Board Member Orientation

September 2011
NC State Ports Authority

- Economic development agency for State
- Operations self-funded
- Gateways to world markets for North Carolina business and industry
- Support more than 65,000 statewide jobs
- $500 million state and local tax revenues

www.ourncports.com
Ports Authority Strategic Initiatives

- Achieve planned business and revenue growth; maximize utilization of existing facilities.

- Maximize velocity, throughput capacity and service reliability of existing port facilities to accommodate forecasted market growth; grow net operating income.

- Successful and timely development of new terminal facilities to meet changing global market requirements and demands.
NCSPA Board of Directors

Carl Stewart, Jr.
Chairman
Attorney and
Former Speaker, NC House of
Representatives

Alex G. MacFadyen, Jr.
Vice Chairman
Retired Group VP, Government Affairs
First Citizens Bank

Brett Carter
Sr. Vice President
Duke Energy

Eugene Conti
Secretary
NC Dept. of Transportation

Jeff D. Etheridge, Jr.
Regional President
BB&T

Robert O. Hill, Jr.
CEO
Hillco Ltd.

Michael V. Lee
Managing Partner
Smith, Moore, Leatherwood, L.L.P.

Gregory B. Plemmons
Vice President, Global Division
Old Dominion Freight Line, Inc.

Simon B. Rich III
Operations Manager and Owner
Stevens Towing

George Rountree, III
Senior Partner
Rountree, Losee & Baldwin, L.L.P.

Laura Wilson
Former co-owner
Wilson’s Supermarkets
North Carolina State Ports Authority’s Board of Directors

- Composed of 11 members
  - Six (6) are to be appointed by the Governor for staggered six (6) year terms,
  - Four (4) are to be appointed by the NC General Assembly for staggered two (2) year terms,
  - NC Secretary of Transportation serves as an ex-officio voting member
  - Appointments should represent each section of the state and all of the business, agriculture and industrial interest of the state

- Required to meet once in each 60 days

- Transactional approval is required for:
  - Capital equipment, original contracts and change orders of previously approved contracts over $100,000,
  - Change orders over $20,000 not previously approved by the Board,
  - Leases over $100,000 and/or more than three (3) years, and all acquisitions, dispositions or encumbrances of real property
  - Financing transactions
  - Annual operating and capital budgets
North Carolina State Ports: Strategic Location

Central East Coast Location

Within 700 miles/1,110 km of North Carolina:

- 170 million U.S. and Canadian consumers
- 65 of the country’s top 100 metropolitan areas
- 58.2% of total U.S. retail sales

Nearly 70% of US population is east of the Mississippi River
Business Development
Glenn Carlson, CCO
NC Ports Support NC Business

Woodpulp – International Paper
Scrap steel - Nucor
Lumber - Regional
Grain – Various Pork and Poultry Exporters
Goodyear Rubber Fayetteville & other
Military Load-Out Operations Camp LeJeune / Fort Bragg
Phosphate PCS
Container - Statewide

Jobs, Investment and Growth
Warehousemen
Equipment Operators
Computer Operators
Managers
Logistics Coordinators
Trucking firms

Retail Workers
Warehousemen
Equipment Operators
Computer Operators
Managers
Logistics Coordinators
Trucking firms
Overnight providers

NC State Ports create
Jobs, Investment and
Growth

Pilot organizations
Tug Operators
US Coast Guard
Multiple Federal Agencies

Financial institutions
Marine construction companies
Int'l Longshoreman Assoc (ILA)
Terminal operating companies
Gate Inspectors
Security Officers
Warehousemen
Customs Officers
Equipment Operators
State Employees
On Terminal Rail Operators
US Army Corps of Engineers
Other governmental agencies
# NC Ports Navigational Channels

