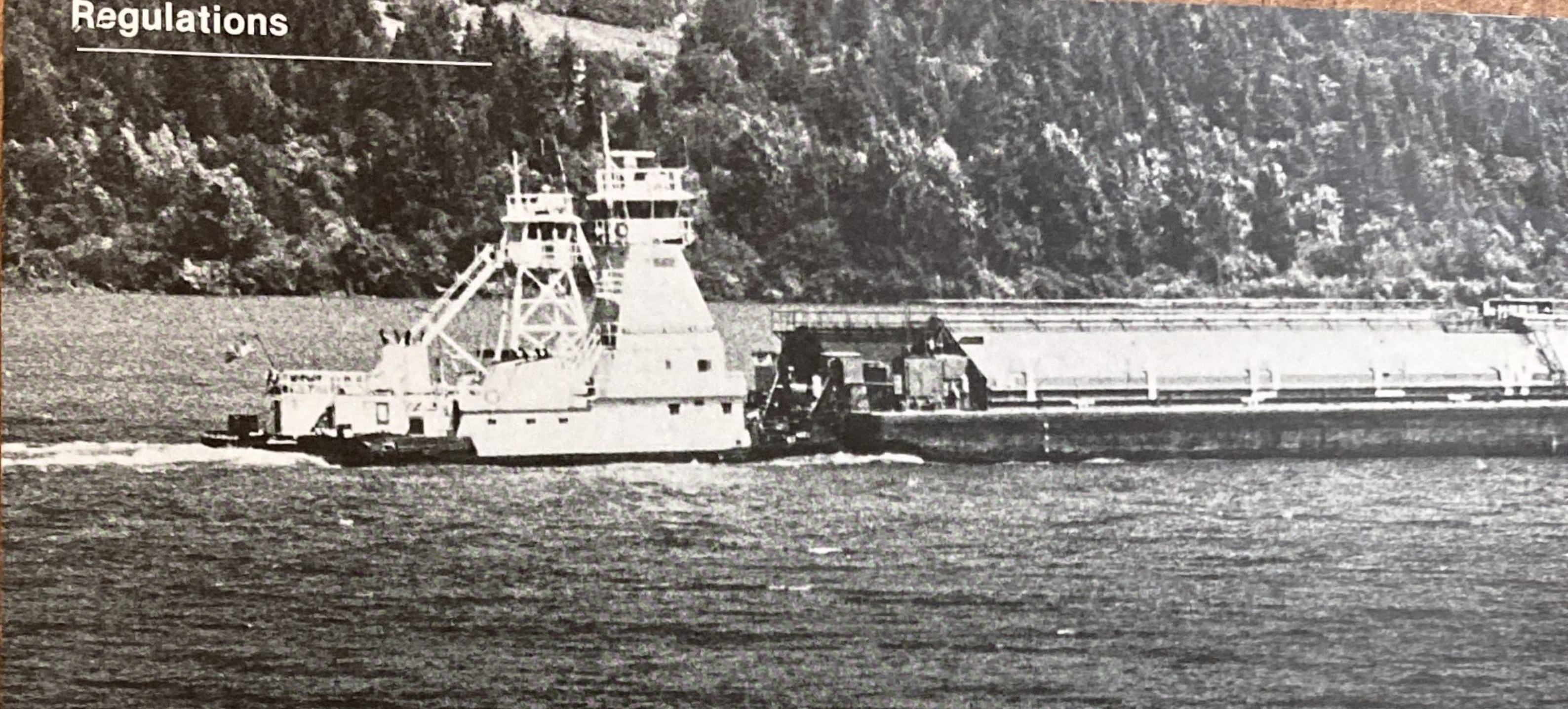
EXTENSION OF REMARKS
CONGRESSMAN LES AuCOIN
"THE THREAT OF WATERWAY USER CHARGES"
September 15, 1981

Mr. Speaker. Congress is now reviewing legislation that would impose certain "user charges" on our nation's ports and waterways as a way of recovery the federal government's cost of building and maintaining this important commercial facilities.

