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PERFORMANCE OF DREDGING BY CONTRACT

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HEARING

BEFORE THE

COMMITTEE ON WATER RESOURCES

OF THE

COMMITTEE ON

PUBLIC WORKS AND TRANSPORTATION

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 7744

TO AMEND THE ACTS OF AUGUST 11, 1888, AND MARCH 2, 1919,
PERTAINING TO CARRYING OUT PROJECTS FOR IMPROVE-
MENTS OF RIVERS AND HARBORS BY CONTRACT OR OTHER-
WISE, AND FOR OTHER PURPOSES

JULY 13, 1977

Printed for the use of the
Committee on Public Works and Transportation



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CONTENTS

H.R. 7744: To amend the acts of August 11, 1888, and March 2, 1919, pertaining to carrying out projects for improvements of rivers and harbors by contract or otherwise, and for other purposes-----	Page 1
--	-----------

TESTIMONY

de Mariano, Paul D., port director, Port Everglades, Fla.; accompanied by Capt. Robert C. Engram, president, Gulf Ports Association, Gulfport, Miss.; Ed A. Shaw, president, South Atlantic and Caribbean Ports Association, Jacksonville, Fla.; M. V. Craft, president, North Atlantic Ports Association, Norfolk, Va.; and Glen Hughes, California Association of Port Authorities, San Pedro, Calif.-----	42
Downs, John A., president, Great Lakes Dredge & Dock Co., and National Association of Dredging Contractors; accompanied by E. P. Tanzberger, vice president, C. F. Bean Corp., New Orleans, La.; Fred R. Hazard, vice president, National Association of Dredging Contractors, Chicago, Ill.; John J. Brown, legislative director, International Union of Operating Engineers, Washington, D.C.; and O. M. Gautreaux, Associated General Contractors of America, Washington, D.C.-----	21
Morris, Lt. Gen. J. W., Chief of Engineers, Department of the Army; accompanied by Maj. Gen. Ernest Graves, Deputy Chief of Engineers, Department of the Army-----	9
Soike, Henry E., general manager, Port of Grays Harbor, Aberdeen, Wash.; accompanied by Lewis R. Holcomb, executive director, Washington Public Ports Association, Olympia, Wash.; Wilbur TERNYK, chairman, Oregon Coastal Zone Management Association, Florence, Oreg.; J. Larry Qualman, president, Oregon Coastal Ports Federation, Coos Bay, Oreg.; George R. Grove, executive director, Port of Astoria, Astoria, Oreg.; Robert L. Mason, executive vice president, Pacific Coast Association of Port Authorities, Palo Alto, Calif.; and Roy C. Webster, executive vice president, Pacific Northwest Waterways Association, Walla Walla, Wash.-----	48

MATERIAL RECEIVED FOR THE RECORD

Associated General Contractors of America, statement-----	27
Craft, M. V. "Bill," president, North Atlantic Ports Association, statement-----	41
Brand, Herbert, president, Transportation Institute, statement-----	25
de Mariano, Paul D., port director, Port Everglades, Fla.: Statement-----	34
Statement of American Association of Port Authorities-----	35
Engram, Robert C., port director, Port of Gulfport, Miss., and president, Gulf Ports Association, Inc., statement-----	36
Graves, Maj. Gen. Ernest, Director of Civil Works, U.S. Army Corps of Engineers: Letter dated April 26, 1977 to Hon. Harold T. Johnson, chairman, House Committee on Public Works and Transportation-----	9
Responses to questions posed by Congressman Don H. Clausen-----	6
Holcomb, Lewis R., executive director, Washington Public Ports Association, Olympia, Wash., statement-----	48
Ternyk, Wilbur E., executive director, Oregon Coastal Zone Management Association, Inc.: Statement-----	50
Letter from Hon. Robert W. Straub, Governor of the State of Oregon-----	51
Webster, Roy C., executive vice president, Pacific Northwest Waterways Association, statement-----	54

CONTENTS

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TESTIMONY

1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
6	6	6	6
7	7	7	7
8	8	8	8
9	9	9	9
10	10	10	10
11	11	11	11
12	12	12	12
13	13	13	13
14	14	14	14
15	15	15	15
16	16	16	16
17	17	17	17
18	18	18	18
19	19	19	19
20	20	20	20
21	21	21	21
22	22	22	22
23	23	23	23
24	24	24	24
25	25	25	25
26	26	26	26
27	27	27	27
28	28	28	28
29	29	29	29
30	30	30	30
31	31	31	31
32	32	32	32
33	33	33	33
34	34	34	34
35	35	35	35
36	36	36	36
37	37	37	37
38	38	38	38
39	39	39	39
40	40	40	40
41	41	41	41
42	42	42	42
43	43	43	43
44	44	44	44
45	45	45	45
46	46	46	46
47	47	47	47
48	48	48	48
49	49	49	49
50	50	50	50
51	51	51	51
52	52	52	52
53	53	53	53
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56	56	56	56
57	57	57	57
58	58	58	58
59	59	59	59
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61	61	61	61
62	62	62	62
63	63	63	63
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65	65	65	65
66	66	66	66
67	67	67	67
68	68	68	68
69	69	69	69
70	70	70	70
71	71	71	71
72	72	72	72
73	73	73	73
74	74	74	74
75	75	75	75
76	76	76	76
77	77	77	77
78	78	78	78
79	79	79	79
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88	88	88	88
89	89	89	89
90	90	90	90
91	91	91	91
92	92	92	92
93	93	93	93
94	94	94	94
95	95	95	95
96	96	96	96
97	97	97	97
98	98	98	98
99	99	99	99
100	100	100	100

MATERIAL NEW TO THE RECORD

1	1	1	1
2	2	2	2
3	3	3	3
4	4	4	4
5	5	5	5
6	6	6	6
7	7	7	7
8	8	8	8
9	9	9	9
10	10	10	10
11	11	11	11
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95	95	95	95
96	96	96	96
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99	99	99	99
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95TH CONGRESS
1ST SESSION

H. R. 7744

IN THE HOUSE OF REPRESENTATIVES

JUNE 13, 1977

Mr. JOHNSON of California (for himself, Mr. HARSHA, Mr. ROBERTS, Mr. HOWARD, and Mr. COCHRAN of Mississippi) introduced the following bill; which was referred to the Committee on Public Works and Transportation

A BILL

To amend the Acts of August 11, 1888, and March 2, 1919, pertaining to carrying out projects for improvements of rivers and harbors by contract or otherwise, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That section 3 of the Act of August 11, 1888 (25 Stat.
4 423; 33 U.S.C. 622), is amended to read as follows:

5 "SEC. 3. (a) The Secretary of the Army in carrying
6 out projects for improvement of rivers and harbors (other
7 than surveys, estimates, and gagings) shall, by contract or
8 otherwise, carry out such work in the manner most economi-
9 cal and advantageous to the United States. The Secretary

1 of the Army, acting through the Chief of Engineers, shall
2 have dredging and related work done by contract if he deter-
3 mines private industry has the capability to do such work and
4 it can be done at reasonable prices and in a timely manner.
5 During the two-year period which begins on the date of
6 enactment of this subsection, the Secretary may limit the
7 application of the second sentence of this subsection for work
8 for which the federally owned fleet is available to achieve an
9 orderly transition to full implementation of this subsection.

10 “(b) As private industry reasonably demonstrates its
11 capability under subsection (a) to perform the work done
12 by the Federal fleet, at reasonable prices and in a timely
13 manner, the federally owned dredge fleet shall be reduced
14 in an orderly manner, as determined by the Secretary, by
15 retirement of plant. To carry out emergency and national
16 defense work the Secretary of the Army, acting through
17 the Chief of Engineers, shall retain only the minimum fleet
18 capable of performing such work and he may exempt from
19 the provisions of this section such amount of work as he
20 determines to be reasonably necessary to keep such fleet
21 operational after the minimum fleet requirements have been
22 determined. The minimum Federal fleet shall be maintained
23 to technologically modern and efficient standards, including
24 replacement as necessary. The Secretary of the Army,
25 acting through the Chief of Engineers, is authorized and

1 directed to undertake a study to determine the minimum
2 fleet required to perform emergency and national defense
3 work. The study, which shall be submitted to Congress
4 within two years after enactment of this subsection, shall
5 also include preservation of employee rights of persons pres-
6 ently employed on the existing dredge fleet.”.

7 SEC. 2. Section 8 of the Act of March 2, 1919 (40
8 Stat. 1290; 33 U.S.C. 624), is amended to read as follows:

9 “SEC. 8. (a) No works of river and harbor improve-
10 ment shall be done by private contract—

11 “(1) if the Secretary of the Army, acting through
12 the Chief of Engineers, determines that Government
13 plant is reasonably available to perform the subject work
14 and the contract price for doing the work is more than
15 25 per centum in excess of the estimated comparable
16 cost of doing the work by Government plant; or

17 “(2) in any other circumstance where the Secretary
18 of the Army, acting through the Chief of Engineers,
19 determines that the contract price is more than 25 per
20 centum in excess of what he determines to be a fair and
21 reasonable estimated cost of a well-equipped contractor
22 doing the work.

23 “(b) In estimating the comparable cost of doing the
24 work under subsection (a) (1) by Government plant the
25 Secretary of the Army, acting through the Chief of Engi-

1 neers shall, in addition to the cost of labor and materials, take
2 into account proper charges for depreciation or replacement
3 of plant, all supervising and overhead expenses, interest on
4 the capital invested in the Government plant (but the rate
5 of interest shall not exceed the maximum prevailing rate
6 being paid by the United States on current issues of bonds
7 or other evidences of indebtedness) and such other Govern-
8 ment expenses and charges as the Chief of Engineers deter-
9 mines to be appropriate..

10 “(c) In determining a fair and reasonable estimated
11 cost of doing work by private contract under subsection
12 (a) (2), the Secretary of the Army, acting through the
13 Chief of Engineers, shall, in addition to the cost of labor and
14 materials, take into account proper charges for depreciation
15 or replacement of plant, all expenses for supervision, over-
16 head, workmen's compensation, general liability insurance,
17 taxes (State and local), interest on capital invested in plant,
18 and such other expenses and charges the Secretary of the
19 Army, acting through the Chief of Engineers, determines to
20 be appropriate.”.

PERFORMANCE OF DREDGING BY CONTRACT

WEDNESDAY, JULY 13, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WATER RESOURCES OF THE
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:02 a.m., in room 2253 Rayburn House Office Building, Hon. Ray Roberts (chairman of the subcommittee) presiding.

Mr. ROBERTS. The Subcommittee on Water Resources will come to order.

This morning the subcommittee meets to receive testimony on H.R. 7744, a bill relating to the performance of dredging by contract. H.R. 7744 would direct the Secretary of the Army, acting through the Chief of Engineers, to have dredging work done by contract if he determines that private industry has the capability to do the work and it can be done at reasonable prices and in a timely manner.

The bill would also provide for an orderly reduction in the Federal dredge fleet as the capability of private industry is increased. A Federal fleet necessary to perform emergency and national defense work would be maintained.

Our first witness is Lt. Gen. John W. Morris, Chief of Engineers. General, it is a pleasure to welcome you before the subcommittee, and you may proceed as you wish.

First, however, I would like to recognize the ranking minority member of the subcommittee, Mr. Clausen.

Mr. CLAUSEN. Thank you, Mr. Chairman. I would like to join with you in welcoming our witnesses today and I am especially delighted to see that General Morris is with us and I would like to compliment him publicly on the job he is doing.

These are very difficult times for water resources development and I think we have a chief that is certainly equal to the task. We have before us a bill that will encourage private industry to develop resources and carry out a task currently performed by the Federal Government. I hope in the next few years we will see industry take up a larger share of the dredging done by harbor facilities.

I hope we will find the Government is spending less money to perform more work. However, I will caution that we should use due deliberation in working toward that goal.

I would hate to find us in a position that not properly implemented legislation could lead to an increase in the Federal cost of maintaining our navigable waters. To this end I have a number of questions which will hopefully develop the type of record which will assure us as best

we can that we will be moving in the right direction to decrease the Federal role and the Federal cost of dredging.

If the record shows otherwise, we must make the necessary changes that will make—allow for sufficient flexibility.

Mr. Chairman, I have a conflict with another committee. I ask unanimous consent that I be permittee to submit a number of questions in writing to the witnesses.

Mr. ROBERTS. Without objection, they will be made a part of the record at this point.

[Questions and replies follow:]

QUESTIONS POSED BY CONGRESSMAN DON H. CLAUSEN

Questions. General, would you describe the testing of the market program? What results have you had to date?

Answer. The Testing of the Market program, which is now referred to as the Industry Capability Program, was initiated on January 1, 1977. This program, which is scheduled over a four year span, is designed to determine the relative capability of Corps and industry dredging equipment to perform at reasonable cost and in a timely manner, that work normally accomplished by Corps plant. At one time the Corps performed the major portion of all dredging on the nation's navigable waterways. The growth in industry capability was followed by a significant decline in Corps cutterhead, bucket, and dipper dredge capability. At the present time, industry performs, and has performed for many years, approximately 65 percent (by dollar value) of our overall dredging requirements. The remaining 35 percent requires predominantly the specialized capability of a hopper dredge, a capability not possessed by the industry until recently. Industry has indicated a desire to compete for that work which is still accomplished by Corps plant. The Industry Capability Program permits industry to indicate projects or portions of projects in which they have an interest to bid against Corps equipment. From the list of projects selected by the industry we will advertise in a given Fiscal Year approximately 25 percent, by dollar value of that work normally performed by Corps dredges. During Fiscal Year 1977, the Industry Capability Program includes 25 projects, with an estimated total volume of 49 million cubic yards and an estimated cost of \$33 million. Through July 8, 1977, we have advertised a total of 16 projects involving about \$12 million dollars and 14.8 million cubic yards of material. Industry was low bidder on six of these projects while the Corps was the low bidder on the remaining ten projects. A tabulation summarizing the status of the Industry Capability Program, fiscal year 1977, is attached for your information.

INDUSTRY CAPABILITY PROGRAM,¹ FISCAL YEAR 1977—BID SUMMARY

Jan 1, through July 1977

Division: project: Type of Dredge	Quantity (cubic yards)	Corps esti- mated cost	Industry bids		Bidders	Ratio indus- try low bid to corps	Award	Award protest	Prebidding industry interest
			Low	High					
NAD: Delaware River: Hopper	500,000	\$586,740	\$987,455	\$1,600,045	3	1.45	Corps	No	Yes
SAD: Morehead City Harbor: Hopper	2,300,000	2,527,480	2,219,900	3,749,000	3	.87	Industry	No	No. ²
SAD: Black Warrior-Tombigbee River: Cutterhead	1,600,000	946,500	973,580	1,386,620	4	1.03	Industry	No	Yes
SAD: Chattahoochee River: Cutterhead	150,000	167,584	373,970	0	1	1.99	Corps	No	No. ³
SAD: Georgetown Harbor: Hopper	234,000	546,800	0	0	None	0	Corps	No	Yes. ⁴
SAD: Alabama River: Cutterhead	1,400,000	631,500	1,037,119	1,117,148	3	1.64	Corps	Yes (denied)	No. ⁵
SAD: Apalachicola-Chattahoochee River: Cutterhead	1,000,000	586,728	770,603	921,056	3	1.36	Corps	Yes (denied)	No. ⁵
NCD: Little Lake Harbor: Hopper	27,000	44,311	88,900	239,250	8	2.01	Corps	Yes	Yes
NCD: Illinois River: Cutterhead	840,000	583,812	1,074,000	5,140,000	6	1.82	Corps	Yes	Yes
NCD: Package (Arcadia, Leland, Pentwater, Portage Lake and Saugatuck Harbor): Clamshell	87,700	195,005	235,400	438,190	8	1.52	Corps	Yes	Yes
SAD: Gulfport: Hopper	3,275,000	816,600	1,687,577	2,621,000	2	2.07	Corps	Yes	Yes
NAD: Hudson River (Edgewater-Weekawaken Range): Hopper	376,500	145,876	682,200	966,010	2	.91	Industry	No	Yes
NCD: Warsaw, Ill., and Fort Madison, Iowa: Cutterhead	28,000	100,176	47,800	151,500	2	.48	Industry	No	Yes
NCD: Buffalo Harbor and River: Hopper	475,000	1,670,666	1,681,193	0	1	1.01	Industry	No	Yes
MFD: Missouri River: Dustpan	2,500,000	1,198,939	3,140,560	0	1	2.62	Corps	No	Yes. ⁶
SAD: Ponce DeLeon Harbor: Hopper	60,000	221,510	156,948	0	1	.71	Industry	No	Yes

¹ Initially designated the testing of the market program.² Industry objected to this project being bid under the IC program requesting separate status for projects where industry hopper dredges were bid against corps hopper dredges. Corps policy is that any project may be bid by any type of plant against corps plant and therefore should fall under the IC program.³ The National Association of Dredging Contractors objected to this project being advertised under the IC program since there was insufficient yardage to attract industry interest. Industry did bid the project.⁴ The 1 member of industry who was interest in this project was not the low responsive bidder at Morehead City and determined that Georgetown alone provided insufficient justification to mobilize a dredge from the gulf coast.⁵ Industry objected to these projects being advertised under the IC program. Corps policy is to bid corps plant against industry plant in conformance with the law (33 U.S.C. 624) when corps plant is reasonably available and capable of performing the work. The law permits contracting dredging work if the cost of doing the work is within 125 pct of the cost of doing the work by corps plant.⁶ Industry had indicated orally that at least 1 dredging company would probably submit a bid.

Question. Is this the right time to make a change?

Answer. In my view it would be better to wait until we had some results in from the Industry Capability program. However, we believe we can work with the bill, as it basically codifies our intentions as spelled out in our letter of 26 April 1977 to the Committee Chairman.

Question. Does this bill have sufficient flexibility for adjustment?

Answer. This is one reason why I felt it would be better to wait. Existing legislation (33 USC 622), provides considerable discretion to the Secretary of the Army in carrying out river and harbor work. The proposed legislation, as presently written, removes the discretionary language included in the existing legislation. I feel there is a need to have sufficient flexibility to exercise discretionary judgement in accomplishing adjustments as necessary to assure the maintenance of our waterways in a timely manner and at reasonable costs.

Question. Do we know how much this change will cost the United States?

Answer. No. The Industry Capability program (formerly the Testing of the Market program) was designed to extend over a four year period to permit us to compile a sufficient amount of definitive information so that a comprehensive judgement could be made regarding the overall change in cost and timeliness of performance. Since the initiation of this program on 1 January 1977, we have advertised 16 of 25 projects scheduled for fiscal year 1977 under the Industry Capability program. Therefore, considering the four year period for conducting the Industry Capability program, I do not think we have sufficient information available to estimate how the proposed legislation would affect the total cost of the dredging program.

Question. Is it wise to restrict the Corps to having only a minimum fleet?

Answer. It would not be wise until the industry fleet had been built up to the point that, together with the Corps fleet, the dredging work would be done in a timely manner and at reasonable prices. The bill provides for this.

Question. Is two years long enough to make this transition?

Answer. No sir. The transition to the minimum fleet depends largely upon the development of hopper dredging capability by the dredging industry. It takes two to three years to plan and construct a hopper dredge. Therefore, the Corps should not be placed in a position of having to reduce its fleet to a minimum level until a viable and competitive industry capability is available.

Question. Is the Corps permitted to keep its minimum fleet fully utilized?

Answer. Yes. This concept is vital to an effective residual fleet capable of moving at a moment's notice to meet emergency and national defense requirements over a broad geographic area. I interpret the proposed legislation, H.R. 7744, to permit full utilization of the minimum fleet of the Corp.

