

John Nygren

WISCONSIN STATE REPRESENTATIVE ★ 89TH ASSEMBLY DISTRICT

Co-Chair, Joint Committee on Finance

**Senate Bill 470 Testimony
State Rep. John Nygren
October 24, 2019**

Chairman Kapenga and members of the Committee,

Thank you for holding a public hearing on Senate Bill 470, 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. 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.

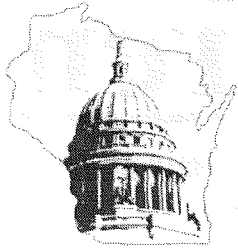
You may be surprised to learn that the Soo Locks play an important role in supporting Wisconsin's manufacturing economy. An estimated 20,000 metric tons of goods from Wisconsin pass through the Soo Locks on an annual basis. Approximately 90% of the goods and materials shipped to and from Lake Superior 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. Over 200,000 tons of materials, including limestone, steel, and machinery, are shipped via the Soo Locks from Marinette.

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 this bill would provide Wisconsin's 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.



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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 Senate Bill 470.



DEVIN LEMAHIEU

STATE SENATOR

**Senate Committee on Public Benefits, Licensing and State-Federal Relations
Testimony on Senate Bill 470
October 24, 2019**

Chairman Kapenga and members:

Thank you for hearing testimony on Senate Bill 470 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 Senate Bill 470 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 Senate Bill 470. I'm happy to take any questions you may have.



2019_10-22-19

Senator Chris Kapenga
Chairperson-Public Benefits, Licensing and State-Federal Relations Committee
Wisconsin State Capitol
Room 15 South
PO Box 7882
Madison, Wisconsin 53707-7882

Dear Senator Kapenga:

RE: State of Wisconsin Support for a new Poe Size Lock at the Soo Locks

On behalf of the two hundred and twenty-five (225) full time team members and approximately one hundred and fifty (150) winter season team members and their families at Fraser Shipyards and Northern Engineering, please allow me to request that the Public Benefits, Licensing and State-Federal Relations Committee support Wisconsin's funding of fifteen (\$15mm) million dollars over the next three (3) years for a new Poe size lock at the Soo Locks in Sault Ste Marie, Michigan.

Besides the Wisconsin families represented by Fraser Industries, a failure of the current Poe Lock would affect the team members and families of those would work at Midwest Energy, the BNSF Taconite Loading facility in Superior as well as others who live in Wisconsin and may work at loading facilities in Duluth or other related industries (Mining and Transportation) associated with dry bulk shipments through the Poe Locks.

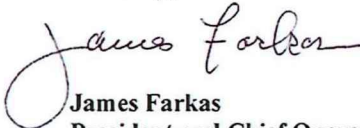
The current Poe lock, completed in 1968, is the only lock at the Soo Locks that is capable of transiting the thirteen (13) thousand-foot dry bulk carriers loaded with taconite for production of steel and/or coal for the generation of electricity from Western Lake Superior to the steel mills and power generation facilities in lower lakes. This single transit point is critical to the economic and security viability of the entire nation.

In addition to the negative impacts on families from Superior, Wisconsin resulting from a closure of the Poe Lock, in the United States Department of Homeland Security report entitled "The Perils of Efficiency: An Analysis of an Unexpected Closure of the Poe Lock and Its Impact", which focused only on iron ore, concluded that a lengthy closure may result in a deep recession resulting in the loss of over eleven (11) million jobs.

With the current Poe Lock over fifty (50) years old and with the reliance on the transit of Iron Ore and Coal by thousand footers through the Soo Locks for the economic viability of the Superior community and the entire United States, please again allow me on behalf of the families in our community to request your personal support, the support of your committee as well as the entire Wisconsin legislator in having Wisconsin commit to a three year funding plan totaling fifteen (\$15mm) million dollars for the new Poe Lock.

Thank you for your kind consideration.

Sincerely,

 10-22-19
James Farkas
President and Chief Operating Officer

Fraser Industries
Fraser Shipyards
Lake Assault Boats
Northern Engineering

One Clough Avenue
Superior, Wisconsin 54880 USA

Comments before Wisconsin State Senate
Committee on Public Benefits, Licensing, and State-Federal Relations
Adam Schlicht
Director, Port Milwaukee

2019 Senate Bill 470

Thank you, Chair Kapenga, Vice Chair Craig, and Members of the Committee for the opportunity to present supplemental information as you consider Senate Bill 470 relating to funding for improvements to the Soo Locks. My name is Adam Schlicht, and I appear before the Committee today both as Director of the Port of Milwaukee and as President-Elect of the Wisconsin Commercial Ports Association (WCPA), 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 the Port and maritime industries. To reiterate: the City of Milwaukee has no formal position on the proposed legislation, I share my 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 and 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, the State’s most commercially active port, 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.

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.

I again thank the Committee for the opportunity to present today. 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.