Presentation to the Illinois Chamber of Commerce – Infrastructure Committee on the Illinois Maritime Transportation System

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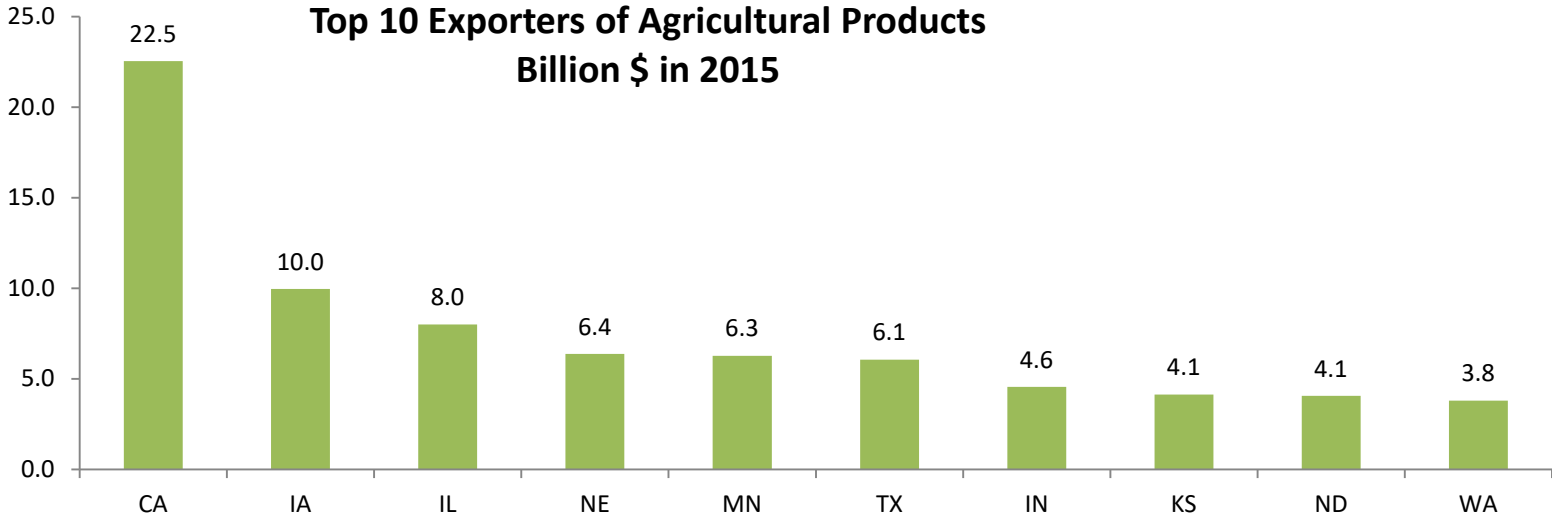
Importance of Maritime Freight to Illinois Economy

: Illinois Waterborne Freight by Dollar Value and Weight 2012, 2015 and 2045

Dollar Value	2012		2015		2045	
	$ Millions	Percent of Waterborne	$ Millions	Percent of Waterborne	$ Millions	Percent of Waterborne
Within	13,847	39.9%	13,230	39.1%	49,365	48.4%
Outbound	19,328	55.7%	18,792	55.5%	49,194	48.3%
Inbound	1,549	4.5%	1,843	5.4%	3,377	3.3%
Total	34,724	100.0%	33,866	100.0%	101,936	100.0%
Weight	2012		2015		2045	
	Tons (000's)	Percent of Waterborne	Tons(000's)	Percent of Waterborne	Tons (000's)	Percent of Waterborne
Within	6,141.2	23.3%	6,395.5	22.2%	12,400	30.0%
Outbound	16,597.2	62.9%	18,321.4	63.7%	22,928	55.4%
Inbound	3,654.4	13.8%	4,043.7	14.1%	6,022	14.6%
Total	26,393	100.0%	28,760.6	100.0%	41,350	100.0%



Soybean Volumes by Mode

	Barge	Rail	Container	Total
Illinois	5,765,149	1,683,044	1,157,520	8,605,713
Iowa	1,698,444	1,895,893	19,320	3,613,657
Minnesota	1,363,696	3,771,786	13,980	5,149,462
Missouri	2,362,163	1,068,777	14,550	3,445,490

Value in Billions of Waterborne Soybeans: Upper Mississippi and Illinois Rivers

	2009/2010	2011/2012
Illinois	$4.22	$4.96
Iowa	$4.63	$5.50
Minnesota	$2.67	$3.11
Missouri	$2.22	$2.26

