



The American Waterways Operators



Inland Waterways Capital Development Plan:

Frequently Asked Questions

Why adopt the Inland Waterways Capital Development Plan?

- The U.S. inland waterways navigation infrastructure is essential to our Nation's economy, environment, and quality of life
- Inland Waterways Transportation is the most fuel efficient, environmentally friendly way to move America's critical commodities
- Inland Waterways Transportation helps reduce congestion on our Nation's highways & railways as one jumbo barge equals 70 trucks or 16 railcars
- Inland waterways navigation infrastructure is aging and in desperate need of recapitalization
- The current system of funding and delivering projects on our inland waterways is very inefficient resulting in much wasted time and money
 - Several projects currently under construction are significantly over budget and years beyond scheduled completion
 - Available funds from the Inland Waterways Trust Fund (IWTF) fall way short of addressing or meeting the needs of our inland navigation system

Is it true that the IWTF is bankrupt?

- The IWTF is not bankrupt and, by law, can never become bankrupt
- The Trust Fund is currently operating on a cash-in/cash-out basis
- Obligations and expenditures at any point in time are limited to no more than the amount of commercial waterway diesel taxes paid into the Trust Fund and available at that time

How was the plan developed?

- The plan was developed through a year-long joint effort by an Inland Waterway Users Board/U.S Army Corps of Engineers Team of experts assembled to develop a long-term capital development plan that would
 - prioritize navigation projects across the entire system,
 - improve the Corps of Engineers' project management and processes to deliver projects on time and on budget, and
 - recommend a funding mechanism that is affordable and meets the needs of the entire system
- This effort has been commonly referred to as the "White Paper Process"
- The effort was co-led by Jeanine Hoey, Program Manager in the Corps' Pittsburgh District, and Steve Little, President and CEO of Crouse Corporation and Chairman of the Inland Waterways Users Board.
- In addition to Steve and Jeanine, more than 40 representatives of industry and the Corps directly participated in the numerous meetings and conference calls that were at the heart of the effort over the past year. Twenty-seven of these participants were Corps of Engineers employees from Corps Headquarters, Divisions and Districts throughout the country, people with special knowledge of and expertise in disciplines affecting the nation's inland waterway system. Many others supported the effort indirectly
- The Team presented its recommendations for the plan to the Inland Waterway Users Board in mid December, and the Board unanimously endorsed those recommendations
- The Team's final report will be completed by the mid-April meeting of the Inland Waterways Users Board

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What are the elements of the plan?

- Projects are prioritized across the entire Inland Waterways System
- Numerous changes in the Corps' process of managing and delivering projects are implemented to ensure that future projects are delivered on time and on budget
- A proposed funding mechanism increases available funds for critical projects creating more jobs and improving the efficiency and reliability of our inland transportation system

What are the recommendations that improve Corps' management and delivery of projects?

- Implement Risk Based Cost Estimates
- Development of a regulation for managing the IMTS Capital Investment Program
- Include IWUB reps on Project Delivery Teams
- IWUB Chairman and project reps will sign Project Management Plan
- Implement internal adjustments to the new business model to achieve quality project management
- Early Contractor Involvement during the design phase
- Navigation lock design centers of expertise to achieve quality design
- Develop standard design for navigation components

What are the elements of the funding mechanism?

- The funding mechanism maintains the existing 50% industry/50% federal cost sharing formula for new lock construction
- The funding mechanism maintains the existing 50% industry/50% federal cost sharing formula for major rehabilitation projects at locks costing \$100 million or more
- Repairs to existing locks costing less than \$100 million are 100% federally funded
- Dam construction and repair projects are 100% federally funded
- The industry cost share of individual projects would be capped at original cost estimate plus an inflation factor plus other agreed upon costs
- The 20 cents per gallon tax on fuel currently paid by the barge and towing industry would increase between 30% and 45%

Why would industry only share Major Rehabilitation projects in excess of \$100 million?

- Congress created the Inland Waterways Trust Fund to share with industry the capitalization costs of the Inland Marine Transportation System
- Congress consistently has kept separate and federally funded the operation and maintenance of the system
- Concerns exist about whether costs associated with routine operation and maintenance are inappropriately migrating into the rehabilitation category, thereby unnecessarily drawing down Trust Fund resources
- To provide a "bright-line" test to prevent this from happening, the Industry/Corps agreed that repair cost of \$100 million or more should be considered "major rehabilitation" and cost shared as system capitalization
- Under the plan, lock rehabilitation costing less than \$100 million would once again be funded from general revenues as was the case prior to the Water Resources Development Act of 1986.

Why should Dam construction and repair be 100% federally funded?

- Dams create pools that benefit many groups:
 - Municipal Water Systems depend on the reliable source of drinking water for many communities along waterways with stable pools created by dams
 - Utility Companies rely on a reliable source of cooling water provided by stable pools created by dams
 - Companies along waterways rely on water provided by stable pools for their manufacturing processes
 - Hydroelectric power is provided by dams for use by communities located near some dams

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- Steady, reliable pools created by dams spur economic development on waterfronts in many communities along waterways throughout our inland waterways system
- Recreation and tourism derive huge benefits by steady pools of water created by dams
- Dams provide significant flood control benefits along many of our inland waterways
- Farmers use water available in steady pools for irrigation
- Because the beneficiaries of the dams are so wide-spread, it is most appropriate for the federal government, on behalf of those beneficiaries, to cover the costs of constructing these facilities.

