

## **Criteria for Economic Feasibility of Water Transportation Projects**

By Mr. John S. Doyle, Vice President of Government Relations, Waterways Work!

Thank you, Harry. Good morning everybody. It's a pleasure to be here and with you for this 100<sup>th</sup> Anniversary of PIANC. I've known of PIANC for many years, but this is the first time I've had an opportunity to physically be present with you. And I've got to tell you, I'm very impressed with what I've seen so far.

As Harry mentioned and the program indicates, my topic is economic feasibility criteria. And so I'll talk a little bit about that, but I'm going to talk about some other things as well, and hopefully leave you at least with some thoughts that you might not have had before the conversation.

Let me mention a brief word, a little bit more on Waterways Work. It's a new campaign designed to promote the things that the people in this room understand and have understood for years; the enormous value that our nation's navigation system both in inland waterways and the coastal ports provides to this nation and our way of life.

It's about a year old. Currently we have around 230 members, about 37 national and regional trade associations and national advocacy groups, and the rest individual member companies. We're made up of shippers, carriers, ports, national groups, all of whom benefit or see the benefit in the waterways and their contribution to this country.

The purpose is not to re-create the wheel, but rather to supplement and amplify the voice of the excellent organizations, the advocacy organizations, already in place, the waterways conference, American Association of Port Authorities, Dynamo, American Waterways Operators, and other groups that you're familiar with.

I do have samples of some of our materials that I can show anybody who would be interested. And we would welcome any additional participation of membership that you might be inclined to feel is appropriate.

Let me also say that what I'm going to say here this morning represents my views, my personal views. It is not the official program of the Waterways Work Campaign; that program you've been hearing about in bits and pieces for the last two days. Our message is the same message that we hear over and over in the various talks. And that is that our nation's inland waterway system and coastal ports provide enormous value to this country that just is not appreciated. And we need to get that message out to policy makers, and we need to get that message out to the American people.

So, what I'm going to do here is give you some of my own personal observations. If Mark Twain were here, he might even use the word "ruminations". And hopefully prompt some additional thoughts on your part.

Harry, that was a great historical summary to take us to where we are today I thought. Let me just mention one thing on the administration budget before moving into what I've prepared. While the budget this year is far below what it should be and what clearly can be justified in almost any terms, economic or otherwise, I would be remiss if I didn't point out that one of the hallmarks of this administration's budget this year is a re-focusing of the Corps program a reprioritization of the Corps program, and a redirecting back to its core, C-O-R-E, missions one of which, of course, is navigation improvement.

And so what we see in the budget is a very significant proposed increase relative to last years' administration proposal for inland waterway construction funding, for example. Over a 50 percent increase, if you go through the document and take a look at the numbers.

And so I need to point that out before starting into the rest of this. There are problems with it. One of the biggest problems, of course, is what is being proposed for the study program, but we can talk more about that later if you like.

I, like many in this room, have been troubled, extremely troubled, by the withering attack that the Corps of Engineers has been subjected to lately, particularly in the last three years. National environmental groups have seen their consistent anti-Corps rhetoric repeated and amplified by liberal media players like the New York Times, the Washington Post, and others. It is not surprising, nor is it a new phenomenon.

When I first joined the staff of the House of Representatives in the late 1970's, and Harry provided a little context for that in his history and reminded us of where the debate was at that time, these same environmental groups and papers were engaged in a similar, to me at least, campaign to attack and discredit the Corps and its programs.

What particularly troubles me, however, is seeing traditionally more conservative papers like the Wall Street Journal and the Christian Science Monitor also take up the critical call using terms like pork barrel and waste and out of control in discussing Corps programs, as recently occurred in articles discussing my partner's departure from the Assistant Secretary of the Army position.

Now, it's possible that the articles in the journal and in the monitor were part of an administration public relations strategy to explain, some in Washington might say spin, the Parker decision and deflect the significant Congressional opposition to the decision that was being heard. Or it may be that the two papers' core critical editorials are truly reflective of their author's views.

Either way, the explanation is enormously troubling for me and so many others who know an Army Corps of Engineers that is so different; that is the preeminent government water resources engineering agency in the world.

Increasingly I've struggled to find an answer to the question, what's going on? Why is it that the Corps is subject to these tirades when other Federal construction

agencies, Federal Highway Administration, Federal Aviation Administration, Federal Transit Administration to name just a few are spared the same kind of treatment?

