

**INLAND WATERWAYS USERS BOARD
21ST ANNUAL REPORT
TO THE
SECRETARY OF THE ARMY
AND THE
UNITED STATES CONGRESS
WITH APPENDICES**

MARCH 2007



Olmsted Project: New Locks Await Construction of Dam

Inland Waterways Users Board Members

Mr. William N. Whitlock, Chairman
American Commercial Lines Company
Jeffersonville, Indiana

Mr. Royce C. Wilken, Vice Chairman
American River Transportation Company
Decatur, Illinois

Mr. Jeffery E. Brehmer
Holcim (US) Inc.
Dundee, Michigan

Mr. Mark R. Buese
Kirby Corporation
Houston, Texas

Mr. Rick Calhoun
Cargill Marine and Terminal, Inc.
Minneapolis, Minnesota

Mr. Jerry Grossnickle
Bernert Barge Lines
Portland, Oregon

Mr. Charles A. Haun
Parker Towing Company, Inc.
Tuscaloosa, Alabama

Mr. Gerald Jenkins
Ursa Farmers Cooperative
Ursa, Illinois

Mr. Stephen D. Little
Crouse Corporation
Paducah, Kentucky

Mr. W. Scott Noble
Ingram Barge Company
Nashville, Tennessee

Mr. W. Deane Orr
Consolidation Coal Company
Elizabeth, Pennsylvania

Table of Contents

Inland Waterways Users Board 21 st Annual Report	1
Appendix A – Olmsted Locks and Dam: A Case Study of an Underfunded Project	9
Appendix B – Benefits Foregone	13
Appendix C – History	15
Appendix D – List of the Fuel-Taxed Inland and Intracoastal Waterways and System Map	17
Appendix E – Letter from the Board to Assistant Secretary of the Army (Civil Works) on the Administration’s Proposed User Fee	21

Inland Waterways Users Board
21st Annual Report
March 2007

The Board is generally encouraged by the progress that has been made during the past few years in the level of financial support that both the Administration and the Congress have demonstrated for capital improvements to the inland waterway system. Where Inland Waterways Trust Fund annual expenditure levels were well below \$100 million for much of the 1990's, those levels have increased significantly in recent years reflecting higher annual budget requests from the Administration and rising appropriations amounts from the Congress for lock and dam modernization. This, in turn, has led to project construction activity closer to U.S. Army Corps of Engineers capability levels for many of these important projects. We applaud this progress.

The Board notes that powerful trends are about to converge in the U.S. freight transportation system. The globalization of trade and emergence of an import economy are driving huge increases in cargo. The Federal Highway Administration projects that between 1998 and 2020 domestic freight volumes will grow by more than 65 percent, increasing from 13.5 billion tons to 22.5 billion tons. As highway congestion pushes cargo from trucks to rail, limited rail capacity will cause more bulk and intermodal cargoes to move to the water mode. A well-maintained, modernized inland waterway system will be needed to absorb this burgeoning freight. Waterways can thus help to keep freight moving, sustain a growing economy, and alleviate some of the stress on highways and rail corridors.

The Board believes that the Inland Waterways Trust Fund could be spent more effectively. Under the present system, the Corps too often is required to execute the inland waterway construction program in a very inefficient, and occasionally wasteful, manner. For projects whose funding allocations are significantly much lower than the capability amount, the Board-observed results are delays and escalating costs. Once authorized for construction, navigation projects that should be---and formerly were--- completed in six to 10 years now require more than 20 years to be completed. These delays are extremely expensive, adding 20 to 40 percent to or even doubling a project's cost (see example of Olmsted in Appendix A.). In the Olmsted Locks and Dam case on the Ohio River, the failure to construct the project according to the original timetable has also resulted in the need for significant rehabilitation of Locks 52 and 53 (which are to be replaced by the new project) to prevent possible catastrophic failure. The associated necessary lock closures for these repairs has forced shipping delays with staggering financial cost to the shipping community.

