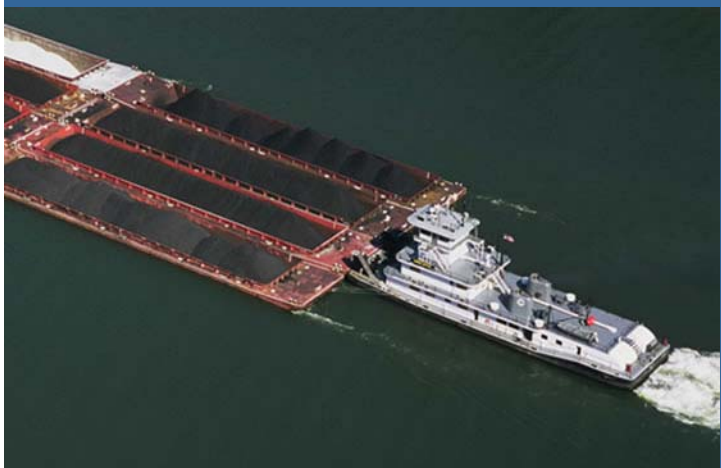




**Waterways Council
Waterways Symposium
October 13, 2009
New Orleans, LA.**



**Update from the
Inland Waterways Users Board**



**Stephen D. Little
Chairman
Inland Waterways Users Board**

Inland Waterways Users Board

- **Created pursuant to Section 302 of the Water Resource Development Act of 1986 (WRDA 1986)**
- **11 member Board appointed for two-year terms by the Assistant Secretary of the Army (Civil Works)**
- **Its purpose is to provide the Secretary of the Army and the Congress with recommendations on funding levels and priorities for modernization of the inland waterways system**
- **Three public meetings per year**

Inland Waterways Users Board – Board Members as of July 2009

Board Chairman

Mr. Stephen D. Little
President
Crouse Corporation
Paducah, Kentucky

Board Members

Mr. Richard C. Calhoun
President
Cargill Marine and Terminal, Inc.
Minneapolis, Minnesota

Mr. Larry R. Daily
President
Alter Barge Line, Inc.
Bettendorf, Iowa

Mr. Michael W. Hennessey
Vice President for River Operations
Consol Energy, Inc.
Pittsburgh, Pennsylvania

Mr. Mark Knoy
President
American Electric Power (AEP) River Operations
Chesterfield, Missouri

Chairman Emeritus

Mr. Royce C. Wilken
President
American River Transportation Company (ARTCO)
Decatur, Illinois

Board Vice Chairman

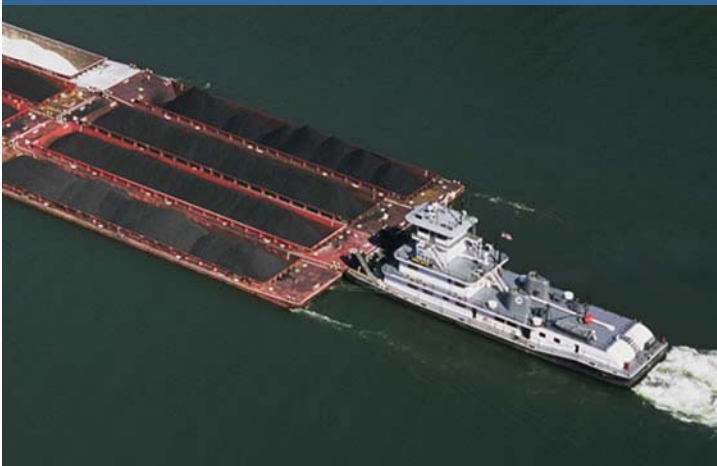
Mr. Daniel T. Martin
Senior Vice President and Chief Commercial Officer
Ingram Barge Company
Nashville, Tennessee

Mr. John Pigott
General Manager
Tidewater Barge Lines
Vancouver, Washington

Mr. Tim Parker
President
Parker Towing Company
Tuscaloosa, Alabama

Mr. Michael P. Ryan
President and CEO
American Commercial Lines LLC (ACL)
Jeffersonville, Indiana

Mr. William M. Woodruff
Director of Government Affairs
Kirby Corporation
Houston, Texas



- **A Comprehensive Solution**
- "White Paper" Process
- Identifying the System's "Critical Needs "
- IWTF Revenue Outlook
- Desired Outcome

A Comprehensive Solution

The Users Board desires a Comprehensive Solution to a very complex set of problems

A Comprehensive Solution

Our nation's inland waterways infrastructure is at an important crossroads...