Could it be that the critics are correct? That the Corps today lacks the integrity and the technical competence that have been the hallmarks of its proud 200 year old tradition? I think not.

As we here know exactly the opposite is the case. And I'm convinced that the American people, and their elected representatives, and the U.S. Congress still strongly recognize and support the Corps and its superb technical expertise. If it were otherwise, the Corps would be losing missions instead of continually gaining new missions as has been occurring in recent years.

The formerly used sites remedial action program or FUSRAP, and the Super Fund Clean Up as part of the Work for Others Program are just two examples.

Just last week at the House Water Resources and Environment Sub-committee Hearing on this year's Water Resources Development Act or WRDA, testimony was presented on the part of the Great Lakes Commission urging that restoration of waterfront and related areas for the purpose of economic development and Brown Field Redevelopment should be added to the growing list of project types that the corps would be authorized to plan, design, and construct. This is hardly the sign of an agency that's lost its technical reputation. So the integrity is still there, and the competence is still there.

What then explains this latest batch of criticism? Part of that answer I believe lies as it always has in the extreme political agenda of some, not all in the organized environmental movement who view any and all economic development and instrumentalities facilitating that development as contrary to the public's interests.

Since development typically changes the environment, and any change to the environment is bad according to this agenda, any change agency like the Corps must be opposed.

But this view is not new. In fact, it may be as old as the druids of thousands of years ago. So, something else must help explain the new wave of corps criticism.

May I suggest that some part of the answer lies in two factors that have only recently begun to come into focus for me. They're distinct, but related at least in my mind.

The first might be characterized as an example of the law of unintended consequences. I'm coming to believe that with the best of intentions in terms of confidence in the Corps of Engineers and its capabilities, policy makers in Washington may be unintentionally putting the corps in a position where the corps can't possibly

achieve the kind of results that the public expects and that the corps is capable of delivering from a technical and management perspective.

As mentioned a minute ago, the corps is being asked to do more and more every year. At the same time, it's expected to re-invent itself meaning down size or at least not grow, and to perform its new missions and projects without significant new funding.

The budget and appropriations process under funds the corps' program and spreads what funds are available over the broadest possible mix of projects resulting in most projects being delayed and few, if any, being completed within budget from a time and cost prospective.

In today's cost sharing world, this disappoints, or worse the project's cost sharing partner and creates the very under performance conditions the corps critics can use to lend vest the agency and its results.

There's a grave danger that in continuing to proceed in this fashion in trying to have the corps be all things to all people, so to speak, we may end up satisfying no one; an outcome which must -- we must find a way to avoid.

The second factor I'd like to mention is project feasibility criteria, the topic of this presentation. I would like you to consider, if you would, the possibility that one reason the corps has been under attack recently is that there is enormous confusion and lack of understanding, not to mention lack of consensus both within the Congress and among the general public concerning what criteria should be and are used to justify corps projects.

Without the requisite understanding and acceptance, the project selection criteria becomes much easier for corps opponents to slap a pork barrel or waste label on a given project and much harder for the corps or other project supporters to defend against such an attack.

The current unsettled situation concerning project selection criteria is the product itself of a number of factors. One is the method of calculating a project's economics. Anatoly did a great summary of that just a minute ago.

Projects having flood control reduction or navigation improvement objectives are determined to be economically feasible if the project benefits exceed its costs. Based on an analysis, a project plans increase in the economic value of goods and services, and the opportunity and other costs of resources consumed by the plan.

For port and inland navigation projects, benefits are measured in terms of transportation savings to shippers. But as the corps feasibility study on the Upper Miss and Illinois River has taught us, finding an agreed upon method to calculate those transportation cost savings can be enormously complex and controversial itself.

And even if an attempt -- and even if an acceptable calculation method can be found, the debate doesn't end there, but only begins. For example, the National Corn Growers' Association recently released an evidence study on the economic impact of increased congestion on the Upper Miss and Illinois River Waterway. Found hundreds of millions of dollars in additional benefits related to tax revenues and employment at the Federal, state, and local levels for improving seven locks and dams on the lower regions of the two rivers.

Another confusion factor is the need to consider other non-navigation benefits as well as transportation cost savings without having a nice neat formula to relate the different categories.

As part of our Waterways Work Campaign, we continually point out that port and inland waterway transportation is far superior to the other modes in terms of air pollution reduction, public safety, and congestion relief.

Relative weighing of the air pollution versus safety, versus congestion relief, versus economic benefits, however, is left to the listener to perform based on his or her own individual value system.

