SOY TRANSPORTATION COALITION
# WASHINGTON REPORT

**May 16, 2014**

## Legislation

**WRDA conference report advances.** Yesterday, Congressional leaders released the specifics of the Water Resources Development Act (WRDA) conference report. It is expected that the full House and Senate will consider the conference report on May 20th. If approved, the legislation will be forwarded to President Obama for his signature.

The WRDA conference report is a good bill for those industries, like agriculture, that rely on the inland waterway system to remain competitive. Congressman Bill Shuster (R-PA), Chairman of the House Transportation and Infrastructure Committee, Senator Barbara Boxer (D-CA), Chairman of the Senate Environment and Public Works Committee, Congressman Nick Rahall (D-WV), Ranking Member of the House Transportation and Infrastructure Committee, Senator David Vitter (R-LA), Ranking Member of the Senate Environment and Public Works Committee, Congressman Bob Gibbs (R-OH), Chairman of the House Transportation and Infrastructure Subcommittee on Water Resources and the Environment, and Congressman Tim Bishop (D-NY), Ranking Member of the of the House Transportation and Infrastructure Subcommittee on Water Resources and the Environment should be commended for educating their membership on the need for WRDA and demonstrating the leadership required to produce legislation in a very contentious environment.

Since there has been a sizable number of new members of Congress – particularly in the House of Representatives – since the last WRDA bill was passed in 2007, there were many members of Congress who had never worked on a WRDA bill and who did not have a rudimentary understanding of the bill's importance. Congressional leadership - particularly Chairman Shuster, Ranking Member Rahall, Congressman Gibbs, and Congressman Bishop - worked diligently to educate their colleagues and the broader public of the need to pass a WRDA bill.

One of the most favorable components of the conference report is the likelihood for increased funding for harbor maintenance. The Harbor Maintenance Trust Fund (HMTF) was created by Congress in 1986 to provide funding for harbor and channel dredging. Funds generated by the Harbor Maintenance Tax (a 0.125% ad valorem tax on imports) are deposited into the HMTF. Heretofore, only half of the funds deposited into the HMTF are actually utilized for harbor and channel dredging. The rest has been repeatedly appropriated by Congress for other, unrelated expenditures.

The WRDA conference report increases each year the amount of funding generated by the Harbor Maintenance Tax for harbor maintenance activities. By the year 2025, 100% of the funds generated by the tax will be utilized for harbor maintenance and dredging. This will provide ports like the Mississippi Gulf port region (which accounts for 58% of soybean exports and 67% of corn exports) with necessary funds to ensure the shipping channel is adequately dredged. With the expansion of the Panama Canal scheduled to be completed in late 2015 to early 2016, it is imperative for U.S. port regions to be able to accommodate the larger ships that will be able to transit the larger canal. According to our research, the Panama Canal expansion will result in an additional 500,000 bushels of soybeans being loaded onto an ocean vessel. This is the equivalent of $6 million to $7 million of additional value per vessel. However, the Panama Canal expansion will be a missed opportunity for U.S. soybean shippers unless we are properly maintaining and improving our port regions. The likely additional funding from WRDA will help ensure this.

The WRDA conference report will direct the federal government to assume more responsibility for the over-budget Olmsted Lock and Dam project. The Olmsted Lock and Dam project (located on the Ohio River near the confluence with the Mississippi River) had an original cost estimate of $775 million. The most recent cost estimate is $3.1 billion - a 400% cost overrun.

Currently, funding for the Olmsted Lock and Dam is 50% funded via the Inland Waterways Tax (the $0.20 per gallon tax on diesel fuel paid by the barge companies) and 50% from the general treasury. Currently, approximately $160 million ($80 million paid by the barge companies; $80 million paid by the general treasury) is appropriated for the Olmsted Lock and Dam project on an annual basis. The WRDA conference report increases the federal government responsibility for funding Olmsted from 50% to 85% (approximately $80 million to $136 million each year). The barge company portion will decrease from 50% to 15% (from approximately $80 million to $24 million each year). This will free up approximately $56 million (heretofore being paid by the barge companies to Olmsted) per year to be utilized for other needed projects on the inland waterway system.

The WRDA conference report includes language directing the Army Corps of Engineers to streamline how it does business so that the planning, maintenance, and construction activities will hopefully become more expeditious.

The legislation directs the Corps to examine alternative financing approaches that may result in better project execution, including the use of bonding and public-private partnerships. The Soy Transportation Coalition recently released a study that examined the prospects for public-private partnerships on the inland waterway system: http://www.soytransportation.org/newsroom/publicPrivatePartnershipsforLocksandDams.pdf.

**Senate committee approves transportation bill.** On Thursday, the Senate Environment and Public Works Committee unanimously approved S.2322, a bill that would provide $265 billion to the nation's transportation system over the next six years. While the bill offers a plan to enhance America's roads and bridges, a source of revenue to generate the necessary funding was not included.

