
North Carolina International Terminal

Pro Forma Business Plan Overview

The North Carolina State Ports Authority proposes building a new container terminal, to be called the North Carolina International Terminal, on a 600-acre undeveloped industrial site in Brunswick County near Southport, North Carolina. This site is a short distance from the Atlantic Ocean and is one of very few locations along the East and Gulf Coasts suitable for development of a new deepwater terminal. This terminal will take advantage of dramatic growth that is expected in international trade and the resulting increased demand for port facilities on the East Coast.



The Ports Authority contracted with CH2M HILL, an international engineering design firm, to develop a Pro Forma Business Plan addressing four key questions about the proposed North Carolina International Terminal:

1. Does a new container terminal in North Carolina makes economic sense from the perspectives of the various stakeholders?
2. What factors contribute to the need and success of a new container terminal?
3. What competitive advantages are offered by a new container terminal in North Carolina?
4. What organizational conditions are required to maximize benefits from the project?

To answer these questions, the Pro Forma Business Plan presents conceptualized data and information, where certain values or concepts are hypothetical or tentative. The report communicates the importance and viability of the project and the market growth that necessitates development of the International Terminal.

Economic Impact

In conjunction with the Pro Forma Business Plan, the Authority initiated an economic impact study by maritime industry economists Martin Associates to examine the regional and statewide economic benefits that the International Terminal, as conceptualized in the Pro Forma Business Plan, would offer. The study forecasts statewide economic benefits to North Carolina from the N.C. International Terminal at 477,000 jobs and \$1.1 billion annually in tax revenues. The International Terminal is forecast to bring nearly one-half million jobs and billions of dollars in tax revenues to the region and to the entire State. It will also become a catalyst for capital investment and economic development, creating a more competitive environment for other developments such as retail distribution centers and global manufacturing and assembly plants with even greater employment opportunities and economic benefits.

Economic Viability

The N.C. International Terminal will help meet unsatisfied demand for container-terminal capacity on the U.S. East Coast that is projected to far exceed what existing ports will be able to accommodate. Market forecasts call for container traffic to exceed port capacity beginning between the years 2014 and 2019 – around the time when the International Terminal is projected to start operation – and the unmet demand is projected to be 40 million TEUs (Twenty-foot Equivalent Units, an international measure of container volume) by 2030. Accordingly, the International Terminal could immediately capture nearly 1 million TEUs of business and grow to accommodate 3 million TEUs over 10 years. Economic models indicate that revenues from projected volumes would justify funding construction of the terminal and provide a return on investment.

Factors that Contribute to Success

The forecasted capacity shortage provides an attractive market entry opportunity for the project. Revenue growth is predicted to be robust, and presents an estimated cash flow profile capable of returning value back to the operator, developer, and the Authority.

In addition, the central location of the International Terminal on the U.S. East Coast offers opportunities to serve several markets with close proximity to fast growing population centers.

Competitive Advantages

In order to be competitive in the shipping industry, strategic elements that would provide competitive advantages for the International Terminal include:

1. a navigation channel depth in excess of 50 feet to attract large vessels and large cargo volumes
2. a focus on markets more than 500 miles from the terminal with a goal of moving 50 percent of the containers off of the terminal by rail
3. efficient highway access to meet market and distribution center needs
4. high productivity facilitated by the best available technology, processes and practices to minimize shippers' costs
5. providing services at a total supply chain cost that is competitive with other ports and gateways
6. effectively meeting the needs of multiple stakeholders. In this sense, competitiveness is tied to environmental stewardship, state-of-the-art operational technology, terminal and supply chain security, and total cost of ownership.

Organizational Conditions

The pro forma business plan examined three potentially viable terminal development options: (1) development by the Ports Authority; (2) development by a private terminal operating company using a public private partnership; and, (3) development through a joint-venture approach. A public private partnership concession was identified as the best approach; it would be the most expedient (thus meeting the demand forecast timeline) and meets the most rigorous tests for providing a return on investment.

Conceptual Design and Initial Capital Cost Estimate

A study was undertaken to develop conceptual plans solely for the purpose of approximating the size, configuration, and location of port facilities and infrastructure elements as a tool to determine estimates of cost and schedule in order to support the Pro Forma Business Plan. The conceptual approximations of cost and schedule were used as inputs to the economic business evaluation.

