

Congress of the United States
Washington, DC 20515

July 28, 2015

The Honorable Jo-Ellen Darcy
Assistant Secretary of the Army (Civil Works)
108 Army Pentagon
Room 3E446
Washington, DC 20310-0108

Dear Secretary Darcy:

As you go about preparing your budget recommendations for the FY 2017 U.S. Army Corps of Engineers (USACE) Civil Works program, we would like to call to your attention the fact that construction of the Savannah Harbor Expansion Project (SHEP) will be at an important crossroads in that fiscal year. Up until that time, the vast majority of funding for SHEP construction will have come from the State of Georgia—\$214 million for the state’s local sponsor share plus an additional \$52 million for related state SHEP expenses.

We appreciate the guidance that you and others in the Executive Branch have provided and your acknowledgement that completion of SHEP is a national priority. We also appreciate your personal attention and support of SHEP over the years. However, the key to the success of this project will be whether the Administration’s budget proposal next year includes at least the approximately \$100 million that USACE has identified as the level that would keep the project on the path to timely completion.

The \$100 million-per-year schedule would not represent any special treatment or accelerated funding for SHEP; rather, it would be consistent with funding provided to similar projects of high national importance in recent years. It would simply allow use of standard contracting practices that provide normal cost efficiencies in channel dredging projects. In contrast, if federal funding in FY 2017 and beyond continued at the funding level recommended by the Administration for FY 2016 – and even if that amount were supplemented to approximately \$50 million through use of additional funding provided to you by the Congress - the USACE calculates that the resulting five year delay in project completion would cost taxpayers almost \$1 billion. This includes \$100 million in additional construction costs as well as the unrecoverable loss of the \$174 million in annual economic benefits to the nation that would begin upon project completion. This would generate a \$100 million windfall for dredging contractors and a massive loss to taxpayers.

We recognize that in FY 2017, as in all years, difficult decisions must be made in establishing the priority of individual projects within the overall funding levels for USACE construction. Accordingly, we ask you to consider these factors among others:

- SHEP is the most exhaustively studied and extensively validated deep draft navigation project in Corps history.
- An annual funding level of \$100 million for SHEP is typical for a project of this size and national importance. As one example, the recently completed deepening of the New York/New Jersey Harbor was a project of similar size and scope and which was routinely funded at or above the \$100 million annual level.
- SHEP's National Economic Development (NED) analysis shows that it has one of the highest estimated benefit-to-cost ratios (5.5) of any construction project in the Corps' portfolio. Further, it is quite likely that the actual benefit-to-cost ratio is much higher, as this estimate was based on 2008 shipping forecasts which have already been far exceeded.
- Savannah continues to be the fastest-growing container port in the nation—as it has been every year since 2009, most recently reporting a 17 percent increase in containerized cargo volume in the fiscal year ending in June. It has in place today the landside, multi-modal facilities that can immediately accommodate increased trade volume. However, the port's ability to continue to increase national economic activity and stimulate job growth remains seriously impaired by a channel that cannot fully accommodate the current generation of the post-Panamax vessels, much less the larger vessels anticipated to use the expanded Panama Canal.


The World Trade Organization estimates that international trade through U.S. ports now accounts for about 32 percent of our nation's economic output, and that figure is expected to grow to 60 percent in just 15 years. By every measure, our ability to grow our economy is tied to our ability to have competitive international shipping rates, and those rates are determined by having cost-efficient port infrastructure. And no port infrastructure project in the nation can more efficiently and more quickly stimulate job growth in our country than SHEP.

Secretary Darcy, we respectfully urge you to send to the White House an FY 2017 budget request that includes at least the \$100 million required to allow SHEP to move forward and become a driving force for economic growth in our country for years to come.


Sincerely,



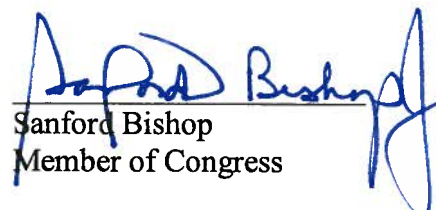
Johnny Isakson
United States Senator



David Perdue
United States Senator



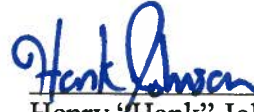
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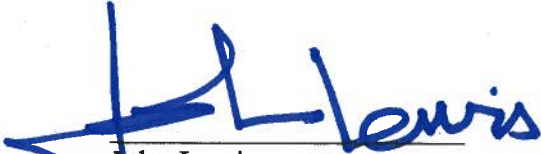
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Member of Congress



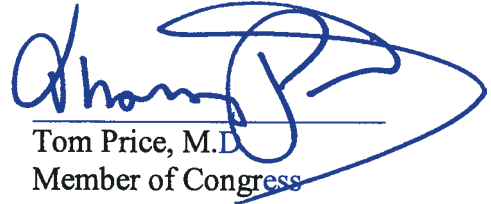
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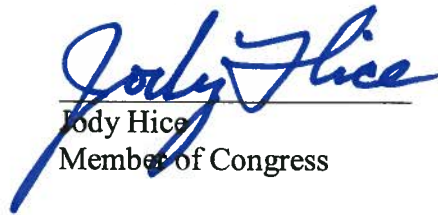
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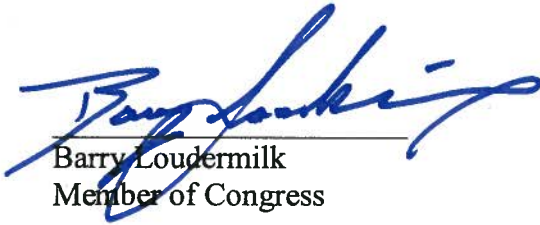
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