Chronic under funding of projects, and the consequent stretching out of the construction schedules, also postpones the benefits of the operating efficiencies that a completed project delivers (see Benefits Foregone table in Appendix B).

The Board acknowledges and appreciates that the Administration's FY 2008 budget request proposed the highest level of funding ever included in any President's Budget for Corps of Engineers water resources projects and programs, \$4.8 billion. This increased funding will

enable more Inland Waterways Trust Fund projects to move ahead at full capability. The Board feels strongly, however, that rather than just seek higher funding levels, the time has come to begin to examine what, if any, structural changes are needed to improve program performance and project delivery results.

One particularly significant structural change that should occur, in the Board's opinion, is the "regularization" of project funding through the annual Congressional appropriations process. When Congress fails to complete the annual Corps-funding legislation prior to the start of the fiscal year and, therefore, must provide temporary funding through one or more Continuing Resolutions, it wreaks havoc on program scheduling and performance. Rather than following a practical engineering-based timeline, project managers are required to schedule construction activity and milestones that conform to short-term appropriations, sometimes for periods of only a few weeks or months. Under these circumstances, contractors are unable to plan for efficient construction sequences. Construction projects are sometimes shut down only to be re-started during the next fiscal period. Work is suspended, workers are laid off, construction is delayed. These artificial punctuations in construction scheduling can dramatically increase both the cost of a project and its time to completion. Private sector market forces never would allow large capital construction projects to be executed on the piecemeal basis that the Corps must pursue under these circumstances. The Board requests that Congress consider action to rectify this situation and provide predictable multi-year funding for these projects.

Therefore, in addition to the usual recommendations presented in Table 1 on which priority projects Inland Waterways Trust Fund monies should be spent, many of the Board's recommendations this year address changes in funding policies and procedures.

The Inland Waterways Users Board respectfully recommends the following:

1. Congress and the Administration should act to put in place a process which encourages award of multi-year construction contracts. Contracts should allow for completion of significant project segments.
2. The Civil Works Program of the U.S. Army Corps of Engineers should be restructured to emulate the MILCON construction management process. The Military Construction Program has functioned efficiently and with significant cost savings benefits.
3. Congress and the Administration should provide full capability funding in FY 2008 and beyond (i.e. to completion) for Inland Waterways Trust Fund projects.
4. Congress and the Administration should direct appropriated funds to the priority projects listed in Table 1, rather than divert scarce financial resources to other authorized projects.
5. Congress should strive to complete budget action by October 1 each fiscal year.

6. Congress and the Administration should undertake an investigation to determine the feasibility of Inland Waterways Trust Fund revenues being used to issue bonds so projects can be fully funded at the 50/50 cost share basis without increasing taxes.
7. Cost sharing for the Lockport Pool Major Rehabilitation project should reflect the multi-purpose nature of the Illinois Waterway, especially flood control and waste removal for the city of Chicago.
8. Congress and the Administration should conduct an investigation to determine why there seems to be a significant drop in Inland Waterways Trust Fund receipts from FY 2005 to FY 2006. An informal survey by Inland Waterways Users Board members suggests that 76% of the credited receipts for FY 2006 were paid by 16 companies who were showing a year-over-year increase of 1%, rather than an overall decline of 11.5%.
9. Congress and the Administration should require that project managers be fully accountable for scheduling, cost control, and expenditures of appropriated funds.
10. Congress and the Administration should appropriate sufficient funds to provide for operation and maintenance of the inland waterway system and preclude catastrophic system failure as has been experienced in recent years.
11. Congress and the Administration should direct the Corps of Engineers to develop a new contingency plan for emergency response to catastrophic failures of the inland waterway system, including a rigorous inspection program.
12. Congress and the Administration should require that payments for waterway system damages that are now paid to the Treasury's general fund be credited to the U.S. Army Corps of Engineers civil works accounts.

