

**Governor's Logistics Task Force  
Regional Hub Design Subcommittee Meeting  
NC Department of Transportation  
Raleigh, NC  
July 8, 2011**

**Minutes**

Chairman John Atkins called the meeting to order at 1:03 p.m.

Additional subcommittee members in attendance were Dan Danieley, Secretary Dee Freeman, Pat Long, and Earl Brinkley. Subcommittee members David Congdon and Tom Eagar participated via conference call.

Other attendees included Tom Bradshaw, Roberto Canales, Bradford Sneed, Seth Palmer, George List, Larry Goode, Daniel Finlay, Duane Long, and Charlie Diehl.

Chairman Atkins discussed the subcommittee's charge of reviewing the Seven Portals Study draft document, and identifying potential logistics hubs. The group will attempt to complete its work in two meetings, but a third can be scheduled if needed. The entire set of documents will be reviewed, but Atkins noted that the primary focus will likely involve Chapter 3 (Supporting Commerce), Chapter 4 (Regional Reports), and Chapter 6 (Recommendations and Conclusion). This is not supposed to be a rubber-stamp process, and the subcommittee will need to recommend necessary changes, but the group should avoid "word-smithing."

Prior to working with the draft document specifically, Chairman Atkins opened the floor for any general comments that members wanted to make.

Earl Brinkley commented that the subcommittee and Task Force need to consider these issues from a 50,000-foot level, avoid regionalization, and keep politics out of the decisions made.

Tom Eagar commented that the Background and Context section needs more development, and Secretary Dee Freeman added that parts of the document need to be clearer, but still concise. (Secretary Freeman sent an email with comments on the morning of the meeting, and it is included as an addendum to these minutes.)

The subcommittee discussed adding a S.W.O.T. (strengths, weaknesses, opportunities, threats) analysis, and Roberto Canales suggested that it might be helpful for the Chairman to discuss the idea further with the Lt. Governor.

Mr. Brinkley discussed the advantages of lean manufacturing, and the crucial role that ports play in state economies. Seth Palmer concurred with Mr. Brinkley's comments on the role of ports, and added that this study (along with the Maritime Strategies study and others) is part of the

overall picture. To that extent, the Seven Portals research team has basically hit the mark as to their assigned task.

Pat Long commented favorably on the draft report as a good “road map” for use by the Task Force. It was helpful that the group went all over the state to learn about the regions’ relative assets, needs, opportunities, and challenges. The Task Force also learned a great deal about various industry sectors, including agriculture, military, and many others. Long also mentioned a Kenan Institute report on the influence of politics on development issues. Discussion followed on that issue.

The subcommittee concluded that a one-page “competitiveness” analysis would be helpful.

Mr. Brinkley suggested adding “Education” to the logistics circle on page 2 (discussed later in the meeting). Chairman Atkins suggested removing “perhaps” from bullet 3 (involving the North Carolina Railroad Company) on page 2. And Roberto Canales suggested adding “competitive” to rail service on page 2.

Mr. Eagar asked if passenger service was considered as it relates to growing population bases. Mr. Canales and Dr. List responded that while the report is generally about economic drivers and the movement of goods, in tourism-heavy areas people are the “goods” being moved. Mr. Brinkley pointed out the movement of people is a big part of military support, as well.

Mr. Brinkley stated that county-wide zoning/land-use planning is needed to protect military corridors. If North Carolina’s portion of Highway 17 develops like that same corridor in the Myrtle Beach, SC, we’ll lose our military presence. Secretary Freeman commented that a paragraph on conservation and land-use is needed in Chapter 3, especially in respect to preserving air corridors from encroachment.

David Congdon stated that on page 10 the reference to “accompanied by demand pull” should be replaced with “preceded by demand pull.” Mr. Congdon also commented that the list of siting criteria should include “proximity to airlines” and “cost of servicing customers.” Dr. List advised that the McCallum Sweeney siting criteria list can’t be changed, but those two additional criteria can be added elsewhere.

Mr. Congdon applauded the draft report, but suggested including a list of top priorities. Mr. Brinkley agreed, but added that is important to remember that all seven regions are different, and that jobs are needed everywhere.

Mr. Brinkley reiterated the importance of ports, and he read the following excerpts from various state ports authorities’ annual reports:

The South Carolina State Ports Authority handled international commerce valued at more than \$62 billion annually and receives no direct taxpayer subsidy. An economic development engine for the state, port operations facilitate 260,800 jobs across South Carolina and nearly \$45 billion in economic activity each year.

The (Virginia) Port's success has generated huge economic spin-off benefits to the Commonwealth. Annually, port-related business provides over 343,000 jobs, \$41 billion in revenues, \$13.5 billion in payroll compensation, and \$1.2 billion in local tax revenues.

Georgia's deepwater ports and inland terminals support more than 295,000 jobs throughout the state annually and contribute \$15.5 billion in income, \$61.7 billion in revenue and \$2.6 billion in state and local taxes to Georgia's economy.

