

GOVERNMENT WATCH

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By R.G. Edmonson

WORKING OVER WRDA

A new spending plan is about to splash down, but its unveiling will mark just the beginning of a water fight

FOR MEMBERS OF the barge industry and shippers that move goods by water, a strategic spending plan for Army Corps of Engineers navigation projects is a must-have in the next Water Resources Development Act.

The House and Senate are expected to introduce the 2010 WRDA any day now, and observers believe lawmakers will craft a bill in the three working months remaining before November's elections. Still, there's no guarantee Congress will write the Capital Development Plan into law.

The plan, a product of a corps task force and inland waterways interests, would create a national priority list for completing existing projects and building new ones over the next 20 years. Included is a controversial — and perhaps unattainable — proposal to raise fuel taxes by up to 9 cents a gallon to bolster the depleted Inland Waterways Trust Fund.

Corps headquarters would control and disburse capital funds based on the plan's priority list, a dramatic change from today's policy — strongly criticized by the Government Accountability Office — in which construction funds are the purview of each corps district.

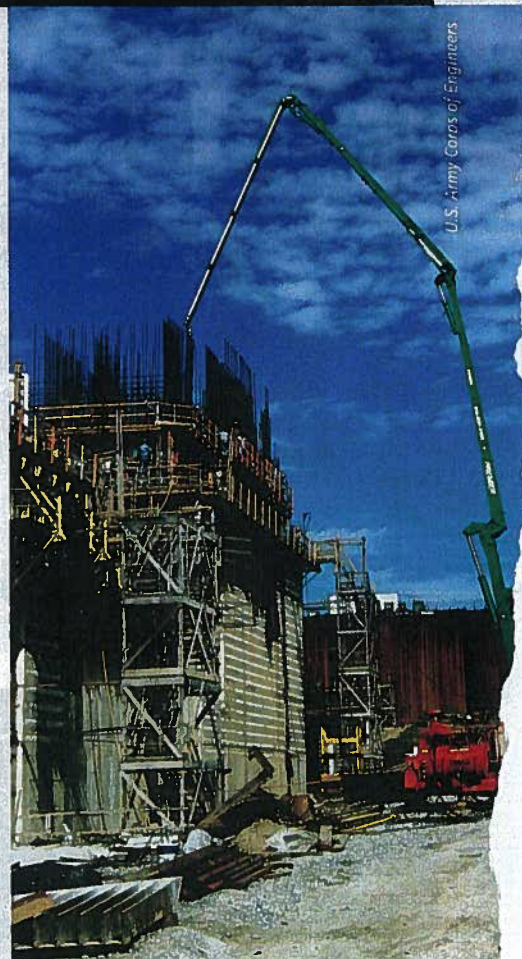
"These projects are being funded in a

piecemeal fashion," said Cornel Martin, president of the Waterways Council, a Washington, D.C.-based advocacy group for the inland waterways industry. "The only way this is going to work is for Congress to efficiently fund these projects. If not, we're not only going to be wasting industry's money, but taxpayer money."

The WRDA is a congressional wish list. Projects are added by amending the law, something that's occurred seven times since the WRDA was enacted in 1986. The law authorizes new projects, but allocates no money for them. Funding comes through the corps' annual budget.

"The corps gets a very large appropriation, almost \$5 billion, but given the number of projects that are authorized, it doesn't have enough money to do all of them efficiently," said Anu Mittal, a director with the GAO's Natural Resources and Environment team. "It has to spread its money across all of its projects. In a sense, Congress is already establishing the priorities for the corps when it passes its budget."

That means projects stretch far beyond projected completion dates and costs increase. Mittal said the corps began a hurricane protection project for New Orleans 50 years ago, yet it was only 80 percent



Eighteen years after construction began, the Ohio River's Olmsted Lock and Dam project may not be completed until 2014, and billions of dollars over original cost estimates.

complete when Hurricane Katrina hit in 2005.

