

Congress of the United States
Washington, DC 20515

July 26, 2016

The Honorable Jo-Ellen Darcy
Assistant Secretary of the Army (Civil Works)
108 Army Pentagon
Washington, DC 20310

Dear Secretary Darcy:

We are writing to express concerns raised by employers and manufacturers located along the Houston Ship Channel regarding changes in Army Corps of Engineers' processes that are impacting the predictability and cost of maintenance dredging and terminal growth.

Specifically, the timeframes for consideration of berth dredging and use of dredge placement areas have dramatically increased in processing time and decreased in predictability. As a result, private companies are faced with delays, changing approval dates, and unnecessary challenges for budgeting and planning.

Companies are reporting that approvals to use placement areas under the 401(c) process, which took only a few months to complete in 2013, are now taking over a year to complete. This has costly ramifications, such as, but not limited to:

- increased shipping costs due to light-loading vessels,
- increased dredging costs due to inability to perform timely maintenance dredging, and
- decreased scheduling predictability.

Maintaining berth depths avoids margin impact that is directly tied to reduced terminal capacity utilization from under loading of ships and demurrage. There are also increased safety and environmental risks from lower water during winter months, passing ship effect, increased traffic, additional cargo transfers, and emissions.

Additionally, terminals are unable to optimize their dredging schedules to match their shore-side operations like performing dredging operations during a refinery maintenance turnaround project when the docks are less utilized. We urge you to allow decisions to be delegated to the Corps' District and establish a more predictable and expeditious process.

Furthermore, applications requesting use of federal placement areas for dredge material removed to create new docks are being rejected. The federal placement areas are being reserved for federal channel dredge material and existing dock maintenance dredge material only. The current recommendation to transport material 25 miles down the channel to use an offshore site is financially infeasible and is jeopardizing the future of these projects that would bring millions of dollars to our local economies. Beneficial use of dredge material could dramatically reduce the cost of operation and maintenance of placement areas in Texas. Private industry supports the acceptance of 217(a) and 217(b) agreements between the Army Corps of Engineers and the local non-federal sponsor of the channel. This would

enable private industry to purchase access to current or future capacity through coordination with the non-federal sponsor, providing these companies with confidence that their investments are secured for future growth.

A major terminal in Houston is unable to develop plans for a new dock because it has been denied use of federal placement areas for the material removed during construction. The restriction on private company access to federal placement areas imposes untenable increases in capital and dredging costs, thereby blocking the addition of a new dock with an estimated \$13 million annual potential revenue. This issue could be resolved once 217(a) and 217(b) agreements have been reached, which would provide private companies with more predictable access to placement areas.

From the perspective of the constituents, there are a number of reasons these problems have developed. Firstly, the maintenance of the federal channel is being viewed as a higher priority than that of private terminals, while in practice the relationship is symbiotic. Without a properly maintained channel, the docks are inaccessible, and likewise, without properly maintained docks, the channel cannot be fully utilized, nor can optimized economic benefits be realized.

Secondly, due to rapid investment and expansion, companies are submitting an increased number of applications for permits and other permissions. The Gulf Coast Region is experiencing tremendous industrial and maritime growth, much higher than other regions of the United States. The American Association of Port Authorities' 2016 Port Planned Infrastructure Investment Survey reported that \$127.8 billion in port and private investment will take place on the Gulf Coast through 2020, which is 82% of total U.S. port-related investments. However, it does not appear that Army Corps of Engineers staffing assignments have adjusted to meet local needs. With the majority of upcoming investment occurring in the Gulf of Mexico region, it stands to reason that the Army Corps of Engineers should provide an increased proportion of staffing and resources to the region to support the economic growth.

We respectfully request that the Army Corps of Engineers engages in discussions with us and our constituents so that we may work together to solve these issues. We look forward to your response describing improvements in processes, delegation of authority to the District level,

Thank you for your thoughtful consideration of these issues.

Sincerely,



BRIAN BABIN (TX-36)
Member of Congress



RANDY WEBER (TX-14)
Member of Congress



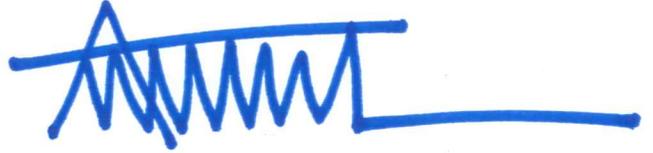
GENE GREEN (TX-29)
Member of Congress



JOHN CULBERSON (TX-7)
Member of Congress



MICHAEL MCCAUL (TX-10)
Member of Congress



TED POE (TX-2)
Member of Congress



PETE OLSON (TX-22)
Member of Congress