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**MATT WOODRUFF, INLAND WATERWAYS USERS BOARD MEMBER, TESTIFIES
BEFORE SENATE ENVIRONMENT & PUBLIC WORKS COMMITTEE ON
CRITICAL ROLE OF WATERWAYS TO THE NATION,
INLAND WATERWAYS CAPITAL DEVELOPMENT PLAN**

Arlington, VA – Matt Woodruff, a member of the Inland Waterways Users Board, the Waterways Council Board of Directors, and Director- Government Affairs for Kirby Corporation in Houston, Texas, testified today before the Senate Committee on Environment & Public Works about the essential value of the waterways system to the nation’s economy, jobs and America’s continued competitiveness. He specifically addressed the Inland Waterways Capital Development Plan, a comprehensive, consensus-based package of recommendations formulated by an industry and U.S. Army Corps of Engineers working group to improve the reliability of the U.S. inland navigation system and its infrastructure over the next 20 years.

Last April, the final report and recommendations of the Capital Development Plan were ratified unanimously by the Users Board and submitted to Congress. If adopted, this plan would better address the needs of the entire inland navigation system and provide more efficient funding for critically needed waterways infrastructure improvements that also benefit non-transportation users and the nation as a whole. The waterways system provides stable pools of water for industrial, municipal and agricultural use, creates recreational opportunities and enhances property values along waterfronts.

Modern commercial lock and dam infrastructure is critical to U.S. competitiveness in the world market, to environmental protection, to energy efficiency, to the sustainment of well-paying American jobs and to congestion relief. America’s inland waterways are a precious resource, and the envy of the world because of the natural “water highway” the waterways system provides for domestic and export commerce.

Specifically, the Inland Waterways Capital Development Plan:

- proposes a national prioritized list of navigation projects based on objective criteria such as economic benefit and project condition;
- offers a path forward to more efficiently completing 25 navigation projects in six years rather than just six projects under the current broken business model, better utilizing tax-payer dollars and completing projects on time and on budget;
- seeks standardization and design centers of expertise;
- creates jobs and allows for increasing exports to market.

“The inland waterway modernization challenge going forward is the need to create and implement an improved program for the future. We have an aging system that needs recapitalization. We have a project funding and delivery system that is too inefficient, resulting in much wasted time and money. While we now have invested the surplus in the Inland Waterways Trust Fund, that has resulted in too few finished projects. And all of this comes in the face of an unprecedented economic crisis that is severely stressing our waterway industry and the nation,” Woodruff testified.

“What’s at stake if we turn our back on our waterways? If we’re prepared to turn off the lights in portions of America, stop feeding the world, cripple our manufacturing base and deprive consumers of essential goods and services, we can stop worrying about the waterways,” he continued.

To date, the Capital Development Plan is supported by more than 200 industry stakeholders including national organizations, state, regional and local organizations, and companies. Among those which have endorsed the plan are the United States Chamber of Commerce, the National Association of Manufacturers, American Land Conservancy, National Corn Growers Association, National Grain & Feed Association, Steel Manufacturers Association, National Mining Association, National Council of Farm Cooperatives, and many others from diverse segments of the waterways transportation industry. The complete list of supporters can be found at www.waterwayscouncil.org.

Mr. Woodruff’s testimony follows...

Waterways Council, Inc. is the national public policy organization advocating a modern and well-maintained national system of ports and inland waterways. The group is supported by waterways carriers, shippers, port authorities, shipping associations and waterways advocacy groups from all regions of the country. Visit www.waterwayscouncil.org.

Statement of Matt Woodruff

On behalf of

Kirby Corporation

and

Inland Waterways Users Board

Before the

Committee on Environment and Public Works

United States Senate

November 17, 2010

Chairwoman Boxer, Ranking Member Inhofe, Members of the Committee, thank you for providing me with this opportunity to testify concerning a new Water Resources Development Act. We are encouraged by the Committee's efforts to begin to develop this legislation. Your initial WRDA hearing earlier this year helped emphasize how very important Water Resources Development Acts, or WRDA's as many of us have come to refer to them, are to jobs, the economy, and the environment of the nation, a reality that is even more important today as we struggle to emerge from the worst economic downturn since the Great Depression.

I am Matt Woodruff, Director-Government Affairs of Kirby Corporation (Kirby). Kirby Corporation is the premier inland tank barge operator in the United States, offering safe, dependable, cost-efficient and environmentally sound transportation services of bulk liquid products throughout the Mississippi River System and the Gulf Intracoastal Waterway. Kirby currently operates 217 active inland towboats and 850 active tank barges having a cargo capacity of approximately 16.4 million barrels. Headquartered in Houston, Texas, Kirby and its marine transportation and diesel engine services subsidiaries employ approximately 2,625 employees, all of whom are in the United States.

