



Cape Fear Firebird

The Light of Save the Cape

May 12, 2016

I can't compete with God.

~ Gene Conti, NC Secretary of Transportation, 2009-2013

Competing with Reality

Secretary Conti's comment was a succinct statement of the absurdity of pretending that a major port on the Cape Fear River was at all practical, geographically or economically. He had just been given oversight of the State Ports Authority. Very promptly, Tom Eagar, the CEO, and Carl Stewart, Chairman of the Board, vanished. The lads had spent \$50 million in a delusion of maritime grandeur.

Tom and Carl, sincere and gracious people both, disregarded geographic and economic reality in thinking that creating supply would produce demand, that building a major port facility on a narrow, crooked, shallow river in the eastern hinterlands of North Carolina would somehow put them at the head table at the annual dinner of the American Association of Ports Authorities.

Those delusions, which seem to infect people with access to large amounts of taxpayers' money, again infect the management and board of the State Ports Authority. But instead of being brought into check by administrative and legislative oversight, this gang is being encouraged to waste our money. Senator Rabon leads that movement by introducing S798, to subsidize the Ports with \$35 million in State funds each and every year. Nearly as much as their annual commercial revenues.

For what? To construct new port facilities at Wilmington for very large Asian container ships that economic and physical realities prevent from calling at the port. And this is being done without a trace of analysis of return on investment or benefit/cost ratio, the tools of prudent management.

The economic reality: concentration in maritime shipping. On April 27, the Asian consortium CKYHE, which accounts for most of Wilmington's container business and a very large part of the port's revenues, announced that one of its two services that call at Wilmington, AWE-3, will not call after June. Also in June, the other service, AWE-1, will switch to larger ships that cannot reasonably be expected to navigate the Cape Fear River. Then what?

Anyone who pays attention to the shipping business understands that the shipping lines are following the business model of the railroads and airlines. Concentration. Mergers. Economies of scale: longer trains, larger airplanes, bigger ships. And abandonment of smaller markets.

The good news: the State Ports' niche emerges. The State Ports at both Wilmington and Morehead City are seeing increasing recognition of the service they can provide to their natural market—southeastern North Carolinas' agribusiness. And of a market in specialized services well-equipped and well-run ports with excess capacity can provide. Both bulk and break-bulk cargoes are up at both ports, and new container services with smaller ships are using Wilmington for new markets.

The future of our ports emerges. Will they see that? Will the General Assembly see that?