

UPWARD MOBILITY

North Carolina's transportation industry is expanding, adapting and preparing to keep the state's economy moving forward.



Panelists, from left:

Nicholas Yale, aviation programs director, Jamestown-based Guilford Technical Community College

Brian Clark, chief operating officer, Wilmington-based N.C. State Ports Authority

Carl Hollowell, general manager and vice president of operations and marketing, Candor-based Aberdeen Carolina and Western Railway Co.

Kevin Baker, executive director, Piedmont Triad International Airport near Greensboro

Bobby Walston, director, Division of Aviation, Raleigh-based N.C. Department of Transportation

MANY INDUSTRIES KEEP NORTH CAROLINA'S ECONOMY ROLLING ALONG, BUT NONE AS LITERALLY AS TRANSPORTATION.

A diverse network of roads, rails, airports and ports has been one of the state's strongest assets for about a century. But while the industry's mission remains the same, its path is changing. *BUSINESS NORTH CAROLINA* recently assembled a panel of industry experts to discuss the opportunities up for grabs and challenges that must be stared down.

Ben Kinney, *BUSINESS NORTH CAROLINA* publisher, moderated the discussion, which was held at Guilford Technical Community College's Aviation Campus. Support was provided by PTI and Aberdeen Carolina and Western Railway. The transcript was edited for brevity and clarity.

HOW IS THE STATE'S GROWING ECONOMY AFFECTING THE TRANSPORTATION INDUSTRY?

YALE The state's economy is good, which means more people are working and fewer are training for jobs. The transportation industry, especially the aviation sector, is growing. [Cary-based] Economic Development Partnership of North Carolina Inc. reported that the state's aerospace products and parts manufacturing sector grew 76% from 2007 to 2016, the second fastest in the country. That creates demand for GTCC's programs, some more than others. Seats in our aviation maintenance programs are always filled. But that's not the case in our aviation management and career pilot program. It should be: [Chicago-based] Boeing Corp. reported that 640,000 new pilots will be needed worldwide over the next two decades. Overall, our aviation programs are strong. Our students are in demand, some before graduation. Many are working part time for the companies where they also are interning. We could double the number of graduates, and they all would find jobs. That's the demand. The reality is, there aren't enough seats in our programs or the people to fill them.

PHOTOGRAPHY BY JOHN GESSNER

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BOBBY WALSTON

N.C. Department of Transportation



HOLLOWELL We're a privately held short-line railroad that operates about 150 miles of track from downtown Charlotte to Gulf, a little town in Chatham County. We interchange with [Norfolk, Va.-based] Norfolk Southern Corp. at both terminals and have a separate subdivision that starts at Star, travels through Candor and Pinehurst and ends in Aberdeen, where we interchange with [Jacksonville, Fla.-based] CSX Corp. A few years ago, we felt fortunate because we were maintaining our level of service and keeping the commitments that we made to customers while other companies were downsizing or losing business. We've seen some organic growth within our customer base over the past two-and-a-half years.

BAKER PTI's dual mission is unique among airports. First, it's the state's third-busiest commercial airport behind Charlotte Douglas International and Raleigh-Durham International. Passenger traffic was up about 7.5% in August over the year prior. About

5,000 people work at 50 companies — including [Memphis, Tenn.-based] FedEx Corp. — at the airport. They add about \$2 billion each year to the economy. We're developing about 1,000 acres directly across from the airport, a project that has been underway for more than five years and included a \$176.5 million taxiway that crosses Interstate 73. Portions of it are open for businesses. The lack of that capacity used to keep me awake. How bad would it be to lose 2,000 jobs that paid \$75,000 annual salary on average? The average income for households within 35 miles of the airport is about \$45,000.

CLARK South Korea-based Hanjin Shipping Co.'s bankruptcy in August 2016 — the industry's largest in nearly 30 years — eliminated a significant portion of the state's container business. Since then, we've added four container services, helping the ports' general cargo continue to grow about 10% annually. There's plenty of interest in the state and its ports. Several projects,

including a 200-foot-longer turning basin to accommodate the bigger container ships sailing the East Coast thanks to the recent Panama Canal expansion, improved rail infrastructure, and three container cranes to be delivered by January 2019, have been undertaken to prepare for larger intermodal volumes. The port in Savannah, Ga., for example, has welcomed about 40 of these larger container ships over the past year. We're not going to be a Savannah or Charleston, S.C., in terms of volume. We need to be a top service provider that can handle the volumes that will eventually come to Port of Wilmington. We need to be better than other ports at the end of the day.

