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A Recipe for Cost Overruns and Project Delays: STC Research Highlights Nation's Approach to Funding Locks and Dams

Ankeny, Iowa – The condition of the nation’s inland waterway system continues to remain a priority for U.S. soybean farmers. Last year, 97.2 million tons of soybeans and grain were transported via the system – connecting farmers with international customers. A high percentage of the nation’s navigable rivers require a system of locks and dams to cost-effectively and efficiently provide the linkage between soybean and grain production regions and export facilities. Many of these locks and dams have been allowed to degrade and, as a result, they no longer provide confidence that soybean and grain shipments via the inland waterways will be reliably transported. If allowed to continue, international competitiveness of the U.S. soybean and grain farmer will decline.

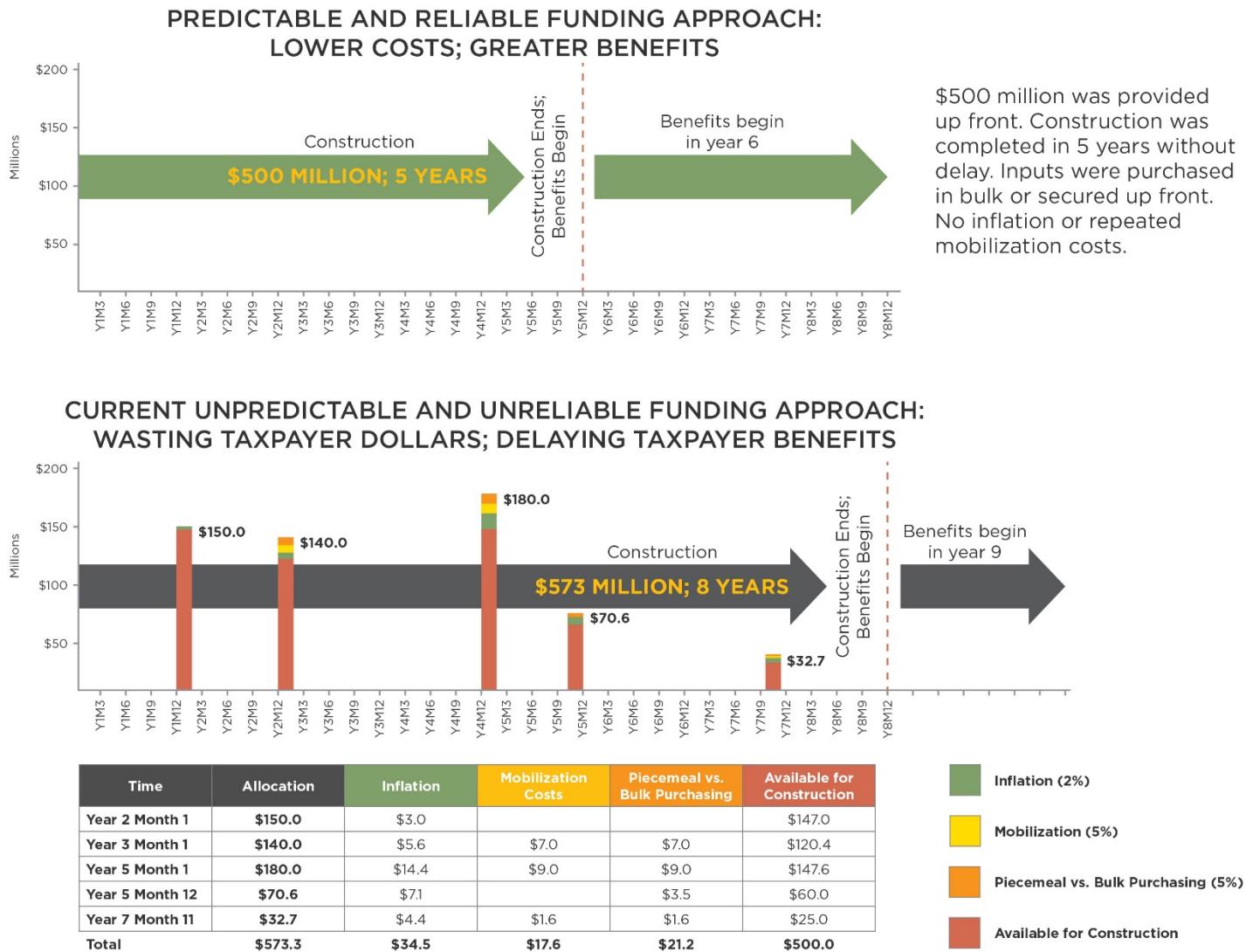
Over the years, the Soy Transportation Coalition (STC) has routinely conveyed the argument, “How you allocate money is just as important as how much money you allocate.” Improving the nation’s inventory of locks and dams is not solely a function of increased funding. More efficient allocation of funding is also essential.