In addition to my position with Kirby, I am also honored to serve as a member of the Inland Waterways Users Board (Users Board or IWUB), as General Counsel and Executive Committee member of the Board of Directors of Waterways Council Inc (Waterways Council or WCI), and as a member of the Board of Directors of the American Waterways Operators (AWO). The Inland Waterways Users Board is the federal advisory committee established 24 years ago by Congress in the Water Resources Development Act of 1986. Waterways Council is the national

public policy organization advocating in support of a modern and well-maintained national system of ports and inland waterways. The American Waterways Operators is the national trade association for the U.S. tugboat, towboat and barge industry.

Madam Chair, I mentioned that I am a member of the Inland Waterways Users Board (IWUB or Users Board). The Inland Waterways Users Board is a federal advisory committee established by Congress in Section 203 of the Water Resources Development Act of 1986 (Public Law 99-662, November 17, 1986), one of this Committee's many significant legislative achievements. Reflecting the concept of "Users Pay, Users Say", Congress created the Users Board to give commercial users a strong voice in the investment decisions those users are supporting with their diesel fuel tax payments. At full strength, the Users Board is comprised of eleven voting members, who are appointed to staggered two-year terms by the Secretary of the Army and are selected to represent the various regions of the country as well as a spectrum of commercial users and shippers of the inland marine transportation system. The Board currently has one vacancy. As envisioned in Section 302, the Secretaries of Army, Agriculture, Transportation, and Commerce each appoint a non-voting representative to act as an observer of the Users Board. The principal responsibility of the Users Board is to make recommendations regarding construction and rehabilitation priorities and spending levels on the commercial navigational features and components of the inland waterways and inland harbors of the United States.

On behalf of Kirby Corporation and the Inland Waterways Users Board, I am pleased to appear before the Committee this morning to testify in strong support of the recommendations developed by the Inland Marine Transportation System (IMTS) Capital Investment Strategy Team (CIST or CIS Team). These recommendations have been approved unanimously by the Users Board. They also have the broad and growing support of the waterways industry as evidenced by their unanimous endorsement by the boards of directors of Waterways Council Inc., the American Waterways Operators (AWO), and National Waterways Conference (NWC) and by similar expressions of support from more than 200 other associations and companies throughout the nation. (See Attachment A).

As I'll discuss in more detail in my testimony, the joint industry/Corps of Engineers CIS Team has produced a comprehensive, consensus-based set of proposals to address the capital investments that should be made over the next 20 years in order to preserve and enhance the performance of our nation's inland waterway transportation system. A copy of the Executive Summary of the report that accompanies and explains the CIS Team's recommendations is provided with this written statement as Attachment B. In sum, those recommendations present a proposed plan to:

- Identify ways to improve the Corps project delivery system,
- Implement a capital investment strategy that balances reliability and affordability
- Prioritize specific capital investments needed over the next 20 years, and
- Define a revenue and cost sharing approach that can be met with reasonable certainty and efficiency.

The need for a long-term capital investment plan for the inland waterways has been apparent for a number of years, and the Users Board has attempted to highlight this issue in its annual reports.

The nature of our inland waterway system challenge, however, has changed somewhat over the past 10 years or so. Ten years ago, the inland waterway industry and the nation were faced with the same kind of problem that all of the transportation trust funds had been experiencing: a growing surplus in the Inland Waterways Trust Fund as year after year more revenues were collected from the commercial users of the system than were withdrawn from the Trust Fund to make needed capital investments in the system. Those delays in expenditures resulted in preventable and greatly increased costs of projects. If the Trust Fund dollars had been spent properly in a timely fashion, we would have avoided much of the adverse impact from the dramatic rise in material prices like steel and concrete that occurred in intervening years.

Fortunately, with the help of this Committee and others, the surplus has been invested in modernization projects. Today the Trust Fund is operating as originally intended when it was created, with virtually all of its resources being spent quickly to modernize the system. As of the end of the just-completed 2010 fiscal year, which ended only a few weeks ago, the balance in the IWTF stood at \$58.5 million, with \$20.3 million of that amount already obligated by the Corps for ongoing project construction work.

The inland waterway modernization challenge going forward is the need to create and implement an improved program for the future. We have an aging system that needs recapitalization. We have a project funding and delivery system that is too inefficient, resulting in much wasted time and money. While we now have invested the surplus in the Inland Waterways Trust Fund, that has resulted in too few finished projects. And all of this comes in the face of an unprecedented economic crisis that is severely stressing our waterway industry and the nation.

