



Testimony of

Richard R. Calhoun, President

Cargo Carriers

Cargill, Incorporated

15407 McGinty Road West

Wayzata, MN 55391

“Water Resources Development Act: Growing the Economy and Protecting Public Safety”

Committee on Environment and Public Works

United States Senate

September 20, 2012

Chairwoman Boxer, Ranking Member Inhofe, and distinguished members of the Senate Committee on Environment and Public Works, thank you for the opportunity to testify before you today. I hope my statement will provide insight into the current state of our waterways and highlight the economic and job creation opportunities associated with investment in our water resources.

My name is Rick Calhoun, President of Cargo Carriers, a business of Cargill, Inc. My appearance today is on behalf of Cargill, Inc., but I also serve as a Board member and immediate past Chairman of the Waterways Council, Inc., the national public policy organization advocating a modern and well-maintained national system of ports and inland waterways.

Cargill is an international producer and marketer of food, agricultural, financial and industrial products and services. Founded in 1865, the privately held company employs 140,000 people in 65 countries. Cargill helps customers succeed through collaboration and innovation, and is



committed to applying its global knowledge and experience to help meet economic, environmental and social challenges wherever it does business.

Today, I am here to urge the Committee to move forward with the Water Resources Development Act (WRDA) to provide much needed improvement and increased investment in the nation's water infrastructure. Our nation's waterways have remained a reliable source of transportation because of the vision of past Congresses and hard work of the U.S. Army Corps of Engineers. The past two years have provided a difficult environment for the Corps who managed to keep our water transportation system open despite record flooding which was followed this year by a severe drought. However, as we look to the future, it is our belief that without immediate action to alter the delivery schedule and process of projects needed to enhance our infrastructure, the system is now at a point where its reliability could be challenged.

Cargill's barge business has been in operation on our inland waterways for over 80 years. We operate 1300 barges in our United States fleet and we moved over 90 commodities via barge last year. Cargill has two state-of-the-art export facilities in the Louisiana Gulf as well as over 30 grain elevators and barge loading facilities that move U.S. grains and oilseeds to market. We also play a role in the transportation of a multitude of other commodities up-river such as coal and steel to support domestic energy production and U.S. manufacturing, fertilizer for family farmers and road salt for northern municipalities preparing for icy winters.

In addition to its barge operations, Cargill has capital investments in several modes of transportation in the United States comprising an interconnected transportation system. We are a significant rail shipper and we manage cargo on truck and ocean going vessels amounting to more than 10,000 shipments a day. Our diverse transportation portfolio enables us to talk about the importance of a competitive and multi-modal transportation system, which includes a dependable waterways system.

Waterways are critical to keeping our domestic supply chain competitive. Current Army Corps of Engineers' statistics state there is a \$14-per-ton cost savings for shipping on the inland waterways versus other modes. That translates to farmer, shipper, and consumer cost-savings. A



typical 15-barge tow carries the load of 216 rail cars needing 16 locomotives or the equivalent of 1,050 large semi tractor-trailer trucks. Without waterborne cargo, our domestic products would congest the nation's truck and rail lines, increasing shipping costs for those within our borders.

In 2005, when Hurricane Katrina temporarily shut down the Gulf ports, the value of rail cars went up about \$2000 a car in some areas of the country. The price of corn paid to our family farmers along the river temporarily dropped 30 cents per bushel overnight. Without a complete and healthy system, the potential for domestic economic development, interstate commerce, global trade, job creation and future growth will be severely limited.

Understanding the importance of a modern and reliable river system, Cargill has made two large investments in our waterways over the past 12 months. In order to match the efforts by our farm customers who invest regularly in state-of-the-art farm equipment, seed technology and inputs to increase production and efficiency, Cargill invested \$25 million to modernize our Hales Point grain elevator in Tennessee. The facility has tripled the amount of grain it can handle, reducing the wait time for busy farmers at the peak of harvest and expediting the loading of barges destined for Gulf export facilities and the export market. Cargill also completed its largest acquisition of barges in our history by adding 387 inland river barges from the fleet of Alter Barge Company.

