

Master Plan for Port Manchac
July 2017

**Update for Master Plan for Port Manchac
2017 to 2022**

prepared by

Dr. James A. Richardson¹
Alumni Professor of Economics and Public Administration
Louisiana State University

Introduction and Purpose of Master Plan

The South Tangipahoa Parish Port Commission requested Dr. James A. Richardson to update the 2007 Master Plan for Port Manchac with the report to be ready in the summer months of 2017. This updated Master Plan covers the years of 2017 through 2022, but, as with any Master Plan, it analyzes long-term developments that will be prudent and profitable for the Port to undertake, but also recognizes the dynamics of the local and state economy so every organization must be prepared to react to market developments.

The South Tangipahoa Parish Port Commission has seven members with the current membership including Mr. Don Boihem who currently serves as President of the Commission; Mr. Daryl Ferrara who serves as Vice-President; Mr. Lucas Watkins who serves as Treasurer; Mr. Ernest Drake III who serves as Secretary; and, Mr. William Joubert, Ms. Cheryl Brumfield, and Mr. James Daniels II. Mr. Pat Dufresne serves as the Executive Director of Port Manchac and Ms. Helen Muller serves as Administrative Assistant for the Commission.

The Master Plan is a long-term map for the development of Port Manchac. This Master Plan will contain the mission of Port Manchac; clearly describe the reality of what currently exists in the Port; examine the surrounding economic conditions in the parishes around Port Manchac; examine possible opportunities for developments; and, consider port investments that could enhance the further development of the port and provide for the continued economic development of the region.

Mission of Port Manchac

¹ Dr. Richardson has worked with Mr. Pat Dufresne, the Executive Director of Port Manchac, and has discussed the master plan with Mr. Gary LaGrange, former President and Chief Executive Officer of the Port of New Orleans.

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Port Manchac's mission is to enhance the economic development of the Tangipahoa community and the southern region of Louisiana by providing port facilities and inter-modal transportation facilities in order to service manufacturing and distribution clients. Port Manchac is strategically located to facilitate the movement of goods throughout the country and potentially the globe to this southeastern region of Louisiana and to advance the movement of goods from this region across the United State and the globe. A port, from one perspective, can be an individual entity making decisions that will make the port a productive and profitable entity, but a port is also a public agency with the added responsibility of contributing to the overall economic development of the region. This public responsibility becomes the driving force behind new developments undertaken by the port, but with the caveat that the port must contend with the dynamics of the market place.

Economic Backdrop for Port Manchac

Port Manchac is located in the southern part of Tangipahoa Parish, a parish located in a five- parish area (Ascension, East Baton Rouge, Livingston, St. Tammany, and Tangipahoa) that has been one of the fastest growing area of the state. In fact, as noted in Figures 1 and 2, it is obvious that population growth in Louisiana has centered in these five parishes over the last 50 years. In Figure 1 the increased intensity of people living in Ascension, East Baton Rouge, Livingston, St. Tammany, and Tangipahoa parishes is exhibited. In 1960 for every 100 persons living in Louisiana about 12 lived in these five parishes. In 2000 this number had jumped to almost 20; by 2016 it had moved upwards to 23.4; and it is projected to be about 27 in 2030. In other words, in 1960 about 10% of the state's population lived in this five-parish region, while in 2030 it is projected that 27% of the state's population will live in this five-parish region. This is a dramatic and continuous change in the density of Louisiana's population.

