1. Panama Canal Stakeholder Working Group Members and Alternates Present:

   - Honorable Ed Emmett, Harris County Judge, Chair
   - Honorable Carlos H. Cascos, Cameron County Judge, Vice Chair
   - Colonel Leonard Waterworth, Port of Houston Authority
   - Mr. Fred Malesa, BNSF
   - Mr. Steve Boecking, Alliance Texas
   - Mr. Joseph Adams, Union Pacific
   - Mr. Jim Griffin, East Harris County Manufacturers Association
   - Mr. Kenneth Dierschke, Texas Farm Bureau
   - Mr. John LaRue, Port of Corpus Christi
   - John Esparza, Texas Motor Transportation Association
   - Madison Sequenzia for Mr. Jack Todd, Texas Association of Manufacturers
   - Mr. Ramon Navarro for Mr. Rigoberto Villarreal, City of McAllen
   - Ms. Leticia Flores for Mr. Aaron Demerson, Office of the Governor, Economic Development & Tourism
   - Mr. Carlton Schwab, Texas Economic Development Corporation

   Other individuals attending the meeting are listed in Appendix A

2. Welcome, Introductions, and Review of Agenda – PCSWG Chair Judge Ed Emmett.

   PCSWG Chair Judge Ed Emmett welcomed PCSWG members, invited speakers, and other attendees. He thanked Eduardo Campirano for hosting the boat tour and dinner the previous night and the Port of Brownsville and Keppel AmFELS for hosting the PCSWG meeting.

   **State Senator Eddie Lucio, Jr.**

   Senator Lucio made the following comments:
I am honored to welcome you here today to this unique port. Brownsville is at the heart of international commerce – an evolving window into the future of global relations. So on behalf of our vibrant community, welcome.

This working group boasts an embarrassment of riches when it comes to experience and expertise. This is just as well. You have been given an important task.

The expansion of the Panama Canal has the potential to be of great benefit to Texas. Right now, committees in the Texas House and Senate are studying the expansion. The Texas Department of Transportation has had the wisdom to form this workgroup.

I would like to thank Chairman Ed Emmett, for this leadership of this group. Just as you lead Harris County with dedication and diligence, I know you will lead the men and women gathered here.

Without shipping, our modern way of life would not be possible. Approximately 90 percent of the world’s trade is possible because of shipping. There are over 50,000 merchant ships staffed by over 1 million seafarers, trading across the world and transporting every type of cargo.

As you know, the expansion of the Panama Canal will enable large modern ships – carrying bigger cargos – to traverse the Americas with greater speed. As a staging post, we should see the benefits of that expansion here in south Texas.

We all understand that Texas is well positioned geographically to benefit from the expansion. The existence of this working group demonstrates that we know we need to be well positioned organizationally too.

Even in a cynical age like ours, I believe that state government can positively impact the maritime industry for the good of the general public.

Therefore I am heartened to see members of both the public and private sectors come together in unison to make sure our communities are well positioned for the expansion. I am grateful that our ports are working together in a spirit of cooperation, not competition.

As you know, by upgrading our port infrastructure we can capture new commerce and create jobs. However, we can also improve the environment.

We spend a lot of time at the state capital talking about traffic congestion in our major cities and highways – and we do need to invest in road infrastructure. Nevertheless, port expansion and coastal highways represent an underutilized solution for relieving traffic congestion on interstates and reducing greenhouse gas emissions around major metropolitan areas.

Therefore, I sincerely hope that the recommendations of this working group will be taken seriously by the state legislature.

In closing, I want to say loud and clear that port infrastructure needs to find greater emphasis in state politics. In 2001, I was proud to pass Senate Bill 182, creating the Port Access Fund. However, after 10 years the account remains unfunded. Now more than ever, we need to find a funding mechanism so that the state can assist the ports in upgrading our infrastructure. Other states are doing this already. We need to step up.
So to finish, welcome to Brownsville and I sincerely hope you have an extremely productive meeting.

**Welcome from Keppel AmFELS – GS Tan, President and Chief Executive Officer**

A video on Keppel AmFELS was played highlighting the background and current focus of the company.

3. **Open Public Comment Period – PCSWG Chair Judge Ed Emmett**

There were no public comments.

4. **Invited Speakers**

**The Gulf Intracoastal Waterway and the Panama Canal Expansion – Jim Stark, Executive Director, Gulf Intracoastal Canal Association**

Jim Stark provided an overview of the Gulf Intracoastal Canal Association (GICA). He discussed the benefits of using the inland waterway system to move freight. Jim also discussed the current condition of the Gulf Intracoastal Waterway (GIWW) and needed improvements. Jim covered the following topics in his presentation.