HOW DOES TRANSPORTATION AFFECT ECONOMIC DEVELOPMENT?

BAKER Transportation is an important aspect of every request for proposal made by a relocating or expanding business. Easy access to interstates, especially 85 and 40, was key for about half of the economic-

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development projects that PTI has won. Manufacturers want to know how far it is to the closest port and rail service. PTI is less than 200 miles from a port and has rail along its southern boundary.

WALSTON The state's 72 general aviation airports have an annual economic impact of more than \$31 billion and support more than 123,000 jobs. They generate more than \$900 million in direct governmental revenue. The Division of Aviation channels state and federal dollars to airports. The state recently launched a commercial service entitlement program. The 10 commercial airports will receive \$40 million this fiscal year and \$75 million the next fiscal year for capital projects and much needed infrastructure improvements that will benefit everyone.

HOLLOWELL Everything is happening faster. Prospective businesses want a decision in two weeks and to be operational in 14 months. Projects are very active once word of them hits the streets. In response to

that, we've tried to align our railroad with specific properties, whether state-certified sites or ones in our care, custody and control. Those moves reduce turnaround times and provide sites that best meet the geographic and production needs of the customer. The entire transportation system needs to be seamless. We never expected to discuss international business with a rural Stanly County customer, but we are. We're helping it expand production and create connections to Class I railroads and ports to move goods internationally.

YALE Companies need reassurance that they'll find a skilled and talented workforce in a prospective location. Every company brings specialists, but a manufacturer, for example, won't bring production workers. Those are hired locally. Customized workforce training, which is offered through all North Carolina community colleges at no cost to businesses, is a vital ingredient of successful economic development. Not having it is like not having roads. Companies

can't come without it because they can't turn the key fast enough to make the move economically viable. GTCC has a proven track record of workforce training. About three-quarters of [Greensboro-based] Honda Aircraft Co. workers, for example, are GTCC graduates. Once a business announces it is coming, we usually can have its workers ready before it finishes its factory.

HOW DOES AVIATION ACCESS DRIVE BUSINESS DECISIONS?

BAKER It can determine where a headquarters is relocated. That usually requires something more than a regional airport such as PTI. Charlotte, with nonstop service to 170 destinations, and RDU, with about 50 daily nonstop flights, draw that type of attention. A recent study by a group from Massachusetts Institute of Technology looked at airport metrics. Instead of number of passengers — Federal Aviation Administration ranked PTI 97th for enplanements in the country in 2016 — it used connectivity,

“You can be in American Airlines’ Charlotte hub in 20 minutes or Delta Air Lines’ hub at hometown Hartsfield-Jackson in 50 minutes from PTI seven or eight times a day. That’s a competitive edge for us.”

KEVIN BAKER
Piedmont Triad International Airport



“We’re upgrading our programs as technology changes. You have to keep up with it; otherwise you are training workers who aren’t productive on Day 1.”

NICHOLAS YALE
 Guilford Technical Community College

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The Aberdeen Carolina & Western Railway is the largest privately held Class III freight railroad in North Carolina, utilizing multiple connections with both CSX and Norfolk Southern to access North America’s rail network. Our service extends from Charlotte towards Raleigh, and south through Pinehurst. The apex of our 150-mile corridor is located in the geographic center of North Carolina and logistically positioned near population centers in South Carolina such as Columbia, Rock Hill, Greenville and Spartanburg.



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CARL HOLLOWELL
Aberdeen Carolina and
Western Railway Co.

how efficiently passengers can move globally from an airport. PTI was 61st on that list. There are airports that move more passengers than PTI but are less connected. The one in Anchorage, Alaska, for example, is one, but it is much farther from a hub than PTI. You can be in American Airlines' Charlotte hub in 20 minutes or Delta Air Lines' hub at hometown Hartsfield-Jackson International Airport in 50 minutes from PTI seven or eight times a day. That's a competitive edge for PTI.

WALSTON It's easy to see the economic impact of adding an international flight. But regional airports with a few commercial flights each day are vital to the businesses in those communities. It's an important service in Jacksonville, for example, where military personnel and contractors need to fly to Washington, D.C., or farther flung places through a

hub. All of the state's airports provide access for corporate aviation. Many executives fly for convenience. It's no longer than a 30-minute drive to an airport for 94% of the state's residents and 97% of its businesses, according to a 2015 study. That gives executives the opportunity to fly in and check a factory and access aircraft leasing companies.

