

Grain, Coal Shippers Would Pay New Tax Under Obama Debt Plan

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By Carol Wolf

Sept. 27 (Bloomberg) -- President Barack Obama proposed new fees on U.S. inland-waterways users such as Cargill Inc. and American Electric Power Co. that would raise \$1.1 billion over 10 years to build and repair locks and dams.

The administration is seeking a two-tier fee that would augment diesel-fuel taxes paid by vessel operators, according to details of its deficit-reduction proposal sent to members of Congress. The fuel tax brings in about \$80 million to \$100 million a year.

Many locks and dams on U.S. inland waterways are more than 50 years old and in disrepair. A lock near Brookport, Illinois, that's the busiest in the U.S. by shipping tonnage is 82 years old, and water levels are adjusted by lifting wooden barriers off the river floor with a steam-powered crane.

"There is no doubt that the inland waterways need additional funding," said Mike Steenhoek, executive director of the Soy Transportation Coalition, an Ankeny, Iowa-based industry group. "But shifting more of the costs to the users defeats the overall goal of making U.S. products more affordable, particularly in overseas markets."

The U.S. government would continue to match the amount of taxes and fees paid by commercial users, which would bring the amount available for inland-waterways projects to \$400 million a year, up from the current \$180 million. About \$7 billion will be needed over 20 years to keep the inland waterways navigable, according to Waterways Council Inc., an industry group based in Arlington, Virginia.

Fee Structure

The first tier of Obama's proposed fee would be levied on all commercial users of inland waterways. The second tier would be paid only by vessels using locks. The Secretary of the Army would set the fees annually, according to the plan.

Inland waterways projects are financed now by a 20-cent-a-gallon fuel tax on barge and tow operators. The tax covers about 8 percent of what the U.S. Army Corps of Engineers spends on behalf of inland-waterways users, according to Margaret Reilly, spokeswoman for the Office of Management and Budget. Users in other Corps of Engineers programs pay 35 percent or more of the costs, she said in an e-mail.

“To address these concerns, the administration supports enactment of a new user financing structure for the inland waterways to supplement the existing diesel-fuel tax,” she said.

Shippers have pushed for an increase in the fuel tax to as much as 29 cents a gallon, Steenhoek said. A fuel tax spreads costs among all waterways users and doesn’t place an additional burden on some segments, Steenhoek said.

About 12,000 miles of rivers weave through the U.S. heartland, carrying almost \$70 billion in goods annually, according to the Waterways Council. About 20,500 barges operate on the Mississippi River and connecting waterways including the Ohio, Missouri, Arkansas, Tennessee and Cumberland rivers, according to a 2010 report by Informa Economics Inc., a Memphis, Tennessee-based research firm.

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*--With assistance from Roger Runningen in Washington. Editors:
Bernard Kohn, Andrea Snyder*

*To contact the reporter on this story:
Carol Wolf in Washington at +1-202-624-1868 or
cwolf@bloomberg.net*