UPPER MISSISSIPPI RIVER NAVIGATION STUDY
ECONOMIC COORDINATION
COMMITTEE MEETING
CHICAGO, IL.
JUNE 30, 1999

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6 July 1999

UPPER MISSISSIPPI RIVER/ILLINOIS WATERWAY SYSTEM NAVIGATION STUDY

ECONOMIC COORDINATION COMMITTEE MINUTES OF MEETNG

JUNE 30, 1999 CHICAGO,ILLINOIS

The upper Mississippi River/Illinois Waterway Navigation Study Economic Coordinating Committee met in Chicago, Illinois on 30 June 1999. An agenda and a list of attendees are attached. Paul Soyke called the meeting to order at 10:00 am. Following introduction the meeting proceeded according to the agenda. Chris Brescra (MARC 2000) asked that the minutes of the January 20, 1999 meeting not be finalized until he has reviewed them. He will get back to Jack Carr/Paul Soyke with any comments on these minutes.

1. Rich Manguno (MVN) gave a presentation on the preliminary evaluations of mooring cells, guidewalls extensions, and lock extensions. Rich provided background on the demand curve specification. He said that we know that the demand curve is inside the box bounded by the price of water and rail transportation. Specifically the demand specification in the system equilibrium model (SEM) is as follows:

$$Q = T * [(a-w)/(a-e)]^N$$

Where:

T = 1992 equivalent water tonnage
A = minimum, same o-d, alt mode cost
W = water price
E = 1992 equivalent water price
N = parameter to shape function

Within our box a convex shaped curve (N>1) represents more elastic demand, a concave shaped curve (N<1) represents more inelastic demand. The linear curve is the N=1 case.

The N value used to shape the demand curve is a weighted average value, which incorporated information from the August 1998 expert circulation panel and the 1994 Iowa Grain Flow Survey.

WEIGHTED AVERAGE N VALUE			
IOWA CROP REGIONS	EAST	CENTRAL	WEST
N VALUE	1.0	1.5	2.0
GRAIN FROM EACH REGION	69%	21%	10%

The resulting N value used in this study was N=1.2, which was applied to all grain movements. Demand curve specification for individuals movements for non-grain commodities were based on statistical estimations of elasticity (by commodity group) done by Mark Burton, Marshall University.

Chris Brescia and Al Ames (Maritime Administration) objected to applying Iowa movements to other states. Chris Brescia said that N=1.2 is conservative for corn. Rich Manguno responded that Iowa data was used because this was the most detailed data available. There is only limited data available for the other Midwestern states.

Chris Brescia expressed concern that the expert elicitation panel had misunderstood the difference between the N value and elasticity. Chris also expressed concern that our estimates of grain exports do not fit with our domestic consumption numbers. Chris recommended that we use demand elasticity's that Dr. Hauser from the University of Illinois developed in 1985. He indicated that the Illinois River elasticity's are half those on the Upper Mississippi. Chris agreed to get the report from Dr. Hauser and forward it to the Corps Study Group. Chris also said that we may have to put together another group of experts to discuss elasticity's for grain movements on the Illinois Waterway. Al Ames said that he could help put together a group of grain traders and others. Jim Johnson (IL) expressed concern about using Iowa as the basis for grain flows. He said that all corn is near the river in Illinois. There is nothing similar to western Iowa. Paul Bertels (National Corn Growers Association) said that we should consider different (higher) P Points in developing our demand curves.

