



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
OFFICE OF THE ENGINEER INSPECTOR GENERAL
7701 TELEGRAPH ROAD
ALEXANDRIA, VIRGINIA 22315-3863

August 17, 2010

Reply to
Attention of:
Assistance and Investigations Division

Mr. Albert H. Willis
6150 River Sound Circle
Southport, NC 28461

Dear Mr. Willis:

This is in response to your emails dated July 24 and 26, 2010 concerning the reconnaissance study conducted by the Wilmington District.

I have had our subject-matter-expert in the Civil Work Directorate of the Corps Headquarters review your correspondence, the Wilmington District Commander's response, the draft and the unsigned final versions of the Section 905(b) analysis, and the North Carolina International Terminal Pro Forma Business Plan.

In his review he opined that the confusion appears to be related to a misunderstanding of the economic definition of a "transfer." He has provided the following explanation:

"Thus when commerce shifts from one port to another, it is regarded as a transfer of economic activity if the shift does not increase or absorb resources or output. Where commerce shifts due to a reduction in the cost of delivering a good to market, this would not be considered a transfer of economic activity. Net reductions in the cost of moving goods result in increases in national resources available for other purposes (i.e. increase output) and thus are considered national benefits. The reconnaissance report makes only a preliminary assessment of economic benefits. The definitive assessment of economic benefits will be accomplished in a feasibility report. It is appropriate for the Corps planning studies to evaluate shifts in commerce from one port to another when they are the result of reduction in delivered costs. These reductions in delivered costs are not economic transfers and are included as benefits in the National Economic Development account."

This is the Corps' position on this issue. I hope this satisfactorily answers your concerns. If you still have issues please provide any specific disagreement so that I can have it addressed.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert N. Jones".

Robert N. Jones
Chief, Assistance and Investigations Division