

An Economic Analysis of Snake River Barging and the Benefits of Dredging

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Eric Fruits, Ph.D.

Nathan Associates Inc.

503-928-6635

efruits@nathaninc.com

Benefits of dredging exceed costs by at least \$5.4 million

Using the same methodology as American Rivers et al.

Adjusting for inflation and using correct cost of dredging and correct traffic volume

	High Cost Low Benefit	Low Cost High Benefit
Annual benefits of dredging		
Grain shippers	\$4,200,000	\$10,300,000
Container shippers	800,000	1,000,000
Cruise ships and associated tourism	2,600,000	5,300,000
Less: Costs of dredging, annualized	\$2,200,000	\$800,000
Net benefit of dredging	<u>\$5,400,000</u>	<u>\$15,800,000</u>

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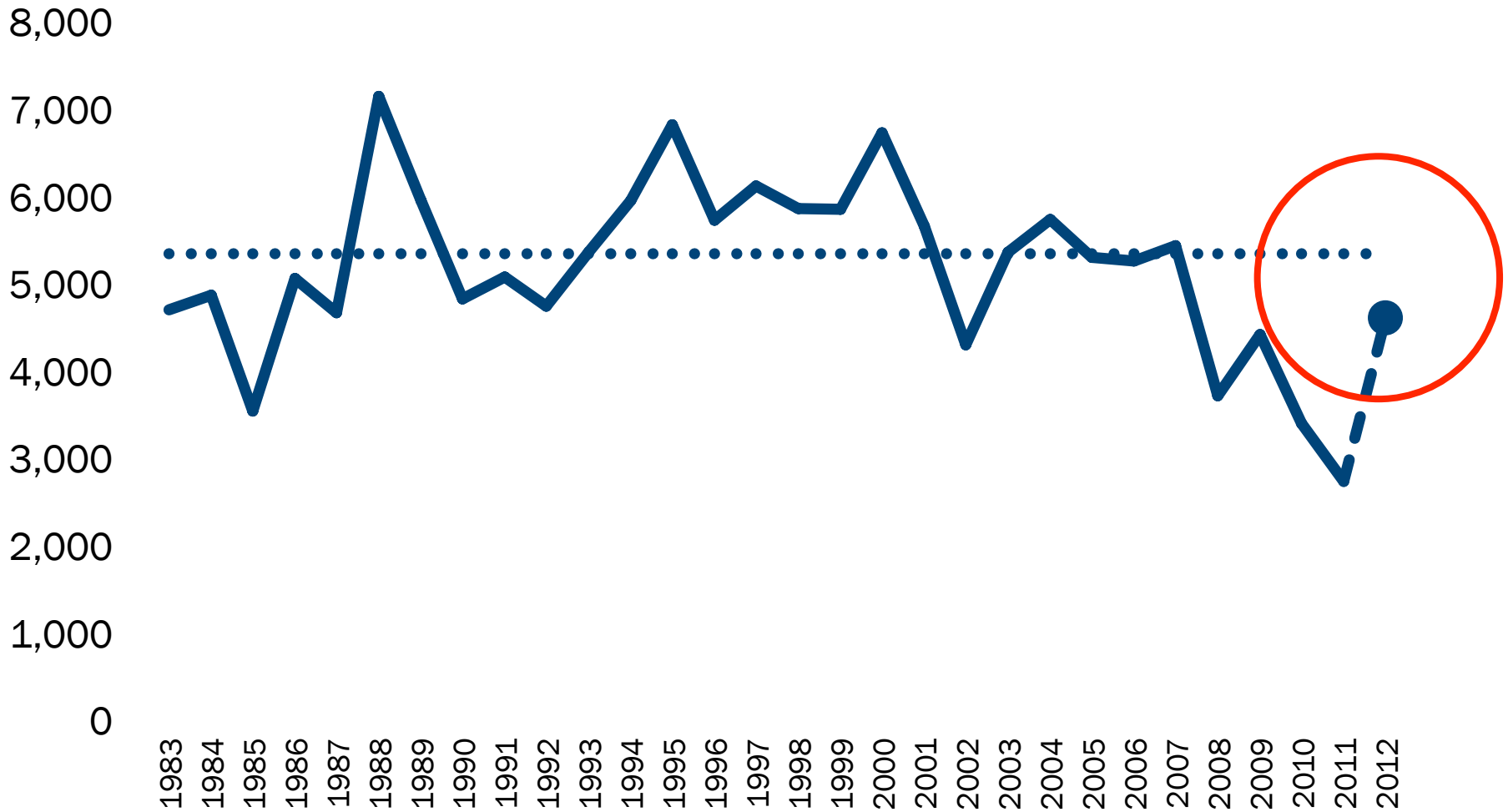
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Snake River traffic volume increased 50% in 2012

