

## INDUSTRY STAKEHOLDER MEETING RECORD

---

<b>INDUSTRY GROUP:</b>	North Carolinian Shippers (excluding agriculture and retail)	
<b>DATE:</b>	August 10, 2011	
<b>LOCATION:</b>	North Carolina Department of Transportation, Raleigh, NC	
<b>PARTICIPANTS:</b>	William Lucas, Caterpillar Inc. Leroy Harris, Furniture Brands International Curtis Struyk, TMX/COL Kip Blakely, TIMCO Jake Cashion, NC Chamber Stefan Nowicki, Domtar Dale Helgason, Domtar Jerry Cook, HBI Arun Reddy, Goodyear	<u>Maritime Strategy Team</u> Rachel Vandenberg Eddie McFalls Toni Horst Alix Demers Garold Smith Steffanie McLaughlin  Bradford Sneed, Office of the Governor Seth Palmer, Office of the Lieutenant Governor Charlie Diehl, GTP

---

The Maritime Strategy team conducted a workshop with North Carolina shippers; the participants are identified above. The shippers included a variety of industrial perspectives; agricultural and retail shippers were not included as they will be participating in later workshops. The workshop took place on August 10, 2011 at the Department of Transportation in Raleigh. The purpose of the conversation was to obtain the shippers' perspective and input on what factors are most important in selecting which port to use and to identify the challenges and opportunities (port, landside, policy, or other) associated with shipping through of North Carolina.

The meeting opened with a greeting by the Lieutenant Governor and introductions of the participants followed by a brief overview of the study to provide background on the Maritime Strategy study's purpose. The balance of the workshop was a facilitated conversation about issues related to shipping through North Carolina. A summary of the discussion is provided below.

### **Caterpillar**

- North Carolina operations are based in Cary with a new plant in Winston Salem.
- The firm export about 30 percent of its product from the North Carolina facilities and imports about 20% of the commodities used at the in-state plants. They ship all over the world from the North Carolina plants.
- Bridge heights and dredging are issues because of the size and weight of their product.
- Rail side is so key because cargo is heavy. 70% from Winston Salem will be export rail to ship. An RGN is reqd to move the equip on hwy, want to hit rail spur as quickly as possible. The Winston Salem facility is is not on a rail line.
- If Ro/Ro were at Wilmington, Clayton & Sanford has the large equip and could be drayed to Wilmington via I-40 corridor.
- New production to start in Jan 2012 for axles.

- Big emphasis by other ports on the automotive industry is disincentive to use those ports -- are others getting priority service over our products?

### **Furniture Brands International**

- FBI includes many well-known furniture brands including Thomasville, Hickory and Lane.
- They have 6 locations including Lenore in Western Piedmont.
- They use North Carolina's ports; they try to keep a transpacific carrier in the mix of carriers that they use for importing.
- Routes and rates are negotiated annual with steamship lines. For past 10 years, FBI used Hanjin, with about 50% of volume running thru Wilmington. Also used Yang Ming, but dropped them this year. This year Wilmington will not be FBI's biggest volume port; it will be third not because of the port but because of carrier rates.

### **TMX/COL**

- Uses ports to export; no imports.
- Export lumber and logs in containers.
- Leading destination from NC is China which probably accounts for about 40% of what is exported.
- Firm uses a variety of ports including those in North Carolina, Norfolk, New York, and Savannah.
- 78% NC freight moves out of other states. NC does not offer needed service to Mediterranean and Europe. Carriers at Charleston are more competitive for other destination.
- Represent 20-30 sawmills in NC; the ability to have an empty container available in an inland location is important. Can pick up an empty in Greensboro, fill it and haul it to port.
- The advantage of Wilmington is that savings of \$75/container on arrival plus no demurrage charges. These costs can total \$500-\$600 at Norfolk, Charleston, or Savannah.

### **TIMCO**

- TIMCO exports to both Boeing and Airbus.
- They ship through Charleston to France and Germany. They are excited about Spirit's new operation through Morehead City.
- The aviation industry is moving to the Southeast so OEMs will cluster around Charleston—they need to be in a 500 mile radius of the plant. Airbus will be around North Carolina.
- Vessel will be every 8-9 days out of MHC to Europe.

### **Goodyear**

- They have a plant in Fayetteville; it produces 36,000 tires a day. There is no exporting.
- They import mostly through the Port of New Orleans.
- Storage facility for certain products requires temp & humidity control (fabrics) that is not available at NC Ports. First in/first out service is also needed. Saran wrap is sometimes done as a value-added service at the Port of New Orleans.

### **HBI**

- Hanes Brands exports cotton yarn and fibers.
- They import finished garments.
- Hanes has trade connections with 65 countries. Because of the nature of their supply chain, they need agility and speed.
- The firm uses ports in Miami, Long Beach, Charleston, and Norfolk.
- The highway connectivity in North Carolina does not work for replenishment of distribution centers that are located outside of the state.

