UPPER MISSISSIPPI RIVER - ILLINOIS WATERWAY

SYSTEM NAVIGATION STUDY PUBLIC WORKSHOP

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Liberal Arts Building
2500 80th Street East
Inver Grove Heights, Minnesota

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FACILITATOR: If you happen to be looking at your cards, you will notice we are going to get an earlier start on the question and answer. I'm assuming that may lead earlier to statements and earlier to go home.

So let me explain the question and answer. What we tried to do throughout the other meetings that seems to have worked is in the first part of the question and answer each of the facilitators in your small groups have taken cards that you have filled out with questions. And we have given them to Gary, who has sorted them to match the right expertise with the question.

And we'll take some representative questions, maybe since there were six groups maybe a couple or three out of each, and he will read the question and then one of the research managers will answer.

Then I would like to open it up for other questions from you all out there. That is the time to ask for factual information or a technical question or maybe get some clarification rather than just stating your opinion in the form of a rhetorical question, one of those, because there was plenty of time in the smaller group and the

statements portion for you to have lots of air time.

We have one logistical problem tonight. We do have -- Lori is recording. We only have one mike at the back. So what we thought we would try when we move into the second part of the Q and A is if you don't want to walk all the way up the hill and turn on the mike up there, you can ask your question from where you are, but you are going to need to project so she can hear down here and make sure she gets it. She's going to give us the high sign if she has a problem with it.

So Gary.

MR. LOSS: A number of good questions tonight. I've got some general ones I'll try to answer first and then we'll haul in some of the other technical people.

Two cards regarding how we pay for this work, how is the project financed. The work that would come from this study will be 50 percent funded from the Inland Waterways Users Trust Fund, which is a tax that the large companies pay on the fuel that they use on the river. The other half of the money will come from general revenues, from tax funds. So it's 50/50 trust fund and tax monies.

Who pays for the environmental management

costs? Whatever mitigation work would come from this study will be funded the same way as the navigation improvements would be.

If this question was meant to be who pays for the EMP program, which has been ongoing for ten plus years, that is out of the general revenues with some cost sharing involved from some of the states or whoever the partner is.

The second general question: Is the Corps' computer model results based on the assumptions or the algorithms? That's a real good question. Hopefully, I can keep the answer fairly simple.

We've got some data points that we have gathered. I'm thinking both economics and environmental here. We have taken real data and we have used some -- done some interpolation and, as we showed in some of the slides earlier, tried to get the maximum bang for the buck out of the data that we've got. In some cases it's laboratory studies that we interpolate, put into a math model to extrapolate and do all that. So it's a combination of all those things and trying to use good common sense.

I think that one of the things we tried to

stress tonight is the Environment -- the Navigation Environmental Coordinating Committee and the Economic Coordinating Committee, each of those committees have got representatives of each of the five states plus industry people. Plus the Sierra Club sits on the environmental committee.

There's just a variety of people that have given us input throughout the whole study, how we are going about doing this. These groups meet every two or three months. So it isn't just the Corps going out and turning out all those models. We get a lot of input from a lot of experts.

What are the environmental, social, and economic consequences of shipping more product via the highways and rail? We are looking at that. We do not have those studies complete yet. We are looking at the alternate mode studies, recognizing that this study is not a full multimode study looking at every last impact. We are trying to use existing data, doing literature research trying to determine that. We don't have that finished yet. We will in the next month or two.

Why are impacts site specific and not system wide? The slides I showed earlier as far as the environmental impacts, we are looking at both.

Site specific, we have a pretty good handle on what the environmental impacts are on site specific, how the mussel beds are impacted, things like that. And we've got a report that we have put together on that.

System wide is what we are trying to analyze. We've got the economic data we just finished two months ago, less than that, and we have given that to the environmental work group and they are trying to determine the system impacts.

We were hoping to have it ready for these public meetings. The reality is we didn't. The public meetings were scheduled. We decided it was worth it to come out to the public to get the input on the alternatives that we've got because we needed to hear from you all and we needed to have that input.

And so we wished we would have had that data, but we just didn't. It's not that it's a secret. We will be sharing it with, again, the NECC and the ECC and all those folks when we do get it and so it will be available.

The last one I've got of a general nature: Could the Corps do a gradual process and evaluate impacts as they go, that is, first put Plan A in

place and evaluate costs and impacts and then if it's okay move on to the next step?

A couple of things come to mind there. Should we put guidewall extensions in first, see what the impact is, and then put in lock extensions? Those are alternatives. They are not far-out ideas. Something we -- it could be something that could be done.

As far as Plan A, delaying the mooring facilities, not a lot of benefit from that. If we wait ten years to see how they work, it'll probably not be economically sound.

The other thing that comes to mind here with this question is what's the smallest portion of work we can do before we realize benefits. And I didn't say it in this presentation, but when you get studying this, we don't get the benefits from the construction of the first lock until we finish the fifth lock.

In other words, the traffic backs up and until we get Locks 20 through 25, all five, complete we really don't see the benefits of doing construction on the first one. So the smallest multiple we can get is those five locks and then, correspondingly, 14 through 18 as far as the

guidewall extensions, that alternative.

So we're doing five locks at a time because of the nature of the traffic, what's backed up. If you just have one lock alone passing traffic through quicker, it quickly backs up at the next lock. So that's why you need to do five at a time.

So that's the answers to the questions I've got here. Rich has got a number of economic questions and told me he can do it all in 15 seconds each. We'll see.

THE CORPS: First question is: What is the cost of no action? The consequences of no action really are the future congestion that we'll see upon the system. It's essentially the opportunity costs, sort of lost benefits that were identified for each of the alternatives that won't be realized if the various measures are not pursued.

Next question is: In the matrix of alternatives, why are the amortization periods different for calculating annual costs? The actual period that the measures are evaluated over are actually the same. We are looking at a 50-year project life.