- **The GICA mission** is to “ensure the GIWW is maintained, operated, and improved to provide the safest, most efficient, economical, and environmentally-sound water transportation route in the nation, serving petrochemical facilities, refineries, farms, mines, ports, commercial fisheries, recreation, and more.”

- **The GICA undertakes numerous activities to accomplish this mission.** These activities include identifying, analyzing, and addressing GIWW issues, and educating and informing members of issues. The GICA also educates and informs the public of GIWW’s importance to the nation and advocates for adequate capital and maintenance funding at the national and state levels. The GICA coordinates and partners with other industry groups and associations on waterways issues, and assists the Coast Guard and the U.S. Army Corps of Engineers in identifying and rectifying hazards and making improvements to the waterway.

- **The GIWW is part of the nation’s Inland Maritime Transportation System.** The GIWW is 107 years old, and spans over 1,000 miles from Brownsville, TX to St. Markso, FL.

- **The maritime transportation system provides an efficient, environmentally-friendly, and safe method to move freight.** For example, one 15-unit barge can transport the same amount of freight as 216 rail cars or 1,050 trucks. A loaded tank barge can carry 27,500 barrels of gasoline, enough to keep about 2,500 automobiles running for an entire year. Barges can move one ton of cargo 616 miles per gallon of fuel, compared to 478 miles for a rail car, and 150 miles for a truck. Inland barges produce less carbon dioxide to move the same volume than rail or truck. The inland waterways also transport hazardous materials safely, with spill rates lower than truck and rail.
• The towing industry transported approximately 566 million tons of cargo on the inland waterways system in 2010, representing 62 percent of all domestic waterborne commerce nationwide. Traffic on the GIWW accounted for 116 million tons. Only the Mississippi and Ohio Rivers accounted for more cargo that is waterborne. The major cargos transported on the GIWW include petroleum and petroleum products, 51 percent, chemicals, 17 percent, crude materials, 17 percent, and coal, 6 percent.

• The GIWW includes 423 miles in Texas, serving 17 Texas ports. In 2010, approximately 73 million tons of cargo was transported on the GIWW in Texas, valued at $28 billion. Approximately 87 percent of this cargo was petroleum or petrochemical products.

• The GIWW provides a key link for Texas commerce. There are a number of concerns associated with maintaining and improving the GIWW. The Army Corps of Engineers dredging funds for 2013 are needed to maintain the depth of the GIWW, but advanced maintenance is also needed. Many parts of the GIWW have aged infrastructure in need of major capital improvements. The Brazos River Floodgates and the Colorado Locks both require significant improvements or total replacement. Encroachment by housing and commercial use is also an issue, as the waterway width needs to be protected. The Army Corps of Engineers is establishing revised, realistic setback policies to assist in preventing encroachment. As the non-federal sponsor of the GIWW in Texas, TxDOT support is critical to providing maritime representation and focus. Finally, the Waterways Are Vital for the Economy, Energy, Efficiency, and Environment Act of 2012, or WAVE4 Act, is needed to provide federal funding and support for the inland waterways.

• It is difficult to quantify direct impacts or to project increased cargo shipments from the Panama Canal expansion. The recent Eagle Ford Shale development is resulting in significant increases in GIWW barge shipments, however. Further, the GIWW represents a key transportation mode that could be used more to avoid overstressing the surface transportation system from increases in traffic due to the Panama Canal expansion. Efficiencies, safety, environmental impacts all point to reasons to maintain inland waterways system, including the GIWW.

PCSWG members discussed the importance of the GIWW to freight movement in Texas. It was suggested that the GIWW is the “sleeping giant” – it does not get much visibility, but is a key element of the freight-waterway system. The need for funding critical improvements was discussed, along with the role TxDOT can play in addressing these needs. Other options for promoting the use of the GIWW were also discussed.

Recent Research and TxDOT’s Role in the Gulf Intracoastal Waterway – Jim Kruse, Texas A&M Transportation Institute

Jim Kruse provided an overview of the GIWW. He described TxDOT’s role in the GIWW, highlighted key elements of the GIWW, and discussed recent research projects and issues associated with the GIWW. His PowerPoint presentation is provided as a separate attachment. Jim covered the following points in his presentation.
- The 1975 Texas Coastal Waterway Act, codified as Texas Transportation Code, Chapter 51, established TxDOT’s role associated with GIWW. The department’s primary responsibility is to provide lands, easements, rights of way, relocations and necessary disposal areas for maintenance and operation of the GIWW.

