

Issues Involved in the State Ports Authority's Expansion Plans

BACKGROUND

We were asked to conduct a performance audit of the State Ports Authority to clarify information needed by the General Assembly so it could make an informed decision concerning its approval of the SPA's plans to build a new terminal on Daniel Island. Our audit objectives primarily focused on reviewing plans for port expansion and reviewing the SPA's operational efficiency.

In our March 2002 audit of the State Ports Authority (SPA), we made recommendations to the State Ports Authority and the General Assembly. In our follow-up, we found that the authority has generally implemented our recommendations.

CHANGES IN THE PORT'S EXPANSION PLANS

Prior to our 2002 audit, the SPA had plans to build a new marine cargo terminal complex, called the Global Gateway, on a 1,300-acre, undeveloped portion of land it owned on Daniel Island. However, these plans had been withdrawn after opposition by major environmental and citizens groups and local governments. In 2001, the SPA announced that it was planning to build a scaled-down terminal on Daniel Island.

A portion of our report, as well as four of our recommendations, focused on this scaled-down expansion plan. We recommended that information be provided to the General Assembly concerning issues such as:

- The necessary size of a future terminal.
- Environmental and infrastructure matters.
- Funding sources for a new terminal.
- Development opportunities at a different location in Jasper County.

However, in March 2003, legislation approved by the General Assembly and the Governor allowed the SPA to commit to a new direction for port expansion on the south end of the former Charleston Navy Base. The SPA has applied for a permit to construct a new container terminal at this site and, as of March 2004, was awaiting approval from the U.S. Army Corps of Engineers. The SPA is required to report the status and progress of the permitting process at least annually to the General Assembly. According to SPA officials, although there are no written reports, they have met with the Charleston legislative delegation several times to brief delegation members on matters relating to port expansion.

DEVELOPMENT AT WANDO-WELCH TERMINAL

In our audit report, we recommended that the SPA seek permits to develop remaining acreage at its Wando-Welch terminal. According to an official in the planning office of Charleston County, a number of owners in a nearby residential neighborhood have filed suit against SPA concerning use of this property for container storage. According to an SPA official, the authority is currently working with the residential neighborhood to address residents' concerns. SPA is currently applying for a variance to build a buffer between this subdivision and SPA facilities.

STUDY OF JASPER COUNTY PORT TERMINAL

We recommended that the General Assembly may wish to coordinate with Jasper County officials to study the environmental and economic impacts of a Jasper County port terminal. Plans for construction of this port terminal have been on-going since 2000. According to an official from Jasper County, the county has lost an appeal to condemn land needed for construction of a port terminal. It appears that if this terminal is constructed, funding will primarily be provided by a private company.



METHODOLOGY

We received information from the State Ports Authority regarding the implementation of the audit's recommendations. We reviewed this and other information, interviewed officials and verified evidence supporting the authority's information as appropriate.

FOR MORE INFORMATION

Our full report, its summary, and this document are published on the Internet at

www.state.sc.us/sclac

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ENFORCEMENT OF EXCESS DWELL TIME FOR EMPTY CONTAINERS

In the 2002 audit, we found that the SPA could improve its use of terminal space by better management of empty containers. Although many of its contracts with containership lines limit the amount of time empty containers may dwell in the terminal and provide for penalties, we found that the SPA had not enforced these provisions at the time of our audit.

The SPA has acted to enforce penalties for excess storage days. During our follow-up, an official confirmed that in January 2003, the SPA completed computer programming efforts to allow it to invoice customers for dwell days in excess of those allowed by their contracts. We reviewed documentation relating to the authority's billing system for excess storage days for containers. According to an official, from January to December 2003, the authority billed over \$940,000 and, at the time of our follow-up review, had collected over \$845,000 of that amount.

We noted that provisions are in place for shipping lines to accumulate earned storage days which may offset excess storage charges. According to an agency official, this is a common industry practice. In addition to empty containers, chassis which are used to move the containers often remain in common areas beyond the time limits outlined in the contracts. SPA does not separately invoice for chassis storage due to shared chassis pools and various contract provisions.

PLANS TO ADDRESS TRANSPORTATION NEEDS

In our 2002 report, we recommended that the SPA report to the General Assembly on the results of a truck traffic study being funded by the South Carolina Transportation Infrastructure Bank to determine how much the port contributes to Charleston area traffic. This report was issued in March 2002 and concluded that Charleston's traffic volumes are impacted little by port-related traffic. According to an SPA official, the authority is continuing its work with the S.C. Department of Transportation and the local metropolitan planning organization to address transportation needs.

PROVIDING FOIA REQUESTS AT THE LOWEST POSSIBLE COST

The South Carolina Freedom of Information Act (FOIA) governs which information must be disclosed by the SPA to the public. In our 2002 audit, we found that the SPA had invoiced five requesters thousands of dollars for information. It is important that FOIA requests be furnished at the lowest possible cost.

During the time period of our follow-up review, SPA did not bill excessively for FOIA requests. We requested a copy of SPA's current FOIA policy, the number of requests received from January 2003 through March 2004, and any charges for those requests. Although we were not provided with a current written policy concerning FOIA requests, the authority reported that it had received 36 requests during this time period. According to the Authority, it assessed charges in just three of these requests, and one of the requesters did not respond after SPA quoted them an estimate of \$511 for producing the documents.

EFFICIENCY WITH AVAILABLE CONTAINER STORAGE SPACE

In 2002 we recommended that the authority, in order to meet the demand for additional container storage space, continue to seek ways to be more efficient with currently available space. According to an authority official, the SPA continues to invest in its existing facilities and to employ new technology to improve utilization of existing storage space.