

STATEMENT OF BROCK ADAMS, SECRETARY OF TRANSPORTATION,
BEFORE THE SENATE FINANCE COMMITTEE CONCERNING
WATERWAY USER CHARGES, FRIDAY, OCTOBER 21, 1977.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to testify on the very important issue of waterway user charges.

As you probably know, the President feels very strongly that there should be action by the Congress to enact a fair and effective system of waterway user charges. It has been clear for a long time that the beneficiaries of Federal water projects do not bear a fair share of the enormous capital and operating costs that are involved.

The major point here is that commercial users receive substantial benefits from Federal expenditures, while the full burden of those expenditures falls on the shoulders of the taxpayer. It is simply not right nor just that profit-making businesses should have this much of their costs paid by the American taxpayer.

Establishing a fair and efficient system of cost sharing is, obviously, a question of great sensitivity. Two of the most important factors that must be considered are the amount and manner in which such a charge is collected.

With respect to amount, I want to make it clear that the President's intention is not to sign any bill authorizing a new Locks and Dam 26 which does not provide for waterway user charges that will recover a substantial portion of operation and maintenance and new construction costs.

Currently, the Federal Government spends nearly \$1 billion per year in inland and coastal waterway expenses. Corps of Engineers costs for the inland waterway system alone are approximately \$490 million. None of these costs is currently recovered, and it is time that the waterway industry began to make its contribution to their payment. In this regard, we do not believe that the level of recovery provided for by the House-passed bill is adequate.

We recognize that provision should be made for phasing in new waterway user charges, and we would find acceptable a phase-in period in the range of ten years. A period of such duration should provide ample time for adjustment to the charges and should not result in any significant hardship to anyone.

Let me turn now to the question of the appropriate manner of imposing the charges. The House-passed bill would begin with a 4-cent-a-gallon fuel tax. The tax would be raised to six cents in FY 1982 and remain at that level. The bill previously passed by the

Senate calls for the establishment by regulation of fees and tolls that would be phased-in over a ten-year period. Another approach now being proposed by Senator Domenici is similar to the bill passed earlier by the Senate, but would fold in with the fees and tolls the fuel tax measure passed by the House.

As I mentioned earlier, we do not favor the House-passed fuel tax because the cost recovery level would be too low. One alternative would be to continue to increase the fuel tax rate over a five-to-ten-year period. However, if that were done, the barge traffic on high-use segments would pay a substantial cross-subsidy to traffic on less fully developed waterways. A better alternative would be to combine a moderate fuel tax with segment tolls or other types of charges. We believe that this combination would produce a more equitable sharing of system costs.

In conclusion, the Administration believes that it is no longer in the national interest to continue direct taxpayer support of commercial water transportation without an adequate system of cost sharing. Water transportation should join the air and highway modes in paying user charges for Federally provided rights-of-way.

The Administration supports the amendment proposed by Senator Domenici as an appropriate way of achieving these goals.

Mr. Chairman, that completes my prepared remarks. Now I will be happy to answer any questions you may have.