The various measures, at least some of them, do have different implementation dates, which

are driven by how quickly construction could occur given the magnitude of the work that's involved here in a specific alternative. But the life of those measures are actually the same, it's a 50-year period.

Next question is: The illustrations of the alternative plans use year 2030. Do the average added tows per day ramp up smoothly from the day construction is complete to 2030 and on up to year 2050?

The transition over time is fairly smooth. It's generally related to the rate of growth that traffic is projected to occur. You get an initial large increase as soon as the measures are put in place and then a gradual transition upward over time and beyond year 2030.

The impact on employment shows that as lock times shorten employment rises, but isn't the point of reducing lock times to employ fewer barge employees?

Those employment numbers that were shown come from two sources. The first was what the effects of actually constructing it will be. Those, I think, were pretty straightforward.

The second component of that, which might

be a little less clear, comes from the operation of the project once it's in place. The effect that's going on here is that as a result of the transportation conditions that are gained by putting these measures in place there is a spurt to the economic activity involved, and the multiple impacts of that increase in activity translates into employment in different sectors of the economy. So it's not really directly related to the number of people that might be employed in the barge industry.

Instead of shipping grain downstream, could we process more upstream and only ship the products downstream? The intent of this study was to look at the efficiencies on the waterway system, and that's what these various measures attempt to accomplish.

Ultimately the decision is what traffic moves on the waterway, and what form that specific traffic takes is a result of the various economic interests out there through the economy and how they best see fit to optimize and maximize their operations. So that really gets to be a private sector decision and one that the Corps cannot direct.

The cost/benefit analysis should include

the recreational economy. The numbers that you saw earlier refer to the changes to the system that are being proposed, this increment of additional capacity. There is no increment of recreation benefit associated with any of the measures that were described tonight.

Now, there is a base of recreation benefit that's attributable to the existing system that's in place. But as these particular measures are proposed, we don't see an increase specifically in the recreation traffic as a result of these measures.

And I might add that while we are not projecting any increase in recreation activity specifically as a result of these measures, one aspect of the study that has been looked at that addresses recreation is the possible conflicts between commercial traffic and recreation traffic.

And our conclusion on that front is that we think that the expansion of the system to address commercial activity can occur without any unfavorable consequences to recreation activity.

Next question is: In the presentation the Corps indicated that we can expect a large increase in shipping. They didn't say why. How can we be

planning for significant increases in production at current market prices?

Our traffic projections were done for us by an independent contractor. Jeff Fosset (phonetic) & Associates was the contractor that was responsible for doing the overall set of projections.

Fosset then hired a number of subcontractors to address various specific commodity groups, companies that had particular expertise in those certain areas.

Specifically for grain -- that one comes up a lot since it's the primary confluent in the system -- Spartz (phonetic) Company, who is an expert in the field of evaluating grain markets, was the source of our estimates for future traffic on the system.

The last question: Has the Corps considered transportation bottlenecks in communities with and without the lock expansion?

If the intent of this question is have we considered how making improvements at certain sites translates into increased traffic across the system and where the next bottlenecks might occur as a result of those improvements, the answer is most

certainly we have looked at that and that in large measure drives the lists of alternatives that you saw tonight.

Because what we were attempting to do was to select those combinations of improvements at various sites that address specifically that question as to how the system traffic responded to any improvements we make.

MR. LOSS: Thank you, Rich. Dennis is here from the St. Paul District and he has some questions to answer.

THE CORPS: The question is: When tows are split and reassembled, does it cause more sediment disturbance?

When you've got a 15-barge tow approaching the lock, the first 9 barges fit in the lock chamber. And when they break their coupling they have to back up about 75 feet, and that's true whether you are an upbound or a downbound double.

And in backing in that manner your motor vessel is located over the natural river bed and I would expect that you would get some turbulence that would be caused in that setting.

When you reconnect after locking the second coupling through, the motor vessel is located

in the lock chamber. So making that second coupling I wouldn't expect any impact in that the proper impact would be occurring over the concrete surface of the lock.

So the difference when you are talking a 1,200-foot lock chamber is you don't have to back up when you split that first coupling and so you would have that reduction in sediment generation with a 1,200-foot than you would have with a 600.

MR. LOSS: Thank you.

THE CORPS: I have four questions tonight. The first question is: It was stated that there is no mussel mortality due to passing tows and fish mortality was measured in part by the larvae stage. Are there no larvae stages of the mussel?

The focus of the mussel studies that we have done were on the adult stage. The biggest concern was the effect of sediment resuspension on a mussel, basically the thought here being with a doubling of traffic will we cause so much turbidity in the water that the mussel will have to work so hard to filter out nutrients as opposed to all the sediment we are resuspending that it will perhaps kill that mussel.

Based upon our laboratory studies, we

really loaded them up with a lot of mud and were not be able to kill them, so we didn't think we were having a lethal effect. So our follow-on concern was, yes, but how does it affect the physiology and the growth? And that's the part of the study that we are working on right now.

And some of our initial findings were, for instance, if you were to double traffic on some of the busier parts of the system you may over the course of ten years see a 10 percent reduction in the growth of an individual mussel because they are less efficient in filtering food and getting nutrients.

The larval stage of mussels actually is spent on host fish and so certainly -- adult fish. So certainly if adult fish are being entrained or killed by passing barges because we have the increase in barges, that's an issue we should be considering here.

The actual larval stage itself, unlike fish, is not floating around and being directly impacted by that passing barge. So that's kind of the difference on what our focus was on fish as opposed to mussels.

The second one: It was stated that

sediment resuspension due to passing tows was negligible and medium. How is that measured or estimated?

On the slide where we had those words negligible and medium we were actually trying to illustrate which backwaters might be impacted by the sediment that was resuspended. The question was still a very good question. We used a combination of field studies, laboratory and physical model type studies, and then numerical models.

