
REMAPPING DEBATE

Asking "Why" and "Why Not"

Business leaders: give us more government

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April 13, 2011 — With the cry of “less government” reverberating through Washington, it’s an awkward time to be a businessperson asking government to do more instead of less. But some are asking, just the same.

Take, for example, the leaders of coal, oil, agribusiness, and barge and shipping companies who want Congress and the Army Corps of Engineers to get serious about maintaining and upgrading the nation’s inland and coastal waterways — a 12,000 mile network of canals, rivers, lakes, inlets, and harbors that carry upwards of 600 million tons of cargo across and around the eastern United States every year.

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Navigating the Ohio — or not

AEP River Operations is the waterborne shipping arm of American Electrical Power, one of the nation’s biggest utilities, with customers and facilities in 11 states. The 2,850 barges and 75 towboats of the AEP River Ops fleet are also available for hire. “We move about 32 million tons of coal and consumable products to our power plants,” the company’s president, Mark Knoy, said in a phone interview, “and about 45 million tons of grain, steel, construction material, fertilizers, road salt, and all kinds of bulk material up and down the Ohio River” and its tributaries.

Along the way, AEP River Ops’s barges pass through lock gates that have been in service a decade or more beyond their intended fifty-year lifespan. Those lock gates often falter. At the Markland lock and dam complex near Warsaw, Kentucky, a year and a half ago, one of four 250-ton iron gates [broke and fell into the river](#), causing five months of major delays. Below Cincinnati, the 80-year-old twin Locks 52 and 53 have been the site of many

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outages. The same is true, according to Knoy, of the Greenup Lock, near Greenup, Kentucky, “and a couple on either side of Greenup. All along the Ohio river, on any given day,” he said, “one in five lock chambers is out of service.”

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Because the Ohio is the nation’s most densely traveled waterway, most of its locks have an auxiliary chamber. Typically, though, these are smaller, requiring a 15-barge tow to be broken into two sections and thereby increasing the length of a lock journey from 20 minutes to two or three hours. When this happens, Knoy said, “you quickly start to build up three and four days of delay to get through the auxiliary chamber.” That is to say nothing, he added, of the times when both chambers “go down, and you have a roadblock that you just can’t overcome.”

Knoy has been around long enough to remember when the Corps of Engineers did “predictive, preventive maintenance.” Now “they just don’t have the money, and they [only] fix what fails,” he said. Breakdowns have become increasingly common. Throughout the inland waterway system, outages and delays cost haulers some 80,000 lost hours in 2009, compared to 55,000 in 2005, according to the Corps. AEP River Ops estimates that such problems add up to a loss of about \$15,000 a day per vessel. For the parent company, slowdowns mean more expensive coal; for its customers, they mean more expensive electricity.

There are wider economic implications as well, according to Knoy. “We have to compete against Australia and Indonesia and Africa on coal,” he said. “We have to compete against South America on grain. We have to compete against almost every country on steel.” The Obama administration, Knoy noted, has [vowed to double America’s exports](#); the barge and tow industry is “a primary export driver of grain, coal, and steel,” he pointed out. “If we can’t move it down the river to the Gulf to get loaded onto ships, I don’t see how you double exports.”

The solution — the remedy sought by AEP River Ops and other waterway users — would be a concerted effort to replace the Ohio’s aging lock gates. This would cost about \$25 million for each of 23 locks, or an estimated \$575 million in all. A year ago, a task force composed of industry leaders and Corps of Engineers officials came out with a [proposal](#) to pay for this and other projects, partly out of general federal funds and partly through a six- or nine-cent increase in the 20-cent-a-gallon fuel tax that barge companies pay for waterway upkeep and improvement.

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Last year, a bipartisan group of 21 Senators signed a letter calling for a Water Resources Development bill that would address these issues, and the industry hoped that Congress would move forward once it had finished with health care and financial reform. But that was before the elections that put the House under Republican control and made spending cuts the order of the day for many in both parties.

Barge and tow industry leaders were in Washington last week for their annual meeting, and a few of them made the rounds on Capitol Hill to plead for stronger funding of the Corps of Engineers and its maintenance and construction work. (Among their talking points was the assertion that inland barges are the greenest and most fuel-efficient of all modes of freight transportation, producing 19.3 tons of carbon dioxide per million ton miles, compared to 26.9 for rail and 71.6 for truck.)

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Waterways Council president Cornell Martin was encouraged by what he took to be the willingness of some budget-slashing legislators to consider a case that did not fit comfortably into their current mindset. Martin said he came away with the impression that the House Committee on Transportation and Infrastructure, like the Senate Environment and Public Works Committee, intends to move a Water Resources Development bill later in the year. It was not so clear, however, that anyone with clout in Congress would actually follow-up and push for additional funding. It probably did not bode well that when the relevant House subcommittee met to consider waterway issues last month, the subtitle of its hearing was “Finding Ways to Do More With Less.”

“You know, there are some programs that can work without investment,” Knoy said, wearily, “and some that can’t.”

Problems on the Mississippi, too

The frustration of the Ohio operators is shared by their compatriots on the Upper Mississippi. The 375 barges that form the fleet of the Alter Barge line, based in Bettendorf, Iowa, carry corn, soybeans, and other dry cargo for agribusiness clients like ADM, Cargill, and Bunge, from the central and northern plains states down the Mississippi to New Orleans, where they are transferred onto oceangoing ships bound for destinations around the world.

