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New study rejects canal lock plans

Project isn't worth it, group says

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By Mark Schleifstein

A new study sponsored by opponents of an Army Corps of Engineers plan to replace and widen the Industrial Canal lock contends the replacement project is no longer economically justified, based on reduced barge traffic since before Hurricane Katrina struck in 2005.

A 1997 corps report concluded that the benefits of expanding the lock outweighed its costs by a ratio of \$2.05 to \$1 for a shallow-draft lock, and \$1.80 to \$1 for a deep-draft lock, preferred by industry and the Port of New Orleans.

But the new study concludes that traffic in the lock had dropped off so much by 2004 that the benefits for the shallow-draft version would be only 44 cents per \$1 of cost, and only 40 cents for the deep-draft version.

The corps was wrong in its 1997 predictions of lock use over the subsequent 10 years, said report author Robert Stearns, a retired economics professor who served as deputy assistant secretary of the Army for public works in the early 1990s. He said the corps predictions of delays in moving barges through the narrow passage, and the total number of barges using the lock, did not pan out.

A major reason for the drop in barge traffic in the canal is federal Environmental Protection Agency rules requiring electric power plants to use low-sulphur coal, he said. Power plants to the east of New Orleans using coal that traveled down the Mississippi River and through the lock switched to other coal supplies, he said.

Stearns also contends that the corps plan to allow oceangoing vessels to enter the Industrial Canal from the river also doesn't match changes in port use in the aftermath of Hurricane Katrina.

MR-GO to close

Several industries whose larger ships used the Mississippi River-Gulf Outlet to reach the Industrial Canal already have shut down operations or switched to smaller barges, after Katrina silted in the shortcut to the Gulf of Mexico.

Last month, Congress deauthorized the MR-GO as a shipping channel in approving the Water Resources Development Act over the veto of President Bush. That bill included \$75 million in grant money for the Port of New Orleans to pay for moving businesses on its properties that were affected by the MR-GO closure to the Mississippi River, and \$85 million in low-cost loan guarantees for businesses to help them move to the river.

A corps spokeswoman said the agency needed to review the new report before responding to it.

But spokeswoman Kathy Gibbs also said an updated review of the economic basis of the project will be included in a supplemental environmental impact statement that is expected to be approved by the end of 2008. Until then, she said, construction is on hold.

Port of New Orleans Chief Operating Officer Patt Gallwey said the new report fails to recognize the effects of the obsolescent existing lock on barges and ships still using it. He said a 2003 study commissioned by the port confirmed a \$2 benefit to \$1 cost for the lock replacement and showed that shippers were forced to switch to other transportation methods because of lock delays and breakdowns.

"In fact, the study documented that the lock had more closures for repairs than any other lock on a major waterway," Gallwey said. "Clearly, a new, more efficient lock will encourage shippers to move their cargoes, like fuel, on barge thus getting it off of a heavily traveled interstate highway system.

"The impending closure of the Mississippi River-Gulf Outlet makes the project to replace the lock more important than ever because the lock will now be the only route into the port's Inner Harbor, which contains about \$500 million in port infrastructure," he said, adding that the existing lock structure and Industrial Canal facilities have recently attracted SeaBoard Marine, a Central America shipper, to sign a lease for space at the France Road terminal.

Shortcut to close

The MR-GO closure also increases the risk that the deteriorated lock structure will result in costly delays of shipments to businesses in Alabama and Florida, said Raymond Butler, executive director of the Gulf Intracoastal Canal Association.

Barges have been able to use a shortcut through Baptiste Collette Bayou to reach the MR-GO when the lock was shut down for maintenance until now, he said. When the corps builds a dam across the MR-GO, that access will end, he said.

Butler said even the corps economic studies underestimate the cost of such closures to industries like Chevron's Pascagoula refinery, which relies on the back door to move products to the river.

Changes in EPA regulations that could make coal traveling down the Mississippi usable by Eastern power plants may also be in the offing, he said.

The new economic study was sponsored by Citizens Against Widening the Industrial Canal, which has long opposed the lock because it would encroach on the Holy Cross neighborhood on the canal's eastern side.

That organization won a federal lawsuit against the corps that required the agency to write a supplemental environmental impact statement addressing its members' concerns that contaminated sediments dredged from the canal could harm humans or wildlife.

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