Figure 1. Population in Five Parish Region

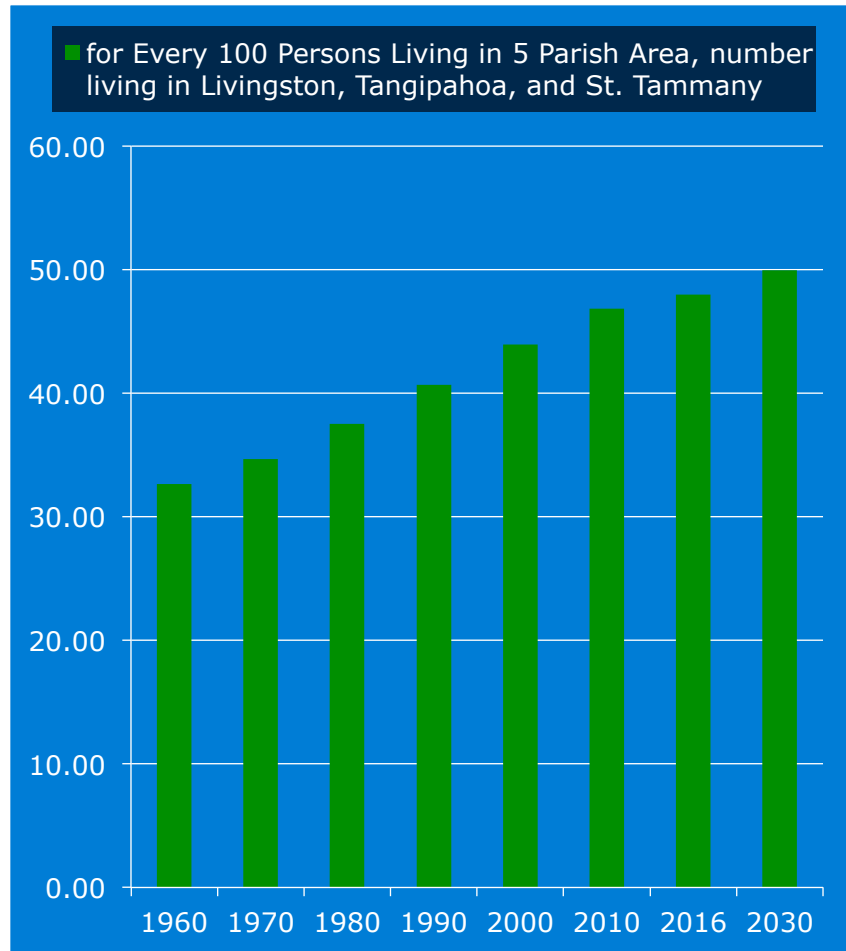
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In Figure 2 the focus is on the density of the population of Livingston, Tangipahoa, and St. Tammany parishes compared to this five-parish region. In 1960, for every 100 persons living in the five-parish area, 33 lived in Livingston, Tangipahoa or St. Tammany parishes. By 2000 this number had jumped to 44 and is projected to be 50 in 2030. The five-parish area has become the population growth region in the state, and, within the five-parish area, the three parishes of Livingston, Tangipahoa, and St. Tammany have become the fastest growing area. This is the population base that Port Manchac will be serving for products that will be imported to support a quality of life or exported to support industries and jobs.

Figure 2. Population in Livingston, Tangipahoa, and St. Tammany Parishes

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Employment in Tangipahoa, Livingston, and St. Tammany parishes is illustrated in Table 1. We note all business establishments, total employment, and annual payroll for the three parishes since the entire economy, either directly or indirectly, will be responsive to the inter-modal transportation options offered by Port Manchac. We then break it down by establishments, employees, and payroll in manufacturing and wholesale trade, the two segments of the economy that will most likely make the most direct use of inter-modal transportation options available to them. Activities in these sectors of the economy will affect other sectors of the regional economy by supporting investments, production of goods, and direct jobs in the local economy.

Table 1. Employment, Establishments, and Wages in Tangipahoa, Livingston, and St. Tammany Parishes

Economic Activity	Parishes			All Three Parishes
	Livingston	Tangipahoa	St. Tammany	
	All Business Activities			
Establishments	2,171	2,808	8,031	13,010

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Employment	26,068	42,340	88,129	156,537
Annual Payroll (millions)	\$973.6	\$1,484.3	\$3,904.4	\$6,362.3
Wholesale Trade and Manufacturing (industries with transportation requirements)				
Establishments	194	252	912	1,358
Employment	2,909	4,207	7,259	14,375
Annual Payroll (millions)	\$161.5	\$176.7	\$517.0	\$855.2

Port Manchac is the port that can service the industries in the parishes of Tangipahoa, Livingston, and St. Tammany most effectively, especially given it is an inter-modal transportation site, meaning that it can handle barges, trucks, and railways. Manufacturing may import some of its materials and ingredients used in producing items to be sold within a local region or made and then exported to other parts of the country or the world. Wholesale trade will most likely import items to be used in the Port Manchac region, but it can also import items to be shipped to other nearby areas in Louisiana and along the Gulf Coast. Port Manchac is able to service industries already in the region, but is also exploring opportunities to bring new industries to the area.