Comparative Economic Advantage from US Inland Waterway System

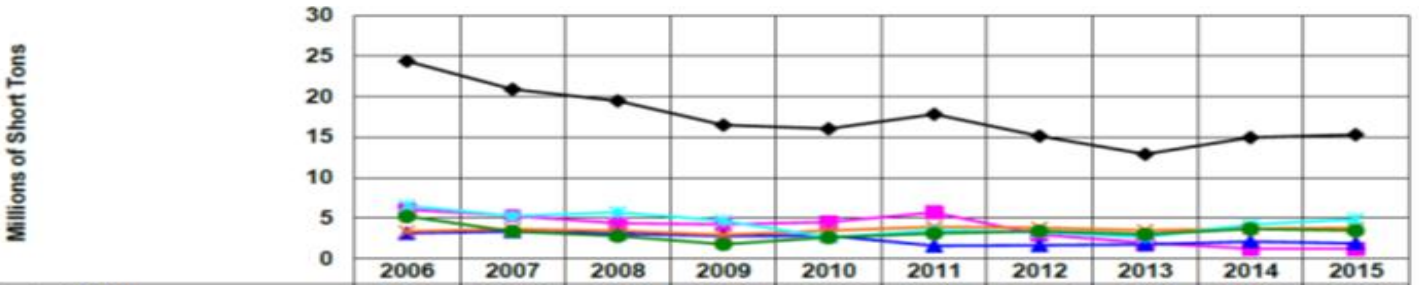
The United States currently enjoys a competitive advantage in shipments to China due to our inland waterway system. It currently costs $85.19 to transport one metric ton of soybeans from Davenport, Iowa to Shanghai, China, versus $141.73 from North Mato Grosso, Brazil, to Shanghai. However, Brazil is planning to invest $26 billion to modernize its ports and waterways, which will make Brazil's soybeans cheaper to move. Without much needed investment U.S. infrastructure continues to become less reliable and efficient, and our competitive advantage is at risk.

US, Argentina and Brazil account for 88% of world soybean exports and 73% of world corn exports. A USDA June 2016 study of competiveness of corn and soybean exports found that the US had lowest production costs and total shipping costs (including marketing, handling and transporting) for corn. US had lowest total costs for soybean production and shipping except for one State in Brazil, which was balanced out by much "larger production from the US Heartland." (e.g. including IL).

Our continued advantage in the global market depends on our making the necessary investments in infrastructure, including our inland waterways. Again, this will require the strategic management of an intermodal freight network

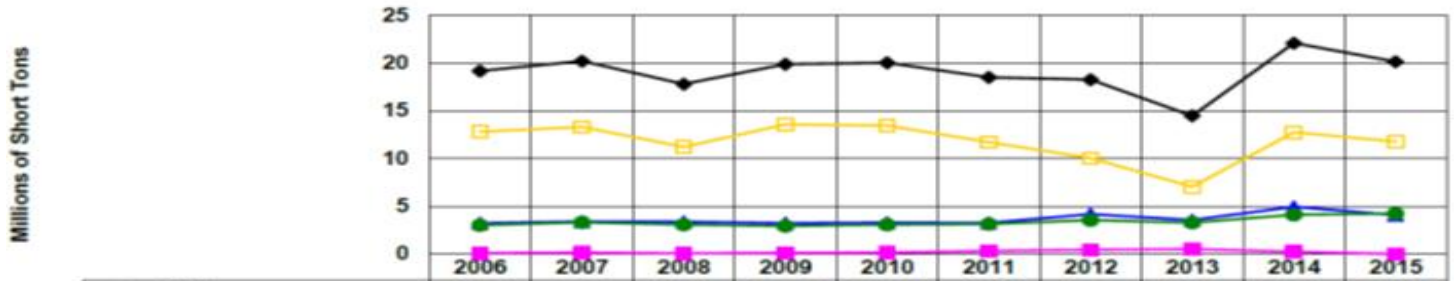
It is more than soybeans

Illinois Waterway - Upbound
2006-2015, Millions of Short Tons, By Commodity



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	24.38	20.90	19.46	16.50	16.06	17.85	15.12	12.91	14.95	15.29
Coal	6.06	5.28	4.38	4.25	4.51	5.70	2.99	1.96	1.24	1.25
Petro & Petro Products	3.15	3.36	3.10	2.82	2.83	1.60	1.66	1.77	2.12	1.91
Chemicals	3.38	3.66	3.44	2.95	3.46	3.93	3.81	3.50	3.72	3.78
Crude Materials	6.54	5.25	5.73	4.70	2.62	3.50	3.27	2.66	4.20	4.89
Other	5.24	3.36	2.80	1.78	2.63	3.13	3.39	3.01	3.67	3.47