Specifically for sediment resuspension we went out to three different sites. We went out to a site at Pool 8 in the La Crosse area. We went to a site at Pool 26 in the St. Louis area. We went to a site on -- La Grange on the Illinois river. And we went there under high, medium, and low flows.

We set out a series of devices at the mouths of backwaters and back into the backwaters. And then we also had a chase float. So as a barge would come down through the main channel we would go out and we would measure changes in velocity. We would also measure changes in turbidity in the water. And at the same time we would be collecting information in the channel area and in the backwater area.

So we were able to get some good prototype data from those three visits to three different sites. We then came back into the laboratory and we did things like Gary showed, that big physical model, that 1 to 25 scale model about the size of a football field.

We were able to get a handle on what happens in the near field, how much sheer is caused by different barges with different configurations going through different flows.

So we were able to take those physical forces or those sheer forces and then look at what type of sediment is in that part of the river, is it silt, is it sand. Medium-sized sand basically goes up and comes back down in about 4 seconds. Some of the finer silt can have a hang time of up to an hour.

So by knowing the sediment type, the sheer forces, and then having this field data to calibrate we were able to develop a series of numerical models and ultimately use those numerical models to extrapolate to the rest of the system.

The fourth question: Why does the matrix of alternatives not show any benefit for site specific habitat replacement? That site specific

habitat replacement term is kind of a new one. I think we almost invented it for this study.

The way we did that is we looked at the various places that we might put a 1,200-foot lock or a guidewall. And in some cases we may have to change the approach. If we were to put in a brand-new 1,200-foot lock land side of an existing 1,200-foot lock, we may have to go to a bottomland forest in order to get into that thing.

So we actually used habitat evaluation procedures and we calculated how much bottomland forest, how many acres of bottomland forest, and what quality of bottomland forest would be impacted by that location. We did that for all the locations in an attempt to screen out the most environmentally damaging measures.

Once we had those types of values and we chose an alternative, be it a guidewall extension or a new lock, we said, all right, if we had to recreate this 27 acres of bottomland forest and hope that in 20 years it would be of the same quality that we have out there right now, how much would it cost us for the real estate, what would we have to do to the land, what would be the cost of replacing that habitat?

Those are the habitat replacement costs that you saw on the slides, and they were a good tool to help us compare one location with another location in terms of environment sensitive alternatives.

But the actual avoid, minimize, mitigation is yet to be done at these sites. Once we get more into the detailed engineering and design and if there are any recommended improvements, then we will be working with Fish and Wildlife Service and the engineers to avoid as many of those costs as you saw on the table as possible.

For instance, the placement of a mooring. Rather than put it over a mussel bed, we will put it out in the channel where there's no resources of concern. The same with the bottomland forest I talked about. Perhaps there are ways to have an approach that doesn't affect as much bottomland forest as was shown on the slides today. So that process we'll go through.

Ultimately there will be a cost for those environmental features, but we will assume that that cost outweighs the impact and so there's basically a zero net gain in terms of benefits.

The last question: Why was this meeting

held without all the data, particularly the environmental data? I think Gary answered that a little bit up front in one of his questions.

We had hoped to come here tonight with at least two more months under our belts. We weren't able to move through the formulation process as quickly as we had hoped in the last few months.

It's an iterative process, basically. The economics work group has to arrive at input values and run its economic models before we can get a sense on how traffic might change on the system. Then we take those numbers of boats per day, those numbers of boats per year, and we use those to try to assess the impacts of the alternatives.

Unfortunately, we were not able to totally complete that process before coming here today. However, we do have quite a bit of information available. We have the site specific information. We have been getting outputs from our environmental models for about six months now.

And as part of the alternative evaluation process, it's kind of a weighing factor, you know, do you complete all your analysis and come and tell the public, well, guess what, we know the answer now and this is it; or do you come, basically as part of

the same feedback procedure, and try to get input in the middle of that alternative evaluation process. We chose the latter.

That's all the questions I had.

FACILITATOR: Let me suggest two things. One, obviously we missed some of the questions that came out of the group. We could almost go all night just generated on the cards out of the 60 people that were in the group.

But if you still choose not to ask your question now and you don't want to go to the mike, please put your questions on here (indicating) or your comments on these sheets and eventually turn them in.

I'm open now to questions from the floor. I would particularly like to make sure that Lori can hear so she can do her thing.

And, secondly, this is a request for additional information or clarification. It's not a time, again, to use rhetorical statements. There's plenty of time to do that after we get through the rest of the questions.

So did someone have a question?

THE PUBLIC: Where you have the dates in place for the different options, what do you assume

for a start date? Is that 2001?

MR. LOSS: Generally, yes. As far as starting the design, starting the engineering -- we are assuming appropriation and authorization moves along quickly -- 2001, 2002, somewhere in that time frame. With 12 years of construction, by 2013 it will be in place. We are assuming to start pretty quick.

There are things happening in Congress this week that are going to have a bearing on that. We made those assumptions already two months ago. The Authorization Act was passed by the Senate today. The House is going to get to it sometime this week. The Appropriations Act is under consideration.

So all of that has a bearing to answer your question what really happens, but the assumption is 2001.

THE PUBLIC: 2001, okay.

THE PUBLIC: There has been controversy over the future demand for barge transportation, specifically in the model the shape of the demand for barge transportation for grain and, I guess, the other commodities. How has that been resolved?

THE CORPS: With respect to all of the

nongrain commodities, we are using transportation demand elasticities that have been produced by a contractor who is charged specifically with making estimates for the purpose of incorporation into the model.

For the grain commodities it's been a little bit more of a struggle to reach a clear consensus as to what the appropriate value should be. We have done a number of things over the months, including having the same contractor address the issue for grain.

I should mention that what he did for the nongrain commodities was a statistical process given some particulars about grain movements. The formulation that he used for the nongrain commodities doesn't fit very well for grain, so it wasn't used. The results were not valid, essentially.

