

7 August, 2000

Upper Mississippi River/Illinois Waterway System Navigation Study

Economic Coordinating Committee Meeting
July 20, 2000 Chicago, Illinois

The Upper Mississippi River/Illinois Waterway System Navigation Study Economic Coordinating Committee met in Chicago, Illinois on 20 July 2000. An agenda and a list of attendees are attached. Paul Soyke called the meeting to order at 9:00 am. Following introductions, the meeting proceeded according to the agenda.

1. Greg Ruff (MVD) gave an update on the study status. Major points from his presentation are as follows:

Status

- HQ Policy review completed 12 May 2000.
- Working draft documentation coordinated for internal review and ITR 14 July 2000.
- Continuing work on completing draft report.

Major comments from HQ policy review

- Optimal timing of measures for NED
- Review industry self help assumptions
- ITR
- Traffic Projection Update
- Additional Sensitivity Analysis
- System Mitigation Justification

On-going Investigations/Hearings

- OSC-DA Inspector General Investigations
- House Approp Comm-S&I Investigations
- National Academy of Science Review
- Mississippi River Caucus Hearings
- Senate Subcommittee on Transportation and Infrastructure Hearings

Status of PED

- \$5.42m received in FY00 in accordance with WRDA 99 and FY00 Appropriation.

- Current PED activities being brought to orderly and cost effective conclusion.

Jim Johnson (IL) said that users need to understand delays and the amount of self help that we are incorporating in our analysis.

Chris Brescia (MARC 2000) asked what the schedule was. Greg Ruff said that the ITR of the study will be complete August 1st, then we go to HQ with the report. Bob Goodwin (MARAD) asked when we will have a draft report. Greg Ruff responded that we won't have a draft report until we get HQ approval, but we do have a date out there in September for release of the draft report.

Mark Beorkrem (Sierra Club) asked if there would be a GLC prior to the release of the draft report. Greg Ruff said that we will try to have a GLC prior to releasing the draft report.

2. Rich Manguno (MVN) gave a review of economic study inputs (demand functions, traffic projections.) He also reviewed results and sensitivity analyses on traffic projections, demand elasticity (grain), and interest rates. No new information was presented. (Presentation is attached).

Jim Johnson said that people tend to talk about N value and elasticity as the same thing, where N is a parameter in demand specification, elasticity is:
$$\frac{\text{Percent Change } Q}{\text{Percent Change } P}$$

Chris Brescia asked why Mark Burton's method for calculating elasticity wasn't applied to grain. Rich Manguno said that Burton's results for grain were not statistically valid because of the distributed nature of grain production.

Chris Brescia said that Dr. Westbrook from Georgetown says that estimates of demand elasticity for grain could be calculated empirically with existing data. Chris asked if anyone had followed up with Dr. Westbrook. Rich Manguno said that we had not contacted Dr. Westbrook. Dr. Burton did say that we could develop demand curves for grain in a multiple month effort beyond what the schedule would allow), and not with existing data.

Jim Johnson said that we only allowed Mark Burton a short time to pursue elasticity values. Chris Brescia said that we always thought that we didn't have enough time. Rich Manguno indicated that we have been in a mode of 2 month efforts for the past 2 years. Jim Johnson said that the environmental groups have been in a similar mode.

Mark Beorkrem (Sierra Club) asked if there will be a theoretical discussion of N values/elasticity/demand curves in the report when it comes out. Rich Manguno said yes there would be. Mark Beorkrem asked when the traffic forecast update will be released. Rich Manguno said that we are lining up the review process for the traffic forecast update. Once the review is complete, the traffic forecast update and review will likely be released. Rich Manguno added that the rate of traffic growth tends to taper off because you have a fixed increase in yields(per year) which are applied to a larger and larger base.

Mark Beorkrem asked about alternatives K and L. Rich Manguno said that K and L will be presented in the draft report.

In response to questions, Rich Manguno said that traffic below Lock 27 to Cairo and the intra-pool traffic is carried in the analysis for the environmental work group.

Bob Goodwin (MARAD) said that reconfiguring all the tows coming up river (fleeting) backs up traffic. Rich Manguno said that this is not captured in our modeling, it could be looked at outside of modeling. Bob Goodwin said that he has information on fleeting capacity.

Chris Brescia said that he has been hearing more about conflicts between recreation boaters and commercial tows. Chris said that a second chamber would help reduce this conflict and reduce the induced delay at upstream locks.

Rich Manguno mentioned that system environmental costs are not included in his presentation. What he presented is the same material that was presented last fall. System environmental costs will address increases in traffic between the without project and with each project plan. The system environmental cost will address increases in sedimentation. The biggest part of environmental cost is fish loss, entrapment.

Jim Johnson asked about the increase in O&M expenditures that are required to handle increases in traffic with larger locks. Rich Manguno responded that it is in the cost estimate.

Jim Johnson asked about induced development report. Rich Manguno said that product is still being reviewed. Rich added that if the construction of facilities (fleeting areas to address traffic impacts) has environmental costs, those costs are rolled up in the cost of the facility. Rich Manguno said that some induced development costs are not included in our analysis. Induced road maintenance costs resulting from more hauls to the River are not addressed.

