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A big miss.take; The Port of Gulfport is preparing to spend \$600 million in housing-related block grants on its facility. N.O. port officials cry foul, saying that federal financing of its competitor is . . .

By Jen DeGregorio, Business writer

For months, officials at the Port of New Orleans have been waving copies of their master plan before elected officials, consultants and anyone else who could help pay for the ambitious slate of initiatives outlined in the document.

But money for the \$1 billion expansion has been slow to come as the clock ticks down to 2014, the year a wider channel through the Panama Canal is scheduled to open a new shipping route to the Gulf of Mexico and flood seaports with cargo.

The dearth of capital has fueled bitterness about a recent windfall for the Port of Gulfport, the upstart cargo hub fewer than 100 miles from New Orleans. The Mississippi port is poised to undergo a massive expansion bankrolled with \$600 million from the federal aid package Mississippi received after Hurricane Katrina.

At a time when Gulf cargo hubs will be going head to head to capture new business through the Panama Canal, the money gives Gulfport a leg up on the competition. Port officials also say the project represents a glaring example of Mississippi's dominance of recovery money.

"From my position, I don't think it's fair," said H. Daniel Hughes, a commissioner on the Dock Board of the Port of New Orleans. "The way that they carved up monies after the storm is disproportionate."

The Port of New Orleans wants to enlarge its Uptown container terminal, a \$500 million venture meant to capitalize on the surge of commerce

through the canal. But with just \$24.5 million from Gov. Bobby Jindal, port officials are scouring the private market for potential investors. Meanwhile, The Port of New Orleans has already lost market share to its counterparts along the Gulf. The shipping industry favors ports closer to open water, and the long trek up the Mississippi to New Orleans puts it at a disadvantage.

Gulfport runs a much smaller operation than the Port of New Orleans, handling about 2 million tons of cargo per year compared to New Orleans' 27.3 million tons. But when it comes to containers, the ports are not far apart. Last year, Gulfport moved 207,000 TEUs, a term used to express the equivalent of a 20-foot long box. That comes close to the Port of New Orleans, which handled 250,000 TEUs last year.

Gulfport has some advantages that could position it for future container growth, such as its position directly on the Gulf coastline. The port also has three regular shipping services to Central America, said John Hyatt, a freight forwarder at the Irwin Brown Company, which has two offices in Louisiana and one in Gulfport. Although the Port of New Orleans also has three direct services to Central America, many of Hyatt's clients have chosen to route shipments through Gulfport.

Despite its relatively small size, the Mississippi port has managed to take some business from the Crescent City in the past. In a famous instance in the 1960s, Gulfport stole New Orleans' lucrative deal to handle banana shipments from the company that is now Chiquita.

"Gulfport is some competition," Hyatt said. "Whether it's formidable enough remains to be seen."

Disproportionate share

The controversy surrounding Gulfport's expansion is the latest example of Mississippi's stronghold over hurricane recovery money. Criticism has abounded that the state's powerful Republican politicians received preferential treatment when the GOP-controlled Congress divvied up billions of dollars in aid after Hurricanes Katrina, Rita and Wilma.

By one estimate, Mississippi received one-third of Community Development Block Grants, although the state suffered just 20 percent of overall storm damage. Louisiana incurred 67 percent of the storms' wrath but received just 62 percent of block grant funds, according to a report released in September by the Nelson A. Rockefeller Institute of Government in Albany, N.Y., and the Public Affairs Research Council of Louisiana.

What Hughes finds galling, though, is Mississippi's diversion of its block grants to pay for the port expansion.

Administered by the Department of Housing and Urban Development, the block grants are traditionally reserved for residential purposes. However, Mississippi's request to shift \$600 million to the port got a green light in January from then-Secretary of Housing and Urban Development Alphonso Jackson, who resigned in April after federal criminal investigations into contracts he awarded were announced.

Hughes said using HUD money to strengthen the Mississippi port is akin to having New Orleans subsidize its competition.

"I think that it definitely presents a problem, because now it adds another well-funded competitor to the mix," he said. "Here they suddenly have \$600 million, bang, right off the bat. What could we do with \$600 million? Look at our master plan."

The Port of New Orleans sustained nearly \$250 million worth of damage during Katrina, which inundated docks and warehouses with floodwaters. Many maritime companies were forced to relocate, and some never came back. Still fighting for insurance money, the port is struggling to rebuild damaged infrastructure, find new homes for tenants that stayed in the city and recruit additional business.

The Port of New Orleans asked the Louisiana Recovery Authority for \$350 million in block grants but was denied because "there wasn't enough to go

around," according to port spokesman Chris Bonura. All told, Louisiana received \$13.4 billion in three different rounds of funding, most of which went to housing programs such as the Road Home. Congress promised \$75 million in other funds to the Port of New Orleans, although that money has not been appropriated.

A new route

However, New Orleans' problems do not erase hardships at the Port of Gulfport. Seven of its 10 docks are still out of commission, and a plan to build a container terminal remains stagnant, according to Don Allee, the port's executive director.

Lee Youngblood, a spokesman for the Mississippi Development Authority, said Gulfport needs all the help it can get.

"The port has really not recovered to its pre-Katrina capacity," he said.

Along with financing repairs, the block grants will help pay for the new container terminal, a project that would make Gulfport a direct rival of New Orleans. Although Gulfport has a sizeable container business, the port does not have a traditional terminal to handle such cargo and instead relies on ships that use their own equipment to move containers. The new terminal would come at a time when New Orleans and other Gulf ports are looking to lure more of the mammoth metal boxes used to transport retail items. Construction workers are in the midst of creating a new, wider channel through the Panama Canal that will allow the largest Asian container ships to reach the Gulf. The passageway could by some estimates triple the volume of containers entering the United States.

"It's just a very competitive environment that we're in," Allee said. "We have to be very forward in our thinking."

Other ports are thinking along the same lines. Eleven ports along the Gulf and South Atlantic coasts have invested about \$10 billion combined to prepare for the canal opening, according to an analysis by the Port of New Orleans.

Whether it is appropriate for Mississippi to use block grants to boost its position among competitors remains a subject of debate. As recently as May, the Port of Gulfport's plans drew harsh words during a congressional hearing held to examine usage of

block grants by five Gulf states affected by the 2005 hurricanes.

Youngblood attributed the criticism to “election-year politics.”

“What kind of recovery would we have for a port city if we didn’t have something in the plan to help the Port of Gulfport?” Youngblood said. “We need to rebuild the port in a smart way that not only

allows us to get back the cargo we lost after Katrina, but that possibly allows us to get new cargo aest Virginia, which were performed in cooperation with ITAA member companies Accenture, ACS, Bearingpoint, CGI, Curam, Dynamics Research Corp., EDS, IBM, Maximus, Motorola, Northrop Grumman, Policy Studies Inc. and Unisys.