<table>
<thead>
<tr>
<th></th>
<th>MOREHEAD</th>
<th>WILMINGTON</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ocean Bar Depth:</td>
<td>47’ MLLW</td>
<td>44’ MLLW</td>
</tr>
<tr>
<td>Channel Depth:</td>
<td>45’ MLLW</td>
<td>42’ MLLW</td>
</tr>
<tr>
<td>Turning Basin Depth:</td>
<td>35’/45’ MLLW</td>
<td>42’ MLLW</td>
</tr>
<tr>
<td>Depth at Berths:</td>
<td>35’/45’ MLLW</td>
<td>42’ MLLW</td>
</tr>
<tr>
<td>Anytime Transit – in or out:</td>
<td>42’ vessel draft</td>
<td>38’ vessel draft</td>
</tr>
<tr>
<td>Maximum Arrival Draft (with window):</td>
<td>42’ vessel draft</td>
<td>42’ vessel draft</td>
</tr>
<tr>
<td>Maximum Sailing Draft (with window):</td>
<td>42’ vessel draft</td>
<td>40’ vessel draft</td>
</tr>
<tr>
<td>Tidal Range:</td>
<td>3’</td>
<td>4’</td>
</tr>
<tr>
<td>Air draft:</td>
<td>no restrictions</td>
<td>165’</td>
</tr>
<tr>
<td>Turning Basin:</td>
<td>1,100’/1,350’</td>
<td>1,200’</td>
</tr>
</tbody>
</table>

Maximum Arrival, Sailing and Anytime drafts are contingent on most recent US Army Corps of Engineers Soundings.
Europe and Central America Services at Port of Wilmington
Wilmington’s container moves have grown significantly following the completion of the 42’ channel project and terminal upgrades.
NC Ports Breakbulk Volume

Breakbulk Tons

Forecasted FY12 – FY15
Port of Morehead City: Woodchip Operation
Port of Wilmington: Fluff Pulp (IP and Domtar)
NC Ports Support NC Agriculture

Port of Morehead City
• 91% of export tonnage handled is fertilizer - an agribusiness essential
• 42% of import tonnage is agribusiness related: fertilizers, veneers & plywood, logs & lumber, and boards

Port of Wilmington
• 63% of total export tonnage handled is agribusiness related: woodpulp, logs & lumber, cotton, paper & paperboard, meat & poultry, and tobacco
• 23% of total import tonnage is agribusiness related: fertilizers, grains and animal feeds, lumber, and cotton
## NC Agriculture in Containers (2010)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Tonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logs / Lumber</td>
<td>150,438</td>
</tr>
<tr>
<td>Wood Pulp</td>
<td>117,920</td>
</tr>
<tr>
<td>Fabrics (including raw cotton)</td>
<td>70,207</td>
</tr>
<tr>
<td>Paper and Paperboard</td>
<td>51,842</td>
</tr>
<tr>
<td>Poultry (fresh and frozen)</td>
<td>43,957</td>
</tr>
<tr>
<td>Meat (fresh and frozen)</td>
<td>43,418</td>
</tr>
<tr>
<td>Pet and Animal Feeds</td>
<td>23,865</td>
</tr>
<tr>
<td>Tobacco</td>
<td>15,155</td>
</tr>
<tr>
<td>Soybeans and Soybean products</td>
<td>12,558</td>
</tr>
<tr>
<td>Food casings</td>
<td>3,430</td>
</tr>
<tr>
<td>Woodenware</td>
<td>2,965</td>
</tr>
<tr>
<td>Veneers and Plywood</td>
<td>2,652</td>
</tr>
<tr>
<td>Boards</td>
<td>1,978</td>
</tr>
<tr>
<td>Protein / Nucleic Acid</td>
<td>1,541</td>
</tr>
<tr>
<td>Grocery Products</td>
<td>1,280</td>
</tr>
<tr>
<td>Feathers, Down and Hair</td>
<td>1,196</td>
</tr>
<tr>
<td>Rice</td>
<td>1,056</td>
</tr>
<tr>
<td>Vitamins, Animal Feed Supplements</td>
<td>1,054</td>
</tr>
</tbody>
</table>
NC Ports Support NC Military

Source: NC Department of Transportation
New Projects Under Development

- Soybeans to Morocco – short term opportunity
  - Flat storage in transit shed in Morehead City
  - Requires support from NS Railroad for pricing
  - Could begin 11Q4

- On-dock cold storage facility – Wilmington
  - Exploring financing opportunities
  - Initial discussion with public/private partnership
  - Support the container and breakbulk opportunities

- Grain elevator – Radio Island
  - $60-70 M investment
  - Longistics/North Carolina Team in Beijing to develop opportunity
2011 Fiscal Highlights

Jeff Strader, CFO
- Coverages remain within the limits established in the Authority’s Trust agreement
- No new debt is contemplated for FY 2012
2012 Operating Budget
Jeff Strader, CFO
Budgeted Cargo Movements

Cargo Movement Summary (w/o guarantees)

Highlights

No unsecured lines of business are included in the FY12 budget.

