

Linerboard paper.—The Vicksburg District's estimated 30,000 tons of linerboard paper would move downbound from the new paper mill at Redwood, Mississippi, to the Gulf for export commencing in 1975. Estimated transportation savings were computed by the Vicksburg District to be \$25,500, or 85 cents per ton. At the time the Vicksburg District made their study, the railroads had not published specific carload export rates from the plant at Redwood, Mississippi, since it was not in operation. Since then, the railroads have published a set of carload export rates ranging from \$4.30 per ton to Baton Rouge to \$4.70 per ton to New Orleans.

The staff, OCE, found that the transportation savings computed by the Vicksburg District and the AAR would have been practically the same had we used New Orleans rather than Baton Rouge as the port of export. In the absence of the waterway, this implies that the producer at Redwood, Mississippi, would be willing to pay 40 cents per ton premium to have his product exported via New Orleans rather than Baton Rouge. This we cannot accept since one of the basic assumptions made by the Vicksburg District is that shippers will try to minimize transportation costs. Moreover, if savings of 40 cents per ton will not divert this traffic to Baton Rouge, there is no assurance that savings of 85 cents per ton will divert it from rail to barge.

Logs.—The Vicksburg District estimated 25,000 tons of hardwood logs for use as pulpwood would commence using the Yazoo River in 1975. This traffic would be for the new paper mill at Redwood, Mississippi. Our analysis did not question the amount of the traffic but the savings that the Vicksburg District had computed for this movement of 94 cents per ton.

This mill is currently receiving pulpwood by rail on intrastate rates (see IC 510-C, ICC 8452). Based on published rail rates, we concluded that no savings would accrue to this traffic. The staff, OCE, found that savings on this traffic by barge would be adequate to divert the movement from rail to barge. However, they obviously have used rates on pulpwood which are in error. For example, they state that the rate from points in northwest Mississippi would be \$1.43 per ton, whereas the correct published rail rate is 85 cents per ton, as shown in our analysis. Since this rate is less than the savings computed by the Vicksburg District, we again find no savings would accrue to this traffic.

Average annual equivalent transportation savings.—Based on Table B-8 and Plate B-2 of Appendix B of the Vicksburg District Engineer's report, our analysis found that average annual equivalent transportation savings had been overstated.

Comments by the staff of OCE state that Chart B-2, which the Vicksburg District used to demonstrate the growth of transportation savings, is incorrect. Based on undisclosed information, the staff of OCE finds that the Vicksburg District Engineer assumes that the growth of traffic will be substantially greater in the early years of the project's life rather than in the last 10 to 20 years of the project's economic life as shown in the report. This contradicts completely the report by the Vicksburg District Engineer.

Comments by the staff of OCE do not respond to our analysis and are inconclusive since they fail to show the path or growth of benefits for discounting purposes.

Subsidy to barge operators and shippers.—The proposed Yazoo River Navigation Project will be constructed, operated, and maintained by the nation's general taxpayers. Based on traffic estimated to move on the proposed project by the Vicksburg District, barge operators will be subsidized \$2.20 per ton in 1975, the first year of project operation. The average subsidy over the economic life of the project is 87 cents per ton. It would be uneconomical to impose the costs of constructing and maintaining the project on the general taxpayers. It would also discriminate against competing modes of transportation.

We cite as a constructive step President Johnson's request for a modest user charge of 2 cents per gallon on fuel oil used by towboats on our inland waterways. The Administration also proposed that this charge be increased 2 cents per year until it reaches 10 cents per gallon in 1970.

RECREATION BENEFITS

The Yazoo River Navigation Project proposes two separate recreation facilities. In order to provide water for the navigation project, it is proposed to increase Sardis Reservoir and develop further its recreation potential. The second recreational area would be created as a result of construction of a navigation dam at mile 4 on the Yazoo River.