

Waterways

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Mexico infrastructure spending making a big difference

Agricultural exports from the Midwest to Mexico are measured in billions of dollars and make a large and positive contribution to the balance of trade. In 2011, Mexican corn imports alone were close to \$3 billion, a lucrative market made possible in large part by the infrastructure of the Upper Mississippi River.

Future in doubt

But as UMWA members know all too well, the future integrity of the river

system is in doubt because of a lack of infrastructure investment here. And those same members find it



Above: Winter maintenance will soon begin, but UMWA members know the system needs more than just upkeep.

frustrating that Mexico is the past few years has been spending heavily on its infrastructure and has become what *Forbes* Maga-

zine recently called, "the little darling of emerging market investors" and showing up the U.S.

Mexico doing better

Richard Fisher, president of the Federal Reserve Bank of Dallas, [interviewed by the Washington Post](#) said recently, "Not only is Mexico doing better, macroeconomically speaking than the false stereotypes would have us think, Mexico is actually better than the United States."

And that's not likely to change soon. The head of

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River Senators say Congress needs to fund construction on river

Lost in the flurry of news around the Presidential Debate was coverage of a [strongly worded letter](#) from six river-state senators which says Congress needs to fund and speed up con-

struction of locks and dams on the Mississippi River.

The letter to the Senate's Environmental and Public Works Committee was signed by Claire McCaskill (D-Mo.), Roy

Blunt (R-Mo.), Mark Kirk (R-Ill.), Dick Durban (D-Ill.), Tom Harkin (D-Iowa) and Chuck Grassley (R-Iowa). The Senators say there must be a long-term strategy for

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From the Executive Director...

Connecting the Dots: Lock Failure and Congressional Districts

At last there's a credible report which connects the dots between closure of a navigation lock and the impact on specific Congressional Districts. Now almost a year old we only recently came upon it while re-searching a possible hook to capture the attention of the Minnesota and Wisconsin delegations that, to the best of our knowledge, have yet to express support for H.R. 4342, the WAVE4 Act.

Prepared for the [United Soybean Board and released by the Texas Transportation Institute \(TTI\)](#) in late 2011, this report contains several hundred pages of mind-numbing but relevant facts about losses expected to be sustained by grain producers in specific Congressional Districts (CD) in the event of a prolonged lock failure.

The research team's model reflects the dynamics in grain production, consumption and transportation on a quarterly and annual basis. Losses were calculated over four different durations: two weeks; one month; three months and one year by running their model without a lock failure and running it with a lock failure. One-year numbers were obtained by blocking the barge flow at a particular lock during all quarters.

Five Locks Selected

Selected locks include LaGrange Lock on the Illinois River, Locks 20 and 25 on the Upper Mississippi and the Markland Lock and Lock 52 on the Ohio. All were selected for this study based on their economic importance and physical condition.

Take UMR Lock 20 for example:

A two week failure would cost agricultural producers \$2.82 million.

A one month failure – \$4.88 million.

A three month failure – \$15.44 million.

And a one year failure would cost \$44.03 million.

In addition to these costs, barge companies would lose revenues of between \$5.1 million and \$150.1 million depending on the duration of the lock failure.

Minnesota's 1st and 2nd Congressional Districts

With annualized figures the team then identified specific USDA crop reporting districts –

303 regions were identified for this model – and calculated the loss for affected CDs. Minnesota will be used as an example.

Using a vulnerability ranking, a failure at Lock 20, would cost grain shippers in Minnesota's 1st and 2nd Districts with a total of \$2.4 million.

A failure at Lock 25 would produce a loss of \$3.1 million.

A failure at Markland Lock a loss of \$1.6 million.

A failure at Lock 52 on the Ohio River would result in a loss of \$1.6 million.

LaGrange is the only lock that would have no impact on Minnesota.

Results of the ranking system (1 for most vulnerable to 10 for the least), Minnesota ranked 4th most vulnerable for the two UMR locks, 7th for Lock 52 and a surprising 2nd for Markland.

Due to the different patterns of USDA crop reporting districts surrounding each of the five locks, sustained closures would impact CDs in a total of 14 states from North Carolina and Georgia to California and Arizona as well as the major grain producing states between.

Of the 14 states impacted by these closures only three have co-signers to the WAVE4 Act: Illinois, Iowa and Missouri.

For those who seek details, don't try to correlate numbers given to specific CDs as listed above with those in an earlier paragraph reflecting dollars per closed-duration; they don't show a relationship. Apparently each uses a different algorithm.