HOW IS TECHNOLOGY CHANGING TRANSPORTATION?

HOLLOWELL It's helping different modes of transportation cooperate. It has simplified the process to the point where a business contacts one person and receives one bill though different entities are being used. That adds convenience for the customer. You're not just a trucking company or railroad anymore. You have to be a logistics chain, helping customers develop markets and providing them alternatives around

disruptions in their usual supply or distribution chain.

CLARK It allows the efficient handling of drivers and trucks as they arrive and depart a distribution center. It provides instant updates on the location of cargo, whether it has cleared customs, for example, or is available for delivery. Federal law mandated electronic logging devices for truck drivers in December 2017. They make it easier to note, track and share driving times. If we're not efficient in getting drivers back on the road, businesses won't receive materials or move goods in a timely manner and drivers, who are usually paid by the mile, lose income.

YALE It helps companies grow. It allows companies to concentrate on what they do while still being connected to experts on the technology and transportation sides. Many well-known companies provide one-stop shopping for shipping. They, not the

company, worry about what's happening with the brokers or the modes of transportation. That wouldn't be possible without technology. The FAA's Next Generation Air Transportation System, for example, will help businesses grow and make air travel safer. The current system is limited by air traffic control capacity. Charlotte Douglas International's new control tower, which will be operational by 2020, is part of the NextGen program. Its added height, improved radar and more controllers will add capacity. We have to train the pilots who will be flying with it, the technicians installing it and the maintenance workers repairing it. We're upgrading our programs as technology changes. You have to keep up with it; otherwise you are training workers who aren't productive on Day 1.

WALSTON Customer experience and convenience are always balanced with safety and security. Technology makes improvements, such as flight updates and boarding passes on your smartphone, less expensive.

WHAT DOES THE FUTURE HOLD FOR THE INDUSTRY?

HOLLOWELL If someone told me 10 years ago that a Class I railroad would be building an intermodal facility within an international airport, I wouldn't have bought it. But that's exactly what Norfolk Southern has done at Charlotte Douglas International. That \$92 million intermodal facility, which received state and federal support, is capable of handling 200,000 "lifts" annually, moving shipping containers between trucks and trains. And with rail service to Port of Wilmington, it opens less expensive international shipping for companies farther inland. North Carolina is well positioned from a transportation infrastructure standpoint, whether it be freight or passenger. There is freight rail, for example, in 89 of the state's 100 counties.

WALSTON Unmanned aircraft — drones — are the biggest thing in aviation. Raleigh-based drone and data company Precision Hawk USA Inc., for example, received the first FAA waiver to fly drones beyond the

line of sight in August 2016. It was part of FAA's Focus Area Pathfinder Program, which aims to expand the roles of drones. Other countries have already expanded their use. San Francisco-based Zipline International Inc., for example, is using the drones it makes to deliver blood to patients in remote parts of Africa. We're behind for a good reason. We're the world's safest — and busiest — aviation system. So, we want to

make sure that continues with their integration. But they are coming. They will alleviate congestion and increase connectivity between rural and urban regions. Jobs in this sector are expected to increase exponentially. It's incredible what it's producing. It's not only building an aircraft. It's tying and connecting the dots between so many different businesses — information technology, avionics and more. ■

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Piedmont Triad International Airport is an economic generator in central North Carolina, with Interstate highway access, on-site training for aviation workers, and plenty of room for businesses to locate and grow.

- **Central Location:** Located in the heart of North Carolina, PTI is at the center of an aerospace boom that has attracted nearly 200 aerospace companies to the region.
- **Highway Access:** Significant investment has been made in the Interstate highway system surrounding the airport. This network ensures easy access to the airport from Interstate highways stretching north, south, east and west.
- **Workforce Training:** Our regional aviation workforce benefits from an aggressive North Carolina Community College system that emphasizes careers in all facets of aerospace and custom-trains workers to individual company specifications.
- **Industry Leaders Locate at PTI:** The airport's central location and state-of-the-art facilities have already attracted industry leaders such as Honda Aircraft Company, HAECO Americas, FedEx and Cessna. Honda Aircraft world headquarters is located at the airport as is HAECO's North American headquarters.
- **Land Available:** The airport has more than 1,000 acres ready for development, including an 800 acre tract that may be developed in its entirety or in parcels. The land is connected to the airport by a taxiway bridge and has received preliminary NEPA approval.

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