We don't have a way really to tie those together in a mathematical, if you will, format. And even if we did under the current procedures, you wouldn't be allowed to count them as Anatoly has so well described.

To muddle matters even further, rigid benefit costs, economic analysis is not employed to evaluate the feasibility of all types of corps projects. Environmental restoration projects are typically authorized by Congress based on a demand or an assertion by Congress that the project's environmental benefits exceed the project's costs. Economic analysis to the extent that it's relevant at all for environmental projects typically seeks to find the least cost alternative to achieve the deemed beneficial environmental objective and doesn't bother at all with rigid benefit cost calculations.

To further confound and confuse, there is a major procedural disconnect or dichotomy between how corps, port, and inland navigation water projects, for example, are selected, and how major infrastructure projects are selected in the highway and aviation world. Rigid cost benefit calculations are not required or performed for highway or aviation public investments. Rather a more process-driven political consensus building process is typically employed to select and prioritize candidate projects.

Congress had no trouble in TEA-21, for example, a six year \$218 billion dollar funding law that extends through September 30 of next year in allocating those \$218 billion dollars without requiring the type of benefit cost analysis for projects funded under TEA-21 that's required and expected for corps navigation projects.

Further, Congress had no trouble in that same legislation in allocating \$9.3 billion dollars, almost the amount of the corps construction general funding for those same six

years in total for 1,850 high priority projects based on the relevant Congressmen and Senators' understanding of which specific projects were most important to their constituents.

Am I the only one who's confused? I don't think so. We use benefit cost criteria for some corps projects, but not for others. We calculate benefits by considering transportation cost savings, but excluding other economic benefits like employment and tax revenue and productivity increases.

We load the cost side of the calculation with ever increasing costs related to achieving environmental objectives, but we completely disregard in the calculation the value of the environmental and other non-navigation benefits that the project delivers.

And our competition for too scarce Federal infrastructure dollars have nowhere near the same project selection gauntlet to survive in order to get funded.

Meanwhile, the corps is being given more and more types of work to do with nowhere near the level of funding that's needed to do it the way they're capable and with an ever diminishing work force.

We live in a world where technology allows us to discern and quantify in ever more minute dimensions one part in a quadrillionth we heard yesterday. But it's a world where too many people mistakenly confuse the ability to measure with the ability to understand.

And remember Les Sutton's great slide yesterday on the many issues competing for the public's attention span. It's increasingly a world of information by 80 second sound bite. Now flavor that with well-funded opponents with ready access to the media and an anti-growth anti-development agenda, and I anyway begin to better understand the answer to my question of what's really going on.

So, what do we do about it? First we must work that much harder and smarter to get our message out to the Congress, to the administration, to the general public. There is a good story to tell. People will hear it, react well to it. All of us, everyone in this room must commit ourselves to the time and energy and hard work, and it is hard work that it takes to explain over and over again how important waterway transportation is and will continue to be to this nation.

Second in telling our story, we should not feel constrained to limit the discussion to the narrow confines of current approved procedures for calculating benefit cost ratios. We should feel free and, in fact, obligated to help policy makers, the media, and the general public understand and appreciate the value of our waterways in terms of things that they understand and care about like congestion relief and air pollution reduction and employment and international competitors regardless of how those issues are dealt with or not in benefit cost calculation regulations.

Third, perhaps it's time for a formal thorough public policy debate about what criteria we should be using, how we should be calculating them, and what their limitations are for the purposes of making Federal water and other transportation infrastructure investment decisions.

Perhaps it's time for us to take the discussion that we've been having here for the last day, and I suspect for years before that, and bring it public and have that debate in public.

And finally maybe we are at or approaching the time that the nation needs to reconvene a national water policy commission to evaluate in an open and comprehensive fashion what this country's water related needs are as we move forward into the 21st century, and how we propose as a nation to assign institutional roles and responsibilities to address those needs in a publicly understood and publicly supported fashion.

Periodically in the past as Harry has summarized for us, and it seems to me to be on about a 20-year cycle, similar efforts have had a very significant and positive for the most part impact in defining and bringing definition to the issues and clarity to the public policy options that are available for dealing with those issues.

Let me at this point bring this presentation to a close. I hope it's provided a thought or two that might not have occurred otherwise. I'd be happy to discuss them further or answer any questions you may have during the Q and A session this afternoon. It's been a pleasure to be with you here this morning. Thank you.