Few will dispute the need to look at way we finance these projects. But as we do so, we need to be mindful of the real impact cost recovery will have on our waterways and ports -- especially in the West.

Mr. Speaker. I am seriously concerned that proposals now being considered will cripple shipping commerce and international trade on the West Coast and in my own state of Oregon. As evidence of this crippling impact, I want to call to my colleagues' attention an article that recently appeared in Oregon Business magazine by Dan Poush. His analysis and commentary clearly shows what this legislation means for Oregon. I ask unanimous consent to insert the article at this point in the Record /insert attached article/.



History is uncertain of the date, but man may have discovered the possibility of moving cargo by water as early as 6,000 B.C. when several cedar logs were tied together and floated on the Mediterranean. Today, huge sophisticated vessels move millions of tons of goods through a series of dams and locks to and from areas of the world where other modes of transportation are too costly. The Pacific Northwest has been served by the mighty Columbia River, which flows 300 miles along Oregon's northern boundary. Early explorers and fur traders two centuries ago used the river and its two tributaries, the Willamette and the Snake. However, swift currents and treacherous rapids held back growth of commercial traffic until 1878, when the Corps of Engineers built navigational canals between Vancouver and The Dalles.

Today, eight large dams — four on the Columbia and four on the Snake — provide 486 miles of slackwater for navigation from the Pacific Ocean inland to Lewiston, Idaho. Bonneville Locks, completed in 1938, is outdated and needs to be replaced but the funds for this (as well as the constant operation and maintenance costs usually paid by the federal government) are drying up. It is in this context that the Reagan Administration is looking at raising these funds through a user tax levied on the towboats moving the cargo. What effect will this have on the Oregon and Northwest economies? Many say a devastating one . . .