FY12 General Terminal tons are forecasted to increase 13% from FY11 projected.

- Weak outlook for Metal Products reduces forecasted 24% from 159K to 120K
- UAN Fertilizer fully operational increasing 257% from 35K to 125K
- IMS Woodchips are fully operational increasing from 40K tons (June) to 225K tons

Container activity is forecasted to increase 3% in FY12.
Revenue and Expenses

- **Operating Revenues** are projected to be up 9%, from $36.4M in FY11 projected to $39.8M in the FY12 budget.

- **Operating Expenses** (inc. General Adm) are projected to increase 1% from FY11 projected to FY12 budget.

- **Total employment costs** will increase 2.5%.

- **EBIDA** are projected to increase from $8.4 million to $10.7 million, due to greater increases in revenues than in cash expenses.
Consolidated Results

Net Income by Facility

<table>
<thead>
<tr>
<th>Facility</th>
<th>FY 2010 Actual</th>
<th>FY 2011 Projected</th>
<th>FY 2012 Budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Wilmington</td>
<td>$(5.9) M</td>
<td>$(4.3) M</td>
<td>$(2.1) M</td>
</tr>
<tr>
<td>Port of Morehead City</td>
<td>$(5.0) M</td>
<td>$(1.5) M</td>
<td>$(1.0) M</td>
</tr>
<tr>
<td>Other Activities</td>
<td>$(4.0) M</td>
<td>$(764)K</td>
<td>$(2.1) M</td>
</tr>
</tbody>
</table>

Results by Facility

Summary of Net Income (Loss)

<table>
<thead>
<tr>
<th></th>
<th>Projected FY 2011</th>
<th>Budgeted FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIDA</td>
<td>$8,405,731</td>
<td>$10,971,640</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>$(4,316,750)</td>
<td>$(1,519,871)</td>
</tr>
<tr>
<td>Ports Activity Income (Loss)</td>
<td>$(764,298)</td>
<td>2,161,971</td>
</tr>
<tr>
<td>Port of Wilmington</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>$(4,151,224)</td>
<td>$(2,075,041)</td>
</tr>
<tr>
<td>Ports Activity Income (Loss)</td>
<td>$(1,242,804)</td>
<td>796,823</td>
</tr>
<tr>
<td>Port of Morehead City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>$(1,137,550)</td>
<td>$(636,799)</td>
</tr>
<tr>
<td>Ports Activity Income (Loss)</td>
<td>$(493,518)</td>
<td>173,179</td>
</tr>
<tr>
<td>Other Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>972,024</td>
<td>1,191,969</td>
</tr>
</tbody>
</table>
Payroll Cost (increasing 2.5%)
• No incremental headcount adjustments
• No merit or cost-of-living adjustments included
• Open /Vacated positions are budgeted to remain filled
• Payroll costs variance includes increase in medical premiums of 10%

Operating Expenses (increasing 3%)
• Deferred Maintenance (increasing 76%)
• Dredging Cycles (increasing 21%)
• Advertising Initiatives (increasing 14%)
• General Admin Expenses (decreasing 4%)
  - primarily relating to studies & corporate planning engagements
Revenue generated and tons handled per employee are **continuing to increase** since the peak in FY06.

Payroll costs have been effectively managed, resulting in improved margins.

* Container moves were converted to tons for this analysis.
EBIDA and Debt Service Coverage

- Coverages remain within the limits established in the Authority’s Trust agreement.
- No new debt is contemplated for FY 2012.

### Projected EBIDA and Total Debt Service

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIDA (Millions)</th>
<th>Total Debt Service (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2011</td>
<td>$8,058,109</td>
<td>$5,668,984</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$10,749,540</td>
<td>$6,195,195</td>
</tr>
</tbody>
</table>

### All-in Coverage

<table>
<thead>
<tr>
<th>Year</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2011</td>
<td>1.42</td>
</tr>
<tr>
<td>FY 2012</td>
<td>1.74</td>
</tr>
</tbody>
</table>
Margin Analysis

Terminal Operating Margin

Ports Activity Margin


Projected: 24.3% 28.7%
Budgeted: 5.4%
2012 Capital Budget
Jeff Strader, CFO
The significant projects contemplated are:

**POW**
- Berth 1&2 Repairs
- Command & Control Center
- Berth 2/3 Rail Switches

$2,534,646

**MHC**
- Berth 8 & 9 Bollards
- Main gate relocation
- Front-end Loader

$560,000

Grant projects are funded through a combination of Federal Port Security Grants, and State Energy Grants.

