

Waterways

A publication of the Upper Mississippi Waterway Association

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This year Corps says...

No guarantees on dredging

When they incorporated the organization in 1932, UMWA members understood that the Upper Mississippi River is “the end of the pipeline” not only for waterborne commerce, but at times for funding. At times it seems it still is.

But a recent string of articles in the *Wall Street Journal* and other publications have been strongly making the point that delays in desperately needed maintenance elsewhere on the river system is threatening shutdowns and disruptions on the whole system.

Funds needed

In December the *Journal* was the first national publication to point out the need for more dredging funds for 2011, especially on the lower Mississippi. The paper notes that the Corps of Engineers says it will not divert funds specified for other projects to make up dredging budget deficits.

Reporter Cameron McWhirter says the Mississippi River, “is a major transportation route for American Businesses and farmers to send and receive goods, but its mouth requires constant dredging to remove the silt brought down the river and its tributaries.

“The fiscal 2011 budget calls for the Corps to receive \$63 million for Lower Mississippi dredging, \$6.3 more than it received in fiscal 2010. But actual costs of dredging total about \$85 million annual on average, and topped \$110 million in fiscal 2010, according to the Corps.”

The Corps says expected budget cuts this year will



Above: These loaded barges being fleeted in St. Paul Harbor, are able to move bulk cargoes to the Gulf only because of Corps maintenance of the entire Mississippi.

force it to spend funds it might have diverted to dredging on repairs elsewhere that cannot be put off any longer.

“Haven’t guaranteed anything”

“The Corps normally guarantees to dredge to a depth of 45 feet in most parts of the Mississippi River with a width of 500 to 750 feet for the lower river’s ports and channels. But this year, ‘we haven’t guaranteed anything,’” said Steve Jones, navigation manager for the Corps’ Mississippi Valley Division.

Legislation has been introduced in both the U.S.

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From the Executive Director...

An Odd Start for a New Year

In February 2010, by executive order, President Obama created the National Commission on Fiscal Responsibility and Reform to address the nation's fiscal challenges. According to its website, the bipartisan Commission consists of six members from each major party plus one member each representing business, global public relations, non-profit public policy and labor organizations. This 16 member commission "is charged with identifying policies to improve the fiscal situation in the medium term and to achieve fiscal sustainability over the long run."

New Commission, New Mandate

As further stated on that website, the President gave the Commission a two-part mission: to bring the budget into primary balance (excluding interest cost) in 2015, and to meaningfully improve the long-run fiscal outlook. According to this mandate, without change, deficits will remain high throughout this decade and debt will spiral higher, reaching 90 percent of GDP in 2020, from 62 percent, today.

In response the Commission released two documents. The first, "\$200 Billion in Illustrative Savings" (draft document), dated November 12, and the second, "The Moment of Truth", dated December. Each document appears to be self-standing and, while one does not appear to make reference to the other, both are listed side-by-side on their website as work products of the Commission. Therefore, we'll refer to Commission recommendations generically rather than by specific document.

Recommendations

The Commission drafted 58 deficit-reducing candidates, seemingly split 50/50 between domestic and defense spending representing a total savings of roughly \$200 billion in 2015. By our calculations, that's a reduction of almost 15 percent of today's \$1.3 trillion budget deficit; an admirable objective that the Commission must achieve while keeping in mind 10 core principals ranging from honoring patriotic duties to protecting the disadvantaged.

Two of the 58 recommended reductions apply to the barge and towing industry, if not directly, at least by association. However, in researching this issue we learned that the commission's draft report was, shall

we say, dead-on-arrival. Sources say the Commission avoided a final vote when it became clear there were not enough votes to adopt the recommendations, and, in turn, this report was never forwarded to Congress for consideration. Even though the final report wasn't endorsed, these sources expect that some of the recommendations will be debated in 2011 such as those relating to Corps of Engineers projects and the Inland Waterways Trust Fund.

Thumbs Down on Marginal Projects

Recommendation 13 estimates a \$1 billion savings by terminating low-priority Corps construction projects and focusing on projects that provide a better return on investment. Listed were wastewater treatment programs and dredging programs to reduce beach erosion.

