

Waterways

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Many are adding up the costs of infrastructure inaction

A good definition of economics is, “The study of the uses of scarce resources which have alternative uses.” And one basic economic principle is that everything in an economy has a cost - even inaction.

So it was no surprise when the Metropolitan Council released its “Assessment of Economic Impact of Potentially Discontinuing the Operation of the Upper St. Anthony Falls Lock” that predicts some serious environmental and economic consequences of leaving the locks idle in an attempt to stop Asian Carp migration.

Societal Impacts

Among other things, the Council report says closing the lock(s) would shift commodity movements from barge to truck, increase truck traffic and related societal impacts AND create changes in employment.

**Executive Director
Russ Eichman has a more**

detailed take on the new report in his column on page two of this newsletter.

Although it was re-



Above: Closing the Twin Cities locks would cost money and jobs.

leased before the Met Council report, a recent column by Mark Funkhouser for the “media platform” *Governing*, says, “Infrastructure costs a lot of money, but as with the

cost of deadly typhoid epidemics, that needs to be weighed against the cost of not doing the work.”

Higher costs

Funkhouser says, “The cost of electricity is increased as aging inland waterway systems and ancient locks and dams create delays in delivery of coal to power plants. The cost of consumer goods is increased as transporters, from trucking companies to railroads to shipping lines, deal with inadequate roads, bridges, ports, railway system and border customs facilities.”

He goes on to talk about the “loss of opportunity” as companies move to countries with better infrastructure.

In a *USA Today* newspaper story late last month, Paul Davidson also ran down some of the economic costs of the country’s “creaking infrastructure.”

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From the Executive Director...

Economic Analysis – Lock Closure at Upper St. Anthony Falls

On June 8, the Metropolitan Council (Minneapolis/St. Paul) published their long-awaited study on the economic impact closure of the Upper St. Anthony Falls lock would have on the Minneapolis Upper Harbor. The purpose of closure, of course, is to halt the advance of Asian carp.

This column will not cover all issues explored by the study, but rather will discuss the low-hanging fruit so as to better understand the complexities of the larger issue.

Consultant's findings

The report finds a permanent loss of 72 jobs in the Minnesota economy: approximately 28 from the aggregate, concrete and recreational industries and 23 from the Army Corps of Engineers; it was implied that the balance would be older workers in river-oriented occupations.

In addition to the above job reductions, it finds a net permanent loss of an additional 55 jobs as the impact of the initial job loss and reduced business spending ripples through the economy; however, this number reflects the creation of 14 additional jobs in the trucking industry.

An increase of 4,890 truck trips during the work week, primarily in the 8.5 months typically associated with the barge season.

The shift from barge to truck is expected to cost the Minnesota economy \$24.2 million over the 2012-2040 timeframe; these costs include operating costs, additional highway travel time, safety and environmental costs.

Initial year impact

In the initial year of discontinued lock service (assumed to be 2012), outlays for material handling and warehouse construction (with multipliers) is expected to gen-

erate a net increase in economic activity that will offset the loss of workers and businesses closing or relocating in the first year:

\$11.3 million business output

\$5.81 million value added

77 new jobs

\$4.2 million wage income

However, these positive impacts are not expected to last beyond the first year, as the long term total impacts create a net loss for Minnesota's economy.

Long term impact

Once the stimulus spending for the first year's logistics construction passes through the economy, the annual impact in any given year from 2013 to 2040 is expected to result in:

Annual loss of approximately 127 jobs

Annual loss of \$7.5 million in wage income

Annual loss of \$12.4 million in value-added

Annual loss \$20.8 million in economic output for each year after stimulus spending is completed.

In the long term, these losses to the economy would be only slightly offset by ongoing stimulus that would create additional business for Minnesota-based for-hire trucking firms.

A long-term implication of shifting to trucks from barges is estimated cost increases in actual construction projects in downtown Minneapolis.

For example, the added cost for concrete for the Twins Stadium would have been upwards to \$787,000, while the cost of the I-35W replacement bridge would have been increased by upwards to \$840,000.