The Th

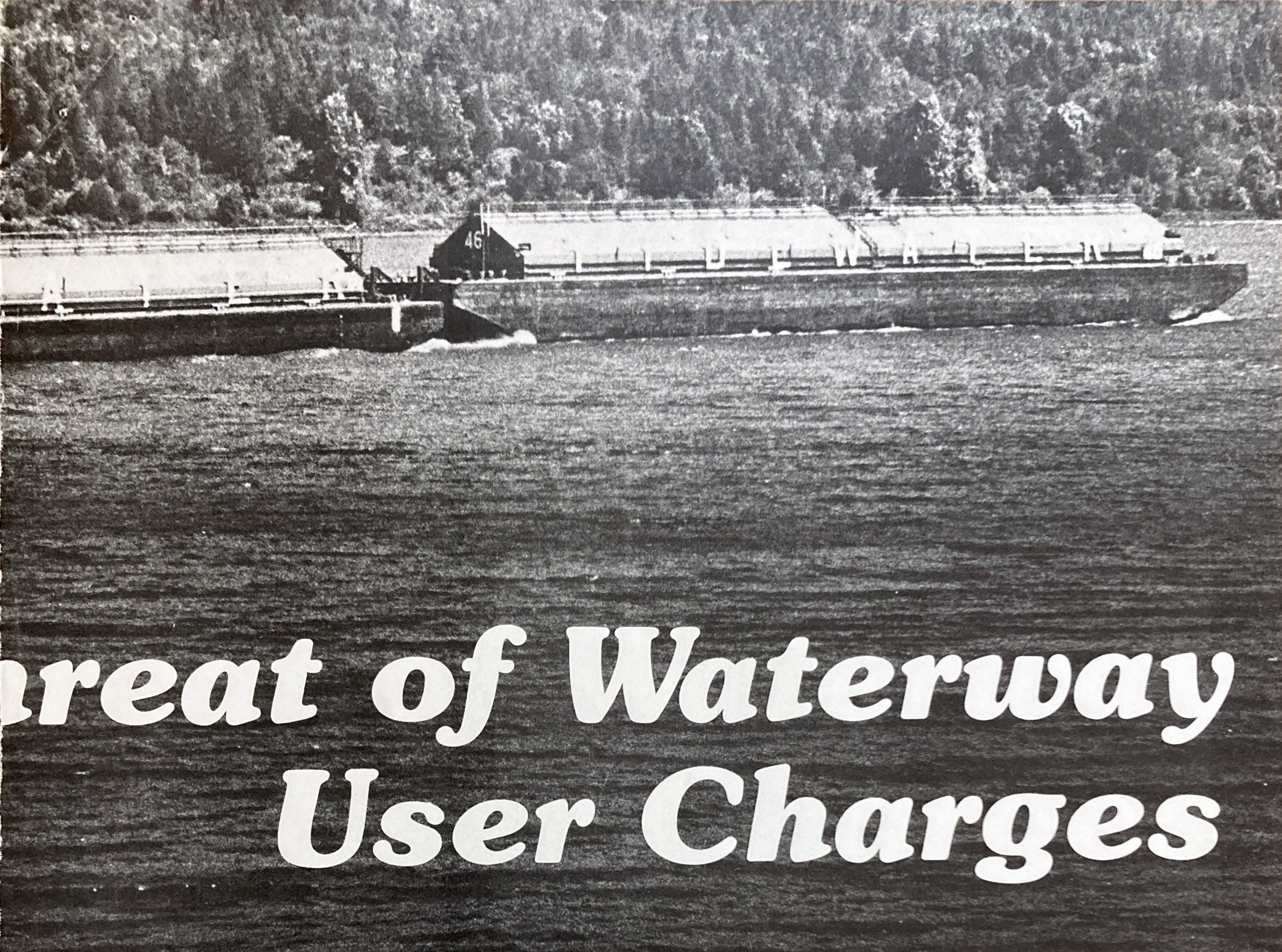
Story & Photos by Dan Poush

President Reagan's proposed waterway user charge (the so-called cost recovery proposal) may very well deal a deadly blow to barge shipping in the Pacific Northwest. If approved, the Reagan plan would strap those who ship freight by barge with higher barge fuel taxes, thus reducing the competitive edge they have over other modes of transportation.

The economic impact of this proposal would have a crippling effect, not only on barge traffic on the Columbia and Snake Rivers, but on the Port of Portland as well.

"There has never been a more serious and negative impact" looming for the Port, according to Lloyd Anderson, Executive Director, Port of Portland. "One out of every ten jobs is affected by the system," he says. "This would have a paralytic effect on growth."

Growth is an important factor affecting the entire river system, with huge investments being risked on future business. The Port of Portland is plan-



areat of Waterway User Charges

ning a $300 million investment in new facilities at one port, but investments of this magnitude will not occur if the proposed legislation is implemented.

The Reagan plan is a simple formula to have the users of the waterway systems pay for the recovery of federal expenditures for deep-draft navigation projects — anything over 14 feet in depth. The second aspect of the proposal is to promote a user-pays concept for the operation and maintenance of the waterways. But according to Port of Portland officials, this proposed plan will have a severe impact on the national waterways system, the Columbia/Snake system, the national economy, and affect 15,000 jobs in the Northwest alone.

