

Waterways

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ASCE reports 'Failure to Act' consequences for river

As [UMWA](#) members gather for our 86th annual meeting and dinner, in West St. Paul, Minn., this week, *Waterways* could almost paste last year's front page story into this edition with very little editing. At that time, we were talking about a report from the American Society of Civil Engineers (ASCE) titled "Falling Apart and Falling Behind," which detailed how severely underfunded our waterway infrastructure is

and the economic ramifications of that underfunding.

the continuing costs of funding delays for the waterway and port system.

The engineers say that costs attributable to those delays were \$33 billion in 2010 and are likely to increase to nearly \$49 billion by 2020. However, with an additional investment of \$15.8 billion, the Society says the U.S. can protect \$270



(Above) Infrastructure work is often cold and at times dangerous, but vital to the river system

This year too, ASCE is out with a dire "[Failure to Act Report](#)" which details

billions in American exports, \$697 in Gross Do-

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UMWA hosts another river tour for decision makers

Again this year, UMWA sponsored [a river tour](#) for about 45 public officials and other river advocates, with a mid-day cruise on Wednesday, August 22. The tour started at the CHS Inc. Savage, Minn., location and went downriver to St. Paul.

Among those who spoke to the group was UMWA Vice President Greg Genz. "What we have is a Pile of sand coming down this river," Genz said. "There's just too much volume and too much velocity of water coming down the Minne-

sota River."

Among the sights along the tour was a test area being developed by the Lower Minnesota River Watershed District, which shows that sheet piles do the best job of holding back sediment into the river.

From the Executive Director...

(Below is a September 9, 2012 [Twin-Cities.com](#) posting by St. Paul economist Edward Lotterman)

Campaigns ignore infrastructure, public good

Barge traffic on the lower Mississippi river has been at a near-standstill for a few weeks now.

Barges full of grain, coal, chemicals, fertilizer and other bulk products have been tied up along the banks in Louisiana and Mississippi for lack of a channel deep enough to carry them. Yet this problem received no mention at either of the political conventions or anywhere else in the political campaigns.

The Corps of Engineers is doing emergency dredging, but there is a backlog of what long would have been considered necessary channel maintenance on the lower river.

Past leaders of both parties, who for decades united in support of funding vital infrastructure, must be turning in their graves. But the political climate is such that one should not expect any change of heart soon. This, and under-spending on roads, bridges and other public works, undermines the productivity of our economy. But it doesn't seem to be much of a priority for any presidential candidate or for Congress.

There is little disagreement among economists about the existence of "public goods." These are goods or services that private markets never will produce in optimal quantities because incentives are lacking. The usual characteristics of public goods are that they are nonrival and non-excludable.

Nonrival means that because one person benefits from the good does not reduce the ability of others to also benefit. Nonexcludable means that in practical terms, at least, it is difficult to limit use of the item or service in question to a discrete set of users. Thus it is hard to get those who benefit to pay all the costs.

Tornado warning systems are classic examples of a public good. My hearing the warning does not reduce my neighbor's ability to hear it. And it would be impossible to keep the sound from reaching the ears of those who don't pay some "tornado warning user fee."

These limitations remove incentives for private companies to make the investment to set up for-profit warning systems. If government does not act, society will be worse off.

It is not just a matter of a few more deaths from tornadoes. Economic theory is clear that an economy will actually use resources less efficiently in the absence of needed public goods. Without public goods, a given use of economic resources -- land, labor and physical capital -- produces fewer goods and services than would be possible with such public goods.

Economic history shows the same thing, as does comparative study of other economies. I know this well. In 1969, I rode a bus from Iguazu falls, where Brazil, Argentina and Paraguay meet, back to Rio de Janeiro. This was at the beginning of the great expansion of soybean production in Brazil. It was clear that fertile land was vast but that transportation was woefully inadequate. Some 37 years later, I rode another bus from Sao Paulo up to Brasilia. Once we entered the state of Goias, the speed of the bus dropped to 25 mph or less as the driver dodged enormous potholes and waited for breaks in the stream of heavily laden trucks loaded with sacks of soybeans coming the other way.

I have watched Brazil's economic miracle for 45 years, and it is impressive, but the country is still hobbled by its lack of investment in transportation infrastructure.