Port Manchac is a small port in terms of land size and facilities. Its growth potential is substantial since it is located strategically in the fastest growing area of the state. The global economy depends on the effective transporting of raw materials, intermediate products that are not quite ready for final consumption, and then products that are ready for final consumption. Effective transporting comes down to cost-effective transporting. The cost of transporting is ranked from least expensive to most expensive as follows; barge, railways, trucks, and air. Most items that can be shipped by barge can also be shipped by rail and/or truck. This is why the inter-modal transportation facilities at Port Manchac are important for the southeastern region of the state of Louisiana. Cost-effective shipping is a necessity in an open economy.

Port Manchac, 2017: Location and Activities and Financials

Port Manchac is located on a 140-acre site as an inter-modal facility servicing manufacturing and distribution facilities throughout the Gulf South. This facility provides barge service to the Port of New Orleans and the Mississippi River through Lake Pontchartrain/North Pass; it is also adjacent to Interstate 55 with nearby links to Interstate 12, Interstate 10, and Interstate 59, all outside the congested cargo market areas around the Port of New Orleans and the Port of

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Greater Baton Rouge; and, the Canadian National Railroad's (CN) north-south rail mainline runs directly adjacent to Port Manchac and provides regular service to the port's facility. Port Manchac's location along Interstate 55 is noted in Map 1.

Map 1. Port Manchac



Port Manchac handles a variety of products at its distribution center, including forestry products, offshore oil and gas supplies and equipment, steel plates, liquid bulk, and construction materials. The port's 140-acre inter-modal terminal facility is capable of handling a variety of bulk, break-bulk, liquid bulk, neo-bulk, and containerized cargo by rail, truck, and/or barge. Stevedoring services are provided through Associated Terminals, one of the largest stevedoring companies in southern states with logistical connections and operations along the Gulf Coast.

The port has a 30,000 square-foot warehouse currently leased to Premier Chemicals; a 30,000 square-foot warehouse available for lease for industrial use; two barge docks capable of supporting loads of 1,000 pounds per square foot;

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three rail spurs with direct access to the main line of the Canadian National Railroad with service provided six days per week; 20 acres of lay-down storage; and a new barge service vessel dock.

Port Manchac's inbound cargo includes specialty woods, steel, pipe, decorative rock, construction materials, and crude oil/liquid-bulk; its outbound cargo includes lumber products and crude oil/liquid-bulk based on information from the Ports Association of Louisiana. The annual average tonnage is about 100,000 short tons, which is slightly higher than the average tonnage was for the 2007 Master Plan. In 2006 the average net tonnage was about 70,000 as reported in the 2007 Master Plan.

In 2010 Port Manchac received a \$3 million grant from the Louisiana Port Priority Program with the Louisiana Department of Transportation and Development for port improvements including concrete paving, rail, bulkhead and drainage improvements. The state will put up \$2.7 million while Port Manchac will put up the other \$300,000. This grant was in coordination with the Master Plan completed in 2007 with the following projects listed as important for the continued progress of the port: (1) water and sewerage for facilities on port site, (2) comprehensive drainage plan, (3) paving access roads, (4) improved surfacing for off-loading, (5) new warehouse, and (6) dredging of the North Pass. Management is currently redeveloping the facility into an efficient and safe trans-loading terminal for bulk, break bulk, neo bulk, and containerized cargo by barge, rail and truck at one prime location. The \$3 million infrastructure improvement programs will provide a new bulkhead, lay down storage areas, and comprehensive rail spur maintenance at the facility. The projects are designed to attract new industries and create new jobs for residents of the Tangipahoa Parish community. The new infrastructure projects are also an integral part of the port's "Master Plan" that was created in 2007 as a guide to future development of the facility.

