

OKLAHOMA PORT TASK FORCE
FINAL REPORT
SEPTEMBER 2015

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Introduction

On April 16, 2013, Governor Mary Fallin, by way of Executive Order 2013-14, created the Oklahoma Port Task Force. In the Executive Order, Governor Fallin charged the Task Force to study and develop a comprehensive plan to accommodate the added burden on Oklahoma ports, roads, and bridges resulting from the reopening of the expanded Panama Canal. As a part of its report, the task Force was asked to include the results of its assessment and any recommendations that are approved by a majority of the members. This report, and the assessments, conclusions and recommendations contained herein, is the result of several months of study and Task Force meetings. The members of the Port Task Force gathered information from testimony by representatives of industries that utilize Oklahoma's ports, governmental and non-governmental interests, and a delegation from the U. S. Army Corps of Engineers. The content of this report provides a factual overview of the McClellan-Kerr Arkansas River Navigation System (MKARNS), its importance to shippers and its future role in accommodating projected increases in waterway shipments. (These increases are expected to occur from the expansion of the Panama Canal and the doubling of international trade projected to occur over the next decade by the U. S. Department of Commerce.) This report also explains the vulnerability of the System due to maintenance issues and opportunities for overcoming them. The Appendix of this report provides a regional economic impact study and the minutes of what was discussed at the meetings of the Port Task Force.

The members of the Oklahoma Port Task Force are listed in an addendum to this report with Bob Portiss, Port Director, Tulsa Port of Catoosa; and Scott Robinson, Port Director, Port of Muskogee, serving as Co-Chairs of the Task Force.

Overview of the MKARNS

Authorized for construction by Congress in 1946 and dedicated by President Richard M. Nixon on June 5, 1971, during ceremonies held at the Tulsa Port of Catoosa, the 445-mile long, multi-purpose MKARNS was, at the time, the largest public works project in U. S. history. The \$1.2 billion federal investment was justified by the expectation that the benefits to the nation, discounted over time, would exceed the cost – a threshold criteria that applies to all congressionally authorized waterways projects. By all accounts, the national benefits of the MKARNS – i.e., transportation cost savings attributable to navigation, flood control damages prevented, hydro-electric power generation, municipal and industrial water supply, recreation and wildlife conservation – have proven the \$1.2 Billion to be a wise investment. According to a Corps of Engineers report published in the mid-1980's, the return on investment to the nation exceeded 9%. In fact, according to the U. S. Army Corps of Engineers, flood control benefits alone saved more than \$1.3 billion in damages prevented during the floods of 1986-87.

The navigation channel, which includes 18 locks and dams (5 in Oklahoma) constructed over a 150-mile stretch of the Arkansas and Verdigris Rivers between Fort Smith, AR, and Catoosa, OK, is maintained at a minimum 9-foot depth by the U. S. Army Corps of Engineers. In 2004, Congress authorized the deepening of the MKARNS to a 12-foot channel depth; however, Congress has not appropriated the funds for construction.

On January 3, 1971, the first commercial barges in Oklahoma arrived at the Port of Muskogee, carrying steel pipe for Republic Steel. On January 21, 1971, the first commercial barge to reach the head of navigation arrived at the Tulsa Port of Catoosa carrying 600 tons of newsprint for the Tulsa World. Since that time, more than 450 million tons of cargo has been moved on the MKARNS, including chemical fertilizer, wheat, iron and steel, soybeans, petroleum products, coke and coal, food and farm products, machinery and equipment, and a variety of other raw materials and finished goods for the agricultural, manufacturing, energy and construction sectors of the Oklahoma economy.

From 2001 through 2014, tonnage on the 445-mile long MKARNS averaged over 12 million tons annually. During that time, total tonnage on the 150-mile long Oklahoma segment of the MKARNS increased by 32%. Although more than two thirds of the navigation system miles are in Arkansas, tonnage on the Oklahoma segment tends to account for approximately one half of the total volume. On March 2, 2015, the MKARNS was upgraded to a high use system (10 million tons and 3 billion ton miles). According to John Janoush, V.P., Jantran, Inc. (the principal towing company operating on the MKARNS) the system could easily handle 24 million tons per year in response to increased shipping demand by simply adding more towboats and barges. No additional infrastructure would be required. Additional growth could also be realized through development of about 5,000 acres of publically-owned land located in close proximity to the waterway.

