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Subject: ED LS: SCSPA broaden incentives to lure more shippers

Ports broaden incentive programs to woo more shippers

- Tyrone Richardson
- Posted: Sunday,
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- First, the S.C. State Ports Authority planned shipping lanes to accommodate larger container vessels.

Port Tax Credit

When: Signed into law in 2005 by then Gov. Mark Sanford.

Why: A move to increase the state's competitive position for port-dependent companies and distribution center development.

How: Created an $8 million fund of tax credits for companies that increased their volume through the state's ports by 5 percent from the prior year.

Changes: Starting in January, the program will include third-party logistics providers and remove the $4 million cap on employee withholding tax credits.

Source: S.C. State Ports Authority

Then it unveiled plans for a rail-served "inland port" near Greenville-Spartanburg International Airport to open this fall.

Now state lawmkers are broadening an 8-year-old tax incentives program aimed at boosting volume at the port, giving the SPA another tool to grab market share in the Southeast and one-up the other port operations in the region.

Several states throughout the country have similar incentive programs, including Virginia, Georgia and North Carolina. The Virginia Port Authority cited competition with South Carolina to nudge its state policymakers to tweak its program.

The incentive programs reward new or growing companies by reducing their taxes when cargo increases, and in turn, companies expand their facilities and work forces.

Then-Gov. Mark Sanford signed South Carolina's program into law in 2005 as a means to increase the state's competitive position for port-dependent companies and distribution center development.

An $8 million fund was created as a sweetener for companies that increased their port usage state by at least 5 percent from the prior year.

The money is divided evenly. Half of it can be used to offset employee withholding taxes credits; the other can be applied

to reduce state corporate income taxes.
The SPA touts the program as a key to growing business.
As a result of the program, the SPA has moved 70,364 20-foot containers of discretionary cargo away from competing ports since 2010, spokeswoman Allison Skipper said. That translates to an economic impact of about $985 million on the state, she said.
The SPA's Charleston-area operations handled the equivalent of about 1.56 million 20-foot containers in its last fiscal year.

Credit changes

In the 2013 legislative session, the General Assembly amended the incentive program.
The changes, which take effect in January, include broadening the pool of qualified companies to include third-party logistics providers. The amendment also removes the $4 million cap on employee withholdings, a move officials say will allow greater use in allocating credits to qualifying companies.
The legislation was presented by Rep. Gilda Cobb-Hunter, D-Orangeburg, who recently said the changes were needed for jobs and port dominance.
"South Carolina competes on a global basis, so it's vital that we create the most business friendly environment to bring businesses here, grow their business and ultimately create jobs across our state," Cobb-Hunter said, adding that the incentives should draw more "large projects" to the state.
Other sponsors include Rep. Jim Merrill, R-Daniel Island. He said the changes were needed to maintain competitiveness since the "industry is constantly changing."
"It's just important to know that the business is evolving, and you have to evolve with it," Merrill said.
Jim Newsome, president and CEO of the SPA, said such incentives are essential to remain competitive and gain market share to support the maritime agency's expansion plans. The agency is also betting on more business to support its billion-dollar spending program, including the construction of a new shipping terminal in North Charleston and improvements at existing terminals over the next decade.
"Through programs like this, we can help influence the routing of discretionary cargo via our ports," Newsome said. "The tax credits encourage existing customers to increase trade across our docks while helping to attract new business to our state."
Since 2010, the state's Coordinating Council for Economic Development, a division of the Department of Commerce, has allocated $9.3 million in tax credits under the program, officials said.
Commerce spokeswoman Amy Love declined to identify companies that received the credit, citing "taxpayer confidential information."
The agency's Enterprise Program Committee identified tax credit applications in its monthly agenda, which included such names as S&D Coffee in Lexington, Northern Tool & Equipment Co. in York and Showda Denko Carbon Inc. in Ridgeville.
College of Charleston economist Frank Hefner said even though nearly all states in the region are offering port incentives, the success is questionable.
"At some point somebody will have to ask if the expansion of all these tax incentives programs is a good idea," he said.
Hefner said one could argue that corporations would come here without tax credits since they need ports for moving shipments. He also said that port tax incentives do not usually rank high on what companies look for when expanding or even relocating in a state.
"If you don't have things like a good workforce, land or energy, there is no tax break big enough to overcome those fatal flaws," he said.
Hefner added that port efficiency and costs rank very high for companies looking to expand a footprint.
"If they look at a port they will look at all things," he said. "They look at land cost, transportation costs, and access to the interstate ... then its taxes such as property tax and corporate income tax."

Competition

Still, hundreds of miles north, Virginia is looking to even the playing field when it comes to incentives.
Last legislative session, the Virginia Port Authority pleaded to state policymakers to grow its economic and infrastructure development zone fund to compete with South Carolina.
"Our biggest port competitor, South Carolina, has an $8 million discretionary fund for use in attracting port-related industry to South Carolina," according to a report the port authority submitted to legislators.
The document added that Virginia couldn't compete with its current structure.
"With a total of $4.925 million available for port incentives yearly, Virginia currently has the lowest per-job incentive available for port-related industry expanding or locating in the state," according to the document.

Gov. Bob McDonnell signed the changes last spring, allowing $3,000 credit per new, permanent full-time position if the qualified company creates at least 100 new jobs. The law also sets a $500,000 maximum for a company per year and the maximum amount of grants capped at $5 million each year.

Joe Harris, spokesman for Virginia Ports Authority, did not return numerous phone calls and emails seeking comment.

Changes to Virginia's incentives program comes as South Carolina is looking to broaden its reach into North Carolina, a growing battleground for the two states.

South Carolina's is expected to draw business from North Carolina once its inland port opens in October. Virginia Ports Authority has partnered with Norfolk Southern to offer a double-stack rail service between intermodal terminals in Norfolk and Greensboro, N.C.

Industry experts say the Southeast is a highly competitive region as five port operations between Norfolk, Va., and Jacksonville, Fla., are battling for limited market share.

The competition has also been growing even more fierce as ports in the region battle for limited federal dollars to deepen their shipping channels to accommodate larger vessels that will be able to pass through an expanded Panama Canal.

At 50 feet, Virginia has the deepest waters for shippers targeting the Southeast, which makes it more easily available for "Post-Panamax" vessels.

By contrast, Georgia and South Carolina want to dredge their shipping lanes five more feet for larger vessels. Both deepening projects are to be completed by 2019.

Georgia's Savannah River is 42 feet deep. Charleston Harbor has a 45-foot-deep shipping channel, which can receive big ships that draft 48 feet of water when the tide is high enough. South Carolina officials want to deepen Charleston Harbor to 50 feet.

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