



SOY TRANSPORTATION COALITION WASHINGTON REPORT



April 17, 2013

Legislation

House panel established to address freight transportation challenges. House Transportation and Infrastructure Chairman Bill Shuster (R-PA) and Ranking Member Nick Rahall (D-WV) yesterday announced the members of a special panel charged with examining the current condition of the nation's freight transportation infrastructure and how the system can be enhanced.

Congressman John Duncan (R-TN) will chair the "Panel on 21st Century Freight Transportation." Congressman Jerrold Nadler (D-NY) was appointed as the panel's ranking member. The panel will serve for a period of six months, beginning with its first hearing on April 24, 2013.

The Republican members of the panel are:

- John Duncan, Tennessee (Chairman)
- Gary Miller, California
- Rick Crawford, Arkansas
- Richard Hanna, New York
- Daniel Webster, Florida
- Markwayne Mullin, Oklahoma

The Democratic members of the panel are:

- Jerrold Nadler, New York (Ranking Member)
- Corrine Brown, Florida
- Daniel Lipinski, Illinois
- Albio Sires, New Jersey
- Janice Hahn, California

"Given that freight transportation cuts across many modes, this panel will play a critical role in providing recommendations on how to improve the efficient movement of goods between highways, ports, inland waterways, railroads, air carriers, and pipelines," said Chairman Shuster. "I am confident Chairman Duncan and the members of the panel will provide the Committee with valuable insights for the improvement of freight transportation and our Nation's economy."

"Almost all manner of goods sold or produced in this country take a ride on our rails, pass through our ports, wind down our waterways, or travel our highways," said Ranking Member Rahall. "The smooth movement of cargo across all these modes of transportation is essential in keeping our economy moving which is why this panel's task of improving the efficiency of our interconnected freight network takes on such importance."

House subcommittee holds hearing on WRDA. Yesterday the House Transportation and Infrastructure Subcommittee on Water Resources and the Environment held a hearing, “The Foundations for a New Water Resources Development Act.”

In his opening statement, Congressman Bill Shuster (R-PA), Chairman of the House Transportation and Infrastructure Committee, expressed the importance of inland waterways to the soybean industry, “I was visiting with the soybean folks and they explained to me how it costs \$85.19 to ship a metric ton of soybeans down the Mississippi from Davenport, Iowa, through Louisiana's ports, and on to Shanghai, China. It costs Brazil \$141.73 to ship the same amount of soybeans approximately the same distance. However, Brazil is planning to invest \$26 billion to modernize its ports and has begun major investments in its waterways so that it can better compete with the United States.”

The hearing including a panel of officials from the National Waterways Conference, the American Association of Port Authorities, the Waterways Council, the American Shore and Beach Preservation Association, and others.

One of the topics discussed during the hearing was the need for Congress to become more active in the process of prioritizing projects and initiatives carried out by the Army Corps of Engineers. Ever since Congress decided to no longer appropriate funds via the earmark process, the administration has played a larger role in determining which projects to emphasize.

“Congress cannot continue to abdicate its constitutional responsibility in determining what projects should go forward and should reassert itself in the face of an administration that creates one-sized-fits-all policy with little or no transparency,” explained Congressman Bob Gibbs (R-OH), Chairman of the House Transportation and Infrastructure Subcommittee on Water Resources and the Environment.

The Water Resources Development Act (WRDA) is a collection of public laws enacted by Congress to address various aspects of water resources: navigational, flood protection, hydrology, environmental, etc. Congress has historically completed a WRDA every two years. However, the last WRDA was passed in 2007 after a congressional override of a veto from President George W. Bush.

For much of the key soybean growing regions of the country, barge transportation is the most economical, efficient mode for transporting soybeans to our export terminals.

Despite the widespread acknowledgement of the importance of our inland waterway system to the viability of the U.S. economy overall, including the soybean industry, the condition of our lock and dam inventory continues to degrade. Significant time, energy, and resources have been devoted by agriculture and other stakeholders to promote increased investment in the system, yet progress remains elusive. A recent study funded by the soybean checkoff suggests that it may be time to reevaluate how our nation manages and finances our lock and dam inventory. The full report, “New Approaches for U.S. Lock and Dam Maintenance and Funding,” can be accessed at: <http://www.soytransportation.org/newsroom/TimeForANewApproach010713.pdf>.

