

Waterways fix melds taxes, caps, feds

By [Kim Leonard](#), PITTSBURGH TRIBUNE-REVIEW
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Companies that move coal and cargo on the nation's river system are pushing a new plan to pay 30 percent to 45 percent more in taxes on the diesel fuel they burn, as a way to speed work on deteriorating locks and dams.

"There is a big problem looming out there," James C. Grech, senior vice president for marketing at Consol Energy Inc., said Wednesday. Unless critical fixes are made, "there is going to be a massive failure, and the river industry is going to come to a standstill."

Federal budget constraints have slowed construction and major repairs needed to keep towboats and barges chugging on the nation's inland waterways. Western Pennsylvania has 23 locks, more than any other region nationwide, so the problem takes center stage here, a group of industry leaders told the Tribune-Review in a meeting yesterday.

They're working to persuade Congress this fall to change the method for financing river projects, as a way to complete more than 100 major, sorely needed projects -- totaling \$18 billion -- over the next 20 years.

The plan authored by cargo transporters, waterways and business and labor groups working with the Army Corps of Engineers would combine higher taxes on business with cost caps on projects and a shift to total federal funding for dams and projects priced at under \$100 million.

"We are postponing and postponing these projects that were due to be completed years ago," said Peter H. Stephaich, CEO of Downtown-based Campbell Transportation Co. Inc., a river towing business.

"We have a plan; that's the main point. I haven't heard of a lot of other industries that have come together with a federal agency and jointly proposed this type of solution."

Since 1986, companies that use the rivers have paid a federal tax that now amounts to 20 cents on every gallon of diesel fuel they use in their operations.

That money goes into a trust fund to modernize and maintain waterways systems. The fund and federal appropriations are supposed to pay equal shares to cover major projects.

But the arrangement has been slipping since the late 1990s. Federal dollars slowed, and costs rose due to project delays. The Army Corps often had to scale back designs to suit whatever money was available.

One prime example is the ongoing Lower Monongahela River Project to replace aging structures at Braddock and North Charleroi and remove a lock and dam at Elizabeth, said James McCarville, executive director of the Port of Pittsburgh Commission.

"It started as a 10-year, \$750 million project in 1994," McCarville said. "Now it's a 30-year, \$1.2 billion project" with no clear funding path toward completion. While \$84 million in federal stimulus money went into the project last year, just \$2 million is proposed in President Obama's budget for 2011, McCarville said.

Meanwhile, repairs and mechanical failures on aging locks -- some a century old -- are taking more time and delaying river traffic, the Army Corps has said.

The tax hike would cost businesses another 6 to 9 cents for each gallon of diesel fuel they use, and would put \$30 million to \$40 million more into the trust fund for projects that now raises about \$85 million a year.

Higher federal appropriations would be needed, but the plan would save millions of dollars over the long run by completing projects faster, advocates say.

Debra A. Colbert of the industry group Waterways Council Inc. of Silver Spring, Md., said supporters are working to include the plan in federal water resources and development legislation set for action after Congress returns Sept. 13. If that fails, it could be included in Obama's budget for the next fiscal year, Colbert said.

Navigating change

More than 200 transportation companies, waterways groups and the Army Corps of Engineers worked on a new business model that would change the way lock and dam projects are financed:

- Businesses would pay an additional 6 to 9 cents a gallon in taxes on diesel fuel they use, on top of the current 20 cents.
- Lock construction and repair projects that cost \$100 million or more would continue to be funded 50-50, between an industry trust fund and federal appropriations, but caps would be set to prevent cost overruns.
- Smaller projects, costing under \$100 million, would be built entirely with federal money.
- Dam projects would be entirely federally funded.

Source: Inland Marine Transportation Systems