



**NEW CAROLINA**  
SOUTH CAROLINA'S COUNCIL ON COMPETITIVENESS

TRANSPORTATION, DISTRIBUTION AND LOGISTICS:  
A PLAN TO IGNITE THE CLUSTER



# CONTENTS:

Executive Summary.....	2
Introduction: The Plan Purpose.....	3
Overview: New Carolina.....	3
Transportation, Distribution and Logistics (TDL): A Description.....	4
Transportation, Distribution and Logistics: A Brief History.....	5
Sidebar: Home Depot Goes to Savannah.....	7
Looking Ahead: 2014.....	7
Sidebar: QVC Comes to Florence.....	8
The Big Idea: Build on Our Economic Infrastructure.....	9
Audiences.....	10
Goals, Strategies and Tactics.....	10
Establish the Importance.....	10
Inventory TDL Assets and Liabilities.....	13
Raise Awareness of TDL.....	15
Organize to Advocate for TDL.....	16
Market the Cluster.....	18
Tactical Timeline.....	19
Operating Budget for Year One.....	20
Afterword.....	21
Appendices	
Appendix 1. Report Resources.....	22
Appendix 2. Organization Models.....	23
Appendix 3. Competitor Strategies.....	23
Appendix 4. Marketing Examples.....	24

## Executive Summary: A Plan to Recover Our Economic Momentum

The term “infrastructure” is well understood to refer to the basic, underlying foundation of our built environment: roads and bridges, water and wastewater, power, communication, etc. The most important component of our economic infrastructure is the Transportation, Distribution and Logistics (TDL) cluster which forms the very foundation of South Carolina’s economy. Virtually every industry relies on TDL, directly or indirectly. Among the state’s most prominent stakeholders and important assets are:

- The SC State Ports Authority
- The SC Trucking Industry & the SC Highway System
- CSX & Norfolk Southern Rail Companies
- South Carolina’s Airports
- Distribution Centers around the state
- Utilities like Santee Cooper, Duke Power, SCANA, Progress and the rural SC Coops
- Telecommunications companies
- Commercial Realtors, Developers and Construction companies
- SC Departments of Commerce and Transportation

As a matter of economic impact, the TDL cluster can point to the port sector contained within to get a feel for how extensive the cluster actually is. In a study conducted by Wilbur Smith Associates for the SC State Ports Authority and published in 2008, the



economic impact of the ports alone on the state’s economy was projected at \$45 billion annually out of a total state economy of approximately \$150 billion (or about 30%.) The port economy was reportedly responsible for over 260,000 direct and indirect jobs as well, about 13.5% of all the nearly 2 million jobs in SC’s economy. And these port calculations fail to include the growing distribution center industry and SC manufacturers — to name two large sectors — that don’t utilize the state ports when considering TDL economic impact beyond simply the impact of the ports.

It’s easy to appreciate the economic impact of TDL as a powerful job/wealth creator in SC. It’s hard to imagine a cluster more fundamental to the financial good health of South Carolina and businesses within our state.

In the last three years a disturbing trend has finally caught the attention of the state's business community and economic leadership. The total volume at The Port of Charleston, for years fourth in the country, has slipped from fourth to ninth on that list. At the same time, The Port of Savannah, a neighboring competitor to Charleston in the global world of container shipping, has risen from ninth to fourth in the US. Savannah's good fortune has sprung largely from the State of Georgia's commitment to attracting and facilitating the construction of distribution centers near its major port, reflecting and exploiting the changing nature of imports at our US ports.

All is not lost, however, as a great deal of economic activity is set to take place in the five-year timeline extending to 2014. In that year alone three major positive events should converge:

- completion of the new State Ports Authority terminal in North Charleston
- modernization of the Panama and Suez Canals, releasing tons of new cargo bound for ports on the Eastern US
- the opening of Jafza, the international jewel in the crown of Orangeburg, SC's "Global Logistics Triangle", ground zero in SC's incipient distribution center economy

In order to take advantage of these opportunities which are just around the corner, New Carolina has outlined five major goals, strategies, and tactics for the cluster:

- Establish and quantify the importance of the TDL cluster
- Inventory the differentiating assets of South Carolina's TDL cluster and catalogue the liabilities as well
- Raise awareness of the TDL cluster among important constituencies
- Organize to advocate for TDL
- Market the Cluster

To help accomplish these goals, New Carolina plans to journey around the state with the TDL cluster to a wide variety of selected business gatherings, teaching about and advocating for the TDL industry. Through these sessions and one-on-one meetings, New Carolina plans to build the cluster, adding both quantity (a large number of companies — big and small — that are affected by TDL) and quality (top executives of powerful SC firms and influential legislators who can help in Columbia.) After a second round of investment by this enhanced group of stakeholders, New Carolina plans to stand up an organization which will represent and market for the TDL cluster going forward. The organization will champion all aspects of TDL: from assisting with sales opportunities to advocating for infrastructure upgrades; from facilitating attracting new distribution centers to marshalling the forces of our educational institutions in the areas of supply chain management and workforce development.

The opportunity is upon us. The Transportation, Distribution and Logistics cluster, with unified support from diverse sectors around the state, will enhance its status as the primary engine that powers South Carolina's economy and at last significantly lift our per capita income.

## **Introduction: The Plan Purpose**

The communications plan which follows has been prepared in an effort to mobilize and advance South Carolina's Transportation, Distribution and Logistics (TDL) Cluster. The work is advancing under the aegis of the South Carolina Council on Competitiveness, also known as New Carolina, the public-private partnership working to increase per capita income in our state.

The purpose of the plan is to promote a greater understanding of the critical nature of Transportation, Distribution and Logistics as a "cluster" of connected businesses; specifically, to understand and maximize its positive impact on South Carolina's overall economy. In doing so, we plan to motivate effective leadership to collaborate in bringing the necessary resources to develop the critical vision, organization, infrastructure, process and marketing that will result in increased prosperity for South Carolinians at all economic levels.

## **Overview: New Carolina**

New Carolina was created to make South Carolina more competitive globally in an economic sense, thereby raising per capita income and improving the quality of life for the citizens of South Carolina.

New Carolina's stated purpose declares "we will become a leader in public education, entrepreneurial success, personal income and quality of life... [creating] New energy. New ideas. New action. New jobs."

New Carolina arose from the South Carolina Competitiveness Initiative, inaugurated by the state's business leadership in December of 2003. Phase one of this initiative was a study developed by the Monitor Group of Cambridge, Massachusetts, and led by Harvard Professor Dr. Michael Porter. The study showed that South Carolina's average income was only 82% of the national average. In order to boost prosperity and improve economic competitiveness, Porter recommended that South Carolina focus on eight distinct strategies:

- Activate and upgrade clusters
- Continue to enhance education and workforce training
- Invest in research and the university system
- Launch internal and external marketing campaigns
- Create an explicit economic development program for distressed areas
- Increase support for start-ups and local firms
- Create new institutions to support economic development
- Measure progress in raising prosperity

These eight strategies have been adopted by organizations such as the Kauffman Foundation and the Southern Growth Policies Board. Next year, the US Department of Commerce's Economic Development Administration will adopt a national clustering strategy as well.

Cluster theory holds that when businesses work together — all focused on servicing the same industry in one geographic location — they can increase efficiencies and innovation within that industry. By doing so, they will help themselves by stimulating new business development, enhancing existing businesses and recruiting new businesses and talent to the region. Thus, clustering increases regional productivity through differentiation, specialization and collaboration.

Porter points out that it is not possible to raise per capita income in the state without moving those at the bottom of the economy up the ladder with the rest of the population/work force. South Carolina has a large and undereducated rural population living at or below the poverty line with 16 counties classified as "rural high poverty" where average wages are only slightly more than \$18,000 per year. This is of particular significance with regard to the Transportation, Distribution and Logistics cluster which can link this workforce into the economy by providing jobs at all levels.

## **Transportation, Distribution and Logistics: A Description**

The TDL cluster consists of a variety of South Carolina's most important infrastructural assets. TDL refers to all businesses that are involved in transporting goods to, from and within the state; or to other businesses which provide distribution or logistical functions in South Carolina or service the businesses that do. As such, TDL is the most basic, the most fundamental of clusters. Virtually all other South Carolina businesses depend on TDL for their success, directly or indirectly. Farmers need to get their crops to market. Manufacturers need to export their products out of state or out of the country. Visitors need efficient means of travelling to and from the state's many tourist attractions. And everyone needs the shelves stocked with goods at their local grocery stores and other retail outlets.

Certainly the Port of Charleston is the most important, most fundamental and highest profile of these TDL assets. Ever since Lord Anthony Ashley-Cooper sailed into the harbor and founded Charles Towne in 1670, the Port of Charleston has been vital to the economy of the entire region. However, most other TDL assets are unnoticed, underappreciated or as of now underdeveloped. Therefore, much of the TDL cluster exists under the radar of most South Carolinians. Other assets include the state's highways, the trucking industry, the rail system, the airports and the incipient distribution center economy, which has begun to grow rapidly.

Supporting these is an interesting mix of businesses with a confluence of interest in TDL. Public and private utilities like Santee Cooper, Duke Power, SCANA, Progress Energy and the rural electrical co-ops and telecommunications companies all contribute mightily to developing infrastructure and helping new and expanding companies. Private sector developers, construction companies and real estate professionals all figure into this mix as well. In the public sector, the South Carolina Department of Commerce (SCDOC), the South Carolina Department of Transportation (SCDOT), the South Carolina State Ports Authority (SCSPA) and a variety of regional and county economic development entities are also involved and important to the TDL cluster.