### FY 2012 Capital Projects Summary

#### Port of Wilmington

- **Other Capital Projects**: $2,898,322 (54%)
- **Security/Energy Grants**: $1,826,410 (34%)
- **Major Equipment**: $488,644 (9%)
- **Major Maintenance**: $140,000 (3%)

**Total**: $5,353,376

#### Port of Morehead City

- **Other Capital Projects**: $2,318,000 (59%)
- **Security/Energy Grants**: $490,490 (13%)
- **Major Equipment**: $1,011,324 (26%)
- **Major Maintenance**: $85,000 (2%)

**Total**: $3,904,814

#### IT Projects

- **New ERP System**: $191,507 (23%)
- **GT TOS - Wilmington**: $545,000 (66%)
- **Other Projects**: $85,000 (10%)

**Total**: $821,507
### FY 2011 Capital Budget Funding Sources

<table>
<thead>
<tr>
<th></th>
<th>FY 2011 Funding Need</th>
<th>Net Revenues</th>
<th>State R&amp;R and Appropriations</th>
<th>Grants</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morehead City</td>
<td>3,895,056 39%</td>
<td>$1,385,457</td>
<td>$475,000</td>
<td>$449,599</td>
<td>$1,585,000</td>
</tr>
<tr>
<td>Wilmington</td>
<td>5,333,861 53%</td>
<td>2,164,892</td>
<td>1,214,936</td>
<td>1,814,033</td>
<td>140,000</td>
</tr>
<tr>
<td>Greenfield</td>
<td>0%</td>
<td>-</td>
<td>605,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administration</td>
<td>850,780 8%</td>
<td>245,780</td>
<td>-</td>
<td>605,000</td>
<td>-</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$10,079,697</td>
<td>$3,796,129</td>
<td>$1,689,936</td>
<td>$2,868,632</td>
<td>$1,725,000</td>
</tr>
</tbody>
</table>

% of Total: 38% 17% 28% 17%

### Highlights:
- 85% of identified needs assigned primary funding source
- Funding assigned using SLT guidelines
- No debt issuance is planned during FY 2012
- Of R&R money, approximately $600,000 was approved in FY 2011, and an application for approximately $1.0 million has been submitted for projects proposed for FY 2012.
As of June 30, 2011, the investment reserve was funded at a surplus level. Given anticipated future growth, it was determined that the reserve balance should be maintained at its present level, or increased during FY 2012, if possible.

Projected Reserve Balance = $10.5 million, plus Debt Service Reserve Fund = $3.6 million (for 2010 bonds)

**Minimum Reserve Balance Analysis**

<table>
<thead>
<tr>
<th>Reserved for:</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow requirement</td>
<td>$2,423,913</td>
</tr>
<tr>
<td>Debt service requirement</td>
<td>3,097,597</td>
</tr>
<tr>
<td>Capital asset requirement</td>
<td>1,304,214</td>
</tr>
<tr>
<td>Casualty loss requirement</td>
<td>625,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,450,724</strong></td>
</tr>
</tbody>
</table>

Highlights:

- As of June 30, 2011, the investment reserve was funded at a surplus level.
- Given anticipated future growth, it was determined that the reserve balance should be maintained at its present level, or increased during FY 2012, if possible.
**FY 2012 Proforma Cash Flows**

<table>
<thead>
<tr>
<th></th>
<th>Actual FY 2011</th>
<th>Budgeted FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cash provided from (used for) operating activities</td>
<td>$ 4,075,683</td>
<td>6,027,961</td>
</tr>
<tr>
<td>Total cash provided from (used for) investing activities</td>
<td>(2,514,927)</td>
<td>(9,119,697)</td>
</tr>
<tr>
<td>Total cash provided from (used for) financing activities</td>
<td>(2,420,667)</td>
<td>1,444,829</td>
</tr>
<tr>
<td>Net increase (decrease) in cash &amp; cash equivalents</td>
<td>(859,911)</td>
<td>(1,646,908)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>$ 17,408,585</td>
<td>16,548,674</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>$ 16,548,674</td>
<td>$ 14,901,766</td>
</tr>
</tbody>
</table>