Conceptual designs for the International Terminal call for a high-density, automated container terminal capable of serving 12,000-TEU vessels. It would have a cargo throughput capacity of 3 million TEUs

annually (approximately 1.8 million containers) at full build-out. It would be planned in phases that would allow operations to begin generating revenue at the earliest possible date.

The Authority intends to provide a sustainable design and operation at the North Carolina International Terminal through a focus on the social, environmental, economic, and security elements of the development. The project will emphasize innovation and technology to promote worker health and safety as well as advancing stakeholder social interests, utilize an environmental management system to minimize the environmental footprint, create an efficient and effective business operation through automation and training, and provide security systems to secure the safety and well-being of both employees and neighbors.

The terminal was analyzed under both a "Low-Peaking" scenario and a "High-Peaking" scenario. The Low-Peaking cost is used as the base capital cost throughout the Pro Forma Business Plan because the Low-Peaking scenario is more typical of the automated operations proposed for this facility. A summary of the capital costs, in 2007 dollars, resulting from the Low-Peaking scenario is contained in Table 1.

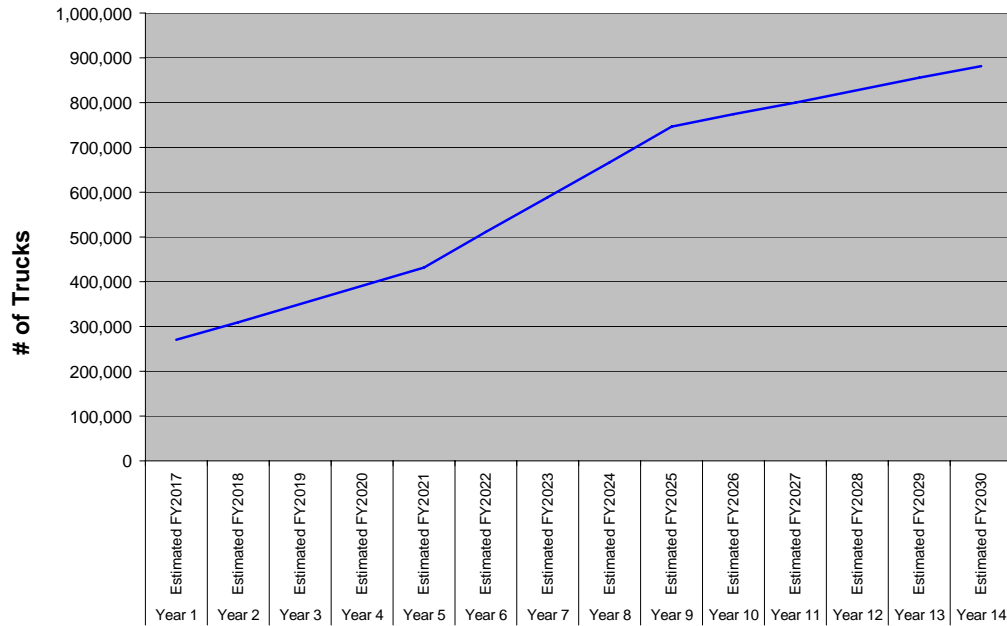
TABLE 1 Capital Cost Summary, Low-Peaking Scenario

Component	Approximate Cost
Responsibility of Authority	
Environmental and Permitting Cost	\$60,000,000
Terminal Development Cost (Subject of public-private partnership)	\$1,383,400,000
Non-Federal Share of Channel Deepening Cost (50%) (Usually N.C. Division of Water Resources)	<u>\$265,800,000</u>
Subtotal of Authority Costs	\$1,709,200,000
Responsibility of Other Parties	
Total Roadway Improvements Costs	\$181,500,000
Total Railroad Improvements Costs	\$127,400,000
Federal Share of Channel Deepening Cost (50%)	<u>\$265,800,000</u>
Subtotal of Other Party Costs	\$574,700,000
Total Project Development Cost	\$2,283,900,000