Table 1. Inland Waterways Users Board Priority Projects

Name	Full Efficient Funding FY 2008 (\$million)	States Directly Impacted	Economic Impact To Each State
CAPSTONE ACTIVITIES (1)			
Lock and Dam No. 19, Mississippi River, IA (Major Rehab)	\$0.7	LA, IA, IL, MN, WI, MO, KY, AL, TN, AR, PA, TX, OH, MS, OK, WV, AR	36 million tons, at least 16 states
Locks and Dam No. 27, Mississippi River, Illinois (Major Rehab)	\$13.5	LA, MO, IL, IA, MN, WI, KY, AL, TN, TX, WV, IN, PA, OH, MS, AR, OK, KS, NE	85 million tons, at least 19 states
McAlpine Locks and Dam, Kentucky and Indiana (Const)	\$45.0	LA, KY, OH, WV, IL, IN, PA, TN, MO, AR, TX, MS, AL, FL, IA, OK, MN, WI	55 million tons, valued at \$12 billion serving 18 states
Olmsted Locks and Dam, Illinois and Kentucky (Const)	\$104.0	LA, KY, OH, WV, IL, IN, PA, TN, MO, AR, TX, MS, AL, FL, IA, OK, MN, WI, KS, NE	97 million tons, valued at \$20 billion serving 20 states
Lock and Dam No. 3, Mississippi River, Minnesota (Major Rehab)	\$24.0	MN, LA, IL, WI, TN, MO, IA, KY, WV, TX, IN, MS, AR, AL	11.5 million tons, at least 14 states
HIGH PRIORITY CONSTRUCTION AND MAJOR REHABILITATION PROJECTS (2)			
Monongahela River Locks and Dams 2, 3, and 4, Pennsylvania (Const)	\$70.3	PA, WV, OH, KY, IN, IL, MO, TN, LA, AR, MS, AL, TX, OK, IA	22 million tons valued at \$1.6 billion serving 15 states
Marmet Locks and Dam, West Virginia (Const)	\$25.0	WV, OH, KY, LA, PA, IN, IL, TN, MO, IA, MN, OK, AL, FL	17 million tons valued over \$800 million serving 14 states
Kentucky Locks and Dam, Kentucky (Const)	\$57.3	TN, KY, IL, LA, WV, PA, IN, OH, MO, AL, MS, AR, IA, TX, MN, WI, OK, FL, NE, KS	35 million tons valued at \$6.2 billion serving 20 states

Name	Full Efficient Funding FY 2008 (\$million)	States Directly Impacted	Economic Impact To Each State	
Lock and Dam No. 11, Mississippi River, Iowa and Wisconsin (Major Rehab)	\$9.4	MN, LA, IL, WI, TN, MO, IA, KY, WV, TX, IN, MS, AR, AL	22.5 million tons, at least 14 states	
Markland Locks and Dam, Kentucky (Major Rehab)	\$17.0	KY		
Emsworth Locks and Dam, Ohio River, Pennsylvania Dam Safety Static Instability) (Major Rehab)	\$43.0	PA		
Lockport Pool, Illinois Waterway (Dam Safety) (Major Rehab)	\$20.5	IL		
Inner Harbor Navigation Canal Lock, Louisiana (Const)	\$19.5	LA, MS, AL, FL, TX, AR, TN, MO, KY, IL, IN, OH, WV, PA, IA, MN	17 million tons valued over \$6.6 billion for 16 states	
Chickamauga Lock and Dam, Tennessee River, Tennessee (Constr)	\$35.2	TN, KY, AL, IN, WV, PA, LA, AR, TX, MO, IL, OK	2 million tons valued at \$562 million serving 12 states	
John T. Myers Locks and Dam, Ohio River, Indiana and Kentucky (Constr)	\$10.5 (for CG)	TN, KY, IL, LA, WV, PA, IN, OH, MO, AL, MS, AR, IA, TX, MN, WI, OK, FL	70 million tons valued at \$14 billion serving 18 states	
PRIORITY	P R I O R I T Y P E D P R O J E C T S A N D S T U D I E S (3)			
1	Upper Mississippi River and Illinois Waterway Navigation, Illinois, Iowa, Minnesota, Missouri, and Wisconsin (PED)	\$24.0 (PED)	LA, MO, IL, IA, MN, WI, KY, AL, TN, TX, WV, IN, PA, OH, MS, AR, KS, NE	134 million tons valued at \$23 billion serving 18 states
2	Greenup Locks and Dam, Ohio River, Kentucky and Ohio (PED)	\$0.3 (PED) (\$12.1 if CG New Start)	TN, KY, IL, LA, WV, PA, IN, OH, MO, AL, MS, AR, IA, TX, MN, WI, OK, FL	67 million tons valued at \$9.6 billion serving 18 states

