NORTH CAROLINA
MARITIME Strategy

DISCUSSION RECORD

INDUSTRY GROUP: Maritime Advisory Council

DATE: November 9, 2011

LOCATION: Raleigh, NC

The November 9, 2011 Maritime Advisory Council meeting agenda included analysis update, industry and stakeholder feedback, market scenarios, and infrastructure constraints and opportunities. The following subjects were raised and discussed by the Maritime Advisory Council.

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INFRASTRUCTURE CONSTRAINTS AND OPPORTUNITIES

- Landside access biggest cost
- Maps showing funded STIP projects thru 2018-improvements are only 30 min or less
- Funded STIP Plus (SHC, STIP unfunded, Gaps) – show large decreases for travel times by 2040
- Next step will be BCA of different corridor improvements so Team can choose which might be best improvements
- For foreseeable future, most freight will continue to move via truck in NC
- Next step: tie final costs to each scenario

RAIL NETWORK

- With appropriate volume and the long haul, intermodal and other rail service from POW would work
- With investments at CLT, Charlotte will have better intermodal service by NS than CSX; BSNF has approximately one year with CSX for land bridge deal
- Intermodal from Savannah does not go thru Charlotte - the ramp is not in a good location, additionally there are double stack restrictions on CSX to the west
- Carriers use Norfolk because of intermodal rail service even, though terminal rates are approximately $100 more than POW
- Annual volumes of 300,000 tons seems to be the minimum necessary to realized competitive rail rates
- Rail must compete with trucks in NC – Maritime Study builds off the truck market to meet shipper needs before diverting to rail when sufficient volume can be realized
- POW has daily rail service by CSX that can handle double-stack
- Need required volume to get a unit train; otherwise not financially viable for the railroad

TRUCK NETWORK

- Wilmington is traditionally a truck market as no intermodal connectivity
- Truck cost ~$450 per container; today, rail cannot compete
- Converting containers to non-divisible load (once locked and sealed is non-divisible)

- Containers (considered non-divisible loads for load limits) can be loaded about 10K more if sealed and bill of loading to foreign destination
- To grow MHC, significant inland transport improvements are necessary; significant investment required to upgrade US 70 to freeway from Raleigh to MHC
- State is focusing on replacing 4,000 timber bridges within NC, which restrict routes for oversize loads

MARKET OPPORTUNITIES

- Focus is on the export side as there is a more direct economic link (job creation) for NC
- Import will support jobs if a producer imports to a plant/manufacturing facility in NC
- Need infrastructure costs, cannot simply chase a hot opportunity
- Logistics parks can attract collocated companies with similar transportation needs
- EO99 important in the decision process as to how commodities interact with local community

GRAIN & SOYBEANS

- Market price dictates volume
- Planted acreage is what dictates flow and farmgate price - there is capacity to plant more
- Grain terminal is running near capacity in Chesapeake; Savannah is adding capacity; Brunswick, GA has a grain elevator which is underutilized, as they have a strong peanut market and peanuts are incompatible with other grains
- Private investment grain facility has been discussed for MHC to capture mid-west market
- Without a grain terminal, grain can’t be diverted
- Perdue is a major livestock feeder and soybean exporter
- NC also imports beans and crushes them here
- If you can keep inland freight at $300/truckload (typically 90 miles or less from port), then the export can work

WOOD

- Wood chips are processed at both POW and MHC
- Brunswick, GA is making an investment in wood pellets
- ENVIVA – created a private port in Hampton on Elizabeth River to service wood chips
- Bulk tonnage are attached to loads, less of an issue of deadheading than for containers
- Biomass - Fran and Floyd’s destruction caused heavy planting which is now coming of age for cutting and converting to chips and pellets

REFRIGERATED CONTAINER GOODS

- Huge potential with cold storage
- Inspection Facility for refrigerated cargo will add supplementary expense

