



MANY VOICES, ONE VISION

FARM BUREAU®—CONFRONTING THE ISSUES

Port Infrastructure AFBF Policy Development May 2012

Issue:

The Mississippi River is used to transport agricultural goods from across the country. There is a problem with silt/soil removal along the Mississippi River, causing barges and carriers to load their cargo in increasingly shallow waters. Currently Harbor Maintenance Trust (HMT) funds are used to dredge and maintain waterways for navigation.

Questions:

What would the impact be on American consumers if the inland waterway system were to fail? How would failure of the inland waterway system affect farmers' agricultural transportation options in each state?

How much would shipping costs increase if U.S. agricultural exports had to transit through a transshipment port?

What level of funding is necessary to properly operate and maintain the Inland Waterway System? Should Congress allocate more general treasury funds to the Inland Waterways Trust Fund (IWTF)? Should AFBF support an increase in the barge diesel fuel tax?

How would privatization work?

Background:

As the American economy has grown, the United States has become more and more dependent on its waterborne trade. Today, international trade through U.S. ports, directly and indirectly, supports 25-30 percent of U.S. GDP and 13 million jobs. For U.S. agriculture the impact is even larger, 30-35 percent of agricultural income is derived from exports, the vast majority of which is transported via water. Overall, deep draft ports accommodate ocean-going vessels which carry more than 99 percent of U.S. overseas trade by weight and 64 percent by value.

Our country's inland navigation system plays a critical role in our nation's economy, moving hundreds of millions of tons of domestic commerce. Incredibly important to the agriculture industry, approximately 60 percent of the nation's grain exports move by barge on the inland waterway, primarily on the Mississippi River. Across all trade, the transportation cost savings alone are estimated to exceed \$7 billion annually compared to the cost of shipping this type of tonnage by alternative means.

Development and maintenance of U.S. inland waterways and ports is a shared responsibility of federal, state, and local governments, with extensive private sector participation. The federal government, through the U.S. Army Corps of Engineers (USACE), maintains harbor access channels, while individual ports construct and maintain the landside terminal facilities, dredge their own berths, and contribute to channel improvement cost-sharing programs. Without routine dredging, rivers can accumulate sediment at a rate of five to six feet each year, prohibiting many ships from entering channels or forcing ships to carry only a fraction of their intended load. Since 1986, the HMT and the IWTF have supported maintenance of coastal and Great Lakes harbors and rivers, respectively.

Congress established the IWTF to help pay for the modernization of nationally vital locks and dams on America's inland navigation system. The funds in the trust fund are meant to pay for one-half of the cost of new construction and major rehabilitation of locks and dams. These contributions are generated by a 20-cent-per-gallon diesel fuel tax, which is deposited into the trust fund. The other half of the cost, reflecting the broad distribution of all those who benefit from the other uses of the waterways like national defense, water supply, flood control and recreation, is paid from general revenues.

Funding (in constant dollars) for operations and maintenance (O&M) on America's inland navigation system has remained flat for more than two decades. During this period, operations costs have continued to increase, yielding fewer funds that can be devoted to proper system maintenance. As a result, an increasing amount of routine maintenance on waterways infrastructure has been deferred. In fact, 50 percent of the locks and dams are over 60 years of age. As funding has stagnated and infrastructure has deteriorated an increasing percentage of available maintenance dollars has gone into emergency repairs.

The HMT was developed to recover O&M costs at U.S. coastal and Great Lakes harbors from maritime shippers. O&M is mostly the dredging of harbor channels to their authorized depths and widths. The tax is levied on importers and domestic shippers using coastal or Great Lakes ports. The tax is assessed at a rate of 0.125 percent of cargo value. The tax revenues are deposited into the HMT from which Congress appropriates funds for harbor dredging. Most, if not all, of the busiest ports in the country generate more than sufficient HMT revenue to cover USACE O&M expenditures at their port, even at exceptionally dredging intensive ports like those on the Mississippi River in Louisiana. While the top ten ports account for nearly 70 percent of the total value of foreign goods shipped through U.S. ports, these ports have received about 16 percent of total HMT expenditures over the last decade. Given the amount of HMT collections unspent on harbor maintenance and the amount spent on shallow draft or little used deep draft harbors, a rough estimate is that only 30 to 45 cents of every HMT tax dollar paid is being spent on harbors that shippers readily use.

Unlike the IWTF, the HMT balance has grown considerably over the last decade. In 2001, the balance of the fund was \$1.8 billion. By 2011, the balance had grown to \$6.4 billion. However, despite this growth, disbursements to USACE have remained fairly stagnant, averaging \$723 million. Despite a large surplus, the busiest U.S. harbors are presently under-maintained. USACE estimates that full channel dimensions at the nation's busiest 59 ports are available less than 35 percent of the time. Further, significant amounts of HMT funds are spent at harbors and channels that see little or no ship traffic, says USACE.

Lack of maintenance and expansion of the nation's marine assets including the navigable channels, waterways and infrastructure maintained by USACE will be further exacerbated when the expanded Panama Canal opens in 2014. Once completed, the new locks will allow post-Panamax ships, ones that can carry volumes of cargo up to three times the current limit, to pass through the expanded canal. In order to handle these larger ships infrastructure improvements will be required, including: deeper channel depth, increased berth capacity, crane outreach capacity, and intermodal capacity. These improvements are especially necessary at the Atlantic and Gulf coast ports. Currently, there are no ports in the Gulf and only Baltimore and Norfolk on the Atlantic coast able to accommodate these larger ships. It is unlikely that a few ports will be able to handle the tremendous influx of cargo.

Without adequately maintained shipping channels and port infrastructure, U.S. participation and benefits will not be maximized. Despite this, the IWTF is woefully low of funding and the HMT may only be used to fund maintenance, not new construction. To increase a channel's authorized depth or width requires an act of Congress, which is referred to as construction or "new work" by USACE and is funded from the General Treasury, not the HMT. Multiple other proposals for collecting additional revenues have surfaced. Some have proposed raising the current waterways fuel tax, taxing recreational users, initiating additional user fees, privatization and combinations thereof.

Farm Bureau Policy:

128-Transportation:

Lines 1-9 (paraphrased): We support development of a long-range national transportation policy that views transportation as a holistic system. It should encourage exploration of public/private partnerships and be designed to support global competitiveness while developing the most economical and energy efficient methods of meeting future transportation needs. We support the maintenance and improvement of our transportation infrastructure.

549-Waterways:

Lines 1-2: Public policy should encourage expansion of inland water transportation since it represents the most energy-efficient mode.

Lines 65-73 (paraphrased): We support educating the general public in regards to the economic importance of the Mississippi River and other waterways used in transporting agricultural commodities and farm inputs. We support reauthorization of the Inland Waterway Trust Fund. We support the Corps' efforts in updating locks and dams and cleaning of channels in the Mississippi River system to accommodate new, larger barges.