Name		Full Efficient Funding FY 2008 (\$million)	States Directly Impacted	Economic Impact To Each State
3	Bayou Sorrel Lock, Intracoastal Waterway (PED)	\$1.4	TX, LA, MS, AR, OK, TN, KY, MO, IL, IN, OH, WV, PA, IA, MN	22.2 million tons serving at least 15 states
4	Calcasieu Lock, Intracoastal Waterway, Louisiana (Study)	\$0.8	TX, LA, MS, AL, FL, AR, OK, TN, KY, MO, IL, IN, OH, WV, PA, IA, MN	40 million tons serving at least 17 states
5	Gulf Intracoastal Waterway (GIWW), Texas (PED)	\$0.9	TX, LA, MS, AL, FL, AR, OK, TN, KY, MO, IL, IN, OH, WV, PA, IA, MN	65 million tons valued at \$38 billion serving 17 states
6	Lower Monumental Lock Study, Lower Snake River, Washington (Study)	\$0.5	WA, OR, ID, MT, ND	3.8 million tons annually valued at \$500 million serving 5 states
7	John Day Lock and Dam, Columbia River, OR and WA (Dam Safety) (Study)	\$1.1	OR, WA	
8	Upper Ohio River Navigation, PA (Study)	\$4.2	PA	
COMPLETE EXPEDITIOUSLY (4)				
	Lock and Dam No. 24, Mississippi River, Illinois and Iowa (Major Rehab)	\$3.9	LA, IA, IL, MN, WI, IN, MO, KY, AL, TN, AR, PA, TX, OH, MS, OK, WV, NE	39 million tons, at least 18 states
	Grays Landing Lock and Dam, Monongahela River	\$0.6	PA, WV	
	Point Marion Lock and Dam, Monongahela River	\$0.2	PA, WV	
	Robert C. Byrd Locks and Dam	\$1.0	WV, OH	
	Winfield Locks and Dam, Kanawha River	\$3.5	WV	
Total for All Projects		\$537.3		

- (1) **CAPSTONE PROJECTS:** The Board strongly urges the Administration and Congress to support completion of the listed top priority Capstone Activities. The Board considers these Capstone Activities to be most urgent and of equal importance and recommends that all be funded at the Full Efficient Funding level for FY 2008, as outlined in Table 1. These projects are all critical to the physical integrity and economic viability of the inland waterway system.
- (2) **HIGH PRIORITY PROJECTS:** The Board urges Congress to continue to fund these ongoing construction and major rehabilitation projects at a full efficient funding level. This is critical to avoid further cost increases and the delayed realization of economic benefits resulting from inefficient construction. The Board attaches equal priority to all of these high priority projects, each of which will provide significant economic benefits and help restore reliability to the system.
- (3) **PRIORITY PED PROJECTS AND STUDIES:** The Board urges Congress to fund the priority Preconstruction Engineering and Design or PED projects and studies at the full efficient funding level. The PED projects and studies have been identified and ranked in Table 1. Timely completion of PED efforts and ongoing feasibility studies is essential to continued modernization of aging inland waterway infrastructure on a programmatic basis.
- (4) **COMPLETE EXPEDITIOUSLY:** The Board urges adequate funding to complete construction activities at these “legacy” Trust Fund projects. These projects need to reach a near-term conclusion point regarding their construction elements and then proceed appropriately under the O&M program.