- We have an aging system that needs recapitalization**
- We have a project funding and delivery system that is very inefficient, wasting much time and money**
- We have spent down our trust fund surplus without completing many projects**
- Our industry and our customers fully share our nation's unprecedented economic crisis**

A Comprehensive Solution

To preserve and expand the benefits offered by barge transportation, stakeholders within the private sector, Congress and the Executive Branch must jointly develop a comprehensive solution that includes all of the following four components...

A Comprehensive Solution

(1) Fixing the project delivery system, to ensure...

- *Reliable cost estimates*
- *Optimal construction management*
- *Other steps needed to complete projects on time and within budget*



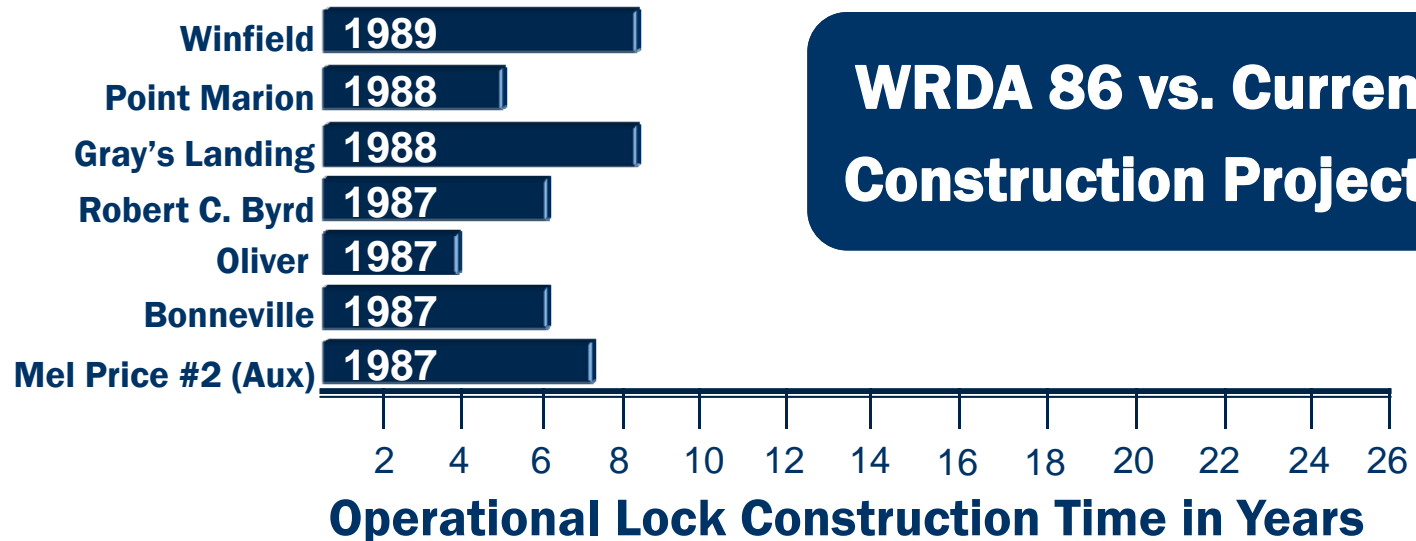
A Comprehensive Solution

Average construction years have almost tripled for projects authorized in the '90s

Current Construction Projects



WRDA 1986 Projects



WRDA 86 vs. Current Construction Projects

Operational Lock Construction Time in Years

A Comprehensive Solution

(2) Dimensioning the “critical” needs of the system...

- **Develop a 20-year plan of priority projects**
- **Any meaningful discussion about meeting the future needs of our waterways system first requires an understanding of our critical needs**

A Comprehensive Solution

(3) Figuring out what those “critical” needs will cost...

