

Statement of Peter Stephaich
on behalf of
Waterways Council, Inc.
before the
Subcommittee on Water Resources and Environment
Transportation and Infrastructure Committee
U.S. House of Representatives
April 10, 2019

Chairwoman Napolitano, Ranking Member Westerman, and Members of the Subcommittee, thank you for the opportunity to testify before you today on the topic of “The Cost of Doing Nothing: Why Full Utilization of the Harbor Maintenance Trust Fund and Investment in our Nation’s Waterways Matter.” My testimony will focus on the importance of the inland waterways transportation system, and suggest a recommended policy improvement to advance modernization of the Nation’s critically important inland navigation infrastructure.

I currently serve as Chairman and CEO of Campbell Transportation Company, Inc. Campbell Transportation Company is headquartered in Houston, Pennsylvania, and operates approximately 50 towboats, over 1100 barges, four shipyards/repair facilities, and fabrication shops at two locations on the Ohio River and two on the Monongahela River. I am also the Chairman of the Board of Directors of Waterways Council, Inc. (WCI). WCI is the national public policy organization that advocates for a modern and well-maintained system of inland waterways and ports. WCI’s diverse members include waterways carriers, shippers, agricultural interests, port authorities, energy providers, construction contractors, organized labor unions, conservation organizations, and waterways advocacy groups from all regions of the country.

Anchored in the Constitution

From this country's earliest days, even before our United States Constitution was adopted, the inland waterways system was recognized as a priceless natural asset and a matter of fundamental federal responsibility and stewardship. The authors of our Constitution anchored the federal government's preeminent role in regulating navigation, both inland and coastal, in Article 1, Section 3's commerce clause; in Article 1, Section 9's prohibition of preference among ports clause, and elsewhere in that seminal document.

One of the early actions by Congress was to enact legislation to provide for federal maintenance of new Nation's navigational aids. Since then, Congress has exercised its role in regulating and setting policy for the Nation's waterways through various legislation over the years. In the previous century, periodic "Rivers and Harbors Acts" or "Flood Control Acts," which predominated in the first half of the century, were replaced more recently by "Water Resources Development Acts." By whatever title, Congress has consistently provided direction to the Executive Branch on how to properly use and protect our waterways for the benefit of the entire country.

One System that Supports Many

Because of our natural geographic bounty, as well as the foresight and enlightened investment decisions made by generations who preceded us, our Nation is blessed today with the world's

preeminent inland waterway transportation system. That system is composed of approximately 12,000 miles of commercially active, navigable inland and intracoastal waterways. Of this total, nearly 11,000 miles comprise the “fuel-taxed portion” of the system, on which commercial operators pay a diesel fuel tax that is deposited into the dedicated Inland Waterway Trust Fund. (IWTF). This tax pays for up to half of the cost of new construction and major rehabilitation of the fuel-taxed waterways’ infrastructure, principally, locks and dams, but also including the initial deepening of its channels. Users like Campbell Transportation Company successfully advocated in support of raising that tax by 45% in 2015 to its current level of 29-cents-per-gallon, which is the highest federal fuel tax currently being paid by a transportation mode.

Nationwide, according to the U.S. Army Corps of Engineers, the fuel-taxed waterways include 207 lock chambers at 171 sites on 27 statutorily-designated inland rivers and intracoastal waterways system segments. The locks and accompanying dams allow users of all types – commercial, recreational, and governmental to stair-step their way across the system while being assured that the depths those users require will be available as needed.

Beyond enabling waterborne transportation, the inland waterways system aids in flood control, enables a stable water supply for nearby communities and industries, provides hydroelectric power, offers recreation such as fishing and water sports, provides regional economic development opportunities, increases property value, and enhances national security capabilities. Unlike commercial users, none of these other beneficiaries of the inland waterways

system pay a fee to support modernization of the system.

While America's inland waterways system is the best in the world, it is not without challenges. Our international competitors have major efforts underway to enhance their own systems. More than half of the portion of our waterways system that is operated by the Army Corps of Engineers is now more than 50 years old. Some system segments, particularly older portions located on the Upper Mississippi, Illinois and Tennessee Rivers, are utilizing outdated 600-foot locks that are unable to accommodate today's standard 1,200-foot long, 15-barge tows, without engaging in the inefficient and potentially dangerous procedure of uncoupling the tow into two sections in order to pass through the lock in two trips instead of one. These locks and dams require constant attention and financial support, both in terms of modernization funding to improve the system's efficiency in order to facilitate the Nation's economic well-being and standard of living, as well as of operations and maintenance funding to keep them reliably available to users throughout the year

Infrastructure Investment is Needed to Keep America Competitive

Since 1987, when IWTF revenues were first allocated to individual projects following enactment of the Water Resources and Development Act of 1986, through 2014, the Inland Waterways Trust Fund supported construction completion of 29 modernization projects. Additionally, the trust Fund is currently supporting construction of five other lock and dam modernization projects, thanks to the policy changes made in 2014. I would like to thank this Committee for passing the important policy changes contained in the Water Resources Reform and

Development Act of 2014, particularly, the cost-share policy revision for Olmsted Locks and Dam, which, along with the 45% increase in the inland waterway diesel fuel tax that Congress enacted in 2014, allowed for the IWTF to be leveraged from a less than \$200 million dollar annual program to a \$400 million dollar annual program. That policy change from 50% Inland Waterways Trust Fund and 50% General Fund, to 15% from the Inland Waterways Trust Fund and 85% from the General Fund has led to significant progress. For example, the Olmsted Locks and Dam was dedicated and became operable in August 2018, four years ahead of the Corps' projected operation date and cost an estimated completion cost more than \$330 million below what the Corps projected in the project's Post Authorization Change Report. Not only did the cost-share change help Olmsted, but it also allowed (1) construction to proceed on three other priority navigation projects (Lower Monongahela 2,3,4, Kentucky Lock, and Chickamauga Lock, the latter two of which previously had project construction suspended due to a lack of funding), and (2) initiation of the a major rehabilitation on LaGrange Lock on the Illinois waterway.

With Olmsted soon to be in the rearview mirror, and the Lower Monongahela project expected to be funded to completion this fiscal year in the FY 2020 appropriations bill, it is time to start looking toward the next round of inland waterways modernization investments. Currently, the inland waterways system has a portfolio of more than 15 other authorized high priority inland projects awaiting construction. With Olmsted's completion and no additional policy improvements, only about \$230 million a year will be available for inland waterways project modernization. At this funding level many of these projects will not even begin construction in

the next 20 years, an unacceptable situation.

In the Water Resources Development Act of 2016, Congress changed the cost-share model for funding construction of deep draft ports with depths of 45 to 50 feet from 50% non-federal sponsor and 50% federal government, to 25% non-federal sponsor and 75% federal government in order to improve efficiency of this important work. By doing the same thing with the Inland Waterways Trust Fund – adjusting the cost-share to 25% taken from the industry derived Trust Fund and 75% from general funds - the inland navigation capital program can remain operating at or above the \$400 million level that for the most part has been achieved since the cost-share change at Olmsted, and will accelerate project delivery on the portfolio of critical inland waterways projects.

As you move forward with infrastructure legislation, I encourage you to consider this proposal to adjust the cost-share for construction of inland waterways infrastructure projects. This important change will help maintain but advance our Nation's competitiveness and keep America leading at the top. That concludes my testimony, Madam Chair. Thank you for giving me the opportunity to be here today and I will be happy to respond to any questions you or the other members have the Committee have.