Acknowledgements

The Inland Waterways Users Board wishes to express its sincere appreciation to Major General Don T. Riley, the U.S. Army Corps of Engineers Director of Civil Works and Executive Director to the Board, Mr. Mark R. Pointon from the Corps Directorate of Civil Works, the Executive Secretary to the Board, and Ms. Anne Sudar and Mr. David V. Grier from the Corps Institute for Water Resources for all the support they provide. Also, the Corps’ division and district staffs and the staffs at Corps Headquarters and the Institute for Water Resources have provided thorough and timely information for the Board's use and have always tried to best answer the Board’s tough questions.

Appendix A - Olmsted Locks and Dam: A Case Study of an Underfunded Project

The Olmsted Locks and Dam project was authorized in 1988. Based on the selected plan (Plan E) in the Feasibility Report, Congress authorized the Olmsted project at \$775 million, and construction time was estimated to be 7 years. At the present time, 2007, construction has been underway for 14 years, and another 7 years will be needed to complete the project, for a total of 21 years of construction. This is three times the original estimate. As the construction schedule dragged out, costs have escalated as well. The most recent total estimated cost of the project is \$1.535 billion, more than double the original cost estimate.

The funding history of Olmsted Locks and Dam is shown in Figure 1 below. Blue bars show capability amounts, which are the funds that engineers need in order to proceed on an efficient construction schedule. The appropriated funds are shown in burgundy bars. One can see that the project was funded at capability for the first few years. There was a shortfall in 1996, but it was made up in 1997, and in 1998 the appropriated funds were equal to the capability amount.

Chronic underfunding began in 1999, and has continued to the present. Each year the appropriated funds fall significantly short of the amount needed.