Illinois Waterway - Downbound
2006-2015, Millions of Short Tons, By Commodity



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	19.21	20.21	17.82	19.91	20.06	18.51	18.29	14.48	22.11	20.17
Coal	0.10	0.16	0.08	0.13	0.16	0.34	0.46	0.54	0.26	0.02
Petro & Petro Products	3.25	3.41	3.39	3.25	3.32	3.27	4.19	3.57	4.96	4.10
Food & Farm	12.82	13.31	11.24	13.58	13.48	11.75	10.07	7.06	12.75	11.80
Other	3.03	3.32	3.11	2.95	3.11	3.15	3.56	3.31	4.14	4.26

Great Lakes Ports

- Short sea shipping for “non-traditional” cargoes needs a regional approach to development of infrastructure and marketing. State and Provincial transportation agencies will need to collaboratively develop a regional short sea shipping plan. This planning should explore the costs and benefits (economic and environmental) of short sea shipping options around highway, rail and border crossing congestion points. Within this larger regional planning process and broader sub-regional plans, multi-jurisdictional teams will need to evaluate the development of specific short sea shipping routes in conjunction private partners, local and federal governments (Conference of Great Lakes and St. Lawrence Governors and Premiers). For example: WI has recently embarked on a multi-year, multi-agency “Wisconsin Commercial Ports Development Initiative.” The most recent CFIRE report, “Identification and Development of Wisconsin Port Market Scenarios”, identified commodities, companies and economic opportunities for increased used of Lake Michigan to ship commodities and some industrial goods from Wisconsin ports south to Chicago and other Great Lakes Ports thus reducing congestion on I41 and I94

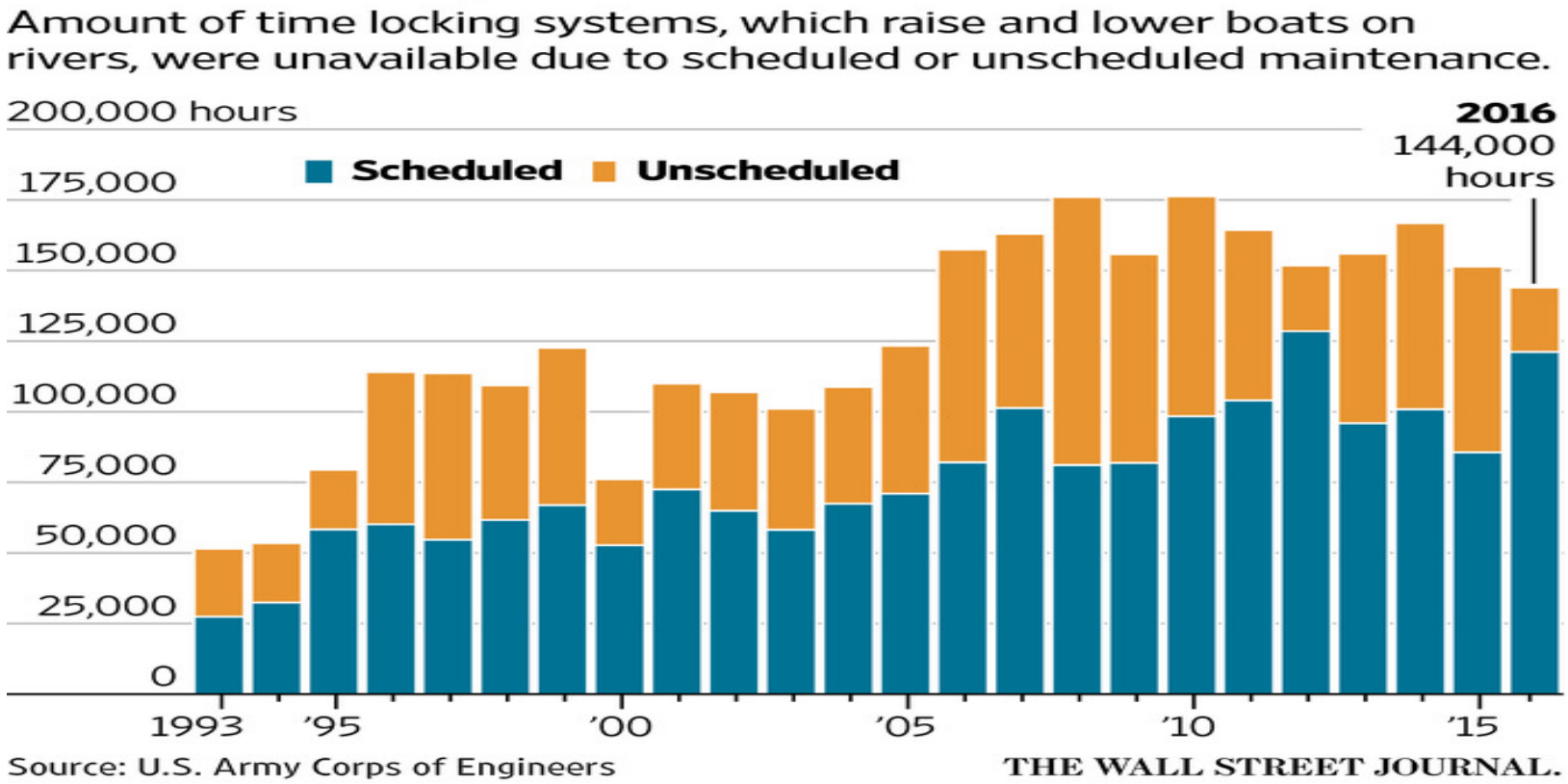
Waterborne Tonnage for Top Ten Great Lakes Ports 2011 and 2015