Question. Should plant replacement costs be permitted to be a factor in figuring Corps estimates?

Answer. This topic has generated considerable discussion in the past and will probably be the subject of future discussions. Industry has argued that a replacement charge should be included. It is our view that the plant replacement factor does not properly reflect actual costs to the Government and should not be adopted in the interest of safeguarding the use of public funds. Funds collected by industry through a replacement charge must be included in the profit margin in accordance with guidelines established by the Internal Revenue Service. These guidelines also indicate that the original cost of a capital investment should be recovered through depreciation. Therefore, it is essential that the profit margin included in industry estimates to perform work include replacement cost increments. However, Corps estimates for the performance of dredging work do not include profit since this would be an inappropriate cost under the Federal contracting system as it has evolved over the years. It is conceivable that we might in the future desire to use replacement costs for Government plant, but note that the bill now allows "and such other Governmental expenses and charges as the Chief of Engineers determines to be appropriate." Accordingly, both references to replacement costs should be removed from Section 2 of H.R. 7744.

Question. Please provide for me your current estimate of the size of the needed residual fleet.

Answer. A firm determination on the size of the residual fleet of Corps hopper dredges has not been made. In order to provide you with some idea of the composition of the residual fleet, I would estimate that it might include two large, four medium, and three small hopper dredges. This composition assumes that industry will construct additional hopper dredges and respond to our dredging needs in an optimum manner. We will not be able to firmly establish the size and

nature of the residual fleet until we have established our national defense and emergency requirements, which will probably be late in this calendar year. The residual fleet should also include other types of dredges—cutterheads, dustpans and sidecasters. I believe that several of each of these types will be needed. However, in an overall sense, we plan to reduce the number of dredges in the Corps fleet. For example, we recently reduced the total number of dredges from 43 to 41 by disposing of two obsolete cutterhead dredges.

Question. Please provide union status of Corps dredge employees.

Answer. The following tabulation indicates the union affiliations which represent approximately 1,900 Corps dredge employees.

UNION AND LOCATION OF EMPLOYEES REPRESENTED

National Federation of Federal Employees (NFFE)—Memphis, Kansas City, St. Paul, and Mobile.

National Maritime Union (NMU)—Memphis, New Orleans, Philadelphia, Buffalo, Portland, Jacksonville, Wilmington, and Galveston.

Marine Engineers Beneficial Association (NMEBA)—New Orleans, St. Louis, Kansas City, Philadelphia, Buffalo, Portland, Jacksonville, and Galveston.

National Association of Government Employees (NAGE)—St. Louis.

American Federation of Government Employees (AFGE)—Vicksburg, Detroit, St. Paul, and Savannah.

Masters, Mates & Pilots (IOMMP)—Philadelphia, Buffalo, Portland, Jacksonville, and Galveston.

Mr. ROBERTS. Please proceed, General Morris.

TESTIMONY OF LT. GEN. J. W. MORRIS, CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY; ACCOMPANIED BY MAJ. GEN. ERNEST GRAVES, DEPUTY CHIEF OF ENGINEERS, DEPARTMENT OF THE ARMY

General MORRIS. Thank you, sir.

Good morning. I am pleased to be here today to present testimony on H.R. 7744, a bill to amend the acts of August 11, 1888, and March 2, 1919, which pertain to projects to improve rivers and harbors and for other purposes. As part of my statement I request that you incorporate into the hearing record, the April 26, 1977 letter sent by General Graves to Committee Chairman Johnson which reflects in more detail the U.S. Army Corps of Engineers position from which my statement is derived.

Mr. ROBERTS. Without objection, the letter will appear in the record at this point.

[Letter referred to follows:]

DEPARTMENT OF THE ARMY,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, D.C., April 26, 1977.

HON. HAROLD T. JOHNSON,
*Chairman, Committee on Public Works and Transportation,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The purpose of this letter is to provide information on plans of the Corps of Engineers to improve the efficiency of dredging operations in the Nation's ports and waterways through modernization of the total dredging fleet.

The goal of our dredging program is to assure the economical and environmentally sound construction and maintenance of Federally funded channels and harbors in accordance with the authorizations enacted by the Congress. This is one of the basic responsibilities of the Chief of Engineers.

We believe that our principal reliance should be on private industry to perform required Federal dredging and further that a healthy and profitable dredging industry is necessary to ensure the economical and timely execution of the program. In our view, the proper role of the Corps of Engineers should be to manage

the program and to maintain a minimum Government dredging capability in order to provide adequate response to national defense and emergency requirements.

As a step toward full implementation of this policy, we have initiated a Testing of the Market Program to demonstrate the feasibility of increased reliance upon private industry. As our plans evolve, and as we observe first results, it is perhaps more accurate to call this an "Industry Capability Program." By soliciting bids on work now performed by Corps dredges, we hope to achieve two ends: (1) to demonstrate that industry can perform the work on a timely basis and at reasonable cost, and (2) to induce industry to build modern, technologically advanced equipment.

At the same time, we have prepared preliminary estimates of the size and composition of a minimum dredge fleet which would be necessary to provide adequate capability to respond in a timely and effective manner to situations of emergency or national defense. It is our intention gradually to reduce the current Corps-owned dredge fleet to a minimum fleet configuration. This will be accomplished as industry demonstrates the capability to perform the work which requires specialized dredging equipment. We plan to begin the reduction of our dredging fleet as soon as practicable by laying up the older, less efficient Government dredges one by one as successful industry bids demonstrate adequate industry capability to perform the same work at reasonable prices and in a responsive manner. However, we do intend to achieve a net increase in the total number of hopper dredges in the combined Government and industry fleets, and we shall pace the retirement of the older Government hopper dredges so as to achieve this objective.

Development of our plans for the Corps-owned minimum fleet is based on consultation within the Defense Department for national defense needs and on an analysis of individual equipment capabilities, travel times, and likely contingency events for emergency requirements. The preliminary analyses performed to date indicate that a minimum fleet will require both hopper and pipeline dredges, but the exact composition has not been determined. It is important to note that our plans to reduce the size of the Corps dredge fleet do not obviate the need to continue with the design and construction of new dredging equipment. In our view, it is imperative that a minimum Corps fleet be composed of technologically modern equipment in order to ensure that it is capable of responding quickly and effectively to emergency and national defense situations.

At the present we have little definitive data that would demonstrate the cost impact of our plans to increase the portion of the dredging workload performed by industry. Some previous studies have indicated that such a policy would result in substantial increases in cost; however, these findings were largely based on bidding situations in which industry pipeline dredges were bid against Corps hopper dredges on jobs which were better suited for hopper dredges. Some more recent bidding experience casts doubts on the validity of these earlier studies. While we do not feel that either the earlier studies or the recent bidding experience provide conclusive evidence of the long-range cost impact of our plans, we do believe that the "Industry Capability Program," if continued as planned over a four-year period, will provide a good cost comparison. We see little reason to expect that costs for work performed by industry will be unreasonably larger than Corps costs when performed by industry with equipment comparable to that available to the Corps.

Recognizing that our plans will involve a reduction from the 43 dredges currently in the Corps fleet, we are concerned that our obligations to our employees are discharged in full. As part of our planning for a minimum fleet, we intend to study alternative means of ensuring that the employment rights of our dredging employees are preserved. We will take advantage of normal attrition, early retirements, and hiring freezes where necessary, so that we will be able to offer each displaced employee a new position.

It should be obvious that these plans will be several years in execution. It takes a long time to plan, design, finance and build the equipment the Nation must have if we are to maintain an adequate dredging capability. Private industry will watch closely our actions in order to be certain that their investments are prudent. By the same token, the ports, the shippers, and the Corps will be monitoring progress to be certain that the program remains responsive and cost-effective. Not only will midcourse corrections remain available, but also the Corps-owned minimum fleet will provide a measure of security for emergencies.

We are providing the following more detailed information as inclosures¹:

1. EC 1125-2-358, "Administrative Guidelines For The Testing-of-The Market Program," 23 December 1976.
2. "Advisory Committee On National Dredging Study," Report to the Chief of Engineers, October 1974.
3. "National Dredging Study," Report of the Chief of Engineers, December 1974.
4. "Results of Corps of Engineers Fiscal Year 1968 Program For Advertising Dredging Jobs," Special Report to Appropriation Committees of Congress, February 1969.

I would be pleased to discuss our plans with you or your staff in more detail if you so desire.

Sincerely,

ERNEST GRAVES,
Major General, U.S. Army,
Director of Civil Works.

General MORRIS. At the outset of my statement, I would like to emphasize that a basic responsibility of the Chief of Engineers is the maintenance of the Nation's waterways for the general welfare of our citizens. This involves planning and implementing a continuing dredging program to assure the timely, economical, and environmentally sound construction and maintenance of federally funded channels and harbors in accordance with congressional enactments and authorizations.

Within the context of that continuing responsibility, I have long believed we should rely on private industry to perform required Federal dredging to the maximum extent justifiable. A healthy, profitable dredging industry should insure economical and timely execution of the dredging program. In my view, the proper role of the Corps of Engineers should be to manage the program and maintain a minimum Government dredging capability in order to meet national defense and emergency requirements.

However, at no time during the evolution of industry capability should I be asked to reduce the combined Federal and industry capability below the minimum necessary to execute my basic responsibility to maintain and operate the federally funded channels and harbors. This is the key point I wish to make, Mr. Chairman, for it forms the basis from which I derive my position on this legislative proposal.

As a step toward full implementation of this policy, we initiated a testing of the market program in January 1977 to demonstrate the feasibility of relying increasingly upon private industry. As plans have evolved, and we have observed the initial results, it may be more accurate to call this phase an industry capability program. We are soliciting bids on work now performed by corps dredges in order to achieve two ends: One, to demonstrate that industry can perform the work on a timely basis and at reasonable cost; and, two, to induce industry to build modern, technologically advanced equipment.

Simultaneously, we have prepared preliminary estimates of the size and composition of a minimum dredge fleet necessary to respond effectively to emergency or national defense situations. We intend gradually to reduce the current corps-owned dredge fleet to the minimum fleet configuration, as industry demonstrates its capability to perform the work requiring specialized dredging equipment. We

¹ Retained in subcommittee files.

plan to begin reducing the dredging fleet as soon as practicable by laying up the older, less efficient Government dredges, one by one, as successful industry bids demonstrate that there is adequate industry capability to perform the same work at reasonable prices and in a responsive manner.

However, we intend to achieve a net increase in the total number of hopper dredges in the combined Government and industry fleets. We would pace the retirement of the older Government hopper dredges so as to achieve this objective.

Development of our preliminary plans for the corps-owned fleet has been based on consultations within the Defense Department to determine national defense needs and analyze individual equipment capabilities, travel times, and likely contingency events for emergency requirements. Preliminary analyses to date indicate that a minimum fleet will require both hopper and pipeline dredges, but the exact composition has not been determined. In my view, a minimum corps fleet must be composed of technologically modern equipment to insure quick and effective response to emergency and national defense situations.

At present, we have little definitive data to demonstrate the cost impact of increasing the dredging workload performed by industry. Some previous studies indicated that such a policy would result in substantial cost increases; however, these findings were largely based on bidding situations in which industry pipeline dredges were bid against corps hopper dredges on jobs better suited for hopper dredges. Some more recent bidding experience cast doubts on the validity of these earlier findings. While we do not feel that either the earlier studies or the recent bidding experience provide conclusive evidence of the long-range cost impact of our plans, we do believe that the industry capability program, if continued as planned over a 4-year period, will provide a good cost comparison.

Recognizing that our plans will involve a reduction from the 43 dredges currently in the corps fleet, we are concerned that our obligations to our employees are discharged in full. As part of our planning for a minimum fleet, we intend to study alternative means of insuring that the employment rights of our dredging employees are preserved. We will take advantage of normal attrition, early retirements, and hiring freezes where necessary, so that we will be able to offer each displaced employee a new position.

These plans, obviously, will be several years in execution. It takes a long time to plan, design, finance, and build the equipment the Nation must have if we are to maintain an adequate dredging capability. Private industry will watch our actions closely to be certain that their investments are prudent. By the same token, the ports, the shippers, and the corps will be monitoring progress to be certain that the program remains responsive and cost effective. Not only will midcourse corrections remain available, but also the corps-owned minimum fleet will provide a measure of security for emergencies.

As is perhaps obvious from the foregoing, we do not believe that enactment of H.R. 7744 is necessary to achieve its primary objectives to the extent that they are already being carried out by the corps. However, the administration would have no objection to the enactment of H.R. 7744.

Mr. Chairman, this concludes my statement.

I would be pleased to answer any questions.

Mr. ROBERTS. Thank you, General Morris. As always, you come directly to the point. I have just two questions. One, do you foresee any problem in implementing H.R. 7744 as far as the corps is concerned?

General MORRIS. Mr. Chairman, some problems do exist. However, the administration feels that within this legislation there are adequate safeguards to preclude these problems from becoming major. I would like to elaborate slightly on the problems.

As background, the members of the Corps of Engineers have worked very closely with the dredging industry and the committees now for 5 years, and I believe there is a mutual understanding of the objectives and what we are trying to do; and also, I believe the principals involved understand each other.

My concern has to do, however, with some later interpretations which might be placed upon certain words in the legislation by others.

For example, on page 2, section 3(a), line 5, the reference to "* * * the 2-year period which begins on the date of enactment of this subsection, the Secretary may limit * * *," and so forth. That means that for the first 2 years the Secretary of the Army, acting through the Chief of Engineers, need not advertise all contracts for dredging.

At the end of the 2-year period, the implication is that industry will have built its fleet to the point where it can compete for all dredging. I do not believe that is possible. But that is not necessarily the whole point.

The point is that in the following subsection, subsection 3(b), there are instructions that the Secretary of the Army shall retain only the minimum fleet to carry out emergency and national defense work.

In my opening statement, I mentioned that at no time should the Chief of Engineers be required to reduce the dredge fleet below that needed to maintain the waterways. I see no problem in this bill language as long as that guiding principle is adhered to. But one interpretation could be that the industry fleet would reach full strength in 2 years, and at that time the Corps would be reduced to the minimum Federal fleet. That is a difficult interpretation to apply. However, it is one which would be impossible to achieve.

In the same section 3, under B, line 19, I believe that the word "section" should be changed to "act" because section 2 as an imperative requirement would conflict with section 1. The final point I want to mention, sir, in the problem areas as I see them, is on line 14, section 3(b). It says that the dredge fleet shall be reduced as determined by the Secretary of the Army "by retirement of the plant."

I believe that the words "retirement of the plant" are somewhat overrestrictive in that there may be some ways to dispose of plant other than simply by retirement. It would be better if that constraint were removed.

Again, Mr. Chairman, I would like to conclude my answer to your question by saying that there are safeguards in the legislation; and based upon the interpretations which we now have, the administration considers that we can continue to operate. There is with me, as the official responsible for maintaining the waterways, the concern that, once passed, the law could be subject to overrestrictive interpretations.

The driving force should be for the total national capability—the industry as well as the Corps of Engineers fleet. If the record supports that, we again will have no problem.

Mr. ROBERTS. General, you will have a basic fleet, and it is your intention, of course, to keep this basic fleet available for whatever duties as you see fit to assign it for current dredging and to be available in case of national emergency. Is that correct?

General MORRIS. My understanding of the legislation is that, once the minimum fleet configuration is identified, it may be kept.

Mr. ROBERTS. The gentleman from Minnesota.

Mr. HAGEDORN. Thank you, Mr. Chairman. What do you figure the minimum fleet will entail?

General MORRIS. Sir, I have no numbers, but that is the subject of an ongoing analysis which should produce that answer within the next year.

Mr. HAGEDORN. I want to applaud the direction you are going. I think people feel today we can put much more of this work in the hands of private industry and at the same time maintain our requirements on the part of the Government to make sure that our national needs are met.

I appreciate your testimony.

Mr. ROBERTS. The gentleman from California, Mr. Anderson.

Mr. ANDERSON. No questions.

Mr. ROBERTS. The gentleman from Kentucky.

Mr. SNYDER. Thank you, Mr. Chairman. I guess I want to direct my questions to General Graves. Since we are discussing the Federal dredging policies and legislation, and the direction we are going on discussing the projects for improvement of these facilities, General, I remember a couple of weeks ago you testified in favor of user charges on the inland waterways to compensate somewhat for construction of the facilities used by the inland waterway commercial users.

What recommendation do you have for user charges to compensate for the construction of these dredge facilities by the deep-draft users of these facilities?

General GRAVES. Mr. Snyder, the Secretary of Transportation did report on the administration's position on this, and I would like to outline what he said. Basically, in pursuit of the President's April 18 statement, in which he said that users should bear their fair share of the cost of construction and maintenance, Secretary Adams said in his statement that the administration favored user charges not only for the inland waterways but also for deep-draft projects as well.

There are deep-draft projects on the Great Lakes and along the coast. However, the Secretary made clear that the administration had not refined this to the point that it was prepared to present a specific proposal applicable to deep-draft navigation.

In this respect he distinguished between shallow draft, where the administration had outlined the 100-percent recovery of O. & M. and some percent recovery of new construction, and deep draft, where the administration believes there should be some cost recovery but has not yet formulated a specific proposal.

To the best of my knowledge, I am not aware of a more specific proposal from the administration. Of course, the administration earlier advocated a fuel tax for shallow draft, but, as you are aware, because of the bunkering arrangements for deep-draft vessels, that

same mechanism would not operate easily in the case of deep-draft navigation.

I personally think that that may be part of the administration's difficulty in formulating a specific proposal for deep-draft navigation.

Mr. SNYDER. You are saying that because they could bunker their fuel, that we would not collect the fuel tax if that were the method imposed for deep-draft construction recovery costs?

General GRAVES. Yes, sir. You have to do something different.

Mr. SNYDER. Also it would mean we would not have to import that fuel, too?

General GRAVES. True, sir.

Mr. SNYDER. You have no feel for when there might be a recommendation with regard to the specifics?

General GRAVES. No, sir. I am not aware that one is imminent.

Mr. SNYDER. Do you feel that it is proper to move forward with a user charge on the shallow draft vessels as opposed to deep draft or shouldn't we study this and put it all in one package?

General GRAVES. I would have to say that one is attracted to getting an overall solution. However, the President has made very clear that he would veto any authorization bill for locks and dam 26 without a user charge provision which would at least cover the type of commercial navigation using locks and dam 26.

So, while he did not specifically state this as fact, I infer from that that the President has not ruled out moving piecemeal.

Mr. SNYDER. Thank you, Mr. Chairman. Thank you, General Graves.

Mr. ROBERTS. The Chair wishes to acknowledge, with pleasure, the presence of the distinguished chairman of the full committee, the gentleman from California, Mr. Johnson.

The CHAIRMAN. Thank you, Mr. Chairman. There was an extensive effort made in the previous Congress to work out language that would be agreeable to the corps and private industry and to the committee.

That was done and there was a disagreement on the language in conference. But since that time the corps and the private enterprise group and the committee have worked long and hard, and with the fine help of General Wilson, General Graves, and General Morris, we have come up with language that we think is acceptable.

We introduced the legislation and called for the hearing that is being held here this morning.

I know that you people are experts in this field, and your testimony has been good. I hope we can continue to work on this problem, perfect the bill and succeed in passing it so that we can reach an agreement between the House and the Senate.

There is always going to be a great need for a maintenance program and possibly some new dredging as time goes on, for the simple reason that we are doing bigger things every day. Naturally, you people are very much interested in making sure that national defense needs are met.