## The TDL Economy: A Brief History

South Carolina has two main operating port facilities, the Port of Charleston and the Port of Georgetown, and one new port under development in Jasper County. The Ports of Charleston and Georgetown are owned and operated by the SCSPA. The Port of Georgetown was built for break bulk cargo or general cargo that is not loaded in big box containers but may be in bags, cases, drums, barrels, etc. The Port of Georgetown consists of one terminal that has easy highway access, on-terminal rail service, and specialty cargo handling facilities.

The Port of Charleston handles big box container cargo and consists of five terminals spread around Charleston Harbor with a sixth under construction in North Charleston. Charleston Harbor itself is one of the deepest natural harbors on the East Coast with 45 feet of deep water, wide channels and high air draft, all in close proximity to the open sea. The Port can accommodate the new generation of post-Panamax vessels, which are now state of the art, with a capacity of up to 8000 TEUs (twenty equivalent units, a measure of volume).

In addition to its natural advantages, the Port of Charleston has long enjoyed a well-deserved reputation as the most productive container port in North America. Recently the port was able to tout a 60% productivity advantage over West Coast ports, branding itself as “The Pros of Productivity.” In early 2007, the Port of Charleston was ranked the fourth busiest commercial port in the country and the second busiest container port by volume on the East Coast, behind only New York. However, that ranking has plummeted in recent years and the Port of Charleston is currently ranked the ninth busiest container port in the country. The dramatic deterioration of port volume has alarmed virtually all whose business depends on port operations, especially the trucking industry of South Carolina, and should be of great concern to all of the state’s citizens. It is no exaggeration to say that the very foundation of South Carolina’s economy is shaky and needs reinforcement.

How and why did this deterioration occur? What changed so quickly?

The Port of Charleston and the State of South Carolina built and maintained a long record of import/export success over the years based on the port’s natural assets and superior productivity, catering primarily to industrial and manufacturing clients within the state. However, in the decade of the ‘90s as the U.S. economy soared, buoyed by the “irrational exuberance” of the stock

market and the bubbling “dot com” economy, an era of unprecedented consumerism changed the shipping market.



As cheap labor markets — principally China — surged in producing goods for American consumers, retailers like Home Depot, Wal-Mart and hundreds of others began to drive the import market. As they did so, these retailers/importers took a different approach from their industrial predecessors viewing their supply chain holistically; end to end, from port to market. Their emphasis was on efficiency: squeezing costs out of the supply chain. The fewer steps their goods must take to go from port to market — the fewer people who handled them and the shorter the time it took to do so — the lower their overhead would be. So companies began building distribution centers near ports (within a one day’s trip) and organized efficient distribution plans to get their goods to these centers, then quickly to market.

Neighboring states like Georgia were quick to recognize this trend and were aggressive early on in embracing it; building distribution centers (or facilitating their construction) in order to attract shippers to the Port of Savannah. As these distribution centers became a magnet for customers, the Port of Savannah (and the entire Georgia economy) became the beneficiary.

South Carolina, however, took a different approach from Georgia's, and emphasized profitability and operating the port "like a private business." At or near capacity at its five terminals, the SCSPA was concentrating on getting a new terminal permitted, encountering significant opposition and delays. Dubbed the Global Gateway, the new terminal raised local concern around the environmental impact and increase in traffic due to the sheer size of the project. Local concern persuaded key legislators that the project was fatally flawed, and legislation was passed directing the SCSPA to abandon the project and look for an alternative site. The SCSPA had already spent several years and millions of dollars on the project before the legislation was passed in 2002. Without unity of purpose at the government level as far as incenting prospects, South Carolina pursued but lost out on many of the same distribution centers that went to its competitors while it was focusing on developing the new terminal. Thus, without the lure of available distribution space "under roof" and with an uncertain future with regard to port capacity, the Port of Charleston developed a reputation among seagoing customers as lacking state and local support to expand, while trailing in supply chain efficiency. As port volume declined and then plummeted, the level of concern increased quickly, reaching a fever pitch in December 2008 when Maersk Line, the world's largest container carrier and the Port of Charleston's biggest customer, disclosed its intentions to move its business elsewhere no later than December 2010.

Among those who depend directly on the Port for their livelihoods, a new alarm has sounded and a new willingness to address solutions must result.

As a conduit to and from the Port of Charleston's five terminals, trucks comprise a flexible and nimble conveyance, servicing waiting ships and dispersing cargo efficiently over South Carolina's roads. South Carolina's trucking industry flows on a network of interstates and state highways which are among the most highly developed in the country. The state-maintained highway system consists of interstate routes, primary routes (SC and US highways), and secondary routes, totaling approximately 41,500 miles; cities, counties, federal agencies, and other state agencies maintain over 24,000 additional miles of roadway. Commerce flows to and from the state all over the Southeast; much of it unrelated to the Port of Charleston. This highly developed highway system has allowed South Carolina's trucking industry to thrive over the years, providing the state with an efficient and free flow of commerce. Today, with 130,000 South Carolinians holding South Carolina Commercial Drivers' Licenses, the trucking industry is one of the state's primary transportation assets.

South Carolina's rail system by contrast is not currently as useful to port operations. Because the port terminals are scattered around Charleston's waterfront, intermodal connections are not easily made and on-dock rail is virtually non-existent. According to the 2008 Statewide Rail Plan prepared by Wilbur Smith Associates, shippers believe most of the problems have at least partial solutions in truly competitive rail service. Both CSX and Norfolk Southern own track and operate in different parts of the state, but CSX has a slight upper hand in and around Charleston itself. While developing dual rail access (both CSX and Norfolk Southern) is desired, vastly improved rail service is critical for the supply chain connections between the port and inland distribution centers in either direction to thrive.

In developing the 2008 Statewide Rail Plan, two means of improving rail intermodal service, on-dock and near-dock intermodal facilities, were investigated. None of the investigated sites offered a clear solution due to issues of capacity, availability, infrastructure, and environmental impact. The study concluded that a comprehensive freight and passenger rail program must be developed in order to ensure that rail becomes a significantly greater contributor to the active TDL infrastructure.

After initial intransigence, South Carolina began pursuing Distribution Centers with zeal, particularly domestic centers. Without consistent state backing on the scale of our neighbors but with the encouragement of the SCSPA, commercial realtors and private developers, like Hillwood Investment Properties and Rockefeller Group Development — often with the help of regional economic development entities — have been building centers on behalf of retail clients or as speculative ventures. In the year 2009 alone, some 3 million square-feet of distribution space is scheduled to come on line in South Carolina, a resource the state has never had before. These centers and those that will follow will act as a magnet to trade, pulling goods into our state through nearby ports, most especially the Port of Charleston.

The challenge of the entire TDL cluster will be to encourage Distribution Center (DC) development so as to improve the prognosis for the entire TDL cluster and with it, South Carolina's economy.

## Side Bar: Home Depot Goes to Savannah

In the early '90s, the Port of Savannah was about where it had always been: well behind the Port of Charleston in volume of goods shipped and, seemingly, destined to remain there. At the end of the decade Charleston ranked as the fourth busiest container port in the U.S. by volume; Savannah, ninth.

The Port of Savannah is located well up the winding, relatively-shallow Savannah River. That port, like Charleston's, grew primarily from textile imports before those jobs began leaving as a result of the cheaper labor available in Asia. Through the 1970s and '80s Asian cargo poured into the U.S. but mainly through West Coast ports, despite high union costs and related inefficiencies. What cargo did make it through the suddenly-too-small Panama Canal (container ships had grown larger) to the East Coast favored Charleston's natural harbor and high productivity.

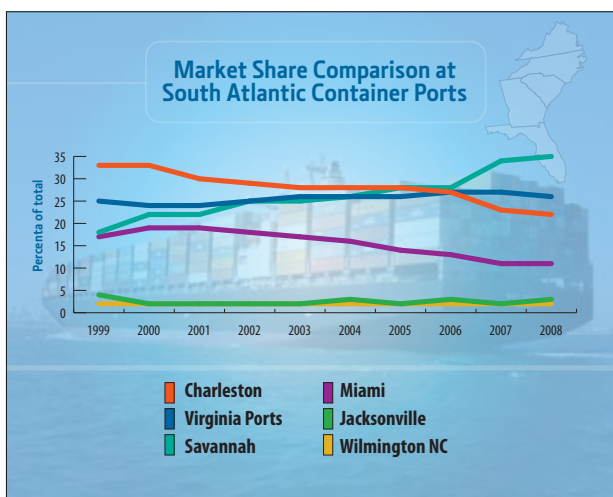
But the retail boom, gathering steam through the mid-90's changed all that. This orgy of consumerism impacted seagoing imports because more than 50% of all retail goods sold in the U.S. enter through a North American port. And as China rapidly eclipsed Japan as this country's premier source for retail imports, more port capacity was required.

As related in the Wall Street Journal, "Savannah's port [was] especially creative in its efforts to cash in on the boom. Darcy [Doug] Marchand, executive director of the Georgia Ports Authority, aggressively marketed to retailers, encouraging them to build distribution centers in his less-congested area. He figured major retailers would be more committed to move their cargo through Savannah if they could easily send it to a warehouse nearby."

"Mr. Marchand, longtime port director of Galveston, Texas, took over the Georgia Ports Authority in 1995. 'Instead of concentrating everything on the ocean carriers, we set out to get the cargo here and the ocean carriers would follow.'