Transportation cost savings attributable to commercial navigation are a function of capacity. ✓
One barge can haul the same amount of cargo as 15 rail cars or 60 semi-trucks. Moreover, transporting freight by water is the most energy-efficient choice (barges can move one ton of cargo 616 miles per gallon of fuel compared to 478 miles by rail and only 150 miles by truck); and, the amount of greenhouse gases emitted by barge transportation is far less than the other modes of transportation – 30% less than rail and 950% less than trucking – based on metric tons of greenhouse gases produced per million ton-mile (data obtained from the Texas Transportation Institute's report: *A Modal Comparison of Domestic Freight Transportation Effects on the General Public*, 2012).

In response to the federal investment in the waterway, significant non-federal investments have been made along the Oklahoma segment of the waterway, at the two public ports (Muskogee and Catoosa), at private ports and terminals, and at more than 85 industrial facilities. Today, this ✓
non-federal capital investment exceeds \$5 billion. More than 8,000 quality jobs have been created with a combined payroll in excess of \$320 million annually.

Prior to 1986, investment in the nation's waterways was the sole responsibility of the federal government. Since 1986, waterway construction and major rehabilitation projects are cost- ✓
shared 50/50 by the federal government and the waterway industry. Today, the industry cost share is funded by a 29¢-per-gallon tax on diesel fuel used by towing companies operating on the inland waterway system. The funds are deposited into the Inland Waterways Trust Fund and tax

allocated by the Inland Waterways Users Board on a priority basis. To date, there have been no trust funds used on the MKARNS.

Together, deposits to the Waterways Trust Fund and congressional appropriations are not sufficient to cost share congressionally authorized projects. Recognizing this funding dilemma and a growing construction backlog, the Water Resources Reform and Development Act (WRRDA) of 2014 provides a mechanism for de-authorizing projects that have not received appropriations – one of which may be the 12-foot channel project.

Corporate profits are dependent on getting commodities and goods to market in a reliable and expedient manner. ✓ Whether by pipeline, truck, rail or barge, the availability of transportation options is critical to success. Despite the fact that the MKARNS is responsible for only 1% of the total freight that comes into and out of Oklahoma, the role the ports play, as multi-modal transportation centers, is certain to become increasingly important as the national economy expands. However, the maintenance backlog that threatens congressionally authorized projects threatens the reliability and future use of virtually all of the nation's inland waterway segments, including all the tributaries of the Mississippi River. Though WRRDA is a step in the right direction to bringing attention to the needs of the inland navigation systems in the country, it doesn't address the gravity of how the MKARNS will be impacted by the expansion of the Panama Canal.

New Trade Patterns Expected from Panama Canal Expansion

The trade lanes of the past few decades are changing as evidenced by the current expansion of the Panama Canal. This change is being driven by congestion, new infrastructure, and new equipment. It is expected that these new lanes will increase the movement of cargo through the Gulf ports. The MKARNS, together with the other segments of the inland waterway system, offers continuing opportunities to handle this additional freight.

Congestion is not only due to the lack of available land for expansion of the ports on the West Coast but also the congested rail and highway infrastructure in the United States. The ports on the West Coast are overloaded. Lacking available space for expansion, shippers find that they must either experience delays at the port or move their cargo via drayage to a location near the port for further movement inland. That movement inland also faces the congestion being experienced on the rail and highways in the U.S. Efforts have been made to divert these cargoes to Canadian and Mexican ports for further movement into the United States, but with limited success. As the movement of containers has increased, the ocean carriers have found economies of scale through developing larger vessels to carry these containers. These larger vessels will be able to be handled by a new expanded Panama Canal. They, however, cannot call or operate at the smaller ports due to draft/depth restrictions. They also require additional land area due to the larger volume of containers carried by one vessel. These land areas may well be provided by using the various islands of the Caribbean with trans-loads to smaller ships for the balance of the journey to U.S. ports. While the exact date of completion of the new canal is uncertain, the current projection is the fourth quarter of 2016.

