

Barge Shippers Need Funding Barge Companies Fight Out-of-Sight, Out-of-Mind Status

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BETTENDORF, Iowa -- Barge shippers like to point out they are America's stealth shippers, largely unseen by the American public, which pays more attention to the freight train at the railroad crossing or the semi-trucks blocking the passing lanes on the interstate. That out-of-sight, out-of-mind mentality, though, hurts the industry when it comes to funding river improvements.

The Mississippi River affects grain farmers in several ways, most notable in export sales. For instance, the Port of South Louisiana is responsible for 60 percent of the nation's grain exports, or roughly 48 million tons of grain shipped -- mostly corn and soybeans. When river traffic shuts down, farmers feel it. Basis widens greatly, and in a lot of cases, grain bids just stop altogether. During this past summer's floods, basis in eastern Iowa dropped from 57 cents under the Chicago Board of Trade's front month contract to 70 cents under, according to DTN analysis of cash bid prices. River traffic also affects access to fertilizer and other inputs.

EFFICIENT BARGES REPLACE TRUCKS

Advocates point out that barges can deliver in one trip the amount of cargo it would take 1,000 semi-trucks to haul. Moving more goods on the river reduces rail and semi-truck traffic, and with so much focus on fuel efficiency and greenhouse gases, the barge shippers note river transport uses less fuel and releases fewer greenhouse gases.

But reports in recent years from government agencies, that range from the Congressional Budget Office to the U.S. Army Corps of Engineers, point out that spending for water projects by the federal government has flat-lined. The industry has started to take a sharp tone to spotlight the problems.

The Inland Waterways User Board, a federal advisory group created in 1986, began its report to Congress this year by saying the board "believes that our nation's model for delivering capital waterway infrastructure projects is broken and in urgent need of repair." The group stated that for too many years the federal budget has failed to complete projects. "In fact, even the industry's highest priority projects are now expected to take 20 years or more to complete."
[http://www.iwr.usace.army.mil/...](http://www.iwr.usace.army.mil/)

The majority of the 257 locks on the inland waterway system operated by the Army Corps of Engineers are 50 years old and some are more than 70 years old.
[http://www.iwr.usace.army.mil/...](http://www.iwr.usace.army.mil/)

LEGISLATION WITHOUT FUNDING SLOWS PROGRESS

Despite those arguments, the struggle continues to get needed improvements on the upper Mississippi River. The \$23 billion Water Resources Development Act, approved by Congress last fall, took seven years. Even then, the legislation authorized projects but didn't actually fund them. With no appropriations bills so far approved this year in Congress, the inland shipping industry doesn't expect to get \$50 million start-up construction funding until FY2010 for five locks and dams along the upper Mississippi, and two on the Illinois River that will eventually need about

\$1.8 billion to complete, said John Doyle, vice president of government affairs for the Waterways Council.

"The cost comparison is miniscule compared to what it would take to move comparable traffic on the highways," Doyle said.

The Waterways Council, which lobbies for the barge industry, earlier this summer provided Congress with various scenarios regarding costs for projects that come in on time, those that face delays and the worst-case scenarios. Projects done by the Corps of Engineers, for instance, never face financial delays once Congress gives a project a green light. It allows the project to be built more quickly because, unlike other contractors, they don't need to put holds on projects waiting for annual funding from lawmakers.

"What we are trying to point out is this terrible system and it's costing billions of dollars to the country," said Larry Daily, president of Alter Barge Line in Bettendorf.

Considered a mid-sized barge company with 350 barges on the river, as much as 75 percent of Alter Barge's business is directly related to agriculture, which includes hauling fertilizer. Daily makes the case that investment in water projects helps alleviate demands on both roads and railways by taking up volumes of space for goods that would otherwise be moved longer distances on trucks or trains.

"We have the ability to grow the capacity on the waterways without impacting the American neighborhood," Daily said. "You can add more boats and barges and nobody would notice. It would just make things cheaper. You add new interstate or rail, it's much more visible."

MANPOWER REDUCED WHEN BARGES USED

A barge of 8-10 men can move as much as 900 truckloads of corn north of St. Louis. Below St. Louis on the Mississippi, that volume can double to the equivalent of 1,800 truck loads.

"So you have got 10 guys doing what it takes 1,800 people to do," Daily said.

A standard 15-barge tow carries as much grain down the Mississippi River as 216 rail cars or 1,050 semi-trucks, according to a study by the Texas Transportation Institute released earlier this year by the National Waterways Foundation.

"It's the most efficient mode of transportation for moving freight in this country," said Mike Steenhoek, executive director the Soybean Transportation Coalition, a group created to educate the farmers and the general public about the importance of agricultural transportation. Barge shipping also remains highly competitive compared to rail and truck. A recent study by Global Insight analyzed traffic flow on the Mississippi and Illinois Rivers over a three-month period. Barges moved 14.9 million tons of goods at a product value of \$6.7 billion. The cost of moving that product down the water was under \$119 million. To shift the product on rail would have cost nearly \$483 million and on highways would have cost \$1.5 billion.

