

2004 STATE OF THE PORT ADDRESS – 9 Nov. 2004

Thank you for that kind introduction, Wilbur.

The Charleston business community is fortunate to have you as leader of its Chamber of Commerce, and I particularly appreciate what you are doing to help our industry.

Over the past several weeks, a number of you have asked me to carry a simple, but important message to this year's State of the Port address.

So, this will be a message of challenge, and opportunity. And I hope to convey, in no uncertain terms, that our Port of Charleston -- the finest port in the nation just as it was 300 years ago -- is ready to handle the growth that's headed our way.

The business of our Port is growing at a rapid pace. We set several new records in fiscal year 2004. Revenues and productivity were up; operating and administrative expenses were down; harbor deepening was completed; new port security measures were introduced; significant new capital investments were made; our first cruise line contract was executed; Veterans Terminal brought additional breakbulk opportunities; and, new container services were added. But we are not stopping there, because the trade continues to grow as evidenced in the first four months of our new fiscal year, with container shipments through Charleston up 17.25% from last year. In fact, we have just verified the month of October set a new record with over 102,000 container moves. That is 8% better than our previous record, set last August!

Yet South Carolina and its port system are facing strong competition..... determined and resourceful competition..... well-funded competition. Our neighbor to the south has chipped away at our advantages. They have taken business, they have taken jobs, and they have taken economic opportunities, from our state.

It is no secret that our primary rival has closed the gap, and they've closed it fast. Over the past 10 years, trade through the Port of Charleston has grown 7% a year. Meanwhile, the Port of Savannah has grown 10% annually. We have enjoyed healthy growth, but it is painfully clear that our competition is catching up.

All of us – public officials, and business leaders alike – must act today to preserve a brighter tomorrow for South Carolina's economy. And I am certain we all know what we need to do.

The challenges we face as a Port and as a State have come upon us over a period of time, so they can't be swept away overnight. But I have no doubt they can be overcome. They can be overcome because we, as South Carolinians, can do what we've done so many times before. We can come together as a State – the Lowcountry, the Midlands, the Upstate and the Pee Dee -- unified as one, on this common issue, our Port. We must come together to protect and to develop our fine natural harbor, South Carolina's birthplace. Why? Because, the Port is our vehicle to economic opportunity.

The Ports Authority alone cannot address these challenges. To succeed, it will take the work of many. Such as the State's many Chambers of Commerce..... the work of the private sector.... the work of our elected officials. And the individual work of each of us.

You know, it's a rare opportunity that I get to come before a group like this and deliver breaking news. But tonight, I'm pleased to announce some great news for the Port of Charleston.

And it is a perfect example of why we must continue to protect and develop our state's port system.

Earlier today, BMW and the Ports Authority jointly announced that we have signed a 10-year agreement to increase BMW's business through the Port of Charleston. <applause>

This means millions of dollars to our waterfront community, to our local economy, and to the economy of South Carolina. It also secures a highly respected customer in our port, and it shows their confidence in what Charleston has to offer. This agreement not only solidifies the growth of BMW's existing business in Charleston, but also leads to the relocation of new business to the Port of Charleston from another port.

We'll continue to handle the growing volume of BMW's export business as well, including the X5 sports activity vehicles and the Z4 roadsters made in the Upstate. And in addition to handling all of BMW's imports for the southern region, Charleston will now serve BMW's imports for 11 states in the central U.S.

It's an understatement to say that BMW has been a tremendous force for economic development across South Carolina. They, and their suppliers, impact virtually every community in the state in a very positive way, and in a very personal way.

But this is just one example of the connection between international trade and economic opportunities. Today, for example, at breakfast we hosted a group of diplomats from 16 countries to expose them to South Carolina's international business climate, shortly after that we announced the news of our new contract with BMW, one of Germany's exemplary companies, then we met over lunch with top executives from Taiwan's Evergreen Line to discuss new business. And, this afternoon a large group of our State Legislators took the time to learn more about the flow of international cargo through our terminals and the significant positive impacts created from this activity. I know each of you in the industry can relate to exciting days like this --- days full of promise and opportunity.

In our business, we are used to throwing around big numbers..... 281,000 port-related jobs..... \$39 billion in cargo a year. And we are used to dealing with big equipment.

But international trade through our Port is not about steel and concrete. It is about the men and women who wake up each morning to drive our trucks, patrol our terminals and harbor, work our forklifts, man our factories, clear our cargo, arrange our transportation, and dock our ships. These are the faces of international trade in South Carolina. These are the people I thank and congratulate tonight.