Volume is approaching pre-recession levels

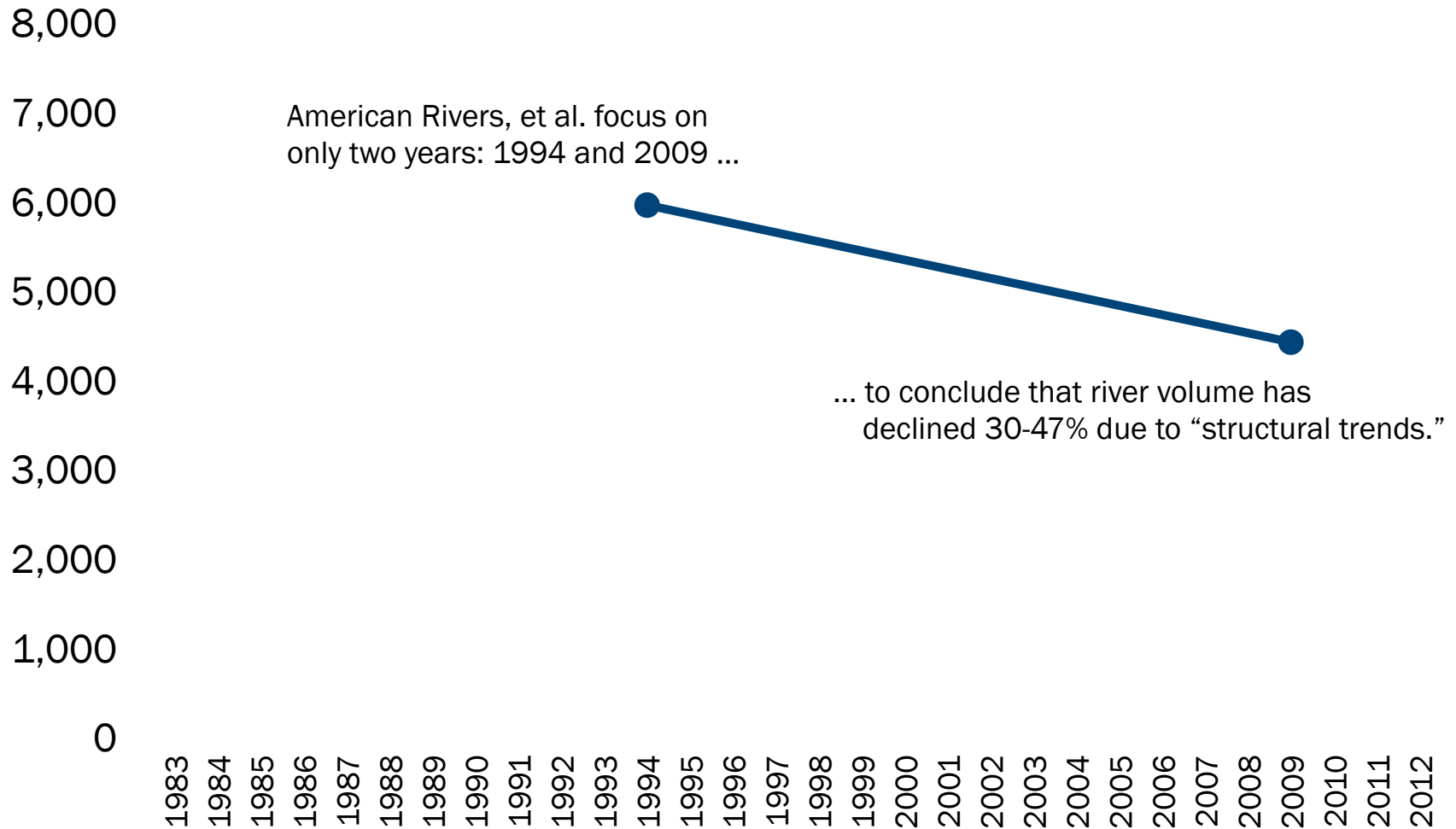
Thousand short tons, 1983-2012



Source: U.S. Army Corps of Engineers, Waterborne Commerce of the United States

Snake River traffic according to American Rivers et al.