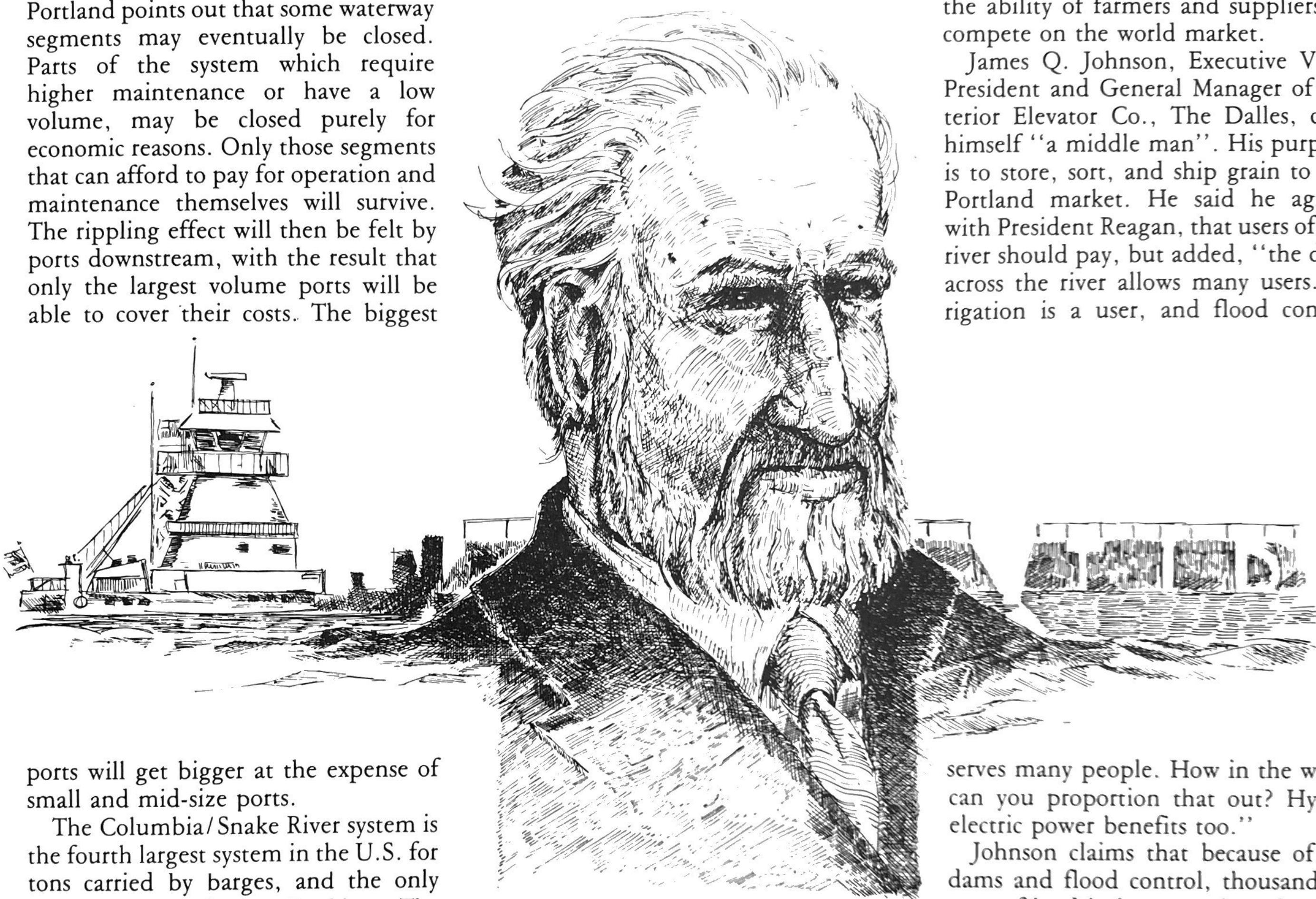
Lloyd Anderson: *the ports must protect the Northwest economy.*

Garry J. Whyte, Executive Secretary of the Columbia River Towboat Association, monitors activities which affect the eight companies belonging to the association. This issue is "vital to our life support system," he says, "but it is coming too fast."

"Deep-draft steam ship operators don't seem to be aware of the ramifications," Whyte notes. For example, cargo being shipped from Lewiston by barge will cost more due to the fuel tax being charged the towboat operators. When the shipment gets to Portland and is loaded, the steam ship will pay the deep draft fees. This system amounts to double taxation according to Whyte.

The towboat operators began paying a user fuel tax of $.04 per gallon of diesel fuel last October. Operators are facing an additional $.02 this October. President Reagan's plan would add additional charges on top of that. As transportation charges increase Northwest shippers may seek alternate methods perhaps causing cargo shifts to Canadian ports, where fees are less. This would cause cargo volume on the waterways to decline, leaving the remaining users to shoulder the burden for maintenance and operation. Add to that any new construction, and the fees could drive even the strongest out of business.

