



NoPort News

A newsletter of the North Carolina International Terminal

All the news that prints to fit.

November 4, 2009

The Cost of Dredging

In these difficult times, we should consider what the US Army Corps of Engineers, Wilmington District, has been spending and intends to spend for dredging the Cape Fear River for ever larger container ships to bring us more products from Asia:

- In 1996, the Corps of Engineers concluded that increasing the depth of the channel in the Cape Fear River from 38 to 42 feet, to permit navigation by vessels of 40-foot draft, would yield benefits in transportation cost savings of 1.2 times the cost of the dredging. That cost was then estimated to be \$249,539,000. On that basis, the project was funded by Congress and the North Carolina Assembly, and begun in 2000.
- The cost of the project had risen to \$533,000,000 by April of 2009. It is not complete.
- Thirty-five percent of the cost, \$186,550,000, was paid by the State of North Carolina.
- Amortizing the cost of the dredging over 50 years, using an interest rate of 4.625% (the rate used by the Corps of Engineers for such calculations in 2009), the annual cost is \$27,521,000.
- The channel was opened at a depth of 42 feet in early 2004. In 2006, the peak year for vessel movements in the river, 60 vessels of 38-foot draft navigated the river to Wilmington harbor. There were no vessels of deeper draft. All other vessels drew 36 feet or less, and could have navigated the river at the shallower depth prevailing before the deepening project.
- The use of the vessels of 38-foot draft instead of slightly smaller vessels (or vessels loaded to less than capacity) to move the goods carried by those 60 vessels in 2006 saved shippers approximately \$3.6 million—about 13% of the annual cost of the dredging. Thus the benefit/cost ratio went from the estimated 1.2 to an actual 0.13. Half a billion dollars appears to have been wasted. The environmental cost has not been reckoned.
- There is no assurance that even those benefits were passed through to consumers. All deep-draft vessels calling at Wilmington harbor are foreign owned and operated.

The cost of a new channel for the North Carolina International Terminal would be approximately \$1.5 billion, based on the amount of material to be removed (68.3 million cubic yards) compared to the material removed in the recent channel deepening project (25 million cubic yards). Because the depth would be more than 45 feet, a different rule for Federal/state cost sharing prevails. The State of North Carolina would pay 60%—that is \$900,000,000.