- The GIWW, which is 423 miles long, is the nation’s third busiest inland waterway, behind the Mississippi River and the Ohio River. Texas accounts for approximately 63 percent of the traffic in the GIWW. One of initial functions of the GIWW was to provide protected inland transportation for goods and troops during WWII. Today, the GIWW is a multipurpose waterway used by a host of recreational and commercial interests.

- The navigable channel of the GIWW is 125 feet wide and 12 feet deep. Tows are authorized to travel at a width of 108 feet. Tows must utilize waters outside the authorized channel to pass and navigate difficult bends, however.

- TxDOT has sponsored research projects and different aspects of GIWW and waterborne freight. Topics addressed in these studies include containerized freight movement, short sea shipping, the value of Texas seaports, and protecting waterways from encroachment. Other projects examined policies and incentives to encourage the movement of containerized freight on Texas inland waterways, as well as waterborne freight corridors.

- These studies and other TxDOT projects identified issues associated with the GIWW. These issues include inadequate funding for the Army Corps of Engineers to maintain the channel and encroachment of real estate development on the GIWW. Another issue is that the dimensions and structures of the GIWW do not adequately support the state of barge transportation today. There is also a need for additional mooring structures at numerous locations. Additionally, the Brazos River floodgates and Colorado River locks are over 50 years old and are only 75 feet wide.

- The most recent request from the Army Corps of Engineers for additional disposal capacity was in 1998. In 2010, TxDOT completed acquisition of 242 acres in Galveston County for additional disposal capacity at a cost of $1.8 million.

**Eduardo Campirano, Port Director and Chief Executive Officer, Brownsville Navigation District**

Eduardo Campirano provided an overview of the Port of Brownsville. He described the port infrastructure, current projects and services, and existing transportation links. He also discussed future projects and possible services. A copy of his PowerPoint presentation is provided as a separate attachment. Eduardo covered the following topics in his presentation.

- The Port of Brownsville is located at the southernmost tip of Texas. It includes a 17-mile long channel that meets the Gulf of Mexico at the Brazos Santiago Pass. The port owns all the waterfront facilities on the Brownsville Ship Channel, which includes Foreign Trade Zone #62.
The port includes 40,000 acres, 12 cargo docks, 4 oil docks, and 1 liquid cargo dock. There are 570,000 square feet of covered storage and 2.85 million square feet of open storage. The port also includes two container/restricted cargo storage yards.

Approximately 65 million tons of cargo was shipped through the port in 2011, with 5.5 million tons transported by water and 1 million tons transported by rail. Cargo shipped through the port is approximately 50 percent liquid and 50 percent bulk. The port serves destinations throughout the world.

The Brownsville & Rio Grande (BRG) short line railroad services the port. BRG traffic is all port generated. The BRG connects with UP, BNSF, and KCSM lines and operates 24 hours a day/7 days a week. The connections to Mexico by both truck and rail are critical to the port.

The overweight corridor provides a link between the port and the Veterans International Bridge at Los Tomates. It provides the capability to accommodate U.S. and Mexican truck weight standards. It links all Port of Brownsville transportation capabilities and provides efficiencies to clients.

Ship recycling is a major industry at the port. Five out of eight ship recyclers in the U.S. are located at the port, including four MARAD-certified ship recyclers and the only two navy-certified ship recyclers in the U.S. This industry creates 200 jobs per ship for two years. There has been a 460 percent increase in business since 2005, with five vessels in 2005 and 28 vessels in 2011. Other major industries at the port include Keppel AmFELS, steel import and export facilities, and liquid cargo facilities. A new LNG facility is being planned. Possible liner service from Brownsville to Kingston, Jamaica is being considered.

A channel deepening and widening study has been ongoing since 2006. The current authorized bottom width is 250 feet and the current authorized depth is 42 feet.

Possible improvements at the Tampico, Mexico port were discussed as competition to the Port of Brownsville and other Texas ports. The Mexican government is funding major improvements at Tampico, but good connections to inland areas are still lacking.

PCSWG members discussed the status of the Marine Highway designations, issues concerning the lack of back hauls from Florida to Texas, issues associated with the Jones Ace, and other related topics.

