Statement of
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Before the
U.S. House of Representatives Committee on Transportation and Infrastructure
Subcommittee on Water Resources and Environment

Hearing on
LAKE LEVELS IN THE GREAT LAKES
University of Wisconsin — Green Bay Phoenix Room
April 18, 2008 – 9:00 a.m.

SUMMARY

Water levels are critical to the efficiency of Great Lakes shipping. Vessels lose between 50 to 270 tons of cargo for each inch they must reduce their draft. As a result of falling water levels and lack of adequate dredging, the largest iron ore cargo carried in 2007 was more than 7,000 tons less than the record cargo moved in 1997, a period of high water. Those 7,000 tons of iron ore could have produced nearly 6,000 automobiles.

Water levels are cyclical and determined by precipitation and evaporation, natural forces no one can control. However, the effects of low Lake levels could be offset by adequate dredging of ports and waterways. Decades of inadequate funding for dredging have left a backlog of 18 million cubic yards of sediment. The U.S. Army Corps of Engineers estimates removing the backlog will cost more than $230 million.

Money is available to restore the Great Lakes navigation system. The Harbor Maintenance Trust Fund, **which is funded by a tax on deep-draft navigation**, has a surplus of more than $4.1 billion. The $230 million needed to restore the Lakes represents only 6 percent of the surplus. Congress must provide the Corps enough money to maintain the system and establish a line item for Great Lakes Navigation Restoration and fund it with at least $25 million a year until the backlog is removed.

The benefits of restoring the Great Lakes navigation are many fold. The efficient delivery of iron ore will keep our steel industry competitive with imports. Efficient delivery of coal will keep electricity affordable in the Great Lakes region. Efficient delivery of limestone and cement will help us to rebuild more of our bridges and highways. Increased use of waterborne commerce will also ease congestion on our highways and railbeds and reduce greenhouse gas emissions.

FULL TESTIMONY

Thank you Madam Chairperson and honored members of the Subcommittee. Lake Carriers' Association deeply appreciates your interest in Lake levels. This is a topic of critical importance to our industry.

Lake Carriers' Association represents 15 American corporations operating 63 U.S.-Flag vessels on the Great Lakes. These U.S.-owned, -built, and -crewed vessels move the raw materials that drive the U.S. economy: iron ore for steel production; coal for power generation; limestone and cement for construction; and other raw materials that are so vital to employment and our standard of living. When high water levels offset the now decades of inadequate dredging of Great Lakes ports and waterways, our members can annually move more than 115 million tons of cargo.

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It is no exaggeration to say that water levels make or break our industry. Depending on the size of the vessel, our members carry anywhere from 50 to 270 tons of cargo for each inch of loaded draft. Again, depending on the vessel, loaded drafts range from about 19 feet to more than 28 feet.

In the late 1990s, Mother Nature was very generous in terms of precipitation and Lake levels rose to near record highs. As a result, a number of cargo records were established in 1997. The benchmark for the iron ore trade through the Locks at Sault Ste. Marie, Michigan – 72,300 tons – dates from 1997, as does the top coal cargo – 70,903 tons. The largest U.S.-Flag salt and cement cargos also date from 1997.

However, starting in the late 1990s, water levels on Lakes plunged. In fact, Lake Superior reached a new record low last fall. It's little surprise then that the top cargos carried in 2007 paled in comparison to a decade ago. The largest iron ore cargo was 65,252 tons. The coal trade peaked at 64,450 tons. Since the vessel mix serving salt has changed, that comparison would be misleading, but the top cement cargo was only 15,682 tons. In 1997, the same vessel carried 17,740 tons in one trip.

My members earn their living carrying cargo, so less cargo means less revenue and less funds for modernizing vessels or building new hulls. However, there is a much greater impact from falling water levels and lack of adequate dredging. Let's consider those two iron ore cargos. The difference between 1997 and 2007 is 7,048 tons. Seven thousand tons of iron ore represents about a day's production at a Minnesota or Michigan iron ore mine. Seven thousand tons of iron ore will make about 4,700 tons of steel at a steel mill in Indiana, Ohio, Michigan, or other steel-producing States. Depending on the size of the mill, that's a half day's production at a complex that can employ thousands of men and women.