Our nation's river system has attracted private capital investment for over 200 years because it has been a consistently dependable mode of transportation. The inland waterways facilitate affordable, reliable, energy-efficient and environmentally friendly transport of the building blocks of our economy. This natural resource increases U.S. competitiveness, supports global markets for domestic agricultural commodities, iron, steel, aggregates, petroleum and chemical products, and creates American jobs. One could always count on the river system to work; however the reliability of the system is fast becoming a questionable assumption.

Despite the efforts of industry to modernize their operations for a 21<sup>st</sup> Century economy, on the rivers we must rely on technology from the 1930s. Fifty-six percent of the 238 locks in our system are over 50 years old and well beyond their design life. Thirty-four of our locks are over

80 years old. If nothing is done, this infrastructure will soon be on the brink of collapse. Moreover, these important projects are not built in a day—or a week—or months. They take years – even decades – to construct.

In 2007, the Army Corps of Engineers reported that locks were unavailable for more than 157,000 hours for scheduled and unscheduled maintenance or mechanical breakdowns. This represents 6,560 days of downtime across the system. A more significant failure at a lock could close a major freight artery causing our once reliable system of commerce and trade to become a chokepoint, creating “Katrina-like” market harm for farmers and the inability to move critical commodities like coal and de-icing salt back up the river. Failing to prevent a catastrophe that could cause local and national economic damage is unacceptable.

Nowhere are the system’s deficiencies more apparent than the Olmsted Lock and Dam project on the Ohio River. Originally authorized by Congress in 1988 at a cost of \$775 million, the project was to be completed within 12 years. Almost 25 years later, the project is nowhere near complete and has ballooned to an expected cost of more than \$3 billion.

While Olmsted is draining the Inland Waterways Trust Fund (IWTF), the private sector funded account used as a 50/50 cost-share to government investment, numerous other navigation projects throughout the system are on hold and crumbling before our eyes. Without a change to the status quo, we will not see many critical construction and major rehabilitation projects completed in our lifetime with expected completion dates for some as late as 2090. The business model for financing these navigation projects is broken and deeply in need of repair by Congress. There is a real opportunity to offer a solution for the long-term growth of our waterways transportation system and our export market with a WRDA bill.

In 2010, the Industry and the Army Corps of Engineers worked together for a year-and-a-half to develop a comprehensive package of recommendations to continue the viability of the inland waterways system. Called the Capital Development Plan, the proposal called for a new prioritization of projects system-wide, improvement of the Corps’ project management and processes to deliver projects on time and on budget, and recommendations for an affordable

funding mechanism with increased investment from both private industry and the U.S. government to meet the system's needs.

The Corps-industry task force recommended increasing annual spending on lock and dam projects from \$170 million to \$380 million annually. The group estimated that would be enough to complete 25 major projects over the next 20 years, compared to just two – Olmsted and the Lower Monongahela project in Pittsburgh – under the current funding scheme and the cost escalation at Olmsted.

In the 113<sup>th</sup> Congress, the Capital Development Plan was converted into legislation by Congressman Ed Whitfield (R-KY) and Congressman Jerry Costello (D-IL). H.R. 4342, the Waterways are Vital for the Economy, Energy, Efficiency and Environment (WAVE-4) Act of 2012 now has 27 bi-partisan cosponsors in the House of Representatives and has been endorsed by Cargill and more than 200 organizations.

Just last week, the American Society of Civil Engineers (ASCE) released a new report on our national infrastructure, *Failure to Act: The Economic Impact of Current Investment Trends in Airports, Inland Waterways, and Marine Ports*. The ASCE report makes similar recommendations for repairing the broken financing model and paints a grim picture of our transportation future if we fail to act quickly.

The report identifies a severe capital investment gap. Between now and 2020, investment needs in the nation's seaports and inland waterways sector will exceed \$30 billion, while planned expenditures are only about \$14 billion, leaving a total investment gap of nearly \$16 billion.