So in addition to having him look at it and address it in a qualitative way, we have based certain information in trying to shape those demand curves on a panel of experts that were solicited for their opinions. That happened in August of 1998.

We have taken some of that information and blended it with some specific data that we have that

was specific to the state of Iowa that used or identified distances from the river that grain traveled and have taken all of that information and tried to arrive at what we thought was the best estimate that we could make for shaping those demand curves for grain.

Now, clearly there's still uncertainty regarding what the exact values should be, and we will address those uncertainties in the analysis by doing some fairly extensive sensitivity analysis and presenting what the results are and the implications on the formulation process when those values are reached.

FACILITATOR: Other specific questions? Okay. Let me ask, then, how many of you want to make some sort of a statement or position paper known or something to us; could I get an idea so I can divide the time up?

What we will do is give you each five minutes. You are welcome to use the mike up there if you want to walk up and turn it on. It would probably be better because I'm sure your voices may rise and fall. Otherwise, if you are good at projecting you can do it until Lori gives me the high sign that she can't get it.

Whoever wants to go first. There's a gentleman up there. There's a little switch there. Just turn it to "On," the toggle.

THE PUBLIC: Are you ready for the process to begin; are we ready?

FACILITATOR: Go ahead.

THE PUBLIC: My name is Russell Eichman (phonetic), and I am the executive director for the Upper Mississippi Waterway Association. We are a trade group comprised of providers of barge transportation and those that ship on barges, also of recreational marinas and some private individuals.

We have a prepared statement which will be turned in at the end of the session. And I would like to make it possible for everyone else here to participate by keeping my comments short. I will just summarize our prepared statement, but we have some questions regarding the methods that the Corps used in determining such things as demand elasticity.

We are particularly concerned that the Iowa source data used to determine some of these demand curves are far too conservative.

We are concerned, too, that the Iowa

demand curves were erroneously used to make certain assumptions as to the demands for river transportation off the Illinois River.

We are concerned -- we are particularly concerned with one of the Corps' assumptions that rail rates will not increase with barge freight rates. This is erroneous. Others will address this issue in more detail later today, but I wanted to go on record as being cognizant of that error in the Corps' assumption.

Another point we want to express our concern with is that the Corps used expert panels to determine some of the demand parameters. Interviews with the panel members revealed disagreements over what was agreed to, but they all agreed that more work was needed to accurately determine what those demand curves should be.

And lastly in connection with my prepared statement, we would like to point out that future grain production will increase over the next 50 years simply because our population has, is, and will be increasing. I'm not just talking U.S. pop, I'm talking global population.

Over the next 50 years grain production will increase beyond historical levels, primarily

because of the demand, but also because of production in agriculture and improvements to the quality and yields of grain. To verify this latter point, some key groups, such as the U.S. Grain Council, have already adjusted their models to take this increase into account.

There are also some issues I would like to emphasize and state for the record that are not a direct part of our statement, our written statement.

Number one is, and I'm going to state the obvious: Transportation is a drive demand, that is, it only is needed because a commodity has more value to -- it has more value elsewhere than it has at its source. People don't just transport items for the heck of it.

And given our global economy and our global trades, transportation is becoming an even larger component in that whole issue; therefore, the U.S. must maintain its current superior transportation infrastructure if it is to maintain a favorable balance in trade. And as we all know, that favorable balance is necessary to offset the level of imports that we have in this country.

And in increasing the use of barge transportation to maintain our balance of trade, we

have to be mindful that barge transportation is perhaps the most environmentally friendly of all transportation modes.

I know that there are those who will refute that to some extent, saying that new engine developments, diesel engines used by the railroads are cutting down on air pollutants. And that may be so, but that is new engines only and I don't think the entire stable of railroad power is comprised of new engines. So we have to be mindful of the fact that barge transportation is far more environmentally friendly.

And it also must be kept in mind that the global marketplace and its transportation and route of movement alternatives are really controlled by -- let me restate that.

The global marketplace really controls how much freight is put on the river or on any transportation system. That is beyond the reach of any government agency or beyond any government in itself.

The global market determines where they want their grain, where they want their products, where they want whatever it is they purchase. And within that mechanism the marketplace selects the

points of export and also the modes of transportation used.

FACILITATOR: One minute.

THE PUBLIC: And lastly because of the short time, the value of our current infrastructure must be considered as more and more competitors increase their investment in their transportation infrastructures.

Thank you very much.

FACILITATOR: Thank you. As Russell pointed out, those of you that have taken the time to prepare statements or throughout the evening have made some notes, please make sure we get a copy of those. Drop them on the table on the way out or hand them to anyone on the team. We would appreciate that.

Okay. Next.

THE PUBLIC: Good evening. My name is Jerry Fruin. I am a professor of marketing and logistics and an extension specialist for transportation in the College of Agriculture at the University of Minnesota.

I'm also chairman of the North Central Region Land Grant University Committee on Agricultural and Rural Transportation Systems and a

member of the North Central Land Grant University Region Research Committee on the Competitiveness of Value Added in the U.S. Grain and Oilseed Industry.

I want to emphasize that the views and opinions that I express here are my personal views and not an official position of the University of Minnesota or the Minnesota Extension Service.

You hear a lot of things about the importance. I want to give you a little bit of the big picture. In 1997 50 percent of the corn, 51 percent of the soybeans, and 11 percent of the nation's wheat were grown in the five states -- Minnesota, Wisconsin, Iowa, Illinois, and Missouri -- that border the Illinois and Upper Mississippi Rivers.

The 13 north central states that are impacted by river transportation grow 80 percent of the corn, 77 percent of the soybeans, and 40 percent of the nation's wheat.

River navigation is the lowest cost, most energy efficient, least polluting, most congestion-free, and the safest way to transport large quantities of grain and bulk commodities.