Needs of the McClellan-Kerr Arkansas River Navigation System

Upon signing the 2014 WRRDA legislation into law, President Obama made the following statement: "As more of the world's cargo is transported on these massive ships, we've got to make sure that we've got bridges high enough and ports that are big enough to hold them and accommodate them so that our businesses can keep selling goods made in America to the rest of the world. Meanwhile, many of America's businesses ship their goods across the country by river and by canal, so we've got to make sure that those waterways are in tip-top shape."

In spite of the President's forward looking remarks, two years later – as of November, 2015 – it doesn't seem that our waterways have appreciably improved; they, in fact, appear to be in worse shape. There appear to be no milestone achievements regarding public/private partnerships nor has there been any tangible evidence of the guidelines necessary to implement an Emergency Response Plan – both considered by Oklahoma's port officials as key elements of WRRDA 2014.

As outlined in the Arkansas-Oklahoma Port Operators Association's Unified Strategy to Ensure Continued Viability of the MKARNS, adopted by the AOPOA membership at their September 23, 2014 Joint Board and Membership Meeting, there are three priorities that need to be addressed on the MKARNS: (1) dredging the channel to 12 feet; (2) performing critical maintenance on the 18 locks located along the waterway, that are a part of the navigation system, and (3) addressing the White River Entrance Channel Cut-off problem caused by the tendency of the White and Arkansas Rivers to merge together. It seems reasonable that an increase in demand for the navigation system is dependent on these three priorities. What follows is a brief synopsis regarding these needs and some logical options for policy makers to consider in order to remedy them. ✓

In 2004, the U. S. Congress authorized the deepening of the MKARNS channel from 9 to 12 feet; however, the funds to accommodate this project were never appropriated. A 12-foot channel would increase the truckload equivalent of barges from approximately 60 to 80 trucks – a 30% increase in productivity – thereby lowering shipping costs, which ultimately accrue to the consumer. Therefore, from a marketing and demand perspective, the 12-foot channel will make the MKARNS competitive with other segments of the inland waterway system and would allow shippers to be more competitive in international markets. Such a competitive advantage works to the benefit of Oklahoma by providing an attractive incentive for economic growth. It also benefits Oklahoma by increasing the capacity of the waterway for future growth.

Coincident therewith is adding tow haulage equipment to the Oklahoma locks. Upon completion, all locks on the system could lock 12 barges simultaneously thereby improving the efficiency of the system. In October 2012, three locks in Oklahoma and two in Arkansas were deemed low use locks and the level of service (hours of operation) at each of the locks was reduced from 24 hours to 20 hours daily. The reduction in service did not produce the operating cost savings that were hoped for and, therefore, during the summer of 2013 full service was restored. Similar actions could occur again prompted, in part, by increases in the backlog of maintenance.

The backlog of critical maintenance¹ on the System is a significant constraint to the perception of reliability of the MKARNS. On the MKARNS alone, the U. S. Army Corps of Engineers has reported an aggregated \$100 million maintenance backlog, most of which is critical, meaning that these projects have a 50% chance of failure within five years. Congressional appropriations for operations and maintenance have fallen far short of the mark for decades. Without a significant change in the nation's funding priorities, segments of the inland waterway system are subject to a "fix as fail" strategy that poses great risk to reliability. If the locks fail due to malfunctions or collapse, the System as a whole, including the Ports of Catoosa and Muskogee - Oklahoma's two public ports, will be offline for no less than 90 days at an impact cost of \$2.9 million per day. ✓

Addressing the needs of the System must start with addressing this "critical maintenance," to insure the resilience/reliability of the MKARNS. Given the enormity of the cost associated with such maintenance projects, a significant portion of the associated funds must come from the federal government. Moreover, the numerous jurisdictions that exist along the System may be a deterrent to using state funds for maintenance and expansion projects along the MKARNS.

The White River Entrance Channel poses another threat to the viability of the MKARNS due to the potential merging of the White River Navigation Channel and the natural Arkansas River. Should this occur, the MKARNS would fail to exist. This long-standing problem is currently being analyzed by the Corps of Engineers to determine alternative solutions.

Regardless, the current data, illustrating the amount of freight that moves along the system annually (15-20%) and the number of states linked by the inland waterway system (24), supports using navigable waterways as an alternative shipping method for domestic and global industries. ✓ Our Nation's railways and highways are simply not adequate to meet the growing transportation needs from the doubling of international trade in the U.S. over the next decade as projected by the U.S. Department of Commerce.