**Highlights:**
- Proforma Cash Flow acts as a bridge between Capital and Operating Budgets
- Provides historical benchmark to measure reasonability of projections
- Provides understanding of beginning cash position and cash/funding sources
- FY12 Investments include:
  - Fixed assets ($8.3M)
  - Deferred charges ($765K)
- FY12 Financing includes:
  - Grant Proceeds $2.6M
  - Bank debt repayment ($2.0M)
  - Bond debt repayment ($1.0M)
  - State R&R $1.7M
Port Infrastructure and Capital Projects

Jeff Miles, COO
North Carolina Ports Facilities

Port of Wilmington

Southeast Brunswick County Site

Port of Morehead City

Charlotte Inland Terminal

Greensboro Inland Terminal
Port of Morehead City

• One of the deepest ports on the U.S. East Coast

• Located just four miles from the Atlantic Ocean

• The second largest US port for the import of natural rubber which supports the tire manufacturing industry

• Handles both breakbulk and bulk cargo

• Leading US port for the export of phosphate

• New woodchip export terminal
Morehead City
New 177,000 Sq. Ft. Warehouse
Central Hardstand
$21 million
Total Capital Last Five Years $30M
Port of Wilmington

Terminal
• 284 acres
• Navigation Channel: 42’
• 500,000 TEU Annual Thruput Capacity – currently operating at 50% Capacity
• 3 Berths for Panamax and Post-Panamax Vessels
• 7 Cranes including 4 new Post-Panamax Cranes
• NC Ports employees perform terminal operations
• New Terminal Operating System
• On dock Rail ICTF

Fast, Efficient ...
• Vessel/Truck Turnaround
• Crane Productivity
• Gate Productivity
<table>
<thead>
<tr>
<th>Project Description</th>
<th>Cost</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>42’ Channel and Berth Deepening Project</strong></td>
<td><strong>$280,000,000</strong></td>
<td>Dredging complete January 2004</td>
</tr>
<tr>
<td><em>Cost Shared Project – State/Federal/Port</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New Yard Handling Equipment</strong></td>
<td><strong>$3,793,500</strong></td>
<td>In service January 2006</td>
</tr>
<tr>
<td>9 new Reach Stackers complete total fleet of 11</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Berth Improvements for 42’ depth and 100’ gauge cranes</strong></td>
<td><strong>$9,384,000</strong></td>
<td>Completed February 2007</td>
</tr>
<tr>
<td>Berth 9 structural, crane rail, bollards, fendering</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Four New ZPMC 100 gauge container cranes</strong></td>
<td><strong>$37,440,000</strong></td>
<td>Commissioned April 2007</td>
</tr>
<tr>
<td>New “green” electric powered cranes complement 4 existing diesel electric 50’ and 32’ gauge models</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Terminal Operating System</strong></td>
<td><strong>$1,500,000</strong></td>
<td>In service August 2007</td>
</tr>
<tr>
<td>Includes OCR gates, yard and vessel planning, and web-based customer/vendor interface</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL INFRASTRUCTURE INVESTMENTS</strong></td>
<td><strong>$332,117,500</strong></td>
<td></td>
</tr>
</tbody>
</table>
$234 Million in Recent Highway Infrastructure Investments

- I-140 Wilmington Bypass (Sections 1 & 2)
- I-73 Corridor from I-74 to I-85 at Greensboro
- Upgrade of US 74 to Interstate quality (in progress)
Sample of Current Distribution Centers on the I-85 and I-95 Corridors

More than 100 DCs receiving in excess of 300,000 TEU/Year
Capital Projects – Port of Wilmington

- Wilmington Harbor Project
- Rebuild of Berth 8
- Key wall repair Berths 1 & 2
Wilmington Container Terminal Berths 7 - 8 - 9
Mission Critical – Cost to Complete $32M
TIGER Grant III

Berth 8
647’ Remaining
Funding Required

Phase One
400’ Completed:

Panamax Vessel 965’ Length

Transit Shed 7

Berth 7 @ 703’

Berth 8 @ 1047’

Berth 9 @ 900’

Total Length 2650’
Wilmington Harbor Project

Description:
- Examine size of turning basin
- Modify ‘S’ turn at Battery Island
- Examine the entrance to the channel

Where we are:
- Letter of Intent signed
- Completed project will yield a safer, more efficient channel for Port of Wilmington customers.