An analysis of the impacts of the user charge produced by the Port of Portland points out that some waterway segments may eventually be closed. Parts of the system which require higher maintenance or have a low volume, may be closed purely for economic reasons. Only those segments that can afford to pay for operation and maintenance themselves will survive. The rippling effect will then be felt by ports downstream, with the result that only the largest volume ports will be able to cover their costs. The biggest ports will get bigger at the expense of small and mid-size ports.



Garry J. Whyte

The Columbia/Snake River system is the fourth largest system in the U.S. for tons carried by barges, and the only system west of the Rockies. The economic impact on a single 50,000-ton shipload of export grain calling on Portland could be as high as $23,750. That would be the combined total user taxes paid for shallow draft (the river system) and deep-draft operation and maintenance. Adding new construction costs of enlarging Bonneville Lock and deepening the mouth of the Columbia would bring the total taxes for each 50,000-ton grain ship call to $63,750, according to Port of Portland researchers Glenn Vanselow and Mary Brugo. Conservatively, the report stated, the immediate oceangoing cargo loss is estimated at four to five million tons, or 15 percent of the total volume of cargo in 1980. Containers, logs/lumber/plywood, autos, dry bulks and grain are particularly vulnerable. The impact on the upper river system would be even more dramatic because it would not only lose its share of the lower Columbia cargo, but other barge cargo would be diverted to other carriers.

Impact. The loss of four to five million tons of cargo on the lower Columbia River will have a severe impact on the economy of the entire region. Handling this volume of cargo adds a total of about $750 million to the region's economy and creates over 15,000 jobs, according to Port officials. Any drop in cargo volume along the navigable shallow-draft system would affect 19 port districts.

The administration's proposal would obtain money from the local users, who in turn will try to pass along the extra charges to the customer. User charges cannot be passed on to foreign consumers, and since 43 percent of U.S. exports are farm products, the U.S. farmer will be forced to absorb the bulk of the increased costs.

Farmers who rely on the Columbia/Snake River system would be handed a double bill. First they must pay a higher price to receive fuel and fertilizer; then, after harvest, they must absorb the extra user fees to get their products to market. Some raw material being shipped may allow the producers to pass on the higher costs, but farm products such as grain are traded on the world market where competition sets the price. Foreign buyers will seek alternative suppliers or products rather than pay increased prices. Over the long run, full-recovery user charges will reduce the ability of farmers and suppliers to compete on the world market.

James Q. Johnson, Executive Vice-President and General Manager of Interior Elevator Co., The Dalles, calls himself "a middle man". His purpose is to store, sort, and ship grain to the Portland market. He said he agrees with President Reagan, that users of the river should pay, but added, "the dam across the river allows many users. Irrigation is a user, and flood control serves many people. How in the world can you proportion that out? Hydroelectric power benefits too."

Johnson claims that because of the dams and flood control, thousands of acres of land in low areas have become productive farms and the additional taxes and fees received from products passing through the locks have more than paid for its maintenance and operation.

Johnson is also very sympathetic to the farmers' plight, but said "even the farmer with 1000 bushels will have to pay more. Of course the tax is going to be passed on. Any cost that comes to us will be passed on to the farmer. In many cases the user fee is the cream."

