

**REVIEW AND OVERSIGHT COMMISSION
ON THE SOUTH CAROLINA PORTS AUTHORITY**

2022 BIENNIAL OVERSIGHT REVIEW

February 2022

Act 73 of 2009 established the Review and Oversight Commission on the South Carolina State Ports Authority (SCPA). Article 13, Chapter 3, Title 54 of the South Carolina Code vests with the Commission the duty to screen appointees to the SCPA Board of Directors and to conduct biennial oversight reviews of the SCPA and its operations.

With regard to the biennial oversight review, Section 54-3-1310(B) requires the Commission to:

1. Consider whether the SCPA is promoting, developing, constructing, equipping, maintaining, and operating the harbors and seaports of this State in an efficient, effective manner in accordance with all applicable laws and regulations.
2. Evaluate the performance of the SCPA's Executive Director.
3. Evaluate the performance of the SCPA Board of Directors and each of its members.

On September 14, 2021, the Commission notified Mr. Bill Stern, Chairman of the SCPA Board of Directors, and Mr. Jim Newsome, Executive Director of the SCPA, that it was beginning the biennial oversight review process. In that letter, the Commission requested that the SCPA provide information on a wide range of topics related to the SCPA's operations, Board members, and the Executive Director's performance review as required by Section 54-3-70. The SCPA submitted ITS response to the request for information on October 15, 2021.

Commission staff has reviewed the information submitted by the SCPA, totaling nearly 500 pages. This document represents Senate staff's analysis of that information. While most of the information used to generate this report is from the information submitted on October 15, 2021 (hereinafter the "SCPA's October 2021 Report"), other sources for this report include: the SCPA's presentation to the Senate Transportation Committee on April 7, 2021; the SCPA's 2021 Annual Report; the SCPA's 2021 Financial Statements; the SCPA's presentations to the JBRC Fiscal Oversight Subcommittee on November 9, 2021 and December 31, 2021; Moody's Investor Services and S&P Ratings documents; and the SCPA's website. Information from the other sources is generally cited. Once approved by the Commission, a final report will be published in the journals of both houses, made available on the General Assembly's website, and transmitted to the Governor and the SCPA Board of Directors.

SECTION 1.
REVIEW OF THE SCPA AND ITS OPERATIONS

Mission Statement

The SCPA’s mission statement is:

South Carolina Ports Authority promotes, develops and facilitates waterborne commerce to meet the current and future needs of its customers, and for the economic benefit of the citizens and businesses of South Carolina. SC Ports fulfills this mission by delivering cost competitive facilities and services, collaborating with customers and stakeholders, and sustaining its financial self-sufficiency.¹

Facilities Profile

The SCPA owns and operates nine terminals around the State:

- *Port of Georgetown:*

The Port of Georgetown has an authorized depth of 27 feet. The Office of Management and Budget requires one million tons of cargo to move through the Port to qualify for maintenance dredging. Over time, Georgetown’s volumes have declined significantly under the one million ton mark, so the channel has not been maintained. A significant portion of this cargo loss can be attributed to inactivity at the Georgetown Steel Mill, the SCPA’s primary user. The U.S. Army Corps of Engineers’ estimated costs to restore the channel to 27 feet have increased significantly from previous estimates.

While the mill resumed operations in 2018, it closed again in April 2020 due to the COVID-19 pandemic. Though it remained closed as of the date of this report, it was expected to reopen in mid-January 2022. Regardless of the steel mill’s future, the SCPA reports that “the Port of Georgetown is not economically feasible. SCPA will continue to proactively work with the local community on the future of the property [and]... continues to operate the Port of Georgetown on a strategic basis for transloading/warehousing of goods.”²

- *Inland Port Greer and Inland Port Dillon:*

These facilities provide overnight intermodal rail service to and from the Port of Charleston and expand the SCPA’s footprint, both within the State and well into the Midwest.

Located along the Interstate 85 corridor between Charlotte and Atlanta, Inland Port Greer opened in November 2013. Greer handles BMW imports and exports, moving parts and vehicles to and from the Port of Charleston via Norfolk Southern rail. Other customers include Dollar Tree and Michelin. Growth has been significant. In FY14, there were roughly 19,500 rail moves at Greer. By comparison, in FY21, there were more than 157,000 rail moves. The SCPA is undertaking \$28 million in improvements at Greer.

¹ <http://scspa.com/about/mission-and-leadership/#:~:text=Mission%20of%20the%20Port,and%20businesses%20of%20South%20Carolina>

² SCPA report to the Review & Oversight Commission, 10/15/21, page 89.

Inland Port Dillon opened in April 2018 and is located in an industrial park near the intersection of two CSX rail lines and Interstate 95. Dillon had 32,455 rail moves in FY20 and 34,987 in FY21. Dillon has available capacity and continues to attract new business. Northwest Grains broke ground adjacent to Dillon in June 2021. Expected to open in the fourth quarter of 2021, the transload facility is expected to handle soybeans, cottonseed, and other Pee Dee agricultural commodities into containers for export.

- *Port of Charleston:*

The depth and width of the Port of Charleston's channel, its comparatively quicker transit times, and lack of congestion provide easy access for ocean carriers. The Port of Charleston also has a national defense component as one of seventeen federally-designated commercial Strategic Seaports. According to the United States Army, "The Strategic Seaport Program ensures America has the seaport capacity necessary to effectively handle any contingency affecting national security. It provides America's armed forces with a reserve seaport capacity to respond to any sudden, large increases in the need to move military assets during a national emergency or surge deployment."³

Wando Welch Terminal (WWT)

The Wando Welch Terminal is the SCPA's largest facility and is located in Mount Pleasant. WWT is a container terminal and has agricultural transloading capabilities. Ships must pass under the Ravenel Bridge to access the terminal. Currently, there are no concerns of air draft restrictions that would prevent next generation ships from calling on the WWT.

An ongoing reconfiguration of the terminal's container storage area has significantly expanded storage capacity. According to the SCPA, 700,000 twenty foot equivalent units (TEUs) of new capacity were gained as a result of improved functionality.⁴ The renovation and modernization project also includes the addition of new ship-to-shore cranes and rubber tired gantry cranes.

North Charleston Terminal (NCT)

North Charleston Terminal is a 201-acre container terminal located on the Cooper River. Ships must pass under both the Ravenel and Don Holt Bridges to access the facility. While there are no concerns relating to the height of the Ravenel Bridge there are air draft restriction concerns for the Don Holt Bridge. The NCT has a capacity of half a million TEUs and handles about a fifth of the SCPA's total container volume, primarily servicing ships of 8,000 TEUs and smaller.

Columbus Street Terminal

Columbus Street Terminal handles roll-on/roll-off, heavy lift, project, and break bulk cargo. Most of the SCPA's automotive exports are moved through this facility. Inland Port Greer is able to send exports directly to this terminal via rail.

³ <https://www.army.mil/standto/archive/2017/02/28/>

⁴ Email of supplemental information requested by Commission staff. SCPA to Commission staff, 1/4/21.

