

John Nygren

WISCONSIN STATE REPRESENTATIVE ★ 89TH ASSEMBLY DISTRICT

Co-Chair, Joint Committee on Finance

**Assembly Bill 517 Testimony
State Rep. John Nygren
November 13, 2019**

Chairman Vorpagel and members of the Committee,

Thank you for holding a public hearing on Assembly Bill 517, which provides a state match to help fund improvements at the Soo Locks.

The Soo Locks provide an important method of transporting manufactured goods to and from Wisconsin. These locks are a vital connection between the raw material mines and manufacturing industries located along the Great Lakes and have functioned without fail for years.

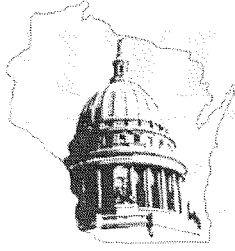
Picture, if you will, a circle that represents a critical piece of Wisconsin's economy. Iron ore is mined in northern Minnesota and the Upper Peninsula in Michigan. The iron is shipped, through the Soo Locks, to steel mills along the Great Lakes where it is turned into steel. That steel is then shipped back to Wisconsin, through the Soo Locks, where it is manufactured into thousands of different products, much of which is then shipped, through the Soo Locks, to consumers around the world. Clearly, the Soo Locks play an important role in supporting Wisconsin's manufacturing economy.

Today, the Poe Lock is 50 years old and the smaller lock, the MacArthur Lock, is 77 years old. An unexpected failure and closure of the aging locks would have devastating consequences for the national economy and the Great Lakes region.

An estimated 20,000 metric tons of goods from Wisconsin passes through the Soo Locks on an annual basis. Approximately 90% of the goods and materials shipped to and from Lake Superior are transported through the Soo Locks. This shipping activity is estimated to produce over \$1 billion in economic activity for the State of Wisconsin and is estimated to generate about \$100 million in state and local tax revenue.

Wisconsin has shipyards in Green Bay, Manitowoc, Superior, Milwaukee, Sturgeon Bay, and, my hometown, Marinette. These shipyards have more than 2,200 employees and an annual payroll that tops \$100 million. Clearly, Wisconsin has an interest in supporting and maintaining this important piece of infrastructure.

The Federal government plans to construct a new Soo Lock chamber to prevent failures of the existing chambers and improve the existing chambers. To help fund this work, the federal government has asked Great Lakes states to provide a match to fund a portion of the work. Michigan has already committed funds for this project and AB517 would provide Wisconsin's



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share of the match. This project is expected to result in \$77 million in annual benefits for Great Lakes states.

It is important to note that funds will only be released if the Federal government funds the project. With sufficient funding, the project is scheduled to be completed in 2030.

Finally, staff at the Legislative Fiscal Bureau caught an error in the bill as it is currently drafted. While we intended to provide \$15 million over three years, the bill actually commits \$25 million over three years. We have an amendment drafted that will correct this and provide \$15 million over three years, as originally intended.

I appreciate the opportunity to testify before your committee today and ask for your support of Assembly Bill 517.



DEVIN LEMAHIEU

STATE SENATOR

**Assembly Committee on Federalism and Interstate Relations
Testimony on Assembly Bill 517
November 13, 2019**

Chairman Vorpapel and members:

Thank you for hearing testimony on Assembly Bill 517 which would provide \$15 million of segregated transportation revenue over three years to improve the Soo Locks. The Soo Locks allow travel between Lake Superior and the lower Great Lakes and have functioned without fail for years. This travel is crucial to connect raw material mines and manufacturing industries along the Great Lakes.

There are two main locks at the Soo Lock interchange. The larger, more heavily travelled Poe Lock is 50 years old and the smaller MacArthur Lock is 77 years old. The federal government has plans to repair these aging locks and to build an additional Poe-sized lock alongside the two. Great Lakes states have been asked to fund a portion of the project. Michigan has already contributed \$52 million. The \$15 million appropriated by Senate Bill 470 provides Wisconsin's share of the match. With sufficient funding, the project is scheduled to be completed by 2030.