And I will skip over some of the things to get further along.

The benefit of the Mississippi River navigation to Upper Midwest agriculture and to the nation as a whole are incalculable. That's a truism, as the transportation benefits and impacts extend worldwide.

Much of the controversy about lock expansion and improvements revolves around efforts to compute a benefit/cost ratio via a large scale computer model. The Corps has been severely criticized in the past for its benefit/cost methodology.

A major and quite valid criticism of the benefit/cost studies for the new Lock and Dam 26 was that navigation benefits were overstated because the land transportation to and transport costs at the river were ignored, as were alternative routes and destinations.

For this study the Corps has attempted greatly to respond to those and other criticisms by developing a very large computer model that requires a humongous amount of data, and that's the most appropriate term is humongous data. Unfortunately, the model and any model is only as good as the data and assumptions that are used by the modelers.

One of the key assumptions is that the

model assumes that rails can handle any amount of additional traffic at little or no increase in cost. This assumption is erroneous.

Prior to deregulation in 1980 and possibly into the '90s this was frequently appropriate because the rails had a surplus of track and infrastructure. This is no longer true.

The study of rail capacity for the Corps calculated additional track and structure, not including rolling stock, in the Mississippi Valley would cost less than 4/10ths of a cent per ton mile additional capacity.

This was then compared to 4.5 cents per ton mile as a ballpark rate and that the remaining 1.5 cents per ton mile is the approximate contribution towards fixed costs, reaching the conclusion that the rails can expand to meet need at no increase in cost.

Those numbers are terribly flawed. The 4/10ths per ton mile does not include any interest or return on investment and assumes immediate 100 percent use of the new capacity.

When the cost of capital and reasonable utilization rates due to ramp-up and seasonability are included, the expansion cost runs from 1 cent to

more than 2 cents per ton mile.

Average revenues of the rail system in this country are more like 2.5 cents per ton mile, not 4.5 cents per ton mile. Unit train rates are generally less than 1.5 cents per ton mile.

Furthermore, the study did not consider rail bridge rehab and replacement, cost of environmental and community impact mitigation, rail/highway crossing costs, and terminal and yard expansions and relocations.

In short, the benefit/cost ratio that we are looking at in these models is fatally flawed because it ignores the fact that increased rail rates will be needed to fund and financially justify railroad infrastructure and terminal expansion and realignment if waterway capacity is not expanded and it therefore grossly understates the benefits to come from expansion of the system.

FACILITATOR: One minute.

THE PUBLIC: The transportation of bulk commodity in the United States measured in ton miles historically has increased at about two-thirds the rate of growth in GNP.

We should not have to rely on computer models, large, small, or anything, to justify

expanding this important bulk commodity transportation artery to satisfy the inevitable role in our domestic economy and our role in international trade.

Thank you.

FACILITATOR: Thank you.

THE PUBLIC: I'm Al Christofferson (phonetic), a farmer from south central Minnesota out near Willmar. I'm also president of the Minnesota Farm Bureau.

My comments this evening -- and they are going to be very few -- are more in the area of reflections that I as a farmer observe and I as a farmer feel.

Certainly the previous comments by the previous two people have pretty well laid out where we think this whole thing is and the need for it, but let me just share a couple or three comments about how I as a farmer feel as I am doing my thing out there producing corn, soybeans, and hogs in my particular case.

First of all, let me say that of the alternatives, it would seem to me that Alternative H would be the one that garners the most excitement in my particular book.

Certainly -- and this has already been identified -- barge traffic has to be a part of the total system. Yes, we are using trucks, we are using rail, but there is that third leg of it that is terribly important, especially for us in the Upper Midwest who are so far from any of the ports and entrance into a world market, and that is indeed river traffic, barge traffic.

And I happen to feel that barge traffic has got to be environmentally friendly. There are those, as has been pointed out already, that would argue that. But in my limited way of thinking, that's where it's at.

Finally, I think as an industry, agriculture, we have to be profitable. And that's almost an oxymoron at this point in time because, as you are all aware, agriculture is going through some rather trying times. But that too will change. We need to be profitable.

There is an old saying that in order to be green -- or you can't be green if you are in the red. And what that means really is that the affluence of our society, the affluence of our country has enabled us to spend time being concerned about environmental concerns, and rightly so, we

ought to be, but it is that affluence, it is that ability for us in this country to acquire food at a very reasonable cost relative to the rest of the world at least.

And in that time that we are not spending scrounging for food we have the luxury of doing other things, like being concerned, as I said we should be, about items such as the environment and those types of things.

That's all my comments, and I thank you for the opportunity to make my comments.

FACILITATOR: Thank you.

THE PUBLIC: Good evening. I'm Roger Gails (phonetic), a soybean farmer from Cannon Falls and I'm currently serving as president of the Minnesota Soybean Growers. Bear with me. I'm working off a summer cold.

I'm here tonight to bring attention to the fact that Minnesota farmers need the Mississippi River. We need it for our grain movement. As farmers would like to boast, we feed the world. And we do, but our ability to continue to do so depends on the efficiency of the commercial river transportation system for soybeans.

The Minnesota Soybean Growers Association

is very concerned about the deteriorating status of the lock and dam system on the Mississippi River. Over 80 percent of Minnesota soybeans leave this state. Over 75 percent of U.S. soybean exports leave the U.S. by the Mississippi River gulf ports. Many of the Mississippi River locks and dams are over 50 years old, they are outdated and badly in need of repair.

These aging structures can no longer accommodate the amount of traffic with the current size of the typical 1,100-foot tows now present in the Upper Mississippi River. As a result, shippers suffer costs in delays and increased expenses that result in lower prices paid to farmers; they are in the gutter right now. Minnesota farmers need an updated system on the Mississippi River.

Barge traffic is the most efficient and most environmentally friendly way to move grain. To transport the amount of grain carried in a single 15-barge tow it would take the equivalent of 225 jumbo cars or 870 semis.