High Wide Corridors

One of the advantages of the inland waterway system is that it can accommodate the movement of very large (high and wide) or heavy equipment. In order to determine the feasibility of transporting over-dimensional equipment, from its origin to its final destination, road and highway connections must also be considered. Depending on the road and highway access that exists, it may be feasible to ship the equipment from its origin to its destination as a single piece.

While the permitting process in the state of Oklahoma has improved greatly, there are a number of challenges that can only be addressed through the development of High Wide Corridors for movement of over-dimensional cargo.

Today, manufacturers of over-dimensional machinery and equipment are faced with very circuitous road and highway routes, some with numerous impediments. Even after securing a

¹ The Army Corps of Engineers defines "critical maintenance" as projects having a 50% or greater probability of failure within the next 5 years.

permit, a manufacturer of large equipment must also relocate road signs and/or raise utility lines that are obstructions along the routes. High Wide Corridors would mitigate this problem. As an example, low hanging lines crossing the route would be placed at 30 feet above the route or buried beneath the route. Other impediments such as road signs could either be moved or manufactured in such a manner that they can be easily reconfigured during the movement. Standardizing and protecting such routes would enable existing industries to bid on larger and more complex projects and would attract new industry to Oklahoma.

The development of High Wide Corridors requires little additional construction by the State. It simply requires that any such routes be designated accordingly and, as future construction is accomplished, developed in a manner that will allow larger equipment moves.

ODOT's Commitment to Waterways

Although the Oklahoma Department of Transportation has little influential jurisdiction along the MKARNS, it is committed to supporting the modes of transportation that support the operations along the Waterway. Making improvements to road and bridge infrastructure, partnering with industry to construct industrial access roads and helping to secure federal TIGER grants to enhance port facilities are a few prime examples. In the very near future, ODOT and the Arkansas Waterways Commission will release the final version of the Regional Economic Impact Study for the MKARNS. Excerpts from a portion of the Study that has already been released are cited below. As it relates to the Oklahoma segment of the MKARNS, the Study illustrates the enormous economic impact the MKARNS has on the Oklahoma economy. As indicated in the study, losing the MKARNS due to traffic delays for various disruptions or losing the MKARNS altogether would result in serious economic losses to the State, - losses due to changes in electrical generation, reductions in public and private waterway expenditures, increases in transportation rates and losses due to reductions in recreational activities.

To reflect its support of port operations, ODOT has, throughout the years, committed to several infrastructure projects in the vicinity of the Port of Catoosa, the Port of Muskogee and Oakley's Port 33. Since 2000, the Department has awarded 167 contracts, including right-of-way and utility relocation efforts, totaling in excess of \$486.5 million within a 10-mile radius of the Port of Catoosa and Oakley's Port 33. Further, within that same area an additional 56 projects totaling nearly \$272.2 million are scheduled for award in FFY 2016 through 2023 of which \$248.2 million are included in the 8-Year Construction Work Plan. Similarly, since 2000, the Department has awarded 47 contracts, including right-of-way and utility relocation efforts, totaling almost \$73.67 million within a 10-mile radius of the Port of Muskogee. An additional 18 projects totaling more than \$123.4 million are scheduled for award in FFY 2016 through 2023 of which \$114.6 million are included in the 8-Year Construction Work Plan for that same area.

These commitments from the Oklahoma Department of Transportation do more than just serve the interests of commerce, they are an indication to freight shipping companies around the country that the State of Oklahoma is willing to invest in its infrastructure, in areas where private sector needs exist, to help promote and sustain the valuable resources, such as the ports, that are critical to Oklahoma's economy. When greater needs for infrastructure improvements are expressed by the private sector, the Department is willing to take action on those requests in

areas that are within its jurisdiction. The relationship between the Department and Oklahoma's port and terminal operators illustrates the kind of public/private partnerships that can exist to advance the needs of commerce and Oklahoma's economy.