The redundancy provided by an additional Poe-sized lock is important. Eighty million tons of raw materials move to and from Lake Superior ports each year. Seventy-two million tons pass through the Poe Lock. A Department of Homeland Security study suggests that just a six month shutdown of the Poe Lock could leave 11 million Americans out of work.

Representative Nygren and I have prepared a substitute amendment to Assembly Bill 517 to clarify its intent. As drafted, the bill inadvertently authorizes up to \$25 million in funding for the project. The substitute amendment provides the originally intended \$15 million.

Thank you again for hearing testimony on Assembly Bill 517. I'm happy to take any questions you may have.



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Rani Gill, Chief of Staff to the Mayor

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November 12, 2019

Representative Vorpagel (Chair)
Representative Schraa (Vice-Chair)
Representative Kerkman
Representative Hutton
Representative Horlacher
Representative C. Taylor
Representative L. Myers

Re: Assembly Bill 517: Soo Locks

Honorable Members of the Assembly Committee on Federalism and Interstate Relations:

On behalf of the City of Superior, I would like to take this opportunity to formally endorse Assembly Bill 517, which proposes to provide funding of \$15,000,000 for the federally sponsored Soo Locks expansion project over the next three fiscal years.

As you know, the Port of Superior-Duluth relies heavily on the on the connection the Soo Locks provide to ports in the Great Lakes, St. Lawrence Seaway and the rest of the world. Iron ore and coal leave the Twin Ports daily on 1,000 foot lakers bound for destinations like Monroe, Michigan and Burns Harbor. Grain leaves the docks of CHS and General Mills on salties destined for ports in Italy and India. Imports like calcium chloride, limestone, and bentonite help fuel our industrial economy. This Port activity generates direct and indirect employment of almost 8,000 persons, business revenue of \$1.4 billion and state and federal taxes of almost \$240 million annually.

The State of Wisconsin's contribution, along with other Great Lakes States participation, would potentially aid in the acceleration of the project and could mitigate potential future lock failures. With that said, I ask that you move this bipartisan effort forward.

Please do not hesitate to contact my office if you have any questions. Thank you for your time.

Sincerely,

Jim Paine
Mayor

c: Jason Serck, Economic Development, Planning & Port Director



As of this year, the U.S. Army Corps projects that the costs associated with creating a new Poe Lock at the Soo will total over 920 million dollars. Only 116 million dollars for the project have been funded to-date. Despite the funding hurdles, the Soo Lock project has real traction in Washington, D.C. and throughout the Great Lakes region for the first time in over a generation. After being initially authorized by the U.S. Congress in 1986, the federal government has committed to the project with envisioned funding in Fiscal Years 2019 and beyond. The State of Michigan itself has contributed approximately 52 million dollars in funds to support the effort as well.

In order to succeed in the future, Port Milwaukee – and the other commercially active ports in Wisconsin – depend on a resilient and reliable Great Lakes navigation system that is simultaneously combined with sufficient and efficient federal and state funding for maritime infrastructure projects. State-wide programs, including the Harbor Assistance Program, the Freight Railroad Preservation Program, the Coastal Management Program, and the Multimodal Local Supplement Program, together provide Wisconsin's ports with critically needed infrastructure assistance to address contemporary transportation planning challenges within Wisconsin. Enhanced funding for these programs within Wisconsin are essential as the U.S. government simultaneously addresses its own maritime infrastructure challenges, including at the Seaway and at the Soo.

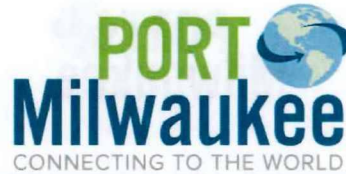
To be certain, the economic impacts of the Soo Locks are statewide, regional, national, and international in scope. The future availability of the Soo Lock shipping channel is an imperative for the continued economic and multimodal utilization of Wisconsin's commercial ports, including Port Milwaukee.