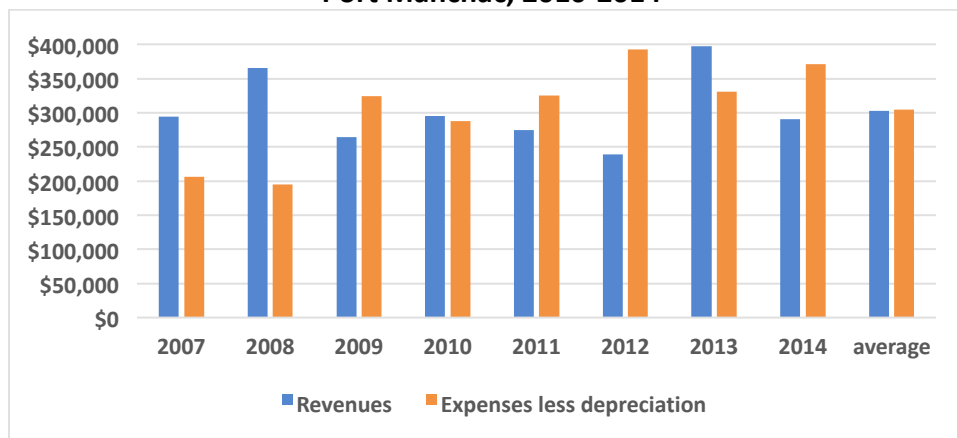
The current operations of the port include Premier Chemicals, which manufactures almost 34 million pound of products per year, has approximately 1,000 trucks servicing its facility at Port Manchac per year. Direct rail shipments from Canada utilized to trans-load crude oil from rail-to-barge when the price of oil was hovering at about \$100 per barrel and the port averaged about 60 railcars per month during the operation. However, the low price of oil now in the \$40 to \$50 range, has eliminated the use of railcars to transport oil to barges at present. The price of oil is one of the external factors that can abruptly change the activity at any port in Louisiana.

Revenues less grants for Port Manchac as well as expenses less depreciation are illustrated in Figure 3. Grants were not included in the revenues since grants tend not to be recurring. As an example, in 2010 Port Manchac received grants approaching \$600,000. Getting grants is an important component of building

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the port, but the grants are typically for special projects and are not counted as recurring revenues to support the year-in-year-out expenditures of the port. Depreciation expense was subtracted from overall expenses since it is a non-cash expense. This does not mean that depreciation is not to be considered in the management of the port, but it has a different impact on the cash flow of the port from other expenses. Revenues, not including grants, have averaged just over \$302,000 per year from 2007 through 2014, while expenses, not including depreciation expense, averaged just over \$304,000 as well. Revenues in 2013 were especially high approaching \$400,000 with expenses being around \$330,000. In 2014 revenues were around \$290,000, but expenses were \$370,000. A focus of any Master Plan should be to create a stream of revenues, not including grant money, to offset expenses.

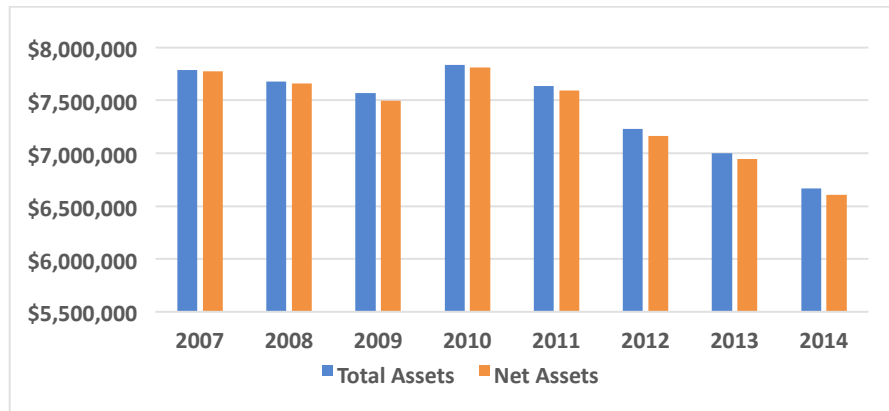
**Figure 3. Revenues (less grants) and Expenses (not including depreciation)
Port Manchac, 2010-2014**



Port Manchac's assets and net assets are illustrated in Figure 4. Total assets and net assets have both declined since 2010. This may not be unusual since, if you add capital goods in 2010 and then it depreciates over time, this is what one expects to occur. However, in any Master Plan one would expect to be growing the operation in terms of revenues and overall net assets. Some of the suggestions of the 2007 Master Plan may just be maturing so you cannot expect any plan to alter the revenue and asset stream of a port immediately. However, as we plan the update of the Master Plan, we need to consider the ultimate impact on revenues and assets.

**Figure 4. Total Assets and Net Assets
Port Manchac, 2010 – 2014**

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Port Manchac's Strengths

In any Master Plan it is important to start first with the mission of the port, with the economic backdrop in which the port operates, and with the port's location, current activities, and financials. This information has been provided. It is now time to identify the port's strengths, allowing us an opportunity to examine the exact base on which it is both feasible and reasonable for the port to build.

