

Logistics Task Force Meeting
August 25, 2010
Lenoir, NC

Lt. Governor Walter Dalton, Chairman of the Logistics Task Force, called the meeting to order at 9:35 a.m. on Wednesday, August 25, 2010 at the Broyhill Civic Center in Lenoir with the following members present:

Al Delia, Gene Conti, Nelson Cole, Beth Austin, Dee Blackwell, Earl Brinkley, Patricia Long, David Congdon, Gary Teng, Lew Ebert, Larry Wooten, Dan Danieley, Allen Joines.

Manley Wilder attended on behalf of Dee Freeman and Stephanie McGarrah attended on behalf of Keith Crisco.

Members participating via conference call: John Atkins.

Members absent were: Clark Jenkins, Dawn Clegg, Rick Sholtes, Buddy Shavender, Terry Bellamy, Thomas Eager, Jerry Orr, Bob Morgan, Paul Kauffmann, David Willauer, Joseph Stephens, Danny McComas and Michael Walters.

Chairman Dalton thanked everyone for participating in the meeting and introduced Dr. Ken Boham, President CCC&TI, David Barlow, Mayor of Lenoir, Rudy Wright, Mayor of Hickory and Ben Griffin, Chair of Caldwell County Commissioners. They each expressed appreciation to the Task Force for meeting in Lenoir and shared information regarding their areas.

Chairman Dalton introduced Harry Whalen, Executive Director of Caldwell County EDU. Mr. Whalen informed the Task Force of various industries located in Caldwell County and how important logistics is to the area. He stated that the unemployment rate in Caldwell County is down to 13.4 %.

Mr. Whalen introduced Scott Millar, Executive Director Catawba County EDU. He talked with the Task Force about improvements in the Catawba County area as far as logistics. Target has recently opened a regional distribution center. This center is 1.7 million square feet and employs a great number of people in the area. He stated this is only one example of the importance of logistics in the area.

Chairman Dalton introduced Jeanette Goldsmith, McCallum Sweeney Consulting. Ms. Goldsmith presented the Task Force with information regarding the role of logistics in site selection process. McCallum Sweeney Consulting specializes in site selection and incentive negotiation services. Some of their clients are Dollar General, Nordex, Boeing, Nissan, Michelin and many others. Ms. Goldsmith stated that logistics are a key part of the evaluation process. They must recognize the logistics assets in the community and state and market those assets to appropriate companies and industries. A copy of this presentation is made a part of the minutes as Addendum 1.

Chairman Dalton introduced Enoch Moeller, Operations Manager for Google in Lenoir. Mr. Moeller talked with the task force about the importance of fiber optic path ways as it related to logistics. He stated that most states are behind in getting this information out to the communities. Mr. Moeller shared how important it is to move bits around the state through data centers.

Mr. Kevin Perry, Lowe's/Director of TL Transportation Services were introduced by Chairman Dalton. Mr. Perry informed the Task Force that Lowe's has 1,725 stores, over 238,000 employees; stores are located in all 50 states plus Canada and Mexico. They have an average of 14 million customers per week. Currently there are roughly over 40 distribution centers. In North Carolina, Lowe's has 110 stores, 5 distribution centers, 2 corporate offices, 22,000 employees. This makes Lowe's second in the state in corporate revenue. They are currently ranked number 42 on the Fortune 50. Logistics is very important to Lowe's. National, they move over 1 million annual truckload shipments, 5 million parcel shipments with 200 contracted carriers. Lowe's is the 2nd largest importer over the Port of Wilmington. A copy of this presentation is made a part of the minutes as Addendum 2.

Chairman Dalton introduced Boyd George, Alex Lee, Inc.-MDI/IFH, Lowes Foods, FTZ. Mr. George talked with the task force about how Alex Lee, Inc. supplies customers throughout the state. Asked that task force maintain the roads. Any increase in total weight on vehicles would be very helpful. He expressed how important it is to continue to improve roadways such as extending Hwy. 321 to a 6 lane highway up to Lenoir.