Senator Barbara Boxer (D-CA), Chairman of the Committee said, "Today's passage sends a powerful signal to our colleagues and to our nation that we are serious about addressing the looming funding crisis in the Highway Trust Fund. I am proud of this strong, bipartisan bill that helps provide the certainty that all of our states and cities need to move forward with critical infrastructure and transportation projects. Thanks to all of our Members for their work on this job-creating legislation."

Senator David Vitter (R-LA), Ranking Member of the Committee said, "It's important to improve our nation's roads and bridges and help provide traffic relief, so we can carry out on daily routine, like picking up the kids from practice. Our nation's infrastructure needs attention and updates. Today's vote in the EPW Committee is a testament to the overwhelming bipartisan support of this urgently needed legislation."

The current surface transportation law, "Moving Ahead for Progress if the 21$^{st}$ Century (MAP-21)," is scheduled to expire on September 30, 2014. Congress must therefore develop and pass a new transportation bill or extend the current law by the September 30$^{th}$ deadline.

Without Congressional action, the Highway Trust Fund is projected to hit bankruptcy this fall, or even as early as August. Generating approximately $35 billion each year, the trust fund 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 tax on gasoline and diesel fuel has not been increased since 1993 and is increasingly proving to be inadequate to meet the needs of the nation's surface transportation system.

Since taxes on gasoline and diesel generate $35 billion each year, maintaining the fuel tax at current levels would result in approximately $210 billion over the next six years. Therefore, to achieve the $265 funding level in S.2322, Congress will need to identify an additional source of revenue.

S. 2322 will now proceed to the full Senate for consideration, where it will be combined with measures from the Senate Committee on Finance, Committee on Commerce, Science and Transportation, and Committee on Banking, Housing and Urban Affairs. The House of Representatives is expected to develop its version of surface transportation legislation this summer, but it has yet to announce a specific timetable for doing so.

## Administration

**U.S. DOT requires greater notification of crude by rail shipments.** U.S. companies moving crude oil via rail from the Bakken energy fields in North Dakota must tell state officials when cargo is moving across their regions, according to U.S. Transportation Secretary Anthony Foxx.

The announcement is latest response to a string of fiery and sometimes deadly derailments. During a Senate Commerce Committee hearing, he also said DOT-111 tank cars, the workhorse of the fast-growing oil-by-rail sector, should be avoided or reinforced wherever possible.

"We have been pushing as hard as we can and as fast as we can to respond to this emerging set of issues around the transport of Bakken oil," Foxx said.

Each railroad operating trains containing more than one million gallons of Bakken crude – about 35 tank cars' worth – would need to provide notification about which counties such trains would travel through. It's the first time that federal officials have asked the oil industry to answer to communities that have complained that they know little about cargoes snaking through their cities and towns.

Senator Charles Schumer (D-NY) said the order to require railroads to share information about hazardous cargoes is a good first step so local first responders can be prepared for any scenario.

In 2009, U.S. railroads transported 11,000 carloads of crude oil. In 2013, the number increased to 400,000.

**TIGER grant applications far exceed available funding.** Yesterday, U.S. Transportation Secretary Anthony Foxx announced that applications to the U.S. Department of Transportation for its sixth round of Transportation Investment Generating Economic Recovery (TIGER) grants totaled $9.5 billion, 15 times the $600 million allocated for the program. The DOT received 797 eligible applications, compared to 585 in 2013, from 49 states, U.S. territories and the District of Columbia.

The TIGER supports regional or national transportation projects that collaboration among multiple entities. They often have a freight focus. Applicants are required to demonstrate how the project will meet federal criteria for promoting economic development, reducing congestion and pollution, and creating communities less dependent on automobiles.

Since 2009, the TIGER program has provided $3.5 billion to 270 projects around the country. During the previous five rounds, the DOT received more than 5,300 applications seeking more than $115 billion to leverage local funding for projects.

## Surface Transportation Board

**Congressmen urge greater STB engagement to ensure sufficient rail access.** Three congressmen recently urged the Surface Transportation Board to "work in concert with the railways to plan for the future needs of rail shippers in light of the projected growth in crude rail shipment."

Minnesota Democratic Reps. Rick Nolan, Collin Peterson and Tim Waltz wrote in a letter to the board that crude oil shipments by rail have risen by 1,363 percent since 2010. The congressmen said ethanol shippers have contacted them complaining of a 40 percent increase in dwell times in December and grain shippers who have needed to ship 800 carloads a month have been making due with 300 carloads each month because of capacity shortages.

"If this poor rail service continues, it will cost farmers millions of extra dollars. It goes without saying that dependable rail service is of crucial importance," they wrote. "We simply urge that commodities, other than crude, be treated fairly and equitably."

They noted that BNSF and Canadian Pacific have hired workers and added more capacity in order to help out other shippers, and they hoped that the STB would continue to encourage these investments.