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Congress of the United States
House of Representatives
Washington, DC 20515-3303

January 21, 2014

The Honorable Jo-Ellen Darcy
Assistant Secretary of the Army (Civil Works)
Department of Defense
108 Army Pentagon
Washington, DC 20310-0108

Lieutenant General Thomas P. Bostick
Commanding General & Chief of Engineers
U.S. Army Corps of Engineers
441 G St., NW
Washington, DC 20314-1000

Dear Assistant Secretary Darcy and Lieutenant General Bostick:

I am writing to you about the serious shoaling conditions at Morehead City Harbor, North Carolina. As the attached Raleigh News and Observer article stated just last week, “the heaviest shoaling in decades has clogged the shipping channel at the Morehead City state port – reducing the navigable depth for freight vessels by 10 feet and forcing shippers to lighten their loads, at a cost to one port customer of more than \$2 million a month.” The article goes on to state that while the federal channel is authorized at 600 feet wide and 45 feet deep, Morehead City harbor pilots “have issued a series of escalating draft restrictions since late summer . . . [and] now limit ships to a draft of 35 feet – and that depth is allowed only during daylight and at high tide.”

The President’s Fiscal Year 2015 budget request included \$4,855,000 for the project. While that amount is helpful, it is insufficient to return the channel to anything close to its authorized depth. In fact, as you may know, just this week the Wilmington District of the Corps opened bids on their 2015 Morehead City Harbor dredge project and the only bid received came in at roughly \$10 million – over \$5 million above what the Corps currently has available.

To allow the Corps to address situations such as these, Congress added to the Fiscal Year 2015 omnibus appropriations bill several unallocated pots of money for different project categories. In particular, \$165 million was added for “Deep-Draft Harbors and Channels.” Morehead City Harbor should be eligible for funding from this pot.

Congress also directed the Corps to consider several criteria when deciding which projects to fund from these pots. As outlined below, Morehead City Harbor should rank highly based on these criteria.

- a) **Ability to complete ongoing work maintaining authorized depths and widths of harbors and shipping channels** – As stated above, conditions have deteriorated in recent years and the channel is far from its authorized depth and width of 45’ x 600’. As I understand it, supplemental FY15 funds in the neighborhood of \$10 million could return the channel to its authorized dimensions.
- b) **Ability to address critical maintenance backlog** – As the attached article makes clear, the maintenance backlog at Morehead City Harbor is critical. Supplemental FY15 funds would allow this backlog to be addressed.

- c) **Presence of U.S. Coast Guard** – The United States Coast Guard has a longstanding presence in Morehead City. In fact, Coast Guard Sector North Carolina operates out of Fort Macon, which is adjacent to the harbor. The Coast Guard depends on reliable access through the harbor to conduct search and rescue operations as well as Aids-to-Navigation support in the Atlantic Ocean off North Carolina's Crystal Coast.
- d) **Extent to Which the Work Will Enhance Economic Development** – A recent economic study showed \$1.1 billion in annual economic impact attributable to the port at Morehead City. Activities at the port annually contribute over \$38 million in sales, property, corporate and personal taxes to state and local governments. They also support 3,700 jobs. That same study showed that just a 15% increase/decline in port activity would cause a \$100 million increase/loss in economic impact. The current shoaling conditions threaten much of this economic activity. However, if the channel were restored to its authorized dimensions, these benefits could be enhanced.
- e) **Extent to Which the Work Will Promote Job Growth** – See explanation d) above.
- f) **Number of Jobs Created Directly By the Funded Activity** – See explanation d) above.
- g) **Ability to Obligate the Funds Allocated Within the Fiscal Year** – Given the critical need, I am confident that additional federal funds could be obligated to the inlet in this fiscal year.
- h) **Ability to Complete the Project** – Taking the project to its full authorized depth this fiscal year would be contingent on dredge availability, bids received, environmental windows and other factors, but with sufficient supplemental funding, this could be achieved.
- i) **Risk of Imminent Failure or Closure of the Facility** – As mentioned previously, significant portions of the channel are now dangerously shoaled, and the channel is under serious threat of being closed to all but shallow draft traffic.

As you can see, Morehead City Harbor meets the criteria laid out by Congress very well. It is exactly the type of project that Congress had in mind when it provided the Corps with these additional pots of fiscal year 2015 funding, and I strongly urge you to give it all due consideration. If I can answer any questions, please don't hesitate to contact me. I look forward to hearing your response. And as always, thank you for your service.