Private enterprise is trying to perfect their channels. Port operators and private enterprise are developing water projects. There will always be a need for dredging. Then naturally, you have to be very careful that all of this is done so as not to jeopardize or disturb the environment to any great extent.

I notice that the dredging on the west coast, especially in the area of San Francisco, is very carefully done to make certain that we do not jeopardize the environment. That is very important.

Whoever is sponsoring the project, whether it be the Corps of Engineers or private enterprises or in some cases port authorities and States, I am sure this is very important to them.

I am here to listen to your testimony. General Morris, I am glad to see you here and General Graves too, because you, in my opinion, are the two most qualified to come before this committee on this matter. Thank you.

General MORRIS. Thank you, Mr. Chairman.

Mr. ROBERTS. The gentleman from New Jersey.

Mr. ROE. Yes, Mr. Chairman. I would like to ask a question. In reviewing General Morris' testimony, it indicates to me that we are talking about a possible transition type study working toward, as we refer to it, an industry capability program. Apparently the corps' direction is to maintain the presence of the corps in the fundamental responsibility of the corps but at the same time opening up and giving more flexibility to industry in its dredging operations to see really what industry would be able to do.

In your testimony you state that at present we have little definitive data to demonstrate the cost impact of increasing the dredging workload performed by industry.

Some previous studies indicated that such a policy would result in substantial cost increases. However, these findings were largely based on budding situations in which industry type pipeline dredges were utilized as compared to the corps' use of hopper dredges. I think for the record we ought to get some indication. What is the difference?

I am a little familiar with this field of work and the hopper dredges, and modern technology is extraordinarily expensive today as compared to what it was 10 or 15 years ago. The bidding is being upset, in part, by the pipeline dredge versus the hopper dredge depending on the type of project it is; of course.

This would certainly give an edge to our own cost efficiency, right?

General MORRIS. Sir, I think to get at your question, we need to set a little bit of background context. For years, with the only hopper dredge capability in the United States belonging to the Federal Government, there was no industry capability. As time went on industry became more versatile. Some years ago now, at least 6 or 7, we began to discuss in earnest with the industry the need for a clear understanding and our desire that they get into the hopper dredge business. At one time we offered to give them one of our Government dredges and let them operate it. As time has gone by industry has shown a greater willingness, and I think that the Army Corps of Engineers has shown a greater desire, that they become involved in the hopper dredge business.

We made some studies, and the testimony is correct that when you compete for work that has been done by a hopper dredge, with a disposal system using a pipeline, it is very difficult. We were somewhat flexible about comparative cost. It appeared that industry was going to be way out of line if that was the mechanics of doing it. We took a close look at the work done by hopper dredges, though, and identified some as work that could be done by pipeline dredges.

That resulted in a competitive situation. Industry brought in some equipment which could do the work. At that point in time, after these earlier studies, we proposed and the Congress agreed to a plan which we called "Testing of the Market." We would take work in specified harbors which it appeared could be done by industry equipment and put it on the market for bidding.

That program got under way and encouraged the industry. Private dredgers began to submit financial stability records and to convert old equipment to do the hopper functions.

Beginning in January of this year we implemented the program in earnest, and we have subsequently put on the market 16 pieces of work which were bid by industry against corps equipment. Industry has won six of those. The industry did not win the other 10. Needless to say, of the 10 it did not win, there are a few in dispute.

We have learned from these competitions that our earliest estimates of the cost of industry doing the work were higher than they should have been. My testimony was intended to leave you with the impression that, while the earliest estimates were higher than they should have been, we still do not have quite enough experience in this "Testing of the Market" program, which has a 4-year time frame, to give you or anyone else who is interested good answers on what the cost is going to be when this transition has been concluded.

So we are in the early stages, really, of a transitional process which is going to allow the industry to compete with our equipment on hopper dredge work. Our objective has been and remains that, as industry demonstrates its capability, we will remove from the Federal dredge fleet old, relatively inefficient equipment, and this, in turn, will make the opportunities for industry greater.

I hope I have answered your question, sir.

Mr. ROBERTS. General, I think—would you really define the two uses? I think if it is a short haul where you can dispose of the spoil relatively easily you can use a pipeline. If you have got to take it away you have got to pick it up in a hopper dredge and haul it out. Is that it basically?

General MORRIS. That is close. The pipeline dredges can work in relatively shallow to relatively deep water. A hopper dredge most often works in areas where you have to haul the material someplace to dispose of it. There are some which do pump out.

Mr. ROE. First of all we can't compare apples and oranges. One of the problems with the pump dredging that we are running into really, particularly on the east coast which I am familiar with, is the fact that 10 years ago you could take the residual and put it into the marshland; which we cannot do now.

It has created considerable problems in projects in my State of New Jersey to say the least. If we are going to be refining the environmental relationship, hopper dredges are going to be more and more important as we go along because we have to move the material away.

Is that reasonable?

General MORRIS. I would hesitate to say yes.

Mr. ROE. Let's say it is creating an additional dimension that we have to be concerned with.

General MORRIS. We are making progress both in our land disposal and in ocean dumping. My view is that the environmental problems

will have to be solved in either instance, disposal practices are not going ultimately to have a great effect on the technology for solving the dredge fleet problem.

We will use either a pipeline or a hopper.

Mr. ROE. But in order for industry to demonstrate its capability of being able to deal with the different types of dredging problems we are faced with, I would think that they would have to get to some point where they are making substantial investments in equipment.

General MORRIS. That is correct.

Mr. ROE. Then they can't demonstrate their ability to perform on a quid pro quo cost basis or a lesser cost basis unless they have the equipment to perform this work. Aren't we at a stalemate?

General MORRIS. No, sir. These projects I mentioned have been substantial. They have a problem here just as you say. They have to have work before they are going to invest in equipment. They have to have confidence that the Army Corps of Engineers is going to make work available to them so that they will be comfortable about their investments. We have reached that point. The real need is that I not be required to reduce the Federal fleet at a rate greater than industry can pick up the residual work.

The responsibility remains with me to maintain the waterways. Industry needs encouragement. I believe they are getting it.

Mr. ROE. What we are saying here is that in order for industry to perform at its optimum capability, it has to have the flexibility and time to be able to devise and buy more expensive equipment to be able to compete. Isn't that reasonable?

General MORRIS. That is correct.

Mr. ROE. Therefore that situation has to be given consideration. You have said that there has been an inequitable observation of the two different methods. That seems to be a stalemate that has to be broken open.

General MORRIS. I think the stalemate was broken 3 years ago. I think we have crossed that point.

General GRAVES. Maybe I could help a little. This year we asked industry to name all of the jobs in the corps' dredging program on which we had previously been using Government plant on which industry would like to bid. We undertook to advertise every one of those jobs. The 16 that have been advertised represent the ones that industry desired to bid on.

So they were given all the opportunity to bid on corps work that they asked for the opportunity to bid on. Now we put no restrictions whatsoever on the type of plant which industry could bid. Industry has bid hopper dredges. The *Ezra Sensibar* hopper barge, which is a reclamation barge, has bid and won several contracts.

Industry has bid its new dredge, the Manhattan Island three times. It did not win any of these bids as a matter of fact. It was under bid each time. However, this dredge can keep bidding on corps work.

There is no general rule as to which type plant will be optimum. If there are very long hauls involved either to an ocean or a land disposal area, then a hopper dredge has a substantial advantage. You can pump out of the pipeline into barges and haul by that means. On the Great Lakes we have used techniques like that. I think that the program we have laid out offers ample work on which industry can base

its investments. Certainly there is no initial problem. As the industry fleet builds up and we have, hopefully, half a dozen or even 10 industry hopper dredges, then down toward the end I can see there may be problems when there are a large number of dredges in the fleet.

Then you get a lot of competitive bidding for this work. There may be a little problem. That is not now. That is 5 years from now in my opinion. Right now, if industry builds these dredges, there is no problem. Furthermore, this provides complete flexibility for the corps. Once we see that the industry dredges are there and they are bidding on these jobs, we have no problem with reducing our fleet.

It is not in this early stage that the problem exists. It is somewhere between 5 and 10 years from now that the problem will start to come about when our fleet gets down near its minimum configuration, and there is a lot of industry plant out there, and the competition gets keen.

But right now I don't see a problem.

Mr. ROBERTS. Mr. Harsha?

Mr. HARSHA. Why is that a problem 5 or 10 years from now if you are reduced to the minimum fleet that is required for your responsibilities under the law and national defense and industry has built up their fleet and there is more competition.

Doesn't that reduce the cost of operation?

General GRAVES. I don't see a cost problem. The problem I see is that there may be a big quarrel over how little the corps fleet should be because industry is going to have more dredges.

Mr. HARSHA. The language of the legislation provides that you are the one that determines what is the minimum fleet necessary.

General GRAVES. That is a key point—a very, very important point. I think that, as long as that situation prevails, there is no problem. What I was really addressing was Mr. Roe's concern that we would not get going here because we were at loggerheads.

I think that the Chief of Engineers has said that our problem is not with getting going. In my opinion, there is ample opportunity. But down the road, I can see that there could be fighting over the last little job. I think that, as long as the Secretary of the Army, acting through the Chief of Engineers, determines the minimum fleet based on valid requirements, the public interest, and the national defense interest will be protected.

Mr. HARSHA. All right. Now how much of your fleet is operational, how much of it is becoming obsolete, and will you be able to dispose of it?

General GRAVES. We have 15 hopper dredges. We have not finally decided, as General Morris said, what this residual fleet could be. But some estimates we developed last year indicated that approximately half the hopper dredge work that we are now doing could be made available to industry. Approximately half of the hopper dredge work would be needed to keep a residual fleet busy.

That is just a rough estimate. Based on this estimate, we could advertise for industry to do some 30 million cubic yards of maintenance dredging currently being done each year by Government plant, and we might reserve some 30 million cubic yards of maintenance work a year to keep our residual fleet operational.

Mr. HARSHA. What does a hopper dredge cost?

General GRAVES. It costs between \$20 million and \$30 million.

Mr. HARSHA. How long does it take to recover that cost in work?

General GRAVES. We amortize our dredges over a 30-year or 40-year life. I would think that the typical private investor would want to recover his investment more quickly than that. Of course, I am not an expert on industry financing, sir. I think they would be the better ones to testify as to their recovery period.

Mr. HARSHA. Let me ask you this to get it on the record. In these corps constructions, whether they are deep draft or normal draft, you do the construction work; is that correct?

General GRAVES. Yes, sir. By and large new work in the past has been done by contract. This has been one of the problems. The new work has dropped off so that the total amount of dredging has dropped off. Basically the Corps of Engineers is authorized by Congress to do the work, and generally we contract with industry for new work.

Mr. HARSHA. That cost is 100 percent of Federal?

General GRAVES. Yes, sir. There may be cost sharing—there is some cost sharing with respect to lands and rights of way. But the cost of the actual dredging is generally 100 percent Federal.

Mr. HARSHA. Then the maintenance of the port. Whose responsibility is that?

General GRAVES. Generally that is a Federal responsibility for the federally authorized channel.

Mr. HARSHA. That would continue to be even though private industry would do it. They would do it on a contract basis with you at 100 percent Federal cost?

General GRAVES. That is right. Congress appropriates money to the corps, and we contract to have the work done.

Mr. HARSHA. If the rationale requiring you to charge for inland waterways is tenable or good or logical, isn't there just an equally pressing rationale for a user charge for maintaining these ports?

General GRAVES. Well, the administration's position has been that cost recovery for maintenance was the priority item. On the inland waterways the administration has stated a clear intent to recover 100 percent of maintenance cost. The administration has not stated specifically its priority for recovery of deep draft costs.

But maintenance is the area where the recovery is most certain. The area where the administration has not stated a firm position is in the share of the new work cost which should be recovered. That is a more complex cost sharing question.

Mr. HARSHA. Thank you, General.

Mr. ROBERTS. General Graves, following up on what Mr. Harsha said, as I understand it both the corps and the dredgers, the private industry, have agreed that this bill clearly gives the Corps of Engineers the determination both as to the method of getting down to the minimum and what level the minimum shall be established.

Is that correct? Is that your understanding, General Morris?

General MORRIS. Yes.

Mr. ROBERTS. I think everybody agrees on that but I wanted it on the record.

General MORRIS. Mr. Chairman, on that point, if you would allow me, I would like to add a tone to these hearings which I think is important. The dredging industry and the Corps of Engineers have worked hard and closely in the last 4 or 5 years to focus attention on this hopper dredge business.

Our hearings this morning may leave someone with the idea that there is a big confrontation. Such is not the case. There is only one concern by the Chief of Engineers and that is that we may reduce the Federal fleet at a greater rate than is prudent and we will end at some point in time with a fleet inadequate for me to do my job.

As long as that problem stays in hand, we ought to get on with the program. Any questions I raised this morning have to be thrust in that direction.

Mr. ROBERTS. Are there other questions on the rights? Comments? Mr. Edgar?

Mr. EDGAR. I appreciate your willingness to let me ask a question. On the Philadelphia Channel in the Delaware River we have been having difficulty finding places for dredge disposal sites as you are aware. Are there any plans for a long-range 10-year study of where in fact the normal dredge materials will go in that region?

General MORRIS. Yes. I should apprise you that we are just completing a very detailed \$30 million study on dredged materials.

That is important because we are finding a very high percentage of dredged material is not polluted. The problem of disposal is being eased. We are also finding that many dredged materials have good uses for rebuilding beaches or building wetlands or whatever. That is helping ease the disposal problem. In the Delaware River system, to answer your specific question, we are definitely looking for sites on which to place material and giving a lot of thought to greater use of the ones we already have.

It is not a problem that will be solved overnight but it is one we will continue to work with.

Mr. ROBERTS. We also thank you for appearing. There may be questions in writing. I know you will respond if those questions are received.

Thank you very much for your presence here and your testimony. Next, we have a panel, Mr. John A. Downs, president of the Great Lakes Dredge & Dock Co. and also representing the National Association of Dredging Contractors; Mr. Tanzberger, Mr. Hazard, Mr. Brown, Mr. Brand, and Mr. Gautreaux.

Gentlemen, we are delighted to have you. Please proceed, Mr. Downs, with your statement.

TESTIMONY OF A PANEL COMPOSED OF JOHN A. DOWNS, PRESIDENT, GREAT LAKES DREDGE & DOCK CO., AND NATIONAL ASSOCIATION OF DREDGING CONTRACTORS; ACCOMPANIED BY E. P. TANZBERGER, VICE PRESIDENT, C. F. BEAN CORP., NEW ORLEANS, LA.; FRED R. HAZARD, VICE PRESIDENT, NATIONAL ASSOCIATION OF DREDGING CONTRACTORS, CHICAGO, ILL.; JOHN J. BROWN, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION OF OPERATING ENGINEERS, WASHINGTON, D.C.; HERBERT BRAND, PRESIDENT, TRANSPORTATION INSTITUTE, WASHINGTON, D.C.; AND O. M. GAUTREAUX, ASSOCIATED GENERAL CONTRACTORS OF AMERICA, WASHINGTON, D.C.

Mr. DOWNS. Thank you, sir. My name is Jack Downs. I am president of the National Association of Dredging Contractors. I am also president of the Great Lakes Dredge & Dock Co., Chicago, Ill.

At the table with me are Mr. O. M. Gautreaux who is president of Williams-McWilliams Co., New Orleans, La., a division of Zapata Corp. of Texas; Mr. Eric Tanzberger, vice president of C. F. Bean Corp., New Orleans, La.; and Fred Hazard, a vice president of the National Association.

The dredging industry strongly supports H.R. 7744. This bill, for the first time, will give private industry the opportunity to competitively bid on all Federal dredging work. Under the existing statute which was enacted in 1888, the Corps of Engineers has extremely broad discretionary powers to determine whether to utilize Government plant or to contract with private dredging firms.

In the past it has been the corps' policy to achieve 100 percent utilization of Government plant before allowing industry to compete.

Section 3(a) of the bill assures private industry that dredging work in the rivers and harbors of the United States shall be done by contract when private industry has the capability to do such work at reasonable prices and in a timely manner. We feel that no one can argue against this fundamental concept of the free enterprise system.

This legislation is urgently needed so that industry can continue to make the private investment in new dredging capability required to insure the timely and economical execution of the Federal dredging program. The private investment capital requirement for this program is very substantial. Industry has plans to start construction of at least three new hopper dredges in fiscal year 1978.

Industry has fully supported the corps' 4-year testing of the market program. The original purpose of this program was to determine industry's capability with existing equipment, of doing work now performed by Government hopper dredges. This program is an outgrowth of the national dredging study which found that industry's dredges were idle about 50 percent of the time.

The testing of the market program should aid in determining industry's existing physical capability to perform work done by Government hopper dredges without new capital investment. However, industry cannot initially invest over \$100 million in new dredging capabilities on the basis of a temporary program.

To make such an initial capital investment industry needs legislation which will assure that it will have the continuing opportunity to bid on all dredging work and that the work will be done by contract where industry proves it can do the work at reasonable prices and in a timely manner.

I appreciate General Morris' statements very much. I think I have been one of the principals in industry working with the General. We have accomplished very much. But when he points out that we have no present problem I would say that between ourselves and the Corps of Engineers there is no present problem.

The problem arises when I go to my bankers and they say what assurance do you have you will have the opportunity to put this equipment to work? If I say we have an existing agreement with the Corps of Engineers we have a temporary testing program going on, they will say fine. What assurance is there that in the future that won't change?

If I can say there is legislation on the statutes right now that assures us we will have the opportunity only to bid on this work in the future, then the problem disappears.

This bill embodies the corps policy, as stated in their letter of April 26, 1977, to the honorable chairman of the full committee. In their letter, the corps recommended that principal reliance be placed on private industry to perform required Federal dredging and stated that the proper role of the Corps of Engineers should be to manage the program and to maintain only a minimum Government dredging capability to provide adequate response to national defense and emergency requirements.

The study called for by section 3(b) is necessary to provide for congressional review of the ultimate determination of the size and composition of the minimum Federal fleet required for the emergency and national defense purposes. In view of the set-aside of work provision of the bill to keep the minimum Federal fleet operational, it is important that the residual Federal fleet be truly a minimum fleet. We also believe that in establishing the size and composition of the Federal minimum fleet private industry's capability to respond to emergency or national defense work should be considered.

I am very proud to say that industry has had a long and outstanding record of making its equipment and manpower available for emergency dredging work and national defense requirements on extremely short notice.

The amendment to section 8 of the act of March 2, 1919, which pertains to the cost basis for doing the work by contract and the corps estimating procedures, is consistent with the recommendations of the national dredging study. The provisions of this section are appropriately modified to reflect the corps practices and to provide a comparable basis for comparison of industry and Government costs where Government plant is available.

The elements of costs set forth in this section for inclusion in the Government's cost estimates are updated based on the recommendation of the national dredging study.

At one time it was suggested that the Corps of Engineers prepare a Government estimate based on the use of Government plant even though Government dredges are not available to do the work. This proposal was rejected as unrealistic by the national dredging study. Both the Corps of Engineers and industry have opposed such a change to section 8(a).

One of the important features of the bill is the provision for inclusion of a replacement cost factor for dredging equipment in the Government's estimate of costs under sections 8 (b) and (c). The national dredging study findings support the inclusion of this cost as an appropriate change. The replacement cost concept is an economic necessity in an inflationary economy. A contractor needs to amortize his capital equipment on such a basis so that after the normal life of the equipment he can afford to replace his equipment. This provision also provides an incentive for capital investment in new equipment.