Lock Failures Affect Other Commodities Too

Moving along to other issues, the report also addresses the effect lock failures have on agricultural inputs and energy prices. Because waterways are important to the movements of inputs such as fertilizers and pesticides which account for 16% of water-

“LaGrange is the only lock that would have no impact on Minnesota”

way traffic, failures are expensive. According to the report, the cost of fertilizer increases approximately \$8 per ton if alternative transport modes are used instead of waterways. A lock closure during the growing season would increase the price of inputs on the Illinois, Mississippi and Ohio rivers by \$11.75 million, \$49.28 million and \$105.05 million respectively. These are larger increases than those of grain because, according to the report, no lock-specific information is available for input prices.

The report also spends a considerable amount of time on energy pricing which culminates with a showing of the change in coal prices for at least a one-week partial closure at Emsworth Lock and Dam (Ohio River, Pittsburgh). Table 4.7 of the report lists 15 closures between June 1994 and May 2010 and indicates an average price increase since January 1998 of \$2.34 per short ton via the Big Sandy, or \$3,510 per 1500-ton barge.

Despite its bulk, [the report is an interesting read](#) but leaves us to wonder how many congressional staff members are aware of resources that identify specific economic costs for lock closures within their district. Our guess is not many.

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timely replacement and maintenance of critical lock and dams projects on the river system.

Sen. McCaskill released a statement which says, "Too much of the river infrastructure along the Mississippi is outdated and not equipped to handle the traffic required to safely and cheaply transport goods. Access to reliable and affordable transportation is absolutely critical if our businesses are going to succeed and grow."

In the letter, the Senators say, "during one of the most important periods of the year for Midwestern agriculture, traffic on the Upper Mississippi River was shut down due to the failure of a protecting wall at Locks 27 at Chain of Rocks Canal near Granite City, Ill. Shut-downs like this could impact not just current shipments on the river, but the overall reliability and timeliness of using the inland waterways system, which is of significant national interest.

"The system of locks and dams along the Upper Mississippi are in desperate need of modernization. The current system was built 70 years ago and updates are needed to fit the requirements of modern barge technology. Many of the older locks are only 600 feet in length, while most current barge tows using the waterway are twice as long. That means these goods take twice as long to get down river and into the marketplace."

"The system of locks and dams...are in desperate need of modernization"

Other river related items:

- The slate of officers elected at the September, 2012 Annual UMWA Meeting includes: Mark Caspers, Cargo Carriers, Inc., Chairman Board of Directors; Greg Genz, Kaposia Marine, President; Paul Freeman, Minn. Soybean Growers, Vice President; Kent Pehler, Brennan Marine, Treasurer; Scott Dohmen, Secretary.
- The U.S. Postal Service has issued a new series of Forever Stamps titled "Earthscapes." One of the stamps shows towboats at work in the Houston Ship Channel in Texas. The aerial view shows two Kirby Corporation towboats working with liquid tank barges. Other stamps in the series show landscapes taken from various aerial vehicles including ultra-light aircraft and satellites.



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Mexico's Empresas ICA, Alonso Quintana, told [Bloomberg News](#) that spending on infrastructure in Mexico may climb as much as 56% in the coming years to \$70 billion each year. That money and money already appropriated and spent are going into ports, water projects, roads and oil and gas.

As he prepares to leave office after his six year term, Mexican President Felipe Calderon is telling audiences that better infrastructure brings better manufacturing jobs and more than 2 million new jobs were created during his six years in office. He says that is bringing many Mexicans home from the U.S. to fill those jobs.

Calderon was in the U.S. recently for the United Nations General Assembly and was given the honor of ringing the opening bell at the NASDAQ stock market.

[A NASDAQ media release](#) about the event says, "The Calderón Government's sound economic management has been critical to steer Mexico through an adverse global economic environment and to enable continued economic growth and the largest investment in public infrastructure in recent history, while fueling one of the most important yet silent transformations occurring in Mexico: the rise of the middle class.

Meanwhile, CG/LA, an advisory and project development company

which works with U.S. infrastructure companies, says [its recent survey of executives](#) in the industry shows that this country has a long way to go to keep pace with what's going on in Latin America and elsewhere.

The survey said that 93% of the execs believe the U.S. has no overall infrastructure plan, while only 46% are satisfied with the government's role in infrastructure renewal and development. Number one on their list of priorities and changes needed to increase infrastructure investment is a faster approval process.

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