Union Pier Terminal

Union Pier Terminal handles cruise and break bulk cargo, and cruise lines have called at Union Pier for more than 100 years. The Carnival Sunshine is home-ported here. From FY17 - FY20, roughly 220,000 cruise passengers used Union Pier annually. As a result of the COVID-19 pandemic, the CDC suspended passenger cruises in mid-March 2020. Norwegian Cruise Line began port-of-call dockings in late 2021, and Carnival plans to resume embarkations in January 2022.

The existing cruise terminal was opened in 1973. In 2020 the Ports Authority entered into an agreement with the real estate company, Lowe, the owner of the Wild Dunes Resort and other properties, to entitle and sell the non-maritime portion of Union Pier for redevelopment. The SCPA also plans to renovate and build a new cruise terminal, but legal and permitting challenges remain.

Veterans Terminal

Veterans Terminal is a transload facility with limited breakbulk capability. It is located on the Cooper River in North Charleston.

Hugh K. Leatherman, Sr. Terminal (HLT)

Phase 1 of the Hugh K. Leatherman Terminal is complete. The terminal opened in the first quarter of 2021, and the first vessel arrived in April. Located on a portion of the former Charleston Naval Base, the facility is designed to accommodate post-Panamax-sized container vessels and will continue to be constructed in phases on a demand-driven basis.

With 140 improved acres, the HLT includes 1,400 continuous feet of berth space, a 700,000 TEU container capacity, five ship-to-shore cranes with 169 feet of lift, and 25 hybrid rubber-tired gantry cranes. Phase 1 cost \$1.025 billion and is the first new container terminal in the U.S. in more than a decade. The facility also includes a new, direct-access interchange with I-26.

To date, utilization of the terminal has been extremely limited due to ongoing litigation. (See ‘Outstanding Litigation, *HLT*, pages 14-15 of this report.)

Labor

The SCPA is an “operating port,” meaning it owns and maintains infrastructure, including a yard management system, and manages vessel, yard, and gate operations within SCPA facilities. SCPA employees operate major equipment, such as cranes and container handlers during vessel operations. Members of the ILA perform stevedoring vessel functions to move cargo between the vessel and the yard using a yard tractor. The SCPA manages gate operations and outsources gate labor to Charleston Gate, LLC. This company employs ILA workers.

Labor relations appear to be stable, with the one caveat relating to the HLT litigation. A six-year master contract between the USMX and the ILA was signed 2018 and runs through 2024.

Economic Impact

According to a 2019 study by the University of South Carolina’s Darla Moore School of Business (hereinaf “the Moore School Study”), the total economic impact on the state resulting from all activities associated with the SCPA is an estimated ⁵\$63.4 billion annually. “This impact corresponds to 224,963 jobs and nearly \$12.8 billion in labor income for South Carolinians that would not exist otherwise.”⁵

The study also found that:

- South Carolina is the most global trade-dependent state in the nation.
- Directly or indirectly, the SCPA is responsible for 1 in 10 jobs in South Carolina.
- 51.8 percent of the statewide economic impact associated with the SCPA is in the Upstate.
- The average labor income across all S.C. jobs supported, directly or indirectly, by the SCPA is \$56,783, a figure 35 percent higher than the State’s per capita income.

Cargo Volume

Total cargo volume is measured in: (1) container volume and (2) break bulk volume (cargo that cannot fit in standard-sized containers or cargo bins). The Port of Charleston handles both container and break bulk cargo. Since falling to its lowest point in volume in FY10, the SCPA has steadily regained market share, implementing a successful cargo diversification plan, in order to grow business. The Port of Charleston remains a top ten U.S. port by container volume.

Container Volume:

- Pandemic impacts continued at the beginning of FY21, with monthly year-over-year declines in July and August 2020 and relatively flat volumes in September and October. Record increases in the remaining eight months of the fiscal year resulted in net gains for the fiscal year.
- SCPA handled a record 2.5 million twenty foot equivalent units (TEUs) in FY21. This is an increase of nearly 10 percent over FY20 and a 6.5 percent increase over FY19.
- Record pier container volumes of 1,418,865 represented an increase of 7.7 percent and 4.0 percent from FY20 and FY19, respectively. (Pier containers measure containers of any size.) The increases were driven largely by enhanced demand for imported consumer goods with import pier container increases over FY20 and FY19.

Break Bulk Volume:

- Similarly, vehicle and breakbulk pier tons initially decreased before rebounding.
- SCPA finished FY21 with a total of 253,983 pier vehicles (up 27 percent over FY20) and a total of 807,520 pier tons.

Inland Ports:

- Inland ports Dillon and Greer continued to grow and capture market share in FY21.

⁵ <https://scspa.com/wp-content/uploads/full-scpa-economic-impact-study-2019.pdf>

- Dillon achieved its highest fiscal year volume on record with 34,987 rail moves, representing 7.8 percent growth over FY20.
- Greer had 157,842 rail moves in FY21, an increase of 12.6 percent and 10.2 percent from FY20 and FY19, respectively.

Import/Export Balance:

- Since 2011, the total dollar volume of export activity (adjusted for inflation) has grown by 33.7 percent.
- Top imports include vehicles, machinery parts, furniture/sporting goods/toys, and textiles/apparel.
- Top exports include forest products, chemicals, foodstuffs and agricultural materials.
- In 2018, South Carolina exported nearly \$34.5 billion in total cargo while importing approximately \$52.4 billion.
- In FY18, loaded pier containers included 36 percent export and 44 percent import. Empty containers were 17 percent export and 3 percent import.

Panama Canal

The SCPA indicates that its “ expectations for more, larger vessels were met and exceeded since the expanded Panama Canal opened in 2016.” Ten ships that are too large for the old locks arrive in or depart from Charleston via the Panama Canal each week. In May 2021 the 16,022-TEU CMA CGM MARCO POLO became the largest ship to call the East Coast when she arrived in Charleston.

Ocean carriers continue to use larger ships and as of the third quarter of 2021, 81 percent of the ship capacity on order was for vessels greater than 10,000 TEU, according to the SCPA. Further, in the past five years the average capacity of ships calling on Charleston grew by more than one-third, from 6,850 TEU in 2016 to greater than 10,000 TEU today. A successful simulation of a 19,000 TEU has been conducted in the Charleston Harbor, an indication that the 52 foot mean low water depth should be adequate to meet Charleston’s future container vessel needs.

Ongoing Projects

Charleston Harbor Deepening

To accommodate larger ships traversing the larger Panama Canal, and the expanded Suez Canal, a deepening of the Charleston Harbor was necessary. The Charleston Harbor Post-45 Project is the first deep draft navigation project to be conducted under the federal “smart planning” concept. Expected to be completed in mid-2022, Charleston will have the deepest harbor on the East Coast at 52 feet mean low water. The harbor previously had 47 feet of depth in the entrance channel and 45 feet of depth in the interior channel at mean low water. All terminals are within two hours of the open ocean. Current channel depths and widths, transit times, and lack of congestion provide easy access to and from SCPA facilities.