"At the time, Savannah was locked in a battle with Charleston, the Southeast's dominant port, to land a Home Depot distribution center. Savannah swooped in with an offer of below-market-value land, tax incentives and a new road connecting the home improvement retailer's facility to Interstate 95. The Georgia Ports Authority, a state agency, was able to promise to expedite freight handling for Atlanta-based Home Depot. Marchand embraced just-in-time [delivery] and supply chain management techniques. Savannah won the Home Depot distribution center which opened in 1997." (Excerpted from Wall Street Journal by Daniel Machalaba, August 8, 2005.)

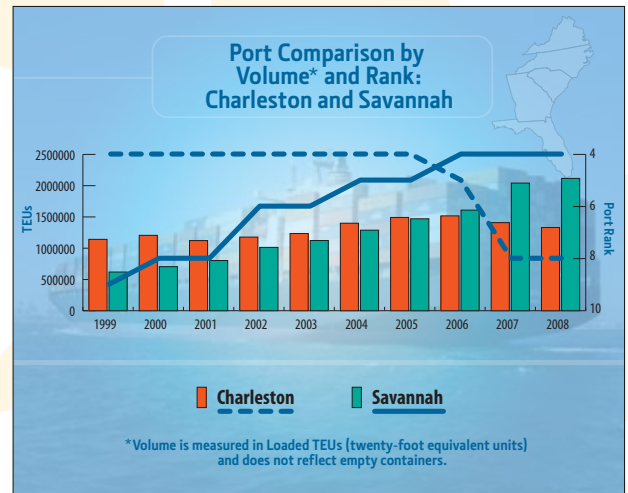
The positive effect began to be felt immediately. As Savannah got busy, truckers began hauling five to eight containers a day (as opposed to two or three, the previous norm and the type of volume seen at other Southeastern ports). Dollar Tree Stores opened a 600,000 square-foot distribution center and Wal-Mart soon followed suit. Today, more than thirty major import retail distribution centers service the port and the 16 shipping lines that call there. Shipping companies began diverting to Savannah. Maersk, Charleston's biggest customer was one of these, embarking on that slippery slope in the first half of the first decade of the twenty-first century.



Today, Savannah is established well ahead of Charleston — and many other ports — and Charleston continues to fall as Savannah has become the pre-eminent container port on the Southeastern coast. Ironically, Charleston is now ranked ninth by volume and Savannah is in fourth; Charleston's lofty ranking of less than a decade ago.

## Looking Ahead: 2014

With the threatened loss of Maersk, the Port of Charleston's single biggest customer; the recent decline in port volume has come into sharp focus. Thus, statewide alarm over port losses has given rise to a new opportunity for the TDL cluster and, it is hoped the will to summon the effort and investment necessary to reverse recent negative trends.



Three important factors are now at play which set the stage for terrific economic growth in South Carolina and, if properly nurtured, could fuel the TDL cluster which in turn would energize commerce throughout the state for years to come.

The first of these is the new SCSPA terminal in North Charleston on the former Navy Base. Finally under way, it will not only increase port capacity but also improve the port's (and the state's) reputation for supporting its customers and TDL infrastructure. However, significant challenges remain from neighborhood groups and most especially from the South Carolina Coastal Conservation League. If lawsuits preclude progress, these setbacks will mean more misfortune for the TDL cluster and, with it, the state's economy.

Second of these is the impact predicted from increased import traffic to the U.S. Atlantic Coast as a result of improvements now underway to both the Panama and Suez Canals. In Panama, new, larger locks are under construction while the Suez Canal is undergoing deepening. By the 2014-15 time frame, both will allow unfettered passage of post-Panamax or Super-Panamax vessels, opening up productive East Coast ports to more foreign goods. Thus, the availability of trade for the Port of Charleston (and all Atlantic ports) from China and other Pacific manufacturing centers will increase substantially. Obviously it is imperative for South Carolina — through the leadership of our TDL cluster — to be ready for the business.

Third and finally, the current upswing in the construction of distribution centers in South Carolina will also reach a crescendo in 2014. By then a "DC corridor" will have begun to take significant shape from Charleston to Jedburg, SC, where a concentration of facilities is now under way, and continuing north into the Upstate, especially via I-85, I-26 and I-95. Most notable among these is Orangeburg's "Global Logistics Triangle," bounded by I-26, I-95 and U.S. 301 and anchored by the Jafza project. The 1,322-acre, five-phase Jafza development will include light manufacturing, light industrial space, a public intermodal facility, a truck plaza, warehousing and mixed-use offices. Jafza estimates the project could create about 3,700 direct jobs in the county over the next 12 years, including clerical, managerial, food service and transportation jobs.

With the advent of Jafza, South Carolina will mark its arrival at critical mass in the distribution center development. Jafza will bring with it an international customer base and a global cachet that the state has lacked; further energizing trade at the state's ports. In addition, it will offer both high tech and blue collar jobs; the latter expected to improve the lot of those laboring at or below the poverty line in Orangeburg County and surrounding areas. Indeed, the economic benefit to all classes is a characteristic of distribution center operations and is an important reason why the TDL cluster — specifically DC growth — must be embraced in our state.

Between now and 2014 (and beyond) it is critical that South Carolina support and facilitate the growth of distribution centers all over our state.

### **Side Bar: QVC comes to Florence**

*In 2005, QVC decided to open its fifth distribution center in the United States. In January of 2006 the company held a groundbreaking in Florence, SC, to announce its plans to invest \$75 million in the construction of the site. Today the facility, a 1.4 million square-foot distribution center on TV Road in Florence, employs nearly 1,000 people with plans to expand. The facility ships nearly 2 million packages a year — more than 1,000 per hour.*

*QVC is one of the largest multi-media retailers in the world with annual revenue of over \$7 billion. Through direct marketing, the retail giant's programming reaches over 166 million homes worldwide and its Web site is ranked among the top general merchant sites on the entire Internet. Not surprisingly, QVC is UPS's biggest single customer.*

*Robert Muller is QVC's Vice President of Distribution Operations. He is responsible for the inbound global supply chain — the mainly ocean-going transportation network importing goods from manufacturers in Asia (mostly China) and Europe — and the outbound system of domestic distribution from QVC distribution centers direct to consumers. He says that the Florence location was chosen for three reasons, in descending order of importance:*

- Labor — the availability of a large pool of productive workers
- Location — accessibility to ports and other QVC distribution centers
- Land — the availability of land with room to expand

*In Florence, he said, they found all three.*

Like many distribution centers, Muller says, the Florence facility is “people-intensive” so availability of good workers is their key driver. In the Florence area they found a wealth of trainable blue collar laborers in addition to higher-performing workers to oversee more automated, higher-tech activities. They employ all levels of workers to run their “pick and pack” shipping operation from truck drivers and equipment handlers to inventory, shipping and receiving and middle management supervisors. The company’s choice of Florence has been validated, he says, by the growth they’ve seen, even with the expected turnover in their workforce. Although QVC has laid off distribution center employees elsewhere in their network due to the global economic slowdown, they recently announced that an additional 200 employees would be added in Florence. Muller predicts Florence will top out, eventually, at about 2,000 workers.

Location was important in QVC’s decision to build and operate in Florence. The site is proximate to their two East Coast ports of entry, Norfolk, Va, and Wilmington, NC. Although QVC does not currently import through the Port of Charleston, its long term plans call for using the South Carolina port, Muller said. Florence is also near two of QVC’s other Distribution Centers: Suffolk, Va; and Rocky Mount, NC. The transportation network among these ports and distribution centers is good (near I-95 and I-20) and growing, Muller says, but will have to continue to improve (especially via rail) if Florence is to develop into QVC’s distribution flagship, as he expects it could.

Land was also a critical factor in QVC’s decision-making process. The site they chose was not only ample for the company’s immediate needs but also offered sufficient room to grow. Importantly, when the deal was under consideration, local and state officials acted decisively and in concert to attract the facility and to convince QVC to decide in South Carolina’s favor. Florence County provided a reported \$1.5 million incentive package and the state pledged \$2 million of infrastructure improvements. This combination of front-end incentives is usually necessary to secure the immediate construction benefits and long term enhancements to employment and the tax base.

Finally, it should be noted that QVC is an excellent corporate citizen. The company participates in the Florence community on many levels and lends leadership to local organizations like the Chamber of Commerce. Its relationship with Florence-Darlington Tech for training is beneficial to both organizations. Its future growth bodes well for the Florence region — hopefully for the Port of Charleston — and for all of South Carolina.



## **The Big Idea: Build on Our Economic Infrastructure**

The term “Infrastructure” is well understood to refer to the basic, underlying foundation of our built environment: roads and bridges, water and wastewater, power, communications, etc. Infrastructure is a literal, physical reality.

Every economy has an infrastructure, too, though it is theoretical, not physical. And undoubtedly the most important foundation of South Carolina’s economy — the most important component of our economic infrastructure — is the Transportation, Distribution and Logistics Cluster which is the subject of this plan. Without this infrastructural engine supporting commerce, creating jobs and pumping dollars into our economy, it’s hard to calculate how much smaller the economy would be, but it would be dramatically smaller and the character of our state would be vastly different.

Other economic sectors like agribusiness and tourism are important and critical sectors to South Carolina. But neither is so fundamental as Transportation, Distribution and Logistics. Neither could exist without TDL. TDL is the foundation upon which so much other economic activity depends.

As Commerce Secretary Gary Locke said, “America’s job prospects depend on the health of the infrastructure that supports our domestic and international supply chains. Of five major industry sectors that represent over 80 percent of the U.S. economy, four — manufacturing, retail, services, and agriculture and natural resources — are critically dependent on transportation. The fifth sector is the transportation and distribution sector itself.”