Rich Manguno said that deciding on sensitivity analyses was the next step in the process. Don Vonnahme (IL) asked that we run the model with different N values for each state. Rich Manguno responded that the model could be run with different N values

for each movement. The state of Illinois will make an official request that we make these model runs. Illinois wants to make sure that we've explored all possibilities of justifying 1200-foot locks on the Illinois Waterway. Harold Hommes (IA) asked how are we going to come up with new detailed data for states other than Iowa if we have not found this data so far. There is no time to replicate the Iowa grain flow study for other states. Rich Manguno continued with his explanation of the evaluation of potential NED Plans. Rich said that this evaluation does not include System Environmental Costs. The list of potential NED plans is not necessarily complete. Implementation is not optimized with respect to timing. Illinois Waterway lock alternatives are new 1200-foot locks; Upper Mississippi River measures are 600-foot lock extensions. Attached is a list of measures and respective benefits and costs, delays, and system traffic. Improvements on the Mississippi don't impact much on the Illinois except for measures at Mississippi River Locks 26 and 27. Rich presented data on scheduled rehabilitation expenditures for with and without project conditions. A copy of this presentation is attached; the full power point presentation is available upon request.

Gary Loss (MVR) mentioned that we are using 6 3/8% discount rate, the rate anticipated in year 2000. Al Ames asked that we give a presentation to the Chicago Board of Trade, and have them react to our analysis. Paul Bertels talked about a USDA model that calculates demand elasticity, something we should consider. Gary Loss (MVR) said that we will have this study done by December 2000. We are going forward with the best information available at this time. This fall we will have a NED alternative and a recommended plan. We will do sensitivity on N values, which may impact our recommended plan. The public meeting presentation will not include sensitivity analyses.

Mark Beorkrem from the Sierra Club was concerned about not having the NED alternative identified for the public meetings. He expressed concern about not knowing whether the system environmental costs would be included in the NED costs.

Jim Johnson (IL) asked if we could do construction during open pass at Peoria and LaGrange. Gary Loss said that we will look at that, but that it was a question of our ability to predict open pass conditions at Peoria and LaGrange.

Chris Brescia said that we don't need to look at budget constraints because the budget is a political question. He asked if there was a way of building a new 1200-foot lock at

lock and dam 22, rather than extending the existing 600'lock. He also asked for data on grain tonnage during open pass conditions at Peoria and LaGrange Locks. Al Ames asked if a vessel control plan was weeded out early in the study. Paul Soyke said that it was.

2. Review of Economic Information Needs for the Public Meeting

The question was put to the group- What do you want us to get across at the public meetings. There will be a report back to the GLC in August on the results of the public meetings. Several at the meeting said that delay and traffic information, and drawings of alternatives at specific sites needs to be presented.

Don Vonnahme (IL) said that the newsletter was good. We should emphasize that Peoria and LaGrange alternatives are new 1200-foot locks, not extensions of the existing locks.
Chris Brescia said that we should not ever talk about elasticity to the general public. Paul Bertels said that it is problematic that we won't have numbers for system environmental costs at the public meetings. Gary Loss said that all we have is the gray boxes presented previously which present a range of system environmental costs.

Al Ames said that you need to explain that N=1.2 is the best that you could do, no other data is available. Call your results preliminary findings. Chris Brescia said that he would use the public meetings to make the point that our assumptions are very conservative. Small changes in N value, P value make big differences in results. Demand elasticity values must be consistent with other studies. Don Vonnahme doesn't want us to lock up on the NED, wants it open to change. New data could result in reconsideration of Illinois River improvements. We should say that this is our current estimate of the NED. He will brief the Governor on our preliminary findings, specifically Illinois River locks do not justify as an increment based on Iowa data and N=1.2 for grain.

Chris Brescia said that we need to review Dr. Hauser's data. Al Ames and Chris Brescia said that if the Chicago Board of Trade says that our estimates of elasticity don't match their model, Colonel Mudd will have to make a decision. Gary Loss added that any recalculation would result in study delay. It was pointed out that the official public review period for the Draft Feasibility Study and the Draft EIS is next summer. If there are major deficiencies in the documents at that time, the District

Commander will need to decide what to do. Our goal is to have public input throughout the study process. The schedule is extremely tight and does not allow for any re-starts.

Jack Carr (MVR) said that he would be sending out Regional Economic Development (RED) analyses of 3 or 4 alternatives for review by Economic Coordinating Committee Members.

Jack Carr
Regional Economist