

Restoring Trust to the Inland Waterways Trust Fund

by R. Barry Palmer, President and CEO, Waterways Council, Inc.

Congress established an Inland Waterways Trust Fund to help pay for the modernization of nationally vital locks and dams on America's inland navigation system. Landmark legislation passed in 1986 – the Water Resources Development Act – calls for towboat operators, shippers, and other commercial users to pay for their fair share of lock and dam construction and major rehabilitation.



More than 625 million tons of freight commodities valued at more than \$70 billion move on America's inland navigation system each year. This commercial traffic includes building block commodities such as grain for domestic and international markets, steam coal for electric power generation, steel to domestic and international locations, petroleum products to distributors, feedstocks to chemical plants, and aggregate materials for construction use.

Commercial inland navigation users have since the late 1970s contributed more than \$2 billion to the Inland Waterways Trust Fund, but have not seen all of the investment they were promised. Under the Water Resources Development Act (WRDA) of 1986 commercial users have been contributing about \$100 million annually. The funds in the Trust Fund are meant to pay for one-half of the cost of new construction and major reha-

bilitation of locks and dams. These contributions are generated by a 20-cent per-gallon diesel fuel tax which is deposited into the Trust Fund. The other half of the cost, reflecting the broad distribution of all those who benefit from the other uses of the waterways like national defense, water supply, flood control and recreation, is paid from general revenues.

The process worked well for about a decade. Early projects such as Gallipolis (Ohio River), Bonnev-



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ille (Columbia River), Oliver Bacon (Black Warrior River), and the second lock chamber at Mel Price (Mississippi River) were completed on a timely basis on within budget. Ground-breakings and dedication ceremonies were conducted at the Robert C. Byrd Lock and Dam (Gallipolis) on the Ohio River, at Point Marion and Grays Landing (Monongahela River), Winfield (Kanawha River), and at the other projects authorized for construction in 1986.

New projects were authorized in subsequent WRDA bills: Olmsted and McAlpine on the Ohio River; Lower Monongahela River Locks and Dams 2, 3 & 4, Marmet Lock on the Kanawha; and Kentucky Lock on the Tennessee River. Chickamauga was authorized in 2003.

After projects were authorized in 1986 – and the initial projects were being built – construction authorizations of future projects moved through the legislative process in a relatively timely manner. Appropriations for the next wave of projects authorized after WRDA 1986 hit a major roadblock.

In the late 1980s and into the early 1990s investment in our inland waterway system occurred at a level that utilized all current revenues coming into the Trust Fund. In 1992 the surplus in the Inland Waterways Trust Fund was \$192 million. Over the next decade, however, the federal government failed to complete available nationally-important waterways improvements. By 2002 the surplus had ballooned to \$412 million.

So what? ... you might ask! The surplus in the Inland Waterways Trust – like a lot of other trust funds with large surpluses – was being used to mask the federal deficit. The user taxes were being scored for federal government budgetary purposes as all

federal money. Despite the fact user taxes for lock and dam modernization had been sold as a dedicated revenue source, they were not being used.

What happened next is construction schedules for important national waterway infrastructure projects slipped. Some project construction schedules slipped more than 10 years and even 15 or more years. Costs for all projects escalated – one more than \$1 billion. And the benefits of these projects, derived from transportation cost savings, were washed down the river.

For example, the Olmsted Lock and Dam project (on the Ohio River KY/IL), replacing locks and dams 52 and 53, was authorized for construction in 1988. Its fully authorized cost was \$775 million. This project is essential to the nation first and foremost because the current facilities in that stretch of the river are beyond repair. Secondly the project is essential because 100 million tons of commerce annually transit that site. The Olmsted Lock and Dam project should have been completed in 2007; but due to constrained funding, it may not be completed for another seven or more years. For Olmsted alone about \$5 billion in transportation benefits have washed away.

The US Congress' Transportation and Infrastructure Committee has correctly stated in a recent report that the Inland Waterways Trust Fund "represents a contract between the government and the user. This contract specifies that ... user fees would be levied on the users of ... inland waterways. In return the government pledged to use the receipts to build transportation infrastructure for the taxpayer's use." Revenues in the Trust Fund should be spent as Congress intended ... but on time and within budget.

For the second time, the Administration indicated plans to propose

a fee imposed on commercial barges using locks operated by the Corps. This fee would be phased in beginning October 1, 2008, with increases each year through December 31, 2012. This proposal would eliminate the current diesel fuel tax of 20-cents-per-gallon presently being levied on towboat operators who move commerce on America's inland navigation system. This plan for a barge lockage fee, according to budget documents, would be designed to double the taxes on the industry, generating approximately \$190 million annually by 2013.

Also problematic, the federal government wants the right to adjust fees/taxes in future years for all Inland Waterways Trust Fund-financed projects. At the same time we see costs skyrocketing because of continuing project delays. For example, Olmsted Lock and Dam – authorized for construction in 1988 at a cost of \$775 million – has seen its construction schedule slip 10 to 15 years. Its costs have escalated to nearly \$2 billion, while \$7 billion of transportation cost savings have washed down the river. This is simply untenable.

Until navigation lock replacement projects can be built more efficiently – on time and within budget – Waterways Council Inc., along with others, will continue to oppose these new taxes. Trust needs to be restored to the delivery of waterways infrastructure improvements first. It's the first step in restoring trust to the Trust Fund.

Modernizing our Nation's lock and dam infrastructure system strengthens our Nation's economy, bolsters exports, and keeps American citizens productively employed. Ours is a world-class water transportation system that richly deserves our Nation's support and commitment for today and the years to come.

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