TDL supports virtually our entire economy. And just as we must invest and reinvest in our physical infrastructure to grow and develop our state, so, too, must we invest in our economic infrastructure if our economy is to retain its vitality and ability to grow. In South Carolina, the Transportation, Distribution and Logistics Cluster needs constant investment. If we maintain the vibrancy of this sector, the reward will be that the rest of our economy will in turn be vibrant, vital and will continue to grow as a result.

With this plan, New Carolina champions the TDL sector of our economy; a cluster so basic that it's often taken for granted; overlooked, almost invisible. Economic development often strives to attract what we do not have and generally shoots for the moon. "Clean industry" and "knowledge economy" are the new buzz words. "High tech" is the rage. And while these efforts are important and *must* be pursued, at the same time we must acknowledge the rural poor in our state, remembering Dr. Porter's admonition that we cannot raise our per capita income without raising the poorest in our economy.

The beauty of the TDL sector is that it is both high tech and low tech; rural and urban. As such, investment in the TDL economy not only ensures the success of the larger economy it supports, but it lifts all economic sectors, most especially working on rural poverty, which is epidemic in South Carolina.

So building the fundamental economic infrastructure of our state is what this plan must be about. A healthy, growing Transportation, Distribution and Logistics cluster in South Carolina virtually guarantees a healthy state economy, growing at all levels.

## Audiences

### *South Carolina Government*

- Executive Branch
- Legislature
- Department of Transportation
- Department of Commerce

### *Cluster Stakeholders*

- SC State Ports Authority Management
- Maritime industry/shipping customers
- Developers/real estate agencies
- Economic development entities
- Trucking companies
- Distribution/warehouse firms
- Construction and engineering firms
- Power/communications companies
- Rail companies
- Metro airports/air cargo customers

### *Other*

- SC State Ports Authority Board of Directors
- Congressional Delegation/Staffs
- South Carolina Technical College System
- Potential Customers — Site selectors for distribution, manufacturing facilities
- South Carolina Citizens
- Wall Street

## Goals, Strategies and Tactics

### **Goal One: Establish the importance of the cluster. Why should people care?**

*Strategy:* We must do what we can immediately to quantify the impact of the TDL cluster. South Carolinians must understand that everyone relies on Transportation, Distribution and Logistics — directly or indirectly — for their livelihoods.

Projecting economic impact is an inexact science. The number of jobs and the total salaries derived from a certain industry are finite and in this modern day of statistical analysis and freedom of information, these figures are generally available from sources such as the Bureau of Labor Statistics. Calculating direct impact using these numbers is the relatively easy part.

For the same reasons of transparency and availability, economic impact analysis can also be political and controversial. The reason for controversy rests on the term, "multiplier effect." This phenomenon recognizes that beyond the direct jobs, salaries and impact of an industry, there are indirect effects: secondary jobs and salaries which wouldn't exist without the primary industry. This positive economic impact needs to be counted, too, though these numbers are far more difficult to come by and agree upon. They are often simply estimated by a multiplier, all the way from three to twelve times the original direct impact, depending on who's crunching the numbers, what assumptions they make and what software they use.

Because TDL is such a disparate cluster — really an amalgam of several very closely interrelated industries — no comprehensive economic impact analysis has ever been done to quantify its economic impact. Hence, the question of expressing the importance of TDL in economic terms occupied a great deal of discussion among the stakeholders who contributed to this plan. Because we aren't economic analysis professionals and because impact can't be guessed at with any credibility, what follows is a sense of the cluster's discussion around the impact of TDL on the state's economy.

The total economic output of the state (Gross State Product or GSP) when last measured in 2007 by the US Department of Commerce's Bureau of Economic Analysis, was **\$152.8 billion**. And total statewide employment — all the jobs in South Carolina — is contained in what is called the payroll survey or survey by workplace as reported by the SC Employment Security Commission's Labor Market Information Division. In 2008, this figure ran just under two million (**1.93 million jobs**) as an annual average. For our purposes, these two figures define South Carolina's total economy.

In data supplied by the SC Department of Commerce by way of the Occupational Employment Statistics (OES) series from the Bureau of Labor Statistics, the number of direct TDL jobs can be pegged at **150,499 jobs** (see chart) And while this is a big number, to be sure, it seems only to scratch the surface of TDL's overall economic impact. Consider the following:

In an economic impact analysis performed by Wilbur Smith Associates for SCSPA and released in 2008, the combined impact of the Ports of Charleston and Georgetown was calculated at **\$45 billion** annually. The total number of direct and indirect jobs associated with port operations was pegged at **260,800 jobs**. By this study, port impact alone — including multipliers — accounts for nearly 30% of South Carolina's GSP (total economic output) and about 13.5% of all the jobs in the entire state.

And remember, the impact calculated above in the Wilbur Smith study refers only to port impact. It doesn't count the jobs or economic impact represented by 1000 people working in Florence for QVC because they don't use a South Carolina port. And many more of those "domestic distribution centers" exist in the state; like WalMart, Walgreen's and Target. Of course domestics like the Piggly Wiggly DC at Jedburg wouldn't count either.

Also unaccounted for are manufacturers that don't use the ports. Companies like Southern Patio which supplies WalMart and Lowe's isn't counted. Nor is Allied Air, which makes (and distributes) air conditioning and heat pumps for the HVAC industry. And the list goes on.

Clearly, Transportation, Distribution and Logistics account for an immense share of our economy in South Carolina; probably the largest single cluster of business in our economy statewide. The TDL cluster, then, is arguably the primary economic engine for our state. Certainly no other sector is as fundamental to other businesses, as geographically diverse and as potentially helpful for all economic classes.

During a later phase in the development of the TDL cluster, it would be wise to commission a "scientific" analysis of economic impact, both in terms of jobs and total dollars annually. It's important that assumptions made and strategies planned have a sound factual foundation so as to counter those who would minimize cluster impact. For our purposes today, however, we must rely on what figures are available to us and though they are not comprehensive in their description of the entire TDL cluster, they indicate economic impact of vast and undeniable proportions.

**QUARTERLY CENSUS OF EMPLOYMENT AND WAGES**  
**Distribution, Logistics, and Transportation (selected NAICS)**  
**STATEWIDE**

INDUSTRY DESCRIPTION	NAICS CODE	AVG MONTHLY EMP 2007	AVG MONTHLY EMP 2008Q1	AVG MONTHLY EMP 2008Q2	AVG MONTHLY EMP 2008Q3
<b>Total, Private and Government</b>	<b>10</b>	<b>1,891,393</b>	<b>1,874,834</b>	<b>1,915,294</b>	<b>1,867,947</b>
<b>Transportation and Warehousing</b>	<b>48-49</b>	<b>52,265</b>	<b>51,145</b>	<b>50,824</b>	<b>49,983</b>
<b>Air transportation</b>	<b>481</b>	<b>907</b>	<b>1,035</b>	<b>1,069</b>	<b>1,067</b>
Scheduled air transportation	4811	677	729	745	731
Scheduled passenger air transportation	481111	579	633	646	632
Scheduled freight air transportation	481112	98	95	98	99
Nonscheduled air transportation	4812	230	306	325	336
Nonscheduled air passenger chartering	481211	119	192	204	203
Nonscheduled air freight chartering	481212	89	92	93	98
Other nonscheduled air transportation	481219	22	22	28	35
<b>Water transportation</b>	<b>483</b>	<b>175</b>	<b>185</b>	<b>223</b>	<b>222</b>
Sea, coastal, and Great Lakes transportation	4831	135	153	178	175
Deep sea freight transportation	483111	94	97	97	102
Deep sea passenger transportation	483112	14	22	54	47
Coastal and Great Lakes freight transport	483113	ND	14	14	ND
Inland water transportation	4832	40	32	45	47
Inland water freight transportation	483211	33	30	36	38
<b>Truck transportation</b>	<b>484</b>	<b>22,427</b>	<b>21,336</b>	<b>20,756</b>	<b>20,419</b>
General freight trucking	4841	16,617	15,774	15,396	15,175
General freight trucking, local	484110	4,016	4,001	3,915	3,845
General freight trucking, long-distance TL	484121	8,269	7,993	7,812	7,783
General freight trucking, long-distance LTL	484122	4,332	3,780	3,669	3,547
Specialized freight trucking	4842	5,810	5,563	5,361	5,244
Used household and office goods moving	484210	1,224	1,085	1,170	1,199
Other specialized trucking, local	484220	2,616	2,506	2,377	2,238
Other specialized trucking, long-distance	484230	1,971	1,971	1,814	1,807
<b>Pipeline transportation</b>	<b>486</b>	<b>64</b>	<b>65</b>	<b>67</b>	<b>67</b>
Refined petroleum product pipeline transport	486910	29	30	32	32
<b>Scenic and sightseeing transportation</b>	<b>487</b>	<b>474</b>	<b>406</b>	<b>582</b>	<b>588</b>
Scenic and sightseeing transportation, land	487110	188	178	218	204
Scenic and sightseeing transportation, water	487210	273	201	317	329
<b>Support activities for transportation</b>	<b>488</b>	<b>9,685</b>	<b>9,626</b>	<b>9,778</b>	<b>9,647</b>
Support activities for air transportation	4881	2,663	2,796	2,725	2,658
Other airport operations	488119	150	144	154	137
Other support activities for air transport	488190	2,477	2,628	2,547	2,497
Support activities for rail transportation	488210	113	112	121	124
Support activities for water transportation	4883	2,264	2,052	2,205	2,207
Marine cargo handling	488320	1,834	1,537	1,675	1,683
Navigational services to shipping	488330	249	253	239	243
Other support activities for water transport	488390	38	41	64	54
Support activities for road transportation	4884	974	985	993	966
Motor vehicle towing	488410	495	514	522	500
Other support activities for road transport	488490	479	471	470	466
Freight transportation arrangement	488510	2,859	2,931	2,918	2,889
Other support activities for transportation	4889	812	749	816	802
Packing and crating	488991	485	406	394	395
All other support activities for transport	488999	327	344	422	407
Postal service	491110	113	86	83	79
<b>Couriers and messengers</b>	<b>492</b>	<b>6,569</b>	<b>6,349</b>	<b>6,356</b>	<b>6,566</b>
Couriers	492110	6,335	6,040	6,078	6,278
Local messengers and local delivery	492210	234	309	277	287
General warehousing and storage	493110	8,445	8,721	8,511	7,983
Refrigerated warehousing and storage	493120	274	275	286	287
Farm product warehousing and storage	493130	94	81	81	104
Other warehousing and storage	493190	1,038	879	868	877
Process and logistics consulting services	541614	1,542	1,701	1,791	1,815

Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW), obtained from the S.C. Employment Security Commission on 4/8/2009.  
Note: Not Disclosable, ND indicates data does not meet BLS or State agency disclosure standards.

