

Estimated Costs

A billion here, a billion there, and pretty soon you're talking real money.
--Senator Everett Dirksen (attributed)

Initial Costs

The consultants to the North Carolina State Ports Authority, CH2M Hill, Inc., have estimated these costs for the North Carolina International Terminal and related land-side infrastructure:

Terminal development	\$1,430,229,000
Environmental and Permitting	72,770,000
Roadway improvements	260,826,000
Railroad improvements	<u>72,779,000</u>
	\$1,836,604,000

The US Army Corps of Engineers, Wilmington District, has estimated the cost of the necessary channel dredging at \$1.2 billion. Thus the aggregate initial cost of the project would be approximately \$3,036,604,000.

The consultants offer a number of alternative methods of privately financing the cost of the terminal development by granting a long-term concession to a terminal operator, which would bear the cost. Presumably, that would be amortized by revenues from handling containers. Such financing would depend on the terminal operator determining that the investment would be recovered from terminal revenues, with an adequate return. An annual return in the range of 15%-17% is regarded as necessary to justify the investment. In order to enhance the prospect of achieving such a return, any terminal operator would require control over rates and charges. Thus there is no assurance that anyone other than the terminal operator would benefit.

If such an investor cannot be found, the terminal would have to be financed by the North Carolina State Ports Authority or the State of North Carolina.

Some of the railroad improvements—those involving the yards at Leland—may be for the account of carrier serving the terminal, CSX Transportation, Inc. However, railroads typically require the customer to bear the cost of special facilities for that customer.

The costs of channel dredging to the depths contemplated by this project is split 40% Federal/60% State. For the \$1.35 billion estimated cost for the channel, approximately \$720,000,000 would be allocated to the State of North Carolina.

There is no provision in the business plan for recovery of infrastructure costs—approximately \$1.5 billion—from project revenues. Those costs remain for the account of the taxpayers.

Continuing Costs

The costs of regular maintenance of the channel and the highways necessitated by the terminal would also be borne by taxpayers of North Carolina and the United States of America. The consultants did not provide estimates of those maintenance costs. At the depths contemplated by the project, the State share of dredging for channel maintenance would be 50%.

The costs of security enforcement regarding incoming containers and the costs of patrol and enforcement in the Cape Fear River and off the coast would be borne by taxpayers of the United States of America. The consultants did not provide estimates of those costs.

The costs of enforcement of highway laws, emergency response, and similar local expenses would fall on local taxpayers. The North Carolina State Ports Authority does not pay taxes of any kind. Nor does the State Ports Authority make payments in lieu of taxes to host communities.

Sources

CH2M Hill, Inc., *Pro Format Business Plan*, March 2008.

CH2M Hill, Inc., *Infrastructure Report*, September 2008.

US Army Corps of Engineers, Wilmington District, *Section 905(b) Analysis, Wilmington Harbor Navigation Improvement Project, North Carolina International Terminal*, draft, February 2010.