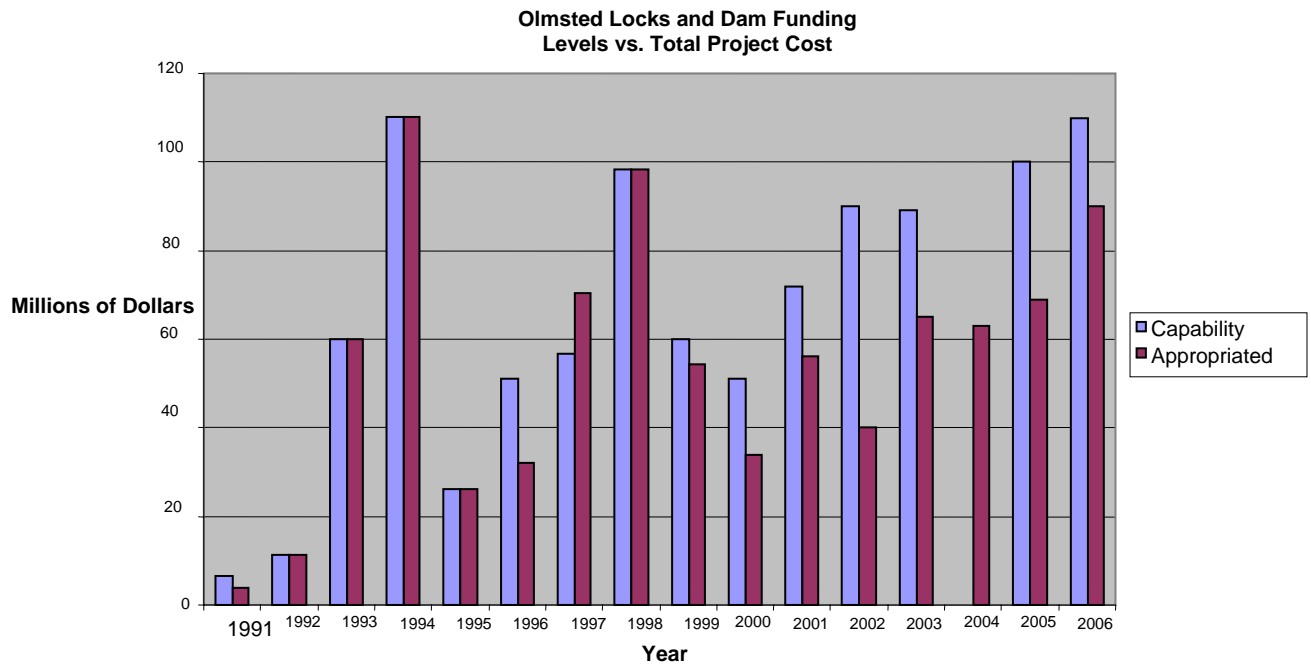


Figure 1. Funding History of Olmsted Locks and Dam

In Figure 2, the bars show appropriated funds as a percentage of the capability numbers. Superimposed is a line showing how the total estimated project cost has changed. Note the sharp increase in project cost following several consecutive years of underfunding.

Olmsted Locks and Dam Funding Levels vs. Total Project

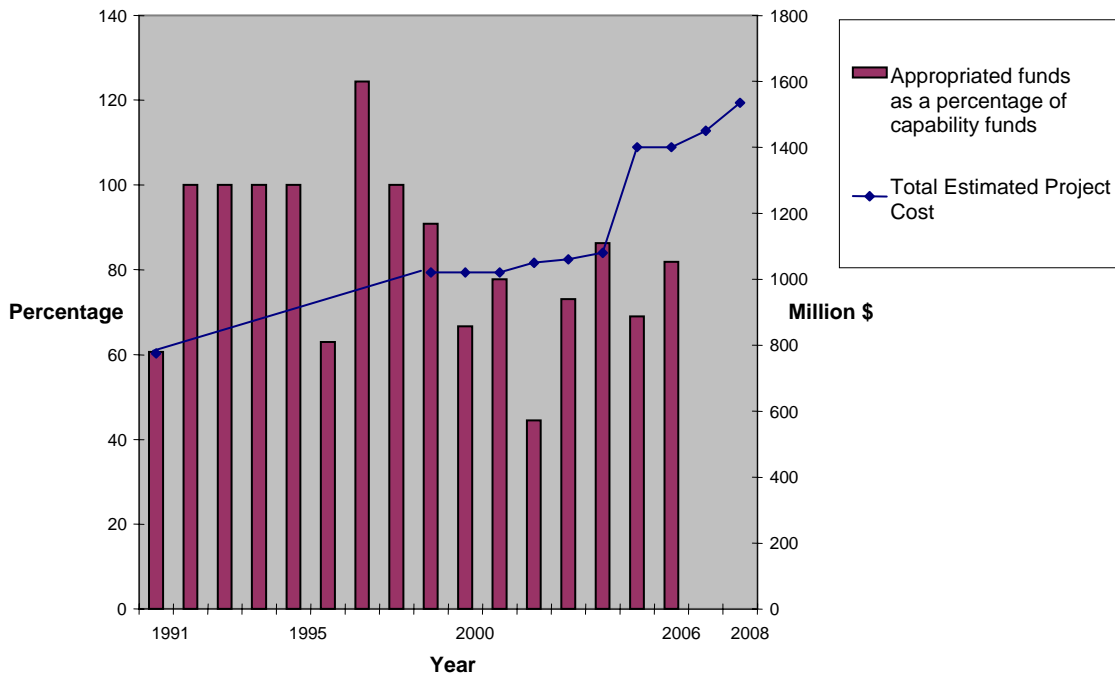


Figure 2. Olmsted Locks and Dam Funding Level vs. Total Project Cost

To further delve into this issue, the Board posed the following question to the Olmsted Project Manager, Larry Bibelhauser, “If funding had not been a constraint, how fast could the Olmsted project have been constructed, and how much money could have been saved?” The following is his response.