In turn, 4,700 tons of steel will make nearly 6,000 automobiles. Your typical American auto plant turns out 600 cars a day, so the cargo we lost from one vessel trip to the dredging crisis and low water represented almost two week production for the end user of that iron ore.

Water levels are cyclical. For example, we had a period of very low water levels in the early 1960s. In fact, water levels were so low that there were plans to put compensating works in the St. Clair River to keep the water level on Lakes Huron and Michigan up. Those plans were shelved when water levels rose.

Variances in water levels primarily reflect precipitation and evaporation, and no one can control the forces of nature.

There is, however, something we can do to cope with the cyclical nature of Great Lakes water levels. And that is to dredge Great Lakes ports and waterways to their project dimensions. It is one thing to have to reduce draft because we are experiencing a drought. It is quite another to have to lighten a load because the U.S. Army Corps of Engineers does not receive enough funds to maintain the Great Lakes navigation system.

Funding for dredging has been inadequate for decades. So much so that the U.S. Army Corps of Engineers estimates the backlog of sediment that must be removed from ports and waterways totals 18 million cubic yards. To give that some local perspective, that's more than 3 cubic yards for every resident of Wisconsin.

What will it cost to restore the Great Lakes navigation system to project dimensions? Again, according to the Corps, more than $230 million.

$230 million is a significant amount of money. However, as a steel company executive whose operation is suffering from the dredging crisis recently noted, $230 million is less than was spent to reconfigure one freeway intersection south of Chicago.

Thanks to the efforts of the Great Lakes delegation, in FY08 the Corps will have nearly $140 million to dredge the Lakes. That is an increase of more than $40 million over the Administration's proposed budget and will allow the Corps to reduce the backlog by about 1 million cubic yards.

Unfortunately, the proposed budget for FY09 slashes nearly $50 million from this year's funding level. The $90 million allotted the Corps for the Lakes in FY09 may not even allow the Corps to maintain the status quo, let alone remove any more backlog.

No law can make it rain more. No law can cover the Lakes with ice in the winter to reduce evaporation. But Congress does have the power to increase the Lakes dredging appropriation. Not only do we need to provide the Corps enough money to maintain the system each year, we need to establish a line item for Great Lakes Navigation Restoration and fund it with at least $25 million a year until the backlog is removed.

Money is available to restore the Great Lakes navigation system. The Harbor Maintenance Trust Fund, which is funded by a tax on deep-draft navigation, has a surplus of more than $4.1 billion. The $230 million needed to restore the Lakes represents only 6 percent of the surplus.

What adds insult to injury is that the surplus in the Harbor Maintenance Trust Fund is growing. The Fund took in about $1.2 billion in 2007, but spent only $750 million on maintenance dredging, which is more or less typical. So much for "User Pay, User Say." At a minimum, the Fund should spend as much as it takes in. To accomplish this, we must have legislation that mandates that the Harbor Maintenance Trust Fund is used for its intended purpose. The days of using the surplus to paper balance the budget must end. It's time to put the TRUST back in the Trust Fund.

The benefits of restoring the Great Lakes navigation system are many. The efficient delivery of iron ore will keep our steel industry and its 100,000-plus employees competitive with imports. Efficient delivery of coal will keep electricity affordable in the Great Lakes region. Efficient delivery of limestone and cement will help us to rebuild more of our bridges and highways.

Speaking of our bridges and highways, the more we use Great Lakes shipping, the more we ease the congestion on our highways. It would take 2,800 trucks to deliver as much cargo – 70,000 tons – as does a 1,000-foot-long Laker in one trip. Even the railroads can't compare to us. It would take seven 100-car unit trains to equal the hauling power of one 1,000-footer.

America has a wonderful asset in Great Lakes shipping. The U.S.-Flag Lakes fleet leads the world in terms of self-unloading vessels. Since these vessels fly the U.S. Flag, they are built and operated to the world's highest safety standards. Yet year after year we have forfeited cargo because of inadequate dredging. This was never wise, but the economic realities of today and tomorrow demand we utilize Great Lakes shipping to its fullest extent. The Great Lakes region cannot remain our industrial heartland if vessels continue to light load.

Thank you for the opportunity to address this hearing. I will do my best to answer any questions you might have.