Most of the Mississippi’s 25 locks are as old as the Ohio’s oldest, and this is a system of single-chamber locks, making every outage a river-closer by definition. Cognizant of that fact, the Corps of Engineers generally tries to repair at least one or two locks every winter, shutting down the entire “Upper Miss”, from Minneapolis down to Granite City, Illinois, for a stretch of two or three months. And most of these lock chambers, like the auxiliary chambers on the Ohio, are just 600 feet long, which means that barge tows have to be broken down and reassembled every time.

In 2007, [Congress authorized](#) the addition of 1200-foot chambers to the five locks on the Upper Miss and two on the Illinois. If that work were done, “it would take us 25 to 30 minutes to go through each of those locks instead of 2 ½ to 3 hours,” said Larry Daily, Alter’s president. Doing the same thing with all the locks would mean a savings of four or five days on a roundtrip from Minnesota to the Gulf of Mexico. “My friends at the National Corn Growers Association,” Daily added, “tell me that would be worth about an extra 15 cents a bushel on a regular basis to the farmer.”

But on the Upper Miss, too, no additional dollars have been appropriated for this undertaking. “And under the current scenario, we’ll be lucky if my children’s children see all these locks being completed, because of the way the government is funding the projects on a piecemeal basis,” Daily said. “They stop and they start. It’s kind of like if you stopped at the lumberyard every other day to buy a two-by-four because you had a little extra money, and you decided to try to build a house like that. Projects that should take eight years are taking 22 years, and the same project that was supposed to cost \$700 million dollars ends up costing \$2.4 billion. It’s just a ridiculous situation we’re in right now.”

Hobbling the Great Lakes

If the barge operators of the Upper Miss long for the dual chambers — and bigger chambers — of the Ohio, Jim Weakley, president of the Lake Carriers’ Association, will tell you that both groups have it easy compared to his band of shippers, who operate in the western four Great Lakes. “Our industry primarily moves iron ore for the steel industry, coal for power production, and stone, either metallurgical for the steel or construction stone,” Weakley said. Here, freight is moved in vessels as long as 1,000 feet, as wide as 100 feet, and capable of carrying as much as 270,000 tons of cargo each.

On the Great Lakes, according to Weakley, you see “all kinds of breakwalls collapsing and deteriorating.” There are lock issues here, too. Talk of replacing the Soo Lock at Sault St. Marie goes back decades, Weakley said, adding that, in his mind, that lock qualifies as the “highest priority in terms of economic impact” of any lock project in the country, “and yet it’s unfunded.”

But the biggest maintenance problem in Weakley’s realm is inadequate dredging. In many Great Lakes harbors, the buildup of sediment takes a foot or more off the maximum draft of one of these giant vessels, which means a loss of thousands of tons of cargo capacity. Some of the worst dredging situations can be found along the southern and eastern shores of Lake Michigan.

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In parts of Indiana Harbor, the sediment had reached depths of well over two feet by the time the Corps of Engineers started dredging recently — for the first time in thirty years. Indiana Harbor owes its belated good fortune partly to the discovery that some of its muck was toxic in addition to being a navigation hazard. (The political clout of East Chicago and Gary steelmakers may also have played a role.)

On Industrial Island outside St. Joseph's, Michigan, Pete Berghoff, the owner of a seven-acre terminal and storage facility for limestone, road salt, and furnace slag, is wondering what it would take to inspire a similar rescue mission for his silt-ridden harbor. A year ago, the runoff from a succession of winter snowstorms blocked all boat traffic in and out for six months — from January to August. “We had a highway contract that year to supply stone, and it absolutely wrought havoc on us,” Berghoff recalled.

Shippers generally don't like to complain too much about local conditions, lest their harbors and businesses get a bad reputation. Looming over the concerns expressed by Berghoff and the lake-oriented businesses of western Michigan, however, is the fate of such enterprises as an Ontanogon lumber company that ceased operations altogether a few years back. In New York State, accumulated sediment eventually caused the entire port of Dunkirk to shut down in 2005.

Some of the ports of western Michigan could soon fade out of business in similar fashion. “You know, there is no room for forgiveness when you're in the dock business,” Berghoff said. “You lose one or two boats, or you have problems with one or two boats, and it does not take much in today's economic climate to push your head under.”

Making the case

Since the canal-building of the early 1800s, public investment has played an important role in America's economic growth. That is an aspect of our national story that doesn't get much attention these days, according to Scott Lilly, who is a senior fellow at the Center for American Progress, a liberal advocacy organization.

Many corporate leaders “recognize that some kind of a balanced relationship between public and private sector efforts is what really makes the economy grow,” Lilly said in a phone interview. Businesspeople will advocate for this or that program of particular relevance to their industries, and “someone like [Intel CEO] Paul Otellini will host a conference on the need for more government funding of scientific research,” Lilly said. “But they won't directly take on others in the business community who are pressing an opposite message. If they want to succeed,” he continued, “they have to draw the line and say, ‘This is where we're coming from and this is what we believe needs to happen, and the other side is wrong.’”

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