## **Goal Two: Inventory the Differentiating Assets of South Carolina's TDL Cluster and Catalogue the Liabilities as well.**

*Strategy: Demonstrate the known attributes and further potential of the state's TDL resources. Present what needs to be improved and/or fixed, as well as the upside of supporting the cluster with investment and enthusiasm. Show the tragic result of failing to do so.*

At present, we know a great deal about the major TDL assets which recommend South Carolina as a top competitor. First let's catalogue the most obvious of these beginning with the Port of Charleston. We can easily see why it has been such an efficient engine of prosperity in South Carolina for most of the state's history. With 45 feet of depth, it is without peer as a natural harbor on the East Coast. The harbor's channels are not only deep but also wide and high with plenty of vertical clearance for post-Panamax type cargo vessels. In terms of natural potential then, the Port of Charleston should be leading all competitors instead of falling behind. Clearly, its physical assets are not the reason we are losing ground.

In terms of human capital, the Port of Charleston has led all U.S. ports in productivity — moving volume efficiently — for virtually as long as anyone can remember. The pride, professionalism and hustle of South Carolina's port-related workforce (longshoremen, stevedores, line handlers, harbor pilots, etc.) has gained the Port of Charleston a well-deserved global reputation. And it is important to note that though port volume has dropped off in recent years, port productivity has not. The Port of Charleston continues to be a productive and efficient environment.

A modern, new terminal in North Charleston on the site of the former Charleston Naval base is now under construction and is targeted for completion in 2014. It will increase current port capacity at once and prepare the port to compete for the significant increased container volumes from Asia when the widening of the Panama Canal is completed in 2015. Completion of the new terminal will demonstrate the SCSPA's, the State of South Carolina's, and the City of Charleston's harmonious support of port growth. As the new terminal comes on line, it will not only bring with it increased capacity but also a reassertion of a positive attitude and with it, one hopes, a positive reassessment of the state and its port's business reputation by the shipping and development industries.

Plans for a new container port in Jasper County are also underway. South Carolina's and Georgia's ports authorities have formed a bi-state commission to oversee the joint development of the new port and request approval from both state legislatures on an interstate compact allowing the two state entities to go into business together. Once fully completed in 2024, the jointly owned port could bring as much as \$2.3 billion in regional earnings for the two-state area. The port would be capable of handling about 6 million 20-foot containers; for comparison, the Port of Charleston handled approximately 2 million 20-foot containers in 2008.

In addition to the seaport assets, South Carolina has a number of inland assets including a superior highway system and an aggressive, well-oiled fleet of trucks and truckers. For a state the size of South Carolina, it is remarkable to boast more than 41,000 miles of state and federal highways and more than 66,000 miles of roads, total. So much of our state is easily accessible by highway. It is not surprising, then, that more than 140,000 South Carolinians work in the trucking industry and are essential to every business that moves goods in the state. Trucks deliver freight for over 5,700 manufacturing firms, supply goods to more than 25,000 retail locations and stock nearly 9,000 wholesale trade companies. In addition, South Carolina truckers transport building materials for thousands of construction firms and 1,500 agricultural businesses. Interestingly, trucks represent fewer than 10% of vehicle miles logged in South Carolina while truckers pay nearly 35% of highway user fees and taxes.

The newest asset in the TDL pantheon is the dawning network of available distribution centers. This year alone, some 3 million square feet of distribution space "under roof" has been announced to come on line. South Carolina has never had an asset like this. The state's reluctance to invest in and facilitate growth of Distribution Center inventory stands in contrast to its neighbor-competitors and is the principle reason for our rivals' recent dominance.

Facilitating distribution centers helps the state in several ways. As we attract new companies which build distribution centers, we help the construction industry. We add (DC) jobs and build the tax base. At the same time, the centers serve as magnets, pulling goods into the state through our port, instead of that business going to one of our competitors. Beyond that, improving import volume at the port of Charleston has a beneficial effect on the export side of the equation, too, building the potential for outgoing traffic (the now-empty vessels at the port.) Finally, it should be pointed out that this greater export capacity gives the state a story to tell in attracting new industry. Companies seeking to manufacture here and export their goods can build facilities and exploit the capacity that import traffic creates at the Port of Charleston (like BMW and Michelin did years ago) thus further stimulating our economy. The Distribution Center sector is an asset whose time has come and must not be ignored.

Other assets that South Carolina possesses include SCDOC, the SCDOT, the Moore School of Business at the University of South Carolina, Clemson University, and the state's Technical College system which all provide substantial information and lend expertise

to support the cluster. Supply chain analysts and expertise reside at our universities, particularly at the Moore School's Center for Global Supply Chain and Process Management (GSCPM) and Clemson's Institute of Supply Chain Optimization & Logistics (CISCOL). And, the SC Technical College system is vital in economic development and has proven effective in training South Carolina's workforce for regional opportunities, like distribution center operations, as they arise.

In order to sell South Carolina globally, we must continue to build on this list of major TDL assets. We must recruit and organize these assets so we have an even more compelling story to tell, thus becoming even more irresistible to future customers.

It is equally important, though, to document TDL shortcomings and challenges in our state. By doing so, we can focus on solving problems, on building consensus and leadership, and on turning liabilities into assets. At the least, we must learn what may cause prospects to pause and ponder, learning how to answer objections and to fashion work-arounds where problems are undeniable.

One of the first challenges we must face is created by the depth and breadth of the TDL cluster. Never before has any entity tried to pull all these disparate interests and many moving parts — public and private — together. No single agency, association or group advocates for the entire TDL cluster holistically, advancing its importance to our overall economy. Indeed some cluster stakeholders compete with one another and other natural allies have no real history of effective cooperation. The need for cooperation, collaboration and coordination is critical and, if past is prologue, cannot be taken for granted.

Another issue that must be addressed is the philosophical divide that exists among some of our state's policy-makers over the question: should South Carolina's ports be supported by state investment and treated as an engine of our economy as envisioned by the enabling legislation of 1942 or should they be "operated like a business," stressing profitability and unfettered free market principles. Current cluster stakeholders would argue for a combination of the two, ensuring that the state's primary economic engine is fueled sufficiently to energize the rest of the state. The indecision over this question hampers growth of the TDL cluster and the state's economy at large.

Aging infrastructure is another impediment to the TDL cluster, with many of the state's roads needing maintenance and expansion. Further efforts by the TDL cluster should include exhaustive cataloguing of chronic and event-specific choke points and bottlenecks in the transportation system so that these may be eliminated as much as possible. SCDOT estimated in 2005 that the cost of transportation delays due to congestion was more than \$354 million statewide. Eliminating bottlenecks in the intermodal freight system — those associated with the ports as well as airport terminals, rail intermodal terminals, and large industries — will continue to be critical to meet the competitive economic goals of the industry.

Complete lack of infrastructure is another problem in other areas of South Carolina with respect to developing future distribution centers. Especially in rural locales of our state where poverty and joblessness keeps our entire state from thriving at a greater rate of prosperity, progress must begin with roads and bridges, water and sewer, communications and utilities. Distribution centers offer the type of jobs that can potentially combat rural poverty but sufficient infrastructure must be in place to permit development of distribution centers.

Enhanced rail infrastructure is desperately needed to accommodate the projected increase in freight rail volume. The railway system in the state needs to be expanded upon and modernized. Where it is possible, on-dock rail connections need to be built to ease the burden of moving goods predominantly by truck. And if port volume surges again in the future, we must increase the access — dual access if at all possible — and the importance of our railway network.

Environmental concerns must also be addressed. As previously mentioned, the legitimate concerns of the Coastal Conservation League must be dealt with and an effective way of working with the League must be found to ensure future growth and expansion of the industry. And, air quality non-attainment regions in the state pose a risk not only to future transportation projects but also to economic development; in areas of non-attainment, operating regulations and taxes will be enforced on existing businesses and will deter new companies from expanding in South Carolina.

Finally, a lack of marketing communications has kept the TDL cluster under the radar and taken for granted. Indeed, in the case of the trucking industry, instead of seeing 18-wheeled vehicles as a sign of jobs, accessible goods and a strong economy, South Carolinians are apt to view trucks more as a cause of congestion, pollution and a hazard to safe motoring.

While the preceding have been the major, top of mind assets and liabilities, our TDL cluster going forward must build these lists in greater detail if the cluster is to solve problems and exploit opportunities of the future.