Best regards,

A handwritten signature in black ink, appearing to read "AS", with a long horizontal flourish extending to the right.

Adam Schlicht
Director, Port Milwaukee
President Elect, Wisconsin Commercial Ports Association

cc: The Honorable Representative Michael Schraa; Committee Vice-Chair
The Honorable Representative Samantha Kerkman
The Honorable Representative Rob Hutton
The Honorable Representative Cody Horlacher
The Honorable Representative Chris Taylor
The Honorable Representative LaKeshia Myers
Ariana Beno; Committee Clerk
David Moore; Legislative Council Staff



Foreign Trade Zone No. 41

November 8, 2019

The Honorable Representative Tyler Vorpapel
Chairperson, 2019 Assembly Committee on Federalism and Interstate Relations
Wisconsin State Legislature
Room 127 West
State Capitol
P.O. Box 8953
Madison, WI 53708

Adam Schlicht
Director, Port Milwaukee
2323 S. Lincoln Memorial Drive
Milwaukee, WI 53207

Dear Chair Vorpapel and Members of the Committee on Federalism and Interstate Relations,

I write to offer the Committee supplemental information as it considers Assembly Bill 517, *An Act Relating to: funding for Soo Locks improvements and making an appropriation*, in my capacity as both Director of Port Milwaukee (www.portmilwaukee.com) and as President-Elect of the Wisconsin Commercial Ports Association (<https://www.wcpaports.org>), an organization which helps to increase awareness of Wisconsin's Port industry. The WCPA is a primary resource in the State on waterborne transportation-related issues and topics affecting Wisconsin's Port and maritime industries. To reiterate: while the City of Milwaukee has no formal position on the proposed legislation, I share my written perspective today in my capacity as a port executive on the Great Lakes.

Milwaukee is Wisconsin's 2nd more commercially productive port, handling approximately 2.4 million tons of cargo per year while generating over 100 million dollars in regional economic impact annually. The Port provides essential multimodal transportation connectivity for trucking, rail, and waterborne commerce for manufacturers, growers, and producers throughout the State and throughout the Midwest. Hundreds of international vessels transit each year to Wisconsin's Great Lakes ports, including Milwaukee, Superior, Green Bay, Manitowoc, and others, via lock systems owned and operated by the U.S. government. This includes the 15 locks of the St. Lawrence Seaway, managed in part by the U.S. Department of Transportation, and the Soo Locks, managed by the U.S. Army Corps of Engineers.

The fleet of thousand-foot U.S. and Canadian flag freighters – anecdotally known as “lakers” – are those that most frequent the Soo Locks connecting Lake Superior with the lower 4 Great Lakes, including Lake Michigan. The Soo provides a vital lifeline and shipping network for Wisconsin's ports. Altogether, lock-dependent maritime commerce in Wisconsin generates 1.4 billion dollars and sustains over 7,400 jobs in the State per year. The Soo Locks are a significant component of the nation's infrastructure and are essential to the movement of raw materials used by steel producers, automakers and manufacturers throughout the Great Lakes region. In fact, 90% of the iron ore used by North American steel mills, most of which is shipped from the Port of Superior, moves through the Soo Locks.

The Soo Lock infrastructure is aging and deteriorating. Should the Soo Locks catastrophically fail, the economic consequences in Wisconsin would be substantial. For example, a 2015 report by the U.S. Department of Homeland Security found that a six-month closure of the Soo would decrease U.S. gross domestic product by 1.3 trillion dollars, driving the American economy into a recession. After all, 17 percent of all economic activity generated by Wisconsin's commercial ports is directly dependent on the Soo Locks, totaling almost 237 million dollars in economic impact per year.