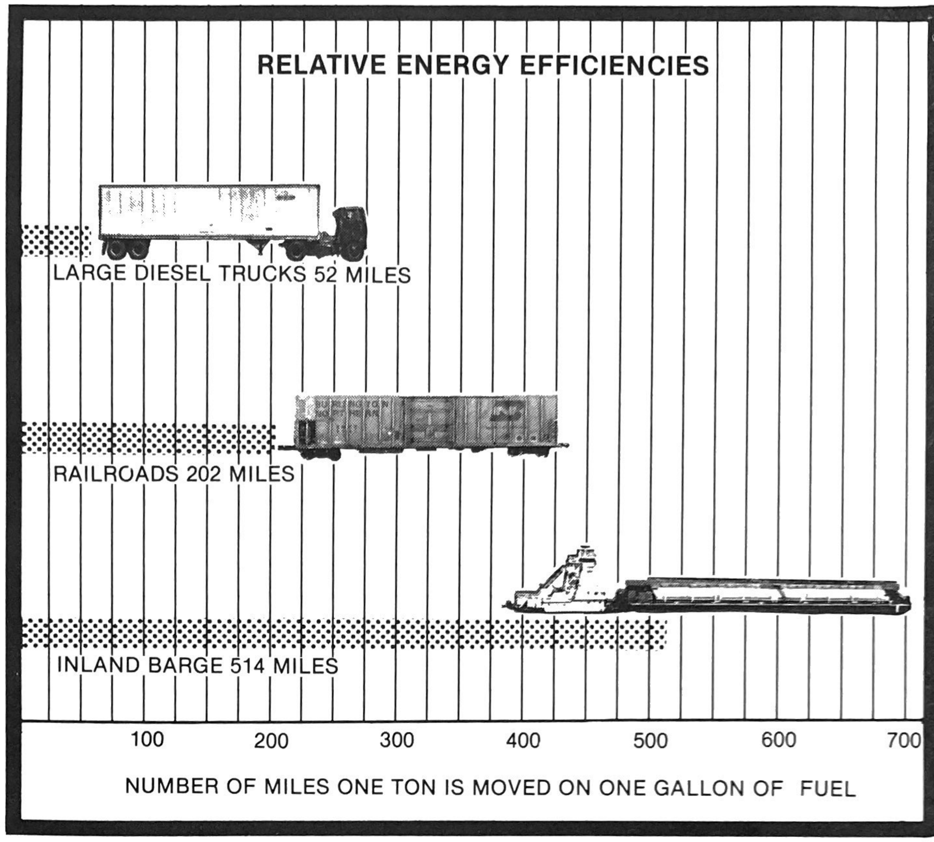
Wide opposition. Opposition to the proposed cost recovery proposal is being felt throughout the nation. Members of the Pacific Northwest Congressional delegation have joined together in writing a three-page letter to President Reagan dated June 18, 1981, in which they recognize that the objective of the proposal is to raise additional revenues, but ask the President to take into account a broader range of objectives, including the improvement of the overall transportation system and our position in world markets.

The delegation stressed that the proposal, while raising additional funds, would do so at a significant cost. They said that:

> Development of a mature, energy-efficient waterway system will be retarded; Cargo movements will be diverted to foreign ports, hurting regional economies that rely on waterborne commerce; Inflation will be refueled as the price of domestic goods and imports transported by waterway are pushed higher; and Exports, especially bulk commodities such as grain and coal, will be reduced because higher transportation costs make them less competitive in world markets, thus adversely affecting U.S. balance of payments.

The congressional delegation is not the only official body to be fired into action. The Coordinating Committee of the American Association of Port Authorities (AAPA) has drawn a position paper which will be offered to all affected deep-draft ports in the nation. A conference telephone call was held July 6 to muster support for the proposal, which was then presented to the U.S. Senate Subcommittee on Water Resources in Washington D.C. by Lloyd Anderson. Anderson serves as president of the Coordinating Committee, as well as being executive director of the Port of Portland.

The position paper has nine aims meant to meet the administration's objectives of full recovery of federal expenditures, while at the same time safeguarding the interests of all who use the waterways. The paper concludes with several possible procedures for uniform federal user charges, including but not limited to:



1. Expansion of current vessel tonnage taxes collected by the Customs Service.
2. Surcharge of customs levies.
3. Allocation of customs receipts.
4. Flat tonnage rate on cargo.
5. Variable rate tonnage assessment on cargo scaled according to commodity types.
6. Deep-draft vessel licensing.
7. Establishment of a quasi-independent group who will study the level of user charge and analyze the impact.