The SCPA continues to work with the S.C. Congressional Delegation to secure reimbursement funds

once the project is eligible, possibly as early as 2023. The \$600 million federal/state venture included \$300 million in state funds.

Deepening work began in the summer of 2017. According to the U.S. Army Corps of Engineers, the project's scope of work will:

- Deepen the existing entrance channel from 47 feet to 54 feet and extend it three miles seaward;
- Deepen the inner harbor “from 45 feet to 52 feet from the Entrance Channel to the confluence of the Wando and Cooper Rivers, about two miles up the Wando River to the [WWT] and about three miles up the Cooper River to the [HLT];”
- Provide a depth of 48 feet over five miles from the HLT to the NCT; and
- Enlarge turning basins at the Wando Welch, Leatherman, and North Charleston terminals.⁶

HLT

The Leatherman Terminal is designed to be fully built out on a demand-driven basis. Total investment is expected to be approximately \$2 billion over three phases of development. As previously noted, Phase 1 has been completed at a cost of approximately \$1 billion. The terminal will provide a gateway to a near-dock Navy Base Intermodal Facility (NBIF). The HLT is expected to have a capacity of 2.4 million TEUs at full build out.

HLT Access Road

This is a new interchange with Interstate 26 to provide direct truck access between the HLT and Interstate 26. The mainline portion of the road opened in the first quarter of 2021. Nearby local streets are expected to be opened in February 2022. This project is expected to cost approximately \$390 million. Funding sources are a combination of state funds, SCPA revenue bonds, and federal grants.

WWT Improvements

The WWT container storage area has been reconfigured to significantly increase and maximize storage capacity and improve functionality. The reconfiguration is expected to be completed in December 2022. Related work at WWT includes:

- Installation of a sub-aqueous steel toe wall in front of the WWT wharf to allow for future deepening of the berth in conjunction with harbor deepening. Construction timelines are TBD and the SCPA advises that it awaits utilization of the HLT wharf to increase before beginning this construction at WWT;
- The purchase of four new ship-to-shore cranes, which should be fully commissioned by March 2022;
- The construction of two operations buildings; and
- The creation of an additional 53-foot trailer parking lot to support TradePort Logistics' growing transload operation on-terminal.

⁶ <https://www.sac.usace.army.mil/Missions/Civil-Works/Charleston-Harbor-Post-45/>

NCT Improvements

Recent improvements at NCT include replacement of a segment of overhead power lines to one of the terminal's substations, and the installation of new rail tracks and utilities to support Ray-Mont Logistics' new transload facility.

Navy Base Intermodal Facility (NBIF)/Barge Service

In July 2021 the SCPA entered into an intergovernmental agreement with the South Carolina Department of Commerce's Palmetto Railways to cooperate on the construction and operation of a Navy Base Intermodal Facility (NBIF) on the former Charleston Naval Complex near the HLT. According to the SCPA's Notes to Financial Statements Years Ended June 30 2021 and 2020 (hereinafter "FY20 and 21 Notes"), the NBIF would:

provide near-dock, equal access to Norfolk Southern Railway Company and CSX Transportation to meet future intermodal container transportation demand in the Charleston region. Under the terms of the agreement, the Ports Authority will have the obligation, authority, and responsibility for the bidding, award, construction, and operation of the NBIF, which is expected to commence during the fiscal year ending June 30, 2022.⁷

The SCPA indicates that the NBIF will help it expand its rail reach beyond its traditional Southeast market. To maximize productivity at the NBIF, the SCPA is working on a barge operation to enable cargo moves from the WWT to the HLT. A barge berth will be constructed at HLT so that cargo can travel via a yet-to-be-constructed dedicated drayage road to the NBIF. The NBIF will be capable of building trains up to 15,000 feet long. Additionally, the SCPA is now in the permitting phase for a project to extend the WWT wharf 700 feet to implement the barge project. The total NBIF project budget is \$408.3 million, according to the SCPA.⁸ The SCPA was appropriated \$200 million in the FY21-22 annual appropriations act for infrastructure related to the NBIF.

According to the SCPA, the proposed container barge service between WWT and HLT "would take thousands of trucks off local highways resulting in significant air emission reductions, traffic congestion reductions, and benefits to local communities."⁹

Ridgeville Industrial Campus/Walmart

The SCPA purchased a 1,000-acre property in Ridgeville in Dorchester County in 2018 with the expectation of attracting port-dependent businesses to the site. In December 2020, Walmart broke ground on a nearly three million square foot import distribution center on the SCPA's Ridgeville Industrial Campus. The center will supply several regional distribution centers, which in turn will support approximately 850 Walmart and Sam's Clubs across the region. Walmart is investing \$220 million in the facility, which is expected to result in at least 1,000 new jobs.

The SCPA continues to invest in the property, providing the main access road, an access road extension to support ancillary development, and utilities. At full build-out, the distribution center is expected to

⁷ <http://scspa.com/wp-content/uploads/scspa-financial-statements-june-30-2021-and-2020.pdf>

⁸ NBIF Barge Funding Summary. SCPA to Joint Bond Review Committee, 12/31/21

⁹ SCPA's October 2021 Report, page 97.

increase the Port of Charleston’s overall import volumes by five percent.

Smart Chassis Pool

Prior to June 2021, the South Atlantic Chassis Pool (SACP), part of the North American Chassis Pool Cooperative, provided chassis to handle intermodal containers to and from major Southeastern ports. Citing concerns with the age, quality, safety, and availability of the SACP chassis, in June 2021 the Board approved the creation of a “Smart Chassis Pool” program, in which the SCPA will own and operate chassis for its customers. The Board approved resolutions spending up to \$137 million. According to FY20 and 21 Notes, “[t]he chassis pool will provide newer, modern chassis which will reduce out-of-service levels and lower repair and maintenance costs for users. The expected commencement date of the new chassis pool is late summer/early fall of 2022.” The SCPA indicates that:

[T]he Smart Chassis Pool is being paid for with equipment financing and internal SCPA funds. Due to current supply chain disruptions and pricing, the model has shifted from what was presented originally. SCPA will now purchase 11,150 new chassis and lease 1,700 with a 3 year term. Total Balance Sheet impact is now anticipated to be approximately \$200 million. Financing of the chassis has been secured with three banks with the remaining capital costs being funded by SCPA.¹⁰

The SCPA further indicates that “the chassis market is currently in flux with extremely high demand in the U.S. for additional chassis... driving the cost of ownership higher.” While ports in Florida and North Carolina will continue to use SACP chassis, “a port-owned and operated model is a proven concept, started in [the Port of] Virginia over a decade ago.”¹¹

Rapid Rail

The SCPA reports that 25 percent of container traffic from the Port of Charleston currently moves by rail, up from 15 percent in 2014, suggesting that having rail access is a significant competitive advantage.¹² As the only major East Coast port without near-dock rail, containers moving through the Port of Charleston must move by truck, mainly via I-526, to local Norfolk Southern and CSX rail yards. The Rapid Rail program is designed to reduce this competitive disadvantage.