Port Manchac's first and most significant strength is its location. This was true in 2007 and is equally true in 2017. It is located at the intersection of four major interstates, I-55, I-12, I-10, and I-59. The Canadian National Railway runs alongside I-55 so Port Manchac can serve as an inter-modal transfer point between rail and trucks. Additionally, Port Manchac has access to the Mississippi River, the Gulf Intracoastal Waterway, and the Port of New Orleans via Lake Pontchartrain; and, Port Manchac is relatively close to Louis Armstrong International Airport. The port's location has been recognized for a long time; in fact, in 1989 the Louisiana Sea Grant program suggested that Port Manchac develop this inter-modal transfer of goods among rail, truck, and barge. Just as in 2007, **location is Port Manchac's most significant strength.** Greater New Orleans, Inc. supported this observation by noting that Port Manchac offers on-site access

Port Manchac continues to have professional and involved leadership. The South Tangipahoa Parish Port Commission was in 2007 and now in 2017 composed of local business persons who are very interested in the port fulfilling its mission of providing economic development in southeastern Louisiana. The Commission provides support and assistance to the Executive Director of Port Manchac who is active in steering the direction of the port and who is actively looking for alternative ways of promoting the port. The Executive Director has worked for Port Manchac by reaching out to businesses, economic development groups, and the Southeastern Louisiana University for their assistance and support in growing Port Manchac.

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The port is always looking for new projects that tie together the major strengths of Port Manchac such as its location and the changing economic environment in which the global economy operates. Given the low price of natural gas and the abundance of natural gas in the United States, Port Manchac is exploring the possibility of attracting a containerized polymer pellet/resin operation to locate at the port. Plastic resin pellets are industrial raw material that can be transported to manufacturing sites and molded into final products. Louisiana has a number of companies along the Mississippi River that will produce the pellets/resins. These pellets/resins will be shipped in containers to other countries and then these countries will put them into products and then sell them on the global market place. The logistical advantages of trans-loading the polymer pellets/resins at Port Manchac are its inter-modal opportunities and the lack of congestion as opposed to bringing trucks into the Port of New Orleans. Port Manchac and the Port of New Orleans have been working on a cooperative endeavor agreement to facilitate this type of container shipment operations between the two ports given the expected increase in container cargo activity.

Port Manchac is also exploring the possibility of a natural gas pipeline as a necessary infrastructure for attracting manufacturing facilities to the region. The port has recognized that most of the “Project Request for Sites” from Louisiana Economic Development include the request for a natural gas pipeline.

Port Manchac’s Weaknesses

Just as any facility has its strengths, the facility will have certain weaknesses. The Master plan must take into account any weaknesses associated with the port, its location, its facilities, or its ability to generate revenues. Such weaknesses will limit the ability of the port to expand and grow.

The most obvious weakness is the fact that the port has not been able to complete the upgrade in infrastructure that would make the port much more attractive to possible tenants; establish an office for the Executive Director of the port on the Port Manchac site; and, the port, as it is now established, cannot by itself get the resources to complete the upgrade of the infrastructure.

A second weakness is the inability of barges to get to the port because the waterway that connects the port to Lake Pontchartrain needs dredging. This impedes potential collaboration between Port Manchac and the Port of New Orleans for cargo that can be more effectively barged from the Port of New Orleans to Port Manchac and then moved to trucks. This will relieve the congestion around the Port of New Orleans and it will also provide an

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improvement in Port Manchac that can attract other industries to the Tangipahoa area.

Finally, Port Manchac does not have a sufficient budget at this time to initiate internal improvements to the infrastructure, to provide ongoing maintenance, or to create a marketing process to encourage new developments that would improve its revenue stream. The budget cannot support normal maintenance nor can it initiate new capital improvements. Port Manchac must depend on other governmental agencies to make a major investment in the facility and that typically means the State of Louisiana. The lack of a sufficient operating budget constrains the port from correcting its weaknesses since correcting most of the weaknesses will require funding.