Mr. Costi Kutteh, Mayor of Statesville/Statesville Regional Airport was introduced by Chairman Dalton. Mayor Kutteh discussed information regarding the importance of Regional Airports to the state. The Statesville Regional Airport is located only 1 mile north of I-40, I-77 is 8 miles away. The nearest major road is US-70 (0.5 miles north). Nearest major airport is Charlotte Douglas. The runway at Statesville Regional Airport is 7,500 feet X 100 feet meaning aircraft of almost any size can land at and depart. Based users of the airport are Lowe's Corp., Newell Rubbermaid, DEI, Dale Earnhardt Jr./Kasey Kahn, Greg Biffle/Elliot Sadler /Jamie McMurray, Petty Motorsports and Michael Waltrip racing. The vision of the airport is to acquire additional property. Fuel flow is an important source of revenue for the airport. SVH has been fortunate in that the City of Statesville and Iredell County have supported the airport both politically and through funding. SVH also has strong support from the Greater Statesville development Corporation (GSDC) and the Statesville Chamber of Commerce. A copy of this presentation is made a part of the minutes as Addendum 3.

Chairman Dalton introduced Mike Pettyjohn, NCDOT Division Engineer. Mr. Pettyjohn represents Division 11 which consists of Alleghany, Ashe, Avery, Caldwell, Surry, Watauga, Wilkes and Yadkin Counties. He presented information to the Task Force regarding the infrastructure of Division 11. The Strategic Highway Corridors are so very

important and there are not as many in the mountainous areas. They are: I-77; I-74/US 52, (24,000 vehicles per day travel this road.) US 421, (Bus route from Greensboro to Boone travel this road), US 321, US 221, NC 105 and NC 16/18.

Mike Holder, NCDOT Division Engineer representing Division 12 which consists of Alexander, Catawba, Cleveland, Gaston, Iredell and Lincoln Counties presented information to the Task Force regarding the issues facing the Division 12 area. The Strategic Highway Corridors in the area are: NC 150, which is used very heavily in transporting freight, NC 16, NC 73, I-77, US 74, I-85; US 321, I-40 and US 70. Division 12 has several distribution centers in the area and feels they are very important in offering employment.

Chairman Dalton introduced Dr. George List. Dr. List shared information with the Task Force regarding the Seven Portals Study. He updated everyone on the activity since the last meeting. The plans are to have the overall findings presented to the Task Force in March 2011. The committee working on the study will bring more information to the Task Force at the next meeting in Wilmington.

The Governance, Commerce and Best Practices Subcommittees met briefly.

Chairman Dalton announced the next meeting of the Logistics Task Force will be Tuesday, September 21, 2010 at Cape Fear Community College North Campus in Wilmington from 9:30 a.m. – 1:00 p.m.

The meeting was adjourned at 12:36 p.m.

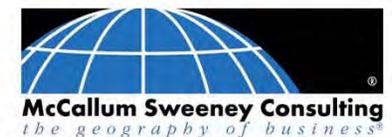


Role of Logistics in Site Selection Process

August 25, 2010

Lenoir, NC

Governor's Logistics Task Force



Introduction

Introduction

- MSC specializes in site selection and incentive negotiation services
- MSC was established in July 2000 by Ed McCallum and Mark Sweeney
- MSC brings more than 60 years of combined location consulting experience to our clients worldwide
- MSC has represented over 46 companies in approximately 74 site selection engagements
- We have advised our clients on 42 public announcements totaling nearly \$6 billion dollars of investment and adding over 20,000 jobs

