

Federal Government Promotion of Inland Waterway Transport

U.S. Army Corps of Engineers Activities

1. Operate and Maintain the lock and dam system
2. Straighten rivers
3. Construct breakwaters
4. Dredge channels
5. Provide Navigational Aids

Benefits of Corps of Engineers Activities

1. Flood Control
2. Recreation
3. Electric Power
4. Irrigation
5. Navigation

Babcock's Study of the Impact of a Full Cost Recovery Diesel Fuel Tax on Water Carrier Market Share

1. Compute the increase in barge cost of a 100 percent cost recovery diesel fuel tax
2. Assume barge prices increase by the increase in barge costs
3. Estimate the following equation:
Barge Tonnage = $f(\text{Barge Price, Rail Price, Exports, Industrial Production})$.
4. Estimate barge tonnage without the tax
5. Estimate barge tonnage with the tax
6. Compute the difference between (4) and (5)

Result: Only 4 to 5 percent of barge tonnage would be diverted to rail transport since the demand for barge transport is price inelastic.