ONLY A FRACTION OF GOODS BY WATER

Yet inland water hauls only a fraction of the total goods that move on the interstate. In 2006, for instance, the inland waterway system barges moved 627.6 million tons of freight through the river systems. Semi-trucks that year moved 12 billion tons of freight.

The Waterways Council pushed hard this year in Congress to secure as much as \$50 million in the fiscal 2009 federal budget to begin initial construction on rebuilding five locks on the upper-Mississippi River and two on the Illinois River, projects projected now to cost \$1.8 billion. One of the challenges in Congress is that most lawmakers often only focus on a specific project that affects their own state or congressional district. That makes water projects look more like pork and creates problems to advance the project. The Waterways Council has tried to get

lawmakers to examine the impact on the whole water system, but the "stealth transportation" mindset hurts lobbying efforts.

"When we use that moniker we don't use it as a positive," Doyle said. "It's a term that represents enormous challenge that we have because, ultimately, like any major public policy issue, how it's handled depends in no small manner how it is understood. Folks don't understand how important the system is because it's out of sight, out of mind."

SPEED COULD LOWER COSTS OF GOODS

Lock improvements would increase traffic flow and the ability to handle more goods on the 12,000-mile river system. With cheaper shipping costs, barge supporters argue those increased speeds would both increase exports and lower the costs of goods moving upstream to inland ports. New locks would also spur more economic development of terminals and barge construction as well.

Delaying lock and dam projects simply cause the project cost to mount. A prime example is the Olmstead Lock and Dam project on the Ohio River. The project would build a new lock and dam to replace two older locks. Authorized in 1988 at a cost of \$775 million, the project has been delayed repeatedly and isn't expected to be completed until 2013 at nearly \$2 billion. Supporters charge that each year of delay increases taxpayer costs but also causes consumers to lose \$600 million a year in cheaper goods they would get because of the project.

"Olmstead is the worst," Doyle said.

RECREATION, BEACHES GET HIGHER PRIORITY

Besides an ambivalent public over barge projects, critics argue that Congress and the federal government continue to mispend and last year's WRDA bill bears that out. The bill included a litany of projects costing at least \$384 million for recreation facilities and beach refurbishment across the country. Ron Utt, a senior fellow at the conservative Heritage Foundation describes WRDA as a "pork-fest for wealthy beach-front property owners."

"Like the highway bill, the WRDA bill has become a festival of special interests," Utt said. Lawmakers also redirect funds from priority projects, such as dams or levees that protect the general public, to particular water projects that aid specific businesses or industries, Utt argues. "If you have been to New Orleans, it is laced with commercial canals that go through the city and these were designed to serve businesses that once were important but may no longer be important, but nonetheless we fund these at considerable expense," Utt said.

While barges may move a thousand times the freight of a semi-truck, they also do it at a walking pace. A barge moves along the Mississippi at an average of about 4 miles an hour. River crews are typically on the river a minimum of 30 days a trip.

"Until you see it at 4 miles an hour, you don't see just how big this country is," Daily said. Further slowing things down, locks take two-to-three hours to move through. That's if there is no other barge on the lock coming the other way that can make the time twice as long. Between St. Paul, Minn., and St. Louis, there are 24 locks. The goal of the upper Mississippi River WRDA projects is to reduce that time to under 30 minutes a lock.

OLD BARGES NEED REPLACEMENT

Barge companies are losing barges nearly twice as fast as they are being replaced. Roughly one-third of all inland barges are 25 years or older, according to the Corps of Engineers, and go out of commission from metal wear. Getting rid of old barges also is appealing now, particularly given that the scrap metal market can pay \$90,000 for a barge that five or six years ago would have brought \$9,000. That's a 1,000 percent mark up in the price.

There are only two major shipyards in the country, but several smaller operations. One of the major companies, though, no longer builds hopper barges for the time being and instead just builds tank barges. So there are simply fewer new barges entering the waterways every year.

SECOND LIFE FOR OLD BARGES

Old barges also may come to the end of their productive U.S. lives, but that doesn't mean they are all taken out of the water. South American grain farmers and companies that have long struggled with shoddy roads rely more on developing their waterways. Companies buy old tow ships and barges and send them south to Argentina and Brazil.

"They have figured out they have got some really major rivers that go right to the heart of South America," Daily said. "They can buy them up here, ship them down there, and run them for four or five years."

When asked about the justification of spending \$1.8 billion on locks and dams for an industry losing its barge shipping capacity, Daily said the lost barges should reflect a greater sense of urgency.

"It makes it more important to do it because the barges you do have need to move faster," Daily said.

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