According to the SCPA, the Rapid Rail program is “intended to mimic other ports with near-dock rail capability who handle the drayage to/from rail yards with their own port-provided trucks.” A steady increase in container volume moving via Rapid Rail is evidence of a successful program that has contributed to the SCPA’s growth.

Daniel Island Property

The annual appropriations act includes a recurring proviso that requires the SCPA to sell its real property on Daniel Island, with the exception of dredge disposal cells necessary for harbor deepening and other maintenance and construction. The remaining parcel, 105 acres on a portion of the island known as North Island, includes approximately 30 acres of high land. After being listed for sale in

¹⁰ Email of supplemental information requested by Commission staff. SCPA to Commission staff, 1/4/21.

¹¹ SCPA’s October 2021 Report, page 55.

¹² SCPA’s October 2021 Report, page 58.

April 2020 and soliciting bids, a potential buyer was identified and the due diligence process began. However, due to uncertain economic conditions related to the COVID-19 pandemic, the prospective buyer notified the SCPA that they needed additional time and withdrew their offer. Consequently, the SCPA requested a deadline extension, which is included in the current proviso as June 30, 2022.

Daniel Island Saltwater Mitigation Bank

The SCPA is developing a saltwater wetlands mitigation bank on a portion of SCPA-owned unused dredge disposal property on Daniel Island. The bank will provide credits to developers who are impacting saltwater wetlands in other locations. Since saltwater mitigation banks are not as common as freshwater banks, there is significant demand for them from developers. Currently, a mitigation banking instrument (MBI) must be approved by the U.S. Army Corps of Engineers and other regulatory agencies. While an approved MBI agreement had been expected in 2021, the SCPA indicates that there is an outstanding issue relating to a utility easement on the site, and that the Corps has not approved the credit. The SCPA's legal team is working with the owner of the easement in hopes of securing Corps' approval.

Jasper Ocean Terminal

The proposed Jasper Ocean Terminal (JOT) project includes the construction and operation of an eight berth marine container terminal on a roughly 1,500-acre site along the South Carolina side of the Savannah River in Jasper County. At full build out, it would be the largest contiguous container terminal in North America, projected to hold seven million TEU. It is a part of a larger tract of land owned by the Georgia Department of Transportation. The U.S. Army Corps of Engineers has a perpetual easement on the proposed JOT site for dredge disposal material. The GPA currently operates the Garden City Terminal approximately eight miles up the river from the proposed site.

Pursuant to a 2008 intergovernmental agreement, SCPA and GPA own the land jointly as cotenants in an undivided interest in the land. Because the SCPA has significantly expanded capacity at Wando, and because future expansion space is available at HLT, the SCPA Board voted in March 2021 to turn over to Jasper County its share of the venture with the GPA. A September 2021 deadline passed without the GPA acting on the SCPA decision, and GPA requested additional time to agree to the transfer or withhold its consent. GPA now has until January 31, 2022 to approve or reject the transfer.

Business Development

According to the Moore School study, the SCPA is responsible, directly and indirectly, for 1 in 10 jobs in South Carolina, and its business accounts for \$63 billion in economic output. "Advanced manufacturing employment doubled between 2010 and 2018 and total container volume shipped by [SCPA] facilities doubled between 2009 and 2018. As South Carolina's economic development strategy has continued to shift towards expanding export-oriented manufacturing, the importance of the State's seaports has continued to grow."¹³ To that end, SCPA's business development strategy focuses on "increasing discretionary rail volumes [and] transitioning [its] cargo base from manufacturing to retail." To justify this approach, the SCPA indicates that:

¹³ The Economic Impact of the South Carolina Ports Authority: A Statewide and Regional Analysis, Darla Moore School of Business, October 2019, <https://scspa.com/wp-content/uploads/full-scpa-economic-impact-study-2019.pdf>, page 4.

- Manufacturing is only 11 percent of U.S. GDP, making a manufacturing-centered strategy no longer a viable strategy;
- SCPA is out of sync with other major ports in retail participation;
- Consumption of goods is 35 percent of GDP;
- The COVID-19 pandemic put a premium on large, omnichannel capable retailers
- New capacity is needed in high velocity transloads near SCPA terminals and in large import distribution centers that are greater than one million square feet;
- Container shipping services are crafted around retail distribution; and
- Export transloading is necessary to buffer increasing container imbalances.

Further, the SCPA contends that the following are “requirements for success” in import retail distribution:

- Import first call ship services using the SCPA;
- Port dependent land with significant acreage for trailer parking;
- Counties willing to support industrial development with related truck traffic;
- Ample 53-foot domestic truck capacity; and
- Willingness to overturn the status quo

The SCPA identifies its WWT transload facility that serves Tradeport Logistics, Walmart’s distribution center in Ridgeville, Michelin’s three-million square foot distribution center near Inland Port Greer, and TTI Floor Care’s two million square foot distribution center near Greer as examples of recent successes in the retail distribution sector. SCPA also worked with The Keith Corporation to develop a one million square foot industrial spec building on I-26 at the Charleston Trade Center in Jedburg. SCPA officials indicate that “a port-dependent client has already signed a lease on the building, months before [opening]. This will provide springboard momentum to other large scale projects across South Carolina.”

Refrigerated cargo also represents a significant growth area for SCPA. The SCPA reports that it has “ample investment on terminal to handle [refrigerated cargo] and expansion of existing facilities is possible.”

Customer Relations

The Commission asked the SCPA to “provide the specific methods it uses to ascertain the satisfaction level of its customers and users, as well as remedies taken to address any dissatisfaction expressed by customers and users.”

In response, the SCPA asserted its dedication to both customer and user satisfaction and productivity. Its Solutions Center, staffed and managed by the SCPA, provides cargo owners, ocean carriers, motor carriers and other service providers a single point of contact to help resolve customer service issues. The Center is open anytime the gates are open and can be contacted by phone, email or on-line chat.

The SCPA also advises that it is in regular contact with major employers and customers, helping them with supply chain objectives from initial site selection to ongoing, day-to-day operations. Key performance indicators are also published on a weekly and monthly basis on the SCPA’s website and provided in public meetings.

Additionally, the SCPA participated in an independent, national survey conducted by Mastio & Company in 2017. The study benchmarked customers' views on North American port performance and provided a summary of strengths and areas recommended for improvement. The SCPA indicates that a follow-on survey in 2020 was deferred due to COVID disruptions and will be conducted in 2022.