Senators explore impact of Panama Canal expansion. On April 10, the Senate Commerce, Science, and Transportation Committee held a hearing, “Expanding the Panama Canal: What Does it Mean for American Freight and Infrastructure?” The hearing explored how the Panama Canal expansion will change the movement of freight into and throughout the U.S., and explore the public and private infrastructure investment needed to meet these changing freight patterns.

“The role of the Panama Canal in U.S. trade during the last century cannot be understated,” said Senator Jay Rockefeller (D-WV), Chairman of the Committee. “Now that the Panama Canal is being expanded to allow larger vessels, the U.S. needs to develop a comprehensive transportation infrastructure strategy for the next century.

An expanded Panama Canal has the potential to transform how freight is moved into and throughout this country. We cannot be caught flat-footed when ships twice the size of current vessels begin to cross from the Pacific to Atlantic Oceans and want to do business with our ports.”

In his opening statement, Senator John Thune (R-SD), Ranking Member of the Committee, explained, “It is also crucial that we not overlook the needs of rural states such as South Dakota. Rural states are the source of many of our nation’s exports when it comes to agricultural products and manufacturing, and the destination of many of its imports. I am particularly encouraged by the fact that widening of the Canal can increase opportunities for American exports. The Army Corps of Engineers estimates that the ability to employ large bulk vessels is expected to significantly lower the delivery cost of U.S. agricultural exports to Asia and other foreign markets.”

Panelists during the hearing included representatives from the Association of American Railroads, the American Trucking Associations, and the Virginia Port Authority.

Over a year ago, the Soy Transportation Coalition commissioned some analysis on the impact of the Panama Canal expansion on U.S. agriculture.

The soybean checkoff-funded study highlighted how the expansion will allow vessels at southern Louisiana export terminals to be loaded with an additional 500,000 bushels of soybeans, which equates to \$6 to \$8 million in additional value per vessel.

The analysis further highlighted how sizable areas of the country could experience greater access to the efficiencies of barge transportation subsequent to the Panama Canal expansion. According to the research, the draw area to our major navigable waterways could expand from 70 miles to 161 miles. As a result, there will be increased areas of the country that will be able to avail themselves of the inland waterway system. The demand for barge loading facilities along our major rivers will likely increase.

From a soybean shipper perspective, this will most likely have a favorable impact on area rail rates since there is wide evidence that transportation costs go down when there is more than one shipping option in a particular region.

The analysis, “Panama Canal Expansion: Impact on U.S. Agriculture,” can be accessed at:
<http://www.soytransportation.org/issues/PanamaCanalExpansion.pdf>

Congressmen Introduce Legislation to Improve Missouri River Flood Management. On April 11th, Congressmen Sam Graves (R-MO), Blaine Luetkemeyer (R-MO), Vicky Hartzler (R-MO), and Billy Long (R-MO) filed legislation to improve the management of the Missouri River. Their bill, H.R. 1460, would remove “fish and wildlife” from the list of authorized purposes for which the U.S. Army Corps of Engineers can undertake a river management project. Currently, the Corps’ Master Manual includes eight authorized purposes. By removing “fish and wildlife,” the Corps can focus more closely on projects related to navigation and flood management.

“The record flooding of the Missouri River in 2011 affected hundreds of families, homes, farmers, and businesses throughout the river basin,” said Congressman Graves. “Families were displaced, homes were under water, crops destroyed, and businesses lost revenue. As a result, we must take a serious look at the management of the Missouri River and make common-sense reforms that make residents the priority. The Corps should not have to waste precious resources on building wildlife habitats, a duty they are not suited for and should not have to fulfill. Our bill will help reduce the likelihood of future flooding, which our families, farmers, and small businesses deserve.”

The U.S. Army Corps of Engineers is responsible for the management of the Missouri River. Pursuant to the Missouri River Authorized Purposes Study (MRAPS), the Corps gives consideration to eight authorized purposes – flood control, navigation, water supply, water quality, hydropower, irrigation, recreation, and fish and wildlife. Further, pursuant to the Master Manual which was last amended in 2006, the Corps gives priority to flood control and navigation of the overall eight authorized purposes when making river management decisions. Environmental groups have continually challenged the river management procedures of the Army Corps in court to gain greater consideration for fish and wildlife.

