

## Vote No on H.R. 4342.

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The WAVE4 Act (H.R. 4342) will shift the burden for funding costly inland waterway infrastructure expenses onto taxpayers, possibly leaving taxpayers on the hook for over \$11 billion! The WAVE4 Act will not fund necessary work to maintain the locks and dams, but it will increase the backlog of infrastructure projects.

### Oppose H.R. 4342 because it

#### 1. Eliminates cost share for dam construction and rehabilitation.

Currently, dam rehabilitation and construction are funded through a 50-50 cost share between taxpayers and the Inland Waterways Trust Fund. Navigation interests argue that they should not pay to maintain and construct dams because other user groups benefit from the dams. But the dams were built and continue to be maintained primarily for navigation. In this tough economic time, the federal government cannot afford for industry to reduce their contribution.

#### 2. Eliminates cost share for lock rehabilitation.

H.R. 4342 states that navigation will contribute 50% of the cost of lock rehabilitation over \$100 million, but it's a trap! There have been 16 lock rehabilitation projects since the Inland Waterways Trust Fund was established, and the average cost of a lock rehabilitation project is \$30 million. No lock rehabilitation project has ever approached \$100 million and no future lock project is expected to cost \$100 million. So this is just another attempt to push even more costs onto taxpayers and increase the federal deficit.

#### 3. Eliminates cost share for cost overruns.

Cost overruns are a certainty for every Corps construction project. Projects on the Ohio River have seen overruns of 100% to over 200%. Most of these overruns are due to poor planning and inadequate funding. So instead of punishing taxpayers and forcing the federal government to pick up the tab, the Corps needs to improve their planning process and produce more reliable cost estimates.

#### 4. Increases the fuel tax to only \$0.26 per gallon.

Currently, the navigation industry pays a \$0.20 per gallon tax on barge fuel to fund the IWTF. This tax only generates about \$80 million annually, falling far short of the \$3.6 billion remaining costs for projects on the ground today. The Inland Marine Transportation System (IMTS) Team identified a needed tax increase to \$0.50 per gallon to promptly clear the project list. But instead of finding funding to complete the projects, the IMTS Team only proposed a six-cent increase to generate a projected \$110 million annually, while taxpayers will have to contribute \$270 million plus cost overruns. Taxpayers will have to pay at least \$3 for every \$1 dollar spent by navigation, breaking the 50% cost share promise established in 1986.

#### 5. Recommends the Army adopt the IMTS Team 20-year investment strategy.

The IMTS Team identified potential investment needs over the next 20 years totaling \$15 billion. With their proposed cost share changes, about \$11 billion of that estimate will automatically shift to taxpayers. But instead of finding real solutions to fund these projects, the IMTS Team identified 27 pet projects, which total \$7.6 billion, to be paid for by a fuel tax increase of less than a dime. Annual funding for the projects will be \$110 million from the IWTF and \$270 million from taxpayers. But this list includes the economically unjustified Navigation and Ecosystem Sustainability Program, which Congress has not funded for the past two fiscal years.

Instead of a good faith attempt to help reduce the project backlog, HR 4342 only offers funding solutions for superfluous projects that are environmentally damaging and not economically sound.

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### **Response to the Briefing Memo: “How Reliability of the Inland Waterways System Impacts Economic Competitiveness”**

The Briefing Memo is full of misrepresentations and misinformation. Below is a listing of several of the erroneous or misleading statements contained in the Briefing Memo countered by the facts:

**Misrepresentation:** Barges are more fuel efficient and less polluting than other means of transportation.

**Fact:** Barges are no more efficient than average trains and, when compared with unit trains, barges are significantly less efficient than trains. Since pollution is directly calculated from fuel efficiency, barges also have no advantage over trains in this respect.

**Misrepresentation:** Barges offer a cost savings of \$12.00 per ton over alternate overland modes of transportation.

**Fact:** Barges are heavily subsidized; at least 90 percent of the systems costs are paid for by the U.S. taxpayer, by far the most subsidized mode of transportation. If the navigation industry paid an equivalent cost for constructing and maintaining the Inland Waterways System as the rail industry must for the rail system, the Inland Waterways System users’ savings would be significantly reduced and possibly completely disappear. The navigation industry also pays nothing towards the restoration of the rivers that the system it uses has severely damaged; again, this cost is paid solely by the taxpayers.

**Misrepresentation:** That on the Inland Waterways System, “nearly 60% of these facilities have been in service for longer than 50 years, while almost 40% are more than 70 years old.”

**Fact:** The vast majority of the locks have been rehabilitated, and all of the locks on the Upper Mississippi River (UMR) have been rehabilitated within the last 20 years and have decades of useful life remaining. Each completed rehabilitation extends that useful life and allows the facility to function efficiently; the locks are not falling apart.

**Misrepresentation:** The lockage delays on the UMR and Illinois River are severe.

**Fact:** The Inland Waterways System has no scheduling system – the only major transportation system in the country that does not have a system. We schedule planes and trains but the navigation industry seems to be incapable of setting up a logical schedule system to improve its efficiency. However, because barge transportation has dropped so dramatically over the past two decades on the UMR, there has been decreased interest by the Corps of Engineers in pursuing this useful measure. Also, the Benefit-Cost calculations for the proposed new 1,200-foot locks on the UMR are essentially negative – the completion of these locks would cause U.S. taxpayers a significant loss on their funding of the project.

**Misrepresentation:** The decline in the Inland Waterways Trust Fund (IWTF) to near zero created a backlog of authorized yet unconstructed projects. Since 1986, the time to complete projects has dramatically increased.

**Fact:** The IWTF, which was not used to pay for Inland Waterways System projects until 1986, has never had an adequate contribution from the navigation industry to support the enormous wish list of the industry. The current \$0.20 fuel tax contribution provides 50 percent of the system’s funding but has not been increased for 18 years. Prior to 1986, taxpayers fully subsidized Inland Waterways System projects. It is the industry’s inability or unwillingness to provide adequate funding to the IWTF that has been the cause of the funding restrictions.

**Misrepresentation:** Approving the Inland Waterways Users Board Recapitalization Plan would increase funding for the system to \$380 million annually.

**Fact:** The Inland Marine Transportation System (IMTS) plan prepared by the Users Board is simply a means to increase the 90 percent subsidy of the Inland Waterways System even closer to the 100 percent that they enjoyed prior to 1986. The removal of all costs obligations for the IWTF related to dams, lock rehabilitations under \$100 million (there has never been a lock rehabilitation over \$100 million), and project cost overruns while offering a miserly \$0.06 increase in the fuel tax is specious at best. This proposal does nothing for the country but increase the burden on U.S. taxpayers by an estimated \$200 million per year.

Most of the above facts above were covered in the attached report released in 2010, “Big Price – Little Benefit” that we suggest the committee review before making any decisions on the Inland Waterways System.