Soy Transportation Coalition
Washington Report

November 22, 2010

Legislation

Congressional calendar. Congress is not in session the week of November 22nd due to the Thanksgiving holiday. Congress will reconvene on Monday, November 29.

Stabenow to become Senate Ag Committee Chair. Senator Debbie Stabenow (D-MI) announced on November 19th that she will become the next Chair of the Senate Committee on Agriculture, Nutrition, and Forestry. The current Chair, Senator Blanche Lincoln (D-AR), lost her bid for reelection on November 2nd.

"Not only does agriculture create jobs and feed our families across America, but it is also helping us develop new fuels and energy sources," explained Stabenow. "I look forward to working with my colleagues on both sides of the aisle, as we begin writing a new farm bill that once again recognizes the importance of America's agricultural economy and rural communities."

Senator Stabenow has served on the Agriculture committees in the Michigan legislature, U.S. House of Representatives and currently in the U.S. Senate.

Sen. Kent Conrad (D-ND), a member of the Senate Agriculture Committee with greater seniority than Stabenow, had considered running for Chair, but instead decided to remain as Chairman of the Senate Budget Committee.

Senate hearing highlights plight of interior waterways. On November 17, the Senate Environment and Public Works Committee held a hearing entitled, "Water Resources Development Act: Legislative and Policy Proposals to Benefit the Economy, Create Jobs, Protect Public Safety and Maintain America's Water Resources Infrastructure". The hearing was originally scheduled for September 30th. The last Water Resources Development Act (WRDA) was passed in 2007.

In her opening remarks, Committee Chair Barbara Boxer (D-CA) said, "The projects, policies, and programs authorized in WRDA are essential components of creating jobs and keeping our economy growing. Ensuring our port and inland waterway infrastructure is adequately maintained is absolutely critical to the nation's economic success. According to the Army Corps of Engineers, in 2008, U.S. ports handled over $1.6 trillion in commerce and U.S. ports and waterways moved nearly 2.5 billion tons of cargo."

In its 2009 Report Card of America's Infrastructure, The American Society of Civil Engineers gave the nation's 12,000 miles of inland waterways a grade of D-. The average age of federally owned or operated locks is 60 years old, significantly past the planned design life of 50 years.

Panelists at the hearing underscored the importance of investing in the nation's locks and dams.

“What’s at stake if we turn our back on our waterways?” argued Matt Woodruff, director of government affairs for Kirby Corp., and a board member of industry lobby Waterways Council. “If we’re prepared to turn off the lights in portions of America, stop feeding the world, cripple our manufacturing base and deprive consumers of essential goods and services, we can stop worrying about the waterways.”

Panelists during the hearing highlighted the Inland Waterways Capital Development Plan – a proposal advanced by the inland waterways users to assist in financing needed improvements to the nation’s maritime infrastructure.

The main provisions of the Inland Waterways Capital Development Plan are:

- Preserving the existing 50% industry/50% federal cost-sharing formula for new lock construction and major lock rehabilitation projects costing $100 million or more.
- Adjusting the current model to provide 100% federal funding for dam construction and major rehabilitation and smaller lock rehabilitation projects, recognizing the value derived by other beneficiaries from dams and the pools created by dams.
- Including a cost share cap on new lock construction projects to incentivize keeping projects on budget and prevent industry taxpayers from bearing the burden of paying for unreasonable cost overruns.
- Increasing the 20 cent per gallon fuel tax by the barge and towing industry by 30% to 45% to provide additional revenues for lock and dam maintenance and construction.

Administration

LaHood prohibits redirecting of passenger rail grants. U.S. Transportation Secretary Ray LaHood informed the governors-elect of Wisconsin and Ohio they cannot redirect federal passenger rail grants to other uses once they take office – threatening to allocate the federal money elsewhere.

The grants to the two states were part of the original $8 billion the 2009 stimulus law designated to catalyze the development of an intercity "high-speed" passenger rail network.

Both the Wisconsin and Ohio projects would make improvements on freight railroad-owned tracks to carry regular-speed Amtrak service, instead of the high speed trains – typical in Europe and Japan – that require their own separate tracks. Critics suggest that the planned passenger rail projects would be too slow to attract sufficient ridership to become economically sustainable. As a result, states would have to provide annual subsidies to the projects to keep them viable.

Both Governors-elect John Kasich of Ohio and Scott Walker of Wisconsin have stated that he would prefer to use the millions of dollars in grant money to repair their states’ roads and bridges.

In response, Secretary LaHood notified both governors-elect that “None of the money provided…may be used for road and highway projects, or anything other than high-speed rail. Consequently, unless you change your position, we plan to … wind down (the state’s passenger rail) project so that we don't waste taxpayer money."

President’s Deficit Panel would increase fuel taxes, cut off aid for locks and dams. President Obama's deficit cutting panel delivered plans for transportation policy that include a gradual 15-cent increase in federal fuel taxes to shore up the Highway Trust Fund and a proposal that the barge industry should pay all costs of the lock projects on the U.S. river system.

The bipartisan National Commission on Fiscal Responsibility and Reform said in a draft report that a comprehensive tax reform should include increases in the per-gallon gasoline tax starting in 2013.

Motor fuel taxes that go into the Highway Trust Fund include fees on diesel fuel used by the trucking industry, but the combined taxes are often described simply as gas taxes. The report said the proposed fuel tax hike would "dedicate funds toward fully funding the transportation trust funds and therefore eliminating the need for further general fund bailouts."

