



Highlights of [GAO-10-420](#), a report to the Chairman, Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security, Committee on Commerce, Science, and Transportation, U.S. Senate

## Why GAO Did This Study

In 1992 Congress authorized the U.S. Army Corps of Engineers (Corps) to implement the Delaware River deepening project, which would deepen the river's shipping channel from 40 to 45 feet. In 2002 GAO reviewed the Corps' economic analysis of the project, concluding that it contained significant limitations. GAO recommended that the Corps prepare a comprehensive economic reanalysis, which the Corps completed in 2004. GAO was asked to determine the extent to which (1) the reanalysis addressed the limitations GAO identified; (2) the reanalysis's benefit projections, as updated, reflect current and anticipated market and industry conditions; and (3) the Corps has accounted for other key issues that could affect the project. GAO reviewed Corps project documentation and interviewed federal officials along with representatives of affected states, firms, and environmental groups.

## What GAO Recommends

GAO recommends that the Department of Defense direct the Corps to (1) provide an assessment of relevant market and industry changes and the effect of any changes on the project's net benefit estimate, and (2) develop guidance for public notice and comment on environmental documents for projects that are controversial but have no applicable NEPA requirement. The Department of Defense generally agreed with these recommendations.

View [GAO-10-420](#) or [key components](#). For more information, contact Anu K. Mittal at (202) 512-3841 or [mittala@gao.gov](mailto:mittala@gao.gov).

# DELAWARE RIVER DEEPENING PROJECT

## Comprehensive Reanalysis Corrected Errors, but Several Issues Still Need to Be Addressed

### What GAO Found

The Corps' reanalysis addressed many of the limitations GAO had identified in 2002 in the Delaware River deepening project's original economic analysis by using updated information to correct invalid assumptions and outdated data, recalculating benefits and costs to correct miscalculations, and accounting for some of the economic uncertainty associated with the project. For example, the Corps revised its benefit estimates for transportation cost savings related to such commodities as crude oil, containerized cargo, and steel slabs. In addition, as GAO recommended, the Corps had independent experts review the reanalysis. Although the Corps' efforts were responsive overall to GAO's 2002 recommendations, GAO identified several additional limitations in the reanalysis. For example, in its analysis of economic uncertainty, the Corps considered the effects of negative-growth scenarios only for crude oil and refined petroleum, but not for the remaining commodities.

In the 6 years that have elapsed since the Corps completed its reanalysis, current and anticipated future market and industry conditions have changed significantly. Several of the assumptions that underlie the Corps' estimates of the project's benefits are inconsistent with these changes. For example, the Department of Energy has lowered its long-term forecasts for growth in East Coast refinery capacity and U.S. imports of crude oil. Also, in the fall of 2009, Delaware River refinery firms closed two major facilities. Further, steel imports have declined since 2006 according to the benefiting facility identified in the reanalysis, and were well below the reanalysis's growth projection for 2009. However, the Corps' 2008 and 2009 economic updates for the project did not analyze the potential effect of these changes on the project's benefit estimates. The updates also did not determine the current status of shipping services on two trade routes that provide all of the benefits related to containerized cargo. Because of these and other omissions, decision makers do not have sufficient updated information to judge the extent to which market and industry changes would affect the project's net benefits.

GAO identified three key outstanding issues that could affect the Delaware River deepening project. First, the Corps lowered its estimate of the volume of dredged material, which eliminated the need for new disposal sites in New Jersey, but its disposal plan continues to face resistance from that state. Second, Delaware, New Jersey, and several environmental groups filed separate lawsuits against the Corps in the fall of 2009, charging that the Corps lacks the environmental approvals needed to proceed with the project, among other concerns. Finally, New Jersey and several environmental groups have challenged in court the Corps' National Environmental Policy Act (NEPA) process for the project. Although the Corps completed an environmental assessment (EA) in April 2009, stakeholders believe that the process for soliciting public comment on its scope was unclear, did not allow enough time for comment, and that a new supplemental environmental impact statement is needed. Also, at the Army's direction, the Corps did not provide a public comment period for the draft EA as it had proposed to do.