

INDUSTRY STAKEHOLDER MEETING RECORD

INDUSTRY GROUP: “Special Zones” Workshop

DATE: October 5, 2011

LOCATION: Global TransPark, Kinston NC

PARTICIPANTS:

<u>Industry Participants</u>	<u>Maritime Strategy Team</u>
Richard Catlin, New Hanover Co. Commissioner	Rachel Vandenberg
Alanna King, Global TransPark	Eddie McFalls
Charlie Diehl, Global TransPark	Alixandra Demers
Dave Riley, Best Services Group	Garold Smith
Lou Taber, Longistics	Steffanie McLaughlin
Renee Boyette, Triangle J	
Jake Cashion, North Carolina Chamber	
Crystal Collins, North Carolina Trucking Assn.	

The Maritime Strategy team met with distribution and logistics industry stakeholders on October 5, 2011 from 1 pm to 3 pm. This workshop was intended to obtain input from logistics and foreign trade zone interests that should be considered in advancing a strategy for maritime development and goods movement within the state of North Carolina.

Major discussion topics are summarized below.

Marketing Needs

- Successful strategies for distribution and logistics centers, including foreign trade zones, must include a coordinated marketing effort with the North Carolina Department of Commerce.
- In many cases, much DC infrastructure (road connections, airport access, industrial zoning) is already in place but has not been strongly marketed.
- The benefits of North Carolina’s six existing foreign trade zones (FTZs) are not well-publicized. Value-added services that are available are typically underutilized. Larger customers have awareness, but don’t necessarily appreciate the benefits; smaller businesses that are growing need to be educated and would be a good target.

NC Maritime Trade and Distribution Challenges

- Maritime goods moving through North Carolina’s logistics parks are primarily using ports in Savannah GA and Norfolk VA.
- FTZ 66 at Port of Wilmington is dormant.
- Port of Wilmington is second or third on port call list – NC shippers must use other ports to get goods to market more quickly.
- Inadequate depth and maintenance of Wilmington channel.
- Current agreement between NCRR and NS for operating rights on state-owned rail line from Greensboro to Morehead City does not encourage or support adequate rail service – same annual NS payment to NCRR of \$14 million regardless of service provided.
- West of Raleigh, most shippers do not use NC ports because of congestion points at Charlotte and Greensboro.

- Imports moving through NC distribution centers are primarily arriving from Asia-Pacific. These vessels typically call on ports other than NC ports.
- Unbalanced truck routes (a one-way haul with 110 to 115 miles empty return trip is economically unsound).

Infrastructure Needs

- Rail transport of oversize cargo to Morehead City: SpiritAir seeks to move large components by rail from their facility at GTP to France and Scotland. Rail spur connection into GTP is being expedited. SpiritAir and NS have not agreed on price – rail price last quoted by NS is much higher than trucking cost.
- Cold storage: Eastern North Carolina pork and poultry producers use refrigerated trucks to Norfolk; cold storage warehousing does not exist at NC ports. Cold storage in Kernersville NC is 4.5 times the typical cost
- Water depth and turning basin: NC ports must be able to serve a post-Panamax ocean vessel fleet.
- NCIT, with supporting landside infrastructure, would be a competitive alternative to other regional ports.
- Ro-Ro facilities: Port of Wilmington loses potential roll on-roll off business to other ports because they do not have facilities to handle this cargo.

FTZ Benefits and Value-Added Services

- If a business is importing high volume components or high value products, then an FTZ can defer or eliminate the cost of duty.
- Customs processing fees can be consolidated, which is sometimes more than the duty savings.
- No duty applied to scrap.
- If product is handled and re-exported through FTZ, duty is eliminated altogether.

Characteristics of Successful Logistics Centers and FTZ

- Service to existing customers
- Niche markets can be developed by providing focused service to a specific market segment.
- Coordinated marketing
- Surrounded by supporting industry
- Part of an integrated transportation solution
- Efficient port connections
- Road, rail and airport access
- Value-added services: warehousing, distribution, handling, repackaging, consolidation
- Ability to handle international containers intact and to transload from 20' and 40' international containers to 53' domestic containers.
- Location and users allow for balanced trucking (loaded move in both directions). e.g. Raleigh to Greensboro is a balanced truck haul because of distribution centers at each end.