It was just one of several commission ideas that face tough hurdles. President Obama has consistently opposed raising fuel taxes while the economy is weak, and the likely next chairman of the House Transportation and Infrastructure Committee, John Mica, R-Fla., has strongly opposed a gas tax increase. Mica and other Republicans on that panel are so far focused on finding savings within current federal programs to cover transport needs.

The highway fund covers a wide range of road and transit project spending, most of which is distributed to states under pre-set allocation formulas. President Obama has also suggested restructuring it to become a broader transportation trust fund, which would include rail-focused project spending to boost passenger and freight rail operations.

In the same vein of shifting more infrastructure costs to users of the transport networks, the commission recommended boosting a fuel tax paid by barge line operators on the inland water system "to cover all costs of construction, operation and maintenance."

Currently, barge lines pay a tax that goes into an Inland Waterways Trust Fund. That money can provide half the costs of certain construction lock and dam projects, while federal funds under the Army Corps of Engineers provide the rest. Raising the users' tax, said the commission, would also "increase economic efficiency by encouraging shippers to choose the most efficient routes and transportation, while alleviating congestion and demand for new construction." It pegs the annual savings to the budget at about $500 million.

The plan would also end what it calls "low priority projects" by the Corps, including about $90 million a year on offshore dredging and other work to rebuild eroded beaches. The plan says that cost should be borne by cities, states and local landowners that benefit from it.

Further, the panel said the Corps also has a large backlog of projects to complete but has failed to prioritize them, so it urged Congress to halt new project authorizations until the engineers clear up their construction program. *(Source: Journal of Commerce)*

Bipartisan Policy Center cites "enormous backlog" of infrastructure needs. A new plan to slash the federal budget deficit through tax hikes and spending cuts also suggests that policymakers find ways to boost spending on transportation infrastructure.

A report from The Bipartisan Policy Center proposes a freeze on discretionary government programs in annual appropriations but says that should apply to overall spending in that category as a whole, allowing some programs to grow.

Such a freeze, it said, would mean scouring the budget for savings in many areas while "addressing the enormous backlog of infrastructure needs," growing costs for homeland security and some other projects.

The center's Debt Reduction Task Force, which issued the report, is co-chaired by former Senate Budget Committee Chairman Pete Domenici, R-N.M., and Alice Rivlin, formerly vice chair of the Federal Reserve Board, White House budget director for President Clinton and head of the Congressional Budget Office.

This plan is the second in a week to offer detailed and sharply differing options for tackling the budget deficit, following one by the co-chairs of a panel appointed by President Obama. Theirs was a draft, to be followed by a full commission report next month, and included a 15-cent increase in federal motor fuel taxes to boost the Highway Trust Fund.

Both groups are issuing proposals while President Obama and congressional leaders prepare to negotiate over large tax cuts that are due to expire Dec. 31 and as Congress begins its lame duck session after Nov. 2 elections gave Republicans control of the House come January.

The BPC plan proposes spurring the economy and job creation through a one-year holiday on payroll taxes into Social Security, and would cut and simplify income tax rates but add a new sales tax devoted to deficit reduction.

It also lists a number of program-specific fees and taxes that lawmakers could increase to generate revenue or cover federal costs. Those include fees on shipping in the St. Lawrence Seaway, on railroads for safety reviews, on barge lines using the federally maintained inland waterway system and on businesses that benefit from trade promotion activities at the Commerce Department.

However, the BPC report says budget policy must also take into account that "highway passenger miles are expected to grow significantly over the next five years. Moreover, the Federal Highway Administration already estimates a current backlog of $381 billion in necessary improvements to our roads and bridges," plus $80 billion more to put transit systems in good repair.

So, "freeing up funds to invest in America's future will require tough choices in other areas of discretionary spending," the report says. *(Source: Journal of Commerce)*

Surface Transportation Board

STB declares no Class I railroads were "revenue adequate" in '09. On November 10th, the U.S. Surface Transportation Board (STB) issued a decision stating that no Class I railroads was "revenue adequate" in 2009, which suggests none of the large railroads attained a rate of return equal to or greater than the STB's estimation of the rail industry's cost of capital.

The STB had earlier determined that the rail industry's cost of capital in 2009 was 10.43 percent. The STB in turn compared that percentage with each of the railroad's return on investment disclosed in their 2009 annual reports. If a railroad's return on investment meets or exceeds the cost of capital, the STB determines the particular railroad as "revenue adequate."

The STB's 2009 tax-adjusted return on investment percentages for the nation's seven Class I railroads are as follows:

- BNSF Railway: 8.67 percent
- CSX Corp: 7.3 percent
- Canadian National: 6.04 percent
- Kansas City Southern Railway: 6.51 percent
- Norfolk Southern Railway: 7.69 percent
- Canadian Pacific Railway: 6.28 percent
- Union Pacific Railroad: 8.62 percent

While the STB declared none of the nation's seven Class I railroads as "revenue adequate," the STB also released a summary that highlights that net income for the seven large railroads increased 32.6 percent over the previous year. Among the individual railroads, Norfolk Southern achieved a 42.3 percent increase in net income; BNSF, 30.4 percent; Union Pacific, 26.9 percent; and CSX, 31.2 percent

1255 SW Prairie Trail Parkway · Ankeny, Iowa 50023 · 515-727-0665 · www.soytransportation.org
Funded by the soybean checkoff