This report will be delivered in Washington D.C. to the House Merchant Marine and Fisheries Committee by Anderson and others from the AAPA committee. The position has received 100% backing from all the ports who are members of AAPA. The U.S. ports fall into regions categorized as follows: Northeast Atlantic, Southeast Atlantic, Gulf, Southwest Pacific, North Pacific, and Great Lakes region.

"There is a variety of legislation before the Congress and they all have a possibility of getting through," Anderson says.

It is Anderson's hope that with the position paper and written concern from the Northwest Congressional delegation, President Reagan will delay any decision on the plan until after the close of this fiscal year. The big question for many port authorities is the ultimate impact. "Nobody knows," Anderson says. The first hearing was held in June, another on July 22 and field hearings are scheduled in Seattle on August 21st. "We want nothing done before September 30 — the close of the fiscal year," Anderson emphasizes. That way everyone would have at least another year to research the potential problems and solutions to problems before any charges could go into effect.

The villain? A few people feel this

entire situation was brought on by the railroads. Higher barge costs would cause more customers to use rail for transporting goods. Tom Zelenka, Manager, Government Relations, for the Port of Portland, strongly feels that three pressure groups have caused President Reagan to use this proposed method to raise money. The railroad tops his list of pressure groups who would gain the most from a user fee for the waterways. The environmental movement is basically after "no growth", according to Zelenka, and is using the user charge as a mechanism to slow down all use of the waterways. "The third pressure group is the bureaucrats who count paperclips," Zelenka says, noting that they are looking only at a financial ledger.

A nation which is being held in the grip of the oil-producing nations of the world should, whenever possible, resort to the most energy efficient means of transporting its goods and material. A large diesel truck can move one ton of goods 59 miles on one gallon of fuel. The railroad will move the same ton 202 miles on only one gallon. But the inland barge will transport a ton of goods 514 miles on a single gallon of fuel. (Source: *Fuel Efficiency in Freight Transportation*, S.E. Eastman, 1980)

The railroads are just "sitting back and watching", according to James Johnson. The cost of shipping grain from The Dalles to Portland, when broken down to cost per bushel, clearly shows that barge transportation is nearly half of what rail is, Johnson says. "The average truck will carry approximately 900 bushels of grain. It's about 190 miles round trip and costs about $1.25 per running mile," Johnson explains. "That breaks down to about $.25 per bushel. Truck rate cannot compare to rail or barge."

The Union Pacific rate office reported a rate which equals $.185 per bushel for export grain from The Dalles to Portland. Johnson claims existing rates for barge shipping, which have been in effect since February, are $.104 per bushel. "Even though cost per bushel may only be $.01, it adds up," he says.

By applying Johnson's calculations to the Port of Portland's figures on the possible cost which could be levied on a single 50,000 ton export grain ship ($23,750) the cost works out to $.014 per bushel, or an increase of 13.3%. But figuring what could happen if construction of a new Bonneville

Lock and dredging the mouth of the Columbia were added ($63,750 total) the cost jumps to $.038 per bushel, or a 36.2% increase in freight charges.

George Shaver, president of the 101-year-old Shaver Transportation Co. in Portland, also feels the user fee is a "railroad ploy". He is also upset at government funding of railroad pension funds, among other things.

"My father (the late Capt. Homer Shaver) used to tell me, 'I wouldn't mind paying a user tax if the government had given us every other section on the river when we started,'" Shaver says.

Shaver claims that the railroad itself may not show a profit, although all their other assets, such as pipelines and forest land, are held under other corporations that are making profits.

Shaver claims to be paying $170 per man, per month, into a pension plan for his employees, and calls the railroad's pension plan "an inequity." "The railroad retirement program is the only federally administered pension plan for a private industry," according to Shaver. That fact is confirmed in a report from the General Accounting Office. The GAO study addresses what the federal role should be in providing such financial assistance and what funding alternatives are available.

