

Waterways

A publication of the Upper Mississippi Waterway Association
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Everything set as...

UMWA holds 82nd Annual meeting

Jack Lambert will be quick to tell you that the St. Paul steamboat landing is not named for him. But as an accomplished writer, historian and river rat, he can tell you about Col. George Lambert for whom landing was named (in 1937) and has a library's worth of stories about events and people who used it to make a living and build St. Paul.

Much of Lambert Landing was paved over when Warner Road went through, but the landing still hosts towboats and river boats during the shipping season.

Lambert, who is the featured speaker at the 82nd annual meeting of the Upper Mississippi Waterway Association (UMWA) is the retired president and CEO of Twin City Barge, the organization that was the driving force behind establishment of UMWA.

September 18

If you've attended an annual meeting in the past, you know that it is a pleasant evening with a great meal (not to mention some neat door prizes).

This year's event will be Sept. 18, 2008, in the St. Andrews Room at Southview Country Club. Advance payment and registration are needed if you're going to be there.

Registration deadline is Sept. 11. If you'd like to attend and haven't received an invitation, email umwa@questoffice.net or call 651-776-3108. If you haven't returned your registration and payment please remember the deadline.



Above: St. Paul's Lambert Landing when it was the epicenter of commerce in the city and state and in its reduced proportions today.

From the Executive Director...

Public-Private Partnerships

A year ago, this column discussed public-private partnerships – agreements between a public agency and private investors – as alternative ways to fund highways and other infrastructure projects. A national editorial of the day stated that the U.S. had more than 20 privately operated toll roads, of which many are foreign funded.

That national editorial went on to state that Congressman Oberstar (Chair, House Committee on Transportation & Infrastructure) is seemingly concerned that PPPs do not adequately protect the public interest, when his real issue is that he sees them as a threat to himself and his 75-member Committee, reportedly the largest in Congress. That editorial also criticized the federal process that allowed 6,400 “special projects” like bike paths, museums, parking lots and snowmobile trails, totaling \$23 billion, to be included in the \$295 billion highway bill, claiming “...transportation has become little more than a public works committee with the highway bill serving as a vehicle for Members to hand out checks to favored constituents.”

We ended our July 2007 column asking if Mr. Oberstar was the power-protecting ogre portrayed by that national editorial, or if he would use his pulpit to bully the U.S. into investing in its own infrastructure, rather in everyone else’s.

Definitely not a bully

Based upon current news articles, Mr. Oberstar isn’t the bully we would like him to be as foreign investment in U.S. infrastructure continues with ever larger amounts.

It’s been reported that the Pennsylvania legislature is considering a controversial deal to lease the 531-mile Pennsylvania Turnpike to a group of private investors for \$12.1 billion giving them a 75-year lease plus all tolls and concessions. Major investors in this group include Abertis, a Spanish toll-road operator (50%) and Citi Bank (42%).

By comparison, recent foreign financing of smaller toll roads in Illinois and Indiana were \$1.8 billion and \$3.8 billion, respectively.

Not a slam-dunk by any means, the Turnpike Commission which has operated the road for 70 years, says it can upgrade the highway without

foreign aid. Labor unions agree, but the Governor doesn’t. This matter is scheduled for a vote when the Pennsylvania legislature returns from their summer break later this month.

In another matter, Orlando, Fl. officials extended the operating lease of its international airport for an additional 30 years (after only 6 years into the initial 1996 30-year lease) after the operator (again, Abertis), upgraded that facility to the tune of \$70 million.

The approval of the Turnpike deal could strengthen the political will of PPP advocates in other states currently working on similar deals including New York State’s desire to lease some of its roads, bridges and tunnels to help reduce an annual budget deficit projected to be \$26 billion in 3 years.

No free lunch

On its website, Abertis states that the average toll on the Penn Turnpike for light and heavy vehicles is 31 percent lower than the average of European motorways. Abertis also claims that vehicle tolls on the Turnpike are lower than the average for U.S. highways by around 30 percent. Consequently, starting in 2009 Abertis proposes a 25 percent increase for vehicles followed a year later by more increases linked to inflation. Increasing post-merger revenues is standard practice as new investors demand increased cash flow to insure repayment of front-end costs. However, PPPs, especially foreign ones, bring two new components to this standard equation.

