

Policy Session Rappateur Summary

TRB Executive Committee Policy Session

Topic: Inland Waterway Issues

January 25-26, 2012

Navigation Trust Funds

Inland Waterways Trust Fund

- 27 named waterways
- Fuel Tax, \$0.20/gal
- 50/50 cost share on New Construction and Major Rehabilitation
- Revenues about \$80M/yr
- \$160M annual construction program
- End of FY11 balance: \$32M

Harbor Maintenance Trust Fund

- Ad valorem tax, 0.125% of cargo value
- 100% reimbursement of HMTF eligible expenditures
- Operations & Maintenance of Nav channels
- Revenues about \$1.5B/yr
- Expenditures ~ \$750M/yr
- End of FY11 balance: \$6.1B

Inland Waterways Trust Fund

- Fuel tax lacked a cost index clause
- With this clause the \$0.20/gal would be \$0.30 in 2011
- This would increase revenues from \$80M to \$120M per year
- 50/50 cost share would result in \$240M construction program rather than the present \$160M program.
- Capital Projects Business Model provides additional information on proposed projects, prioritization and Corps process improvements

Harbor Maintenance Trust Fund

- Key issue is *reimbursement* of of HMTF eligible expenses
- Corps has a budget ceiling and must balance needs across 7 Civil Works mission areas.
- Corps civil works budget is about \$4.6B, which limits what can be budgeted for coastal navigation O&M.
- Congress appropriates and Corps expends the funds then Treasury reimburses the HMTF eligible expenses.
- Users are pursuing Realize Americas Maritime Promise to align the funding process with Highway and Aviation Trust Funds.

Overview of the Inland Waterway System (Gerald E. Galloway, Jr.)

- “The silent transport”
- Corps - 12,000 miles of inland waterways, 191 locks
- 50% of those locks are over 50 years old
- “challenge of change”
- Lack of national vision – water, rail, and highways working in concert

The Economics of Inland Waterways (Wesley W. Wilson)

- Link between the price of transport and the modal choice
- Shippers believe that an inland navigation system is essential to keep rail prices down
- Growing congestion on the system and, ultimately, higher costs for the consumer

A Cast Study: The Port of Pittsburg (James R. McCarville)

- Not all inland ports are the same!
 - Creates “navigation jobs” and “non-navigation jobs”
 - Yields different rate of benefits to be attracted to inland waterway systems
- Prone to shut-downs due to lock repairs or lock failure
- Shut-downs result in lost economic opportunity
- Objective is to protect and sustain the wealth that has been created

A Barge Operator's Perspective (Richard Calhoun)

- Items move from “areas of excess supply” to “areas of deficit”
- Congestion and capacity on the highways will cause the costs for goods and services to increase
- Barge “return on investment,” yields \$14/tons savings
- Not a good time for the investment in Corps of Engineers annual appropriations to be declining
- Industry is willing to raise taxes 30-45%, but cant get Congress on-board!
- We need a comprehensive transportation strategy for America.

Basic Observations: Key Factors Affecting Inland Waterways

- Locks and dams are in a serious state of decline
- Inland waterways system viability affects pricing
- Prioritization of projects won't work – Funding Needed
- Funding dilemma is similar to the other modes – including user support for increased taxes
- Congress is not inclined to raise taxes
- There is no national comprehensive transportation strategy or vision

Ideas for Research on This Topic

- Compare rail (mid-1970s) and aviation (PFCs in Chicago) to waterways and see if there are compatibilities/lessons learned that can be applied to waterways issues.
- Failing freight infrastructure: What are the national impacts of a severe restriction in modal choice due to inadequate infrastructure?
- Congressional and Administration Champions: Who should lead the charge to invest in inland waterways infrastructure before a catastrophic failure occurs?

Ideas for Research on This Topic (Continued)

- What is the appropriate long-term “fix” for the inland waterway system and how do user groups effectively support/promote this vision?
- Understanding the inland waterways taxation structure – where does the funding come from, where does it go, and is it even close to meeting the system needs?
- Taking a more comprehensive look at inland waterways cargo to access not only the tonnage of goods moved, but also the value of the goods moved.

Ideas for Research on This Topic (Continued)

- Is the current planning process sufficient for the inland waterway system? Does it consider pricing and economic impacts associated with competition from other modes?
- Performing a comprehensive review of intermodal operations and maintenance costs for waterways, rail, and highway freight options: Are their interrelationships that should be better understood?

Ideas for Research on This Topic (Continued – This is the last one!)

- Evaluation of the Corps of Engineers Benefit/Cost ratio for inland waterway projects: Are there benefits that aren't properly credited to the calculation?

Questions?