On the subject of optimal timing, Rich Manguno said that as you add cost you generally delay the optimal timing of projects, but inclusion of Rehab savings (associated with locks, not guidewalls) has a noticeable influence on timing of measures (favors present over future construction). As long as present value net benefits go up from delaying construction, then we delay. In some cases though there are slim margins by delaying project construction. Chris Brescia noted that our traffic and analysis is all average annual, periods shorter than a year should be considered. Rich Manguno added that Rehab saving determines optimal timing.

Bob Goodwin asked why we can't build locks in less than 3 years like the existing locks were built. Rich Manguno responded: A) Our Construction is planned during winter closures; B) Our base year is when all of our measures are in place, some locks in a plan are finished before the base year. Dick Lambert said that all the locks in a plan should be constructed at the same time, not on staggered construction schedule. Rich Manguno added that benefits are claimed as measures in a plan are completed. Our construction schedule is as presented is not constrained by funding. Dick Lambert said that some locks have existing extra gates and a lock wall, he asked if it wouldn't be easier to build a lock at these sites. Rich Manguno indicated that this has been evaluated, and referred Dick to the Engineering Appendix.

Rich Manguno discussed the sensitivity analysis results. Mark Beorkrem asked if we will display the impact of N=2. Rich indicated that N=2 results will be presented in the draft report. Jim Johnson asked what happens if the interest rate drops another ¼%. Rich explained that we

have to present results in the report at whatever the applicable rate is when report submitted to HQ.

3. Denver Tolliver (North Dakota State University) gave a presentation on his analysis of energy, emissions, and safety impacts of alternative improvements to the Upper Mississippi River and Illinois Waterway System. Copies of Dr. Tolliver's presentation and his final report are attached.

Chris Brescia commented that Denver used extremely conservative ton miles/gal figures. Denver characterized his report as generalized findings, but he made some assessments of what may be NED benefits. When the costs are not internalized (not already reflected in rates) then this may be an additional NED benefit. Denver noted that railroads have become more fuel efficient over time and the relative energy benefits of waterway transportation have become smaller.

This study did not address potential impacts on non-attainment areas (Like St. Louis), where even a relatively modest increase in emissions could have significant impacts. Dr. Tolliver said that impacts of increased emissions, as well as accident and noise impacts warrant further research.

Chris Brescia asked how this information will be used. Rich Manguno said that some legitimate NED effects had been identified which have not been used before. The Corps is currently looking at other benefit categories like these. At this time though these benefits are not quantified in the benefit-cost ratio. Chris Brescia asked that we get back to him with a time and cost estimate for further development of these NED benefits.

4. General Discussion

Jim Johnson (IL) asked if we are looking at lower N values for Illinois River grain. Rich Manguno responded that various N values will be presented in the draft report as sensitivity analyses. Hauser elasticity's for grain have been applied in a sensitivity for the Illinois River. This will be one of a range a N values presented, not "the value".

Chris Brescia asked if it is our intention to have a draft recommended plan in September. Greg Ruff (MVD) said yes that is our intention.

Jim Johnson said that unless our recommendation is based on Hauser elasticity's applied to Illinois, then the Corps is starting with the wrong numbers. Chris Brescia asked that we look at the Georgetown University write-up on elasticity values done by Dr. Westbrook. It indicates that you can in fact empirically derive elasticity's for grain transportation. Chris asked that we get in touch with Dr. Westbrook to determine what level of effort it would take to empirically derive elasticity for grain transportation demand.

Jim Johnson said that Illinois asked that additional small scale measures be considered for the Illinois River. Illinois has not heard back from the Corps. Jim also asked that the difference in study methods between the Mississippi Valley Division and Lakes and Rivers Division be addressed. Greg Ruff (MVD) said that Jim Hall (IA) wrote a letter to Corps HQ asking that differences in study methods between Divisions be addressed. Greg Ruff said that we will try to get MVD,LRD,and Corps HQ together to provide a better response to this question.

Jack Carr
Regional Economist

ATTENDANCE LIST
JULY 20, 2000
ECONOMIC COORDINATING COMMITTEE MEETING

MEMBERS

Tom Jackson	Iowa DOT	515-239-1454
Chris Brescia	Marc 2000	314-436-7303
Jim Johnson	Iowa DOT	312-793-5744
Dick Lambert	MN DOT	651-296-1609
Bob Goodwin	MARAD	314-539-6783
Paul Soyke	Corps, Rock Island	309-794-5231

NON MEMBERS

<i>Jack Carr</i>	<i>Corps Rock Island</i>	<i>309-794-5396</i>
Mark Beorkrem	Sierra Club Midwest	217-526-4480
Rich Manguno	Corps New Orleans	504-862-1923
Diane E. Karnish	Corps St. Louis	314-331-8891
Floyd Miras	MARAD - GL Region	847-298-4535
Greg Ruff	Corps Vicksburg	601-634-5928
Denver Tolliver	North Dakota St Univ.	701-231-7190

AGENDA

ECONOMIC COORDINATING COMMITTEE MEETING JULY 20, 2000 9:00AM –
3:00 PM

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| 1. Introductions and Approval of Minutes
of Previous ECC Meeting. | Paul Soyke, MVR |
| 2. Study Update | Dave Tipple, MVR |
| 3. Traffic Forecast Update | Rich Manguno, MVN |
| 4. Optimization | Rich Manguno, MVN |
| 5. Sensitivity Analyses | Rich Manguno, MVN |
| 6. Energy, Emissions, and Safety Impacts | Dr. Denver Tolliver,
North Dakota State
University |