Sincerely,



Walter B. Jones
Member of Congress

NewsObserver.com

Sand-clogged inlet is a costly drag on shippers at NC port

By Bruce Siceloff

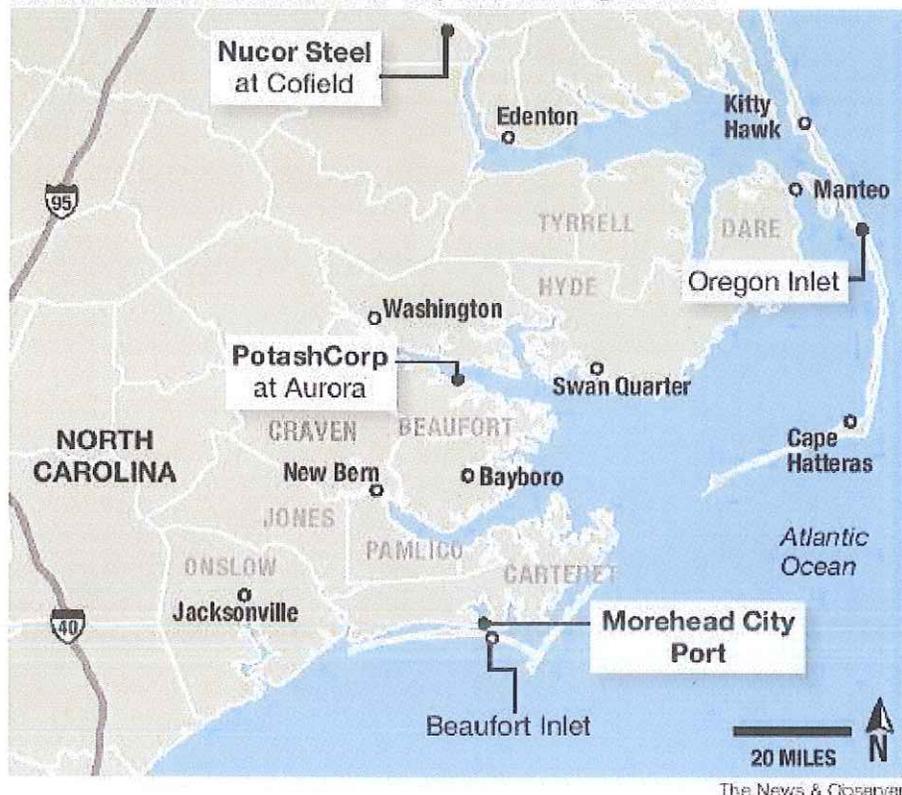
bsiceloff@newsobserver.com January 13, 2015

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Sand-clogged channel costly for shippers

PotashCorp and Nucor Steel, two customers of the state port at Morehead City, are losing money because heavy shoaling in the Beaufort Inlet navigation channel requires them to lighten their loads. The U.S. Army Corps of Engineers is expected to dredge the channel in coming weeks, but shoaling will continue to slow navigation both at Morehead City and at Oregon Inlet.



- New funds could help Oregon Inlet

State and local funds are expected to help pay for dredging at Oregon Inlet, where shallow water – recently just 3 feet deep – has made the navigation channel dangerous even for small boats.

Congressional funding to the U.S. Army Corps of Engineers for Oregon Inlet has fallen sharply, from an average \$5 million over the past 13 years to just \$800,000 this year. By some estimates, it would take as much as \$14 million to maintain the channel at its authorized depth of 14 feet.

The General Assembly increased boat registration fees last year to help clear Oregon Inlet and other shallow waterways, and this fund is expected to collect about \$6 million a year. A share of this money is expected to be set aside for Oregon Inlet. The rest should be available for other shallow navigation channels – including Hatteras Inlet, where regular shoaling has forced the state Department of Transportation to reroute its busy Hatteras-Ocracoke ferry.

Last week the Dare County Tourism Board pledged to contribute \$300,000 to help pay for dredging in Oregon Inlet.

The heaviest shoaling in decades has clogged the shipping channel at the Morehead City state port – reducing the navigable depth for freight vessels by 10 feet and forcing shippers to lighten their loads, at a

cost to one port customer of more than \$2 million a month.

"I've been a pilot for 30 years, and it's the worst that I've ever seen the channel," said Andrew Midgett Jr., president of the Morehead City Pilots Association. "Ships want to come in at the maximum draft they can, because it saves them money. The deeper the ship, the fewer the calls."

The natural migration of Shackleford Banks, a barrier island, is slowly dumping what one coastal engineer calls "an avalanche of sand" into the Beaufort Inlet channel. But with money from Congress dwindling, the U.S. Army Corps of Engineers has fallen behind on regular dredging needed to keep navigation channels open there and elsewhere on the North Carolina coast.

The Corps of Engineers will open bids Jan. 21 on a contract to spend around \$4 million for dredging that would start in February. It will be enough to scoop out 375,000 cubic yards of sand from the shallowest part of the channel, but no one can predict how much time it will buy for Morehead City shippers. No more federal dredging funds will be available until October.