Financial Position

Revenues, Cash Flow, Capital Spending, Debt, and Net Position

SCPA generated record operating revenues of \$312.8 million in FY21. This is an increase of 7 percent from the \$292.3 million generated for FY20 and an increase of 6.3 percent over the \$288.3 million generated in FY19. From the SCPA's most recent financial report:¹⁴

- The SCPA had record cash flow from operating activities of \$114 million in FY21, a 29.3 percent increase from FY20 and 26.9 percent over FY19.
- Total 15-year capital spending is an estimated \$2.9 billion, with \$1.7 billion of that projected to be spent from FY22 through FY31.
- Long-term debt was \$948 million in FY19, \$1.374 billion in FY20, and \$1.356 billion in FY21. The FY22 plan calls for \$1.473 billion. Debt service coverage was under 4x in FY21 and is projected to increase to just under 7x in FY31.
- Total net position was \$715.5 million, \$744 million, and \$856.5 million as of June 30, 2021, 2020, and 2019 respectively. The Authority's total net position decreased \$28.5 million in FY21 and \$141 million from FY19.

Bond Ratings and Outlook

Moody's Investors Service completed a periodic review of ratings for the SCPA following a portfolio review discussion in June 2021. Moody's rated the SCPA's bondholdings as "A1."¹⁵

Standard and Poor's Global Ratings assigned its "A+" long-term rating to the SCPA's approximately \$162.7 million Series 2019D taxable revenue refunding bonds. According to its 2019 rating report, S&P "affirmed its 'A+' rating on the authority's revenue bonds outstanding. The outlook is stable."¹⁶ The SCPA's Senior Revenue Bonds, Series 2019A, Series 2019B, Series 2019C, Series 2019D, Series 2018 and Series 2015, are rated by Moody's and S&P, A1 and A+, respectively.

¹⁴ <http://scspa.com/wp-content/uploads/scspa-financial-statements-june-30-2021-and-2020.pdf>

¹⁵ Moody's Announces Completion of a Periodic Review of Ratings of South Carolina State Ports Authority (Moody's press release, 6/16/21, received from SCPA via email on 11/3/21.): "The South Carolina State Ports Authority's rating (A1) reflects the authority's strong growth trend, driven by favorable demographic and industrial trends in the South Carolina and Southeast economies; the authority's competitive infrastructure and operating model, which support high productivity and low port charges to users; elevated exposure to volume variation relative to the more traditional landlord port model; and strong historical financial metrics that are narrowing to still acceptable levels as the authority has added debt to implement a large capital program that will enhance its competitive position in the Southeast port market. The rating also incorporates the governance linkage and significant capital, economic development and planning support provided by the State of South Carolina (Aaa)."

¹⁶ <https://new.mta.info/document/37706> S&P Global Ratings today revised the outlooks on 185 long-term debt ratings associated with 126 issuers in the U.S. not-for-profit transportation infrastructure sector to stable from negative due to a variety of factors that we expect will improve and stabilize the credit-quality landscape over the next 12-24 months. These outlook revisions apply to asset classes most affected by the ongoing COVID-19 pandemic, including operators of airports, transit, parking, toll roads, and ports. We had revised the outlooks to negative for almost all issuers in those transportation infrastructure asset classes on March 26, 2020.

In April 2021, S&P “revised the outlooks on 185 long-term debt ratings associated with 126 issuers in the U.S. not-for-profit transportation infrastructure sector to stable from negative due to a variety of factors that we expect will improve and stabilize the credit-quality landscape over the next 12-24 months.” The revised outlook included the SCPA. The previous month S&P “had revised the outlooks to negative for almost all issuers in those transportation infrastructure asset classes.”¹⁷

As of October 15, 2021, the SCPA’s credit ratings are A1 (Moody’s) and A+ (S&P) with a positive outlook. The SCPA indicates it has maintained these ratings for more than 20 years.

Pandemic Impacts

- As a result of the COVID-19 pandemic, SCPA reports a surge in consumer demand for imported goods and record volumes. Disparity in volume between U.S. imports and exports is at a record high, both in terms of volumes and freight rates. Due to supply chain issues, at the end of the third quarter of 2021, a record number of ships were unable to immediately access U.S. port terminals.¹⁸ Following the Thanksgiving holiday carriers also experienced minor delays at Charleston due to labor and trucking shortages, but the delays have since cleared. However, Charleston continues to be affected by the offshore anchorages and longer delays at other ports. The effect on the Port of Charleston is to diminish capacity for exports by 10 percent, because one sailing is lost every ten weeks.
- Norfolk Southern and CSX in Charleston do not have track and yard capacity to work through congestion.
- Inland transportation at Charleston and Greer -- and in much of the rest of the country -- has been slowed due to limited trucks and chassis, as well as longer dwell times at marine and rail facilities.
- Record inventory at SCPA’s terminals resulted. Average import dwell time is currently seven days compared to four days historically.
- Although local drayage rates are up as much as 50 percent, there is a limit and possible decline in owner operator truck capacity. “[T]here remains a lack of interest in labor market for trucking and backlogs remain,” according to the SCPA.
- Workforce market wages increased by about 15 percent in August.
- SCPA reports that it has “nowhere close to enough import transload and distribution center capacity to support volumes...”
- No significant investment in new port facilities in the U.S. generally other than HLT.
- The SCPA has seen a “temporary surge in demurrage/storage revenue assisting in short-term cash flow growth, replacing lost cruise revenue but impacting fluidity at berth and yard.”

Risk Management

The Commission asked the SCPA to provide an overview of risk management strategies, including strategic and operational strategies. The SCPA indicates that risk transfer, engineering, and active

¹⁷ <https://scspa.com/wp-content/uploads/sp-rating-report-south-carolina-state-ports-authority-series-2019d.pdf>

¹⁸ As of the end of Q3 of 21, ships at LA/Long Beach had waited up to 70 days to offload, while the wait times at Savannah and NY/NJ were 27 and 6 days, respectively. SCPA’s October 2021 Report, page 101.

claims handling are strategies used, and that it attempts to contractually transfer as much risk as possible to other parties when negotiating with vendors, customers, and users . The SCPA works to require the other party to indemnify the SCPA, require their insurance carrier to name the SCPA as an additional insured, and to waive the carrier’s right of subrogation. Because its greatest operational risks involve the lifting of heavy containers on and off vessels and trucks, the SCPA has “a robust training program, including full scale crane simulators, as well as engineering controls on the cranes.” Finally, “SCPA directly employs two licensed all lines claims adjusters to investigate accidents involving SCPA equipment or personnel.”

Outstanding Litigation

The SCPA is currently engaged in personal injury accident cases, a labor dispute over the HLT, issues surrounding Palmetto Railways and the NBIF, and an ongoing issue with the Union Pier cruise terminal.¹⁹

HLT

The status of the legal challenges relating to the labor arrangement at the HLT are best summarized in the FY20 and 21 Notes:

On March 17, 2021, the State of South Carolina and the Ports Authority filed labor charges against the United States Maritime Alliance, Ltd. (USMX), the International Longshoreman’s Association, AFL-CIO, CLC and the International Longshoreman’s Association, AFL-CIO, CLC, Local 1422 (together, the ILA) with the National Labor Relations Board (NLRB) for entering into and maintaining an unlawful hot-cargo agreement as contained in [a section of] the USMX-ILA collective bargaining agreement (Master Agreement) and the Hugh K. Leatherman Terminal (HLT). ... [I]n April 2021, the ILA filed a lawsuit in the New Jersey Superior Court (the Lawsuit) against two USMX member-carriers seeking to effectuate the unlawful provision in the Master Agreement. ... A hearing was held before an Administrative Law Judge on June 9th and 10th, 2021. No order has been issued by the Administrative Law Judge. The Ports Authority intends to aggressively protect its interests with regards to the ILA. The effect of this labor dispute on the financial position of the Ports Authority related to operations at HLT cannot be determined at this time.