There are some very substantial changes made in this bill from the provision contained in the committee's water resources bill last year which was not accepted in conference. We understand that these changes were made to reflect the recommendations of the Corps of Engineers, the port authorities, and other interested parties.

Although we would have preferred that certain of these changes not be made, we believe that the dredging industry can live with the changes in the spirit of compromise.

The gist of the changes was to clarify the decisionmaking power of the Chief of Engineers in respect to major provisions in the bill and to provide for the set aside of work for the minimum Federal fleet before the minimum fleet comes into existence.

In closing I would like to highly commend the Corps of Engineers for recommending that the Government rely on private industry to perform required Federal dredging and for recognizing that a healthy and profitable dredging industry is necessary to insure the economical and timely execution of this program. General Morris, General Graves, and General Wilson have been very generous and dedicated in giving their time and efforts in furthering this program.

In behalf of myself, and the dredging industry, I would also like to express our sincere appreciation to you, Mr. Chairman, and the members of the subcommittee, for your kind and thoughtful consideration.

Mr. ROBERTS. Without objection we will withhold questions until all the witnesses have commented.

Mr. DOWNS. Mr. Brown?

Mr. BROWN. Mr. Chairman and members of the Subcommittee on Water Resources, I am the legislative director for the International Union of Operating Engineers. We appear before you only to submit our testimony in support of H.R. 7744. The International Union feels that this bill to amend the harbor dredging is legislation which is long overdue.

In a nation which has developed into the most highly technical society in the world, the updating of our laws should keep pace with that progress.

H.R. 7744 would do that by reaffirming our support for America's private dredging industry which employs thousands of our workers, many of whom have suffered the longest period of unemployment in the history of the industry. These highly skilled workers have worked on many of the projects that have improved our rivers and harbors.

At the current time contractors do not know whether dredging will be contracted out, or performed by the Federal Government. When a private contractor must compete with the Government, he is put at a disadvantage, because in determining a fair and reasonable estimated cost of doing work the private dredging contractor must include all costs involving labor, material, depreciation, replacement of plant facilities, supervision, workmen's compensation, liability insurance, and State and local taxes. The Federal Government does not face the same cost factors when developing a bid.

Section 3 and section 8 of H.R. 7744 clearly spell out how the amended act would improve the position of the private contractor, and would help to remove the doubt as to whether or not the continued design and building of dredges is economically feasible.

The adoption of H.R. 7744 would be a signal for industry to move forward, a signal that the Corps of Engineers would follow through on their intention to reduce their residual fleet. Throughout the past 3 years, the level of unemployment in the dredging industry has been a disastrous 40-45 percent. But as the economy has improved, the rate of unemployment in the dredging industry has not dropped below 40 percent.

H.R. 7744 could, by the requirement of competitive bidding by industry for the work now being performed by the Federal Govern-

ment, significantly lower the unconscionable 40-percent unemployment rate in the dredging industry.

We respectfully remind this subcommittee that it was the intent of Congress, and the present administration, that all Americans would be given a chance for a job, and that any adult American seeking work would be provided with that opportunity. We sincerely believe that H.R. 7744 would be the vehicle to place paychecks, instead of unemployment or welfare checks, in the hands of our dredging workers. Therefore, we request that you move to support and seek the adoption of H.R. 7744 without any crippling amendments.

Again on behalf of our members and officers of the International Union of Operating Engineers, let me express my thanks for the consideration shown to me by members of your subcommittee here this morning.

Mr. DOWNS. Mr. Herbert Brand.

Mr. BRAND. Mr. Chairman and members of the committee, I think that the position of industry is being rather well presented here. In the interest of the committee's time, I will submit my statement with just this recommendation that you support us in our effort to achieve this legislation because I think there is a very fundamental question here and that is that it is incumbent upon us to advance the interests of private enterprise wherever it is consistent with the national interest.

I think that is the case here. I think we have an industry which is capable of performing. American ingenuity and enterprise has achieved this across the board. I think we need it, we need the opportunity. As a caveat, I think we have the ability of this committee's oversight function to observe the ability of the industry to perform in the national interest.

Again I would urge that you act favorably on the request. Thank you. I offer my full statement for the record.

[Statement referred to follows:]

STATEMENT OF HERBERT BRAND, PRESIDENT, TRANSPORTATION INSTITUTE

Mr. Chairman, my name is Herbert Brand. I am President of the Transportation Institute, a private non-profit research and education organization whose major efforts are directed towards the promotion of a strong maritime capability for the United States.

The more than 140 member companies of the Transportation Institute are engaged in our nation's foreign and domestic shipping trades including the inland waterways and the Great Lakes and a good number of our members are additionally involved in providing the essential dredge work required by the maritime industry.

The Transportation Institute supports H.R. 7744, legislation which would permit the private dredging industry to competitively bid for federal dredging work which it has the capability to perform. It is a measure which will insure the protection and promotion of private enterprise in a field which has traditionally been exclusively reserved for the Corps of Engineers.

We have always contended that the private sector should be heavily relied on to provide the necessary services required by government. Government, except in extreme instances, should not compete with private industry in areas already served by the private sector and usually at much less cost. In this instance, the maintenance of a large dredge fleet by the Corps of Engineers has succeeded in effectively hampering the growth of the United States private dredge fleet. In fact, until recently, the dominant control by the Corps of Engineers over the hopper dredge business insured that no hopper dredges were operated by private industry.

Thanks in large measure to the findings of the Congressionally-inspired "National Dredge Study" private industry has begun to build hopper dredges capable of competing for Corps of Engineers dredge work by providing efficient and inexpensive service. By urging increased reliance on the capabilities of the private dredging industry this Study offered the private sector the incentive necessary to seek funds for the construction of new more reliable and efficient equipment.

Similarly, H.R. 7744 in recognizing the need for increased utilization of the private dredge fleet provides an essential component of the merchant marine the wherewithal to develop further.

Our member dredging companies have the capability and desire to undertake a larger role in the fulfillment of federal dredge work. They are confident that they can successfully compete with the existing federal fleet by performing the required work, as stipulated in H.R. 7744, at reasonable prices and in a timely manner. Such competition is after all, a basic tenet of private enterprise and we support and encourage it.

Without the forceful yet positive action contemplated in H.R. 7744 this country will not be endowed with an optimum private dredge fleet. This legislation, if adopted, will enable industry to make the heavy and substantial capital investments necessary in order to augment its existing fleet so as to meet the increasing needs of the federal dredging program.

It is our understanding that three hopper dredges will begin to be constructed in fiscal year 1978 at a cost of \$25 to \$30 million dollars. Such a heavy investment cannot be easily borne, much less justified, if there are no guarantees that work will be available to employ this equipment. The legislation presently before this subcommittee—H.R. 7744—does provide the necessary assurances needed by private industry that ample dredge work will be available to privately owned dredges.

Finally, Mr. Chairman, H.R. 7744, by encouraging the growth of the private dredge fleet, and the gradual reduction of the federal fleet to a minimum, is consistent with the current Congressional and administrative reevaluations of budgetary expenditures. It tacitly questions the wisdom of investing substantial amounts of precious tax dollars to maintain a fleet which duplicates the capabilities of the private sector. This attitude is complementary to actions taken recently by the House Committee on Appropriations when appropriating \$2.42 million for replacement of a Corps of Engineers hopper dredge.

In its report (H. Rept. 95-379) accompanying the appropriating legislation (H.R. 7553), the committee noted that the Corps of Engineers believes "that principal reliance should be on private industry to perform required Federal dredging and further that a profitable dredging industry is necessary to ensure the economical and timely execution of the program."

The committee suggested that the Corps of Engineers "consult with private industry to assure optimum utilization of industry's capability" when determining the size and composition of its minimum dredge fleet. "Industry," according to the committee, "must be assured of economical utilization of its dredges to encourage maximum private investment in new dredging capability."

The report further expressed the committee's desire "to encourage and not impede the continued development of industry's new hopper dredge capability." H.R. 7744 would bring about the implementation of the recommendations in H. Rept. 95-379.

Again, the Transportation Institute strongly supports H.R. 7744 and urges its prompt adoption.

I appreciate, Mr. Chairman, the opportunity to testify before the subcommittee and I stand ready to answer any questions its members may have.

Thank you.

Mr. DOWNS. Mr. Gautreaux?

Mr. GAUTREAUX. I have a very short statement. AGC is not alone in its support of open competition in the Federal procurement process. The Federal Government has long performed the use of open competition in the award of public contracts. So as far back as 1809, Congress required that all purchases and contracts for supplies and services shall be made either by open purchase or by previously advertising the proposals. Their support also stems from conviction that the Government by contracting all dredging work will realize lower overall

true costs to the benefit of not only the Government but also the American taxpayer.

The extremely competitive nature of the construction interest stems from the bidding system and this will assure that it is the case. Under the competitive system a contractor commits himself to deliver a service within a prescribed time at a fixed price.

No such time or price limitations are placed on the Government. Increased capital investment will mean increased industry competition for dredging work thereby insuring that the Government's dredging problems are met in the most economical manner.

AGC also strongly supports the amendment in H.R. 7744 to update the estimating procedures for dredging work. The amendatory language insures that cost comparisons on dredging work will be reasonable and comparable and will more accurately reflect the actual cost of the Government for performing dredging work with Government-owned plant. AGC believes it is time for the Congress to provide clear guidance to the corps. We further believe that once the dredging industry receives the assurance it needs and is allowed to compete on a comparable basis, the Government's dredging programs will receive the same benefits already afforded other Government work.

The Government will receive quality dredging at the lowest possible price. I offer, for the record, AGC's statement.

[Statement referred to follows:]

STATEMENT OF THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

The Associated General Contractors of America is a national trade association representing more than 8,500 general construction firms. These members firms perform about 60 percent of the annual contract construction volume in the United States. The construction industry is our nation's largest industry, employing about five million workers, approximately 3.5 million of whom are employed directly on construction job sites.

In addition to those AGC firms engaged in dredging operations, AGC's membership represents the full range of the construction industry, including the construction of highways, buildings, municipal-utilities facilities and heavy and industrial projects.

As the nation's leading spokesman for the construction industry, AGC strongly supports H.R. 7744, which will require the Corps of Engineers to put out to bid all dredging work on which industry can prove competitive and has the capability to perform.

Our association's support stems first of all from our belief that the award of Federal construction contracts, including contracts for dredging work, to the lowest responsible bidder through open competition, has always resulted in the most economical and effective method of expending the Federal construction dollar.

AGC is not alone in its support of open competition in the Federal procurement process. The Federal government has long preferred the use of formal advertising and open competition in the award of public contracts. As far back as 1809, Congress required that "all purchases and contracts for supplies and services. . . shall be made either by open purchases or by previously advertising for proposals." (2 Stat. 536.)

The Government's long standing policy of reliance on the private sector for needed goods and services continues to this day under guidelines established by the Office of Management and Budget in OMB Circular A-76. We believe that the amendment to section 3 of the Act of August 11, 1888 (33 U.S.C. 622) contained in H.R. 7744, which will place principal reliance on private industry to perform the Government's dredging requirements, is in complete consonance with the letter and intent of OMB Circular A-76 and should, therefore, receive the Subcommittee's endorsement.

AGC's support for H.R. 7744 also stems from our conviction that the Government, by contracting all dredging work to the private sector through open competitive bidding, will realize lower over-all true costs in its dredging program, to

the benefit of not only the Government, but also the American taxpayer. The extremely competitive nature of the construction industry, which stems directly from the competitive bidding system under which it operates, will assure that this is the case. Under the competitive bid system, a contractor commits himself to deliver a service, within a prescribed time, at a fixed price. No such time or price limitations are placed on the Government when dredging work is performed by Government-owned plant.

The assertion that the Corps must maintain and augment its dredging capabilities because industry does not have sufficient capability to perform all of the Government's dredging requirements, ignores the basic fact that before industry can invest in additional and specialized dredging equipment that may be required to meet future expanded dredging requirements, industry must first be assured that it will be provided the opportunity to bid on all dredging work, not just on selected procurements.

H.R. 7744 will give the dredging industry the market assurance it needs to obtain the financing required for further capital improvements to plant and equipment. While the Corps' present Testing-of-the-Market Program is certainly a step in the right direction, it is only a temporary program, designed to determine industry's existing capability to perform dredging work presently accomplished by the Corps' hopper dredge fleet. It simply does not provide the market assurance that is a required prerequisite for substantial capital investment.

Increased capital investment by the dredging industry will mean increased industry competition for dredging work, thereby ensuring that the Government's dredging requirements are met in the most economical manner. Certainly, such will never be the case as long as industry's dredges continue to sit idle approximately 50 percent of the time, as is presently the situation according to the findings of the National Dredging Study.

AGC also strongly supports the amendment in H.R. 7744 to update the Corps' estimating procedures for dredging work. The amendatory language will require the Corps to utilize realistic cost factors in the preparation of its cost estimates, thus ensuring that cost comparisons on dredging work will be reasonable and comparable, and will more accurately reflect the actual costs to the Government of performing dredging work with Government-owned plant.

In conclusion, AGC believes that the time has arrived for Congress to provide clear and exacting guidance to the Corps concerning the Federal Government's future role in meeting our country's dredging requirements. We further believe that once the dredging industry receives the market assurance it needs, and once the industry is allowed to compete on a comparable basis, the Government's dredging program will receive the same benefits already afforded other Federal public works programs by the open competitive bid system—the receipt of a quality service at the lowest possible price.

Mr. DOWNS. Thank you, Mr. Chairman.

Mr. ROBERTS. Mr. Downs, I want to compliment you on your panel and on your statements and on your time saving. We appreciate it very much. I have only really one question following up on what General Morris said.

You have been working with him. I want to express my appreciation for the work you have been doing. Under the terms of the bill, the bill clearly gives the Secretary of the Army or the Chief of Engineers the determination as to both the method by which we shall reduce the Federal corporation and his determination as to the amount he will hold in reserve for the necessary wartime or national defense purposes.

We are in agreement, all of us, on that, I believe. I think that is the key that you worked out so that we could get this bill before this committee.

Mr. DOWNS. Mr. Chairman, just one moment. We totally agree with that statement but sometimes some of those things are a little bit out of context. When we say method, the corps always has the responsibility of determining what shall be done with the material.

But for instance, method, I don't think this was included in the General's list of 16 projects.

Mr. ROE might know of this. In the Edgewater Range in the Hudson River on the 23d of June there were bids taken up there competing against the corps. Private industry elected to try them at a different method and elected to do it with a bucket dredge and scows. The results of that letting were that the corps' estimate to do the work was \$780,000 without profit.

Industry bid for that same work by a different method \$717,000. This is what we attribute to private industry, the profit motive to come up with the difference methods. The method should not be included in that description. Aside from that, we are in 100-percent agreement.

Mr. ROBERTS. Thank you, sir. Are there questions on the right? The gentleman, Mr. Snyder?

Mr. SNYDER. I want to compliment Mr. Downs and the panel. Following up on that question from the chairman, you said it is the corps' prerogative to determine what the minimum fleet to carry out national defense and maintenance work would be.

I believe one of the corps representatives said they were talking about keeping seven hopper dredges that they would continue to maintain.

Mr. DOWNS. I have never heard that, sir. I don't know.

Mr. ROBERTS. He said about 50 percent and I think they have 15.

Mr. SNYDER. Do you have any reflection on your answer?

Mr. DOWNS. My reflection, sir, if I may be permitted?

Mr. SNYDER. Sure.

Mr. DOWNS. When people speak of the number of hopper dredges, the capacity will not be reduced. As industry moves into the picture, you are going to see different, more money types of equipment. When we speak of the number of dredges, I am reluctant to say yes, half of a number would be proper. I think the influence of industry will be felt through the years as we move ahead.

That is not anything that can be answered this morning. Time will tell.

Mr. SNYDER. Do you have any problem with the language in the bill that the amount of work that—page 2, line 19—the amount of work or such amount of work as he determines to be reasonably necessary? Do you have any problem with whether or not that is a minimum amount of work to keep the equipment operational or whether or not that is 50 percent of the work relating to the 50 percent of the fleet he wants to keep?

Does that language bother you?

Mr. DOWNS. No, sir. That language does not bother me. I have a great faith in private industry's ability to move into this as the years progress. That language does not bother me.

Mr. SNYDER. All right. In your statement you referred to the amendment to section 8 of the act of March 2, 1919, which contains a cost basis for doing the work.

Are you making reference to the last paragraph of the bill on page 4?

Mr. DOWNS. Yes, sir.

Mr. SNYDER. One of the generals testified that the corps depreciated their hopper dredges over a 30- to 40-year basis and that private

industry would necessarily be less. The bill only says take into account proper charges for depreciation or replacement. Could you tell us what is the normal depreciable life of the equipment?

Mr. DOWNS. I cannot name a figure of years, 30 or 40 years is a reasonable thing but private industry has the prerogative of setting up their own accounting system so long as it is acceptable to the Internal Revenue Service.

It is difficult for me to name a number but this is in a reasonable range.

Mr. SNYDER. But your interpretation of proper charges would be whatever the company determines consistent with IRS approval?

Mr. DOWNS. One company might take an accelerated method of depreciation.

Mr. SNYDER. We are talking about whether the bill is all right. I am looking to see if you are going to have any problems with the language.

Mr. Brown says he does not want any crippling amendments and I appreciate that but if something needs to be clarified in here, we want to do that. Your interpretation is whatever the company terms consistent with IRS approval?

Mr. DOWNS. I am not sure exactly what you are saying.

Mr. SNYDER. I don't want to belabor the point.

Mr. DOWNS. There are things that we thought should be included in a fair and reasonable estimate which the corps have elected not to include. We believe that the 25-percent limitation was for profit and Federal taxes. We believe this there are certain local taxes that should be included in the cost of a contract.

However, this language has been designed as far as I know to cover those contingencies.

Mr. SNYDER. You are satisfied with the language as far as proper charges as written in the bill?

Mr. DOWNS. Yes, sir.

Mr. SNYDER. You are not worried about them say wait a minute. You are depreciating too fast?

Mr. DOWNS. No.

Mr. SNYDER. If you would like to amplify that, I ask unanimous consent.

Mr. ROBERTS. Fine.

Mr. McCormack?

Mr. McCORMACK. Thank you, Mr. Chairman. I don't know whether you are prepared to answer detailed questions or not.

Mr. DOWNS. I will try.

Mr. McCORMACK. In Mr. Turner's testimony he talked about the unemployment rate in the dredging industry being above 40 percent.

Mr. BROWN. That is in parts of the eastern seaports. We have run as high as 53-percent unemployment in the dredging industry.

Mr. McCORMACK. Is this a year-round average for a seasonal-type work?

Mr. BROWN. We have two problems, not only as far as unemployment but what other people might gain from their pension and welfare plans. Our people only gain benefits when we work, not only in private industry as far as construction but also as far as dredging. When we start running 50 percent out of work we so deplete our welfare funds that we not only have to reduce payments, but a local union's treasury

set up under these plans would have to reduce when a man runs out of compensation after a period of 2 or 3 months.

When we say the 50 percent all-year figure, we can adjust and say in a 1- or a 2-month period we might have 40 or 50 percent of our people unemployed and then find a good project and then our people might be employed for another 10 months.

Then we would not have a 50-percent-unemployment rate. It would be closer to 18 percent or 17 percent. The past couple of years, since the recession hit the country going back to 1969, we have been hard hit. This was especially last year when we had the horrible cold spell, we had 65 percent of our people unemployed.