MSC Clients



Boy Scouts of America



SGL Automotive Carbon Fibers LLC joint venture

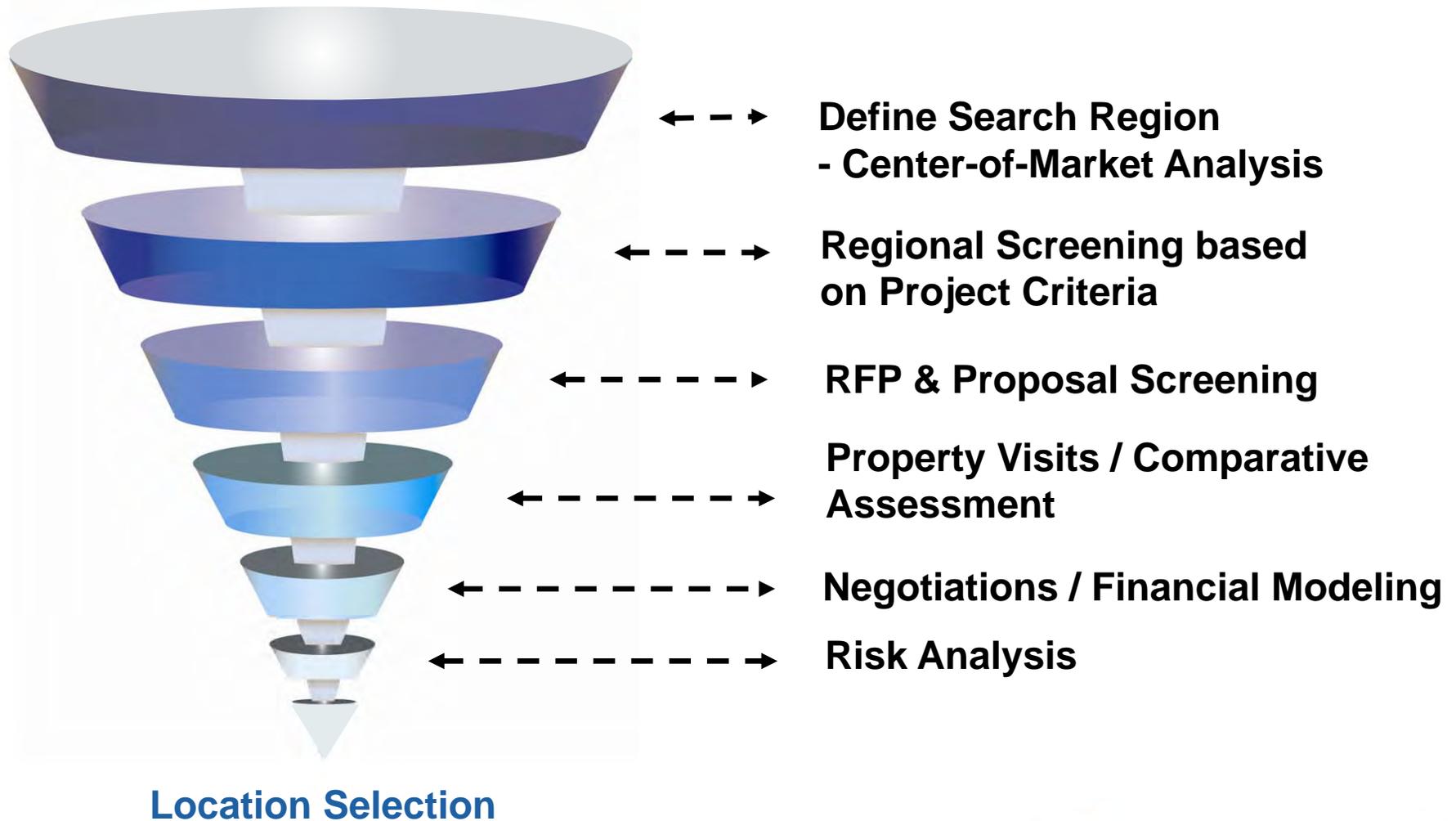


American Titanium Works



Overview of the Site Selection Process

Competitive Site Selection Screening Process



Logistics in the Site Selection Process

Logistics in the Site Selection Process

- Search Region Definition
 - Manufacturing
 - Center of Market
 - Inbound / Outbound freight costs
 - Distribution
 - Ton Center
 - Inbound / Outbound freight costs
 - Office / HQ
 - Air Service
 - Commute Times

Logistics in the Site Selection Process

- Search Region Screening – Identification of Areas of Interest
 - Access to transportation infrastructure elements
 - Roads
 - Rail
 - Airports
 - Port Proximity

Logistics in Site Selection

- Site / Community Evaluations – Manufacturing
 - Rail service
 - Class I vs. Short-line
 - Dual rail service
 - Rail Carrier
 - Access to ports
 - Direct port access or deep water access
 - Ease of transportation to the port
 - Carrier
 - Roads / Interstates
 - Frequent shippers with high truck volume – close access to interstates
 - Good / safe interchanges
 - Uncongested routes to interstates
 - Improved / safe routes to site (controlled access, turn lanes, accel / decel lanes)

Logistics in Site Selection

- Site / Community Evaluations – Manufacturing
 - Air Service
 - Less important
 - Occasional need to expedite shipments to customers
 - Cargo carriers
 - Public Transportation
 - Less importation
 - Companies with “green” image

