

**Submission to the
Governors' Liaison Committee
For the
Upper-Mississippi-Illinois Waterway
System Navigation Study
April 12, 2001**

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**Excerpts from and responses to the
Testimony of Christopher J. Brescia
President
Midwest Area River Coalition 2000 (MARC 2000)
Before the
Congressional Mississippi River Caucus
March 15, 2001**

Public Employees for Environmental Responsibility (PEER) is a national service organization for federal, state and local government employees serving the public within pollution control, land management and wildlife protection agencies throughout the country. Among its services, PEER provides legal and other representation to conscientious employees. In this capacity, PEER serves as the legal representative for a number of employees within the U.S. Army Corps of Engineers, most prominently senior economist Dr. Donald C. Sweeney III.

PEER responses are in *italics*:

Brescia: "Dr. Sweeney hard wired his model so that it could produce results, but he failed to tell anyone that the model he had was not the model he promised. In addition, without the data to run this model he "invented" formulations and assumed shipping practices that have not been substantiated or empirically tested."

Fact 1: Dr. Sweeney and his team wrote the ESSENCE model so that it could incorporate any downward sloping demand for water transportation for any individual system user. The model was by design not hard wired to produce any result. Contrary to Mr. Brescia's testimony Dr. Sweeney did not make any assumptions regarding shipping practices. During model testing a functional form was developed that permitted rapid investigation of the sensitivity of the model to various estimates of the elasticity of individual demands for water transportation. These functional forms were never intended for use in real production runs of the ESSENCE spreadsheet.

Fact 2: Dr. Sweeney acknowledged the lack of relevant empirical data in the original study design. Dr. Sweeney and Mr. Richard Manguno, another Corps economist, formally recommended that:

"The economic concepts underlying the spatial equilibrium based model (SEM) are sound. The ESSENCE spreadsheet used to apply the concepts to the UMR-IW Navigation System Feasibility Study correctly applies the concepts to the NED analysis of potential system actions. A sensitivity analysis concerning the impact on estimates of the NED impacts of alternative assumptions regarding the location and shapes of demand curves

was undertaken to ascertain the efficacy of gathering additional data. We concluded that the long term NED plan may be sensitive to the shapes of the demand curves and the study should undertake additional efforts to further define these demand curves for water transportation. The original study IPMP did not address demand for water transportation curves." - Memorandum signed by Dr. Sweeney and Mr. Manguno through Owen Dutt to then project manager Dudley Hanson dated 3 August 1998.

Brescia: "His favorite line was 'be patient, we'll get there'."

Fact 3: Examination of the GLC, ECC, and study team meeting minutes reveal no incidences of Dr. Sweeney ever making such a statement. This is pure fabrication.

Brescia: "Between April 1998 and April 1999, MARC 2000 consultants provided the Corps economic team with critiques of Dr. Sweeney's model. At first, Dr. Sweeney ignored our criticisms. Then, when he was removed from his role as technical manager, his successors also discounted our critiques."

Fact 4: Dr. Sweeney was removed from responsibility for production of all economic work group products on June 17, 1998. Examination of study team, GLC, and ECC meeting minutes during the period from April 1998 through June 1998 reveal Dr. Sweeney received no critical material from MARC 2000.

Brescia: "that fact provided the impetus for the convening of the famed May 5 'Summit'."

Brescia: "In our view Mr. Chairman, the Corps leadership recognized that their model was broken and that they needed to fix the mess Dr. Sweeney created a mess that the National Academy of Science reveals is so inadequate that it should not be used in this feasibility study. Dr. Sweeney blew the whistle on his superiors' efforts to fix the flawed model he created. That's the bottom line."

Fact 5: Dr. Sweeney blew the whistle on the mess that Corps senior management created attempting to pre-determine study results. As Colonel Mudd wrote (in an Oct. 2, 1998 memorandum clarifying Fuhrman's commands to the economics panel), "MG Fuhrman has clearly stated that the Corps has the responsibility as the Federal Government's advocate for the inland waterway system. To help in the execution of this responsibility, you will develop the economic component of the case for a recommendation that includes near-term improvements, recognizing that the nation is better served by improvements that err on the large-scale side than by actions that err on the underdeveloped side."

Brescia: "The ESSENCE model (Dr. Sweeney's model) does not, however, adequately use the most important concepts of the spatial equilibrium model that were advocated in the draft feasibility study."

Brescia: "Indeed, the shortcomings are so serious that the current results from the export forecasting model and the empirical ESSENCE model (used to model waterway traffic,

levels of congestion, and changes in shipping rates) should not be used in the feasibility study."

Brescia: "theoretical issues aside, the important issue is that the Corps made no effort to assure that its assumptions about N were consistent with historical data on shipper behavior. Studies based on actual shipper behavior suggest that, contrary to the ESEENCE model, price responsiveness of freight demand varies greatly by commodity and location."

Brescia: "Every key point we made to Dr. Sweeney and to his economic team have been confirmed by a group of independent economists. So we ask, what was this whistleblower accusation about? Clearly, this is an issue of ego and arrogance by one man, rather than inappropriate behavior by an agency and its leadership."

Fact 6: These so-called key points were never made to Dr. Sweeney and his economic team. These points were made to Colonel Mudd and his economic team. In a private email to Colonel James Mudd dated March 11, 1999 Mr. Brescia writes, "WE WILL LOSE ON ALL COUNTS. We have found that 'your model' may actually violate two of its own key postulates it is apparent to us that your team is unwilling to accept a sound economic basis for operating within the SEM. Any hope of coming out of this process with a region solidly behind navigation and environmental programs is rapidly slipping through our fingers. This private email from Mr. Brescia to Colonel Mudd is at the heart of the disclosure. The issue was and is the arrogance and inappropriate behavior of an agency's leadership attempting to serve their special interest client.

Brescia: "In 1998, he willingly and knowingly publicly presented flawed model results that he knew were calculated by a model he claimed was a SEM, but was not."

Fact 7: Dr. Sweeney's only public presentation of any model results in 1998 was to the MIST meeting of the environmental work group in Vicksburg, MS in February 1998. At that meeting Dr. Sweeney presented reasonable ranges for changes in future traffic flows to be used by the MIST team in testing and evaluating their models. Dr. Sweeney labeled the data and results as preliminary and subject to change with further research into the willingness of system users to pay for incremental increases in system productivity.