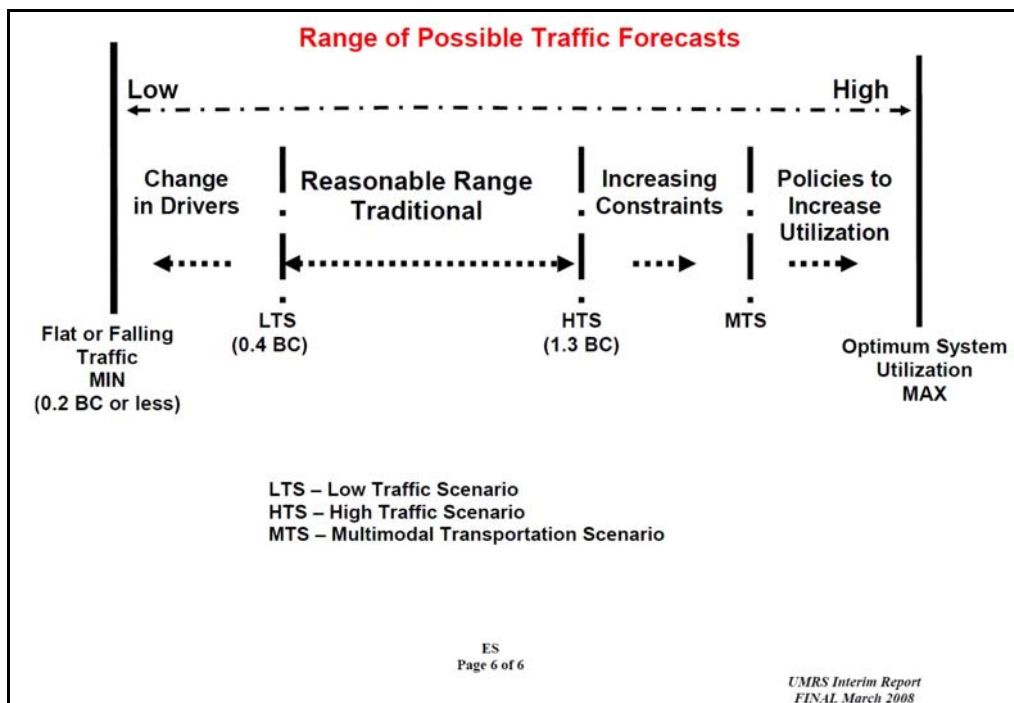


## FACT SHEET: Cost Benefits of New Locks Are Unsubstantiated

**The billions in costs for the proposed new 1,200-foot locks on the Upper Mississippi River far outweigh the public benefits based upon over two decades of barge traffic history.**

Public projects are reviewed for their benefit to the public in relationship to their cost – the project's Benefit-Cost (B-C) ratio. A Benefit-Cost ratio is used to compare the estimated future benefits derived from a project with the estimated cost of the project. If the project's future benefits equal the cost of the project, the B-C ratio would be 1.0. A Benefit-Cost ratio of less than 1.0 means the project's costs are higher than its potential benefits, and a B-C ratio of more than 1.0 means the benefits are greater than the costs.

In December 2007<sup>1</sup>, the Corps provided for the first time three Benefit-Cost ratios for the navigation projects in NESP<sup>2</sup> based on various levels of barge traffic. A High Traffic Scenario (HTS) scored a B-C ratio of 1.3, a Low Traffic Scenario (LTS) scored 0.4, and Flat or Falling Traffic scored 0.2. These ratios are shown in Figure 6.



Despite the fact that UMR-IWW barge traffic has been flat or declining in recent decades and clearly declining for the past 10 years, the Corps chose to make the “Reasonable Range” for barge traffic a significant increase over the last two decades’ trend and placed that range between their Low Traffic and High Traffic Scenarios. Even in assuming an increase in barge traffic, the Benefit-Cost ratios estimated in the Corps’ Reasonable Range start with a negative-return 0.4 B-C ratio for the Low Traffic Scenario and range up to a high of a 1.3 B-C ratio for the High Traffic Scenario.

The high end B-C ratio of 1.3 for the HTS is still below the minimum 1.5 Benefit-Cost Ratio for public projects recommended by the Bush administration and relies on a growth in barge traffic that is unsubstantiated. Using the Corps average annual costs and the LTS annual benefits for the proposed NESP navigation projects, the 0.4 B-C ratio for the LTS would result in a cumulative net loss of almost \$5 billion to the U.S. economy over the 50 year design life of the NESP project if the lock expansions are constructed, or roughly twice the estimated cost of NESP lock construction. Similarly, though the Corps did not include an annual benefit number for the now decades-long flat

<sup>1</sup> U.S. Army Corps of Engineers, 2007, “Final Draft Economic Reevaluation of the Recommended Plan,” Interim Report