- **Identify within acceptable confidence levels the amount of money the needs will require**
- **Determine when the money will be needed to efficiently execute an effective plan to address those needs**

A Comprehensive Solution

(4) Deciding how to pay and how to allocate funding...

Once we understand the cost of the “critical needs” of our system, and we are satisfied that the project delivery system is efficient, we can meaningfully consider...

- How much our industry can afford to contribute
- Identify other sources of revenue
- Modifying the barge industry’s project cost share
- Removal of dams from cost shared projects
- Capping the barge industry’s liability for significant cost overruns
- Suspending user tax payments if IWTF funds are not spent
- Need to maintain current level of modal competitiveness

A Comprehensive Solution

(4) Deciding how to pay and how to allocate funding...

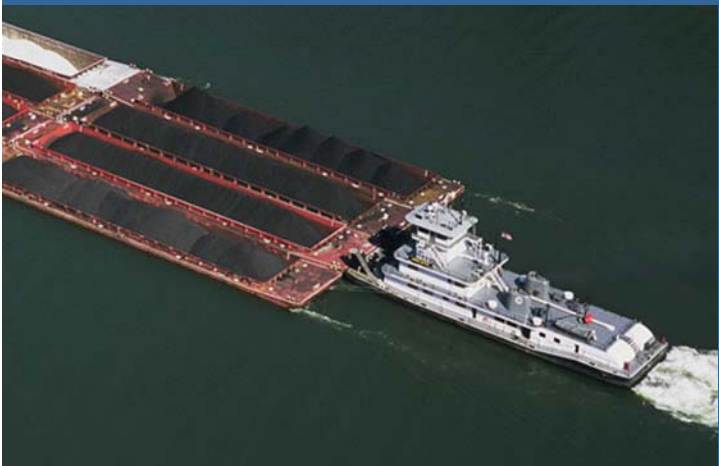
We must also address how to ensure needed cash flows for efficient construction

- **Fully funded appropriations?**
- **An infrastructure bank?**
- **Bond sales?**
- **Other?**

A Comprehensive Solution

None of these four steps should be isolated, since they depend on one another

- **If adequate funding is not available when needed, then the Corps cannot fix its broken project delivery system**
- **If a funding mechanism is established before we understand the “critical needs” of our system, the funding level may be set too high and include non-critical projects**
- **If the barge industry is harmed by an onerous tax load, then no one benefits**



- A Comprehensive Solution
- **"White Paper" Process**
- Identifying the System's "Critical Needs"
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“White Paper” Process

The Corps of Engineers and members of the Inland Waterways Users Board have been working together on a joint effort to develop an investment strategy for infrastructure projects - Inland Marine Transportation Systems Project a/k/a the “White Paper Process”

- Identify infrastructure needs during the next 20 years**
- Develop criteria to rank, sequence and re-sequence project priorities**
- Identify costs for priority projects over the 20-year timeline**
- Improve cost estimates to an 80-90% confidence level**
- Identify revenue needs and options**
- Create an enhanced role for Users Board in deciding which projects move forward**

“White Paper” Process

The team has established an ambitious year-end deadline for “White Paper” deliverables

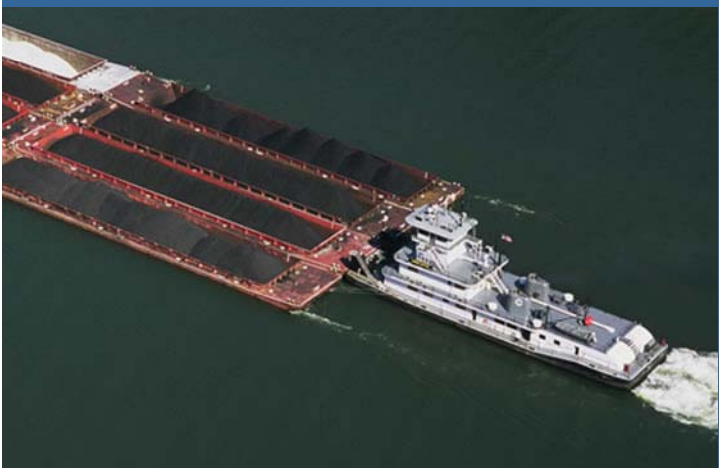
While a good start toward developing a comprehensive solution, it will take the support and involvement of the White House, other executive branch agencies and leaders in Congress, as well as time, to be successful