Next steps:
- Continue discussions with Corps and federal delegation to seek funding
POW Record: 610 Days without Lost Time Injury

- Persistent focus on safety performance throughout the organization
- Use of historical trends to modify procedures and work practices to minimize hazards
- Proactive analysis of minor incidents to include corrective and preventative actions
- Improvement in the safety equipment selection to better accommodate workforce
- Hired fulltime Safety Manager
**Project Energy** Initiatives:

- Instituted in 2007
- Goal: to provide opportunities toward energy efficiency and a cleaner, greener organization
- One of five ports named to *Inbound Logistics* “G50” list of Green Supply Chain Partners (June 2010 / June 2011)
- Grants received total over $780,000
  - Replacement of more than 3,000 light fixtures - reduction of electrical power demand by 772,000 watts
  - Ultra low sulfur diesel and bio-degradable hydraulic and gear oils in port equipment
  - Installed three BioDiesel tanks in POW and MHC
  - Renewed recycling efforts
Hosted the commissioning ceremony of the USS Gravely. Nearly 6000 people attended the ceremony and 7000 toured the vessel during ten days at POW.

Host the annual Carteret County Power Boat Grand Prix speed boat races.

Support the annual NC Seafood Festival (Morehead City) hosting more than 150,000 visitors.

Two German cruise ships carrying up to 2,000 passengers each.

US Coast Guard training vessel, Barque Eagle, carrying 100 crew members and passengers.
Commercial Maritime Strategy Study
Tom Eagar, CEO
Commercial Maritime Strategy

- Led by the Lieutenant Governor and includes three cabinet secretaries and a representative from the Governor’s office; study will be managed by the NCDOT

- Study will evaluate the current and future role the maritime industry plays in sustaining North Carolina’s efforts to create jobs and strengthen the economy across the State.

- Significant public participation will be solicited

- Scheduled for completion in February 2012

www.ncmartimestudy.org
Population growth and demographics project a growing consumer market in the North Carolina and South Atlantic region.

**Key Observations**

- Population is moving South and to the coasts
- **Emerging mega-metropolis in the Charlotte / Atlanta / Knoxville-Memphis area**
- North Carolina will be the seventh most populous state by 2030
- North Carolina’s purchasing power exceeds national averages, and is forecasted to remain so
- North Carolina’s GDP growth is forecasted to exceed national averages

**Forecasted Population Growth by County (2005 – 2030)**

*Source: U.S. Census Bureau*
Panama Canal Expansion
2014
Panama Canal Expansion
2014 Planned Completion

**Existing Locks Max Vessel Size**

*4,400 TEUs*

- **Existing Locks**
  - 32.3 m (106’)
  - 294.1 m (965’)
  - 304.8 m (1,000’)
  - 12.8 m (42’)

**New Locks Max Vessel Size**

*12,600 TEUs*

- **New Locks**
  - 15.2 m (50’)
  - 427 m (1,400’)
  - 49 m (160’)
  - 366 m (1,200’)

existing lock max vessel size

<table>
<thead>
<tr>
<th>Existing Locks Max Vessel Size</th>
<th>4,400 TEUs</th>
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</thead>
<tbody>
<tr>
<td>12.8 m (42’)</td>
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</tr>
<tr>
<td>32.3 m (106’)</td>
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new locks max vessel size

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<th>12,600 TEUs</th>
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<tbody>
<tr>
<td>15.2 m (50’)</td>
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<tr>
<td>427 m (1,400’)</td>
<td></td>
</tr>
<tr>
<td>49 m (160’)</td>
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</tr>
<tr>
<td>366 m (1,200’)</td>
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</tbody>
</table>
East Coast ports will not be ready for new Panamax class vessel in 2014

<table>
<thead>
<tr>
<th>Port</th>
<th>Length</th>
<th>Channel 2010</th>
<th>Channel Proposed</th>
<th>Est. Cost</th>
<th>Status</th>
<th>Federal Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>VPA</td>
<td>50 feet</td>
<td>55 feet</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>SCPA</td>
<td>16 Mi</td>
<td>45 feet</td>
<td>50 feet</td>
<td>$300M</td>
<td>Draft EIS</td>
<td>None</td>
</tr>
<tr>
<td>GPA</td>
<td>35 Mi</td>
<td>42 feet</td>
<td>48 feet</td>
<td>$600M</td>
<td>EIS Pending</td>
<td>None</td>
</tr>
<tr>
<td>NC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Maritime Study under way</td>
</tr>
<tr>
<td>PONY</td>
<td></td>
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</tr>
</tbody>
</table>