**Goal Three: Raise awareness of the TDL cluster among important constituencies.**

*Strategy: Recruit important entities and individuals — both private and public — to become allies and active participants. Expand the number of powerful funding and participating stakeholders.*

As an incipient cluster, the current TDL participants must “go public” with this plan to boost the fortunes of the cluster. Visiting business centers around the state with performance and PowerPoint, cluster members must explain the critical need and intended strategy to industry groups, business leaders and economic developers. The result must be a much wider and deeper base of supportive business leaders across South Carolina.

At the same time that a general awareness campaign is mounted on a large scale for the consumption of the relevant business community, a targeted group of potentially important stakeholders must be targeted as well. Top executives from the state’s most important companies must be presented with the PowerPoint and motivated to invest the financial and human resources necessary to help the TDL cluster to take flight. Without the active influence, participation and funding by South Carolina’s business elite our effort will struggle to succeed.

In addition to private business leadership, we must reach out to powerful political allies as well; among them state legislators (and rural legislators in particular where poverty demands that the TDL cluster grows), the Congressional delegation and our gubernatorial candidates.

After this round of reaching out to the business and political communities in both public as well as private, personal ways, we must build a critical mass of powerful participants while garnering second-phase cluster investment to an agreed-on standard.



#### **Goal Four: Organize to advocate for TDL.**

*Strategy: Create an organization to represent the TDL cluster comprised of powerful participants and allies and with sufficient funding to operate effectively and to achieve permanence.*

The next step in our plan to fire up the TDL cluster is to build an organization that will carry on the mission of advocating for TDL permanently. The mission of the organization must be varied and effective. It must articulate the vision of the TDL cluster. It must motivate individuals to participate and summon our collective will as a state. It must demonstrate that by coordinating assets and coming together as a cluster, the entire state will benefit and thrive. It must help bridge the gaps where they exist in our economic system. And it must help solve the business problems of TDL stakeholders. Specifically our organization must:

- Become a resource to the recruitment efforts of Commerce, the ports and economic development entities with information, coordination, marketing support and direct involvement.
- Identify problems with regard to infrastructure (roads and bridges, water and sewer, utilities, communications, etc.) and drive solutions.
- Build support for reinvestment in port infrastructure.
- Promote the development of the distribution center economy as an engine of the cluster. Determine effective, consistent and competitive incentives to development (i.e. tax credits, property tax reductions, rural development funds for infrastructure, etc.) and advocate for their use in closing deals.
- Bring the resources of the state to bear on workforce needs, especially mobilizing the SC Technical College system.
- Perfect supply chain requirements (from both a technology and process standpoint), while customizing solutions for customers and potential customers. Develop a relationship with the Moore School of Business' Center for Global Supply Chain and Process Management (GSCPM) and the Clemson Institute of Supply Chain Optimization & Logistics (CISCOL).
- Maintain positive relationships with elected officials in Columbia and Washington. Form an alliance with the incipient South Carolina Infrastructure Coalition to lobby for funds and important initiatives.

Several states have developed a plan for TDL, either as a component of their state Department of Transportation or independently. Specifically, the following states have established offices or advisory groups: California, Maine, Maryland, Minnesota, Oregon, Pennsylvania, New Jersey, Florida, Colorado, Mississippi, and Washington. The TDL focused organizations in these states provide various models and options to consider for how to create an organization in South Carolina to represent the TDL cluster. The basic responsibilities for these formed groups is to study, plan and independently implement TDL projects or to plan, advise and help coordinate TDL projects through existing state agencies.

We recommend that South Carolina organize a new, independent TDL council supported by industry and government stakeholders. The creation of a new council offers a greater potential to implement action compared to that of an advisory group. The council would be a partnership of senior industry leaders including logistics companies, transportation companies, warehousing, supply chain management professionals, freight forwarders, real estate companies, and other industry specialists in addition to a variety of public sector organizations. The council would need to have strong relationships with and representatives from SCDOT, SCDOC, and the Office of the Governor for collaboration, funding and policy purposes; otherwise, the council would act as an independent organization in funding and implementing projects and initiatives for the TDL industry. For example, the Agribusiness Cluster has a strong advocate in the Department of Agriculture, but the Palmetto Agribusiness Council, the SC Forestry Association and the Palmetto Institute are the strong private sector voices for the industry.

The creation of a new council is recommended for the TDL cluster because there currently does not exist a government agency that houses the many moving parts of the industry. The activities of the TDL cluster span many agencies by the fact that it supports all industry clusters within the state. The formation of an independent council also ensures a proper balance of transparency and representation; a statewide view is essential to directing strategies and specific actions that represent the shared vision for South Carolina's future in the industry. When forming a new entity from the ground up, there is also an up-front understanding from the stakeholders that their firm commitment and financial support is vital to see the strategies and actions through to completion; this up-front understanding defines clear expectations and goals from the group as a whole. And finally, with a strong relationship with SCDOT, SCDOC, and the Office of the Governor, the industry can submit recommendations and options to TDL decision-makers at the state level that represent the needs of the industry. For example, draft federal legislation is in place for a Freight Improvement Program that would provide funding for freight-related transportation planning, developing a state freight plan, conducting inventories and assessments of secondary freight routes, environmental restoration and pollution abatement activities related to eligible freight projects, and the establishment of a statewide freight advisory committee. The TDL council could provide strategic

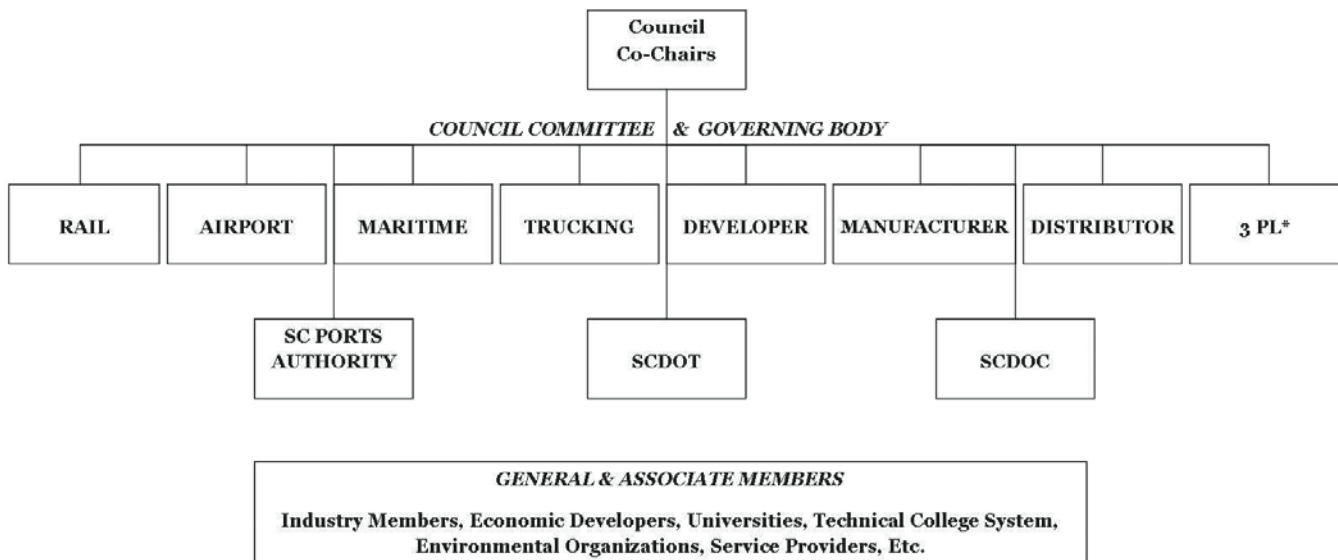
direction to the formed statewide freight advisory committee to implement initiatives that elevate the competitiveness of the entire TDL industry.

An example of the structure for the South Carolina TDL council discussed above is outlined in the chart below. The organization's governing body would be composed of co-chairs, a key representative from each sector of the TDL industry, and representatives from industry associated federal, state, and regional agencies. The general members of the organization would include additional industry stakeholders, service providers, and public sector organizations. Staffing and administrative support services could be provided by industry members and/or New Carolina until the organization became its own entity or until the organization was housed at an appropriate state entity like SCDOT, SCDOC, or Office of the Governor. Once established, the TDL council could begin developing work plans and create task forces or working committees to focus on specific objectives such as infrastructure upgrades, policy, workforce development, marketing, and strategic planning.

To begin forming an organization or council to represent the TDL industry, the following action steps must be taken by current TDL cluster members:

- Meet with key industry leaders and stakeholders across the state to discuss the establishment and structure of a formal TDL Council - what would it look like and how could it best service the needs of the industry?
- Develop council bylaws, a membership structure, and an operating plan
- Develop and fund a council budget
- Identify and recruit key industry leaders to become members
- Create a mission statement and objectives
- Develop detailed work plans and identify specific members to lead tasks/committees
- Begin tracking metrics of progress for assessment and reporting

### THE SOUTH CAROLINA TRANSPORTATION, DISTRIBUTION, & LOGISTICS COUNCIL



**3 PL\*: Third-party logistics providers or firms that provide outsourced logistics services**

## **Goal Five: Market the Cluster**

*Strategy: Raise the public's awareness of the TDL cluster and its economic benefits. Help people understand how many jobs and how much prosperity are tied to TDL. Make people care!*

- Brand the cluster with a strong visual identity and memorable positioning.
- Use both advertising and public relations to celebrate successes, maintain awareness and attract new customers.
- Create a compelling presence for TDL via the Internet and use other digital means to tell the TDL story regionally and globally.
- Attend national and international trade shows frequented by Distribution Centers and shipping professionals. Market directly and aggressively.
- Mount an annual summit of statewide leaders in TDL to advance all aspects of Transportation, Distribution and Logistics (TDL) success.