“White Paper” Process

In addition to the three annual public meetings held, the IMTS project team has met multiple times during the past year (typically 1-2 day meetings)

“White Paper” Process

Strong letters of support from 21 Senators and 87 Representatives in opposition to lockage fees and in support of allowing the IMTS team to complete its work.



- A Comprehensive Solution
- "White Paper" Process
- **Identifying the System's "Critical Needs"**
- IWTF Revenue Outlook
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Identifying the System's "Critical Needs"

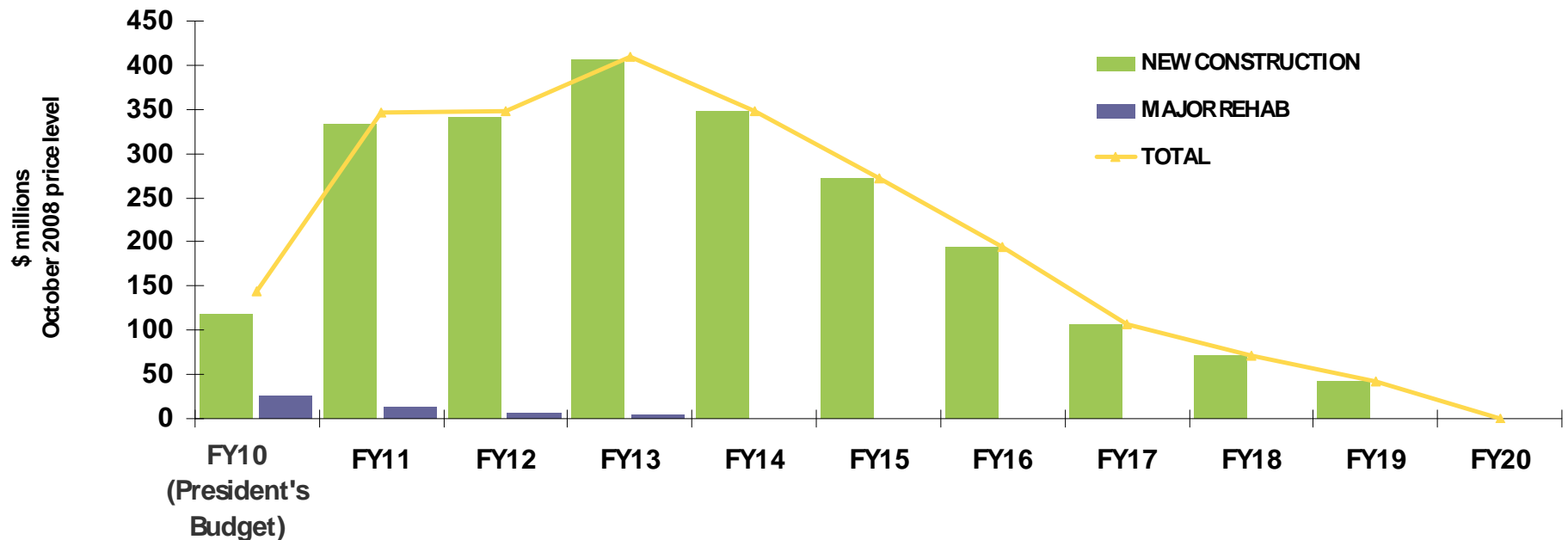
Corps estimates to complete projects underway reflect an incredible escalation of costs and unprecedented delays

(\$ millions)	Total Remaining Costs	Projected Year of Completion
Inner Harbor (Industrial Lock)	\$1,300	2019
Olmsted L&D	\$939	2019
Monongahela River L&D 2,3,4 - lock features	\$798	2022
Monongahela River L&D 2,3,4 - dam features	\$207	2020
Chickamauga Lock replacement	\$202	2015
Kentucky Lock addition	\$387	2017
Emsworth L&D - dam safety	\$46	2014
Markland L&D	\$4	2012
	\$3,883	