Waterborne international trade moving through Florida seaports was valued at \$82.5 billion in 2008, accounting for nearly two-thirds of the state's total \$130.5 billion in international trade. Florida's seaports generate approximately 550,000 direct and indirect jobs with an average annual wage of \$54,400. Florida seaports contributed more than \$1.7 billion in annual state and local tax revenues.

Mr. Congdon commented that North Carolina needs to be able to show potential investors that locating here provides a better logistics value than other states.

Chairman Atkins questioned the research team on the China and Japan economic figures for 2010 on page 14, and asked that they be verified and corrected if needed.

Regarding page 28, Mr. Congdon commented that trucking will remain the predominant freight transportation mode, and that keeping highways uncongested is crucial.

The subcommittee discussed the issue of having a "logistics center" or "freight authority," and Mr. Palmer confirmed that those notions in general are on the agenda for consideration in the Governance Subcommittee of the Logistics Task Force. Additionally, the concept is being reviewed within the Department of Transportation given recent statutory changes involving the NC State Ports Authority and the NC Global TransPark.

Mr. Congdon noted that the page 45 references to Alliance, Texas and the GTP should more clearly indicate historical developmental differences.

In discussing Chapter 3, the subcommittee discussed the huge opportunity that North Carolina has to improve agricultural exports from the state.

Secretary Freeman reiterated during the Military discussion the importance of land use protection in order to preserve critical corridors for military use.

In the discussion of Transportation & Distribution, the subcommittee asked that "would be Maxton" on page 55 be changed to include other possibilities and to also reference global sourcing. Also, on page 56 "General Manufacturing" should be changed to simply "Manufacturing."

The subcommittee was pleased with the augmented comments on Tourism that had been offered by the NC Department of Commerce.

The subcommittee resumed the discussion of “Education” for inclusion in the report. Rather than identifying education as a separate industry sector in the logistics circle, the group agreed that it is an important component of each of the listed sectors. Dr. List suggested that comments on the role of education need to be added to the introduction, the executive summary, and especially as a big part of Chapter 5 (Crosscutting Statewide Analyses).

The individual Regional Reports were distributed to subcommittee members, and Chairman Atkins advised that the group will go through the remainder of the 7 Portals Study draft report at the next Regional Hub Design Subcommittee meeting, to be held at 10 a.m. on July 22<sup>nd</sup>. That meeting will take place in the E.I.C. Room in the DOT building.

The meeting was adjourned at 3:00 p.m.

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## ADDENDUM

### **Seven Portals Study – General Comments July 8, 2011**

#### **Dee Freeman, NC Dept. of Environment and Natural Resources**

- The report contains a lot of good factual information, but could be improved by including more focus – it isn’t specific enough to identify unmet transportation and logistics infrastructure needs for the state. It does not prioritize transportation/logistics infrastructure improvements in a way that could provide a blueprint for future state action.
- The purpose of the report could be clearer; is this process concerned with alleviating existing or near-term problems, or to use logistics improvements to spur economic growth, or both?
- Some of the more effective sections of the report are those dealing with military activities and potential use of additional ports infrastructure to support agricultural exports. Those get lost, however, in the report’s effort to offer something for every part of the state even while acknowledging that may not be either necessary or effective, at least in the near term.
- There is internal inconsistency between the report’s discussion and promotion of “logistics villages”. On the one hand, the report seems to present creation of logistics villages as a key recommendation. On the other hand, the report states:

“Logistics villages have received a great deal of public support – and often public funding. The evidence that they have achieved the aims set out for them is uneven at best and, in general lacking.” (Report, page 43.)

It isn’t clear why the report would make logistics villages a centerpiece of its recommendations while acknowledging that there is little evidence that they are effective.

- The report also indicates that logistics villages have only been successful in areas where demand already exists; that would suggest that logistics villages may benefit areas that already have a high levels of economic activity (assuming there is a need for additional infrastructure in those areas), but not areas of the state with lower levels of economic activity.
- The report should have more detail to assess the practicality of some of the proposed improvements (either those identified in the report itself or already proposed by local/regional entities). That would require more information on demand as well as any constraints on development (including environmental impacts; conflicts with other economic development proposals; limitations related to restricted airspace, military expansion, etc.).
- The report should include a general purpose statement or mission statement that clearly proclaims that all logistic activities should integrate environmental and natural resources requirements, and that the

State of North Carolina will be a leader in developing its economy and logistic needs balanced with the state's environment and North Carolina's unique and vast natural resources.

**Specific Comments**

Page 66 - The discussion of the hog industry suggests that its growth in N.C. has been limited due to restrictions on management of swine waste. Additional factors unrelated to the environmental impacts have affected expansion of the industry (including the organization structure of the industry itself and general economic factors). There is no longer a state moratorium on expansion of swine farms, although expanded farms need to use innovative waste management technology.