
GENERAL RE-EVALUATION REPORT

APPENDIX A: ECONOMICS

SAVANNAH HARBOR EXPANSION PROJECT
Chatham County, Georgia and Jasper County, South Carolina

January 2012

ATTACHMENT 1

Carrier Letters



**US Army Corps
of Engineers**
*Savannah District
South Atlantic Division*

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July 6, 2009

Curtis J. Foltz
Georgia Ports Authority,
2 Main Street,
Garden City,
Georgia 31408

Ref: Savannah Harbor Deepening

Dear Curtis,

CMA CGM would like to give our full support behind this project. We are today the world's third largest container carrier, with six services calling at Savannah on a weekly basis.

Today several of our vessels are tide bound due to their draft and larger vessels are planned. We have just started anew joint service with Maersk Line with vessels arriving from Asia via the Suez Canal. The size of these vessels is in the 6500 -7000 TEU range, we are also contemplating vessels up to 8200 TEUS capacity on this service. All of these vessels will be tide bound when fully loaded as is expected.

CMA CGM has close to 80 vessels on order and most of these are large vessels with capacities of up to 13,500 TEUS. These vessels will probably trade on the Asia – Europe services, however this will free up vessels in the 8000 -12000 TEU range.

Once the new Panama Canal is opened we expect to see all of our Asian strings of vessels move to deploy vessels in the 8000 TEU + range to gain the economies of scale.

We need to have the Savannah River deepened to safely accommodate vessels of this size. The same vessels that are expected to work on the East Coast are currently working on our transpacific services and their arrival drafts are in the 46 – 47ft range. We support the move by the GPA to go to 48ft without tidal restrictions. We are concerned today that our deep drafted vessels may encounter problems in the river forcing them to anchor, with vessels this size it would be a problem and they would ground at low water. Savannah has restrictions surrounding the LNG Terminal as well as frequent fog on the river that can impede navigation.

Savannah today enjoys an enviable reputation as one of the few preferred major ports on the East Coast for Asian imports. Many of our customers have a preference for Savannah as the preferred South Atlantic Port and have developed large Distribution Facilities in the area.

We wish to continue supporting the Port of Savannah and the customers who want their cargo to go over the port, however to do this in the coming years with the large vessels that we are planning to deploy, we must have the river dredged to at least 48ft to enable our vessels to safely transit the river and berth at the Port of Savannah.

Yours Truly,



Ian S Cairns

Vice President Terminal Strategy & Development

July 6, 2009

To Whom It May Concern

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Dear John,

At present, the Savannah River's draft of 42 feet is restrictive, and insufficient for our vessels 'currently' deployed to your port, it forces deeper draft vessels to arrive and depart on high water; thus, the vessel operator MUST schedule there arrivals to coincide with high water and there departures limited by the same restrictions This restriction significantly impacts Maersk's ability to berth at the appropriate times (contractual ILA start times) and as a consequence incur additional ports expenses. Most importantly, if the berth is NOT available - which occurred only this weekend (4th July) there is a significant 'knock on' affect which impacts multiple vessels. Working around high water arrival and departures is far from optimal and is most certainly does not allow Maersk to fully utilize our assets, this situation will no doubt curtail Savannah's ability to grow as a port, both for our benefit and that of the community.

Maersk currently operates a fleet with over 500 container ships of which approximately 100 are considered post panamax (6,000+ teu), and we continue to build vessels of 1305 feet long, 185 feet wide, 52 feet draft, and 11,000+ teu which are the largest in our fleet. According to AXS Alphaliner and other shipping reports, by January 2013, there will be a total of 204 vessels of 10,000 teu class sailing the oceans.

In 2015, the Panama Canal expansion will have been completed and vessels of 10,000 teu and higher will have the ability to transit the canal and thus companies such as Maersk will be able to utilize their larger tonnage to the East Coast of the United States and take advantage of that which the benefits of economy of scale can bring.

Should Maersk decide to deploy these vessels to the East Coast of the United States (USEC), they will call ports which offer the minimum of restrictions. Those ports which cannot accommodate these vessels for any reason whether these are 'river' ports or not will not be considered as part of the port rotation. Under the current conditions at the Port of Savannah I do not foresee these class of vessels calling your port.

As previously stated our vessels currently deployed to Savannah incur draft restrictions both on arrival and departure. In the recent past (prior to global economic downturn) we have had to chose between 'bunkering' our vessel or reducing cargo intake to draft restrictions.

Dredging the river to 48 feet we believe is a minimum requirement in order to sustain the schedule requirements of our business. The tide window is too short to move large vessels in and out of port where the transit time itself is close the the tidal changes - transit time pilot to berth 3 - 4 hours, low water to high water 6 hours.

We must also consider the width of these large vessels, in the case of our largest vessels - 185 feet. Post Panamax vessels will require more width than is presently available on the Savannah River for these large vessels to safely pass each other. This situation severely impacts the amount of traffic which can actually move in/out on any tide. We have also experienced this first hand as it exist today where river traffic comes to a stand still when a vessel is maneuvering with the confines of the LNG tanker facility.

The dredging (deepening and widening) of the Savannah River is long over due, and we Maersk support fully supports this project.

Your Truly,

Alan A. McCalmont.