Logistics in Site Selection Process

- Site / Community Evaluations – Distribution
 - Roads – access to markets
 - Highly dependent on the market being served by the DC
 - Multiple interstates for North / South and East / West distribution routes
 - Roads – access to interstate
 - 200 to 300 trucks per day inbound and outbound
 - Uncongested, safe routes from DC to interstate
 - Roads – access to site
 - Controlled access
 - Turn lanes
 - Accel / Decel lanes

Logistics in Site Selection Process

- Site / Community Evaluations – Multi-modal Distribution
 - Roads
 - Access to multiple markets
 - Ease of access from multi-modal center to interstates
 - Rail
 - Carriers
 - Air
 - Cargo Carriers
 - Foreign Trade Zone

Logistics in Site Selection Process

- Site / Community Evaluation - Office / HQ projects
 - Air Service
 - Destinations
 - Number of Carriers
 - Number of flights per day (to key destinations)
 - Air travel time to key destinations
 - Cost
 - International flights
 - Roads – Quality of Life Measure
 - Commute times
 - Road congestion
 - Roads – Access to sites / buildings
 - Safe
 - Controlled

Logistics in Site Selection Process

- Site / Community Evaluation - Office / HQ projects
 - Public Transportation - Buses
 - Locations of stops
 - Frequency
 - Quality
 - Public Transportation - Commuter Rail
 - Proximity to sites / buildings
 - Frequency
 - Network

Logistics in the Site Selection Process

- Incentives
 - Roads
 - Improvements to site ingress / egress
 - Improvements to intersections (Industrial Park / Business Park entrances)
 - Improvements to interchanges
 - Rail
 - Rail spur development
 - Rate negotiations
 - Ports
 - Port improvements
 - Airports
 - Ramp improvements
 - Runway extensions

Final Thoughts

- Logistics are key part of the evaluation process
- Recognize the logistics assets in your community / state and market those assets to appropriate companies and industries
- Do not wait until the project comes to make improvements (or promise to make improvements) to transportation networks – increase risks to project and results in project schedule impacts
- Continuing to make improvements to your logistics networks (air, ports, rail, roads, public transit) will increase your chances for success

MSC Contact Information

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Kevin Perry
Transportation Director

LOWE'S TODAY

- **\$47.2 Billion in 2009**
- **1,725 Stores**
- **Over 238,000 employees**
- **All 50 states plus Canada & Mexico**
- **14 Million customers per week**
- **>40,000 SKU's per store**



LOWE'S®

NORTH CAROLINA

110 Stores

2 Corporate Offices

5 Distribution Centers

22,000 Employees

Second in the State in Corporate Revenue

Fortune ranked Lowe's #42 Nationally



Lowe's Regional Dist. Center





Flatbed Distribution Center

LOWE'S
FDC#1430

EDCW1430
FDC#1430

Transportation



**International
Services**



**Truckload,
IM and Rail
Services**



**LTL & Parcel
Services**



**DC
Outbound
Trans**



**EDI Services
&
Compliance**

Lowe's National Transportation Network

- >1 Million annual truckload shipments
- >2 Million annual LTL shipments
- >5 Million parcel shipments
- >200 contracted carriers

Lowe's NC Transportation

- 110,000-plus annual TL Shipments to and from stores and distribution centers
- >20 Million annual miles traveled within the state of NC
- Majority of shipments are from vendors to DC's in Garysburg and Statesville and to stores that they service

I-95 Presence Today

- >18,000 Truckload Shipments
- 4.2 Million estimated annual miles
- \$1.7 Million in potential increased annual transportation costs with I-95 toll