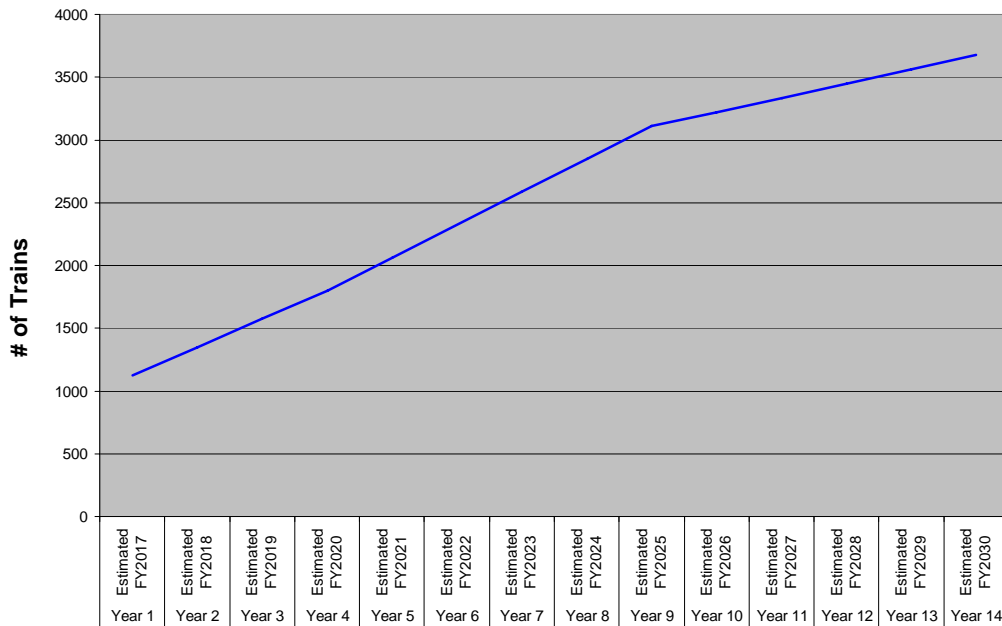
- Funding will be provided from a combination of Federal, State, and private sources.
- The Federal government is a major source of funding for initial dredging and maintenance dredging.
- The local rail system and operation is controlled by the Army. The Authority is working with the Army on operating arrangements and improvements to rail infrastructure.
- Coordination of funding and improvement to State road systems is the responsibility of the N.C. Department of Transportation. The Authority is working with NCDOT to improve road infrastructure.

The charts on the next page show the road and rail traffic projections from the opening of the first phase of the proposed N.C. International Terminal through completion.

Projected Number of Trucks Entering and Exiting NC International Terminal



Projected Number of Trains Entering and Exiting NC International Terminal



Economic Impact

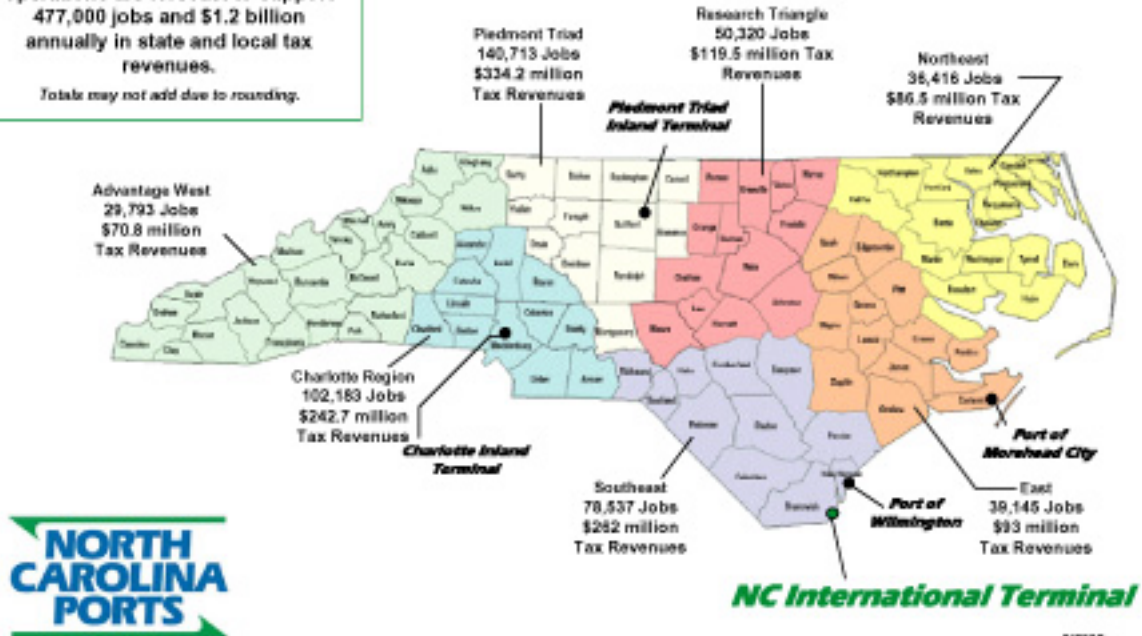
The economic impact of taxes and jobs will be distributed throughout North Carolina and the Southeastern U.S. By full build out, the proposed International Terminal is projected to generate nearly 16,534 direct, induced, and indirect jobs. Annually, direct, induced, and indirect earnings and local consumption expenditures are projected to reach \$1.1 billion (all in 2007 dollars), and local businesses are projected to receive \$1.6 billion in direct revenue.

