

Doug J. Marchand
Executive Director
Georgia Ports Authority

Day 2, Panel: 1, 8:30 to 9:30am
“How to Get Ports to Come Closer to the Main Centers of Commerce:
Multimodalism and Zones of Logistics Activity (ZAL)”

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“CASE STUDY: Savannah—
Attracting DC Operators & The Ocean Carrier”

(Slide 1: Intro Slide) Winston Churchill once said, “*When you’re walking through Hell, keep going.*” And without trying to be funny, as port operators that’s the kind of direction we have to take when looking at market conditions around the globe, current and future, in relation to our vision and the long-term development and marketing of our ports.

I would like to sincerely thank you for the opportunity to speak. I have been asked to present a case study on the Port of Savannah in relation to our distribution center strategy and its impact on carrier services.

(Slide 2: 2001-2007 CAGR) With a slump in the U.S. economy, the U.S. port environment is facing challenges, as well as seeing new opportunities arise. Let’s look quickly at growth among U.S. ports and why that growth is taking place.

The “compounded annual growth rate” for all U.S. ports between 2001 and 2007 averaged 8.2%. While the majority of U.S. ports hovered at levels of 8 and 9 percent, the Port of Savannah reported 16.7% growth during this seven-year period.

(Slide 3: U.S. Port Growth 2008) Despite a global economic downturn, from January through November of 2008, Savannah reported a modest 5.2% growth over the same period in 2007. For the remaining top 5 ports, LA reported less than 1% growth, Long Beach volume declined by 6.3%, New York-New Jersey reported 2.5% growth, and Norfolk reported an increase of 3.1%.

(Slide 4: 80% map) Why do three of the top five U.S. ports reside on the U.S. East Coast? This map puts an important statistic into perspective. Eighty percent of U.S. consumers reside east of a line drawn roughly between Chicago and Dallas.

(Slide 5: U.S. Warehouse map) The latest data available supports the previous slide and shows the majority of new warehousing being developed in the eastern half of the U.S.

Traditional West Coast shippers, large and small retailers in particular, have moved decisively over the last seven years to firmly establish a presence in and around U.S. East Coast ports.

(Slide 6: Sav Ocean Carrier Summary) A more recent development in Savannah's ocean carrier portfolio is the emergence of all-water services between the port and Asia via the Suez Canal. As manufacturers have looked further west in Asia for low-cost production centers, a whole new series of freight origins have emerged - Malaysia, Vietnam, Indonesia, India and even points in the Middle East, to name a few.

Ocean miles and ease of canal transit make the Suez a logical alternative to traditional routing via the Panama Canal. At present, four of Savannah's nineteen Asia services call the Suez Canal.

I'm proud to report that of our four newest services arriving first quarter 2009, one will utilize the Panama Canal, while the other calls the Suez Canal.

(Slide 7: Balanced trade) Nothing else helps a port build its ocean carrier roster like consistently delivering balanced trade. Fifteen years ago, however, the Port of Savannah dealt predominantly in exports. From the twin desires to build a more balanced trade and entice additional ocean carriers sprang a distribution center strategy which has played a major part in propelling Savannah to the number four position among U.S. ports.

The GPA, together with the Savannah Economic Development Authority, began in the mid-nineties a push to drive more distribution center cargo via Savannah. This in turn would enable us to have more empty containers available for the export market. There were already a number of large distribution centers in Atlanta, but only a few near Savannah.

(Slide 8: Crossroads aerial) Savannah's D-C business began with the development of the Crossroads Business Centre, about 5 miles from Garden City Terminal. The Home Depot and Pier 1 Imports already operated facilities in the area, and they were the catalyst for more retailers to come to Savannah, including announcements by Dollar Tree and Lowe's.

Site selection decisions for distribution center operators are driven by unique considerations of land availability, labor, local and state incentives, and, of course, port proximity.

(Slide 9: Site development slide) Underscoring our commitment to economic development, several years ago we established a department to manage our developmental agenda. Operating as part of our sales and marketing team, this group works with development authorities, private land owners, realtors and transportation firms to qualify port-dependent leads and assemble a compelling argument for a location served by Savannah. We interact with both privately-held distribution centers and third-party logistics providers to attract this business.