Work has been underway for some time to address this situation. A little more than three years ago, leaders of industry and the Corps gathered at Corps headquarters to discuss the going-forward challenge. The Corps committed to undertake an internal review of then-current inland waterway construction project performance to help identify and understand opportunities to improve project delivery results. During the summer, 2008 meeting of the Inland Waterways Users Board, after presentation by and discussion with Corps leaders of the report that chronicled the results of that review (titled "Inland Navigation Construction, Selected Case Studies"), the Corps acknowledged shortcomings and the need for improvements and, to their credit, recommended that the Board should be more directly involved with Corps personnel in the development of an improved project delivery model. That led to formation of the industry/Corps CIS Team.

For roughly a year and a half, approximately 50 key Corps and industry representatives worked diligently to develop together a comprehensive solution to the future-oriented challenges facing our inland waterways infrastructure, a solution that improves the project delivery system, dimensions the most critical physical needs of the inland waterway system, figures out what it will cost to address those needs, and addresses how to pay for it and how to allocate funding responsibility. Included among industry's representatives were the presidents of seven major inland waterway companies and senior representatives from a number of other companies. On the Corps side were senior leaders and technical experts from virtually every level of the Corps hierarchy: headquarters, divisions, districts and technical support centers. A series of multi-day

face-to-face meetings was held throughout the country. Between those meetings, countless additional hours were spent in further discussions, phone conferences, and preparatory sessions.

I would also respectfully suggest that the CIS Team effort has the potential to stand as a model of what we believe President Obama meant when, shortly after his inauguration, the President wrote in a January 21, 2009, Memorandum for Heads of Executive Departments and Agencies:

“Government should be participatory. Public engagement enhances the Government’s effectiveness and improves the quality of its decisions. Knowledge is widely dispersed in society, and public officials benefit from having access to that dispersed knowledge. Executive departments and agencies should offer Americans increased opportunities to participate in policymaking and to provide their Government with the benefits of their collective expertise and information....Government should be collaborative. Collaborative activity engages Americans in the work of their Government....”

Thus far, the work of the CIS Team reflects those concepts. This effort has required an enormous commitment from all involved but, speaking for myself and also reflecting the views of the entire Inland Waterways Users Board, it was a most important endeavor and thus far a completely worthwhile commitment. At the end of the day, the CIS Team was able to meet the challenge it was given to develop the consensus recommendations I am now honored to testify in support of today.

The CIS Team proposes a \$7.6 billion 20-year inland waterway Capital Investment Program. The Program would entail an average annual investment level of \$380 million, comprised of two sub-component average annual program levels: \$320 million for “construction” projects and \$60 million for major rehabilitation projects. On average, of the \$380 million total, \$110 million would be contributed by the Inland Waterways Trust Fund and \$270 million would come from general revenues.

The CIS Team’s proposal would preserve the existing 50% industry/50% federal cost-sharing formula for new lock construction and major rehabilitation projects costing \$100 million or more.

The plan would adjust the current model to provide 100% federal funding for dam construction and major rehabilitation projects and for smaller lock rehabilitation projects. The proposed funding for dams was made in recognition of the enormous value derived by other beneficiaries from the dams and the pools created by those dams. As the report points out, “such large and varied segments of the U.S. population benefit from the presence of dams on the (inland waterway) system that it is most appropriate for general revenues to fully fund dam construction and major rehabilitation costs”. Categories of those non-navigation beneficiaries of the dams include municipal water supply, hydropower, recreation, industrial water supply, national defense and security, flood damage prevention, agricultural water supply, environmental restoration, local and regional economic development, property value enhancement, and international competitiveness.

The proposal also includes a project-by-project cost-sharing cap to provide some protection to industry from unreasonable cost escalation and project delays and to place additional emphasis on the need to produce more reliable project cost estimates in the underlying decision document and manage projects within the identified cost estimates and schedules. The cap would be set at the Feasibility or Rehabilitation Evaluation Report base cost, including contingencies reflected in the relevant decision document, escalated to the new construction start date based on the IMTS capital investment program schedule.

After reviewing alternative options for generating additional revenues for the IWTF, the CIS Team proposes a 30% to 45% increase---between 6 and 9 cents per gallon ---in the current diesel fuel tax (i.e., to a level between 26 and 29 cents per gallon). The Team reached this conclusion based on its sense that the current diesel tax revenue-raising system is fair and equitable and is a “workable, understood, acceptable, and auditable system for collecting the waterways industry’s share of the IMTS capitalization costs”. While the industry representatives of the CIS Team clearly would have preferred to avoid this increase, it is a measure of the seriousness and spirit of compromise that they brought to the CIS Team effort that they were willing to agree in an unprecedented way to this increase as part of the total comprehensive package.