On September 16, 2021, a NLRB judge ruled in favor of the Ports Authority stating that the ILA cannot force the use of union labor at the Port of Charleston and ordered that the ILA drop a lawsuit filed against two ocean carriers that utilized the HLT.

In mid-November 2021 the ILA appealed the decision to the NLRB.²⁰ After a decision is rendered by that body, the SCPA expects the case to continue in federal courts.

¹⁹ Palmetto Railways litigation relates to the NBIF as part of the transition of that project from Palmetto Railways to the Ports Authority. Relating to Union Pier, cruise opponents challenged the Port’s permit allowing pilings for a new cruise terminal at Union Pier. An administrative law court dismissed the case and the S.C. Court of Appeals affirmed. The S.C. Supreme Court reversed. On remand, the ALC has stayed the case with the consent of all parties.

²⁰ https://www.postandcourier.com/business/charleston-dockworkers-union-appeals-labor-ruling-wants-federal-court-to-hear-dispute/article_fe850eca-46ff-11ec-bb33-3366cc19ddbe.html

Ocean Carrier Alliances

Ocean carrier alliances are groups of ocean carriers that pool their vessel fleets to offer customers expanded geographic reach and better service. Carriers work together on the major trade lanes, contributing vessel capacity and dividing space on shared services, allowing them to offer more frequent service on bigger ships at a lower per unit cost. According to the Port, the pace of shipping consolidation accelerated starting in 2016 through bankruptcy, mergers and acquisitions, and the formation of larger ocean carrier alliances. That year there were 4 alliances comprised of 18 shipping lines. Today there are three alliances comprised of nine major lines. Combined, these three alliances control 84 percent of the world's container ship capacity. Larger alliances have also led to larger vessels, which has increased pressure on ports to upgrade facilities, infrastructure, and processes to accommodate larger ships and increase per-vessel move counts. According to the SCPA, it is well-positioned with the three alliances, which have relatively similar market share positions in the Port.

Cybersecurity

In light of the increasing number of cybersecurity attacks on various businesses and governments, the Commission asked the SCPA to summarize the measures it uses to protect operations and finances against cyberattack. The SCPA advised that it has an internal Cyber Team to assess risk. The Team focuses on the five functions of the National Institute of Standards and Technology Cyber Security Framework: Identify, Protect, Detect, Respond, and Recover. Various tools are used to handle detection, permissions, endpoint protection, device inventory, real-time traffic monitoring, and other security measures. Industry standard products and devices, boundaries, and internal and external testing are also used to help protect assets. Tools, processes, and procedures for detecting and reporting anomalous network traffic and logging” are in place. Finally, the Cyber Team trains employees beginning when the employee is hired and continuing on a scheduled basis.

Quality of Life

The SCPA undertakes a number of activities to engage with and educate the community about Port activities and to improve quality of life, including:

- The aforementioned Daniel Island Saltwater Mitigation Bank project;
- A partnership with South Carolina Department of Natural Resources to build approximately 300 feet of oyster reef along Drum Island;
- Implementation of Diesel Emission Reduction Act grants, operation of the Clean Truck Program, and local air monitoring;
- The Community Giving Program, which provided \$61,000 in grants to 55 charitable organizations in FY21. The program supports port-related maritime commerce, economic development, and environmental, educational, and community needs. SCPA awarded \$128,500 in FY20, \$106,000 in FY19, and \$103,000 in FY18. SCPA plans to return to a pre-pandemic level giving for FY22;
- The free community tour program, which enables the public to visit the SCPA's Wando, Columbus Street, and Union Pier terminals. The free tours draw widespread interest and are fully booked; and

- The Wando Good Neighbors meetings, which allows residents near the WWT to meet with SCPA leadership, local law enforcement, and elected officials to receive SCPA-related updates and provide neighborhood feedback.

Executive Personnel, Employees, and Labor

In addition to the Board of Directors, the SCPA’s leadership team is made up of 14 people.

- James I. Newsome, President and Chief Executive Officer
- Randy Lowell, General Counsel
- Dixon Hughes Goodman, Internal Auditor
- Barbara L. Melvin, Chief Operating Officer
- Phil Padgett, Chief Financial Officer
- Jordi Yarborough, Senior Vice President, Community Engagement & Secretary to the Board
- Paul G. McClintock, Senior Vice President, Export Projects
- Micah Mallace, Senior Vice President, Sales & Marketing
- Beverly Cowart, Senior Vice President, Talent Solutions
- Joel Britt, Senior Director, Operations
- Steve Kemp, Senior Director, Intermodal, Chassis, & Operations Projects
- Walter Lagarenne, Senior Director, Engineering & Facilities
- Steve Rauch, Senior Director, Information Technology
- Brent Simon, Senior Director, Chief of Port Police
- Mike Stresemann, Senior Director, Crane and Equipment Maintenance

The SCPA’s executive compensation structure is administered by the SCPA Board’s Human Resources Committee. Any compensation increases require Board approval in a public session. The Board conducts regular benchmarks with other major U.S. ports.

The SCPA also has a variable incentive compensation program for executives. Incentives are based on volume and operating cash flow. A supplemental executive retirement structure is available to senior executives, senior directors, and certain director-level executives.²¹

As of October 2021, the SCPA directly employed 844 people.²² This is an increase of 221 employees since FY16. Employment growth is expected to continue due to heavy volume as a result of the COVID-19 pandemic, and the SCPA indicates it does not expect any layoffs after once supply chain issues eventually return to more normal conditions.

²¹ Other details and perquisites, including salaries, may be found on pages 40-47 of the October 15, 2021 report. See also email of supplemental information requested by Commission staff. SCPA to Commission staff, 1/4/21.

²² SCPA’s October 2021 Report, page 39.

SECTION 2.

REVIEW OF EXECUTIVE DIRECTOR

Overview

Jim Newsome was hired by the SCPA Board in September 2009. Prior to his position with the SCPA, he was President of Hapag-Lloyd (America) Inc., an international shipping company. Mr. Newsome has spent his entire career in international shipping. He received a bachelor's degree in Transportation and Logistics and an MBA in Transportation and Logistics from the University of Tennessee, Knoxville.

Prior to Mr. Newsome's hiring, cargo volume had been steadily declining, and the Port of Charleston was losing market share. Under his leadership, the SCPA enacted a new strategic plan that included aggressive sales and marketing, a reorganization of management structure, and a cargo diversification plan. Mr. Newsome identified the Charleston Harbor deepening project as the most important project to ensure that the Port of Charleston continues to grow and regain lost market share. He has demonstrated that he has a long-range vision for the SCPA.

