

Published Sun, May 30, 2010 04:34 AM

Modified Thu, Jun 03, 2010 05:12 PM

Decision will make or break port plan; backers, foes anxious

CORRECTION

Tom Eagar, CEO of the N.C. State Ports Authority, said that in a front page article Sunday, The News & Observer did not accurately characterize his assessment of opponents to a proposed international shipping terminal near Southport. Eagar's actual comment to The N&O was: "They're a very small group. They're new to North Carolina. They're extremely biased. And, quite honestly, they're misinformed."

Plans to build the state's biggest shipping port have reached a crucial point as Gov. Bev Perdue's administration nears a decision on whether to commit state money to help pay for the project.

The N.C. Department of Environment and Natural Resources is likely to decide within a month whether the state will foot half the bill for a federal study that will cost nearly \$10 million and take five years to complete. The study would assess the economic payoffs, environmental risks and security threats involved in dredging the Cape Fear River, building a highway extension and laying new rail lines next to a nuclear power plant.

Without state support, the study can't go forward, and the \$3 billion port proposal is dead. But it's increasingly likely the project will advance to the study phase, with public hearings and heated debate. The environmental agency's director, Secretary Dee Freeman, suggested last week that the economic stakes for North Carolina are just too enormous to stifle the port proposal without a comprehensive analysis. Perdue has backed the project for years and has been following it closely.

But opponents of the project in Southport and its nearby coastal islands are lobbying regulators, lawmakers and others to quash the study, arguing that it would be a waste of taxpayer money. The opponents denounce the proposed port as a boondoggle based on flimflam economic projections.

The head of the N.C. State Ports Authority, Tom Eagar, dismisses the local critics as know-nothings and transplants. He said the new terminal would put 16,000 people to work in loading, trucking and

railroads as well as at a network of distribution centers built to supply the likes of Home Depot, Walmart and Target.

"I want to be sure there's an understanding here of the economic benefits that ports have on their states," Eagar said. "We are basically the gateway to global commerce."

Support and opposition

Four years ago, the N.C. State Ports Authority paid \$30 million for 620 acres of land with 4,000 feet of waterfront access. The plan: to build a modern deep-water port to accommodate a new generation of superships that are expected to dominate shipping after the widened Panama Canal opens in 2014.

As the new long-haul workhorses come online and international trade grows, the Ports Authority estimates container-shipping traffic will increase at least 6 percent a year for the foreseeable future. But the ships, longer than four football fields, would not be able to dock at existing ports in Wilmington and Morehead City, and state port officials fear the mega-vessels would deliver their goods, and economic benefits, to competing ports in South Carolina, Georgia and Virginia.

The proposed N.C. International Terminal would sit on a former pecan grove just four miles from the Atlantic Ocean, sandwiched between the Cape Fear River and Progress Energy's twin-reactor Brunswick nuclear plant. Its capacity would be at least 15 times as great as the Port of Wilmington, 26 miles up the Cape Fear River.

Opponents, the nonprofit group NoPort Southport that formed about 2-1/2 years ago, contend that the Ports Authority's shipping projections are based on flawed assumptions about the N.C. International Terminal drawing ship traffic from competing ports. They also cite environmental concerns, worries that the port could hurt the area's tourism, which is a main economic draw for the region, as well as security risks raised by building a major shipping terminal next-door to a nuclear power plant.

The opponents have support from elected officials in the coastal communities of Caswell Beach and Boiling Springs Lakes, which passed resolutions against the port, on the basis of concerns about increased traffic and pollution. Southport aldermen initially cast a vote in favor of the port but subsequently rescinded their support.

Progress Energy, the electric utility based in Raleigh, is also concerned that a major shipping terminal bordering on its nuclear plant site could interfere with nuclear operations. Lloyd Yates, president and CEO of Progress Energy Carolinas, wrote to the Army Corps of Engineers last year expressing concern about a potential chemical contamination of the plant's intake canal, which feeds 1 million gallons a minute to cool the two reactors. The company also would have to track hazardous materials at the port, beef up plant security, and come up with a new emergency evacuation plan.

"We are confident this thing will eventually fall of its own weight," said Mike Rice, a retiree who splits his time between Southport and Connecticut. "But we are distressed something is driving this thing forward in the face of a flawed economic analysis."

Second thoughts

Approval for the Ports Authority to buy the land came from the Council of State, the panel of top agency heads in state government who voted unanimously in February 2006 to let it borrow the money. One of the supporting votes came from then-Lt. Gov. Bev Perdue. A spokeswoman said Perdue continues to believe the proposed port can bring major economic benefits, but the governor also wants ample opportunities for public comment during the federal feasibility study.

A number of the council members expressed reservations about the project even then, saying it would require extensive review. One of the members, Leslie Merritt, the state auditor at the time, now says it was a mistake to support the proposed port. He's not convinced it can compete with better-established ports in neighboring states.

"It's not my proudest moment that I voted for it," said Merritt, a Republican who is now executive director of the Foundation for Ethics in Public Service in Raleigh. "It could be a bigger boondoggle than the Global TransPark or the Randy Parton Theater."

"The risks outweigh the potential rewards in this case," Merritt added. "The idea needs to be killed before so much is invested that the powers-that-be feel obligated to keep on going."

The ultimate decision on building the proposed terminal rests with Congress, which will decide which port or ports on the East Coast should receive federal money to pay for deep-water dredging. North Carolina is vying against established Southeastern ports with developed infrastructure.

If Congress agrees to help pay for half the cost of dredging the Cape Fear, which could run to \$1.2 billion over 50 years, the state would have to pay the other half. The Ports Authority would need to find a private developer to take on the risk of building the port. Under the Ports Authority's plan, the developer would operate the port for about 35 years, at which point the ownership of Southport terminal would revert to the Ports Authority.

It's not clear whether the Ports Authority's strategy makes financial sense for private developers. Ports Authority officials say they are talking to potential investors but won't name the companies. One of the potential partners is Seattle-based SSA Marine, which owns or operates more than 100 terminals around the world.

"We would be interested based on commercial and economic conditions and associated terms," said Bob Watters, SSA's vice president in charge of business development.

Clearing navigation room for the new ships would require dredging about 10 feet out of the bottom of the Cape Fear, possibly penetrating the solid riverbed and potentially carving through a small island and harming protected habitats. Dredging would be required regularly to keep the channel from filling back in.

"The environmental issues of this particular project are expected to be numerous and will require a lot of attention," Freeman said. "This is a major policy decision."

The Ports Authority has commissioned two consulting studies that back the project.

One of the consultants, Walter Kemmsies, is chief economist for Moffatt & Nichol, the New York firm that prepared a study for the Ports Authority in February. He said a number of factors point to the success of a new international terminal, including the state's growing economy and increasing population, which would steer the movement of economic goods.

But he said that the port's future depends on planning, roads and other infrastructure, not just raw economic forecasts.

"A lot of this is one port versus another," Kemmsies said. "The key thing is whether it would be able to pick up enough volume to justify the investment."

john.murawski@newsobserver.com or 919-829-8932