Marine Transportation Infrastructure Issues

Merritt Lane, President/CEO
Canal Barge Company
Transportation Center of Northwestern University
Business Advisory Council Meeting
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CBC Today

One of the largest & most diverse privately owned, independent marine transportation companies in the U.S.

- One of the largest inland liquid carriers for hire
- Long haul contract carrier on the inland waterways
- World-class manager of third-party marine assets
- Mid-sized dry cargo carrier
- Asphalt and chemical terminal operator with state-of-the-art facility near Joliet, IL
- 2nd largest deck barge fleet for hire
- Inland, offshore and international project carrier
Canal Barge Company, Inc.

• Built our business by forming successful long-term relationships with customers, suppliers and employees for 70+ years.
  – Founded in 1933 with one barge
  – Family-owned and professionally managed
• Concentrate on areas where specialized knowledge, equipment, focus, and people make a difference.
<table>
<thead>
<tr>
<th>People</th>
<th>390 non-union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barges</td>
<td>614</td>
</tr>
<tr>
<td>Tank barges</td>
<td>172</td>
</tr>
<tr>
<td>Deck barges</td>
<td>157</td>
</tr>
<tr>
<td>Hopper barges</td>
<td>285</td>
</tr>
<tr>
<td>Inland Towboats</td>
<td>16</td>
</tr>
</tbody>
</table>
Examples of what we transport:

- Lube oil and antifreeze to distribution centers for automotive industry;
- Chemicals to manufacturing facilities;
- Asphalt to road pavers;
- Petroleum coke for fuel sources;
- Coal to power plants;
- Limestone used as construction aggregate;
- Major components to heavy industrial manufacturers, refiners and utilities; and
- Military equipment for training.
Bulk Liquid Storage Services

• 60+ acre multimodal facility near Joliet, IL located at mile 281 on the Illinois Waterway System
  – Less than 2 miles away from Interstates 55 and 80
  – 3 rail sidings served by CSXT with rail car storage capacity

• 3rd party bulk liquid storage facilities
  – 160,000 barrels of chemical storage capacity
  – 105,000 barrels of asphalt storage capacity
  – 150,000 barrels of oil storage capacity
Tugboat, Towboat, and Barge Industry

- Largest single segment of U.S. domestic fleet
  - 4,000 tugboats & towboats
  - 27,000 dry, liquid, & general cargo barges
  - 33,000 vessel crewmembers
- Geographically & operationally diverse
America’s Navigable Waterways
Barges reduce traffic congestion in urban areas

1 Barge = 15 Rail Cars = 58 Trucks
Value of U.S. Maritime Transportation System

• Annually contributes $1+ trillion to U.S. GDP
  – 800+ millions tons of cargo each year
• 95%+ foreign commerce through U.S. seaports
• 15% of nation’s goods carried on inland waterways for 2% of freight cost (20% of domestic ton-miles)
  – 20% of U.S. coal
  – 30% of petroleum products
  – 60% of U.S. grain exports
• Water transportation is safe and environmentally effective (low congestion, fewer spills and emissions, less noise, fuel efficient)
Need for Modernization & Investment

- U.S. Department of Transportation (DOT) forecasts 60% growth in U.S. population in the next 50 years, resulting in GDP four times greater than today
  - Tremendous implications for surface transportation congestion
- DOT estimates that waterborne commerce will more than double by 2025
- Inland waterways system has substantial capacity to support growth
- Other countries are wisely investing in developing their waterways systems

Source: American Waterways Operators
Navigation Locks

• U.S. Army Corps of Engineers oversee U.S. navigation locks & dams
  – 235 total in U.S.
  – Over 150 of these on inland waterways & Gulf Coast
• Over 50% near or past 50-year design life
• Many key waterways still have 600’ lock chambers
• Federal funding not keeping up with infrastructure needs
Aging Lock Inventory*

*Includes all operational deep and shallow draft Corps and TVA navigation locks.