Mr. McCORMACK. What would you consider to be an acceptable unemployment level for an average given the fact that it is seasonable.

Mr. BROWN. I would consider 10 percent because of the nature of the work, not knowing whether the work was going to be contracted out. In good times it might drop as low as 17 percent. It normally runs about 10 percent to 12 percent higher than the national average only because of not knowing whether this job will be bid on and the length of time.

Lately we have run into some heavy environmental problems, as you know.

Mr. McCORMACK. As far as regions are concerned, if you think of the various regions of the country, is there any dramatic difference in the various regions of the country as far as the unemployment level is concerned?

Mr. BROWN. I could probably answer you—no, I don't think so, not in the overall picture. Would you—work is probably better but only because of economic conditions in Ohio, Mississippi, and the southern part of the country. I don't think it is as much because of weather conditions as it is because of a better economic picture in the South. We have not put the moneys into dredging. The economic recession this country suffered sort of stopped the money coming into this.

There was something like 40 feet down to 29 feet. We talk about supertankers and the movement of oil. Any port within the United States can handle the type of ships that are being built today.

We have not faced up to that reality.

Mr. McCORMACK. I was trying to find out whether this problem is uniform.

Mr. BROWN. It is uniform in the fact that the problem that existed between the corps and private industry, they never fully—you can't expect a man—you are talking about a \$30 million piece of equipment. No. 1, you have got to be talking about highly skilled people. You can't ask anybody to build something worth \$30 million and not know whether it is going to be used or not. This is the problem that we have had. I think that is probably why we do fear the 25-percent unemployment rate above the national average.

It is the same throughout because of knowing—not knowing whether the work is going to be there, whether a man is going to move from Baltimore to Philadelphia. Our people move around. They can pack up and move then if their job is somewhere else. If the classification of a job is not being filled from that area, that man will move his family.

Mr. McCORMACK. Is the ratio of Corps of Engineers' work to private work the same—across the country—as far as general regions are

concerned or is there more private work in one area and more corps work in another area?

Mr. DOWNS. That is a difficult question to answer.

Mr. McCORMACK. Is there a higher percentage of private work or corps work on the east coast or the west coast do you think?

Mr. DOWNS. There has been very little private work on the west coast through the years. I am not sure.

Mr. McCORMACK. Most of the work on the west coast is corps work then and the greater competition comes on the east coast and the Mississippi area and the Great Lakes.

Mr. DOWNS. Most of the work in the gulf has been done by private contract.

Mr. GAUTREAUX. Yes, because there is so much inland work and the corps does not have the cutter pipeline capabilities to do the inland work. They do all hopper work but we have not had the opportunity to do it.

Mr. DOWNS. The corps does the heavier work on the Pacific coast?

Mr. DOWNS. For the past 5 or 6 years the work in the Great Lakes has been done almost totally by the Corps of Engineers.

Mr. ROBERTS. Mr. Harsha?

Mr. HARSHA. Mr. Downs, I am interested in knowing what industry considers as a minimum fleet for the Corps of Engineers.

Mr. DOWNS. I hoped I would not have to answer that question. I don't really know. I look at it as a changing concept just as happened with the cutter dredging equipment through the years.

At one time and I don't remember this personally but 40 years ago most of the work was done by the Corps of Engineers. As industry moved into that, they supplanted the corps. I look for the same thing to happen in the hopper dredging industry. Today that residual fleet might be one thing and I hope 10 years from now it will be very much reduced.

I think the industry will have the capability to handle it. For me to say right today what it is, I don't really know. I think that the present corps fleet, the half of the fleet that is—that has been built since 1950, 1960 in that area, would suffice to carry the load until such time as industry responds or does not respond.

There still would be time to supplant the government fleet if needed.

Mr. HARSHA. I am somewhat in a dilemma then because the bill which you propose to suffice to support sets forth that the corps shall maintain a minimum fleet and that they shall determine what that is.

From your statement, you hope that that fleet will be reduced to a nonexistent fleet.

Mr. DOWNS. I do believe that. However, that is not industry's position. The legislation calls for a study in this area to determine that. We have never had any definitive discussions with the corps on what this minimum fleet might be. I have never personally heard from them what they consider it to be until today.

I heard more this morning than I have heard in the past.

What I am saying is that the size and composition of the Federal minimum fleet should take into account industry capability. As I pointed out before, it is important that the residual Federal fleet be

truly a minimum fleet necessary for emergency and national defense requirements.

We accept the concept that the minimum fleet should be maintained to technologically modern and efficient standards, including replacement as necessary. The corps has told us that it will take about 10 years to reach the minimum fleet level.

Mr. SNYDER. Mr. Brown, the study mentioned at page 3 of the bill says it is to include preservation of employee rights of persons presently employed on the existing dredge fleet. Do you in your union have any ideas of what that ought to be?

Mr. BROWN. No, I don't think so, Mr. Chairman.

I find it hard to believe that any employee working for the Federal Government would be denied his total rights or pension rights or how many people should be included. We talk about a national emergency. What is the exact figure? I would have no idea.

Mr. SNYDER. I was not thinking particularly of a figure. I guess what I am saying is have you had any discussions within your union as to perhaps having some arrangement whereby you would offer to take some of these people in and dovetail in there seniority rights and so forth?

Mr. BROWN. I am not sure what the existing contract might be in the San Francisco area. I am not sure whether those people might be involved in nonunion areas in the south or even along Baltimore. For me to pick up and say how many people are working with the corps and would 5,000 be accepted, we still take highly skilled workers.

Mr. SNYDER. Am I in error in believing that all the Federal workers belong to the Federal employees—

Mr. BROWN. I would say no. If it were, the Federal employees would be a hell of a lot larger union than it is. We would have no problem if a man came in if he worked on a corps dredger and was seeking work. We lose a lot of our people.

Our biggest problem is training our young. We have a highly developed program for training. I think anybody sent to the training program is a good one. We have a tendency to lose our young lads. No. 1, they are away from home. No. 2, if there is no work they turn to either construction or the operation of buildings.

I can't speak of the nonunion element that might be involved and say that we would accept them and it is economically feasible. If the work was there, I don't think we would have any questions.

Mr. ROBERTS. Mr. Ertel?

Mr. ERTEL. I have no questions, Mr. Chairman.

Mr. ROBERTS. We want to thank you, Mr. Downs and panel; we appreciate the work you all have done over the years.

Mr. DOWNS. Thank you, Mr. Chairman.

Mr. ROBERTS. Our next panel consists of Paul D. deMariano, port director, Port Everglades, Fla.; accompanied by Capt. Robert C. Engram, president, Gulf Ports Association, Gulfport, Miss.; Ed A. Shaw, president, South Atlantic and Caribbean Ports Association, Jacksonville, Fla.; M. V. Craft, president, North Atlantic Ports Association, Norfolk, Va.; and Glen Hughes, California Association of Port Authorities, San Pedro, Calif.

Gentlemen, we welcome you and your prepared statements will appear in the record at this point. Please proceed.

[The statements referred to follow:]

STATEMENT OF PAUL D. DEMARIANO, PORT DIRECTOR, PORT EVERGLADES, FLA.

Mr. Chairman, honorable members of the subcommittee, ladies and gentlemen, my name is Paul deMariano, Port Director of Port Everglades in Fort Lauderdale, Fla., and Chairman of the Standing Committee on Ship Channels and Harbors of the American Association of Port Authorities.

In addition to our prepared remarks on Federal Dredging Policies which has been submitted and which constitutes our basic disagreement with the language and timing of H.R. 7744, we would like to make the following points which I will summarize in the clearest possible language:

Private sector dredging contractors have been pressing for a greater share of the work formerly done, largely, by Hopper Dredges owned by the Army Corps of Engineers.

Port Directors, in general, are in sympathy with the concept of encouraging free enterprise. Most ports strive to operate on cost recovery principles, similar to those of the purely private sector, and we have important common interests with private dredge contractors in our united efforts to obtain greater appropriations for navigation improvements for our ports.

It is a painfully obvious fact, however, that appropriations for Harbor improvements have been scarce, that there is an increasing backlog of work not yet begun, that this year's civil works appropriations may include, to our great dismay, not one new waterway construction start, and that while the Corps Hopper Dredge Fleet is antiquated, at best, the private sector fleet is all but nonexistent.

The private dredge contractors claim that need incentives to invest in additional, modern hopper dredges. We think they have adequate incentives. The T.O.M. program has been developed and then modified for Corps plant lay up as a concession to industry.

We want a healthy dredge industry with reasonable Federal Contract opportunities. The Corps and members of our group have made this point repeatedly. We also want to protect our Harbors from the perfectly straight forward results which occur in the market place when demand steadily increases and supply is held to a minimum, or worse, actually reduced. We know the result, costs or prices go up, and the net result in light of recent appropriations history is that correspondingly less work is accomplished for the Federal dollar.

This legislation, the changes proposed to existing law and guidelines is, in our most carefully considered opinion, unjustified and untimely.

The most bothersome aspects of the proposed language are the following:

The incongruity of mandating that the Corps "retain" only the minimum fleet to carry out emergency and national defense work" (Sec. 3(b), page 2, line 17) on the one hand, while, on the other, ostensibly restricting award of Federal Contracts by the Secretary of the Army to industry equipment when this scarce Corps fleet is "reasonably available to perform a river or harbor improvement" (Sec. 8(a)(1), page 3, line 13).

The practical effect of this subtle condition is to create future incentives for industry to continually strive for fewer Corps owned vessels until there is virtually no basis on which to logically complete the bid comparison exercise stipulated by Section 8(a).

Additionally, we note that this industry convenient situation can be realistically arrived at soon after the modest two year study time frame called for in lines 5-9 in Subsection 3(a). This is an unacceptable "good behavior" substitution for the four year T.O.M. program which we feel is the proper vehicle for arriving at an intelligent decision as to whether Corps or industry equipment can most economically and swiftly get the job done.

Our suggestion basically is to continue the Test of the Market program and consider no changes to existing language of U.S.C. 622 and 624. If legislation is considered we urge:

That the words "shall retain only" in Section 3(b) be changed to "may retain"

That the words "Government plant is reasonably available to perform the subject work and" be deleted from Section 8(a)(1) so that actual or estimated Government plant costs can always be used as a basis for comparison in the award making decision and so that additionally the probably reduced Government plant does not become a target for further reductions or obstructions to replacement funding in the future.

Gentlemen we are stressing that our primary concern is to avoid placing all the eggs in one basket, practically speaking. We respectfully request that you help us maintain a fair base line or standard against which we encourage private industry to bid and, working together with the Corps of Engineers, accomplish the most timely and economical hopper dredging work.

STATEMENT ON FEDERAL DREDGING POLICIES AND LEGISLATION OF THE AMERICAN ASSOCIATION OF PORT AUTHORITIES, WASHINGTON, D.C., SUBMITTED BY PAUL D. DE MARIANO, CHAIRMAN, AAPA COMMITTEE III

Through the years, Federal channel dredging has alternately been dominated by Corps of Engineers or privately owned equipment. At present the dredging is dominated by private equipment, and the contractors are pressing for an even greater share—possibly all of the work.

In a country dedicated to free enterprise, the contractor arguments have a certain attraction. On the other hand, natural emergencies and national defense needs require a Corps fleet capable of quick response. Some dredging requires vessels the private dredging industry does not yet have, and having some Corps vessels provides needed competition in a capital intensive field. This field is now dominated by a relatively few companies operating obsolete equipment for the most part. Therefore, there are compelling reasons for Corps equipment doing some of this work.

In most of the ports of the country, the need for dredging is a continuing requirement. The annual cost of this dredging is a critical factor in the economic justification of ports. Therefore, we feel it is essential that channel dredging be done in the most economical and effective way possible. This, of course, would minimize the burden on the taxpayer. It is especially urgent in view of the abrupt increases in dredging costs in recent years.

Because the Corps fleet is precluded from performing the significant amount of dredging that is done for non-federal account, there is a need for a healthy private dredging fleet. The volume of this private work makes it impractical to treat the private dredging industry as a defense contractor, both as to reserve capacity and limitations on profits, when working for the Corps. The alternative is to have a suitable Corps-owned dredge fleet—of as yet undetermined size—that will provide operational and cost data from the federal records to check on the cost and performance of the private fleet.

The port industry is vitally interested that there be an optimum balance between Corps and privately-owned equipment. We don't believe that this balance can be reached through intuition or emotion—nor do we believe the Corps/private ratio is one that can be fixed for all time. For this reason, the port industry enthusiastically supports the Corps of Engineers' "Testing of the Market" (TOM) program and urges its continuation for its full projected four-year life. Also, for this reason, the port industry opposes legislation at this time to change the government's policies and procedures for determining who is to do federal channel dredging. To do so now would be to prejudge and limit the scope of the TOM program to the point that it would not serve its basic purpose. The importance of this type of program was stressed in the Chief of Engineers' report on the "National Dredging Study." Considerable efforts and funds were devoted to the Study, the first comprehensive analysis of the dredging activities throughout the country. Therefore, we feel very strongly that the TOM program, one of the major benefits of the study, should be completed prior to making any legislative changes.

It is the port industry's hope that the TOM program will lead to a permanent system of maintaining the optimum balance of dredging equipment, and providing a least-cost solution. To that end we submit that it may be appropriate for Congress to direct the Corps, concurrently with the TOM program, to determine (1) what size fleet is needed to provide the requisite emergency and national defense capability; (2) a standardized and mutually acceptable system of estimating costs for both Corps and contractor equipment; and (3) the best way to centralize the operation of the Corps fleet. The last two points were also urged in the "National Dredging Study" findings. We think it is essential to maximize utilization of the Corps' equipment by centralized control rather than arbitrarily reserving sufficient work for it. A secondary benefit would be that at the District and Division planning level the only interest would be in design and specifications that provide the maximum flexibility in equipment to be used—and thus would maximize competition.

We believe that the most appropriate system for accomplishing the Federal dredging workload would be continuing cost comparisons with the work going to the most efficient equipment. Therefore we believe a desirable outcome of the TOM program will be to open more channel dredging to contractor bids. To this end both Corps equipment costs (so-called hired labor estimates) and private (so-called well-equipped contractor estimates) will be needed in order to establish a maximum acceptable bid both when the Corps has no available equipment and when it does. This implies lay-up of the most inefficient equipment whether it be Corps or private. When a suitable history of such comparisons is established, the size of the Corps' fleet could be reduced if it were the high-cost operator or expanded if it were low-cost but short on capability.

Much of the Corps' and private dredge fleet is now obsolete. We believe the Corps' fleet should be used to introduce advanced technology in the dredging industry for all types of dredges, and by resolution the AAPA strongly supports modernization of the Corps' fleet. We reaffirm that and urge that the Corps' new building program be continued and expanded. The construction of new Corps equipment should provide competitive equipment, but it should not be used to increase the Corps' share of the workload unless the industry's equipment is not competitive. This way the size of the Corps' fleet would not be the subject of political pressures by private industry based on their concern that each new Corps dredge would be fully utilized and thus represent a direct subtraction from potential private work.

STATEMENT OF ROBERT C. ENGRAM, PORT DIRECTOR, PORT OF GULFPORT, MISS.,
AND PRESIDENT, GULF PORTS ASSOCIATION, INC.

Mr. Chairman, I am Capt. Robert C. Engram, Port Director, Port of Gulfport, Miss., and I am presenting this statement on behalf of the Gulf Ports Association, Inc. (GPA), in my capacity as President of that Association.

Six states and 23 individual ports are represented by the Gulf Ports Association, Inc. Collectively these ports are moving nearly one-third of all waterborne commerce in the Nation—over \$30 billion in world trade. U.S. Customs revenues collected from these ports amounted to more than \$450 million in 1975. These 23 ports that make up the membership have invested approximately \$1 billion in facilities to accommodate trade. Approximately 25 to 35 percent of the Corps nationwide hopper dredge work each year is accomplished in the Gulf.

In October 1976 the American Association of Port Authorities completed a national study of the Nation's ports involving their views on private versus Federal operations of hopper dredges. A copy of this report is enclosed as a part of this statement. The report stated that the vast majority of the Nation's ports preferred the Corps of Engineers to do the hopper dredge work. However, many of the ports did not object to the private sector being given an opportunity to enter into a portion of this work. The reasons expressed in favor of the Corps' continued operation of hopper dredges were generally as follows:

- (a) Corps has done a good job in the past,
- (b) Competition would be improved,
- (c) Corps has capability and experience,
- (d) Could be more responsive in national emergencies.

A number of respondents, particularly in the Gulf, recommended that there be a balance between the Corps' capability and the private sector. Most of the respondents favored construction of new Corps' hopper dredges and modernization of the Corps' fleet. There was practically no interest in having the private sector take over the entire hopper dredge operation. Many respondents felt that the American Association of Port Authorities should urge Congress to allocate funds necessary to not only replace the older Corps' dredges presently in the inventory but should also advance the monies necessary for the Corps to construct required additional hopper dredges.

In summary, the subject report recommended that the American Association of Port Authorities continue to support the Corps in the maintenance and modernization of their present hopper dredge fleet and to support the position of allowing the private contractors to enter the market and to encourage the Corps of Engineers to proceed with their four year program of testing the market (now referred to as the industry capability program) with the private sector doing certain jobs and comparing costs with that of having the same work done by the Corps.

This report was accepted by the membership of the American Association of Port Authorities at their Annual Convention in October 1976, and their standing Resolution No. E-20 states in part "that the American Association of Port Author-

ities supports a balanced seagoing hopper dredge capability between the Corps and industry, with work shared on an equitable basis, considering cost, quality of work, priorities, the needs of the industry, the requirements of the Corps, the interest of the ports of the United States, and that the Corps be urged to proceed with the 4-year program to test the market with the private sector".

I am generally in opposition to H.R. 7744, inasmuch as I feel that the present authorities of the Corps of Engineers as contained in U.S. Codes 622 and 624 are adequate and are not in need of revision. I understand that the Chief of Engineers is in agreement with this position. On the other hand, if it is desired to enact the legislation as contained in the subject bill then I would recommend that the word "shall" at the end of line 1 of page 2 be changed to "may" and that the sentence contained in lines 5 through 9 of page 2 be deleted. I would also recommend that the word "only" in line 17 of page 2 be deleted. I would also recommend that the words "or replacement" at the end of line 2 on page 4 be deleted and that the word "shall" on line 13 of page 4 be changed to "may" and that the words "or replacement" on line 15 of page 4 be deleted. These several changes, in my opinion, will be more consistent with good grammar, retention of the four year testing of the market program, and allowing the Corps of Engineers greater latitude in making appropriate judgments in going forward with the new modified hopper dredge program.

I am in complete agreement with a sharing of hopper dredge work between the private sector and the Corps of Engineers. I am also in complete agreement with the Corps operating only a minimal hopper dredge fleet with the number to be determined by what is required for national defense and national emergencies. However, I am concerned that the dredging contractors may not be satisfied until they have forced the Federal Government completely out of the hopper dredge business or have weakened the capability of the Federal dredging fleet to such an extent through old age and deterioration and lack of replacement of equipment that it will die a natural death, and thereby, from a practical viewpoint give them all of the dredging business. When this happens, in my opinion, hopper dredge prices will increase dramatically. I would recommend that you support a position of no changes to the existing language in U.S. Codes 622 and 624, or if this possible, then you not support changes beyond those that I have outlined above.

Thank you.