### **Domtar**

- Firm exports pulp and paper.
- North Carolina firm is located in Plymouth.
- Product produced in North Carolina facilities is shipped through Norfolk. Product produced in South Carolina (Bennettsville) is shipped via Wilmington. About 20 percent of Domtar's production is exported.
- Also exports from inland KY – seeks port that can be reached with fewest transfers to avoid product damage.

### **Factors influencing route and port selection**

- First port of call for inbound shipments is critical for time-sensitive cargos. (However, 1<sup>st</sup> or 2<sup>nd</sup> call not as important to all shippers.)
- Carrier service, sailing schedule, and price. Ports are often used because large shippers enter into long-term agreements with carriers that call on those ports (may be negotiated quarterly, annually, or biannually, depending on shipper) . Recent Transpacific carrier rates have ranged from \$900 to \$1500 per box.
- Port to operating hours and US customs services available 24/7. Time sensitive shipments must be able to travel by night to avoid peak hour travel congestion. Heavy or oversize cargos also prefer nighttime delivery to the port.
- Overall transit time.
- Fewest connections and transshipments.
- Good port collaboration with DHS.
- Avoidance of hurricane exposure and other risk profile issues affect time-sensitive goods.
- Cost of the inland move, especially for heavy cargos.
- Ability to avoid duty charges on domestic transportation costs for in-process goods – favors trucking to Miami for HBI goods destined for Latin America.
- Some shippers (e.g. Caterpillar) use a combination of Ro/Ro or Lo/Lo and containers, so seek access to both services at the same port.
- Rail access is critical for heavy cargos.
- Double-stack intermodal rail service for shipments made by container.
- The availability of containers—without being able to pick up a container, the delivery to Wilmington is a roundtrip and doubles the landside cost.
- Available capacity and storage space.
- Availability of storage facilities.
- Highway infrastructure. Two truck turns per day saves costs.
- Access to population centers, including Raleigh, Charleston and Winston-Salem in NC
- USDA inspection services for ag and timber goods
- Value-added services: container stuffing; wrapping; FTZ.
- Priority moves.
- Incentives for location within certain radius of port.

### **Challenges and needs:**

- Monroe “mess” makes difficult access between Charlotte and Wilmington
- Current interstate connections not sufficient between Winston-Salem area and NC Ports – from Winston-Salem it is better to go to Norfolk or Richmond.
- Same travel distance to Charleston from Hickory/Concord area as it is to go to Wilmington. This is a disadvantage of Wilmington.
- Congestion through Raleigh is affecting viability of distribution centers there.
- Gridlock through I-85, I- 77, NC 52

- Competition with Front Royal VA, where costs are subsidized to get containers back to the ship.
- Today rail costs about \$600/\$700 per box, which is not competitive with trucks.
- Possible conflict between NC's high-speed rail objectives and movement of rail freight.
- Need a strategy on paper that is deliverable and a process for getting through it.
- Need to reduce pressure on I-40, I-85, and I-77.
- For Morehead City to be viable, must consider a new rail route in and out. Mile long grain trains could back up traffic for hours.

**Possible investments and strategies:**

- Improvement of US 74 to interstate quality
- Hub to hub rail service, including daily overnight train from Charlotte to Wilmington.
- A new container yard is needed in Charlotte.
- Longer port hours to allow trucks to avoid peak period congestion.
- Provide access routes for project cargo with adequate bridge ratings/clearance.
- Subsidy of a carrier for one year to incentivize them to move to NC. Additional TransPacific service to China and service to India.
- Eliminate federal weight penalty on open cargo vs. sealed containers – would allow for more cost-competitive movement of breakbulk goods through Wilmington
- Modify North Carolina's state port tax credit, which is tied to a volume increase each consecutive year, which is difficult in today's economy. Maybe the state could revise the policy so as to not tie to volume so year-to-year fluctuations are not penalized.
- Adopt and communicate performance measurements for the state highway system - what is average travel time daily—and to publicize the performance. How reliable/ how predictable? This is key to getting shippers pulled in.
- Go after small businesses. They aren't that small but none of ours go thru North Carolina ports. Find a way to organize them and combine them into larger shipments so they can get scale economies and the port can increase its volume. Coordinate shipping for competitors. They can't talk to each other, but they could collaborate on shipping via a third party.
- Examine competitive strategies at Fort Benning in Columbus GA for airport and distribution capabilities for deploying military.
- Avoid special fees, including demurrage, which cause carriers and shippers to go elsewhere.
- Develop strategies that can be supported by local community, but that recognize the need to move freight.
- Communicate value of ports to the community and to the state. Like Charleston's new bumpersticker slogan: Ports = Jobs.
- Communicate value of ports to shippers. E.g. Miami's message: "Always Connected." Port of New Orleans: "Always Open."
- Examine viability of barge system on the Neuse River and Intercoastal waterway.