Administration

President seeks \$50 billion for roads, \$40 billion for passenger rail in 2014 budget. President Obama released his 2014 budget on April 10th and called for Congress to allocated \$50 billion in immediate funding for highways and \$40 billion on passenger rail.

The President also recommends expanding the current surface transportation bill, “Moving Ahead for Progress in the 21st Century (MAP-21),” which is currently scheduled to expire on September 30, 2014.

"While MAP-21 provided much needed certainty to transportation funding and enacted a number of important reforms, the administration strongly believes that more needs to be done to maintain, improve, and expand the Nation’s transportation systems," the White House stated.

Much of the country’s transportation infrastructure was built decades ago and is in urgent need of repair to meet current and future economic demands. Given this, the budget includes an allowance beginning in 2015 to support additional investments in surface transportation under the next reauthorization. The administration looks forward to working with the Congress to secure these critical investments."

The President’s budget does not stipulate these increased investments will be funded.

Our nation’s surface transportation system is primarily funded via the United States Highway Trust Fund, which is comprised of three accounts: the Highway Fund, the Mass Transit Account, and the Leaking Underground Storage Tank Trust Fund. The Highway Trust Fund is financed via a federal fuel tax of 18.4 cents per gallon of gasoline and 24.4 cents per gallon of diesel fuel. The taxes are distributed as follows:

Gasoline:

15.44 cents – Highway Fund
2.86 cents – Mass Transit Account
0.1 cents – Leaking Underground Storage Tank Trust Fund

Diesel:

21.44 cents – Highway Fund
2.86 cents – Mass Transit Account
0.1 cents – Leaking Underground Storage Tank Trust Fund

The Highway Trust Fund generates approximately \$35 billion each year.

Secretary Kerry open to Chinese investment in U.S. infrastructure. During a visit to Beijing on April 14th, Secretary of State John Kerry expressed that he discussed with Chinese government officials investing in America's infrastructure – describing any potential security concerns "very, very few; very, very little."

"We welcome Chinese investment in the United States. And a very, very small percentage of investment is subject to a process where we have a security evaluation because of the nature of the business or the particular location. But it's very, very few; very, very little. And obviously, there are sometimes concerns when there's a state ownership of a particular business because that raises a different set of considerations," Kerry said.

"But for true private sector private investment, we have countless opportunities and we welcome that investment," Kerry continued. "One of the things I've discussed with the State Councilor tonight was the possibility of China investing in infrastructure. We have proposals in the United States Congress to create an infrastructure bank. We have huge infrastructure needs in the United States for a certain series of projects like water projects, transportation projects, energy projects. Those are all revenue-producing projects. So they are projects from which pension funds and other kinds of investments can make a return on investment and everybody benefits. It's a win-win-win. It's a win for the investors, it's a win for the countries, and ultimately it's a win for the place where the infrastructure gets built."

"Our current approach to transportation funding in the U.S. has proven to be inadequate," explains Mike Steenhoek, executive director of the Soy Transportation Coalition. "Due to repeated underinvestment in our own infrastructure, we are faced with the real possibility of increased bottlenecks and failures across the entire logistics chain. This will inhibit our ability to meet customer needs, which will ultimately be a drain on farmer profitability."

Last year, the U.S. exported over 800 million bushels of soybeans to China – roughly one out of every four rows produced in this country. Given this growing consumption, China has naturally become increasingly concerned with the logistics system that accommodates the journey from the farm to the final destination.

For years, China has been investing in railroads, port development, and other infrastructure projects in both Brazil and Argentina – the main competitors to the United States in the global soybean industry.

"Given the importance of maintaining control over our own infrastructure, the potential of soliciting foreign investment in our nation's infrastructure warrants caution and much deliberation," Steenhoek contends. "However, this is a concept worth considering. If we have been historically willing to accept Chinese investment to enable us to finance a host of government programs, is it time to consider accessing further investment for our transportation system?"

As a country, China is the largest U.S. bondholder with over \$1.15 trillion in Treasury debt.