Identifying the System's "Critical Needs"

Corps estimates to complete projects underway, exceeding \$300 million for 4 consecutive years - excluding costs for inflation or performance issues

Projects Under Construction



Identifying the System's "Critical Needs"

Total projected costs overwhelms authorized amounts for most projects

	Authorized Amount	Current Estimate*
	(\$ millions)	
Olmsted	\$775	\$2,124
Monongahela River L&D 2,3,4	\$556	\$1,700
Chickamauga	\$239	\$374
Kentucky	\$393	\$734
Inner Harbor (Industrial Lock)	\$575	\$1,300

*Includes all FY09 Omnibus and allocated stimulus bill appropriations, but excludes FY10 amounts

Identifying the System's "Critical Needs"

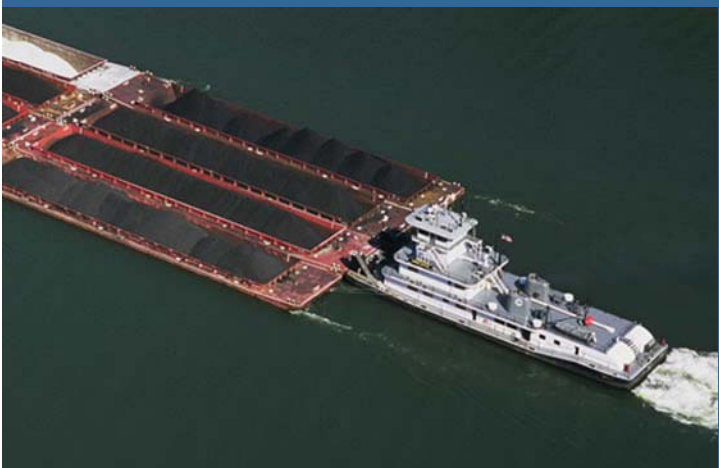
Corps estimates for 14 more authorized projects that have not yet started total another \$4.2 billion

	Cost (\$ millions)
7 Upper Mississippi and Illinois River Locks	\$3,301
John T Meyers L&D – Auxiliary Lock Extension	\$350
Greenup L&D – Auxiliary Lock Extension	\$267
GIWW, Matagorda Bay – Channel	\$22
GIWW, High Island to Brazos River - Channel	\$19
Others	\$241
	\$4,200

Identifying the System's "Critical Needs"

The Corps has, on a preliminary basis, identified many other projects that may be candidates for future authorizations.

This list of projects, which includes locks, dams, and channels, is being scrutinized by the IMTS Team. The Team's work on the list will continue in order to better understand whether the projects are needed and, if so, the likely benefits and costs of each project.

