



Cape Fear Firebird

The Light of Save the Cape

February 17, 2017

Giving money and power to government is like giving whiskey and car keys to teen-age boys.
~ P.J. O'Rourke

Ports Profligacy Unbound

On January 10, the North Carolina House Select Committee on Strategic Transportation Planning and Long Term Funding Solutions issued a report to the General Assembly, calling for new tax revenues to meet unfunded transportation infrastructure needs for the period to 2040. Included in that are \$1.6 billion for the State Ports. We ask "Why?" That's our tax money!

The Honorables have forgotten that the State Ports Authority was established in 1945 as a self-supporting entity, with power to raise funds for its facilities through revenue bonds and other debt—which would be solely obligations of the Ports Authority, not the State. The Ports have always, until recently, been operated as a self-sustaining business. Indeed, their mission statement says so.

That ended two years ago when Senator Rabon arranged a subsidy of \$35 million for the ports in the State budget for fiscal year 2016. He repeated that for fiscal year 2017. The Ports Authority immediately embarked on a spending spree of \$100 million. In expectation of further subsidy.

None of that spending has been preceded by the economic analysis that a shareholder-owned corporation would do before making an investment. The term "return on investment" has not been uttered in Ports board of directors meetings, and indeed, the usual methods of financial analysis of capital investment decisions, taught in every business school, seem to be unknown at the Ports. Such methods would include risk analysis; the uncertainties of the shipping business demand that.

There are, to be sure, circumstances in which State funds should be spent to provide facilities whose return would not be revenues to a State agency but would be benefits to the citizens of the State. Those benefits can be calculated and compared to the costs of the project in a technique called benefit/cost analysis. When the anticipated benefits of a project over its lifetime exceed the costs by a sufficient margin, the project should succeed.

Alas, although such analytical techniques are used by the State agencies in California and elsewhere and by the US Army Corps of Engineers, they seem to be unknown in our State.

Instead, the State Ports Authority supports its awesome persuasive skill in Raleigh with an "Economic Contribution Study" prepared by NC State. We cannot say enough bad things about that. It uses multipliers to count the same money over and over, but far worse, most of the benefits counted would occur *with or without the State Ports*. Here's the link to our report:

<http://savethecape.org/stewp1/wp-content/uploads/PDFs/Economic%20Effects%202015.pdf>

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