RO/RO

- NC ranked #6 on East Coast, Baltimore is at the top
- Some cargo from NC is being trucked to Savannah
- Potential opportunity for wind power - no historical trend
    - There are turbines in 31 NC locations; each turbine weighs between 164 and 334 tons
    - Maintenance inland and offshore have differing needs
    - NC has goal of 12.5% of electricity via wind by 2021

- New wind farm approved for Pasquotank County
- Appalachian State study concluded that the best location would be along ridgeline of mountains (Ridgeline Law – prohibits construction)

CONTAINERS

- Study team was tasked with examining deepwater ports to ensure NC is not being constrained by our existing ports
- When investigating sites for deepwater ports, only a few viable locations were identified due to constraints from ocean access, protection from wind and wave actions, avoiding national parks, wilderness and refuge areas, avoiding military lands, complying with COBRA and more. Six potential sites met preliminary analysis requirements for water suitability and land suitability
- Evaluation of container port sites must consider: (1) risk of not realizing anticipated volumes, and (2) risk of losing all volumes to other regions if Post Panamax vessels cannot be accommodated at NC ports.
- Major capital investment should be considered against "do nothing" case.
- Private investment could make container development more attractive / reduce State risk
- South American trade will continue to rely on smaller ships
  - Containerized exports of cotton and yarn to Central and South America; Brazil is a growing market and will not be using the big ships.
  - Northbound potential from South America - most goes thru FL because of USDA inspection facility. Nearest facility is in south FL for imports (melons, veggies).
- Hub and spoke solution (e.g. MSC) could benefit NC if deeper water cannot be achieved

MILITARY

- Wilmington currently has two tugs, the military needs three tugs in order to utilize a port
- Ports cannot base commercial decisions on military needs
- Lack of Ro/Ro at POW is a factor
- All military shipping decisions are made on a centralized basis

CHEMICALS & PHOSPHATES

- Small advantage on cost basis, but a current NC strength

ADDITIONAL BULK OPPORTUNITIES

Import

- Iron for mills in Georgetown, SC and NUCOR (Cofield, NC, in SC: Darlington, Florence, Huger, Swansea)
- Ferroalloys – Handling requirements stringent: dry, separate, no contamination or cross-mixing – may not be profitable
- Mineral Sands – ports currently handle a borate ore
- Aggregates and cement – volumes are down due to construction slow down
- Plastic pellets from Saudi Arabia – put into storage tanks, then rail cars (most resins in TX and LA). This project comes and goes.

Export

- 2012 will be strong for (dry) fertilizer as more corn will be planted than ever before; corn needs fertilizer; potentially 1M export tons from MHC
- Petroleum, LNG – high investment required, very volatile
- Recycled plastics – remanufactured locally, not moved through ports

- Coal – requires significant capital investment; concern about dust and spill containment; coal is not mined in NC - no gain for state economy

PERFORMANCE MEASURES

- For each market scenario, consider economic impact assessment (including job creation)
- Estimate the economic conditions of the impacted counties -consider county tier levels as it will be useful for comparative benefit
- Risk analysis is imperative
- A breakdown by trade lane would be beneficial
- Consider land side access – transport time savings and infrastructure cost – in analysis of cost effectiveness of alternatives
- Tie funding to each market scenario

FINAL RESULT

- A menu of options for the State to consider
- Not recommending final projects nor developing a funding plan
- NCDOT has prioritization process to weigh projects – including potential economic growth (jobs) with typical features such as travel time, safety, etc.
- Peripheral activities at NCDOT are ongoing; Economic benefits of maritime projects to be considered in development of 2040 Plan

PUBLIC COMMENT

- Request for more analytical components behind the Study
- Concern about IMPLAN
- "Ask not what the State can do for the ports, ask what the ports can do for the State."
- Reminder that the Study has maintained the focus that port use is to benefit the state.

NEXT ADVISORY COMMITTEE MEETING

- The final Advisory Council meeting will be held in the second week of January
- Agenda will include review of the formal recommendations