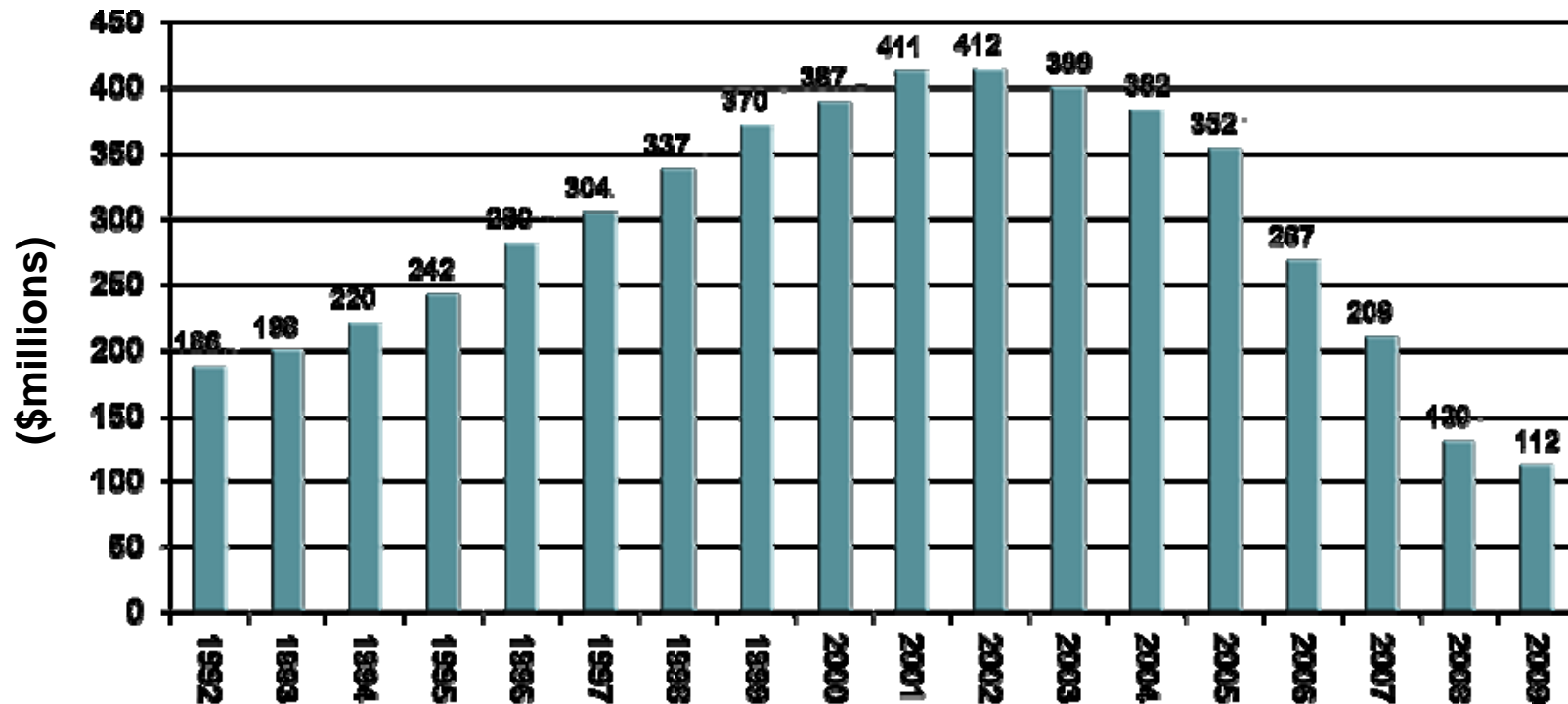


- **A Comprehensive Solution**
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IWTF Revenue Outlook

The Inland Waterways Trust Fund Surplus is nearing depletion

The industry pays about \$85-90 million per year into the IWTF via a \$0.20 per gallon tax on marine diesel fuel



IWTF Revenue Outlook

- **To date, the barge industry has contributed approximately \$2 billion**
- **Until the “white paper” process is completed, the Inland Waterway Users Board will not support any discussion of increased taxes**

IWTF Revenue Outlook

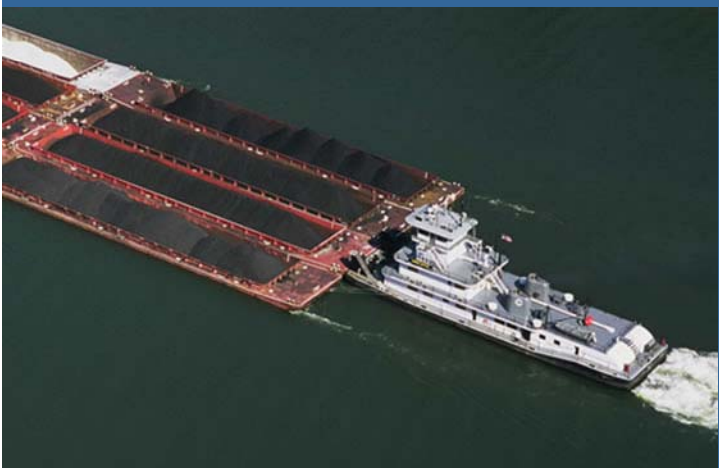
The President's FY10 Budget proposal includes replacement of the fuel tax with a lockage fee