Dewatering and repairs of Inner Harbor Lock, New Orleans, which opened in 1923 for steamboats.
Aging Infrastructure

- Frequent closures for repairs
- Decreased performance
- Costly delays

Crumbling lock wall, Lower Mon 3, opened in 1907

Concrete deterioration at Chickamauga

Leaking miter gates, Upper Miss Lock 19
Deferral of Operations & Maintenance Costs

• Through much of 1990s, critical operations & maintenance projects were deferred on the aging waterways infrastructure

• “Fix-as-Fail” Policy
  – Led to an average of 30 unscheduled lock closures per year

• Funding for O&M flat for two decades

Source: Waterways Council, Inc.
Inland Waterway O&M Trends 1977-2003

O&M funding remains flat even as project portfolio grows and ages...

Current $ and 1996 Constant $, Fuel-Taxed Waterways Only
Aging Infrastructure

• Despite authorization of many priority new starts or rehabilitation projects, funding is “sprinkled” and “stop-gap” rather than “full and efficient”

• This results in project delays – increasing costs and deferring benefits
Years to Complete: Efficient vs. Constrained Funding*

<table>
<thead>
<tr>
<th>Project</th>
<th>Efficient Funding Years to Complete (FY04 Base)</th>
<th>Constrained Funding Additional Years to Complete</th>
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</thead>
<tbody>
<tr>
<td>Chickamauga Lock</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Kentucky Lock</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>McAlpine Lock</td>
<td>4 2</td>
<td></td>
</tr>
<tr>
<td>Lower Mon 2,3,4</td>
<td>10 7</td>
<td></td>
</tr>
<tr>
<td>Marmet Lock</td>
<td>6 5</td>
<td></td>
</tr>
<tr>
<td>Olmsted Lock &amp; Dam</td>
<td>8 5</td>
<td></td>
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</tbody>
</table>

*Efficient vs. Constrained Funding Additional Years to Complete for different projects.*
Benefits Foregone: Efficient vs. Constrained Funding

Total $6,157,000,000

- Olmsted: $3,624
- Marmet: $323
- Lower Mon 2,3,4: $1,301
- McAlpine: $418
- Kentucky: $459
- Chickamauga: $31
Inland Waterways Trust Fund

- Barge & towing industry pays $100+ million per year in fuel taxes since 1986
  - 20¢ per gallon diesel fuel tax
  - Supports construction & rehabilitation of locks & dams
- Industry pays 50% of lock replacements; U.S. government pays 50%
- Inland Waterways User Board recommends priority projects
- In recent years, government had not kept up with expenditures, and balance in Trust Fund increased

Source: American Waterways Operators
Waterways Council, Inc.

• Advocating increased funding of waterways infrastructure through Waterways Council, Inc.
• Shippers, carriers, port authorities, and other interested parties
• Advocate the benefits of waterborne transportation and the need for government investment
  – Targeted investment in priority projects at full, efficient funding levels
• For additional information, please visit www.waterwayscouncil.org
Inland Waterways Trust Fund Project Funding History

FISCAL YEAR

MILLIONS OF DOLLARS

Legend
- Administration Budget Request
- Conference Report Total

WCI Objective

WATERWAYS WORK FORMED

WCI FORMED
Inland Waterways Trust Fund
Year-End Balances 1992 - 2007

Fiscal year

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance (Millions of Dollars)</th>
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<tbody>
<tr>
<td>1992</td>
<td>186.7</td>
</tr>
<tr>
<td>1993</td>
<td>198.3</td>
</tr>
<tr>
<td>1994</td>
<td>220.2</td>
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<tr>
<td>1995</td>
<td>242.1</td>
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<tr>
<td>1996</td>
<td>280.6</td>
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<tr>
<td>1997</td>
<td>304.6</td>
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<td>1998</td>
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<td>1999</td>
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<tr>
<td>2005</td>
<td>334.7</td>
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<tr>
<td>2006</td>
<td>249.8</td>
</tr>
<tr>
<td>2007</td>
<td>179*</td>
</tr>
</tbody>
</table>
Appropriations vs. Corps Expenditures: IWTF-Supported Project Construction
Value to the Nation

• A key part of the U.S. transportation system with significant capacity to support growth.
• Essential to our nation’s economy, environment, and quality of life.
• Federal government must focus on full, efficient funding of priority projects to:
  – Modernize the waterways system
  – Manage the inland waterways as a “system”
  – Increase funding for operations and maintenance
THANK YOU!