



Cape Fear Firebird

The Light of Save the Cape

November 6, 2013

It ain't over 'til it's over.
-Yogi Berra

The Eternal Terminal

In its financial statement for the fiscal year ending June 30, 2013, the North Carolina State Ports Authority wrote off approximately \$4.3 million in engineering costs for the megaport planned for the Cape Fear River just above Southport. But another \$6 million in such costs has been retained on the books as an asset. Note 5 to the financial statement justifies that retention with this statement:

Authority management still considers this project viable at June 30, 2013, and there are no plans for permanent construction stoppage. Many factors will contribute to the timeline of the project moving forward including funding and the opening of the Panama Canal and the related effects on current infrastructure.

What? Well, folks, although the Governor had announced in his campaign that he did not support the project, NoPort Southport declared victory for the fifth time and closed down, and nothing has been said about the project since the Maritime Strategy Study faded away into well-deserved oblivion, the State Ports Authority has never taken any action officially to end the project.

Why not? Because it's easier not to. An official end to the megaport would have many implications, such as writing off over \$10 million in engineering costs that had been booked as an asset. Although the balance sheet could stand that hit, an income statement with net income of less than \$1 million cannot. For fiscal year 2013, a capital grant of \$4.2 million nearly offset the \$4.3 million megaport writeoff, but what of the remaining \$6 million? An issue ignored is a crisis invited.

But that is bureaucracy. In the private sector, management cuts losses and moves on. When Alan Mulally took over as CEO of Ford, he promptly sold off Jaguar, Volvo, and other prestige brands that were diluting the company's corporate energy. Although those sales involved writeoffs of many billions of dollars and some ugly income statements, the decision permitted Ford to concentrate on its core business and survive the auto industry crisis without government aid.

The State Ports Authority is facing more than the engineering cost writeoff. It's property on the Cape Fear River purchased for the megaport is on the books for \$30 million. Is it worth that? The County assessor doesn't think so, the market doesn't think so. But the mismatch of book value and market value cannot be ignored forever. Current management is not responsible for the hubris of its predecessors, but it is responsible for the future financial health of the Ports Authority.

We are working on a plan for that future. Dedicating the megaport site for a new State park opens the door for new funds for parks and land preservation, new funds for the Ports Authority, and new funds for Brunswick County's and North Carolina's recreation-based economies.