Port tries to keep key firms afloat; At-risk operations get priority financing

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After learning last week that chances were slim for the Port of New Orleans to immediately receive all the aid it is seeking to revive decimated maritime operations on the Industrial Canal, port President and CEO Gary LaGrange said the agency will reduce its initial request and prioritize its financing needs in an attempt to save the operations most immediately at risk.

The port has been lobbying since October for about $380 million to relocate and mitigate the losses of eight Hurricane Katrina- damaged firms that make up 30 percent of the port. Most of the port's tenants escaped the storm with relatively little damage, but those on the canal were hit with a double whammy. First came the water. Many businesses on the 1,000-acre tract were inundated for weeks and rendered useless for months. Then came the word that the controversial Mississippi River-Gulf Outlet would no longer be dredged. Without the dredging the channel lacks clearance for deep-draft ships.

LaGrange has said getting aid to those businesses is paramount to the port's rebuilding efforts. Combined, the businesses are responsible for 1,000 direct jobs and 9,000 indirect jobs.

"Even though we feel that the port is back to acceptable levels, we have a long way to go," LaGrange said.

So far, though, the state agency has not received any federal or state aid to help it along. At a meeting with the Louisiana Recovery Authority a week ago, LaGrange was urged to lessen the port's request and prioritize the financing needs. The LRA suggests to the state how federal money should be spent.

"The LRA is interested in helping us with the immediate priorities," LaGrange said, adding that he was unsurprised by the group's demand. "It's reality. There are other needs."

Still, LaGrange said, he is frustrated with how slow the aid is being parceled out.

"We need to make a move," LaGrange said. "We're working on the same stuff we were working on in December."

The port already stands to lose one business and perhaps more.

To meet with the authority's request, the port now has turned its attention to two main objectives: relocating New Orleans Cold Storage and creating a second container terminal at Napoleon Avenue. Those goals have a $175 million price tag, LaGrange said.
A secondary priority will be to secure $3.5 million to $5 million a year to offset the additional transportation costs that firms have taken on because of the cessation of dredging at the MR-GO.

"That would take care of the major companies back there," LaGrange said.

The port president said he put New Orleans Cold Storage atop the list because the company, which blast-freezes poultry and exports it abroad, employs hundreds of workers and is the leading cold storage warehouse in the country. LaGrange said $75 million of the $175 million considered priority would help build a new warehouse freezer for the company on the river.

Since the storm, ships can no longer reach the dockside warehouse because the MR-GO is no longer viable and the vessels that New Orleans Cold Storage loads are too wide to fit through the old lock system on the Industrial Canal. The company has had to have vessels dock instead at the Milan Street Wharf on the river, and trucks ferry cargo from the blast freezers at its Jourdan Road warehouse to that location. Trucking the cargo costs about $8 a ton. An average ship is loaded with about 7,500 tons, said Mark Blanchard, the company's executive vice president.

It is a cost the firm cannot pass along to its customers.

"At other ports that are dockside, there is no extra transportation cost," Blanchard said. "The fact that we have to truck the product is not their problem."

The added cost is eating away at profits.

"We don't make that kind of money," Blanchard said. "There's not that much of a margin in it."

Ideally, the firm would move permanently to the Milan Street Wharf. But building a warehouse freezer there could take two to four years, Blanchard said.

"We've got to figure out how to keep these people in business while we build them a new place," LaGrange said.

Blanchard said the firm is willing to stay in the city as long as financing is on the way.

"If in fact we know that there is a light at the end of the tunnel, we can shift some things around in the company," Blanchard said.

The remainder of the priority financing would go to carry out a pre-Katrina plan of building a container terminal at Napoleon Avenue, next to the $101 million container terminal the port opened two years ago. The goal is that the new terminal would be home to APM Terminals, a container shipping operation at France Road that was damaged in the storm, or another shipping line. APM, a subsidiary of the Maersk Inc. shipping line,
has sent the bulk of its cargo to other ports since the storm but receives some barges at the Napoleon terminal.

Maersk spokeswoman Mary Ann Kotlarich said APM at this point has no intention of returning to the Industrial Canal location and does not have a plan to rebuild a terminal in New Orleans.

LaGrange said the port still will seek financing to help other affected businesses, though it may be slower to materialize. The money would be used to lessen the expenses of about five firms that now have to pay higher transportation costs because of the loss of the MR-GO route.

One of those companies, Vulcan Materials, is searching for a new location, but Joe Howle, manager of environmental services, said the firm hopes to stay near New Orleans. The firm, which imports crushed stone from the Yucatan Peninsula, is considering a move to the Port of St. Bernard, among other options.

"We are certainly actively looking for another place," Howle said.

Meanwhile, CG Railway, an operation whose high-profile move to New Orleans from Mobile, Ala., last year included hefty financial incentives from the city and state, no longer will "exist as we knew it," LaGrange said. The firm imports coffee, beer and other products through the port from Coatzacoalcos, Mexico, but because its ships are too wide to fit through the Industrial Canal's old lock system and traveling up the Mississippi River is too expensive for the company, it is planning to move the operation back to Mobile. The port is negotiating with the firm to bring another service through the city, LaGrange said.

"We're still not done with them," he said. "They still have other things they want to do out there."