At Shaver Transportation, as elsewhere, any tax levied will be passed on. "There is no way we can absorb the tax," Shaver says.

This nation has 25,543 miles of waterways serving 87 percent of major U.S. cities and is generating over $1 billion annually in onboard employee payrolls for the barge industry alone. The ramifications of the waterway user tax will surely be felt throughout the nation in many related industries — none more than at the farm level. But if the research and testimony prepared by the Port of Portland and the written concerns of the members of the Northwest Congressional delegation do nothing more than delay a decision until alternatives can be found, the Northwest may be able to avert a disastrous, unrepairable business collapse.

Jim Johnson: *the middle man will pass on costs to the farmer.*

A need for a National Perspective

by Lloyd E. Anderson

The Pacific Northwest ports recognize the desire the Administration has to recover federal expenditures for navigation projects and waterways development. However, in addition to raising money, the objective of any transportation or port development legislation should be to improve the nation's transportation system and to improve our position in world markets. The Northwest ports agree that the standards and measurements for success of any such legislation should include these points. It should:

- Maintain a viable, competitive transportation system.
- Minimize inflation, economic dislocation, and unnecessary increases in fuel consumption.
- Minimize the impact on United States competitiveness in world markets.
- Minimize shift of cargo to Canada or other foreign ports.
- Minimize disruption to the relative competitive position of ports.
- Recognize that waterways are a part of a national transportation system, and should be treated as one system.

In an effort to balance the budget, the Federal Office of Management and Budget has adopted a "user benefits, user pays" approach to fund continued operation, maintenance, and construction of new projects for waterway transportation. It is a dangerous approach that fails to place this issue within the framework of a national transportation policy. Moreover, there is a serious lack of understanding of the negative impacts on the various regions and it fails to recognize the significant investments that have been made by local public entities and the private sector on the basis of federal commitments to maintain and develop the waterways.

That's why alternative mechanisms to raise revenues need to be examined — that will succeed not only in raising revenues, but will meet the other national objectives. One approach would be to levy a customs duty surcharge. Another would be an expansion of the current vessel tonnage taxes collected by the Customs Service.

The Port of Portland and other Northwest ports have agreed to work together, consequently, to find an alternative solution that not only meets the objective of the Administration, but will permit continued economic growth, provide new jobs, and enhance international trade.

The Economy

THE BANKRU

The bankruptcy business is booming. In Oregon, business bankruptcies have been filed in recent months at nearly twice the rate of only a year ago. Amidst this boom, in June the U.S. Bankruptcy Court in Portland moved from the third floor of the Pioneer Courthouse to the ninth floor of the new Orbanco Building, where it occupies the entire floor.

Generally two reasons are given for the great rise in both personal and business bankruptcies: the state of the economy and the Bankruptcy Reform Act that went into effect in October, 1979. Each "cause" has its defenders but no clear consensus favors one explanation over the other.

Terry Dunn, chief deputy clerk at the Bankruptcy Court, tends to explain the increase in bankruptcies as being a result of the depressed state of the economy. "Loss of income, either through unemployment, divorce or sickness, is the primary cause of bankruptcy," he notes. "Other causes can be lack of adequate insurance and lack of brains in using credit wisely."

The easy availability of credit is a temptation many cannot resist, Dunn points out. He cites one instance in which a person who had just filed for bankruptcy was issued a VISA card, which got sent to the trustee at the Court by mistake.

Attorney Liz Perris also believes the bonanza on bank cards in the 1970s helped fuel today's rise in bankruptcies. "People had great amounts of credit and were using it," she notes. "When inflation increased, they were put into a crunch. Add a catastrophe such as loss of job or illness, and you reach the end of the line."

Perris explains that there are three "chapters" under which bankruptcy can be filed: Chapter 7, which is liquidation by a business or individual, in which assets are distributed to creditors through a trustee; Chapter 11,

Dunn and Chamberlain: *conferring in the new facility.*

Photography by Dan Poush