International trade in South Carolina has done amazing things for our urban areas and small towns alike. Take a look at all the products displayed here tonight. Behind each of these products are hundreds of stories of real people..... real people making a good living, providing for their families, contributing to their churches, volunteering in their communities and building our tax base.

As a state, South Carolina must continue to leverage its assets to attract, and to grow, better, higher paying jobs. Without question, the Port is the State's strongest tool for economic development. But like any resource, it must be cherished and bolstered. It cannot be neglected, or taken for granted. We are all the stewards of this vital asset.

Last year my theme was "We can do better"..... and the results speak for themselves. We have done better and set new records. But tonight let me suggest some new directions. I recommend these three issues that we must address to continue the Port of Charleston's future success.

We need to encourage international trade through our State's Ports. We need to retool to handle expanding trade. And we need to invest in our Port's long-term future.

First, to encourage international trade through our Ports, we could start by taking a good look around us. Neighboring states to our north and south offer tax incentives to companies that increase their international waterborne commerce. South Carolina, however, does not. This is a competitive disadvantage that must be addressed.

Fortunately, a private-public coalition has been working to come up with a plan. A broad-based group of private companies, the Maritime Association, the Chamber, local economic developers, and state leaders is leading the charge. We should all champion these efforts and push for the legislation in the upcoming session that will level the competitive field and provide an incentive for international business to choose South Carolina.

Second, to retool to handle expanding trade, we will have to be more creative.

Our existing Port facilities will continue to handle more cargo. They must. We might think it's impossible, but they will as we develop new capacity at existing terminals. Just 10 years ago, many of us probably didn't think we could stack loaded containers five-high and maintain service levels. But we're doing it. In fact, with our new Yard Management System at the North Charleston Terminal, we are handling more cargo in less time. Soon that same system will be available at Wando Welch Terminal.

Also to retool for expanding trade, the Ports Authority will continue to invest heavily in capital assets. Over the coming two years, we plan to sink \$115 million into improvements at our existing facilities alone. New cranes and other enhancements will allow the Port of Charleston to handle expanding cargo volumes.

It's important to note that all of this work is being funded internally by the Ports Authority, not with taxpayer dollars. A stronger bottom line translates into more money for port improvements. So my board members, led by Chairman Harry Butler, have challenged us to control costs. And we have been quite successful. We have reduced costs without affecting our high standards of productivity. Our earnings have never been stronger. This allows us to take on new capital projects that will boost the Port's business. And boost your business.

One specific project that I'd like to highlight is the completion of the Wando Terminal. Very soon the Ports Authority will take plans to Charleston County for 49 acres of container marshalling area at the Wando. This is a vital project envisioned nearly three decades ago that must move forward to bridge the short-term gap until new capacity is available.

Those of you who represent ocean carriers, truckers, and other transportation service providers – you certainly have your work cut out for you as well. You are stretched to deal with the challenges of higher fuel prices, equipment issues, driver shortages, and new security regulations, just to name a few.

The Port of Charleston's waterfront community has always led the nation's transportation industry with new ideas and new methods. We have embraced technology and new concepts. Our challenge is to continue to work collaboratively on innovative approaches.

Third, and finally, we need to invest in our port's long-term future.

Harbor deepening is essentially complete, and the State should honor its commitment to fund the local match. We encourage the Governor and the General Assembly to protect the \$2.4 million in recurring funds that are currently in the budget for harbor deepening.

The new Arthur Ravenel Bridge over our major shipping channel is another massive project that will come to an early completion in the coming months. The Ports Authority has contributed significant financial resources to this project, so South Carolina must ensure that the old bridges are removed in a timely fashion, so that larger ships calling our port can enjoy the higher and wider clearance.

And we need to move forward with the legislated expansion on the former Navy Base. The community and environmental issues are important and should be addressed in a careful way, but it should be done on schedule, and on budget. South Carolina deserves nothing less. Infrastructure to serve the new port facility and the community was promised to North Charleston, and it should be delivered with port expansion so this

community can move forward. But, we all know it cannot stop with the Navy Base Terminal. We must plan for South Carolina's economic future far beyond the next twenty years.

The challenges are before us. We must encourage international trade through our State's Ports. We must retool to handle expanding trade. And we must invest in our Port's long-term future. These are the goals we should all share and take responsibility for achieving.

We are in one of the most important times in the history of our port and our state. It is a time when our objectives are clear and attainable, when exciting new opportunities are within our reach.

We cannot be sure of all the other challenges that might arise. But we are confident that the Port of Charleston remains a powerful engine for economic development. And we are confident that with the right strategy and determination, South Carolina can guarantee the prominence of its Port for the years ahead.

Thank you all very much for your support, and for your contributions to our Port's success.