Assessments and Recommendations

Assessments

Over the past 45 years, the MKARNS has provided Oklahoma with a viable transportation alternative that has reduced overall shipping costs by at least fifteen percent (15%). It opened up the Spring Wheat Markets of New Orleans to Oklahoma producers through the use of low cost barge transportation and afforded direct access to international markets via connection to ocean going ships at the Gulf. As evidenced in this report, essentially all large volume agricultural and breakbulk (iron and steel) commodity group sectors in Oklahoma realize the economic benefit of the availability of low cost barge transportation. The current annual volume of barge freight is the approximate equivalent of over a half million semi-trailer trucks that would otherwise be driven on Oklahoma highways and bridges adding significantly to road maintenance and vehicle collisions. The large volume freight movements of barge transportation with its associated low cost has enabled fabrication companies such as Webco in Sand Springs to significantly expand their geographic market and to increase employment opportunities for numerous Oklahomans.

Given the 8,000 direct maritime jobs that have been created in Oklahoma between Muskogee and Catoosa from over \$5 billion in industrial investment that has occurred in that 50 mile reach of the MKARNS during the past 45 years, the MKARNS has reached a level of maturity that if closely nurtured will yield even greater returns to the Oklahoma economy in the future. Contributing to this growth will be the new supply chain route to be opened from the Gulf to the central part of the U.S. that includes Oklahoma. This new route will impact barge, rail and truck. The expansion and new route is being precipitated by the cargo saturation of the West Coast Ports due to the ever increasing flow of traffic from the Far East. In the last few years, the Ports of Long Beach and Los Angeles have been forced to reload trucks and rail cars a considerable distance away from these ports due to a lack of space. The Panama Canal expansion will help alleviate this problem through in part being able to handle the Panamex size ships now traversing the oceans of the World. To help facilitate this new route, a new trade compact can be developed between Oklahoma, the Port of New Orleans, and the Panama Canal Commission.

Recommendations

In order to mitigate the risk of failure, long and/or short term, due, in part, to the current maintenance backlog caused by current federal funding shortfalls; the lack of capital investment for adding tow haulage to the Oklahoma locks and to deepen the MKARNS to 12 feet thereby increasing the productivity of barge transportation by thirty percent (30%); the White River Entrance Cut-off problem; and the failure of the U. S. Army Corps of Engineers to issue guidance on emergency response to catastrophic infrastructure failures, the following recommendations are made:

*per ton fee
from operators
then matched by
Fed. Matched by
States*

- Explore opportunities to develop a plan for public/private partnerships including the possibility of bi-state or tri-state initiatives with Arkansas and Kansas to formulate some type of public/private partnership with the Federal Government (the U.S. Army Corps of Engineers) and the public and private Ports and Terminals. As an example, a \$1 per ton fee would generate \$12 million annually based on the current shipping volume on the MKARNS that could be supplemented by \$5 million from each of the three States (Arkansas, Kansas and Oklahoma) to yield a minimum of \$27 million per year to be matched equally by the Federal Government for a total of approximately \$54 million. Kansas is included since an average of two million tons of cargo flow to and from the MKARNS and Kansas annually. The States contributions would be reduced within five years or less depending on how quickly the maintenance backlog and construction of the 12-foot channel could be completed. Regardless of the formula used, a short-term investment approach to yield long-term benefits from the MKARNS is a must for Oklahoma.
- Develop a comprehensive master plan of development for the MKARNS which includes a strong marketing and promotion initiative to be executed by all parties and particularly the departments of commerce within the states.

Conclusion

Assuming the MKARNS continues to exist as a reliable transportation system, Oklahoma's Maritime Industry will be the recipient of significant new volumes of cargo, coincident with the completion of the Panama Canal Expansion in late 2016. The Canal is being expanded, in part, to take advantage of the doubling of international trade projected by the U.S. Department of Commerce to occur over the next decade. The current \$100 million maintenance backlog continues to increase with little or no measures being taken to overcome this problem. Instead, it is being operated according to a "Fix as Fail" strategy that could easily lead to long shut down periods of time and/or total failure. ✓

This is a critically important fact given the several hundred thousand trucks are currently not being driven on Oklahoma's roadways due to the 12 million tons of freight carried by barges annually. This not only reduces cost to industry but also makes our roadways safer due to fewer vehicle accidents.