- **Collection would begin on January 1, 2010**
- **Current diesel tax phased out on January 1, 2014**
- **Taxes collected from the barge industry would roughly double during each of the first 5 years (FY10-14), increasing by an average of about \$80 million annually**
- **Ultimately, taxes would triple from \$90 million to \$270 million per year**

IWTF Revenue Outlook

The lockage tax is a bad idea

- **25% of barge trips would pay the bulk of the increased tax burden**
- **75% would pay little or no lockage tax**
- **Costs would increase most for shipments on the Tennessee, Ohio, Illinois, and Upper Mississippi rivers**



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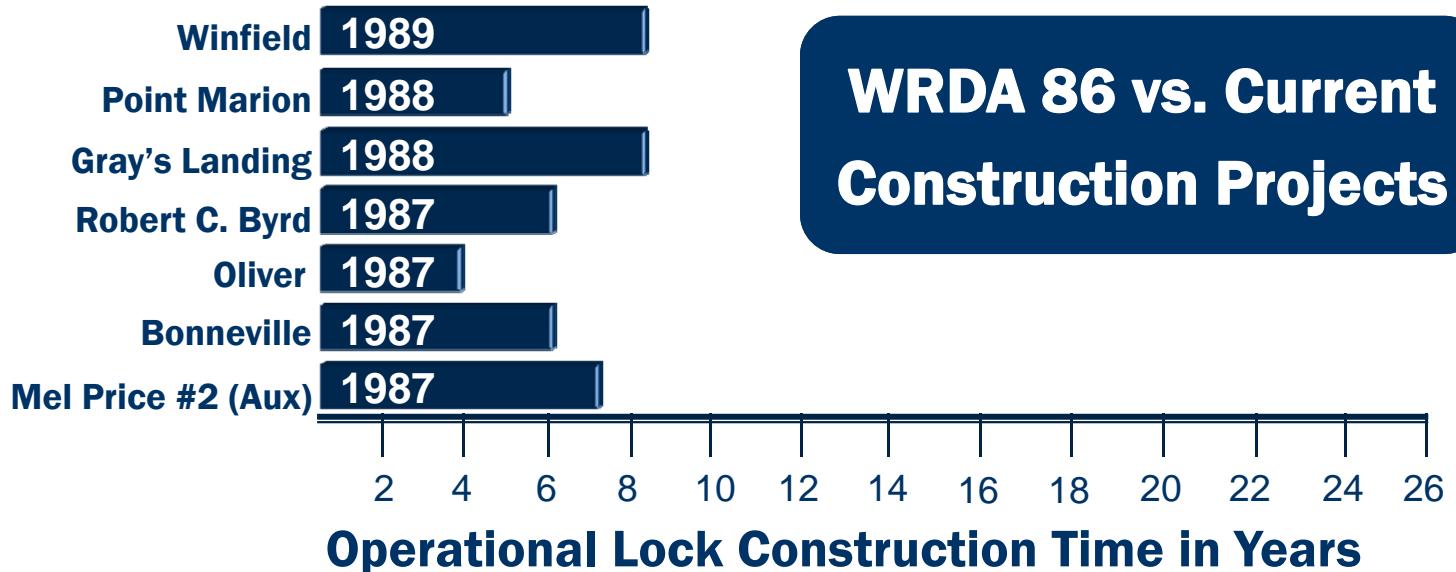
Desired Outcome

Return to the previous way of building Locks and Dams

Current Construction Projects



WRDA 1986 Projects



Desired Outcome

The barge industry must avoid the worst case scenario for the funding of capital projects


- **Replacement of the fuel tax with a lockage fee**
- **Too many projects accepted as "critical needs"**
- **No improvement in the Corps' project delivery model**
- **No recognition of benefits received by non-navigational beneficiaries**

Desired Outcome

The Inland Waterways Users Board Perspective

Our Nation's policy makers should reevaluate the current cost share model

Is it sensible to rely on one very small industry to match, dollar-for-dollar, the federal government's capital investment in our nation's waterways infrastructure, given the vast environmental and societal benefits provided by the inland system?



“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.”

George Washington

**From his letter to the Chevalier de Chastellux
ca 1783**