

20-Year Capital Plan for Nation's Inland Waterways

Manufacturers Rely on the Waterways for Competitiveness

The U.S. inland navigation system—nearly 12,000 miles of commercially navigable inland and coastal waterways—plays a vital role in moving the nation's freight. More than 60 percent of U.S. grain exports begin their journey on the inland waterways, and more than 30 percent of the oil and petroleum products used by industry moves by barge. According to the U.S. Army Corps of Engineers, the inland waterways move over 50 percent of the nation's grain and oilseed, approximately 20 percent of the coal for utility plants and 22 percent of domestic petroleum products. However, the waterways infrastructure, which handles shipments to and from 38 states each year, is aging with no real plan in place for systematic modernization. More than half of our nation's 240 operational lock chambers owned and operated by the Army Corps of Engineers now exceed their 50-year design lifespan.

Competitiveness Under Threat

The nation's manufacturers are able to ship goods efficiently throughout the United States and export overseas to support our nation's competitiveness because we have a diversified transportation network that offers a range of options by land, water and air. The transportation cost savings attributable to the efficiency of the inland waterways is estimated to exceed \$7 billion annually compared to the cost of shipping this tonnage by other means.

Increasing planned and unplanned closures at the aging locks either due to mechanical failure or regularly scheduled maintenance on the inland navigation system create costly delays and threaten to erode these efficiencies.

The National Association of Manufacturers (NAM) and other groups opposed a proposal by the Bush Administration to phase out the inland waterway barge fuel tax and replace it with a lock fee similar to a toll. The Obama Administration presented similar lock fee proposals in a recent budget submission to Congress. The NAM appreciates Congress rejecting these lock fee proposals due to concerns that a new fee will lessen the competitiveness of the waterway option and disproportionately affect major industrial and agricultural waterway shippers who rely on the Upper Mississippi, Ohio, Illinois and other river systems.

Supporting a Transformation that Provides Solid Returns On Taxpayer Investment

There is no question that the present system of locks and dams requires billions in increased investment and, at this time, there is no long-term capital plan to guide system-wide investments. Inland waterway projects currently take 10 to more than 20 years to complete. This excessive length of time needlessly increases construction costs and adds unnecessary delays to the system. It is unsustainable for projects to routinely experience



cost overruns that average almost 120 percent more than what Congress authorized.

The NAM is encouraged that inland waterway users and the U.S. Army Corps of Engineers have developed a 20-year capital development plan that will better guide and help manage future investments that rely on taxpayer resources. The plan will: prioritize completion of navigation projects across the system, improve the government's management and delivery of projects to help control costs, and recommend a modest fuel tax increase on the barge and towing industry to help finish 25 projects in the next 20 years. The NAM endorses this consensus approach to waterways investment and recommends that Congress support implementation of the plan in the upcoming Water Resources Development Act authorization.

Reducing the Carbon Footprint

Barge transport emits the fewest air pollutants compared to other modes of transport and can move one ton of cargo 576 miles per gallon of fuel, the best environmental performance of any surface mode. Every year, roughly 624 million tons of waterborne cargo transit the inland waterways, a volume equal to about 14 percent of all intercity freight and valued at nearly \$70 billion.

Open to New Financing Approaches

The waterways operators pay a 20-cent-per-gallon diesel fuel tax, and current tax revenues plus interest collect \$85–\$90 million per year for the Inland Waterway Trust Fund. Lock and dam projects are supported 50 percent from the fuel tax and 50 percent from the general fund. Current and projected trust fund balances cannot support annual investment requirements. Only six projects will be finished if we maintain the status quo.

The revenue stream supported by the barge and towing industry is a significant contribution, and a 20-year plan is an important

step to help end the unproductive cycle of project underfunding, cost escalations and delays. We hope the creative and collaborative thinking will expand beyond the proposed plan so that other opportunities can be discussed and considered. The proposed National Infrastructure Bank may provide an additional mechanism for funding key components of this system.

The inland waterway operators appreciate the unique public-private nature of the nation's inland waterway system and believe that a strengthened partnership with the Army Corps of Engineers that is focused on improved project delivery, increased efficiency and transparency will better focus these critical federal investments.