Specific long-term impacts

Coal – It takes time to adjust a supply chain where boilers are designed for specific BTU and ash content. Businesses using coal in their manufacturing process may be put at a competitive disadvantage

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if forced to make major capital investments in boiler conversion or transportation storage costs.

Agriculture – Fertilizer may face increased costs as immediate lock closure would impact existing shipments and contracts. Sites for additional storage capacity on the Mississippi and Minnesota rivers have not been available in recent years.

The study contained positive information

Intended or not, the numbers reflected in the study's analysis of long term losses

can be viewed as the current value of maintaining a commercial upper harbor. In reality, they're the opposite sides of the same coin.

To use the author's own words, in the context of the Minnesota economy which has more than 3 million jobs and over \$900 million in wages, and economic output each year, the impact would not appear to be significant. However the loss of \$40 million per year along with 127 jobs from the Upper Harbor is significant to those impacted.

Unexpected conclusion

A surprise in the study centered on figures which indicated that annually, there would be only 4,894 additional trucks on the highway system as a result of the lock closure at Minneapolis, when a conservative number suggested by MnDOT was in excess of 27,000 additional trucks per year. It is our understanding this issue is currently under review.

A copy of the report can be found on UMWA's website at www.umwa.net/blank.html

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Other river related items:

- Jack Lambert has published his latest book "Troubled Waters," a memoir which includes a cast of characters from river days gone by. The book is available for purchase at BigRiverMagazine.com. Lambert released his first novel "The Battle of Otter Tail County" last year. In addition to his river career, he has published numerous other books on military subjects.
- The [U.S. Army Corps of Engineers](http://www.usace.army.mil) has announced a Level of Service Reduction at three Twin Cities locks and dams. The three are Upper St. Anthony Falls, Lower St. Anthony Falls and Lock and Dam 1. The change to Service Level 2 will begin before next year's navigation season and will limit service hours to between 7 a.m. and 2 a.m. each day during the season. A public meeting will be scheduled to discuss the proposal.
- The Corps is marking 150 years of service at the Rock Island Arsenal, at Rock Island, Ill. [The Rock Island District](http://www.usace.army.mil) oversees about 314 miles of the navigable channel from Guttenburg, Iowa, to Saverton, Mo., and 268 miles on the Illinois Waterway from Chicago to the LaGrange Lock and Dam near Beardstown, Ill.
- If you haven't visited the new [UMWA website](http://www.umwa.net), you might want to log on and bookmark the page. It is a work in progress, with more content to come.

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“Inland waterways quietly keep the nation’s economy flowing as they transport \$180 billion of coal, steel, chemicals and other goods each year – a sixth of U.S. freight – across 38 states. Yet, an antiquated system of locks and dams threatens the timely delivery of those goods daily.”

Davidson talks about the on-going closure of the main chamber at the Markland Locks and Dam on the Ohio River. “The outage, which began last July and is expected to end in August, will cost American Electric Power and its customers \$5.5 million as the utility ferries coal and

other supplies along the river for itself and other businesses.”

Davidson says the effects of deteriorating infrastructure are partly being masked by the recession, but delays are starting to lengthen.

The article quotes Michael Toohey, president of the Waterways Council, saying that because waterways are less visible than other modes, “We’re the silent industry.”

The article says that cost overruns on the Markland project have delayed completion till 2020 or later.

Those cost overruns leave little for other projects including much needed lock replacements.

Toohey told the paper that about \$8 billion is needed to replace 25 locks and dams in the next 20 years, but Congress is allocating only about half the money needed each year for waterways projects.

“Fourteen locks are expected to fail by 2020, costing the economy billions of dollars. Meanwhile, seaports can’t accommodate larger container ships, slowing exports and imports. Highways are too narrow. Bridges are overtaxed,” Davidson says.

He adds that Brazil, India, China and Southeast Asia are dredging ports in less than three years including planning and permitting.

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