Direct pipeline to foreign coffers

First, there is a natural taxpayer expectation that U.S. highways built with public tax dollars should remain under public ownership. Right or wrong, the public expects that higher taxes on their income and fuel purchases should eliminate the need for higher tolls, and petition their representatives to deny any increase. PPP ownership, on the other hand, largely negates that argument, particularly when new private owners link toll increases with visible improvements.

Secondly, foreign investments create a direct pipeline from U.S. pocketbooks to foreign coffers. Consider this: as we reported last year, Indiana leased

Executive Dir. to 3

Executive Dir. from 2

its toll road to a Spanish-Australian group in 2006. Indiana received \$3.8 billion and gave the investors a 75-year lease and all tolls and concessions. In addition, the leasing arrangement made the new group responsible for all maintenance and allowed future toll increases. Financing was 20 percent equity (\$760 million) and a bank loan of \$3.04 billion for the balance.

Taxpayer rip-off

Using a 2000 traffic history (latest we could find) of passenger and commercial traffic on the Indiana Toll Road in St. Joseph County (located mid-state) and pre-sale toll rates, the total revenue to Indiana for all traffic in that year was about \$12.5 million. In April of this year, toll rates went up almost 100 percent, except that users of i-Zoom, an electronic toll-collection system will not see that increase until 2016.

Some Indiana legislators object to such schemes, claiming them to be taxpayer rip-offs.

Patrick Bauer, an Indiana House Democratic leader said in a 2006 Associated Press article:

“...Macquaire-Cintra could make \$133 billion over the 75-year life of the Indiana Toll Road lease for which Indiana got \$3.8 billion.”

“In five, maybe 10 years, all that money is gone, and the tolls keep rising and the money keeps flowing into the foreign coffers,” Bauer said.

So, for an equity investment of a mere three-quarters of a billion dollars, the Spanish-Australian group stands to make \$133 billion!

Arab-backed transportation

Perhaps that's the model Gulf Arab investors have in mind with their financial backing of a new transportation company.

A *Waterways Journal* article of August 18 announced that MRH Holdings LLC has partnered with Arcapita Bank, an international investment firm backed by Gulf Arab investors, to build a transportation company by a strategy of acquisitions up to \$1.5 billion. In a Reuters news service article, Mark R. Holden, President & CEO, stated, “We are pleased to have Arcapita as our financial sponsor for the purposes of pursuing an acquisition strategy of transportation and transportation related businesses in the truck, rail and marine modes of transportation.”

Small by the standards of other foreign investments in U.S. infrastructure, hopefully, this enterprise will not turn into another taxpayer rip-off and increase the current \$700 billion annual net wealth transfer from the U.S. to foreign sponsors, some of which, as we saw on 9/11/01 are downright hostile toward, and dangerous to, U.S. interests.

Big transportation challenges

A bumper crop and storm-related delays on the Mississippi River mean more attention to river transportation and its vital role in the economy – sometimes in unexpected places. For example, on Sept. 2, The *Daily Progress* newspaper published in Charlottesville, Va., editorialized that, “The U.S. transportation system can't deliver the goods.”

The paper talked about the mounds of grain sitting uselessly at transfer stations despite being desperately needed as food in other parts of the world.

After talking about highways and railroads, the paper says, “River transport systems may be in even worse shape. Transportation along the mighty Mississippi is slowed down by locks and dams that are decades out of date.

“If the United States can't get its grain to market, other nations fill the vacuum. America risks losing worldwide business because of its transportation problems. Public investment is needed to bring transportation systems up to date.”

Waterways 'vital'

Aug. 26, editions of the *Southeast Farm Press* carried an editorial titled “Waterways vital to ag product movement.”

Farm Press editorial staff say among other things, “The huge increases in U.S. grain production only highlight the need for a strong program for maintaining and upgrading the nation's systems of locks and dams to facilitate barge transportation on the Mississippi River and inland waterways.”