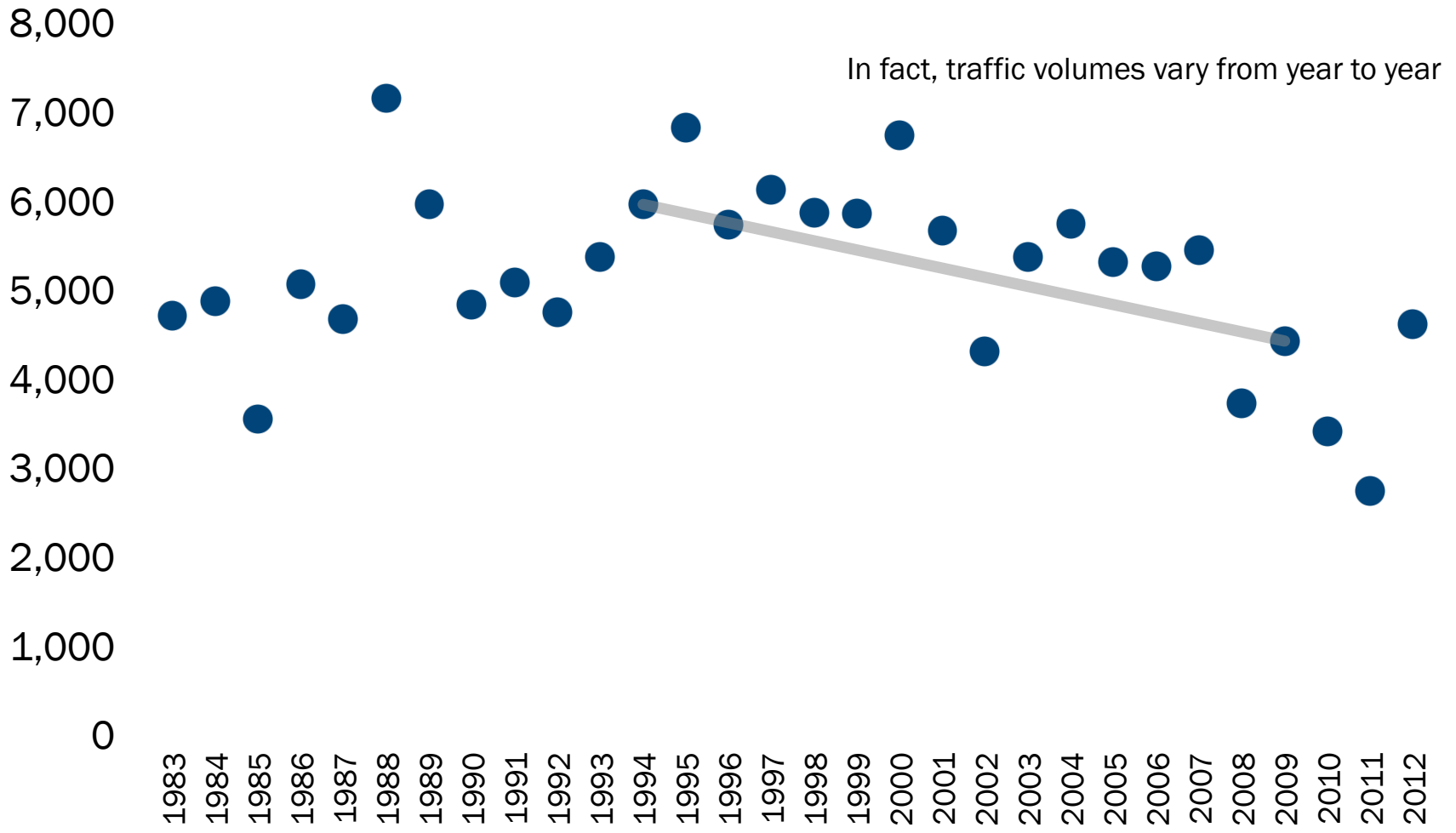
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Actual Snake River freight traffic