Under the Team’s proposal, project construction funding would be provided to complete a prioritized list of specific projects. The projects were prioritized through use of a ranking system that was based on two broad categories: structural and operational risk and reliability and economic return. Project-by-project information was used that sought to assess the project’s current condition, the likelihood of diminished project performance, the consequence of diminished performance, and how the proposed investment would improve the project’s and the system’s performance. Prioritization occurred in three categories---authorized and under construction, authorized but not yet under construction, and other potential projects most of which were completely unstudied. In making its recommendations, the Team emphasized completing work that was already underway or was un-started but had already been approved by Congress.

To address the opportunity to improve internal Corps project delivery performance, the CIS Team makes a number of recommendations. Some of these recommendations are already in the process of being implemented. Others will require additional review within the Corps before they can be implemented. At least one project delivery recommendation, relating to the use of continuing contracts in the construction of inland waterways system modernization projects, may require Congressional action before it can be implemented. The project delivery improvement recommendations cover items such as:

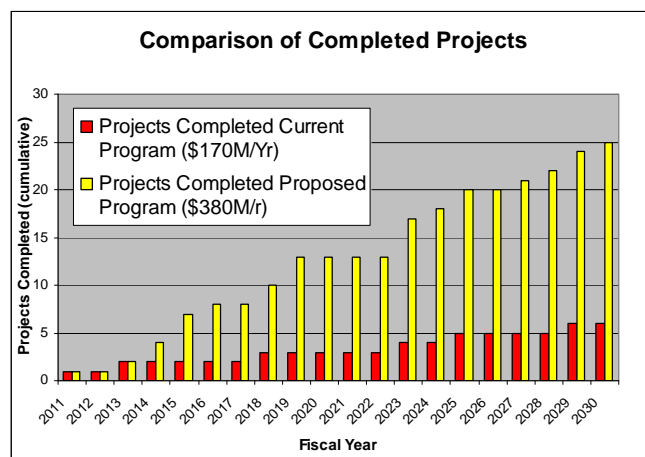
- Highly-reliable risk-based cost estimates,
- Independent external peer reviews,
- Certification requirements for project managers,
- Development of an IMTS Capital Investment Program regulation,
- Increased participation by the Inland Waterways Users Board,
- Use of Military Construction Program efficiency approaches,
- Acquisition strategy advances,
- Virtual design and review centers of expertise, and
- Standardization of designs.

The Team’s report covers each of these and others in more detail. At our most recent Users Board meeting, the Corps reported on their progress in achieving each of these goals. Going forward, we expect the Corps to provide objective assessments at each Users Board meeting of their progress in attaining each of the goals that are within their power to achieve.

A fundamental assumption of the Team’s recommendations, in fact the Team’s underlying premise, is that the federal government will provide the funds envisioned in the plan in an efficient manner. Inefficient funding will significantly impair the ability to implement this program. This point cannot be over-emphasized. It is critically important.

Madam Chair, the Corps has conservatively estimated that the CIS Team’s proposed plan is expected to avoid cost growth of between \$600 million and \$2.1 billion over the defined 20-year program. Other economic benefits include avoiding far more than \$2.8 billion in additional national economic development benefits foregone. The \$2.8 billion figure was calculated looking only at projects currently under construction and does not include, as it should in order to more completely reflect the entire plan, the value of beginning other projects under the proposed program much earlier than otherwise would be possible. And, of course, the plan would also deliver the additional non-economic environmental, societal, safety and energy benefits that accrue to the nation because of the inland waterway system’s use.

Under the proposed CIS Team plan, significant modernization of the inland waterway system will occur. Without the plan, necessary achievable progress completing lock and dam and channel improvement projects will languish, dangerously threatening our nation’s well being. The following chart, taken from the Team’s report, starkly illustrates that reality.



The CIS Team concludes its report with these words: “While unlikely that any set of recommended improvements could completely eliminate cost increases and schedule delays, these recommended improvements---in combination with the development of the capital investment strategy and with the underlying premise that the funding will be provided in an efficient manner---will achieve the goal of an improved capital projects business model”. Kirby Corporation and the Inland Waterways Users Board believe that statement to be true and urges the Committee to include in its next Water Resources Development Act the provisions that are

necessary to fully implement this comprehensive inland waterway system modernization plan. We also believe that, when the Committee acts in this fashion, it will be following the incredible, almost-prayerful insight of our first President, George Washington, who wrote 217 years ago:

“Prompted by these observations, I could not help taking a more contemplative and extensive view of the vast inland navigation of these United States, from maps and the information of others; and could not but be struck with the immense diffusion and importance of it, and with the goodness of that Providence, which has dealt her favors to us so profuse a hand. Would to God we may have wisdom enough to improve them.”

That concludes my statement. Thank you again for the opportunity to testify this morning. I’d be pleased to respond to any questions that Members of the Committee have.