CONCLUSIONS OF COMMITTEE III TASK FORCE ON HOPPER DREDGES AND DREDGED MATERIAL DISPOSAL

A questionnaire was distributed to a number of regional port groupings to both facilitate the processing of the data and to determine whether or not there was any particular geographic opinion on the two major questions. Approximately 85 questionnaires were mailed out by five regional coordinators (West Coast, Great Lakes, North Atlantic, South Atlantic and Gulf) and a total of 50 responses were received.

On the question of "hopper dredges" the vast majority of all responses preferred that the Corps of Engineers do the hopper dredge work. However, a number of respondents did not object to the private sector being given an opportunity to enter into a portion of this work. The reasons expressed in favor of the Corps' hopper dredges were generally as follows:

- (a) Corps has done a good job in the past,
- (b) Competition would be improved,
- (c) Corps has capability and experience,
- (d) Could be more responsive in national emergencies.

A number of respondents, particularly in the Gulf, recommended that there be a balance between the Corps' capability and the private sector. Most of the respondents favored construction of new Corps' hopper dredges and modernization of the Corps' fleet. There was practically no interest in having the private sector take over the entire hopper dredge operation. Many respondents felt that AAPA should urge Congress to allocate funds necessary to not only replace the older Corps' dredges presently in the inventory but should also advance the monies necessary for the Corps to construct required additional hopper dredges.

In summary, it is recommended that AAPA continue to support the Corps in the maintenance and modernization of their present hopper dredge fleet and to support the position of allowing the private contractors to enter the market and to encourage the Corps of Engineers to proceed with their four year program of testing the market with the private sector doing certain jobs and comparing costs with that of having the same work done by the Corps.

In regard to the dredged material disposal issue, the greatest problem mentioned by the majority of the respondents was environmental. A number of respondents stated that environmental groups have, on a continuing basis, been granted Federal Court injunctions prohibiting the disposal of dredged spoils. This resulted in the preparation of impact statements, trial actions, and the eventual lifting of the injunction or a relocation of the disposal site. One respondent mentioned a conflict with the fishing industry and in several cases spoil disposal was halted and moved to another location because of interference with fishing.

A number of ports also mentioned that land on which dredged spoils were being discharged was fast becoming a resource of very limited quantities. The alternative to upland fill has been disposal at sea anywhere from 2 to 25 miles offshore. This alternative may be eliminated by the U.S. Environmental Protection Agency in 1981. Therefore, a relatively short range problem needs to be solved in the very near future to enable established harbors to maintain their project depths.

All of these conditions add up to additional physical and economic problems which collectively add to the cost of maintenance dredging. One respondent stated, very emphatically, that some hard and fast solutions must be determined to satisfy environmental, physical, industrial conflict, and cost restraints if the nation's ports are going to remain a part of the viable U.S. economic system. This same respondent further expressed a view, shared by the majority of all of the ports' respondents, that the preferred solution to the dredged material disposal problem should be laid on the Federal Government. The Corps of Engineers, the Fish and Wildlife Service, and the EPA must get together and work out acceptable guidelines with the port authorities. It was also recommended that the Corps take the lead in solving this problem by vigorously applying for the continuation and final determination of their Dredged Material Research Program.

It was felt that the results of this program would enable proper safeguards to be worked out for the disposal of dredged spoils in the future. It was further felt that this approach was the best and that the final decision should be kept away from the Fish and Wildlife Service and the EPA. Since the Federal channels serve interstate and international commerce and are maintained at Federal expense for the general benefit of all, disposal is part of the Federal process and obligation. The added environmental costs of disposal should be excluded from benefit-cost ratios or, if included, should be related to added environmental benefits. The total disposal costs should be a Federal responsibility and should be withdrawn from the conditions of local cooperation.

It was the opinion of most of the ports that AAPA should take a vigorous position on the views enumerated above and should do everything in its power to ensure that guidelines favorable to economically realistic port development are adequately presented and pursued to final adoption. If favorable guidelines are not to be forthcoming from the Federal bureaucracy, then every endeavor should be made to present our positions before Congress in order to have adequate funding appropriated to cover the additional costs involved in complying with Federal agency guidelines. AAPA should also take the lead in getting various Federal agencies together on the several positions stated. This would at least ensure that compliance with one agency's rules would not violate those of another. It was also felt that AAPA should support adequate national funding levels for maintenance dredging. The enclosed June 1976 recommendations of MARAD on dredging and August 1976 article from the Wall Street Journal on the economic impacts of environmental legislation both represent fairly well the views of the vast majority of the responses received.

In conclusion, our membership has a major concern on the two issues addressed in the survey and urge that AAPA take appropriate action at the national level as outlined in this report.

HERBERT R. HAAR, Jr.,
Gulf, Chairman.

H. E. SOIKE,
West Coast Member.

NOEL C. PAINCHAUD,
Great Lakes Member.

R. TODD COYLE,
North Atlantic Member.

WILLIAM J. MAZOROL, Jr.,
South Atlantic Member.

RECOMMENDATIONS AND SUMMARY

RECOMMENDATIONS

1. Agencies regulating dredging should formally adopt policies and guidelines for decision-making.
2. Federal and state agencies should cooperate in developing mutually acceptable regulatory policies, and they should coordinate their procedures to the maximum extent possible. Specifically: "One joint public notice, joint public hearings, elimination of multiple comments by a single agency, and development of a common application form and procedures."
3. Clear administrative procedures should be drawn up and used by agencies for the expeditious processing of permits.
4. Time limits should be established for agency actions—90 days for permitting agencies and 30 days for commenting agencies.
5. The Corps of Engineers and state permitting agencies should use long-term authorizations for maintenance dredging. Simplified processing procedures should be developed for minor projects.
6. Port planning should be cooperatively undertaken by the port industry and government, and should include long-range dredging plans and analysis.

SUMMARY

Dredging is an activity vital to maintaining the unhindered flow of waterborne commerce. The regulation of dredging affects the viability of an important sector of the U.S. economy—the maritime industry.

[From the Wall Street Journal, Aug. 10, 1976]

ECOLOGY'S MISSING PRICE TAG

(By Lewis J. Perl¹)

In "The Closing Circle," Barry Commoner states as the fourth law of ecology that "there is no such thing as a free lunch." This is also the first law of economics. As used by Mr. Commoner, this phrase is intended to mean that we cannot go on doing damage to the environment indefinitely without paying a price for it. What is equally true, however, is that to reduce the effects of economic activity on the environment or to alleviate the damage caused by past activities, we must also pay a price.

There is a wide range of environmental objectives society may choose to pursue, but each one is associated with some real resource costs. Society must decide which environmental controls are worth the expenditures they require and which are not.

Over the last two or three years, there have been numerous attempts to assess the cost of federal pollution-control legislation. In its 1975 report, the Council on Environmental Quality (CEQ) suggested that the 1974 to 1983 capital expenditures would be \$115.2 billion, with the cost in 1983 reaching about \$34.5 billion a year or 1.5 percent of Gross National Product. However, other data suggest that CEQ has underestimated these costs.

The National Commission on Water Quality (NCWQ) estimated the capital requirements of the Federal Water Pollution Control Act at \$95 billion to \$182 billion, compared with the CEQ's estimate of \$48.8 billion. National Economic Research Associates' (NERA) own studies for the Electric Utility Industry indicate that the industry's capital expenditures for water and air pollution over the 1974 to 1983 period would approximate \$38 billion, whereas the CEQ puts these estimates at only \$16.7 billion.

A LARGE INVESTMENT

If we combine the NCWQ estimates on water-pollution control and NERA's own estimates on air-pollution control for the Electric Utility Industry with the CEQ's estimates for all other pollution-control costs, we come up with a total capital investment from 1974 to 1983 of \$175 billion to \$263 billion and annual costs in 1983 of \$55 billion to \$66 billion. This is \$679 to \$815 per household per

¹ Dr. Perl is vice president of National Economic Research Associates.

year (in 1975 dollars). If the CEQ's estimates in other areas are off by as much as their figures for utilities and water quality, annual costs could be as high as \$89.4 billion or \$1,098 per household.

It would appear then that by 1983 between 3 percent and 6 percent of GNP and between 7 percent and 10 percent of total gross private domestic investment would be expended to comply with federal clean air and water legislation. By way of comparison, in 1974 about 7 percent of GNP was allocated to all educational programs in the United States, the same percentage to health, and about 1 percent to law enforcement.

These estimates, of course, exclude the costs of compliance with state legislation and appear to ignore expenditures on nuclear power plants related to environmental protection. The CEQ, for example, estimates expenditures for environmental controls on nuclear plants at only \$100 million over the 10-year period, even though it is widely agreed that a very large part of the estimated \$65 billion spent on nuclear plants is attributable to environmental pressures.

The magnitude of these figures does not necessarily suggest that they are unwarranted. They do suggest, however, that environmental legislation represents a significant reordering of our national priorities which will only come about at the expense of other important objectives. It is, therefore, critical to assess whether we are getting our money's worth.

A number of interesting attempts along these lines have been made. For example, the NCWQ tried to assess the social benefits that might result from implementation of the Federal Water Pollution Control Act. The project covered improvements in recreational and commercial fishing and in other water-based recreation, as well as increases in property values in areas surrounding the improved water.

NCWQ's staff estimated that by 1983 the annual benefits would be \$5.5 billion or about \$55 per household per year. While there are many flaws in these studies, our assessment is that they are more likely to overestimate benefits than to underestimate them. In any event, the cost of achieving the gains would amount to some \$40 billion per year or about \$500 per household.

It is hard to justify current programs of water-pollution control legislation on the basis of these returns. This does not mean that some activities mandated by the Federal Water Pollution Control Act are not desirable. There may be programs with highly favorable ratios. The results suggest, however, that Congress has constructed a piece of legislation which expends considerably more resources on pollution control than it restores through an improved environment.

There have been similar efforts to evaluate costs and benefits of improvements in air quality. Unfortunately, efforts to evaluate these costs have been, in general quite separate from attempts to assess the benefits; the twain have rarely met. My colleagues and I have recently been engaged in comparing the costs and benefits of meeting federally-imposed New Source Performance Standards at a plant under construction. We examined the effect meeting the standards would have on ambient air quality in the surrounding area and assessed the likely effect of the changes on human health, materials and crops.

Altogether, the benefits were assessed at approximately \$2.5 million per year over the life of the plant. Here again the cost of achieving the improvements was about \$28.4 million per year for an 11.4-to-1 cost-benefit ratio. While both costs and benefits will vary from plant to plant, if these results are typical, the costs of mandated clean-air legislation may, like its water counterpart, be grossly out of line with the benefits.

The \$2.5 million annual benefit at the plant we examined translates to about 1.7 cents per pound of sulfur dioxide emissions removed. For the nation as a whole, I have estimated the costs of meeting the new source standards at approximately 22 cents per pound of emissions reduction. If the extrapolation is appropriate, this would suggest a national cost-benefit ratio of 13 to 1.

Amendments to the Clean Air Act were approved by the Senate last Thursday and are now being considered by the House to protect areas already below federal ambient air standards against further significant deterioration. The cost of meeting the new standards would be approximately 57 cents per pound of emissions reductions, according to my estimates, which means the cost-benefits ratio for the amendments would be 33.5 to 1.

EVALUATING INTANGIBLES

The failure to attempt to balance the costs and benefits in the promulgation and enforcement of environmental legislation apparently reflects the belief that environmental benefits are too intangible to be captured in quantitative terms. This view does not appear to pervade other investment areas. When individuals buy homes, they invest not only in shelter but in a collection of intangibles—security, prestige, neighborhood, etc.—and have no trouble assigning values to them. Legislators, too, are often faced with the necessity of evaluating the relatively intangible benefits to be derived from expenditures on education, health, law enforcement or defense. Yet we do not hesitate to ask, “Is it going to pay off?”

The environment area poses more difficult problems, but the issues are fundamentally the same. Given the uncertainties of measuring both cost and benefit, I doubt that cost-benefit analysis can, in and of itself, be taken as definitive in the environmental area. Neither can it be ignored. Where cost-benefit ratios of 2 to 1 or 3 to 1 prevail, it can be argued, say, that the costs have been consistently overestimated or that the benefits have been underestimated or ignored. This position becomes more difficult to maintain when we begin to observe, as we have here, cost-benefit ratios of 11, 13 and even 34 to 1.

At least in such cases, the burden of proof should be on the administrator or the legislator pressing a particular program. Without this balancing effort, we are going to find ourselves, in my view, impeding our economic growth and sacrificing other desirable social goals to carry out environmental programs that promise much and deliver little.

STATEMENT OF M. V. “BILL” CRAFT, PRESIDENT, NORTH ATLANTIC PORTS ASSOCIATION

Mr. Chairman, I am Bill Craft, Executive Director of the Virginia Port Authority, and President of the North Atlantic Ports Association (NAPA). My comments this morning are from my position as President of the NAPA. This organization represents public and private interests that operate, plan, develop, or otherwise exercise jurisdiction over marine terminals and related facilities along the North Atlantic Range, extending from Eastport, Maine to Hampton Roads, Virginia.

As stated in the notice of this meeting, H.R. 7744 would direct the Secretary of the Army, acting through the Chief of Engineers, to have dredging work done by contract if he determines that private industry has the capability to do the work and that it can be done at reasonable prices and in a timely manner. The bill would also provide for an orderly reduction in the federal dredge fleet as the capability of private industry is increased. A federal fleet necessary to perform emergency and national defense work would be maintained.

In a recent NAPA membership survey conducted by our Committee on Navigation Improvements, the following information was determined:

As to whether the Corps' present hopper dredge capability should be increased, decreased, or remain the same; this was answered by several agencies as favoring increased capability for the Corps. From this response, we feel the Congress should allocate the funds necessary to not only replace the old dredges presently in the inventory, but should also advance the funds necessary for the Corps to acquire or construct additional dredges.

In response to an inquiry as to whether the Corps or private industry should provide hopper dredges at their respective port, the membership felt that under existing conditions the NAPA is in favor of the Corps providing the dredges. This position has been reached prior to the results of the Industry Capability Program (ICP), formerly referred to as the Testing of the Market (TOM). It would appear that the results of the ICP Program are very important to this ultimate decision. The underlying feeling of the Association is that the major concern must be that the dredging of our harbors be done on a continuing basis at the most economical cost.

This concern is set forth in the attached resolution which was passed by the NAPA at the 29th Annual Meeting held in June.

On behalf of the North Atlantic Ports Association, I want to thank you, Mr. Chairman, and the members of your Committee, in allowing me the opportunity to express our Association's views concerning this important issue to the ports of the North Atlantic Range.

NORTH ATLANTIC PORTS ASSOCIATION, INC., 29TH ANNUAL MEETING, NEWPORT,
RHODE ISLAND, JUNE 8-9, 1977

RESOLUTION

Whereas the North Atlantic Ports Association is an organization which considers, as one of its prime objectives, the development of its member ports along sound and healthful economic lines, including the development and maintenance of channels, anchorages and other navigational assists and projects; and

Whereas the ports of the North Atlantic Range are critically dependent upon dredging for waterway and marine terminal construction and maintenance; and

Whereas the ports of the North Atlantic Range support the concept of an economically healthy, well-equipped and cost-competitive private dredging industry; and

Whereas the U.S. Army Corps of Engineers by law has been mandated the responsibility to construct and maintain the system of Federal waterways; and

Whereas this system of Federal waterways has to date been constructed and maintained by both Corps and industry dredges; and

Whereas the ports of the North Atlantic Range have a unique problem in that open water, outer harbor, and sea-access waterways require the use of seagoing hopper dredges; and

Whereas the National Dredging Study has evolved a scheme for the sharing of dredging work between Corps and industry dredges, and industry has revealed plans for its construction of hopper dredges; and

Whereas the ports of the North Atlantic Range have as a prime goal the timely, economic and proper dredging of Federal waterways, with particular attention to emergency work, which, to date, has been well provided by Corps hopper dredges, but whose average age is now about 30 years, now, be it

Resolved, That the North Atlantic Ports Association, Inc., meeting in regular assemblage at its 29th Annual Meeting in Newport, Rhode Island on June 8, 1977 authorizes its Committee on Navigation Improvements to support a balanced seagoing hopper dredge capability between the Corps and industry, with work shared on an equitable basis, considering cost, quality of work, priorities, the needs of the industry, the mandate of the Corps, and the interests of the ports of the North Atlantic Range.

TESTIMONY OF PAUL D. DeMARIANO, PORT DIRECTOR, PORT EVERGLADES, FLA.; ACCOMPANIED BY CAPT. ROBERT C. ENGRAM, PRESIDENT, GULF PORTS ASSOCIATION, GULFPORT, MISS.; ED A. SHAW, PRESIDENT, SOUTH ATLANTIC & CARIBBEAN PORTS ASSOCIATION, JACKSONVILLE, FLA.; M. V. CRAFT, PRESIDENT, NORTH ATLANTIC PORTS ASSOCIATION, NORFOLK, VA.; AND GLEN HUGHES, CALIFORNIA ASSOCIATION OF PORT AUTHORITIES, SAN PEDRO, CALIF.

Mr. DeMARIANO. Thank you, Mr. Chairman. The members of this panel have been introduced. I will ask them to make their comments as soon as I finish. Members of the committee, ladies and gentlemen, my name is Paul DeMariano. I am representing the standing committee No. 3, called "Ship Channels and Highways" of the American Association of Port Authorities.

Our policy statement which has been developed and submitted is in your hands. What I would like to do is make certain points for you about the policy statement and how it applies in our view to the legislation that is before you. The private sector contractors have been pressing for more of the work formerly done by hopper dredge contractors. Port directors in general were enthusiastic. You should know, of course, they are not in any way opposed to free enterprise principles.

The ports of the country are run by costly recoverable principles wherever possible. We are very much in favor of that ethic and we pursue

it ourselves. We have common interests with the private dredge contractors. There are certain very painfully obvious facts. There is very little of that work going on right now. This year, to our dismay, there is evidently not going to be one new construction start.

In light of history, appropriations history, we feel that as the corps hopper dredge fleet is antiquated, the private hopper dredge fleet is very limited, in fact we think almost nonexistent.

It is rather obvious that there will be less and less work done. The private dredge contractors in testimony this morning and previously have indicated that they need incentives to develop new fleets. We think that they have the incentives. We think that the test of the market program is adequate and incidentally there have been concessions made to the testing of the market program which provides for Government plant lay up which we think more than qualifies as incentive.

We would like to see a healthy dredge industry with reasonable contract opportunities. The corps and the members of our group have made this point repeatedly. However, we want to protect the harbors from what we think are very, very straightforward results of a limited supply and increasing demand and, of course, that much less work ultimately being done for the Federal dollar.

That much I think can be borne out very nicely by anybody in this room that represents power. The legislation proposes changes which we in summary think are untimely and unjustified. The most bothersome parts of that legislation are first of all the incongruity in the early part of the legislation.

In fact section 3(b), page 2, line 17 which requires that the corps retain only the minimum fleet size to carry out emergency and national defense work while on the other hand a little later in the act, in fact section 8(a) subsection 1 on page 3, line 13 would require that the Federal contracts by the Secretary of the Army would be offered to industry equipment when this scarce corps fleet is reasonably available to perform work.

As the fleet is reduced, there has got to be that much less fleet reasonably available to bid on other work that is handled by the Secretary of the Army. We think the practical effect of that condition is to continually hold the corps fleet, even in its reduced condition, up for continual yearly obstructions to modernization or replacement.

Additionally, the 2 years time frame mentioned in lines 5 to 9 in section 3(a) where in the corps fleet would be systematically reduced, we agree with General Morris and Graves who suggests that might very well be a problem.