Why cap individual projects?

- The cap is necessary to protect the Inland Waterways Trust Fund from unabated cost overruns and delays on large new construction projects
- The Olmsted project currently under construction was originally estimated to cost \$775 million requiring \$387.5 million from the industry share of the IWTF when industry agreed to support this project through the 1988 authorization process. Today current cost estimates exceed \$2.0 billion requiring more than a billion dollars from industry. Industry has had no say in these cost increases.
- The Lower Mon project near Pittsburgh, Pa was originally estimated to cost \$554 million requiring \$277 million from the industry share of the IWTF when industry agreed to support this project through the 1992 authorization process. Today current cost estimates exceed \$1.7 billion requiring more than \$850 million from industry. Industry has had no say in these cost increases
- In addition, to help protect the Inland Waterways Trust Fund resources from unreasonable cost escalations, a cap on the original cost plus inflation plus other agreed upon cost will provide incentive to keep projects on time and on budget

Why would industry agree to up to a 45% increase in their fuel tax?

- Industry supports this significant increase because it is worth the investment as part of a package of reforms that can ensure the future viability, reliability and efficiency of America's inland waterways system

What projects are funded under this plan and how does that differ from the current funding scenario?

- The President's FY 2011 Proposed Budget would fund 3 new construction and 3 rehabilitation projects
 - **New Construction**
 - **Olmsted**--\$136 million (\$700 million more needed to complete by FY19)
 - **Kentucky Lock**--\$2.868 million (significantly more than \$400 million needed to complete by FY29)
 - **Lower Monongahela River Locks & Dams 2, 3 & 4**—\$2 million (significantly more than \$1.1 billion needed to complete by FY23)
 - **Chickamauga** \$0 in FY11, might not restart until FY22 & be completed until FY25
 - **IHNC Lock in New Orleans** \$0 in FY11, might not restart until FY29 & be completed until the 2040's
 - **Rehabilitation**
 - **Emsworth Dam**--\$11.5 million (\$4.1 million more needed to complete by FY13)
 - **Markland Lock & Dam**--\$5.4 million (will be completed in FY11)
 - **Upper Mississippi Lock 27**--\$350,000 (more than \$17 million needed to complete the project)

THERE IS A POSSIBILITY OF NO OTHER NEW STARTS UNTIL AFTER FY 2040!

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- Under the proposed Capital Development Plan
 - **New Construction**
 - **Chickamauga Lock** complete in FY15
 - **Olmsted Lock** complete in FY19
 - **Kentucky Lock** complete in FY19
 - **Lower Mon 2, 3 & 4** complete in FY23
 - **Upper Mississippi River Lock 25** complete in FY19
 - **High Island to Brazos River, TX** start FY13 complete FY15
 - **Lagrange Lock** start FY17 complete FY24
 - **IHNC Lock in New Orleans** start FY 21 complete FY 28
 - **Greenup Lock** start FY22 complete FY27
 - **Upper Mississippi Lock 22** start FY22 complete 2030's
 - **Upper Mississippi Lock 24** start FY24 complete 2030's
 - **Rehabilitation**
 - **Emsworth** completed FY 13
 - **Markland** completed FY 11
 - **Upper Mississippi Lock & Dam 25** completed FY 14
 - **Lower Monumental Lock & Dam** completed FY 13
 - **O'Brien Lock** start FY13 complete FY15
 - **Greenup Dam** start FY13 complete FY18
 - **John T. Myers** start FY 16 complete FY 16
 - **Meldahl Dam** start FY15 complete FY19
 - **Montgomery Dam** start FY16 complete FY23
 - **Mel Price Lock** start FY23 complete FY23
 - **No. 2 Lock (AR)** start FY24 complete FY25
 - **Joe Harden Lock** start FY24 complete FY24
 - **Willow Island Lock & Dam** start FY26 complete FY29
 - **Marmet Lock & Dam** start FY27 complete FY29
 - **Upper Mississippi Lock 22** start FY30 complete FY30

If a project is not currently included in the plan, does that mean that it can't be funded for at least 20 years?

- No it doesn't. While the 20-year program sets project-specific priorities throughout the 20-year timeframe, it is not meant to be a rigid unchangeable document. The Team anticipates that, as Congress makes its annual appropriations decisions, the program will be reviewed on an annual basis to reflect those decisions and be adjusted, if necessary, based on those decisions.
- Further, approximately every 5 years, the Team anticipates that the 20-year program will undergo a more concerted and in-depth review, similar to what routinely occurs with strategic plans within industry and some federal agencies, to compare actual performance with original expectations, examine changed conditions, and make revisions as necessary.
- Finally, particularly in the latter half of the recommended 20-year program, not all of the anticipated revenues have been designated in the program to specific projects, making room for additional project work to be added to the plan if appropriate.