Agriculture stands to lose $105 million per year, and this does not even take into account the huge cost of increased highway and rail congestion and repair costs. Without these much

needed locks and dam repairs we will lose both the domestic and foreign markets.

Our competitive advantage of the production of agriculture goods must be retained, and an efficient and economical and viable transportation system is needed to maintain that advantage and to keep us competitive in the future.

In one of the sessions I sat in this evening safety got brought up. I lost a set of grandparents in a train accident and a very close friend of ours lost her parents just a few years ago too. So safety is a big thing. If we don't have the river there's going to be a lot more barges -- excuse me, there's going to be a lot more trains and there's going to be a lot more trucks on the road. So safety is a big item.

The good Lord give us the river. Let's use it. Thank you.

FACILITATOR: Thank you.

THE PUBLIC: Good evening, everybody. My name is Mike LaFleur (phonetic). And I grew up on the river in Coon Rapids, but I'm affiliated with the Izaak Walton League.

And I kind of feel like I've entered into the never-never land this evening because, if I

understand what everybody is saying, we are having a number of economists tell us that in order to make this system work we need a 50 percent subsidy by the government.

Well, perhaps we do need some subsidy, but 50 percent seems to be absolutely out of this world. If every business in this country is going to be subsidized 50 percent so that they can make a profit, I must not be following the news these days because it seems to me people want smaller, more efficient government.

Now, we heard from one of the economists for the Corps that there's going to be an increase in the shipments of grain. But we were given absolutely no evidence on which to accept this opinion.

Well, we hired a consultant and they hired an expert and that's what they gave us. But where is the background? Will there be more acres in production? Will the acres be more efficient?

My understanding is that the farm bill before Congress currently has a big CRP component. We are going to be taking acres out of production. And from what I understand, we may even be going to 10- or 20-year contracts.

How in the world can we say that our producers will be able to make a profit in the future with increased production? It just seems I've fallen into economic never-never land.

There is absolutely no justification for a 50 percent subsidy for any business. I've run businesses for 25 years. I've never asked for a subsidy at all. I've run everything from a trucking business to a law office. We did it ourselves. We had good years, we had bad years.

If the system makes -- if the proposal makes sense economically, the businesses would be standing in line to put their own money on the line. Archer Daniels Midland, Cargill, the barge operators, the farmers, if it made economic sense, they'd be standing in line. But it doesn't.

My personal view about the river is it's already ruined and I don't really think that the expansion of a lock and dam would do that much more damage to it, to be perfectly honest with you, because it's already ruined.

But to try and sell this thing economically is impossible. A 50 percent subsidy? I can't believe people would stand up and actually make that argument for any business.

Thank you.

FACILITATOR: Thank you, Mike.

THE PUBLIC: My name is Chris Brescia. I am president of MARC 2000 and I would just like to make a few comments.

First of all, I think it's important that as we evaluate these alternatives we recognize that one of the most important components of economic growth and future sustainability of the jobs base that we have is based on having alternatives and having efficient alternatives, having options, whether it's a farmer or any producer. The more options available, the more competition there is, and the more likely the producer is going to get a better price for the product.

The situation in the world that we live in, we'd love for everything to be a pure market oriented system, but it's not and that's a reality. We have a waterway system that's managed and operated by the federal government. Why is it managed and operated by the federal government? Largely because the beneficiaries of the system are so widespread.

I don't see this as a 50 percent subsidy. I see this as an investment, I see this as a federal

investment. And the reason I see it as an investment is that when you look at who the beneficiaries are, yes, the users do benefit, but when Congress has looked at this in the past and when the Government Accounting Office looked at this in the '70s and '80s they found that the benefits were so widespread that they could not efficiently allocate the costs to each user, collect it properly and recover the costs that way.

So the 50 percent levy that was put on the barge industry -- and it's only collected on the barge industry -- it's a levy that's paid for by producers, by consumers, by shippers. It's spread out throughout the system. It's done so as a means of trying to recover some of the costs. It's not necessarily justified in many people's minds.

There are over 400,000 jobs that are connected to the products that move on this river system. I think it's important to recognize that over 61 percent of those jobs have absolutely nothing to do with the production, the shipping, or consumption of the product. They have to do with our economic system and how it works and the ripple effect of the dollars that move through our system. That's why this is an investment. A subsidy is

something that directly impacts the beneficiary. This doesn't do that.

If you know anything about the barge industry you know that over the last 15 years there are very few years that they are able to produce a profitable level sufficient for reinvestment into their equipment. They are an industry that sits between producers and consumers and gets squeezed on both ends. This is about -- the companies are run about as efficiently as you can.

But the benefits that come out of the federal investment is what we are talking about. The federal investment in many of these products is half the cost that's being proposed, and we need to look at it that way too, because the fuel tax that's paid by the barge companies covers the other half.

In terms of the proposals that have been put on the table and the assumptions that have gone into the analysis, we want to lend our voice to the concern that there would be an assumption in this analysis that suggests that as barge rates go up over time rail rates will not mirror those increases. Probably the harshest thing I can say about that statement is it's patently absurd, just patently absurd.

History proves and the market system proves that those systems, rail and water, compete with each other and the rates mirror each other and when you see an up tick in one it's not very long before you see an up tick in the other, unless there's a concentrated marketing decision made to undercut the market to gain market share and that's short term, not long term.

To have an assumption that keeps rail at a given point reduces the benefits that accrue to the navigation system and reduces the benefits to the nation. That's something that needs to be seriously looked at.

We would be happy to put together a group of shippers and perhaps get information from elevators in the countryside, people who make decisions on when they choose one mode versus another, to help bring this to light.

But I have yet to see, except for one consultant that was used to analyze this issue -- and I believe there was some peer review to that -- that you can make this assertion, especially if you take into account all of the points that you need to take into account when you're analyzing the cost structure of rail improvements.