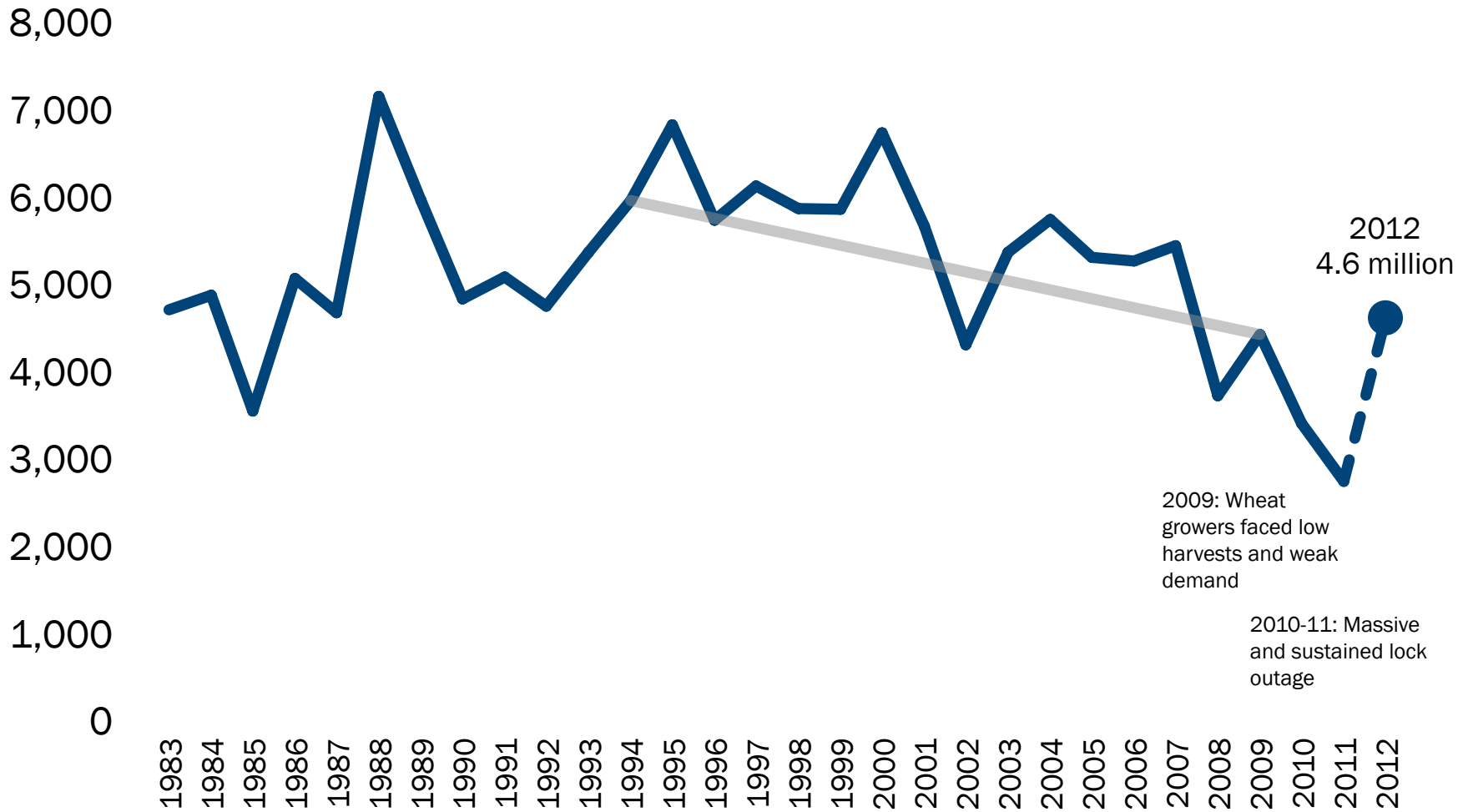
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