Similar problems exist in virtually all developing countries and are pervasive in Russia. One factor that distinguishes rich from poor countries is that the wealthy ones learned to invest in public works ear-

"...The political climate is such that one should not expect any change of heart soon..."

(Exec. Dir. Con't)

lier and more effectively.

The cost of moving some export commodity like soybeans from where it is produced to where it is consumed has an economic effect very similar to that of a tariff. Either the buyer must pay more or the producer must get paid less.

In competitive international grain markets, Brazilian farmers get substantially less, because Brazilian beans flow to the coast in burlap bags on straight trucks navigating terrible roads, while U.S. beans move in bulk in 100-car trains or in large blocks of 1,500-ton barges on the Mississippi and elsewhere.

The writers of the Constitution added a clause banning the taxing of exports because they knew such taxes undermined productivity.

But when we neglect

needed infrastructure, we end up with the same economic effects.

Anti-government sentiment is high right now, and libertarians argue that there are few, if any, public goods.

Commercial river traffic is highly excludable, they would correctly argue. You don't need government to build locks, just charge lockage fees as tows move through. Ditto for interstate highways. Just let private firms build tollways.

But it is hard to set up a structure to charge for dredging. And an efficient system of waterborne traffic and roads has spill-over benefits to society as a whole that go beyond the benefits perceived by individual barge and trucking companies.

Public spending on infrastructure as a fraction of gross domestic product

has declined in the past three decades. It is much lower than the 1950s and 1960s, when we somehow managed to build an interstate highway system even though per-capita incomes were much lower than they are now.

We no longer spend enough to offset the wearing-out of facilities our parents and grandparents built. Like a South Bronx slumlord, we maintain current consumption by depreciating out our assets.

St. Paul economist and writer Edward Lotterman can be reached at elotterman@pioneerpress.com

“An efficient system of waterborne traffic and roads has spill-over benefits to society as a whole...”

Other items of Interest

- Registrations have been strong for this year's UMWA Annual Meeting and Dinner at the Southview Country Club in West St. Paul. Speaker will be Mike Zipko of Goff Public Relations, the company which has been helping UMWA develop issue strategies this year.
- The [city of Wayzata](#) has hired consultants from the St. Paul Riverfront Corporation to help develop ideas for a 10-year plan to revitalize that city's Lake Minnetonka shoreline.
- Two riverboats are [currently cruising the nation's rivers](#) again, despite the drought. As noted in earlier editions of Waterways, the 150-passenger Mississippi Queen will be making stops in the Twin Cities this fall, which will be possible because of the 9 foot channel created by the Upper Mississippi Lock and Dam System. The other vessel is the larger, 436 passenger American Queen.

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mestic Product, 738,000 jobs annual and personal income equivalent to \$770 per year for each American household.

ASCE says there are \$30 billion in unmet infrastructure needs, about double the amount that is called for in funding plans.

Problems that will result

Meanwhile, the Illinois Soybean Association says that this summer's drought illustrates the catastrophic problems that will result if one of the aging locks on the Mississippi/Illinois River System should fail.

Referring to the Texas Transportation Institute study, "[Locks and Dams: A ticking Time Bomb for Agriculture?](#)" Mark Sprague, a farmer and director of the Illinois Soybean Association director says,

"Current severe drought conditions help illustrate what the study's researchers predicted could happen with lock or dam failures."

Sprague says, "We can stop Mother Nature, but we can stop locks from crumbling into the rivers."

The American Waterways Operators noted recently that for every inch the Mississippi River drops, individual barge loads must be reduced by 17 tons.

Economics Professor John Gnuschke of the University of Memphis agrees with that and says in a story on the [weather.com](#) web site it will affect people's pocket-books in months to come. In a story on the

"Consumers have to be willing to pay the price, and the cost of getting to and from wherever (products) are processed is part of the price," said economics profes-

sor John Gnuschke of The University of Memphis.

Forty-one Mayors from cities along the Mississippi gathered in St. Louis last week to talk about the on-going problems along the river, not just the recent drought. The mayors say the river provides drinking water for 50 communities and 18 million people as well as recreation and tourism, which are vital to the cities.

The group also points out that three-fifths of the nation's agricultural output and nearly a quarter of its oil and natural gas are transported on the Mississippi. The group says the river directly supports one million jobs and millions more indirectly.

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