Affecting the growth of the MKARNS is the lack of knowledge by the general population. Much of this could be overcome if various State Agencies would acknowledge its existence and help promote it to business and industry. As then Secretary of Commerce Larry Parman pointed out at the March 6, 2014, Task Force meeting, that the obvious test of the waterway's value is demand. Demand cannot exist, or grow, on the MKARNS if industries are not aware of its existence. In their 2013 Transportation and Infrastructure Report, the Oklahoma Academy for State Goals makes specific mention of the fact that most people in Oklahoma are unaware of the MKARNS or the existence of inland ports in Oklahoma. Together, the Secretary's statement and the Academy's report indicate a lack of awareness. Apart from educating the public, little has been offered as a solution to remedy this lack of knowledge and awareness.

It is a known fact that business consultants in other States are not aware that Oklahoma is a Maritime State with the capability of shipping products by water to almost any part of the Globe. However, a big step has already been taken to help educate the public and promote the MKARNS, as evidenced by the creation of the Maritime Education Center located at the Tulsa Port of Catoosa, an initiative that is jointly supported by the public relations efforts of Oklahoma's two public ports, the Tulsa Port of Catoosa and the Port of Muskogee. A secondary initiative, a National Maritime Development Strategy, will reportedly soon be released by the U. S. Maritime Administration. Taking education and awareness another step forward, it is incumbent on the leaders in our state and at our ports to aggressively promote business at Oklahoma's ports and along the MKARNS to ensure future growth.

Note: In addition to this report, an important report that should be read was issued by the National Transportation Research Board in 2015 entitled "Funding and Managing the Inland Waterways System: What Policy Makers Need to Know." This report addresses the needs of the entire inland waterway system and is the culmination of an 18-month consensus study by a committee of nine diverse experts appointed by the National Research Council October 2015. It outlines the rest of the story for the inland waterway system, of which the MKARNS is an important segment.

*A PDF copy of the report is available on the TRB website at:
<http://onlinepubs.trb.org/onlinepubs/sr/sr315.pdf>*

Appendix A: Research Objectives

The following research objectives are intended to provide a comprehensive overview of the current state of research on the topic of [illegible] and to identify areas for further investigation.

APPENDIX

1. The first objective is to [illegible] the current state of research on the topic of [illegible].
2. The second objective is to [illegible] the current state of research on the topic of [illegible].
3. The third objective is to [illegible] the current state of research on the topic of [illegible].
4. The fourth objective is to [illegible] the current state of research on the topic of [illegible].
5. The fifth objective is to [illegible] the current state of research on the topic of [illegible].
6. The sixth objective is to [illegible] the current state of research on the topic of [illegible].
7. The seventh objective is to [illegible] the current state of research on the topic of [illegible].
8. The eighth objective is to [illegible] the current state of research on the topic of [illegible].
9. The ninth objective is to [illegible] the current state of research on the topic of [illegible].
10. The tenth objective is to [illegible] the current state of research on the topic of [illegible].

Regional Economic Impact Study

The following excerpts are taken from the Regional Economic Impact Study for the MKARNS, performed by the Institute for Economic Advancement, College of Business, University of Arkansas at Little Rock, and submitted to the Oklahoma Department of Transportation in November of 2014:

- The economic value of the MKARNS is the sum total of all the economic losses due to its closing.
 - For Oklahoma and the surrounding region, the loss in sales would be \$1.85 billion – \$1.19 billion in Oklahoma alone.
 - For Oklahoma and the surrounding region, the reduction in GDP would be \$745.5 million – \$470 million in Oklahoma alone.
 - For Oklahoma and the surrounding region, the loss of jobs would be 11,836 – 8,743 in Oklahoma alone.

- The deepening of the MKARNS from 9 feet to 12 feet would add substantial additional value.
 - For Oklahoma and the surrounding region, sales would increase by \$160.7 million – \$109.6 million in Oklahoma alone.
 - For Oklahoma and the surrounding region, GDP would increase by \$83.3 million – \$58.9 million in Oklahoma alone.
 - For Oklahoma and the surrounding region, 1,040 new jobs would be created – 783 in Oklahoma alone.

First Task Force Meeting

August 19, 2013

The first meeting of the Task Force was held at the Capital Building in Oklahoma City, during which the members identified the following key elements that they felt needed to be addressed by the Task Force:

- How the MKARNS relieves traffic burdens on Oklahoma's roads and bridges.
- Promotional opportunities for helping Oklahoma's maritime industry grow and prosper.
- Potential impact of expanding the Panama Canal.
- Alternatives for multi-state efforts including supplemental funding to enhance/preserve the MKARNS.
- Current condition of the MKARNS and needed action for its preservation.