Suggestions and Opportunities

- Extend FTZ #66 to ILM (Wilmington Airport) and portions of Hwy 421 to capture potential industrial/distribution centers.
- Develop coordinated marketing plan – with NCDOC, economic development commissions, and NC Chamber – to educate potential users on benefits of North Carolina's FTZs.
- Partner with poultry and pork producers to develop cold storage facility in Wilmington, including plug-ins for refrigerated containers.
- Reenergize Wilmington as an international city that offers quality of life supports global trade via sea and air.

- Advance maritime trade objectives in concert with NCDOT and NCDOC.
- Utilize intercoastal waterway as marine highway; provide barge service to Wilmington for heavy cargo.
- Compete for USDOT TIGER grants as potential funding source
- Develop a strategy for advocacy with USACE to advance needed projects
- Consider alternative structures to railroad operating agreement(s) over NCRR trackage so it can be better utilized; possibly make it a toll railway for both Class 1's and short lines - this could yield more competitive pricing.
- Build on North Carolina's strong military presence and pro-military environment to maximize capture of military cargo in NC.
- Encourage collocation of businesses with similar transportation needs within a common logistics hub to share benefits of a more efficient freight transportation network. This should be a role for the local Economic Development Commission. Third party provider must be able to protect intellectual property of competing shippers.
- Develop strategies for logistics centers and FTZs that will put vacant land back on property tax rolls.
- Link local FTZs with FTZs in country of import/export (e.g. existing linked FTZs in NC and China) – products moving between these linked FTZs are not subject to any duty.
- Consider advantages of FTZ alternative site framework, which will be an easier way to establish subzones and allows for general purpose (rather than company-specific) use.
- Offer a commission to expeditors that use NC facilities to deconsolidate freight.
- Offer incentives to industries and distribution centers that locate at the end of an existing haul route to eliminate deadhead trucking move.
- Take advantage of NC Brownfield program to bring contaminated sites back to beneficial use.
- Develop Radio Island site.

ATTACHMENT 1. NORTH CAROLINA FOREIGN TRADE ZONES

STATE	ZONE	SUBZONES	CBP PORT OF ENTRY
NORTH CAROLINA	FTZ No. 57 Mecklenburg County Grantee: Charlotte Regional Partnership, Inc. 550 South Caldwell Street., Suite 760 Charlotte, NC 28202 Ronnie Bryant (704) 347-8942 Fax (704) 347-8981 rbryant@charlotteusa.com	57A IBM 57B Volvo Construction Equipment 57C DNP IMS America Corp.	Charlotte
	FTZ No. 66 Wilmington Grantee: North Carolina Dept. of Commerce Operator: N.C. State Port Authority P.O. Box 9002, Wilmington, NC 28402 Lance Kenworthy (910) 343-6228 Fax (910) 763-6440 lance_kenworthy@ncports.com	66B Deere-Hitachi	Wilmington
	FTZ No. 67 Morehead City Grantee: North Carolina Dept. of Commerce Operator: N.C. State Port Authority P.O. Box 9002, Wilmington, NC 28402 Lance Kenworthy (910) 343-6228 Fax (910) 763-6440 lance_kenworthy@ncports.com		Morehead City/Beaufort
	FTZ No. 93 Raleigh/Durham Grantee: Triangle J Council of Governments c/o World Trade Center North Carolina P.O. Box 12276 Research Triangle Park, NC 27709 Renee Boyette (919) 558-9403 Fax (919) 485-81680 rboyette@tjco.org	93A Mallinckrodt Medical 93B IBM 93C Merck 93D R. G. Barry 93E Custom Manufacturing Services, Lucent Technologies, Inc. 93G Revlon Consumer Products Corporation 93H Merck & Co., Inc.	Raleigh-Durham
	FTZ No. 214 Lenoir County Grantee: North Carolina Global TransPark Authority 2780 Jet Port Road, Suite A Kinston, NC 28504 Darlene Waddell (252) 522-4929 x714 Fax (252) 522-5778 dwaddell@ncgtp.com	214A Consolidated Diesel 214B Nacco Materials Handling Group, Inc.	Morehead City/Beaufort
	FTZ No. 230 Piedmont Triad Area Grantee: Piedmont Triad Partnership 416 Gallimore Dairy Rd. Suite M Greensboro, NC 27409 Penny Whiteheart (336) 369-2201 pwhiteheart@piedmonttriadnc.com www.piedmonttriadnc.com	230A United Chemi-Con 230B Unifi, Inc. 230C Banner Pharmacaps, Inc. 230D Klausner Home Furnishings	Winston-Salem