



September 26, 2012

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*THAT DPM*  
*OPS*  
GARY P. LaGRANGE, PPM  
President and Chief  
Executive Officer

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*Ops 10/1/12*

*→ wingate*

Colonel Edward R. Fleming  
New Orleans District Commander  
U. S. Army Corps of Engineers  
7400 Leake Avenue  
New Orleans, Louisiana 70118

Dear Colonel Fleming:

The Board of Commissioners of the Port of New Orleans (Port) is the local sponsor for the Inner Harbor Navigation Canal (IHNC) Lock Replacement Project in New Orleans. This waterway navigation improvement project was first authorized by the Congress in 1956, and yet, over 55 years later, the replacement lock has not been built. To provide a better understanding of the project's strategic direction, a working group (Working Group) was convened composed of representatives of the U. S. Army Corps of Engineers (Corps) from Corps Headquarters, Mississippi Valley Division, New Orleans District and Pittsburgh District, the Port, and the shallow-draft towing industry. The Working Group reviewed the status of the project, and provided a report detailing the factual background and future prospects for the IHNC lock project.

The following are key findings in the Working Group's August 2012 report:

- Projected total cost for the IHNC deep draft replacement lock is \$1.3 billion (2010 dollars).
- Projected total cost for the IHNC shallow draft lock is \$1.0 billion (2010 dollars).
- Corps funding allocations to date for the project are \$136 million (project design not yet completed).
- Projected Port share of costs for the deep draft increment is \$80-to-120 million (2010 dollars).
- Available funding for the local cost share of the deep draft increment is approximately \$20 million in Port funds currently held in a dedicated escrow account.
- Corps estimate of net benefits from the project's deep draft increment is \$0.00.
- Corps estimate of the benefit/cost ratio for the deep draft replacement lock is 0.90-to-0.95; accordingly, the deep draft project is not eligible for Federal funding.
- Corps estimate of the benefit/cost ratio for the shallow draft replacement lock is 1.06; the shallow draft project remains eligible for Federal funding.
- The project would require 50/50 funding from general appropriations and the Inland Waterways Trust Fund (IWTF).
- Based upon the Corps' priority ranking for currently-pending major lock and dam projects, the low balance in the IWTF, and the anticipated supply and demand of project

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS

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funding, funding for project construction is not anticipated before 2028. Project priority does not improve with a shallow draft project. The anticipated timeline for funding availability assumes overall funding for Corps waterway projects increases from the current \$160-180 million per year to \$380 million per year and it assumes that no additional projects will be authorized that have a higher benefit/cost ratio.

- The project remains stalled by court-ordered injunctions from a series of environmental legal challenges, and there is no sign that these challenges will abate in the near future.
- Under the most optimistic scenario, the existing IHNC lock must remain in service for at least the next 25-30 years. The existing lock is in critical need of major repair and maintenance to avoid frequent outages and catastrophic failure. The Corps of Engineers has developed a \$40 million repair and maintenance program to sustain the viability of the existing lock, \$10 million of which is already funded; and it has identified funding capability over the next five years for the remaining \$30 million.

The Board of Commissioners of the Port of New Orleans has reviewed the August 2012 report of the Working Group and, based on that information, respectfully makes the following recommendations and requests:

1. Based on Corps analysis showing the deep draft replacement lock project with a benefit/cost ratio of 0.90-0.95, and the Corps conclusion that the deep draft project is not eligible for Federal funding, the Port requests that the Corps declare the deep draft project is no longer viable and release to the Port all funds in the escrow account.
2. Because of the age and operational limitations of the existing lock, the Port and the shallow draft towing industry continue to believe that a new IHNC lock is essential. Accordingly, the Port strongly encourages the Corps to pursue a shallow draft replacement lock.
3. Because the existing IHNC lock requires significant repair and maintenance to remain operational over the next 25-30 years, the Port urges the Corps to fund fully over the next five years Corps plans for major repair and maintenance of the existing IHNC lock. The Port commits to work closely with the Corps to ensure that required Federal funding is provided for that purpose.

I am available to discuss this matter with you and your colleagues at your earliest convenience. Thank you for your consideration of our recommendations and requests, which we believe represent a realistic approach to this project given all the facts presented by the Working Group. We also thank and commend all those individuals with the Corps who participated in the Working Group and who provided clarity and direction for our deliberations.

Sincerely,



Gary R. LaGrange  
President & CEO

cc: Lieutenant General Thomas P. Bostick, Chief of Engineers  
Major General Todd T. Semonite, Deputy Chief of Engineers  
Major General Michael J. Walsh, Deputy Commanding General for Civil and  
Emergency Operations  
Steven L. Stockton, Director of Civil Works  
Major General John W. Peabody, Mississippi Valley Division Commander