Self-funded Waterway Projects

The second recommendation (number 34) estimates a \$500 million savings by making the inland waterway systems fully self-funded. Here, the Commission argues to set the tax on fuel consumed by towboats high enough to cover all costs of construction as well as operation and maintenance of the inland waterways. An option like this, says the report, "would increase economic efficiency by encouraging shippers to choose the most efficient routes and transportation while alleviating congestion and demand for new construction."

In our view, this proposal completely overlooks the broader economic and environmental contributions made possible by the federal investment in water infrastructure. Our nation benefits from the cost efficiencies barge transport provides over transport by truck or rail, translating into an annual savings of billions for American businesses. Approximately 60 percent of the nation's grain exports move via barge, helping our agricultural exports stay competitive in global markets. With world-wide demand for waterborne commerce expected to more than double by 2025, our nation needs a long term strategy for environmental restoration *and* waterway infrastructure.

Other than recommending the elimination of low-priority Corps projects and making waterway projects self-funded, no further mention is made to waterway issues and no mention whatsoever is made to NESP. Similarly, recommendation 1.7 would fully fund the

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Transportation Trust Fund instead of relying on deficit spending to make up shortfalls. It would also gradually increase the gas tax by 15 cents per gallon between 2013 and 2015, end the practice of highway authorization earmarks and limit spending to actual revenues collected by the trust fund. It is not our intent here to argue the merits of self-funding highways versus waterways but it seems only fair to ask which of the two modes is more environmentally friendly: 840 diesel belching trucks or a single diesel belching towboat pushing 12 barges.

Other Cost Cutting Targets

Other domestic recommendations made by the Commission cover: freezing federal salaries, \$15 billion; reducing the federal workforce, \$13 billion; eliminating non-defense contractors, \$18 billion; eliminating all earmarks, \$16 billion; reduce net spending on mandatory agriculture programs through 2020, \$10 billion; and, oh yes, creating a committee to trim waste, \$11 billion.

The Commission's reports can be found at www.fiscalcommission.gov.

2010 over last year. Nonetheless, the company still plans to close the St. Paul assembly plant next year.

◀ The Corps of Engineers St. Paul District has rated the levee system in South St. Paul "unacceptable" and questions whether or not it will be able to handle a large flood. The city says it has prepared a plan to fix the levees and has already begun some of the work. Problems with the 40-year-old system include the pumping facility, gatwell structures and discharge pipes.

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House and Senate that would require all harbor tax collected to be directed only to port maintenance.

Investment declining

This month the consulting firm CG/LA Infrastructure is releasing an infrastructure report to coincide with the upcoming 4th Annual Global Leadership Forum in New York.

Among its findings, "Investment in infrastructure projects in the U.S. will continue to decline as a percentage of the global total. Currently, investments in U.S. projects make up 15% of the global infrastructure market. By 2030, it is predicted that this will drop to 12%."

CG/LA Infrastructure President and CEO Norman F. Anderson says, "Here's the bottom line – for the United States to get out of this recession, and for the world to get out of this recession, we need the Obama Administration to invest in infrastructure projects that would spur the economy and create jobs for the American people."

The *Des Moines Register*, referring to the impending shortage of dredging funds ran an editorial in mid-December headlined: Maintain Mississippi waterway infrastructure.

"America's ability to compete globally will be crippled if ships and barges cannot make it to ports. But that's only half the story: On the Upper Mississippi, which is particularly important for Iowa and other Midwestern states, the locks and dams that enable river navigation are long overdue to be replaced."

Other river related items...

◀ UMWA members are invited by the Marine Safety Detachment St. Paul to submit ideas for topics to be covered at next month's Upper Mississippi River Maritime Industry Day. The event will be held in the latter part of February and the Coast Guard asks that you RSVP with your ideas and potential number of attendees. A finalized agenda and date will be sent out once the Detachment has a handle on topics and number attending. RSVP to scott.w.manning@uscg.mil.

◀ On its "Corn Corps" blog, the Illinois Corn Growers wrote to Santa Claus in early December noting that "Illinois farmers have been very well behaved." The short article was headlined, "All we want for Christmas: New Locks and Dams."

◀ *The St. Paul Business Journal* reports that Ford Ranger pickup sales increased 16.2% in November