



North Carolina Department of Environment and Natural Resources

Beverly Eaves Perdue
Governor

Dee Freeman
Secretary

December 7, 2010

Colonel Jefferson Ryscavage
District Commander
The United States Army Corps of Engineers
Wilmington District
69 Darlington Avenue
Wilmington, North Carolina 28403

Dear Colonel Ryscavage:

The North Carolina State Ports Authority (the Authority) is a leading statewide economic driver. The State's deepwater seaports in Morehead City and Wilmington, combined with inland terminals in Charlotte and Greensboro, contribute nearly \$299 million each year in state and local tax revenues as well as directly and indirectly support 85,000 jobs. As the State's only container facility, the Port of Wilmington is the international gateway for North Carolina's businesses. Despite the recent economic downturn, container operations at the Port of Wilmington continue to grow. In 2009, container volumes increase 29 percent.

The international container shipping industry is undergoing dramatic change. Revised safe-operating standards for vessels that currently call the Port of Wilmington demand a larger turning basin as well as a modified channel alignment to safely navigate to the facility. In addition, the Port of Wilmington must prepare for the larger and more efficient vessels that will be in service once the Panama Canal expansion program is completed in 2014. For the Port of Wilmington to remain competitive, serious problems within the existing Wilmington Harbor must be addressed.

In 2009, the U.S. Army Corps of Engineers (USACE) began a Reconnaissance Study in the Wilmington Harbor, focusing its examination on the channel associated with 600 acres of property owned by the Authority, commonly referred to as the North Carolina International Terminal (NCIT). At that time, the Authority envisioned a new terminal to be the best solution to existing problems within the Wilmington Harbor, as well as the best means to manage larger vessels. The Authority requested that the State of North Carolina serve as the non-federal sponsor for the project. Significant public concerns about the project were raised. The North Carolina General Assembly passed an amendment to the Appropriations Act of 2010 that prohibited funding for additional studies associated with the project. The Authority subsequently turned its attention from the project and focused on addressing immediate challenges to safe navigation to the existing facility.

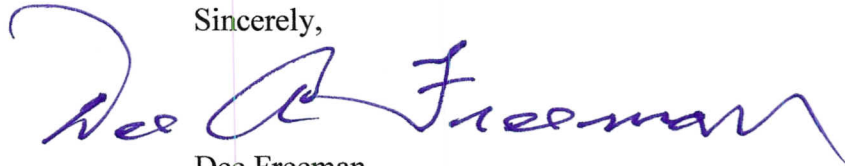
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While the State of North Carolina does not desire to serve as the non-federal sponsor for the NCIT project, it does recognize that modifications are needed to the current channel if the Port of Wilmington is to retain existing vessel calls as well as accommodate slightly larger vessels. Therefore, the State does desire to closely examine three projects within the existing channel:

- Modifications to the alignment within the Bald Head Portion
- Modifications to the turn within the Battery Island Portion
- Modifications to the size of the existing turning and anchorage basin at the Port of Wilmington.

The three projects could have significant impact on the Port of Wilmington's ability to maintain its current liner calls as well as the ability to handle additional traffic. The State of North Carolina desires to enter into Feasibility Cost Share Negotiations with the U.S. Army Corps of Engineers to address these needs. The State intends to be a cost-share sponsor for these studies. The State of North Carolina, through the Department of Environment and Natural Resources looks forward to working with you. Please let me know if there is any additional information you require.

Sincerely,



Dee Freeman