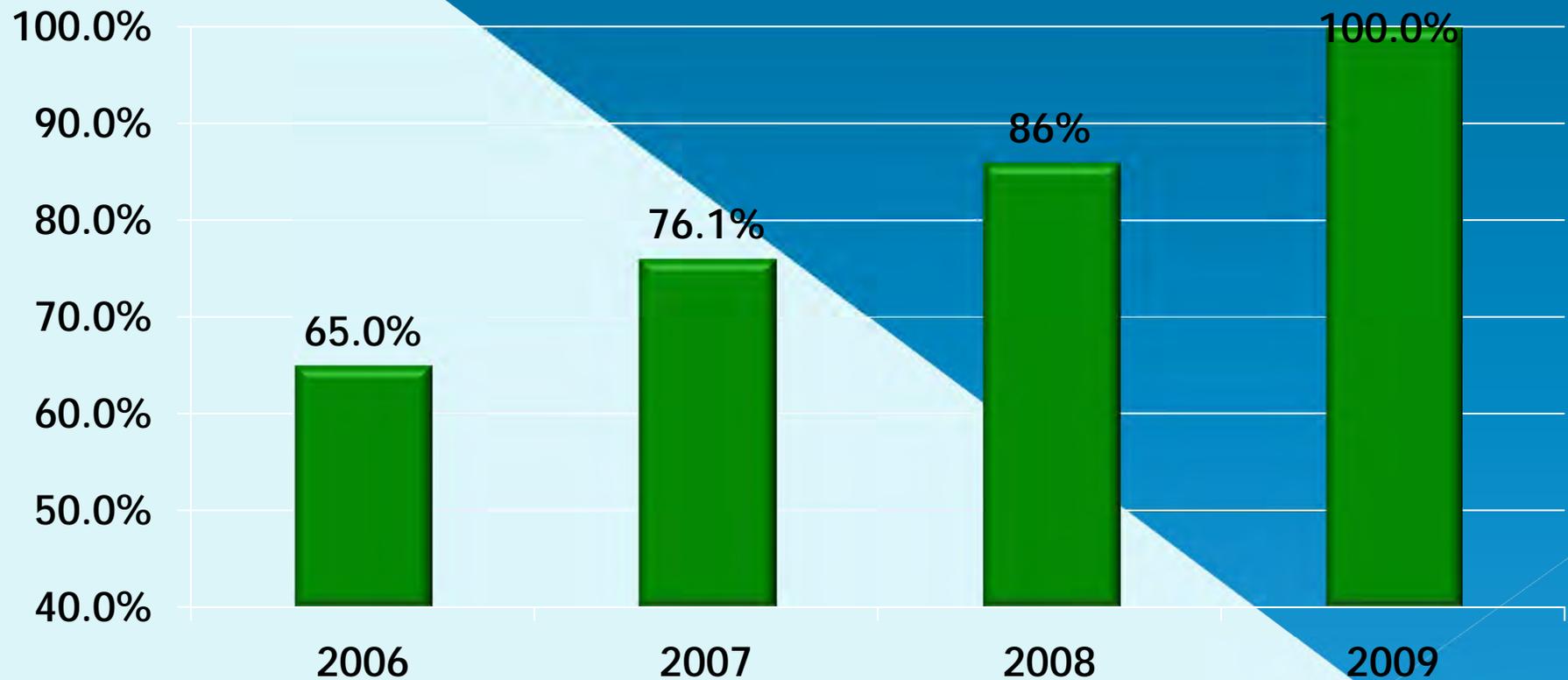
Lowe's Sustainability



- 3 consecutive EPA SmartWay Excellence Awards
- 1 of only 2 retailers to 3-Peat
- Significant carbon footprint reductions
 - Improved carrier MPG
 - Reduced carrier idling time
 - Intermodal conversions
 - Higher load factor

Transportation Sustainability

Domestic Carrier SmartWay Compliance



Lowe's Intermodal Transportation



Lowe's Ocean Transportation



Port of Wilmington

- 2nd-largest importer over the Port of Wilmington (5,000-plus FEU's)
- Primarily ship to Dist. Centers in Statesville and Garysburg
- Statesville Routes
 - 40 W to I-77 N
 - 74 W to 220 N to 64 W to 901 to U.S. 21 S
- Garysburg Routes
 - 40 W to 95 N
 - 40 W to U.S. 117 to 96

Toll Road Concerns

- Double taxation
 - Highway has been paid for
 - Residents already paying 31.9 cents state tax per gallon of fuel
- Tolls negatively impact residents on or near toll roads.
- Higher costs are likely passed on to customers due to higher transportation and distribution center labor costs.

Toll Road Concerns (Cont.)

- If toll is implemented, would funds be dedicated to the specific highway tolled?
- New toll roads would likely cause many travelers to use alternate routes; therefore disadvantaging businesses located on the toll roads.

North Carolina Shipper Potential Cost Offset Options

- Increased use of Intermodal Transportation
- Potential store service area changes
- Reduction in overall highway miles traveled
 - Improved load factor
 - Lighter-weight equipment



Thank You