In addition to direct, induced, and indirect impacts, impacts on N.C. exporters, importers, and services supporting export/import activity (including manufacturing, distribution centers, support services to truck and rail operations, and other retail support activities) were also estimated. By full build out, nearly 461,000 jobs throughout the state will be related to the projected level of container operations at the International Terminal, receiving an annual personal income of \$10.5 billion and supporting \$1.1 billion of state and local taxes from related users of the terminal. Total economic value to the importers and exporters in North Carolina is estimated at nearly \$16 billion annually (excluding the direct business revenue of \$1.6 billion).

North Carolina International Terminal 2030 Statewide Prosperity Forecast

By 2030, NC International Terminal operations are forecast to support 477,000 jobs and \$1.2 billion annually in state and local tax revenues.

Totals may not add due to rounding.



There are compelling economic, financial, and national security reasons to build a new international container terminal in North Carolina.

National Significance

- Improvements in the U.S. intermodal transportation system are critical to the nation's economic health and well-being.
- A need for a mid-Atlantic logistics infrastructure to meet trade capacity demands as the West Coast, using the existing land bridge to the eastern half of the nation, becomes unavailable to meet East Coast demand for goods.
- Strategic military synergies. A 2005 Congressional report on the performance of ports and the intermodal system warns that existing ports may not be able to support military deployments as they become more cargo congested.
- A new facility will provide state of the art port security against terrorist threats and can actually add an additional layer of security to an existing neighboring DoD facility (MOTSU).
- A new facility will use sustainable technologies (environmental stewardship).

Regional Importance

- Few ports on the U.S. East Coast can offer the deep draft conditions and large container terminals that will be required in the future.
- Major manufacturing and assembly plant site-selection criteria require proximity to deepwater port facilities with global service coverage.
- Economic impact of taxes and jobs.

State and Local Benefits

- Provides North Carolina businesses a cost effective gateway to access global markets for sourcing of materials and export of products.
- Serves as a key to retaining military installations and meeting future military needs within North Carolina.
- Positions North Carolina to compete with neighboring South Atlantic states for economic development projects. Business and financial centers evolve with economic development.
- Functions as an avenue for needed road/rail improvements.

ABOUT THE NORTH CAROLINA STATE PORTS AUTHORITY:

North Carolina's Ports in Wilmington and Morehead City, plus inland terminals in Charlotte and the Piedmont Triad in Greensboro, link the State's consumers, businesses and industry to world markets and serve as magnets to attract new business and industry. Port activities contribute statewide to 85,000 jobs and \$299 million in annual tax revenues. The proposed N.C. International Port and Port expansion projects in Morehead City and Wilmington will make North Carolina a key player in international trade, and multiply related jobs and economic impact in the state.

Top trading partners are China, Venezuela, Colombia, India, Germany, Indonesia, Italy, Korea, Taiwan, the United Kingdom and Turkey.

Primary exports are fertilizers, woodpulp, forest products, general merchandise, food, chemicals and metal products.

Top imports are forest products, chemicals, natural rubber, cement, scrap metal, steel, coal and general merchandise.

INFORMATION:

Karen Fox, Director of Communications (910) 343-6491 1-800-334-0682 Karen_Fox@ncports.com

Susan Clizbe, Communications Manager (910) 343-6482 (910) 367-3559 Mobile Susan_Clizbe@ncports.com