The Marketing Plan for the TDL cluster is designed to develop and promote a positive image for the cluster, gaining long-term understanding and ultimate buy — in from important South Carolina stakeholders and future champions of TDL. Its goal is to secure the future of the cluster.

In the near term, the plan will concentrate on raising awareness of the cluster and the issues facing it through a targeted informational campaign. We'll present the issue as a public initiative by identifying potential leaders, supporters and investors; teaching, recruiting and motivating in public forums and private meetings.

Initial branding and benchmarking initiatives will begin. Messaging will be developed for focus group testing. Creation of a long term legislative agenda will commence with the identification of champions within the state legislature. A website will be designed and created while an electronic database is assembled for email marketing communications. A media relations strategy will begin to include meetings with editorial boards and the placement of Op-Eds in daily newspapers and business periodicals.

As the near-term TDL objectives get underway, the branding effort must take center stage with the development of a brand identity (logo) and positioning, all aimed at elevating cluster awareness and support. We will maintain a high level of communications with TDL constituents through an advocacy campaign consisting of print advertising, media relations, digital communications, and legislative direct mail. As a part of this advocacy campaign, we'll accelerate the pace of speaking engagements with business and civic groups, preparing speaking points, presentations, testimonials and case studies of cluster successes. We must aggressively promote cluster milestones while monitoring political and legislative support; all the while elevating awareness of the importance of TDL.

Finally, as the first year plan nears completion, we'll maintain the statewide branding initiative both among key constituencies and the general public, principally through paid and earned print media. We'll elevate interest in and support for the distribution center economy and position the cluster as critical to future economic success in South Carolina. We'll develop an "investor relations" initiative for our primary stakeholders both with collateral and on the web. PowerPoint presentations will be updated to reflect successes as the cluster matures. We'll issue a "progress report."

And, ultimately, we'll evaluate the success of our first year in operation: general awareness of the TDL cluster, recruitment of important stakeholders/investors in the business community and the legislature, and advances by the cluster in developing products, process and positive case studies.

## Tactical Timeline for TDL Organization

Estimated timeframes for implementation of the goals and activities outlined in this plan.

Short-term: 0–6 months    Intermediate: 6–12 months    Long-term: 12–18 months

Goal/Activity	Short-term	Intermediate	Long-term
Raise Awareness and Recruit Stakeholders	X	X	X
Market the Cluster	X	X	X
Raise capital to support operations	X	X	X
Establish a TDL Council		X	X
Inventory TDL Assets and Liabilities		X	X
Quantify TDL's impact			X
Develop a TDL Strategic Plan			X
Develop a Legislative Agenda			X



## TDL Operating Budget for Year One

### Income/Source of Funds

Public Sector	\$ 120,000
Private Sector	\$ 120,000
Total Income	<u>\$ 240,000</u>

### Expense/Use of Funds

#### Management Fees

\$ 80,000

Executive  
Strategic Planning  
Project Management  
Marketing Management  
Member Management

#### Marketing/Communications

Strategic Marketing Plan	
Marketing Plan Execution	\$ 84,000
Branding	
Public Relations	
Internet	
Annual Summit	
Other	

#### New Carolina Operating Expenses

\$ 42,000

Administration  
Accounting/Tax  
Infrastructure/Office/Phone/Computer  
Supplies

Travel, Meeting Expenses and Contingency

\$ 34,000

Total Expense

\$ 240,000



## **Afterword:**

The next five years are critical for the future of the TDL Cluster and, by definition, critical for the entire South Carolina economy. We can act in concert and make good decisions now, reversing recent setbacks and recovering the economic momentum of a mere half decade past. Or we can suffer the consequences.

South Carolina has many compelling assets. The business will surely be there on the near five year horizon and will be available to us if we finally pull together as a state; as a smart, cooperative, aggressive economic development entity. If we do what is necessary starting now, there is no reason to think we can't once again become a competitive, growing economy relative to our neighbor states.

However, should we fail to resolve our ambivalence about funding our Transportation, Distribution and Logistics Cluster, South Carolina will have naught to blame save ourselves for our failure.

We need to invest in the Port of Charleston. We must support the growth of distribution centers across our state, improving infrastructure and incenting companies in order to succeed in growing our economy. We must support our world class trucking sector while upgrading our rail options. We need an organization to do all this (and more) as well as to market our success. If we do all of this, we can regain our place as an economic development champion, competing for growth in the 21st century.

This plan is a place to start and a road map to the future.

## Appendix I: Report Resources

### People:

Peter Arnoti — Executive Director, Colleton County Economic Alliance  
Pat Barber — President, Superior Transportation  
Ron Brinson — former CEO, Port of New Orleans; former CEO, American Association of Port Authorities  
Marion Bull — Marketing Manager, SC State Ports Authority  
Phil Byrd — President, Bulldog Hiway Express & President, SC Trucking Association  
Paul Campbell — SC State Senator  
David Castle — Wilbur Smith Associates  
Perry Collins — President, WSI of the Southeast  
Jodi Dalton — Sr. Real Estate Manager, Walgreen's Inc.  
David Eshleman — President, Development Capital Solutions  
Larry Grooms — SC State Senator  
Bernie Groseclose — former CEO, SC State Ports Authority  
Rebecca Gunnlaugsson — SC Department of Commerce  
John Hassell — President, Maritime Association of SC; acting CEO, SC State Ports Authority  
J. Mac Holladay — CEO, Market Street Services, Inc.  
Robert Muller — Supply Chain Manager, QVC Corp.  
Gregg Robinson — Exec. Director, Orangeburg County Development Commission  
John Scarborough — Sr. Project Mgr., SC Dept. of Commerce  
Mark Sweeney — Sr. Principal, McCallum Sweeney Consulting  
Rick Todd — Exec. Director, SC Trucking Association  
Steve Young — President, Dockside Logistics

### Supporters:

Alliance Consulting Engineers  
Anchor Advantage, LLC  
ATS Logistics  
Ben Arnold Beverage Company  
Bulldog Hiway Express  
Bunch Transport  
Caldwell Commercial Real Estate  
Chernoff Newman  
Colleton County Economic Alliance  
Colliers Keenan  
Columbia Metropolitan Airport  
CSX Transportation  
Development Capital Solutions  
Dockside Logistics  
Duke Energy  
Electric Cooperatives of SC  
Engineered Products  
EZW Americas, Inc.  
Fitts & Goodwin, Inc.  
G&P Trucking Company  
Greater Columbia Chamber of Commerce  
Hillwood Investment Properties  
Hodges Consulting Group  
Hood Construction  
Johnson Development Association  
Kicro  
Liberty Terminals LLC  
Maritime Association of SC  
Market Street Services, Inc.  
Mashburn Construction Company  
MCA Architecture  
McCallum Sweeney Consulting  
Milliken  
Norfolk Southern  
Orangeburg County Development Commission  
Palmetto Economic Development Corporation  
Parker Poe Adams and Bernstein  
Progress Energy  
QVC Corp  
Red Rock Developments  
Roebuck Buildings  
Santee Cooper  
SC Department of Commerce  
SC Department of Transportation  
SC State Ports Authority  
SC Trucking Association  
Southeastern Freight Lines  
Superior Transportation  
Trident Technical College  
Uti  
USC – Moore School of Business  
Walgreen's Inc.  
Wilbur Smith Associates  
World Trade City Orangeburg

## **Plans:**

Georgia Task Force on Freight & Logistics  
Jacksonville Ports Master Plan  
Virginia Port Authority Strategic Plan  
Virginia State Rail Plan  
Anchorage, Alaska Strategic Marketing Plan  
Lake Erie Logistics Marketing Analysis  
Port of New Orleans Master Plan  
San Diego, CA: Marketing a Niche Port  
Colleton County: Lowcountry Economic Diversification Plan  
The Tompkins Transportation Study (SC Competitive Analysis)  
SC Ports Authority: Enabling Legislation (Act #62, SC General Assembly, 1942)

## **Appendix 2: Organization Models**

### **State Advisory Boards:**

Nebraska Logistics Council: <http://business.neded.org/nlc/>  
Indiana Logistics Council: <http://www.indianalogistics.com/default.htm>  
Virginia Freight Advisory Committee: [http://www.virginiadot.org/projects/vtrans/virginia\\_freight\\_advisory\\_committee.asp](http://www.virginiadot.org/projects/vtrans/virginia_freight_advisory_committee.asp)  
Australia Logistics Council: <http://www.austlogistis.com.au/>

### **Regional Advisory Boards:**

Regional Logistics Council (Memphis): <http://welcome.memphischamber.com/The—Chamber/Councils/Regional—Logistics.aspx>  
Southern California Association of Governments: <http://www.scag.ca.gov/transportation.htm>  
New York Metropolitan Transportation Council: <http://www.nymtc.org/>  
Columbus Regional Logistics Council (Maryland): <http://gripserver4.com/chamber/newsletter/logistics/march/>

### **State Agencies:**

Minnesota Freight Advisory Committee: <http://www.dot.state.mn.us/ofrw/mfac.html>  
Oregon Freight Advisory Committee: <http://www.oregon.gov/ODOT/TD/FREIGHT/ofac.shtml>  
Freight & Logistics Task Force (Georgia): <http://newgeorgia.org/logistics.html>  
Statewide Intermodal Transportation Advisory Council (Florida): <http://www.dot.state.fl.us/planning/SITAC/>

## **Appendix 3: Competitor Strategies**

Business, Transportation and Housing Agency and California Environmental Protection Agency, "Goods Movement Action Plan," <http://www.arb.ca.gov/gmp/docs/gmap—I—I—I—07.pdf> (Sacramento, CA: Business, Transportation and Housing Agency and California Environmental Protection Agency, January 2007).