In fact, we anticipate a very strict interpretation of that language, where after 2 years, a rather good behavior period is enacted where very frankly we think that private industry can be patient, make absolutely low bids for a 2-year time frame, following which and after the establishment of a minimum fleet, we discover that bids for Federal work will radically increase. The time for patience is past, in other words.

Industry has an opportunity to pretty much bid in competition with themselves without the baseline provided now by Government plant.

Our suggestion basically is to leave law as it is. United States Code 622 and 623 we think is fine just exactly as it stands. The words which

we have red-flagged are the words in section 3(b) which relate to the shall-retain only aspects of the minimum fleet size.

We think in fact that in section 8(a), subsection 1, that the words "Government plant is reasonably available to perform the subject work" be deleted from that section so that the estimated Government plant costs can always be used as a basis for comparison in the award-making decision and so that additionally once the Government plant is reduced, they do not continue to become the target for obstructions to replacement funding.

In conclusion, gentlemen, we are asking you to help us avoid putting all the eggs in one basket. We don't want as others have said earlier to make it appear that there is anything other than what we consider to be the results of this legislation that keeps us from joining with private industry in other common interests such as getting more money out for the work.

We simply would not like to put most of our faith at this point in the Corps of Engineers estimates of what are the Government plant bid estimates now being made. We think they should be the basis for bids in the future where private industry bids are obtained.

I thank you very much for giving us this opportunity, gentlemen. I would like to introduce in order the members of my panel to make their statements to you, please.

If you would like to ask us questions afterward, or not, fine. May I introduce on my immediate left Capt. Bob Engram, president of the Gulf Ports Association.

Captain ENGRAM. Mr. Chairman, I represent 23 ports in six States along the gulf. We generally support United States Code 622 and 624 because we think they are adequate in their words and they have proven over a long period of time to have been adequate when the corps was able to reduce its pipeline dredges and the private sector has been able to come in and practically take that over.

We are concerned with the language that appears in this new bill which might be considered; all you heard what the general said that he was worried about interpretations; that when the time came down to the wire, the person who decided what the corps' ultimate strength in hopper dredges is, that is going to be hard to say.

We hope it is protected, but is it and are they going to be the only one?

My statement tends in this direction. I fear that when we get down there that the corps is not going to be the one that ultimately decides what it has to have to do it. I fear that they are not going to be allowed to modernize their fleet which I think that everybody in my area wants them to do. We want them to have a sizable fleet, minimizable fleet as they determine.

I really don't have much more to say than that because it is all covered. But we do have a serious, serious concern about that. I have a personal concern because my port recently was on the test of market program. We had the corps' estimate of \$817,000, and the Manhattan Island came in for \$1,800,000.

Mr. DEMARIANO. Next, Mr. Bill Craft, president of the North Atlantic Ports Association.

Mr. CRAFT. I am president of the North Atlantic range of port associations which is a combination of the port interests from Eastport, Maine, to Hampton Roads, Va. We polled our entire delegation, and with you we support the previous statement in behalf of the American Association of Port Authorities.

I am here to register our interest in that statement. The underlying feeling of our association is common with the committee, that we be able to have adequate dredging of our harbors at the most economical price available.

We believe that a proper balance of corps dredging with private dredging would be to that end. The current testing program with its 6-month history to our mind does not provide adequate information yet to determine those levels and those capabilities.

Mr. DEMARIANO. May I present to you Mr. Ed Shaw of the South Atlantic & Caribbean Ports Association?

Mr. SHAW. The South Atlantic & Caribbean Ports Association totally supports the position taken by the American Association of Port Authorities. With that I will quit.

Mr. DEMARIANO. Mr. Glen Hughes of the California Association of Port Authorities, San Pedro.

Mr. HUGHES. Mr. Chairman and members of the committee, I am here representing the California Association of Port Authorities. The membership in that association includes all of the ports in San Francisco Bay, Oakland, Richmond, and others, as well as the Ports of Los Angeles, Long Beach, and San Diego. We also have the same concerns that have been expressed by the American Association of Port Authorities.

We have supported the testing of the market program and we feel that that is the correct way to go and that it is going well and does give private industry the flexibility that they need and an opportunity that they requested.

We don't feel that there is an urgency at this time to change what is being successfully done now. In closing, we would support the total remarks made by the representatives of the other port associations here today.

Mr. ROBERTS. Questions?

Mr. McCORMACK. Mr. Chairman.

Mr. ROBERTS. The gentleman from Washington.

Mr. McCORMACK. I would like to direct this question to any one of the panel members. If we can sort of synthesize your position here, you are saying you don't think any legislation is required at all at this time, that we can go along with the corps program as it is?

Mr. DEMARIANO. That is correct.

Mr. McCORMACK. Let me turn the question the other way, then. Assuming this legislation were to be enacted, how would you change it?

Mr. DEMARIANO. I have made certain suggestions, sir, about deletions.

Mr. McCORMACK. You would delete that section of 3(b) on line 15 to maintain only the minimum fleet capable of performing such work?

Mr. DEMARIANO. Yes. We think that that should be changed to may retain. Incidentally, I made suggestions to you about the most

bothersome aspects of this legislation, the parts which changed we think, if changed—begins to make sense and keeps the harbors protected in our view. There may be other sections which are more remote, not as important though as has been said earlier in testimony, we have met with members of the corps and members of the contractors, and we have discussed this legislation.

In some areas we have come close to agreement and in others we have been very widespread. Those are the areas I have focused on this morning.

Mr. ROBERTS. Mr. Snyder?

Mr. SNYDER. Mr. Chairman, I don't have any questions, but Mr. Don Clausen, who is the ranking minority member on this subcommittee, asked me to especially welcome this panel on his behalf and especially welcome Mr. Hughes, whom I assume comes from his area, and to express his welcome to you and his regret that he is not here at this time.

He is detained in the Interior Committee where they are marking up a bill. He wanted me to explain to you that that means that is where they are voting on it and that is when it counts. When the time comes to vote on this one, he wanted me to assure you that he would be here.

Thank you, Mr. Chairman.

Mr. ROBERTS. We want to thank you by the way. Counsel has a couple of questions for you after I get through. Is part of your concern with this the relative certainty that you are going to be faced with cost sharing on all of the dredging operations?

Mr. DEMARIANO. That is certainly a prevailing concern. I think that it might be mentioned that in light of some of the comments about user charges or cost sharing that coastal ports have a form of user charges presently.

The dunnage tax completed by Customs generates \$90 million a year, to say nothing of import duties. Of course user charges and problems of that nature are a concern to us.

So our essential concern is not so much in any other quarter except that we have noticed that as new construction starts are fewer and fewer and there is much less work being done, we can't help thinking a windfall of cash in the future and as prices go up which they are bound to do, there will be consequently less work done.

Mr. EDELMAN. Would not the effect of the amendment after the corps is down to the reserve fleet be to require the Government estimate to be based on phantom dredges, dredges that would not in fact in most cases be available?

Mr. DEMARIANO. I have no say Mr. Edelman, in answer to that that logically speaking there may not be a plant available. But we do not do it that way. A phantom fleet presupposes that the work won't get done. We think the practical effect of requiring plant estimates whether the dredge is or is not nearby is that the private industry buck will be more reasonable, that in fact there is a possibility that the bid will not be awarded unless it is reasonable, it will have to come down.

We want to put our faith in corps estimates very basically.

Mr. EDELMAN. Isn't it a fact that this policy was in fact in effect, the cause policy, a number of years ago and done away with because it is unrealistic and was done away with because in many cases the corps was turning down bids and in fact there were no corps vessels to go in and do the job?

Aren't you in fact really asking to buy back into a policy that was done away with because it was discredited?

Mr. DEMARIANO. I cannot say with certainty that that is true. Your experience there may be more extensive than mine. Our feeling is that if we had to put faith anywhere, we would like it to be in Corps estimates of what the fair and reasonable bid basis should be on any job. If there is not Corps plant nearby to do the work, we don't think that that is necessarily going to mean that an unreasonably high private bid would have to be accepted.

We think that the bids would have to be repeated until they become acceptable.

Mr. EDELMAN. Mr. Hughes indicated that here the private industry is in good condition with the testing of the market program. However, earlier Mr. Downs indicated the need for this bill in order to obtain financing. What are your comments with respect to Mr. Downs' stated remarks that the industry could not obtain financing without this bill?

Has the port authority or have the port authorities done any testing or checking of this question?

What are your comments?

Mr. HUGHES. It is my understanding that the amendment to the testing of the market program have made it more feasible in that area. However, I would yield to Mr. DeMariano possibly to answer that question.

Mr. DEMARIANO. We noticed that there are really only two privately owned hopper dredges right now. One of them recently christened has been anxiously awaited for a year and a half or 2 years. I would be curious to know on what basis those pieces of equipment were constructed without some legislative assurance that they would have work?

We think that in general the Corps testing of the market program while it is an administrative procedure would seem assurance enough for reasonable people to build new equipment. I have never had to obtain financing for a hopper dredge.

I would guess, however, that if the Corps with an administrative procedure that is published and it has been enacted and is ongoing, that would seem to suffice. But I can't be certain of what would happen if I had to go for a loan.

Mr. ROBERTS. Gentlemen, we thank you very much. We understand your feelings and we are delighted to have had you with us. We thank you very much.

Mr. DEMARIANO. Thank you very much.

Mr. ROBERTS. Would panel No. 3 take the witness table?

TESTIMONY OF HENRY E. SOIKE, GENERAL MANAGER, PORT OF GRAYS HARBOR, ABERDEEN, WASH., ACCOMPANIED BY LEWIS R. HOLCOMB, EXECUTIVE DIRECTOR, WASHINGTON PUBLIC PORTS ASSOCIATION, OLYMPIA, WASH.; WILBUR TERNYIK, CHAIRMAN, OREGON COASTAL ZONE MANAGEMENT ASSOCIATION, FLORENCE, OREG.; J. LARRY QUALMAN, PRESIDENT, OREGON COASTAL PORTS FEDERATION, COOS BAY, OREG.; GEORGE R. GROVE, EXECUTIVE DIRECTOR, PORT OF ASTORIA, ASTORIA, OREG.; ROBERT L. MASON, EXECUTIVE VICE PRESIDENT, PACIFIC COAST ASSOCIATION OF PORT AUTHORITIES, PALO ALTO, CALIF.; AND ROY C. WEBSTER, EXECUTIVE VICE PRESIDENT, PACIFIC NORTHWEST WATERWAYS ASSOCIATION, WALLA WALLA, WASH.

Mr. SOIKE. I would like to call on other members of the panel and I would like to make some brief remarks.

First, I would like to introduce Mr. Lewis R. Holcomb, the executive director of the Washington Public Ports Association.

Mr. HOLCOMB. I do not operate a port. There are people here who do but I represent those port districts.

In the interest of time, I will summarize my prepared statement. Needless to say, our association is opposed to the bill. There are two sides in this room insofar as those persons who support the measure and we, who oppose it. It may be that the only concern is, to the corps, the speed of the phaseout of the fleet and the speed with which the private industry fleet can be built up.

There was a question of cost sharing brought up a few moments ago. If that comes about, then, of course, the situation which would be caused by this bill, the elimination of a watchdog against excessive dredging costs would have a serious impact upon our ports.

There was one question asked by Congressman McCormick about the amount of dredging work done by the corps as opposed to private industry on the west coast. I will respond to that.

In the State of Washington about \$3.185 million per year is the average on dredging. Of that total, 74 percent is done by private and 26 percent by the corps. That is borne out.

From July of 1974—and the estimated amount of dredging through September 1977, the total is \$10,355,000. There is a considerable amount of dredging work already done by private enterprise, private industry in the State of Washington, and we do not feel that there is any justification for them to have it all. Thank you. I offer my prepared statement for the record.

[The statement referred to follows:]

STATEMENT OF LEWIS R. HOLCOMB, EXECUTIVE DIRECTOR, WASHINGTON PUBLIC PORTS ASSOCIATION, OLYMPIA, WASH.

Honorable Chairman and members of Subcommittee on Water Resources, I am Lewis R. Holcomb, Executive Director of the Washington Public Ports Association with offices in Olympia, Wash. The Association which I represent is the service, coordinating and liaison agency for all the ports of Washington State as authorized by the legislature with its passage of Chapter 31, Laws of 1961. In the performance of my duties for the member ports it is my responsibility to articulate their views on legislation and administrative decisions affecting the port industry.

We agree with the statements of other port industry representatives about H.R. 7744—that it is untimely, unnecessary, and should not pass. The law as it exists today leaves something to be desired, but we can get along with it. We think it should be left alone for the time being, and if a review or revision is necessary let's take a look at it in about three years when we all have more facts upon which to base intelligent decisions.

It was not so very long ago that there was a fairly general consensus that a "testing of the market" program was desirable, and in the public interest. Those persons who were present at meetings in which such a program was discussed reported that even representatives of the private dredging industry went along with the idea. What is the hurry now to change existing law before the market testing program is finished? Do the private dredging operators fear that the results of such a program will show that they cannot compete, or cannot produce the required work in a timely fashion at comparable cost? If that is not a major concern of theirs then why not just hold off on any consideration of legislative change at this time and let the facts speak for themselves when the reports are in?

Upon first reading the proposed legislation it was thought that perhaps there was a vagueness about it that escaped our interpretation. Further reading, however, shows that it is not vague at all. It is perfectly clear that what is intended is to turn over virtually all dredging work to private contractors and leave neither the government nor any other entity with the capability of being a "watchdog" over excessive costs. In Section 2, the amendment to Section 8 (a) provides that no work shall be done by private contract if the contract price is more than 25 percent higher than the comparable cost of doing the work with government equipment, and if government equipment is reasonably able to perform the subject work. That sounds fair enough, perhaps, but the first section of H.R. 7744 says the Army shall reduce its fleet to a minimum, to carry out only emergency and national defense work.

With the government fleet reduced according to that mandate, and restricted to emergency or defense work only, it will never be "... reasonably able to perform the subject work". The subsection (2) amendment of Section 2 talks about no work being done by private contract if the contract price is more than 25 percent more than "a fair and reasonable estimated cost of a well-equipped contractor...". There is a conflict here that is mighty confusing to us. If the Army determines the cost by a private contractor to be too high, he cannot allow the river and harbor improvement work to be done by a private contract. ... but the Army cannot do it either, because its dredge fleet is restricted to emergency or national defense work.

In any case, I suppose some of those ambiguities could be worked out, but one fact remains exceedingly clear. If H.R. 7744 passes, the port industry which we represent is going to be totally at the mercy of the private dredging contractors, from a cost standpoint and from an availability standpoint. In our view that is directly contrary to the public interest.

In closing I would like to quote some of the conclusions from a published report titled "Public Port Financing In The United States" done by the Maritime Administration in 1974.

"(1) Ports are critically important in the economic fabric of the United States.

"(2) Ports, which have come to their current stage of development largely through local financing means, are going to have increasing financial difficulties in the future.

"(3) The Federal Government currently offers substantial financial assistance to all phases of the transportation industry, but not to ports."

For those considerations as well as others, we view the increases in dredging costs which will be occasioned by passage of H.R. 7744 to be both unfair and unnecessary.

Thank you very much.

Mr. TERNYK. Mr. Chairman, and members of the committee, my name is Wilbur Ternyik. I am executive director of the Oregon Coastal Zone Management Association. I am also, as of about 2 years ago, a consultant to the water experimentation station in Vicksburg working on the dredge material program for rehabilitation.

I am quite familiar with that. I would look forward to some real answers to some of our difficult problems. I would like to briefly

summarize some of the concerns that we have and submit my statement.

[The statement referred to follows:]

STATEMENT OF WILBUR E. TERNYIK, EXECUTIVE DIRECTOR

OREGON COASTAL ZONE MANAGEMENT ASSOCIATION, INC.

My name is Wilbur Ternyik. I am executive director of the Oregon Coastal Zone Management Association, Inc. and a commissioner of the Port of Siuslaw which is located on the central Oregon coast. I am appearing here as the official spokesman of the Oregon Coastal Zone Management Association, Inc., an organization of elected officials representing county, city and port jurisdictions within Oregon's seven coastal counties.

The economy of the Oregon coastal region is directly related to the navigation channels serving the major communities on the coast. Some of the communities on the southwestern Oregon coast do not have rail service and water carrier service is the only transportation available for the forest products manufactured in this region. Our commercial, sports-fishing, and tourist industry, also center around the coastal port facilities.

The Oregon Coastal Zone Management Association, Inc., opposes H.R. 7744 for a number of reasons the first of which is that there is no adequate cost data to compare private hopper dredging against the dredging now done by the U.S. Army Corps of Engineers. Another, and most important reason for our objection is that we have had no experience whatsoever with private hopper dredging of our coastal entrances. We know of no privately owned seagoing dredges capable of dredging Oregon coastal entrances.

There is a grim loophole in H.R. 7744. This bill would provide in law a study to determine how much of a cut would be made in the Corps of Engineers fleet of dredges, but it does not specify in law the dredging capability the Corps of Engineers should have to supplement the private industry fleet to be sure our channel systems are maintained when and as they should be.

The Oregon coastal ports have been caught in the fantail of a national dredging dispute which could wipe them out. If Congress gives the private industry free reign on dredging, and private industry does not perform, then the small Oregon coastal ports would be left without enough dredging capacity to keep entrances and channels open and useable. The Corps of Engineers cannot maintain the channel systems on the Oregon coast to project dimensions now. This is not a time to cut back on dredging; it is a time to build more dredges, that is if Congress wants to keep a viable river and harbor system operating in the United States.

The Corps of Engineers hopper dredges remove between 4½ to 5 million cubic yards of clean sand each year from Oregon coastal navigation projects including the mouth of the Columbia River. This dredged sand is dumped in acceptable sites in the ocean approved by the Environmental Protection Agency. The private push to take over the pipeline dredging work done by the Corps of Engineers caused the moratorium on the renovation or replacement of Corps of Engineers hopper dredge equipment, which has hampered Oregon coastal navigation projects. Without hopper dredging, there won't be an Oregon coastal port entrance open after a stormy year when the wind-driven waves deposit the millions of cubic yards of sand in shoals each year at river and harbor entrances along the coast.

Control and versatility are key factors in efficient and economical hopper dredging of Oregon River and harbor projects due to the limited annual dredging season. The Corps of Engineers can make instantaneous contact with its hopper dredges by radio, and move one from a job within minutes to have the dredge on a new job on the Oregon coast within hours, whereas it takes approximately three months to get a private contractor onto a pipeline dredging job under normal contracting procedures requiring competitive bids. This could take the entire summer season—the only time hopper dredging is possible along the Oregon coast. As an example, normal contracting procedures for competitive bidding for pipeline dredging work requires surveys of areas to be dredged, preparation of plans and specifications, a thirty-day advertisement for bids, followed by evaluation and award. In emergencies, this time frame could be squeezed down to a bare minimum of three to four weeks at best.

The safety of all types of vessels is a most important reason for having fast-moving, efficient, and controllable hopper dredging available to remove shoals

from river and harbor entrances. These shoals, when hit by ocean waves, cause the breakers that have upset countless numbers of small boats and contributed to the loss of numerous lives along the Oregon coast over the years.

Members of the Oregon Coastal Zone Management Association, Inc., elected coastal officials, find it hard to understand how Congress could consider enacting legislation that would be detrimental to safe navigation, and to low-cost waterborne carrier service in the face of the severe energy crisis now facing this Nation.