Immediately following the Task Force Meeting, the members moved to the Governor's Office for a special briefing session for Governor Fallin by Brigadier General Tom Kula, Division Commander for the Southwest Division, U. S. Army Corps of Engineers. General Kula gave her an overview of the Corps' responsibilities in Oklahoma which includes 24 reservoirs and approximately 150 miles of the 445-mile long McClellan-Ker Arkansas River Navigation System, the entrance of which is located at Mississippi river mile 600 near Rosedale, Mississippi.

Second Task Force Meeting

January 9, 2014

The second meeting of the Task Force was held in the main conference room of the Tulsa Port of Catoosa. During this meeting, the members and guests were briefed on the current "draft" of the proposed Water Resources Reform and Development Act (WRRDA) and its potential impact on the MKARNS, the importance of the waterway by a large shipper of iron and steel and another of petroleum products. Their presentations were followed by a briefing from the Corps of Engineers and ODOT.

Brittney Preston, Legislative Director for Congressman Markwayne Mullin, reported that the WRRDA bill was expected to address the need for emergency response authorization for addressing infrastructure failures jointly by the Corps and non-federal stakeholders such as ports and terminals which, in turn, may lead to the formation of similar partnerships for overcoming federal funding shortfalls (as reported herein, WRRDA was signed into law by President Obama on January 10, 2014).

Dana Weber, President and CEO of Webco Industries, Sand Springs, OK, explained that the MKARNS had given her company a 50% growth potential due to their realizing from 50% to 75% in transportation cost savings through utilizing barge transportation. She also reported that it was cheaper to ship by barge from Webco's plants in Pennsylvania to Oklahoma than to ship by truck between their plants in Pennsylvania. She also pointed out that the importance of the MKRNS would grow as rail and highway congestion continues to increase and as the economy expands.

John Reaves, Owner of Asphalt and Fuels Supply, explained that his company ships over 245,000 tons of petroleum products per year on the MKARNS. As one of over a dozen petroleum-related companies in Oklahoma who directly benefits from barge shipping, John reported that reliance on truck and rail alone would increase his company's transportation costs by at least 15%.

Earl Groves, Chief of Operations for the Tulsa District, U.S. Army Corps of Engineers, reported on the current maintenance backlog for taking care of the 18 locks and dams on the MKARNS. He reported that, unless federal funding increases, some type of public-private partnership would have to be formed in order to preserve commercial water navigation. His report was consistent with comments by Major General John Peabody, Deputy Commanding General for Civil and Emergency Operations, U. S. Army Corps of Engineers, who stated, at an Inland Waterways User Board Meeting in Little Rock, Arkansas, that "unless and until we can change our federal resourcing model, which in my view is fundamentally unsustainable, or shut down some of our projects or defund some of our projects, the reliability quotient is going to continue to go down."

Third Task Force Meeting
March 6, 2014

This meeting was held at the State Capital in Oklahoma City in order to facilitate attendance by Governor Fallin's Cabinet Secretaries to learn about their respective views on the importance of waterway transportation in Oklahoma. Secretary Larry Parman, Oklahoma Secretary of Commerce, explained that waterways are the most economical and environmentally sound mode of shipping goods with over 20% of our National freight shipped by waterways located in the 24 states to include Oklahoma that are linked by waterways. (Note: there are 25,000 miles of navigable waterways in the U. S.) Secretary Mike Teague, Oklahoma Secretary of Energy and the Environment, concurred with Secretary Parman and added that federal regulations will continue to have an enormous impact on the trucking industry, on power generation, and on the coal industry. Therefore, the inland waterway system is our Nation's best transportation alternative. (Note: Secretary Teague is the former Tulsa District Commander for the Corps of Engineers in Oklahoma.) Secretary Jim Reese, Oklahoma Secretary of Agriculture, also touted the importance of waterway transportation along with the critical support role of rail and truck to Oklahoma Agriculture. Secretary Gary Ridley, Oklahoma Secretary of Transportation, further explained the benefits of water transportation to Oklahoma and how it reduces wear and tear on our State's Highway System. He further reported that many more such benefits can be realized since less than 1% of the total freight in Oklahoma is moved by water.