Pilots, port customers and state officials say as much as \$20 million is needed for more extensive dredging to get ahead of the problem – and to avert more acute shoaling that could cause widespread economic losses for shippers and other businesses that depend on navigable channels.

"We could be in trouble in the next five years if we do not get some solutions," Transportation Secretary Tony Tata, who oversees the State Ports Authority, said last week at a state Board of Transportation meeting. "That shipping channel has not been maintained, and it's costing money and jobs."

The most recent dredging there, last May, removed about 775,000 cubic yards of sand. The shoaling returned during the summer.

"Mother Nature shoaled it right back in, much faster than we anticipated," said Bob Keistler, navigation projects manager for the Corps of Engineers Wilmington District.

Ships bring lighter loads

Congress has authorized the Corps of Engineers to maintain a channel 600 feet wide and 45 feet deep to get ships from the Atlantic Ocean through Beaufort Inlet to the port. But Morehead City harbor pilots, who guide freighters safely to the docks, have issued a series of escalating draft restrictions since late summer.

The pilots now limit ships to a draft of 35 feet – and that depth is allowed only during daylight and at high tide.

The 500-employee Nucor Steel plant in Hertford County, which makes 1.5 million tons of plate steel each year, schedules a shipload every six weeks of a raw material called direct reduced iron, produced at a Nucor plant in Trinidad. Before the draft restrictions took effect, the keel of a fully loaded Nucor ship rode 38 feet deep in the water.

"One foot of draft represents about 1,500 metric tons of cargo," said Sam Cooper, Nucor's raw materials supervisor. "Going from 38 to 35 feet, that's 4500 metric tons, an additional cost to us of about \$100,000."

Rather than sail with the cargo hold half empty, Nucor mitigates its losses with an option called two-porting. A plant in South Carolina also can make use of direct reduced iron. So the MV Mobile Pearl last week stopped at the Charleston port to offload 18,000 metric tons en route to its destination at Morehead City with an additional 22,600 metric tons, Cooper said. Nucor would have preferred to bring the entire shipment to North Carolina.

Keistler said he hopes the upcoming dredge work will allow harbor pilots to set the channel draft at least as deep as 38 feet.

"You will still have a draft restriction there," Keistler said.

The shoaling has caused heavier losses for the Morehead City port's biggest and oldest customer: PotashCorp Aurora, also known as PCS Phosphate. PotashCorp has more than 1,000 employees who mine phosphate ore and make fertilizer and industrial chemicals in Beaufort County.

"The light loading that's required means that we can't load to the capacity that we need to," said PotashCorp spokesman Ray McKeithan. "So that's a significant cost to us. We see this as a serious issue of safety and commerce. ... It's the worst it's ever been."

PotashCorp imports raw sulfur and exports fertilizer through Morehead City, where 18 ships carried more than 1.1 million metric tons of its cargo in 2014. Because expenses are about the same for a ship carrying less cargo, McKeithan said, light loading costs PotashCorp more than \$2 million a month.

"It affects the entire region, not just the ports, because we're such a large employer," McKeithan said. "And the cost to us is increasing as shoaling increases."

State shares blame

Last year Tata and Gov. Pat McCrory floated a proposal to make the channel 50 feet deep, to attract bigger ships. Now Tata is calling for public pressure to make the Army Corps of Engineers meet its dredging obligations for a 45-foot depth.

But shippers and pilots say DOT and the State Ports Authority share blame, too. The ports agency is responsible for dredging near the docks. Shoaling there has reduced the water depth by as much as 10 feet in places, limiting PotashCorp's ability to use its facilities at Radio Island.

"We'd be interested to find out from the ports what their plan is for dredging at our berths," McKeithan said.

Laura Blair, a Ports Authority spokeswoman, said the state agency waited in the past for opportunities to piggy-back on Corps of Engineers dredging work in the harbor nearby – an opportunity that last occurred in 2011.

"It's cost-prohibitive for us to go out and contract on our own to bring the dredge in," Blair said.

Federal funding is based on a formula that ranks the nation's ports on cargo tonnage and other indicators. If shallow drafts continue to limit the cargo coming in and out of Morehead City, the result will be a lower ranking and even less money for dredging.

"If you don't dredge it to the authorized depth, they run the risk of losing customers, which cuts back on the tonnage you get," Keistler said. "That's a difficult battle."

PotashCorp will lose another \$2 million before the Corps of Engineers starts dredging Beaufort Inlet in February, Tata said.

Midgett, the harbor pilot, said the upcoming work will not keep the channel clear for long.

"Spring and summer will come, and there's hurricanes and there's tropical storms," Midgett said. "And it fills in again."

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