PONY – Air space issue Bayonne Bridge – 151 Feet

**Key Issue - FUNDING**
- State of US Economy / Recovery?
- Budget Deficit / US Debt
- Ban on Earmarks
- Cost Sharing – Dredging / O&M

**Liner Comments**
- Larger Vessels to USWC and Asia- Europe
- ECAW Services 5500 to 6500 TEU
- Strong market demand – 8500 TEU
- Ultimately 8500 TEU EC ‘Workhorse’
Southeast Brunswick County Site

- Vacant Site Zoned Heavy Industrial
- Purchased by NC Ports in April 2006
- 600 Acres; 4600 LF of Berth
- 4 Miles from Atlantic Ocean; 9.5 Miles from Sea Buoy
- Site is Rail Served
- Strategic to regional and State economic development
- Strategic to NC Military

Commercial Maritime Strategy Study Underway
Key Issues and Concerns

Near Term: 3-5 years

1. Condition and safety of Berth 8 - $32M to complete refurbishment
2. Timely completion of Wilmington Harbor Project – State & Federal funding
3. Lack of CSX Intermodal Double Stack Service to Charlotte

Short Term: 5-10 years

Expansion of Panama Canal and introduction of larger vessels from Asia to East Coast all-water services
a. Lack of water depth to handle new class vessels from Asia to East Coast
b. Loss of CKYH liner services to competing SATL ports and revenue impact
c. Retention of heritage industries and full economic impact of jobs – migration to competing SATL states
d. Capability to compete with neighboring South Atlantic states for economic development projects
What is the Authority’s primary focus today?

- The State Ports Authority continues to focus on the infrastructure requirements and expansion opportunities at its current facilities and its mission to enhance the economy of North Carolina, creating jobs, investment and growth.

- The Authority will continue its effort with CSX to establish Intermodal rail service Wilmington to Charlotte. This service is critical to sustaining growth at the Port of Wilmington.

- The State will independently determine the need for deep water port development in NC, and if in the affirmative, where located.
The People Side of the Business
Rick Koch, VP of Administration
Demographics

243 FTEs (Wilm 184, MHC 55, CIT 4)
- 22% Female
- 24% Minority
- Average age = 48
- 27% 5 year or less
- 21% > 20 years
- 55 exempt (22%)
- 10% - 11% Turnover

Average Gross Income $51,000
$12M Payroll

FTE = Full Time Employee
PTE = Part Time Employee
Culture

- Non-union; “ready, willing, and able” and “can do”
- Mission Statements, alignment
- Annual goals and objectives, reviews
- Merit-based compensation
- Exempt from State Personnel Act (ex Articles 6 & 7)
- Strive to run like a business, with public in mind
- Pride among workforce
- Open Communications: All Hands, Weekly IP, email, inclusion
- Learning Organization
- Continuous Improvement
32% decrease in Full Time Employees

Recession Impact
Labor Cost Containment Measures

• No merit or cost of living wage increases in 5 of past 6 years (FY07 = 0%, FY08 = 4%, FY09 = 0%, FY10 = 0%, FY11 = 0%, FY12 = 0%)
• Organization Downsizing FY2006 – 2011 = 113 PTE / FTE
• Salaried personnel pay increase retracted for 6 mo in 2008
• Eliminated Shift Differential Pay premiums in 2008
• Eliminated Out-of-Rate Pay premiums in 2008
• Eliminated double time overtime policy in 2009
• Stopped overtime being paid after 8 hours per day in 2009
• Reduced work hours in 2009 – 2010 to 32 hours / week
• Changed work week definition to reduce overtime

FTE = Full Time Employees
PTE = Part Time Employees
Pay and Benefits as a % of Operating Revenue

% of Operating Revenue


- Pay and Benefits $
- Linear (Pay and Benefits $)
Technology Projects

- SAP – Financials / HR / Payroll / Materials
  - NCDOT SAP & Beacon (Munis)

- General Cargo - Warehouse Management System

- FY13 - Container Terminal Operating System (M21)
Thank You

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www.ourncports.com