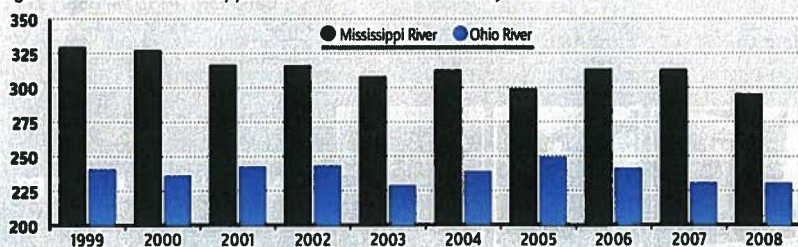
"Is the way we're funding the corps the best way?" Mittal said. "Some people have said that we need fully funded projects, but that would mean we'd have to make hard choices across the country."

The longer it takes to complete a project, the more it's going to cost. "Had we built Olmsted on time and on budget, we would have saved \$1.5 billion, and the project would have been done 10 years ago," Martin said.

He was referring to the Olmsted Lock and Dam, on the Ohio River along the Kentucky-Illinois border, the poster child for the corps' spending problems. Congress authorized the construction of a 1,200-foot lock and dam in 1988 to replace an

FLOWING SOUTH

■ Cargo volume on the Mississippi and Ohio Rivers, in millions of tons.



Source: U.S. Army Corps of Engineers, www.usoce.army.mil

older, smaller lock. Construction started in 1992, with completion scheduled in 1996 at an estimated cost of \$775 million. It's still not done, now will cost an estimated \$2.1 billion and likely won't be complete until 2014.

The Waterways Council formed in 2002 to urge Congress to authorize the corps to spend a \$412 million surplus in the Inland Waterways Trust Fund. In a way, the group succeeded almost too well. By 2009, the balance had fallen to \$50 million, but efforts didn't really benefit the industry that pays the fuel tax. The corps spent the money, but not enough at Olmsted or any other project to show a quantum jump in progress.

If written into the WRDA, the capital development plan would put Olmsted at the top of the list. Without a fuel tax increase, the plan's authors project the corps' annual spending from the waterways trust fund would be limited to \$175 million, enough to complete Olmsted and five other projects by 2030. With the fuel tax increase, the corps would have an annual revenue stream of \$380 million, enough for 25 projects in the same period.

But while the barge industry supports a tax increase on itself to raise trust fund revenue, any tax increase is politically toxic in this election year.

"Besides, it's June," said Amy Larson, president of the National Waterways Conference, an Arlington, Va., advocacy group for the American waterways system. "There's a very nasty, contentious election this fall, and you're asking members to approve a tax increase regardless of whether the industry has said they're willing to pay their share."

While the conference endorses the capital development plan, she doubts Congress will complete a WRDA this year.

The capital plan also is drawing fire from the environmental community. David Conrad, water resources specialist with the National Wildlife Federation, said that until now, the Inland Waterways Trust Fund paid for 50 percent of construction and major rehabilitation projects.

Operations and maintenance costs are taken out of general revenue, leaving 10 percent of the cost of the system to be covered by the barge industry.

The new plan would only require the 50 percent cost share for projects costing more than \$100 million, and leave the industry paying only 5 percent, compared with a 35 percent non-federal share for other types of corps projects.

"I think the inland water subsidy is beginning to rival the subsidy for space travel," Conrad said. "You can hardly subsidize this industry more than we already do, but they figured out a way to do it. Why shouldn't we challenge the industry, if it wants to spend more money to raise more money of its own?"

Declining traffic on the river system doesn't justify the investment, Conrad said. Because fuel tax revenue is declining, the proposed tax increase would only bring the waterways trust fund back to 2001 levels.

"The economics of expanding locks on the Mississippi and Illinois rivers are simply not there," Conrad said. "The proposal is a good catalog of the needs of the inland waterway system users, but the bigger question is: What is the relevance to the nation's transportation investment strategy?"

But the Waterways Council's Martin said there is no other way. "The status quo is not an alternative. The only thing the administration has put forward (to collect revenue) is a lockage fee," he said. The industry opposes that idea, which was also proposed by the second Bush administration, saying it would not collect revenue from operators on long stretches of the rivers that don't have locks.

"We worked a year-and-a-half on this with experts from the corps and the industry. To just toss it out and not have something else is just not acceptable," Martin said. "And we're going to continue to try and convince Congress that this is the best path forward. Otherwise there is no path, and there is no forward." **joc**

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