The Board renewed Mr. Newsome's employment contract in 2012 and amended it in 2015. In September 2021, Mr. Newsome announced that he will retire effective June 30, 2022. He will serve in an advisory capacity for a period of time following this date. The Board named Barbara Melvin, the SCPA's COO, as Mr. Newsome's successor.

The Board reports that Mr. Newsome's current contract contains the following duties:

- Responsibility for the overall performance of the SCPA
- Providing leadership and direction
- Serving as principal liaison with the Board
- Acting as chief external representative and spokesperson
- Defining and executing strategic direction and approved objectives
- Insuring communications throughout SCPA to maximize quality, productivity, and effectiveness
- Providing leadership in maximizing return on invested assets and achieving the SCPA mission

In September 2021, the Board reported to the Commission that it rated Mr. Newsome's performance in each of the above areas as "satisfactory." Further, the Board rated Mr. Newsome "satisfactory" in the following key areas, taken verbatim from the Board's performance review:²³

- Assure that the SCPA facilities work well. (Good gate [turnaround] times, ship productivity, growing volume, expanded stacking capacity, maximizing use of NCT in spite of bridge constraint, strong inland port performance, successful representation of SCPA before the NLRB on HLT, no days closed during pandemic.)
- Invest heavily in new facilities. (Retrofit of WWT, HLT opening, new chassis yard/pool, new Wando Transload facility, expansion of IP Greer, began transition of [responsibility for

²³ SCPA Board's FY 2021 Performance Evaluation, Jim Newsome, President & CEO, SCPA, September 2021

developing the] NBIF from Palmetto Railways, secured Walmart distribution center on Ridgeville Campus, completed largest financing of public sector debt at sub 4 percent interest rate.)

- Continued growth of the cargo base. (Weathered pandemic with volumes up 8 percent over FY20, vehicle shipments up 27 percent, Greer up 13 percent and Dillon up 8 percent, began relationship with Amazon at Wando Transload, finalized several plastics transload facilities to boost exports, achieved overall diversification of cargo base and above average market growth, successful development of Primus property and 1.1M spec building, involved in securing EJ Gallo project.)
- Enhance intermodal footprint. (Greer expansion, transition of NBIF from Palmetto Rail, launched conceptual planning of Wando barge operation. Difficulty encountered with Rapid Rail Dray capacity, attempted to develop new dedicated models for trucking to maintain and grow capacity. Work to be done.)
- Enhance effectiveness of workforce and workplace culture. ([SCPA] named one of the Best Places to work 2019/2020, began mapping senior management transition in all functional areas, improved remuneration for hourly staff to address ability to hire and retain in the face of strong volume growth, organized large job fair to allow successful recruitment of 150 new staff, [maintained] strong connection and communication to management through quarterly manager meetings.)

FY20-21 Accomplishments

- Key volume metrics: record volumes in pier containers, TEU, breakbulk pier tons, vehicles, revenue, and operating cash flow. No cruise passengers due to pandemic.
- Induction into the International Maritime Hall of Fame, 2021
- Participation in U.S. Commerce Secretary Gina Raimando's Supply Chain Competitiveness Council
- Blue Cross Blue Shield Outstanding Manufacturing Lifetime Service [award], 2020
- Frequent participant in industry relevant interviews on CNBC and other business media

Challenges for FY22 and Beyond

- Fully opening HLT
- Securing funding and completing the NBIF
- Improving Rapid Rail drayage capacity with dedicated truck model
- Attracting new retail beneficial cargo owners with distribution capacity
- Assuring that Macalloy property [near the HLT] is developed for industrial purposes
- Continue above market volume growth
- Improve carrier revenue model, revenue per unit
- Focus on improving operations at Norfolk Southern Seven Mile Rail Yard [in Charleston]

Suggested Areas for Improvement

- Finalization of Georgetown wind down, disposition of Port property in conjunction with city/county
- Takeoff strategy for volume growth at Dillon

SECTION 3.

REVIEW OF BOARD AND BOARD MEMBERS

Overview

The SCPA Board of Directors is comprised of nine voting members, appointed by the Governor with the advice and consent of the Senate, and two non-voting members. The appointed members must meet certain qualifications.²⁴ The appointed members serve terms of five years each and until their successors have been appointed, screened, and found qualified. The two non-voting members are the Secretary of Commerce, or his designee, and the Secretary of Transportation, or his designee.

The nine voting members are:

- Bill H. Stern, Chair, Columbia (*Term expired February 13, 2020*)
- David J. Posek, Vice Chair, Pawleys Island (*Term expires February 13, 2023*)
- Kurt D. Grindstaff, Treasurer, Hilton Head (*Term expired June 4, 2018*)
- Willie E. Jeffries, Secretary, Elloree (*Term expired February 13, 2020*)
- Whitmarsh S. Smith, III, Charleston (*Term expired March 19, 2019*)
- Pamela P. Lackey, Columbia (*Term expired February 13, 2020*)
- William W. (Wes) Jones, Bluffton (*Term expires February 13, 2022*)
- Kenneth R. Jackson, Blythewood (*Term expired February 13, 2021*)
- Mark W. Buyck, Jr, Florence (*Term expired February 13, 2020*)

The two non-voting members are:

- Harry M. Lightsey, III, Secretary of Commerce
- Christy Hall, Secretary of Transportation

Threshold for Board Action

Board action is required for the following:

- Capital projects greater than \$250,000, except for routine replacements;
- Review and approval of fiscal year plans;
- Monthly updates on financials, statistics, operations, capital projects, and business development;
- Annual in-depth review of all pertinent issues as well as strategic plan updates;
- Routine meetings with the HR committee on proposed changes to organizational structure and pay increases; and
- Frequent emails/communication from CEO and senior management on industry and pressing issues.

²⁴ Section 54-3-60 of the South Carolina Code of Laws.

Staff Observations and Rating Agency Notes

Since the last oversight report, Commission staff regularly attended SCPA Board meetings (predominantly by phone) and various port-related functions. Staff reviewed minutes and spent additional time in professional settings observing and interacting with each member of the SCPA Board of Directors.

Each has demonstrated knowledge of substantive SCPA issues and the ability to apply that knowledge to address issues facing the SCPA. The voting members have demonstrated that their decisions, both individually, and as a body, are free of influence from political considerations and labor unions and serve the best interests of the State. Each member has demonstrated the temperament and demeanor necessary to be an active, productive member of the Board.