~~Comments before Wisconsin State Senate~~
~~Committee on Public Benefits, Licensing and State-Federal Relations~~
~~2019 Senate Bill 470~~

Remarks of Thomas Rayburn
Lake Carriers' Association

~~I am here to speak in favor of Senate Bill 470.~~ AB 517

My name is Tom Rayburn. I'm the Director of Environmental and Regulatory Affairs for Lake Carriers' Association. Since 1880, Lake Carriers' has represented the U.S.-flag fleet on the Great Lakes. We move 90 million tons of cargo each year. These are the raw materials at the heart of American manufacturing, the foundation of American infrastructure, to meet America's diverse energy needs, and other cargoes we use every day.

The navigational locks at the Soo are critical to Wisconsin's economy. Traffic through the locks support 4,400 Wisconsin jobs with \$278 million in salaries, drives \$1 billion in economic activity in Wisconsin, and pays \$44 million in state and local taxes. 80 mil tons majority from Duluth/superior

Thirteen million tons of iron ore are loaded annually in Superior and taken to steel mills on the lower lakes through the Soo Locks. That ore is made into high strength steel and becomes American-made autos and parts, appliances, heavy equipment, steel girders, and everyday items like battery casings.

Each year one to two million tons of Upper Midwest grain are loaded in Superior bound for international ports because of the Soo Locks.

Fraser Shipyard in Superior services some of the largest U.S. and Canadian-flag vessels and can only do so because of the access it has to the rest of the Great Lakes through the Soo Locks. Fraser's workers have helped make U.S.-flag Great Lakes ships among the most efficient and environmentally-friendly fleet in the world.

All of this is reliant on one critical pinch point, the Poe lock.
The Poe Lock in which nearly 90 percent of all cargoes transit, is 51 years old.

A new lock was authorized by Congress in 1986. But the project languished until Congress reauthorized the new lock in 2007. The Corps undertook a cost-benefit analysis to determine the financial viability of a new lock. That analysis was seriously flawed. Without consulting the railroads, the Corps assumed that they could and would absorb the new cargoes without additional costs. When the rail industry caught wind of this they told the Corps the cost of that modal shift from vessel to rail was \$6 to \$8 billion. The railroads spoke up, the Corps went silent, and industry demurred.

In 2015, a Department of Homeland Security study evaluated the impacts of an unplanned outage at the Soo. DHS determined that American auto manufacturing would begin shutting down within six weeks. Within six months Wisconsin's unemployment would hit 12.7 percent and its GDP would drop by 9.1 percent. DHS understood the dire potential and labeled the locks the "Achilles Heel of the North American industrial economy."

With all this, the Corps initiated a new cost-benefit analysis in 2016. This time they accounted for some of the maritime, rail, and road concerns and yielded a cost to benefit ratio of 2.42. The construction cost of the new lock was revised

labeled

upward to \$922 million. The Corps ~~now calls~~ the locks the “single point of failure for American manufacturing.”

With “efficient funding” the new lock will take seven years to complete and will save the U.S. tax payers \$30 million. Efficient funding that matches design and construction capabilities with an optimized project phasing is critical to building a resilient system in the minimum time possible.

To this end, in late 2018, the State of Michigan contributed \$52 million to the project and the Corps transferred \$32.2 million from their discretionary work plan funds to kick start design and construction.

This year the President requested \$75.3 million in his 2020 budget for the new lock. The House approved that full amount as did the Senate Appropriations Committee. However, this falls short by \$48.5 million for 2020’s efficient funding target. The Corps can again move discretionary funds to keep the project rolling, but that is not a lock.

The Administration’s Office of Management and Budget completely understands the need for the project and that this is a priority for the President. However, OMB has also made clear that to remain high on that list, projects with non-federal funds are given preferential consideration, whether or not the project has been authorized at full federal expense, as the new large lock at the Soo has.

Wisconsin’s proposal to appropriate \$15 million over three years is pivotal and will go a long way to advancing the construction of the new lock and draw down that economic risk as the single point of failure for American manufacturing.

I appreciate and thank you for your time and attention.

Maritime in Mich
sales \$3.9 billion
annually