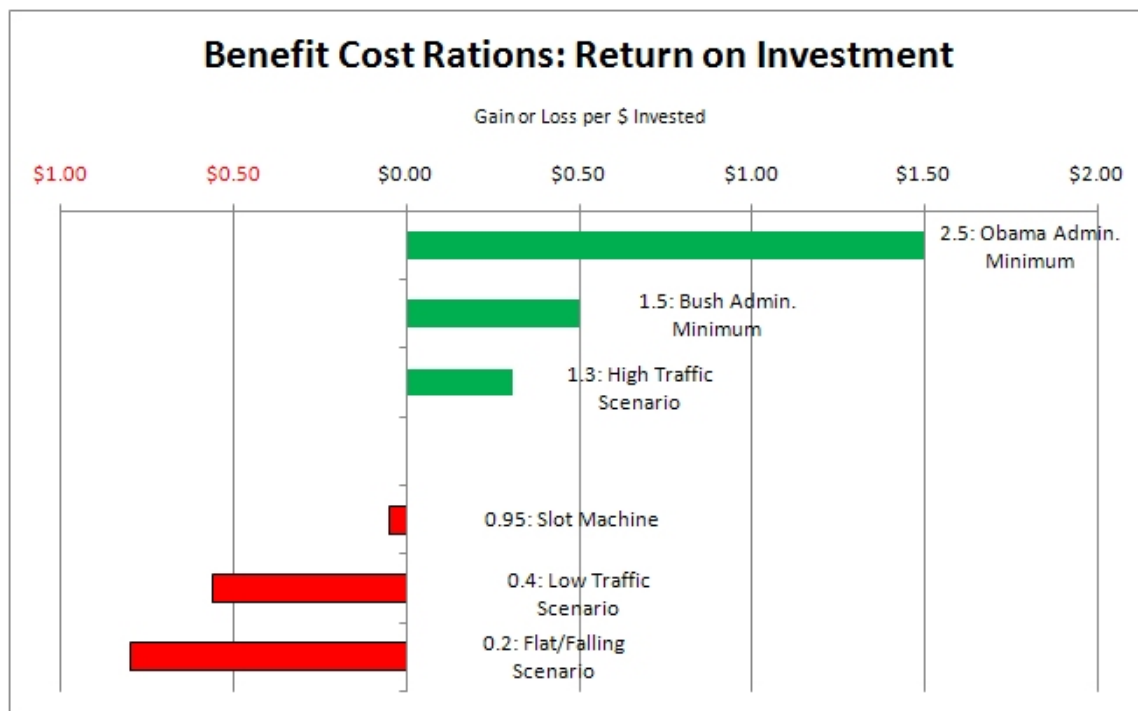
<sup>2</sup> NESP – Navigation and Ecosystem Sustainability Program, the 2004 study that recommended the new locks

# FACT SHEET: Cost Benefits of New Locks Are Unsubstantiated

or falling traffic condition (0.2), calculations indicate that it would result in a negative return of \$7 billion over 50 years, or about three times the cost of the locks.

Scenarios	Scenarios Comparison (millions)				
	Ave. Annual Cost	Ave. Annual Benefits	Ave. Annual Gain/Loss	B-C Ratio	Total Over 50 Years
HTS	\$175.09	\$229.89	\$54.80	1.31	\$2,739.95
LTS	\$175.09	\$77.04	-\$98.05	0.44	-\$4,902.50
Current	\$175.09	\$35.00	-\$140.09	0.20	-\$7,004.55

The disparity between the Benefit Cost Ratios we have discussed is visually displayed in the graphic below showing the B-C ratios as Return on Investment. Included for reference is a recent proposal by the Obama Administration to require a minimum 2.5 B-C ratio for public projects as well as the return on a slot machine represented by the B-C ratio of 0.95.



Slot Machine Source: [http://en.wikipedia.org/wiki/Slot\\_machine](http://en.wikipedia.org/wiki/Slot_machine)

The past two decades of recorded UMR-IWW barge traffic shows flat-or-declining traffic levels, significantly different from the projected increasing-traffic “Reasonable Range” asserted by the Corps. The established trend of flat or falling barge traffic equates to a Benefit-Cost ratio of 0.2 for the NESP projects and constitutes a negative return of \$0.80 for every \$1.00 of taxpayer investment in the seven proposed new 1,200-foot locks. Even the analysis assembled by the Corps using the current traffic levels determines NESP construction would incur a major financial loss on investment.

To review the entire “Big Price – Little Benefit” report and find out why the proposed locks on the Upper Mississippi River are not economically viable, go to: [www.iwla.org/bigprice](http://www.iwla.org/bigprice)

The Nicollet Island Coalition is a group of conservation and environmental organizations formed in 1994 to address restoration issues on the Upper Mississippi River and provide coordinated advocacy work on Upper Mississippi River issues.