Continued growth at the SCPA suggests that the Board, as a whole, is taking the actions necessary to promote, develop, construct, equip, maintain, and operate the harbors and seaports of this State in an efficient, effective manner in accordance with all applicable laws and regulations. Both S&P and Moody's note the SCPA's strong governance model.²⁵

Commission Recommendation

The Commission has observed that the SCPA often seems to dismiss the ex-officio, nonvoting members of the Board (the Secretary of the Department of Commerce and the Secretary of the Department of Transportation, or their designees). However, on various reports and presentations the SCPA regularly discounts, or fails to note entirely, the members' membership on the Board. For example, the SCPA's website includes a photo and short bio of each voting member of the Board, while listing only the names of the nonvoting members. The nonvoting members are not mentioned in the SCPA's 2021 Annual Report, the SCPA's April 7, 2021 presentation to the Senate Transportation Committee, or the information the SCPA provided to the Commission for this report. The voting

²⁵ From S&P's October 2019 RatingsDirect report: "The enterprise risk profile reflects our view of the authority's... [v]ery strong management and governance, with an experienced management team that we believe demonstrates a very strong grasp of industry and market conditions and trends, and that has established a track record of successfully managing and operating its port facilities. Our management and governance assessment reflects our view of SCSPA's strategic positioning, risk management and financial management, and organizational effectiveness. Our assessment also considers the SCSPA's governance structure, which we consider credit neutral. SCSPA's management annually reviews and updates long-range capital plans, which are largely modular and demand-driven, an approach we consider prudent, particularly given the exposure of ports to fluctuating economic conditions and trends in international trade, which can affect demand levels. More specifically, the authority is using a modular and demand-driven approach in developing the Leatherman Terminal, allowing it to postpone or defer components of the project if the port experiences declining container levels. We believe management is experienced and has strong knowledge of the markets and industry in which it operates. Furthermore, management maintains both formal and informal financial targets, including an informal policy of maintaining 1.5x all-in DSC and at least 270 days' cash on hand, which the authority has consistently met or exceeded. Management is focused on enhancing the port's competitive position through capital investment. Although this entails substantial additional borrowings, we note management's track record of successfully operating the port facilities and managing the authority's finances, and we expect management will be able to successfully manage its current CIP. In addition to enhancing its competitive position, SCSPA maintains business interruption, property, and liability insurance to protect against loss. (<https://scspa.com/wp-content/uploads/sp-rating-report-south-carolina-state-ports-authority-series-2019d.pdf>) and

²⁵ From Moody's 6/16/21 press release: The South Carolina State Ports Authority's rating (A1) reflects the authority's strong growth trend, driven by favorable demographic and industrial trends in the South Carolina and Southeast economies; the authority's competitive infrastructure and operating model, which support high productivity and low port charges to users; elevated exposure to volume variation relative to the more traditional landlord port model; and strong historical financial metrics that are narrowing to still acceptable levels as the authority has added debt to implement a large capital program that will enhance its competitive position in the Southeast port market. The rating also incorporates the governance linkage and significant capital, economic development and planning support provided by the State of South Carolina (Aaa). (https://www.moody.com/research/Moodys-announces-completion-of-a-periodic-review-of-ratings-of-PR_907182846)

members are included in these publications. Further, there have been instances in which Board meeting agendas indicate that in executive session items directly involving the departments of Commerce and Transportation will be discussed, however, the nonvoting members are statutorily prohibited from taking part in executive sessions.

The General Assembly added the Secretary of the Department of Commerce and the Secretary of the Department of Transportation on the Board in the SCPA restructuring act of 2009. These cabinet-level members were added because the agencies they lead are those that most regularly interact with the SCPA, and the General Assembly believes their expertise would be valuable in the Board's decision-making process. The Commission notes that the SCDOT regularly has representation at Board meetings and other SCPA functions, and the Department of Commerce has also lately been represented at Board meetings.

The Commission recommends the General Assembly pass legislation that allows these ex-officio members to be part of executive sessions and makes them voting members of the Board.

SECTION 4. CHALLENGES

The information provided to the Commission by the SCPA for this report concluded with a page entitled "Innumerable Challenges in the U.S. Global Supply Chain" and listed the following areas of general concern for the nation's logistics and shipping sectors:

- Overall slowdown in velocity
- Nationwide shortage of 300 million square feet of distribution center capacity
- Shortage of container truck drivers
- U.S. port capacity is very rigid
- Ships waiting at anchor at U.S. ports, thereby exacerbating supply chain slowdown
- Record on-terminal container inventories

The Commission adds to these concerns the following challenges that are specific to the SCPA:

- Outcome of ongoing labor-related litigation concerning use of the HLT
- Funding, construction, and operation of the NBIF
- Determining the future of Union Pier and overall cruise footprint
- Implementing the WWT/HLT barge operation
- Challenges common to any entity when transitioning to a new CEO. These may include employee acclimation to new communication and leadership styles, and new expectations of employees.

ADDENDUM

Following the release of this biennial Oversight Report to members of the Commission, SCPA released productivity and financial information for calendar year 2021. The following is a summation of that information.

Calendar Year 2021 Results

SCPA “set monthly year-over-year container records for ten consecutive months in 2021, from March through December. Much of the cargo growth stems from consumers buying more retail goods during the pandemic,” according to an SCPA announcement in January 2022.²⁶ 2021 ended with SCPA having had its best calendar year in history, handling record cargo volume, including:

- A combined 2.75 million TEUs at Wando, North Charleston, and Leatherman terminals, up 19 percent from 2020 and 13 percent from 2019;
- 1.53 million pier containers (containers of any size), up 18 percent from 2020 and 11 percent from 2019;
- 1.29 million loaded import TEUs, up 25 percent from 2020. Significant growth in retail imports — including home goods, appliances, furniture, clothing and electronics — was a major reason;
- 814,964 loaded export TEUs, up 5 percent from 2021;
- Inland Port Greer handled a record 160,234 rail moves, up 14 percent from 2020. Inland Port Dillon made 29,412 rail moves;
- 233,887 vehicle exports, up 6 percent from 2021.

December Volumes and FY 2022 Numbers to Date

SCPA finished 2021 with the strongest December on record, including:

- Handling 246,198 TEUs in December at Wando, North Charleston, and Leatherman Terminal. Total TEUs handled in FY 22 to date are 1.42 million, up nearly 17 percent year-over-year;
- 137,506 pier containers moved in December for a total of 787,869 pier containers thus far in fiscal year 2022, up nearly 17% year-over-year;
- Inland Port Greer handled 12,217 rail moves in December for a total of 77,345 rail moves to date in 2022. Dillon handled 1,490 and 13,325 moves, respectively;
- Cruise operations resumed in December when the Norwegian Gem calling the Port of Charleston, while in January the Carnival Sunshine resumed cruises from its home port of Charleston.

²⁶ <http://scspa.com/news/sc-ports-achieves-record-volumes-in-2021/>

Looking Ahead

SCPA's efforts to continue the momentum achieved in 2021 includes the following projects for 2022.²⁷

- Deploying 15 ship-to-shore cranes with 155 feet of lift height at Wando;
- Achieving full use of Phase One of Leatherman Terminal;
- Completing the Charleston Harbor Deepening Project;
- Initiating construction on the rail-served Navy Base Intermodal Facility and inner-harbor barge project; and
- Completion of the Inland Port Greer expansion project.

- End -

²⁷ <http://scspa.com/news/sc-ports-achieves-record-volumes-in-2021/>