Port Manchac's Strategic Plan, 2017-2022

The 2007 Master Plan led to the following: (1) a \$3 million Louisiana Port Priority grant with the state putting up 90% of the funding and the Port putting up 10% of the funding with the groundbreaking on April 13, 2015; (2) an investment program including internal roadways, drainage and parking improvements, rail spur maintenance, lay-down storage space, and bulk-head/harbor dredging improvements at the facility; and, (3) the investment program providing safe and efficient cargo storage and trans-loading operations for bulk, break-bulk, neo-bulk, and containerized cargo by barge, rail, and truck.

To be successful this Master Plan must also establish five interdependent parts: (1) a priority list of capital improvements including dredging; (2) identifying possible sources of funding; (3) explore options to enhance the operating budget; (4) anticipate engineering and environmental studies to lay the foundations for the specifications of any proposed capital projects; and (5) relate the activities at Port Manchac to the development and growth of the region.

Capital Improvements/Other Projects and Funding

The suggested capital improvements are based on interviews with the Executive Director of Port Manchac, Mr. Gary LaGrange, past President and CEO of the Port of New Orleans, a survey of the facilities, and an examination of the economic opportunities in and around the port as of 2017. Capital improvements and estimates of the costs, as well as possible funding sources, are given in Table 2. All of these projects can have a positive influence on the port's long-term development and growth, but the projects are not necessarily overlapping in terms of productivity. The listing of the possible options is not necessarily a listing of priorities since there may be changes in the economic environment, there may be changes in the ability to reach agreement with other parties, or there is a limited amount of funding and the Port has to make a

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major decision of what project will work best at a specific time. However, as with most major projects, the proposed capital projects are tied together.

The first project listed is the appropriate dredging of the shipping channels from Port Manchac to the Port of New Orleans. This project was listed on the list of investments to be made in the 2007 Master Plan. At that time, this project was listed with a priority of 7 with six other projects being considered more essential including a comprehensive drainage plan, improvement of access roads, improved surface for off-loading, and a new warehouse. Many of these projects have been accomplished, or at least partially. However, as we look ahead, the future of global shipping will be containerized cargo. If Port Manchac is to become involved with containerized cargo, it will definitely need to work closely with the Port of New Orleans. Containerized cargo on barges permits Port Manchac to receive such cargo by truck or rail and then to barge it to the Port of New Orleans to be placed on a ship. Similarly, on items imported from abroad, the ships will come to the Port of New Orleans and the containerized cargo will be barged to Port Manchac to be placed on rails or trucks. This will also relieve the congestion issues associated with trucks dropping off and picking up containerized cargo at the Port of New Orleans. Dredging is not a one-time process. Continued maintenance and upkeep are vital. We are listing state dollars as the best alternative given the very slow time paths for federal dollars and especially given the dredging needs for the Mississippi River at this time.

The second project is the trans-loading polymers/resins project that will involve the expansion of barging from Port Manchac to the Port of New Orleans. Trucks and rail can get the polymers/resins to Port Manchac, but these products will be shipped overseas for companies in other countries to convert the polymers/resins to other products that will then be shipped to final market places. The Canadian National Railroad and the Southeastern Louisiana University Business Development Center examined this use of the property and determined that it could be a productive use of Port Manchac's property. The polymers/resins will be plentiful in south Louisiana given the number of plants that will create this material as waste and will be looking for alternative ways of marketing it.

Table 2. Capital Improvement Projects and other Projects for Port Manchac

Proposed Capital Project	Estimated Cost and Source of Funding	Priority in Funding Process	Explanation
Dredging necessary to have barge traffic from Port Manchac to Port of New Orleans	\$1,000,000 – Port Priority Funding and self-funding; possibly federal but very slow to	Very important for other projects to be successful	Need to connect to Mississippi River and Port of New Orleans for containerized cargo; depth of 12 feet will allow Port Manchac to handle major barge traffic; need to make depth a non-issue year round.