Director.
North American Vessel Operations.
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July 6, 2009

Curtis J. Foltz, COO
Georgia Port Authority
P.O. Box 2406
Savannah, Ga. 31402
912-963-5563

Dear Curtis,

MSC has deployed post panamax vessels on services which have called at Savannah the past two years.

These vessels were the 5900 teu and 6700 class of vessels [LOA = 983 x Bdth 131 x max draft 47.5ft]; throughout 2007 we had so many problems operating these vessels at Savannah, that we decided to withdraw the services in 2008 and transship the cargo onto alternate services.

The main problems encountered were delays operating in / out of the Savannah River, with drafts in the range of 41 - 42ft. At these drafts the vessels have to arrive and sail on the high water and must 'ride' the tide to / from the berth to/from the Sea bouy,

We suffered untold delays when we were unable to dock our vessels because there was no berth available which coincided with the tide, meaning we had to wait for the following tide, and a further 12 hour delay. In addition, due to the narrow width of the Savannah River, there were and are issues with vessels passing each other. This limits traffic to one way only, which severely restricts the amount of vessels which can actually move in / out on any one tide.

This situation is further compounded with the additional width of the post panamax vessels. There is just not sufficient room for these vessels to safely pass each other along many sections of the river.

The tidal restrictions have caused significant increases in operating costs, caused MSC to by-pass ports, leave cargo behind, missed Panama Canal appointments and overall severely disrupted vessel network integrity around the World which in turn have and more importantly will not service the trade in the future.

The current 41 ft max draft restriction at Savannah, translates into 18,000 tons less cargo on board one of our 6700teu class vessels.

MSC currently operates a fleet of over 400 vessels, including 93 post panamax vessels.

MSC has a new building program which includes a number of vessels of +10,000 teu class [LOA = 1200ft x Bdth 167ft x max draft 50.8ft].

According to AXS Alphaliner and other shipping consultants, by Jan 2013, there will be a total of 204 vessels of the 10,000 teu Class in existence.

In 2015, the third set of locks at the Panama Canal will be completed and will be in operation. The 10,000 teu Class of vessel will be able to transit these locks and pass through the canal. It is therefore safe to assume, that all the shipping lines which have constructed these vessels will deploy them on their Asia - E Coast USA services, to take advantage of the economies of scale that they bring and which they were built for.

Economies of scale only work if vessels are loaded to capacity.

When MSC deploys these vessels, they will call at the ports which have in place the infrastructure which can handle them with minimal restrictions.

We will avoid any port, which imposes restrictions which increase the risk of delays and which limits our ability to fully maximize the cargo carrying capacity of the vessel.

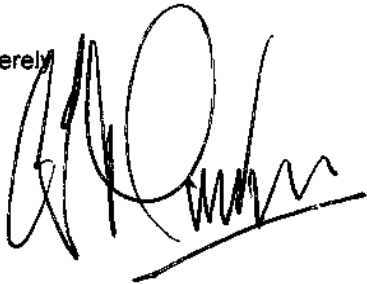
Savannah will not be able to handle this class of vessel unless the harbor is deepened to a minimum of 48 ft.

We have already experienced what happens in this harbor with deep drafted vessels of a much smaller post panamax class; trying to enter and depart using tide windows, just DOES NOT WORK. There is not enough time with a tide window to move all the vessels in /out and if one fails to move it then creates a whole back log of traffic / delays and additional costs to the shipping line.

It causes delays detentions and increased operating costs and reduced cargo capacity.

Imagine what it would be like with a 10,000 teu class, 1200 ft x 167 ft size vessel!

Sincerely,

A handwritten signature in black ink, appearing to read 'C J Parvin', with a horizontal line underneath.

C J Parvin
VP Marine Operations

Corporate Headquarters

300 Lighting Way, 5th Floor
Secaucus, New Jersey 07094
Telephone: 201-330-3000
Fax: 201-330-9751

July 6, 2009

Mr. Curtis J. Foltz

Chief Operating Officer
Georgia Ports Authority
P.O. Box 2406
Savannah, GA 31402

Re: Savannah Harbor Deepening

Dear Mr. Foltz,

The Savannah River's current draft of 42 feet, at times, has become extremely restrictive and forced NYK to sail (arrival and/or departure) our deeper draft vessels at solely high tide. The restriction caused by your current draft significantly impacts NYK Line's ability to maintain our vessel /berth schedule, labor orders, and most importantly the vessels booking for the transit through the Panama Canal.

In today's environment, we must maximize use of all vessels and the ports which they call. Our service proforma's are based on fixed days and times and can not be set based upon a ports river tidal swing.

As we approach the Panama Canal's (2014) ability to handle 8,000 plus teu vessels, NYK is looking for those strategic partners who can handle these larger type vessels without any sort of navigational restrictions. Those ports whose rivers may have any navigational restrictions will be avoided or eliminated from our service rotations for those larger vessels.

The Savannah River must be deepened to no less than 48 Feet (MLW). Without this deepening, NYK would be unable to bring in larger class vessels (8000 teus) into the port of Savannah.

Sincerely,

Dan Sheehy
Director of Marine and Terminal Operations
NYK Line (North America) Inc.
300 Lighting Way
Secaucus, NJ 07094