FACILITATOR: One minute.

THE PUBLIC: We believe and endorse Alternative H, and we do so because we believe it provides broad-based capacity enhancement throughout the entire Upper Mississippi River system, enhancements that perhaps in some parts of the system might be -- might have less of a return than other parts of the system, but we believe are important.

Especially given the high volume of products that move during certain times of the year that have as many delayed costs on the Illinois as they do on the Upper Mississippi, we need to find a way to make the system for the future work efficiently on both the Upper Mississippi and the Illinois.

We thank you for this information that you have presented to us, and we know that there are volumes and volumes of information behind the presentations that were made today.

It's very hard to present some of this technical data in an open forum, but we believe you have done an incredible job in putting the options out on the table, some of the general conclusions that you have reached. And we look forward to a

continuing flow of information and exchange with the public and with users of the system.

Thank you very much.

FACILITATOR: Thank you.

THE PUBLIC: My name is Tim Penny. And in the interest of full disclosure, I've worked some with MARC 2000 on a public education campaign with chambers of commerce and boards and things of that nature. However, it's a very small piece of what I do in my post-elective life and I have the privilege of just taking on projects like this when I firmly believe in the merits of the project.

If I were still representing southeastern Minnesota in Congress, which I had the privilege of doing for 12 years, I would be taking exactly the same position because I believe you can have a balanced approach to the river. This river for all of Minnesota's history has been a balance of commercial use, recreational use, and environmental benefit.

When we crafted legislation during my years in Congress to address the navigation needs on the river, we began to realize that more needed to be done on the environmental side and the Environmental Management Program was thus created.

In this past week, in fact, that program has been authorized for a higher funding level by Congress. And our organization, MARC 2000, has been supportive of that funding increase and will continue to support other environmental initiatives that benefit the river.

This balance has been recognized by most players in this process, and it's a balance that needs to be recognized as this study and any associated legislation moves ahead.

I want to as well compliment the Corps of Engineers for all the time and effort that you've put into weighing the various options and all the variables that are at play. These are not easy tasks, and I appreciate the time and effort that you've placed in trying to analyze all of the information that needs to be sorted through as you develop your study.

I'm also appreciative of the fact that the bulk of the funding in this study has gone to try to responsibly answer the many environmental questions that have come down the pipe, and I think you've done an increasingly sensitive job of analyzing and assessing those environmental impacts.

Finally, there's been a lot said about the

commercial needs particularly of Minnesota's farm community, a community that I represented for many years in public life, but the bottom line is that for farmers transportation options are somewhat limited and the river is really very much a lifeblood for Minnesota's agriculture and for that reason we need to maintain adequate access to river transportation.

John F. Kennedy once said that farmers are the only segment of our society that buys everything they buy at retail, sells everything they sell at wholesale, and pays the freight in both directions.

The transportation costs are passed along to the farmer in the form of lower prices for their grain, so anything we can do to retain competition in transportation for farmers, anything we can do to help hold down the cost of transportation for farmers really does benefit their bottom line.

And for that reason I appreciate again the work the Corps has done and am in support of the need for longer locks on the Mississippi in order to keep this transportation option viable for Minnesota agriculture.

FACILITATOR: Thank you.

THE PUBLIC: I'm Dan Larson. I work with

the River Resource Alliance. We are an organization representing the broad cross section of agriculture, transportation, commerce, and public interests in Minnesota, Wisconsin, and the Dakotas.

It's a pleasure to be here tonight, and I'm glad that the Corps took the time to listen to the public and I'm glad to be able to present our position to you here tonight.

I'm here to support Alternative H. Our organization, the River Resource Alliance, supports a multimode transportation system that provides farmers and shippers with the most viable shipping options.

We also support a management plan for the river system that includes management managing for the benefits it provides to nature, navigation, and recreation.

I would like to just make a couple of points tonight and be fairly brief in my presentation.

If we fail to modernize the waterway transportation system, we had better be ready to live with the additional social and environmental degradents such as additional fuel use, additional air emissions, additional road and rail crossings,

accidents, and additional congestion on our already crowded highways.

Failure to modernize the system will result in the U.S. surrendering leadership in the world grain markets to our competitors. We will surrender our markets to our competitors. Let's get this right. Al Christofferson I think said it most correctly, you can't be green if you're in the red.

Our competitors in Argentina and Brazil could care less about the environmental impacts of increasing their waterway transportation needs. They are doing whatever it takes to build a waterway link from the ocean deep into the growing heartlands, and they are doing this to dig themselves out of economic turmoil.

They are using our model that we have developed over generations that our forefathers had the foresight to create for us so that we could get the agriculture products we develop in this rich growing region to world markets.

I would like to implore upon the Corps to support a management plan and to build a management plan for the next 50 years that includes management for nature, navigation, and recreation.

I think that if we build a plan that's

cognizant of these three vital characteristics that we're going to be able to present something to Congress that is palatable and that will work.

Thank you.

FACILITATOR: Thank you, Dan.

THE PUBLIC: My name is Julian Sellers. I'm a citizen of St. Paul. In interest of full disclosure, I happen to be a member of the St. Paul chapter of the National Audubon Society. I do not have a prepared statement, but I would just like to make a few points.

First of all, with regard to the 50 percent taxpayer subsidy, it's my understanding that's 50 percent of the new construction costs and that the ongoing maintenance and operation costs are paid entirely by taxpayer funds.

We have heard it said many times that barges are the most environmentally friendly mode of transportation, or at least much more environmentally friendly than trucks and trains. Well, that depends. The thing about barges is that the impact is all directed at the Mississippi River.

Now, we need to step back and think about what we used to have here in this country, a magnificent, free-flowing river full of life, indeed

a globally important ecosystem.