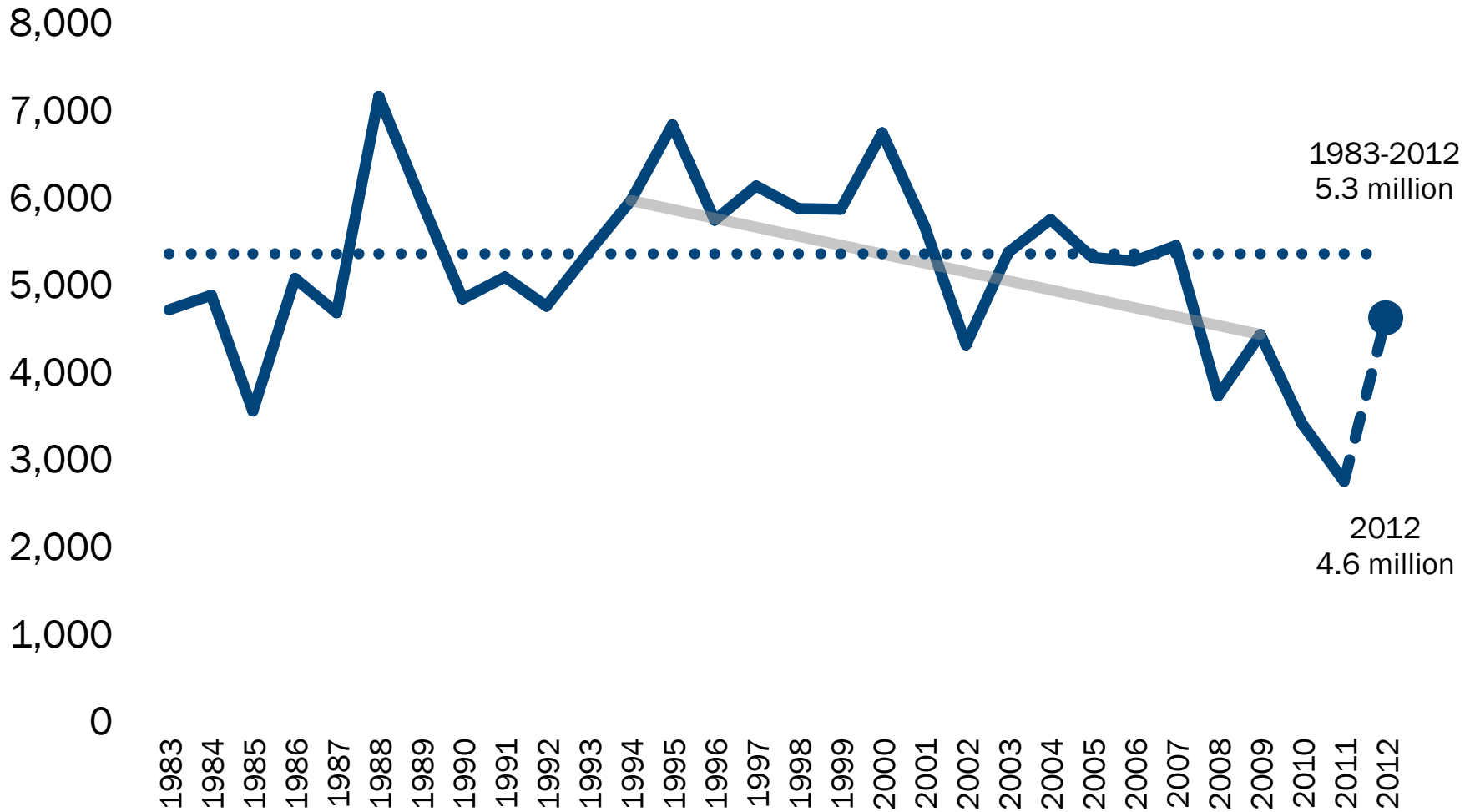
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20%