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	accomplish		
Trans-loading polymer pellets/resins and containerized shipments to include any upgrade in facilities and lifting crane	Greater than \$1 million. STPPC has \$1 million LA-DOTD infrastructure funding package; crane will be required for lifting containerized cargo	Important on site improvements since abundance of pellets and resins and opportunities to ship abroad; abundance due to plentiful natural gas	Project consistent with marketing assistance of Canadian National Railroad and Southeastern Louisiana University Business Development Center; available pellets and resins; global market; will need connection to Port of New Orleans
Cooperative Endeavor Agreement with Port of New Orleans	Cost will be associated with dredging and containerized shipments	The cost is not the significant issue. Both parties, Port Manchac and the Port of New Orleans, must agree.	Requires a Cooperative Endeavor Agreement between Port Manchac and the Port of New Orleans. Important step since the connection of rail and truck traffic to barges is easily handled at Port Manchac. Also relieves congestion at Port of New Orleans.
Natural Gas Pipeline from Ponchatoula to Port Manchac	CenterPoint Energy has estimated an estimate of close to \$5 million to be paid by the client and this is assuming no major issues with rights-of-way, wetlands mediation, and load requirements.	Significant issue is to provide resources for marketing Port Manchac and the southeastern Louisiana area	This is not a capital project for the Port as much as it is a marketing process that requires a very vibrant appearance on the part of the port and the surrounding community, the ability to provide all types of transportation options, and provide other services. The natural gas pipeline is a continuous requirement by companies approaching LED for location options.
Evaluation of projects undertaken by 2015 Priority Programs.	To be determined	Necessary to evaluate after all projects completed on the \$3 million Port Priority Funding	Important to make sure all segments of the upgrade of Port Manchac are completed.

The third project is really more of an assignment. It is vital for Port Manchac to complete its transportation options. Presently, it provides rail and truck connections, but the barge traffic is not robust. For the barge traffic to work, proper dredging is required and Port Manchac should have a connection to a port such as the Port of New Orleans that has an international harbor. To fulfill its potential, Port Manchac must become a full-fledge transportation hub connecting to the global market place which means that it must become

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connected to global vessels. That can only be done by having sufficient barge traffic, bringing goods from abroad for further movement by rail or truck or taking goods from other states by rail or truck and then transporting them by barge to an international port.

Port Manchac has noted that almost every request from a company considering a new site includes questions about the availability of natural gas pipelines. The port does not have a natural gas pipeline close to its facility. The port must find a client or clients able and willing to support the building of a natural gas pipeline from Ponchatoula to Port Manchac. Again, this issue is mainly a marketing issue—that is, finding the right clients to finance this pipeline investment.

Finally, the port has made great strides in completing the tasks outlined in the 2007 Master Plan. As we get close to the 10th year after the Master Plan was completed, it is always an useful exercise to determine what was on the list of projects, did we complete the projects listed, did any projects turn out to be unnecessary so during the course of the ten years some projects were removed from the list, or did additional projects turn up as we update and modernize the port.

Enhance Operating Budget

In 2014 Port Manchac had recurring revenues of just about \$300,000, but expenditures (not including depreciation) approaching \$370,000. The operating budget does not provide sufficient revenues to provide routine maintenance of the facilities, the development of a marketing campaign, and other such every day needs if the Port is to grow over time. To improve the revenue stream, Port Manchac has to increase its business activity. The projects suggested previously will expand the business activity of the port.

The port can also seek support from other economic development agencies such as the Tangipahoa Economic Development Foundation, not necessarily direct support but rather the support of special projects. The important issue is to illustrate the significant economic impact that the port could have on the regional economy. For example, adding 10 direct jobs at the Port paying from \$40,000 to \$50,000 in annual salary, will lead to another 12+ jobs being needed in other areas around the region with these jobs paying on average around \$40,000 per job. And this is not counting the net new capital expenditures that will be forthcoming from new businesses opening up. The economic impacts are difficult to measure precisely and cannot be seen until the jobs are actually created and the spending of the wages becomes apparent in the community.

Engineering, Environmental, and Legal Studies

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All capital projects will require engineering and environmental studies and this is especially true with respect to the dredging to deepen the waterway for barges and it is also significant for the laying of the natural gas pipeline. The projects outlined in Table 1 also requires legal analysis and this is especially true with the Cooperative Endeavor Agreement among ports—these agreements are legal documents.

Economic Connection to Regional Economy

Port Manchac is connected to the local economy. Growth in the port will automatically spillover into the cities and towns near the port. Studies can be completed on the economic impact if Port Manchac becomes a transfer point for polymers/resins since this transfer will require stevedores and other workers as well as possible company offices, fuel stations, and other such support. The same economic analysis can be used to illustrate the impact on the regional economy if the Cooperative Endeavor Agreement with the Port of New Orleans leads to more barge traffic (assuming the dredging is complete) which also will mean more rail and trucks coming together at Port Manchac.