In an effort to increase awareness of the need to provide funding for locks and dams in a more reliable manner, the STC has released a report, “Predictable Funding for Locks and Dams,” that describes the cost escalations and project delays resulting from the current unpredictable and piecemeal funding approach and identifies potential best practices that, if implemented, will enhance the likelihood of lock and dam construction and rehabilitation efforts being completed on time and within budget. Doing so will not only save taxpayer dollars, but the accelerated completion of these projects will provide accelerated benefits to agriculture and other industries utilizing the inland waterway system.

“Farmers have a reputation of making the dollar stretch further and doing more with less on their own operations,” says Gerry Hayden, a soybean farmer from Calhoun, Kentucky, and chairman of the Soy Transportation Coalition. “We therefore think it is very appropriate for a farmer organization like the STC to explore how taxpayer dollars can be stretched further when maintaining and improving our locks and dams.”

The report, conducted by Texas A&M University, compared a hypothetical lock and dam project constructed via the current unpredictable, piecemeal funding approach with one potentially constructed with predictable and reliable funding. The research highlighted how a lock and dam project with a five-year construction timeline and a \$500 million initial cost estimate would be completed on time and within budget provided predictable and reliable funding from

Congress. In contrast, the same project with the same initial cost estimate and construction timeline would ultimately cost \$573 million and eight years to complete under the current unpredictable and piecemeal funding approach employed by Congress. The same project with the same price tag can have entirely different outcomes – not because of more appropriated funding but simply due to funding being provided in a more reliable manner.



As the chart highlights, when funding is provided in an unpredictable, piecemeal approach, the amount of funding available for the actual construction effort is eroded from three sources: 1.) Inflation, 2.) Mobilization costs, and 3.) Making incremental purchases vs. bulk purchases. Delays from one funding allocation to another exposes the project to inflationary costs. Because funding is often unpredictable, the construction effort can be subject to interruption until funding is once again available to resume work on the project. The workers, equipment, and materials to construct a lock and dam project are initially mobilized, then demobilized, then remobilized, then demobilized once again. Each time the effort must be remobilized, a cost is incurred. Finally, it is more economical to make bulk purchases of steel, concrete, and all the other materials and inputs necessary to complete such large construction projects. Unfortunately, the unpredictable and piecemeal funding approach currently employed results in such purchases being made in smaller, more expensive increments.

"If I were to design a funding approach that would result in guaranteed cost overruns and construction delays, I would design the system we have in place," explains Mike Steenhoek, executive director of the Soy Transportation Coalition. "These cost overruns and construction delays of locks and dams we frequently witness should not be regarded as unintended consequences. Rather, they should be regarded as predictable outcomes. We will continue to see resources wasted and benefits of these important projects delayed until we are able to adopt an approach that provides funding in a predictable and reliable manner."

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Established in 2007, the Soy Transportation Coalition is comprised of thirteen state soybean boards, the American Soybean Association, and the United Soybean Board. The goal of the organization is to position the soybean industry to benefit from a transportation system that delivers cost effective, reliable, and competitive service.