What we have now is a series of pools, or you might think of it as a barge canal, and the life -- much of that life in that river has disappeared and is continuing to disappear. So that is the result of this navigation system.

When the Corps does its environmental studies what they seem to be doing is looking at today's status and determining what the effect of a few more added tows each day will be. What they should be looking at is the Mississippi River ecosystem, what it used to be and what it should be.

Thank you.

FACILITATOR: Thank you, Julian.

THE PUBLIC: Hello. My name is Tim Sullivan. I'm the executive director of the Mississippi River Basin Alliance, and I just want to make a few comments on a couple of what I think are key issues.

The first thing I would like to do is say that our organization takes the position that we are not ready to move forward with any plans yet because the information that's been presented does not tell us the whole story.

In particular, the first issue that I want

to touch is the assessment of cost. We have heard a lot about the trade and the economic issues, which I will talk about in a second, but what we have not talked about much is what the real environmental costs are.

And our organization agrees with the United States Fish and Wildlife Service that has recently made a public statement saying that as a baseline -- before anything moves forward we need to quantify and compensate for the cumulative economic and environmental impacts of the existing navigation system as a baseline so that we can understand where we are going and what it's going to cost us.

And what really matters to me is that we do not make shortsighted moves for shortsighted profit motives and hand the bill over to future generations to pay. That is morally unacceptable. That is not where the strength and the future of our country is. We have to look seriously at these issues, we have to get a handle on it, or we are not making decisions based on sound information.

The next thing I would like to talk about briefly is the issues that have been presented about trade and about the global markets.

I'm an attorney who has been representing

farmers for 15 years and I have represented hundreds of farmers facing foreclosure, many of them unsuccessfully. And it's really a very simple picture. We have been forcing our farmers to produce at a marginal profit or underneath profit systems because of the pricing structures.

It's complicated, but this is the question we need to ask: If we're going to take our raw commodities, our corn, and we are going to ship it down the river and sell it for a dollar and a half, who is going to benefit?

It's going to benefit the multinational companies that are concentrating wealth and that are grabbing these markets and controlling them, and I don't have a lot of sensitivity for them. I have a great deal of sensitivity and care for farmers, for production, for our food security, and for our food system.

And this is a critical juncture for us to responsibly get together and do something right and not just rush out because we are saying that the South Americans and the Chinese are going to build systems and take our market share away, because the fact is they don't care about their environment and they are going to pay the cost.

What we have to understand is we have already gone deeply into this system and we have costs we have not paid. We need to do it right. If South America is going to do it wrong, let them go their way.

Thank you.

FACILITATOR: Thank you.

THE PUBLIC: I'm Carl Nelson. I farm 85 miles southwest of where we are sitting right now in a little town of Nicollet. And I'm also here representing the Minnesota Corn Growers Association. Just a couple of little things I would like to make a comment to here, nothing huge.

I thank the Corps for taking these comments. You have been charged with a huge task of trying to come up with what is good for everybody in this world and not just the few people that seem to be using the river system. It is a very huge system that affects everybody.

There is a balance, as I think you will find and you will strike, between the use of the river and the environment of the river. It has been done before and it will be done again.

The river is not just transportation of grain. It is a very huge lifeblood of economy to

this nation. There are very many, many varied industries that use this and because of that it does help stimulate economic growth and development and pay some of the costs of this nation.

I guess I, too, would like to state that my personal feeling is that we need to look at Alternative H. I think that is a very good plan to start with.

Thank you for your time.

FACILITATOR: Thank you. It's awfully quiet in here. Anybody else?

THE PUBLIC: Thank you very much. My name is Forrest Wilkinson, spelt with two r's. I'm with the River Warren Research Committee. We are a group of like-minded individuals seeking truth in government, particularly in environmental science, truth in science, sound science.

I personally and other members really have a problem with organizations coming up and complaining about 50 percent or whatever percentage subsidies for these what they would call special interests when these very same groups have no problem collecting their own subsidies for their own special interests. So I think there's a credibility problem there from some of the naysayers of these

proposals we are hearing about.

Proposal H does seem to be reasonable. My biggest concern is that these so-called environmental concerns are addressed with a basis of sound science and that the rhetoric be backed up with fact.

What we've come to find at the River Warren Research Committee is that we know the public has been insidiously misled by the flawed, fear-mongering environmentalist agenda.

We don't endorse trashing the planet, but we are confident the earth and this river system is not threatened by some dire calamity brought by that industry.

What we have found is that the environmentalist movement has basically successfully accomplished to sell a series of big lies in creating government sponsored, supported, and enforced market for these environmentalist hucksters.

In fact, the only thing to fear is the fear-mongers themselves. And the truth is 90 percent of the environmentalist rhetoric is a gross misrepresentation of actual physical conditions along with wildly speculative

explanations and solutions for these so-called problems, explanations and solutions, mind you, that frequently ignore the laws of physics.

And if we are going to talk about this river system and compare it to presettlement days, we should consider what that river would look like if given the condition that some would like, the removal of the dams.

We would see low water conditions, low rain conditions, a very narrow trickle on the bottom of the river which in high water, high rain events would be a sediment-laden, flood-prone stream with high fluctuations in level.

I just think we need to calm down and address the actual facts based on science. Thank you.

FACILITATOR: Thank you. Anyone else? Again, maybe you have chosen not to go up to the mike, so be sure and use these (indicating) if you haven't made your comments or questions.

I guess if there are not any more questions, let's call it quits for the night. I really appreciate your involvement and thank you very much. The experts are still here if you have anything more.

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

REPORTER'S CERTIFICATE

I, Lori A. Case, do hereby certify that the above and foregoing transcript, consisting of the preceding 58 pages, is a correct transcript of my stenographic notes and is a full, true, and complete transcript of the proceedings to the best of my ability.

Dated August 16, 1999

LORI A. CASE, RPR-CRR
Registered Professional Reporter
Certified Real-Time Reporter