Reduction in rail prices

The remaining coefficients in the supply equation indicate that intermodal competition supplied by truck-barge transportation reduces rail prices by some 20 percent, reflecting the benefits of additional sources of competition in grain transportation markets. They also indicate that shippers with larger elevator capacities at their origins are able to exert greater bargaining power to obtain lower rates.

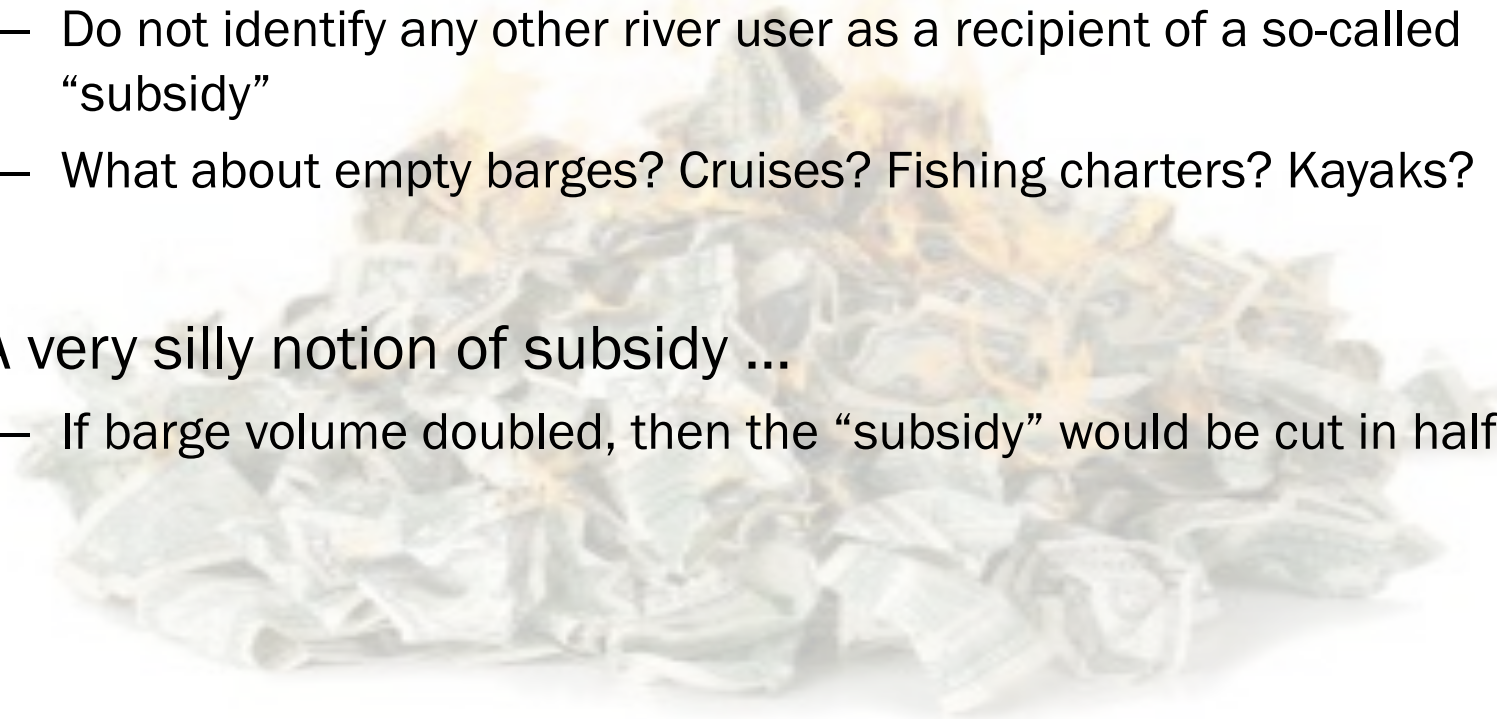
HOLY SUBSIDY,
BATMAN!

SNAP OUT OF IT
ROBIN, DREDGING IS
NOT A SUBSIDY!



The dredging-as-subsidy myth

- American Rivers et al. assert that costs of dredging amounts to a “subsidy” of \$11,000 for every full barge that leaves the Port of Lewiston
 - Do not identify any other river user as a recipient of a so-called “subsidy”
 - What about empty barges? Cruises? Fishing charters? Kayaks?
- A very silly notion of subsidy ...
 - If barge volume doubled, then the “subsidy” would be cut in half



The dredging-as-subsidy myth

A background image showing a single water droplet falling from the top center into a pool of water. The droplet is captured mid-fall, just above the surface, with a small splash of water below it. The water surface is covered in concentric ripples that spread outwards from the point of impact. The overall tone is light and clean, with a soft focus on the water's texture.

- In reality, barges, cruise ships, and recreational users all share a common benefit from dredging (as well as infrastructure maintenance and improvements)
- These benefits are transmitted throughout the economy:
 - Lower transportation costs for shippers
 - Increased revenues to growers
 - Lower prices for consumers
 - Increased employment opportunities at ports and surrounding communities

Wrap-Up

“What did I just miss?”

- Benefits of dredging exceed costs by at least \$5.4 million
 - Benefits to grain shippers alone justify costs of dredging
 - Regional benefits associated with cruise business alone justify costs of dredging
- River volume is returning to pre-recession levels
 - Record low volumes in 2009–11 reflected unique circumstances
- Dredging provides a common benefit to a multitude of river users
 - Assigning all the benefit to one class of users is an economically unnatural act
 - Barge competition keeps rail rates in check