demand is increasing, domestic decreasing.
- Port of Wilmington is in a good position to receive additional volume; Port of Savannah is 170 miles/one way while the Port of Wilmington is 120 miles/one way so quite a cost savings for roundtrip haul.
- Port of Wilmington handles about 110,000 tons/year, about 95K tons in container and the rest breakbulk.
- Containers are loaded at the plant, railed and cross docked at inland ports for Savannah and Houston. Cost from interior mills to transload is the same for all ports, but get more competitive rates with non-NC.
- Breakbulk comes from mills that are closest to the port. This provides diversification to avoid 100% reliance on containers. Paper products can then be transloaded to containers at port and then shipped to Europe. Port of Morehead City is closer to the eastern North Carolina plant but not as good for the South Carolina plants (two of them).
- Costs to get to Port of Wilmington varies by mill; OD rates range from \$1.50/mi to a high of \$2.25/mi with high deadhead miles.

Meherrin Fertilizer

- Concern at Port of Morehead City and Radio Island regarding consistency of draft at dock. Area silts back in quickly and port does not provide notification
- Liquid product is no longer shipped via Port of Wilmington; now goes directly to Coastal or VOPAK.
- Company owns the tanks at the Port of Morehead City.