Mr. TERNYIK. Some of the thing that were said here today can be answered. Most of the concerns that I, personally, have are shared by all the coastal ports. That is what we see as a loophole in this law and that is the taking down of the corps capability and depending entirely on perhaps the private dredge, hopper dredges at a certain point. I have got a picture here and this shows what our bar conditions are. A lot of times our conditions are entirely different than the Great Lakes or the gulf or the east coast. In any event, we have had a loss on these.

The concern that I have is that if we have a loss and we only have one private dredge and the corps dredge fleet has been reduced to nothing, who is going to dredge our bars? On our ports, particularly on the Oregon coast, we have 5 million yards a year that are taken off of those because of the currents that we have. One season would close every port on the Oregon coast including the Columbia River if we did not have that standby capability.

I would hope that if anything is done, that we have some standby that is meaningful and not just token.

With your permission, I promised my Governor that I would read his letter into the record.

Mr. ROBERTS. That will be made part of the record.

[The letter referred to follows:]

OFFICE OF THE GOVERNOR,
Salem, Oreg., July 10, 1977.

HON. RAY ROBERTS,
Chairman, Subcommittee on Water Resources, Committee on Public Works, and Transportation, U.S. House of Representatives, Washington, D.C.

DEAR MR. ROBERTS: The purpose of this letter is to convey the State of Oregon's opposition to the passage of H.R. 7744, a bill relating to the performance of dredging by contract. I ask that our opposition be noted in the official record.

It is my understanding that the official position of the Corps of Engineers is that existing legislation provides all of the authority needed to properly administer the national dredging program. The Corps does not believe that H.R. 7744 is needed.

Oregon has nine coastal river and harbor entrances that require dredging each year. One of the entrances, the Columbia River, serves the major ports of Portland, Oregon, Longview, Washington, Vancouver, Washington, and numerous smaller ports in both states. The remaining entrances serve our coastal port communities and form vital links in our trade and transportation networks. We can ill afford to lose any of these ports.

All nine of Oregon's river and harbor entrances are dredged annually by sea-going hopper dredges of the Army Engineers. Oregon's estuaries are small compared to those on other coastlines, and we prize them highly. In-bay disposal areas are now in critically short supply, which makes ocean dumping very desirable and in some cases mandatory.

At this time, private dredging interests do not have the capability to take over the corps' hopper dredge work. Without maintenance, Oregon's coastal ports would soon close, thereby severely curtailing marine trade and transportation in our State.

It seems to us that if H.R. 7744 passes, the private dredging industry will gain a great windfall courtesy of this Nation's taxpayers. Frankly, we believe that the current spirit of competition that exists between the corps' dredge force, and the industry is healthy and results in lower costs overall. Add to that the fact that

some areas need dredge capabilities not available in the private sector, and we think there exists a persuasive argument against passage of H.R. 7744.

I appreciate your giving Oregon an opportunity to indicate its view on this bill.
Sincerely,

BOB STRAUB, *Governor.*

Mr. SOIKE. We have Mr. Larry Qualman here who is the president of the Oregon Coastal Ports Federation.

Mr. QUALMAN. Mr. Chairman and members of the committee, my name is Larry Qualman. I wish to speak as president of the Oregon Coastal Ports Federation. The Federation is made up of all the ports on the coast of Oregon, eight of which require annual hopper dredging in order to stay operational. Each year all the entrances to the Pacific ports are shoaled with material moved in by season of winter storms. Removal of this material must take place during the spring and summer months when these entrances are calm enough to allow a hopper dredge to work. At the present, all of the removal is done by the U.S. Army Corps of Engineers, Portland District, utilizing Corps hopper dredges assigned to the Pacific coast. To my knowledge, no private equipment exists on the Pacific coast that can do this job.

Western Oregon is heavily dependent upon timber processing as its economic base; much of these timber products are shipped by water utilizing both large vessels and oceangoing barges. One of these ports, Coos Bay, is the largest shipper of forest products in the world. Coos Bay's international exports alone exceed \$400 million annually.

The present corps fleet of hopper dredges is already hard pressed to meet its current project commitments. Delays in scheduled dredging frequently cause serious operational difficulties and economic hardships to the Oregon coastal ports. Any reduction in hopper capability could be disastrous to the economic well-being of western Oregon.

We simply cannot understand why Congress would cause a reduction in the Federal capability prior to the construction and demonstrated ability of comparable equipment owned by the private sector.

Mr. SOIKE. We have now Mr. George R. Grove.

Mr. GROVE. Mr. Chairman and members of the subcommittee, by way of explanation, Astoria lies at the entrance of the Columbia River. I think you all recognize that the Columbia-Snake River system is the second largest in the United States. Astoria's location emphasizes its importance to the entire State of Oregon and it is becoming more important each year. As a matter of fact, the corps' largest dredge system has been working the last couple of months on the entrance to the river and will be there the remainder of the summer. I will today present the statement of the Port of Portland, Oreg., the contents of which we fully endorse. Unfortunately, those officials could not be present today. I summarize the statement to the best of my ability.

The Port of Portland, Oreg., is located approximately 100 miles inland from the Pacific Ocean and its viability as a world seaport is totally dependent on the deep-draft navigability of the Lower Columbia River. There is a continuing requirement for maintenance dredging of the lower river. Each year nearly 4 million cubic yards of sand are removed from the entrance channel alone. Currently the Corps of Engineers has two of its hopper dredges working on a 5-month effort to achieve the presently authorized channel dimension. At the same time the corps is studying the need to deepen the Columbia River

entrance to assure the continued safe and efficient passage of vessels. If the corps is directed, through the passage of this bill, to reduce its capability to accomplish the necessary dredging workload, who will replace that viability capability?

Availability of private hopper dredges on the west coast is nonexistent. Certainly a significant number of years would be required before private industry would be able to at least provide the equivalent of the corps' present capability.

The bill offers no answers to the questions of what the Port of Portland and other ports will do between the time the corps' capability is reduced and whether this increased capability is developed.

In summary then the Port of Portland strongly opposes H.R. 7744 concluding that it is seriously detrimental to the continued existence of a healthy Columbia River and a national port system and enthusiastically endorses continuation of the testing of the market program believing that the results of the study must be known prior to making any legislative changes in the present responsibilities and procedures for accomplishment of projects for river and harbor improvement.

Mr. SOIKE. Next we have Robert L. Mason.

Mr. MASON. The Pacific Coast Association is an international body. The association is opposed to H.R. 7744. We feel that such a bill is premature at this time and should await the results of the "Testing of the Market" program currently being conducted by the U.S. Corps of Engineers. To enact H.R. 7744 at this time would presume the results of the "Testing of the Market" program and render moot the efforts of the corps in this regard.

In summary, General Morris said he felt the bill was unnecessary but that he was not opposed to it. I think we can say that the bill is unnecessary and we are opposed to it.

Mr. ROBERTS. Thank you.

Mr. SOIKE. Next, Roy Webster, executive vice president, Pacific Northwest Waterways Association.

Mr. WEBSTER. Perhaps you should be made aware of what the Pacific Northwest Waterway Association is and that would perhaps give some additional credence to the testimony as presented.

It has existed for 44 years as a nonprofit organization comprised of a broad spectrum of business and industrial interests, government-related bodies, individual groups and organizations, and singular individuals. Our membership primarily falls within the geographical areas of the States of Washington, Oregon, Idaho, and western Montana but we also have membership, from California, Oklahoma, and Missouri.

On July 1, 1977 PNEA adopted a resolution which specifically speaks to H.R. 7744, to wit:

PNWA opposes any Federal legislation which would adversely affect existing Corps of Engineers hopper dredging posture or any authorized additions to the Corps' hopper dredge fleet until proper study can be evaluated on the ability of the private sector to perform this work competitively. And PNWA opposes such legislation until it can be given complete assurance that the required capability will be available on a continuous basis in the affected areas of the United States.

I will say, and summarize the primary concern about this whole thing in relation to the west coast: The corps testing the market

program to determine the industry's capability of performing the dredging requirements of this Nation does not include a single project on the west coast.

Right now, the corps' largest hopper dredge, the *Essayon*, on which I personally spent 4 hours 2 weeks ago, and a second corps' hopper dredge, the *Biddle*, are working side by side performing round-the-clock maintenance dredging of the Columbia River at its mouth. The present authorized channel depth across the Columbia River Bar is 48 feet. Under adverse weather conditions which are not too uncommon for this specific area, navigating this particular river entrance is considered one of the two worst bar crossings in the world.

In summary, PNWA is concerned that H.R. 7744 does not address itself to the significant differences which exist for dredging requirements between the Atlantic and gulf coast.

One private hopper dredge is not enough to serve the Nation's needs. A legislative proposal which would downgrade the Corps of Engineers dredging capability and revert maintenance dredging to contract with the private sector is an insufficient alternative. PNWA believes that H.R. 7744 is not a responsible piece of legislation and strongly opposes its enactment.

Thank you. I offer my prepared statement for the record.
[Statement referred to follows:]

STATEMENT OF ROY C. WEBSTER, EXECUTIVE VICE PRESIDENT, PACIFIC NORTHWEST WATERWAYS ASSOCIATION

I am Roy C. Webster, Executive Vice President of the Pacific Northwest Waterways Association, with headquarters in Walla Walla, Washington.

It is a pleasure to represent the Pacific Northwest Waterways Association before this House Subcommittee today. I welcome the opportunity to appear before you and speak about the serious potential adverse impact H.R. 7744 could have upon the Pacific Northwest.

First, you should be aware of what the Pacific Northwest Waterways Association is. It has existed for some 44 years as a non-profit organization comprised of a broad spectrum of business and industrial interests, government-related bodies, individual groups and organizations, and singular individuals. Our membership primarily falls within the geographical area of the States of Washington, Oregon, Idaho and western Montana, but we also have membership from California, Oklahoma and Missouri.

The PNWA membership includes public and private power companies inland companies, inland and coastal ports, financial institutions, major industrial corporations, local and small businesses, labor unions, State and county government agencies, shipping firms, media firms, irrigation districts, and individuals.

In the Pacific Northwest, water is our most valuable natural resource—a situation not unlike the rest of the United States. The region's resident use this natural resource for energy production—80 percent of the Pacific Northwest's total energy is from hydroelectric generating facilities—irrigation, reclamation, municipal and domestic purposes, fish and wildlife enhancement, recreation, and, most importantly in terms of this particular hearing—transportation.

For more than 40 years, PMWA has been in the forefront of the comprehensive planning and development of water and related land resources in the Pacific Northwest. I point this out to emphasize the point that PNWA speaks from extensive experience and understanding of the value of the region's water resource to the economic and social well-being of the Pacific Northwest.

On July 1, 1977, PNWA adopted a resolution which specifically speaks to H.R. 7744 to wit:

"PNWA opposes any Federal legislation which would adversely affect existing Corps of Engineers hopper dredging posture or any authorized additions to the Corps' hopper dredge fleet until proper study can be evaluated on the ability of the private sector to perform this work competitively. And, PNWA opposes such

legislation until it can be given complete assurance that the required capability will be available on a continuous basis in the affected areas of the United States."

This resolution is in addition to another statement of position by PNWA which was adopted by the membership at the annual meeting of the association in Portland, Oregon, in October, 1976. That statement, published in the "1976-1977 Programs and Policies Booklet of PNWA says:

"Support the refurbishing of existing and construction of new hopper dredges as directed by the House Appropriations Committee in its report on the 1976 Appropriations Bill to meet the urgent dredging needs throughout the United States."

PNWA is aware of the present Testing of the Market Program being conducted on the East Coast and Gulf Coast by the Corps of Engineers in an attempt to determine if private industry has the capability to perform the dredging of inland and coastal waterways presently accomplished by the Corps.

PNWA has no doubt that some of the work can be handled under contract by private industry, but the questions of how much of the total requirements the private sector can perform, at what cost, and with what capability are serious considerations and, as far as we can determine, are still unanswered. In fact, until about 10 days ago, the private dredging industry of the United States did not have one single hopper dredge in its inventory.

And that brings me to the significance of PNWA appearing before this distinguished group of Congressmen today. The Corps' Testing of the Market Program to determine the industry's capability of performing the dredging requirements of this nation does not include a single project on the West Coast.

Right now, the Corps' largest hopper dredge, the *Essayon*, on which I personally spent some four hours two weeks ago, and a second Corps' hopper dredge, the *Biddle*, are working side-by-side performing round-the-clock maintenance dredging of the Columbia River at its mouth. The present authorized channel depth across the Columbia River Bar is 48 feet. Under adverse weather conditions which are not too uncommon for this specific area, navigating this particular river entrance is considered one of the two worst bar crossings in the world.

And, without the annual maintenance dredging of this navigation channel, it is estimated that the Columbia River entrance depth would revert to about less than 40 feet and thus prohibit the safe access of ocean-going vessels which now cross this bar enroute to the Columbia River ports of Portland, Longview, Vancouver, Astoria, Kalama, and St. Helens.

And, to complete this picture, it must be understood that from these Columbia River ports where ocean-going vessels call because of the hopper dredge maintenance work at the mighty river's mouth, the Nation's import-export balance of trade margins are maintained. Two years ago, 465 miles inland on the Lower Snake River at Lewiston, Idaho, the wheat from Montana and the Dakotas, as well as wheat and other commodities from mid-America began to journey by river barges down the Snake, onto the Columbia River and eventually into the Pacific Rim bound ocean-going vessels.

In summary, PNWA is concerned that H.R. 7744 does not address itself to the significant differences which exist for dredging requirements between the Atlantic and Gulf Coasts and those of the West Coast. The bulk of our needs can only be accomplished by hopper dredges and to this end, the reduction of the Corps' dredging fleet with subsequent work to be accomplished by private dredging interests alarms us.

PNWA also is concerned about the lack of competition in pipeline dredging capability which presently exists in the private sector, as well as hopper dredging and the ability of the dredging industry to respond to emergency demands while performing under contract the maintenance needs of a particular area.

One private hopper dredge isn't enough to serve the Nation's needs. A legislative proposal which would downgrade the Corps of Engineers dredging capability and revert maintenance dredging to contract with the private sector is an insufficient alternative. PNWA believes that H.R. 7744 isn't a responsible piece of legislation and strongly opposes its enactment.

Mr. SOIKE. Mr. Chairman, as a member of the American Association of Port Authorities, I participated with Mr. Paul Deide in the development of the AAAPA position on the hopper dredging issue. I would have to say that we agree that private industry should move into this area. We strongly feel that there must be a viable, minimal fleet to take care of the national defense in national emergencies.

I was interested in your counsel's question about the concern of private industry and the time and the problem of getting financing for privately owned hopper dredges. I can understand and appreciate that. I think they need an answer to that question but I think the American ports also need an answer to the question of what is going to be the basis of the minimal fleet.

We would like to know. It is my feeling that the legislation should be delayed until that can be established. We have heard here today that industry feels that that fleet should be based on their capabilities. This certainly causes some grave concern because privately owned dredges can move to markets outside of the United States and we may not have that reserve capability when it is critically needed.

Another question that has not been thoroughly answered is the condition of this residual fleet. We have heard industry saying that the dredges that were constructed in 1950-60 will suffice as a minimum fleet until private industry can take over. It is our feeling that the fleet should be more than that and that it will provide us with an economic yardstick on the cost of dredging the waterways in the United States.

Another question that has not been addressed is whether or not this minimal fleet would be allowed to be kept busy or if it would be in a layup position. Those are some of the questions that concern us as American ports.

We are mindful of the many dollars that Congress appropriates annually for maintaining the waterways of this nation. We come back annually, many of us, to support those appropriations. We want to minimize the dollars and the escalation of cost that we are presently going through. Those are the concerns that we have. We are very mindful too, of General Morris' concern of the critical nature of phasing between the Government capability and the private dredging capability. Thank you.

Mr. ROBERTS. I want to make this statement as clearly as I can. It is my intent and the intent of the committee that this bill will, at no time, leave us with less capability than is needed or cost more than the lowest possible price. I think this is what we are all working for.

There may be difference in opinion as to how these objectives are reached but I think all of us share the same good intentions. I will yield to the gentleman from Washington.

Mr. McCORMACK. Thank you very much.

I appreciate your consideration in allowing me to raise some question with these representatives from Washington State and the west coast. I have several questions.

What is the percentage of dredging work now done on the Pacific coast by private industry as against the Corps of Engineers?

Mr. HOLCOMB. I can't respond to that because I have before me only the figures for the State of Washington and the Columbia River.

Mr. McCORMACK. In the interest of saving time, is it a fair guess that about two-thirds of the work on the west coast is done by private industry?

Mr. HOLCOMB. That would be as good a guess as any, Congressman.

Mr. TERNYIK. But no hopper dredges.

Mr. McCORMACK. Do I take it that there is no privately owned dredge available on the Pacific coast to keep the Columbia bar open? It would have to be done by the Corps of Engineers facilities?

Mr. SOIKE. Correct.

Mr. McCORMACK. Right now we are using the largest one in the country and another one just to keep the bar open on the Columbia River, and there is no private equipment on the west coast that can handle that job.

Mr. SOIKE. That is also true of San Francisco.

Mr. McCORMACK. You need two things. You need assurance that there will be equipment there that will keep the bars open and provide adequate dredging services for the west coast.

The second thing is you want it at a cost that would be competitive, the lowest possible cost, as the chairman has just pointed out. Those are your main points.

Mr. TERNYIK. There is one other thing, too; we were talking about the capability of the people that maintain or run those dredges. The dredge that I showed you the picture of is alive today because of the quality of the man that is skipper of that dredge. He works under extremely trying conditions. I am a 20-year member of the Operating Engineers myself and I know of no one who has that capability. I would hope that they would open their arms and take in those people. We would like some assurance.

Mr. McCORMACK. Do you think that having a guaranteed percentage of the work done in regions of the country would be a help? Perhaps no less than 25 percent of the work in the west coast region shall be done by the Corps of Engineers.

Mr. SOIKE. General Graves indicated that they considered half of the hopper dredge work at present would be assigned to a minimal fleet. That was the first time I had heard that number.

Mr. McCORMACK. I was saying 25 percent of everything. Yours is a refinement of my speculation. This sort of approach, some sort of safeguard there would help?

Mr. HOLCOMB. There should be certainly somebody there to monitor what the costs might be. With no watchdog, you are at the mercy of private industry totally.

Mr. WEBSTER. Congressman.

Mr. McCORMACK. A minimum percentage of the workload would provide that.

Mr. SOIKE. One of the unanswered questions is everybody talks about minimum fleet. There is no commitment about whether there will be work for that fleet available.

Mr. WEBSTER. We spoke to that, too. We have no doubt that private industry can perform this if they have the capability or the equipment to do it. If they have the capability, we stand in support of that concept.

Mr. McCORMACK. I am sure, Mr. Chairman, that you recognize that the Pacific coast is really much different than much of the rest of the country insofar as dredging requirements, oceanic conditions, marine conditions in general, and so on are concerned.

This picture of the bar at the Columbia River that was circulated reminds me of the fact that we lose quite a few people every year in boating accidents in this region, far more than we would have in any other region of the country because of the Pacific Ocean and the Pacific coast. I think it is unique—I think Mr. Qualman mentioned where Astoria is.

The members of the committee hardly recognize anything about the Pacific coast. When I tell somebody I am from Washington, they say "What part?" I say the Northwest. They say do you live near Bethesda? I have to take our uniqueness into consideration when considering this bill.

Mr. ROBERTS. I am appreciative of the membership. It is almost inconceivable that we could get through this many witnesses and get through before these bells catch us. I am also appreciative of the members. We have had the largest number of members for any meeting that we have ever had.

Thank you all very much for your appearances here today.

[Whereupon, at 12:17 p.m., the subcommittee adjourned.]