Cambridge Systematics, Inc., "Maine Integrated Freight Plan," [http://www.maine.gov/mdot/freight/documents/ifp2002\\_000.pdf](http://www.maine.gov/mdot/freight/documents/ifp2002_000.pdf) (Augusta, ME: Maine Department of Transportation, 22 February 2002).

Commission for a New Georgia, "Freight & Logistics Task Force Report," <http://newgeorgia.org/newsletters/Freight%20and%20Logistics%20Final%20Report.pdf> (Atlanta, GA: Commission for a New Georgia, 15 July 2008).

List, George F., Robert S. Foyle, Henry Canipe, John Cameron, and Erik Stromberg, "Statewide Logistics Plan for North Carolina: An Investigation of the Issues with Recommendations for Action," [http://www.osbm.state.nc.us/files/pdf\\_files/05132008StatewideLogisticsPlan.pdf](http://www.osbm.state.nc.us/files/pdf_files/05132008StatewideLogisticsPlan.pdf) (Raleigh, NC: North Carolina State University, 13 May 2008).

Parsons Brinckerhoff Quade & Douglas, Inc., "The New Jersey Comprehensive Statewide Freight Plan," <http://www.state.nj.us/transportation/freight/plan/pdf/2007statewidefreightplan.pdf> (City, NJ: New Jersey Department of Transportation, September 2007).

## Appendix 4: Marketing Examples

Nebraska Logistics Council

<http://business.neded.org/nlc/index.htm>



**Nebraska Logistics Council**



**forward thinking  
in a forwarding  
industry**

Nebraska Logistics Council  
Lincoln, Nebraska  
402.476.7822  
[www.NebraskaLogisticsCouncil.com](http://www.NebraskaLogisticsCouncil.com)

### We're your logistics center

The Nebraska Logistics Council serves its members as a forum for professional and educational advancement in the area of worldwide transportation, warehousing, distribution and logistics.

### Share solutions

Our mission is to give members new ideas and opportunities to grow in the logistics field. Members have the opportunity to network and exchange ideas in a relaxed atmosphere with others who face the same challenges and goals.

The council will present leading transportation entrepreneurs, corporate logistics officers, panel discussions and tours. In short, we strive to help the logistics manager excel in their position.



Nebraska's geographic center in the U.S. gives it a huge advantage for transportation, warehousing, logistics and distribution projects across the world.



Regardless if your primary interest is rail, trucking, air shipping or warehousing, we all face many of the same difficulties. Joining the Nebraska Logistics Council is your invitation to grow and learn with others toward a common goal.



One of the council's objectives is to promote greater knowledge of logistics among its members by holding informational discussions. The council meets monthly from September through May. The council operates under the umbrella of the Nebraska Trucking Association. Membership is not required to attend monthly meetings, but your company must be a member of the Nebraska Trucking Association to vote or hold office.

For information about membership or details about the next meeting, call 402-476-7822 or just visit [www.NebraskaLogisticsCouncil.com](http://www.NebraskaLogisticsCouncil.com).

Create opportunities



# Appendix 4: Marketing Examples

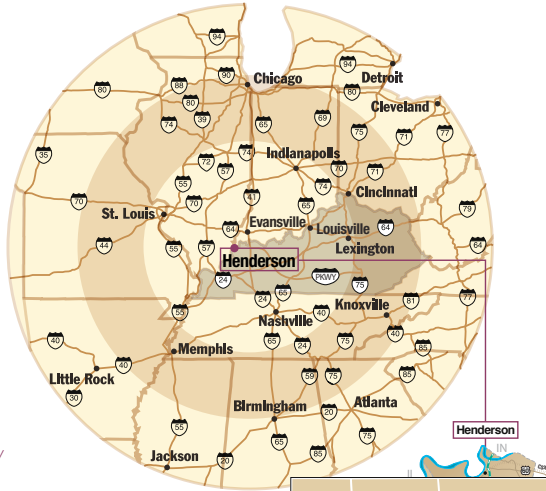
Northwest Kentucky Forward

http://www.northwestky.com/logistics/Logistics.pdf



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Henderson, KY  
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*We've Got A Location Ready For You, Just A Call Away.*



Northwest Kentucky supports full multi-modal transportation & logistics.



Northwest Kentucky has some of the lowest energy costs in the nation!

## Location & Transportation Advantages

### Highway

A freight distribution network that is efficient, safe, and technologically competitive makes Northwest Kentucky an ideal location for businesses needing just-in-time delivery and reliable access to markets and suppliers.

Northwest Kentucky is encircled by I-64 on the North, I-65 on the East, I-24 on the South and I-57 on the West. I-69, on its way from Toronto to Houston, passes through the center of this circle in Henderson, KY, providing fast, efficient access from Northwest Kentucky to any direction in North America.

In addition, US 41 runs north to south through Northwest KY, and both US 60 and the Audubon Parkway run east to west. These excellent highways provide superior connectivity within the region and alternate quick routes to the Interstate Highways.

### Rail

A primary north-south line for CSX runs through Northwest Kentucky. Several industrial parks have active rail access.

### Water

The Henderson facility serving the industry. Located twenty miles from the River, the Henderson is the most active river port in addition to its customs port of foreign goods.

### Air

Commercial airports: Evansville Regional Airport; Owensboro International Airport; Louisville International Airport; and Lexington International Airport.

## A Natural Fit For Distribution & Logistics

15 different motor freight carriers serve the cities of Northwest Kentucky. This mix of national, regional, and local carriers insures that your product can reach your customers in a competitive fashion.



## Suppliers & Support Services

Nearly a dozen companies operate distribution facilities in Northwest Kentucky, employing approximately 1,000 people. One of the newest to call the region home is Columbia Sportswear's new sprawling distribution center at 4-Star Industrial Park just off of I-69.

## Recognition

In an analysis of metropolitan area logistical factors, Expansion Management magazine gave the Henderson-Evansville MSA a 4-Star rating (10/06).



Northwest Kentucky is home to 12 certified industrial parks and sites. These sites offer more than 6,400 acres of industrial property - plenty of room for distribution facilities.



Northwest KY has an ample workforce drawn from a three state area with specialized training available to prepare workers for today's automotive processes. Total workforce - 300,000.



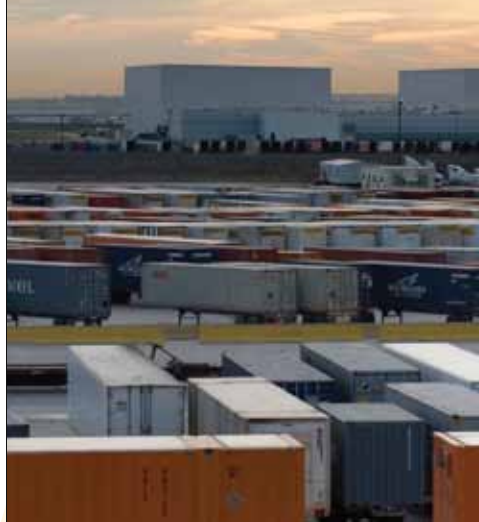
Northwest KY is at the mid-point of the I-69 route connecting Canada, the US and Mexico.

[www.northwestky.com](http://www.northwestky.com)

## Appendix 4: Marketing Examples

Alliance Global Logistics Hub — Texas

[http://www.alliancetexas.com/Portals/0/PDF\\_Files/Alliance\\_Global\\_Logistics\\_Hub\\_Brochure&Insert.pdf](http://www.alliancetexas.com/Portals/0/PDF_Files/Alliance_Global_Logistics_Hub_Brochure&Insert.pdf)



### Logistics Advantages

- Southwest Population Center
  - 6.4 million people in DFW Metroplex
  - Fourth largest metro area in the U.S.
- BNSF Railway's Alliance Intermodal Facility
  - 600,000 lifts annually
  - Growth to 1 million lifts projected
  - Direct Asian import/export from the West Coast
  - 13 double-stacked intermodal trains daily
- BNSF Railway and Union Pacific Class 1 rail lines
- Transload facilities immediately adjacent to intermodal yard planned
- Container yard planned
- Rail-served facilities
- Interstate Highway 35W connects from Mexico to Canada
- Direct connection to Interstate Highways 20, 30 and 40
- Fort Worth Alliance Airport
  - World's first 100% industrial airport
  - Air cargo, corporate and military aviation
- Alliance Air Trade Center provides direct aircraft ramp access for domestic and international cargo handling
- Ground handling and air cargo services
- FedEx Southwest Regional Sort Hub
  - Product fed directly into the FedEx system
- Triple Freeport Inventory Tax Exemption
- Foreign-Trade Zone #196
- Foreign-Trade Zone consulting and services
- On-site U.S. Customs and Border Protection
- On-site Centralized Examination Station
- Corporate aviation facilities
- Located within the 17,000-acre AllianceTexas development
- Master planned and developed by Hillwood

**Alliance<sup>®</sup>**  
Global Logistics Hub

**"The Alliance Global Logistics Hub is a one-of-a-kind supply chain port not found in any other place in the world. When you add up the unparalleled multimodal program, economic benefits and logistics services we've added, we definitely differentiate ourselves from other industrial centers."**

— Tom Harris, senior vice president of Hillwood Properties

An aerial photograph of the Alliance Global Logistics Hub facility, showing the extensive container yard, industrial buildings, and surrounding landscape with roads and greenery.





**NEW CAROLINA**  
SOUTH CAROLINA'S COUNCIL ON COMPETITIVENESS

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