(Slide 10: Corridors Tool) Finding the “perfect” site to meet a customer’s needs is not always easy; neither is navigating through the onslaught of information and confusing clutter. We recognized this demand and have bridged the gap by developing an interactive, on-line tool-- Georgia’s Commercial Corridors.

The product's purpose is to promote port-proximate properties and buildings along all interstates, as well as other major corridors, touching Georgia's deepwater ports in Savannah and Brunswick. Developed in-house by our Commercial Communications team, the Corridors tool was made possible by collaborating with stakeholders throughout the logistics pipeline, as well as Georgia Power and development authorities relevant to each of the five corridors that feed Georgia's deepwater ports.

Two of the five corridors have recently established separate alliances as the result of our work. We're working aggressively with the development authorities along the I-16 and the 341 corridors to promote port-dependent development.

(Slide 11: Wal-Mart/Academy) Georgia's "Tier 1" counties, or those counties with the most economic needs, have been targeted by the State of Georgia for additional economic incentives. These incentives helped to locate a 2 million square foot Wal-Mart D-C to Statesboro, Georgia, as well as a 1.2 million square foot Academy Sports facility to Twiggs County, just 2 hours from our gates.

(Slide 12: DC List) The fruits of our D-C strategy are readily apparent in Savannah's immediate hinterland and beyond. The roster of private operators includes household names like Bass Pro Shops, Kmart-Sears, Heineken, and Best Buy to name a few. More recently, Target, IKEA, Hasbro, Petco, Dorel, and Avon have joined the lineup of Georgia DC's.

(Slide 13: Heineken) 3PL's are participating in the surge as well. Heineken established a distribution operation under an agreement with Satellite Logistics, a third-party logistics provider, working in conjunction with Port City Logistics. Port City Logistics already maintains 400,000 square feet of warehouse and distribution space locally, and spiraling demand led them to contract for additional square footage in 2008.

(Slide 14: Hasbro) Also in 2008, Alexander & Baldwin, parent company of Matson Navigation, purchased a one million square foot distribution facility in Savannah. The majority of the space has been sub-leased to its subsidiary Matson Global Distribution Services to receive and distribute imports on behalf of Hasbro.

(Slide 15: Aerial- Mason/Chatham) In addition to its excellent surface highway network, Savannah has relied heavily on its on-terminal intermodal operations to fuel its success. In conjunction with the two Class 1 railroads serving the port, Norfolk Southern Railroad and CSX Transportation, we have expanded capacity to accommodate anticipated increases in both import and export volumes.

(Slide 16: U.S. Map) A twofold strategy is in place. The railroads seek to bolster bi-directional traffic between Savannah and Midwest locations to reach consumers in cities such as Chicago, Louisville and Cincinnati. Consumer goods will top the list of inbound hauls with agri-products and manufactured goods predominating on the outbound leg.

Secondly, CSX and Norfolk Southern seek to increase shorter haul traffic to and from the U.S. Southeast. Georgia, Alabama, Mississippi, North Carolina and Tennessee are among the targeted states. Additionally, westward expansions into Dallas and New Orleans are developing more and more in Savannah's favor.

(Slide 17: ICTF Morphs) With intermodal volumes growing as fast as the overall port traffic in Savannah, rail infrastructure development remains a top priority. Plans call for the doubling of the size of the James D. Mason Intermodal Container Transfer Facility's trackage. When expanded, Norfolk Southern will be afforded 40,000 feet of track to serve their long-term needs.

A second intermodal facility, the Chatham I-C-T-F, was completed in December 2008. Served by CSX Transportation, the Chatham I-C-T-F provides 20,000 feet of track for the working and storage of unit trains.

(Slide 18: Warehouse Expansion) As for Savannah's D-C future, expect more of the same...much more. Another 1.2 million square feet of port-proximate warehousing and distribution space was reported under construction in 2008.

In addition, another 20 million square feet is planned in the land belt between 5 to 30 miles from Savannah's Garden City Terminal.

The list of prominent commercial and industrial developers focusing on Savannah include AMB Property Corporation, Center Point Properties, Dermody Properties and Solution Property Group. Fortunately, Savannah's hinterland affords these companies with a wide array of site options.

This D-C construction surge and ongoing infrastructure development are clear indicators of the industry-wide optimism that Savannah's strength and recognition as "Port Retail" will continue.

Again, thank you for the opportunity to speak. I hope the insight I've presented will assist with D-C development in your area as well.

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