**Jody Sumrall, Gulf Coast LNG, LLC**

Jody Sumrall discussed the proposed Gulf Coast LNG facility at the Port of Brownsville. He described the LNG liquefaction terminal, the current and future use of the Panama Canal by LNG vessels, and the investment in proposed Gulf Coast LNG facility. A copy of his PowerPoint presentation is provided as a separate attachment. Jody covered the following topics in his presentation.
The proposed Gulf Coast Liquefaction terminal would take advantage of the existing pipelines in south Texas. Proposed facilities include two-to-three full-containment 160,000 m³ LNG storage tanks, a 42” downstream pipeline system, two state-of-the-art marine dock facilities capable of handling up to Pan-max sized LNG ships each, and up to three API Liquefaction Units. A 500-acre site along the Brownville ship channel is being considered for the facility.

Currently, the standard LNG vessels cannot use the Panama Canal due to width limits. The Panama Canal expansion will accommodate existing LNG vessels. The Panama Canal would offer faster service to Asian markets. LNG vessels are more sophisticated and cost more than vessels carrying crude oil. Use of the Panama Canal for transporting LNG would depend on global LNG prices and other factors.

The proposed Gulf Coast LNG facility represents a significant investment. The three train liquefaction facilities represent a capital investment of $5-to-$6 billion. The project would create an estimated 3,000 construction jobs and 250 permanent jobs. The estimated indirect job creation is 30,000-to-40,000 new jobs. The economic stimulus is estimated to be $5.4-to-$7.8 billion per year from 2018 to 2040 or $135-to-$195 billion over 25 years. The project also benefits the balance of trade and has environmental benefits from using natural gas, which is a more clean burning fuel than coal.

Pete Sepulveda, Cameron County Regional Mobility Authority and Mario Jorge and Marc Williams, Texas Department of Transportation

Pete Sepulveda provided an overview of the Cameron County Regional Mobility Authority (CCRMA). He described the CCRMA goals, transportation and infrastructure priorities, and future opportunities and issues. A copy of his PowerPoint presentation is provided as a separate attachment. Mario Jorge and Marc Williams also provided highlights of current and planned TxDOT projects in the area. Pete, Mario, and Marc covered the following topics in their presentations.

The CCRMA was established in 2004 and the first meeting was held in 2005. The goals of the CCRMA include improving economic development in the region, providing a better quality of life, and improving mobility. Other goals are to relieve congestion and to ensure efficient trade corridors.

The CCRMA has a number transportation and infrastructure priorities. These include US 77 and upgrading US 77 at I-37, the East Loop Corridor, the West Rail Relocation project, and the North Rail Relocation Phase I project in Harlingen. Other priorities include the SH 550 ultimate project, the Veterans International Bridge at Los Tomates expansion project, the South Padre Island second access, the Outer Parkway project, and the FM 509 extension. Innovative financing methods, including toll roads and a transportation reinvestment zone, are being used to support these projects.

The 2010 population of the region was approximately 3.5 million. The population is projected to increase to 7 million by 2040. Transportation improvements are needed to serve this growing population.
• Mario Jorge noted that TxDOT works closely with the CCRMA and with the Hidalgo County Regional Mobility Authority (Hidalgo County RMA). He described the pass through financing process being used on the East Loop project. He also highlighted other TxDOT projects including US 77 and US 83. He noted the good working relationships and partnerships among all the groups in the area.

• Marc Williams also highlighted the key TxDOT projects in the area and stressed the importance of the partnership with the other agencies and the private sector in the success of different projects. He noted many of the innovative approaches being used in the region.
Appendix A – Other Individuals Attending

Richard Zientek, Harris County Judge’s Office
Eduardo Hagert, Texas Department of Transportation
Marc Williams, Texas Department of Transportation
Jay Bond, Texas Department of Transportation
Katie Turnbull, Texas A&M Transportation Institute
Marty Rozelle, The Rozelle Group, Ltd.
Mary Cearly, Texas A&M Transportation Institute
David Garcia, Cameron County
Glen Jones, Texas Farm Bureau
Brad Walker, E-ndeavor Corp/Hazak Corp
Gus Khankarli, Texas Department of Transportation
Coby Chase, Texas Department of Transportation
Terry Clower, University of North Texas
Craig Morgan, BNSF
Jim Stark, Gulf Intracoastal Canal Association
Esmeralda Rivera, Congressman Blake Farenthold
Tim Merriweather, Longbow Partners, LLC
Steve Bearden, Port Isabel/San Benito Navigation District
Jody Sumrall, Gulf Coast LNG
Mario Jorge, Texas Department of Transportation
Jim Kruse, Texas A&M Transportation Institute
Manual Ortiz, Port of Brownville
Eduardo Campirano, Brownsville Navigation District
Pete Sepulveda, Cameron County Regional Mobility Authority
Eddie Lucio, Jr., State Senator