



Upper
Mississippi River
Basin Association

ILLINOIS, IOWA, MINNESOTA, MISSOURI, WISCONSIN

July 2, 2010

Honorable Jo-Ellen Darcy
Assistant Secretary of the Army (Civil Works)
108 Army Pentagon
Room 3E446
Washington, D.C. 20310-0108

Dear Secretary Darcy:

I am writing in follow-up to the Upper Mississippi River Basin Association's (UMRBA's) November 24, 2009 letter concerning critical issues facing the nation's inland navigation system, and the Upper Mississippi River System (UMRS) in particular (copy enclosed). As you and others in the Administration and Congress consider the recent recommendations from the Inland Marine Transportation System Capital Investment Strategy Team (IMTS Team), UMRBA's five member states¹ are eager to share their joint perspectives on these important issues, resolution of which is critical to ensuring the inland navigation system's future vitality.

First, let me express our states' considerable and sincere appreciation for the IMTS Team's efforts. The Team's undertaking was an enormous one, and its members from industry and the U.S. Army Corps of Engineers did an admirable job addressing the complexity and urgency of the situation facing our inland navigation system. We believe the Team's recommendations merit serious and careful consideration by both the Administration and Congress. At a conceptual level, we concur with the IMTS Team that adequately capitalizing the nation's inland navigation system will almost certainly require increasing revenue to the Inland Waterways Trust Fund (IWTF), making difficult choices among priorities, and reforming the project delivery process.

Speaking more specifically to the current IWTF situation and the IMTS Team's recommendations, our five states would like to offer the following additional perspectives:

Situation is Urgent — We are gravely concerned with the IWTF's current inability to support needed navigation investment on the UMRS, including the groundbreaking Navigation and Ecosystem Sustainability Program (NESP) authorized in the 2007 Water Resources Development Act (WRDA 07). In addition, inefficient project funding levels and cost overruns have further diminished the effectiveness of the available IWTF revenue. The IMTS Team's report does an excellent job documenting the tremendous, and growing, imbalance between available resources and capital needs that is paralyzing progress today and threatening the inland navigation system's future. We urge the Administration and Congress to act as quickly as possible in reviewing the Team's recommendations; considering any reasonable alternatives or refinements; and crafting a durable, balanced solution.

¹ Formed by the Governors of Illinois, Iowa, Minnesota, Missouri, and Wisconsin in 1981, UMRBA represents its member states' common water resource interests and works collaboratively with both state and federal agencies that have management responsibilities on the Upper Mississippi River System.

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Revenue to the IWTF Must Be Increased — With both shippers and carriers backing the recommended fuel tax increase, it is clear that the IMTS Team has made a compelling case for increasing revenue into the IWTF. We are also very pleased that the Team chose an approach that addresses the revenue needs of the inland waterways as a *system*. By treating locked and unlocked waterways in the same fashion, this approach avoids distorting the *essential functioning of those waterways as an interconnected network*. Clearly, inflation, traffic levels, and tow boat fuel efficiency are all critical factors in determining whether a particular fuel tax rate is sufficient to support projected investment needs. Thus, we are not in a position to speak to the specific magnitude of the recommended increase. However, UMRBA strongly believes that the fuel tax has proven an effective, non-distorting mechanism for generating the non-federal cost share for navigation improvements. We urge you to give careful consideration to the IMTS Team's recommendations on this point.

UMRS Capital Needs Must be Elevated — UMRBA appreciates the IMTS Team's efforts to develop a balanced, realistic capital investment plan. However, the Team's plan does not do enough to meet the need for timely investment in the Upper Mississippi River System's navigation infrastructure. Legacy projects elsewhere in the country, with records of tremendous cost and schedule overruns, have depleted the IWTF and continue to dominate the early years of the Team's plan. This simply perpetuates a longstanding investment imbalance. Between 1986 and 2001, the IWTF derived approximately 40 percent of its funding from shipments transiting the UMRS. But only 15 percent of Trust Fund expenditures during that same period were for UMRS projects.

The Navigation and Ecosystem Sustainability Program authorized in WRDA 07 represents a visionary effort to integrate management of a resource Congress has designated as "a nationally significant ecosystem and a nationally significant commercial navigation system." By combining small- and large-scale navigation improvements with ecosystem restoration measures, NESP is precisely the kind of green infrastructure investment the nation needs to link transportation efficiency and environmental sustainability. But the schedule embodied in the IMTS Team's capital plan would extend NESP's new lock construction over such a long time that many of the system benefits from these improvements would be unacceptably delayed.

As the Administration and Congress consider future capital needs and investment options, it is essential to elevate the needs of the UMRS, which has received relatively little investment since enactment of the 1986 Water Resources Development Act.

Cost Sharing Options Should be Explored — As the IMTS Team acknowledges, funding its recommended \$380 million capital investment program would require increasing the fuel tax by an estimated 150 percent, assuming no modification of current cost sharing requirements. A tax increase of that magnitude might well have unacceptable impacts on inland navigation, an efficient and environmentally friendly mode of transportation that is vital to the overall integrity of the nation's multi-modal transport system. The IMTS Team also reasonably observes that many other entities benefit from the navigation infrastructure, particularly the dams, but do not contribute to the non-federal cost share. These include power plants and other industrial water users, drinking water suppliers, wastewater treatment facilities, hydropower operators, and recreational boaters. While UMRBA does not currently have a position on the IMTS Team's specific cost share recommendations, we do believe the Administration and Congress should explore these and other

options. We especially urge further consideration of the cost sharing criterion(ia) for major rehabilitation. The IMTS Team is recommending a \$100 million threshold for cost shared major rehabilitation of locks. The states believe that a functional definition, rather than a cost threshold, might be both more appropriate and more resilient over time.

Process Reforms Should be Explored — We are very pleased that the IMTS Team has recommended a series of reforms to the project delivery process, and are hopeful that the Administration and Congress will carefully consider these and other reform ideas. There can be no debate that the cost overruns and delays experienced in recent years are quite simply unacceptable. Mechanisms to incentivize efficiency, increase accountability, and ensure efficient project funding streams are all clearly needed.

In closing, let me restate our member states' sincere appreciation for the IMTS Team's efforts. The Team has done a fine job outlining long term capital investment needs, potential delivery process and cost sharing changes, and the IWTF's revenue needs. As you evaluate the Team's recommendations, we hope you will consider the state perspectives outlined above. UMRBA's member states are committed to contributing in any way possible to ongoing efforts to craft a sound solution that will merit support by the Administration, Congress, and industry.

Thank you for your time and attention to this matter. Please contact UMRBA's Executive Director, Barb Naramore (651-224-2880, bnaramore@umrba.org), if we can be of any assistance.

Sincerely,



Todd L. Ambs,
UMRBA Chair

Enclosure

cc: Terrence "Rock" Salt, Principle Deputy Assistant Secretary of the Army (Civil Works)
Steve Stockton, Director, Civil Works
Gary Loew, Chief, Civil Works Program Integration Division
Inland Waterway Users Board Members