Waterborne Tonnage (short tons) 2015, 2011			
Port Name	2015 Total	2011 Total	Percent Change
Duluth-Superior, MN &WI	33,326,718	35,081,473	-5.0%
Chicago, IL	16,736,279	20,351,240	-17.8%
Two Harbors, MN	15,780,429	15,630,264	1.0%
Cleveland, OH	13,697,162	11,573,531	18.3%
Detroit, MI	13,285,147	13,738,737	-3.3%
Indiana Harbor, IN	11,617,126	11,977,265	-3.0%
Burns Waterway Harbor, IN	8,949,771	8,281,274	8.1%
Toledo, OH	8,495,498	11,127,950	-23.7%
Mount Vernon, IN	8,375,192	5,993,122	39.7%
Gary, IN	7,825,034	9,723,094	-19.5%

Current Capacity and Condition

Most of the locks and dams along the Illinois, Mississippi and Ohio rivers were built in the 1930s with a 50-year design life. These locks and dams are now in significant need of rehabilitation and repair. Almost $13 billion in cumulative investment will be needed by 2020 just to maintain the current level of unscheduled delays, and an additional $16 billion by 2040. However, current funding levels support only $7 billion funding in 2020, and $16 billion in 2040. By maintaining the current level of investment, the increased shipping costs will result in a loss in production, income and spending, resulting in 738,000 fewer jobs in 2020, and 1.4 million fewer jobs in 2040

Through the Water Resources Development Act of 2007 (WRDA 2007), Congress authorized more than $2 Billion for major work on the locks and dams on the Upper Mississippi and Illinois rivers. As of March 2014, no construction funds were appropriated for this work outside of the Ohio River system.



Specific Program Recommendations

- **IDOT Staffing:** Department Ports and Waterways Section should be re-established to promote the use of Illinois' navigable rivers and to act as focal point for port districts and industries. It should act as an informational clearinghouse; provide technical assistance and represent port interests within industrial and governmental circles.

- **Creation of Maritime Freight Database and Market Analysis:** IDOT needs to take the lead in developing accurate and comprehensive data on the maritime freight transportation system. The state currently lacks complete data on the nature of freight moved on the Illinois River System and the value of that freight. Once data is collected and integrated with goals and performance measures there should be a requirement for an annual report on the status of the industry, the economic impact of the industry and its impact on freight movement in IL

Specific Program Recommendations

- **Ports and Waterways Interagency Working Group**: Illinois Department of Transportation should develop a Ports and Waterways Interagency Working Group with other state agencies including DNR, IEPA and DCEO to coordinate state activity related to ports; one of the needs is to identify existing programs and apply them consistently to meet state goals.

- **Sponsor Development of a Illinois Public Port Association**: Illinois Department of Transportation should support and assist in the creation of a nonprofit association representing voluntary member ports and affiliated organizations including major industrial users of the Maritime Transportation system.