Failing to meet the nearly \$16 billion gap by 2020 will impact our economy in multiple ways. As previously mentioned, Cargill and other U.S. companies shipping goods to market will experience congestion and delays, leading to higher transportation costs, causing the price of goods to rise. The report notes that costs attributable to the aforementioned delays in the nation's inland waterways system were \$33 billion in 2010, and it is expected to increase to nearly \$49 billion by 2020.



As the price of U.S. goods rises, we become less competitive in the global marketplace. According to the report, there will be an estimated \$270 billion decrease in U.S. exports by 2020. Roughly \$1.3 trillion in business sales will be lost and our Gross Domestic Product (GDP) will plummet by a total \$697 billion as a result. At a time when job creation is vital for the country's economic recovery, this suggests the lost opportunity to create 738,000 jobs in 2020 and a disposable personal income hit of \$770 per year, for each household.

The findings of the ASCE report suggest an additional investment of \$15.8 billion between now and 2020 will limit all the negative impacts outlined.

The challenge facing our inland waterways system is the critical need to both maintain and repair existing structures as well as to construct new, modern, expanded lock chambers to accommodate today's larger tow sizes. Completed projects will allow for greater exports of agriculture and energy-sector commodities. This is critical considering more than 90 percent of consumer spending growth will happen beyond the United States' borders in the next 50 years. Investment spending that supports competitive exports is essential to the growth of our economy.

Industry has proven it is willing to invest and we will continue to do even more. To help fill the coffers of the IWTF and protect our other investments along the river, Cargill and our waterways partners are willing to accept a significant increase in the diesel user fee if we are promised an efficient plan that will result in a reliable river. However, we cannot and should not act alone in this effort.

Most of the benefits of an efficient and dependable river system accrue to the general public. Hundreds of Army Corps-maintained lake and reservoir projects provide municipalities along the waterways with an abundant source of fresh water. Flood risk management protects nearly 94 million acres of at-risk land along our banks and coasts. Farmers and ranchers are afforded water resources for irrigation to help ensure a secure food supply. And public and private water vehicles support national security objectives and recreational activities. These beneficiaries are not required to cost-share with the U.S. government or pay into a national trust fund. They count

on the government to protect their access to the waterways and the government needs to invest accordingly.

Investment in modern waterways infrastructure is occurring elsewhere around the world. From the construction of a waterways system in China to the widening of the Panama Canal, this should incent the United States to increase investment here at home. The Panama Canal will be widened by 2014, providing increased trade opportunities for the United States by allowing big ships from Asia to cross from the West Coast to the Eastern United States. The expansion was estimated to take seven or eight years at a cost of \$5.25 billion, and is on track to come in under-budget and potentially finished earlier than projected.

Cargill supports the recommendations of the Capital Development Plan and the ASCE report. We ask the members of this Committee and the U.S. Senate as a whole for its support to move the plan forward. I am encouraged by the actions of Chairwoman Boxer and Ranking Member Inhofe in holding this hearing today and contemplating a WRDA bill. Much has changed since the legislation last passed through this chamber five years ago and we are well past the point where our nation needs to be.

The time for action is now. If nothing is done, more and more scheduled and unscheduled lock closures on the river will choke our economic recovery and hamper growth. We need a reliable inland waterways system to remain an export leader in the 21<sup>st</sup> Century. Congress must support the work of the Army Corps of Engineers so they don't have to face a catastrophe that could do irreparable damage to the U.S. economy and cost the U.S. Government much more in disaster relief and repair.

We recognize the financial considerations that must accompany each legislative decision, but we believe that a healthy investment in the future now will pay 10-fold in benefits later. We must repair the broken financing model and stop wasteful spending that results from simply bandaging our failing infrastructure. The United States has enjoyed a natural advantage over the rest of the world for over a century because of our inland waterway system; we cannot allow ourselves to be surpassed by other nations currently strengthening their infrastructure investment.



In summary, Cargill urges this Committee to bring forward bi-partisan Water Resources Development Act legislation immediately in order to change the path to failure we are currently on today as a nation. Further, we support the efforts of several Senators to address the infrastructure challenges of our ports and inland waterways - and we encourage this Committee to support that effort as well.

Thank you again for the opportunity to share Cargill's views with you today. I am willing to answer questions and respond to specific inquiries going forward.