“I have assumed that funding did not constrain the access road, resident engineer's office, lock cofferdam or the lock construction. Thus the first contract I believe was delayed was the approach walls. This contract could have been awarded two years earlier had sufficient funding been available and approximately \$3.3M saved in escalation.

This would have allowed us to award the dam contract two years earlier and saved \$64.6M in escalation. The bidders were not constrained by funding with their initial proposal. The successful bidder proposed to build the dam in six years. The COE determined we could not meet the funding stream required to construct the dam in six years and thus told the bidders they were constrained to \$17.5M the first year and \$80M per year thereafter and to plan accordingly. This increased the cost \$18.2M and added one year to the completion date. We made the award and then were not able to meet the first two years funding as stated in the RFP. This funding shortage increased the estimate to complete by \$53.4M.

The above delays to the dam award pushed the contractor into a time frame that experienced significant increases in market conditions (war, fuel prices, hurricanes, steel, cement, etc). The contractor was trying to mobilize the necessary equipment to construct the dam during a time when it was difficult to find barges and cranes. Thus these items cost significantly more and these increases might have been avoided if the contract was awarded earlier and not delayed by funding. I estimate that the mobilization cost increased \$49M as a result. We have had nearly \$200M in other changes to this contract, and when these are added into the equation we will have to extend the completion an additional year at a cost of approximately \$25M.

In addition to the direct contract cost, our staff will be involved all of these additional years and this would add approximately \$16M. In all I feel that funding shortages will cost Olmsted five years and in excess of \$229.5M over the life of the project. “ Larry Bibelhauser, Project Manager for Olmsted Locks and Dam

To place this in perspective, \$229.5 million is approximately the cost of a new 1200 foot lock on the Upper Mississippi River.

Appendix B – Benefits Foregone

Inland Waterway New Construction Projects

Benefits Foregone Attributable to Constrained Project Schedules, Adjusted for FY 2008 Budget Request

Project	Initial Optimum Schedule Completion Date	FY 08 Capability Schedule Completion Date	FY 08 Constrained Schedule Completion Date	Average Annual Benefits (1) (Million FY 06 \$)	Schedule Change Initial Optimum vs FY 08 Capability Sched. (Years)	Estimated Benefits Not Recoverable (Million FY 06 \$)	Schedule Change FY 08 Capability vs FY 08 Constrained Sched. (Years)	Estimated Benefits Foregone (Million FY 06 \$)	Total Benefits Foregone w/ FY 08 Constrained Sched. (Million FY 06 \$)
Lower Mon 2-4	2004	2012	2012	\$174	8	\$1,110	0	\$ -	\$1,110
Marmet	2007	2009	2009	\$79	2	\$124	0	\$ -	\$124
Olmsted	2006	2014	2015	\$743	8	\$4,527	1	\$ -	\$4,527
McAlpine	2002	2009	2009	\$56	7	\$313	0	\$ -	\$313
Kentucky	2008	2015	2019	\$71	7	\$311	4	\$122	\$433
Inner Harbor	2009	2015	2022	\$110	6	\$483	7	\$548	\$1,031
Greenup	2008	2014	2021	\$28	6	\$108	7	\$81	\$189
Myers	2008	2014	2023	\$19	6	\$74	9	\$67	\$141
Chickamauga	2010	2012	2012	\$2	2	\$3	0	\$9	\$11
TOTAL					52	\$7,052	28	\$827	\$7,878

(1) Average Annual Benefits based on FY 2008 Pres Budget

(2) Benefits foregone estimated from net present value of benefits discounted at 7% in each year of delay, based on 50-year project life, and adjusted to FY 2006 base year.

Appendix C - History

The Inland Waterways Fuel Tax was established to support inland waterway infrastructure development and rehabilitation. Commercial users are required to pay this tax on fuel consumed in inland waterway transportation. Revenues from the tax are deposited in the Inland Waterways Trust Fund and fund 50% of the cost of inland navigation projects each year as authorized. The amount of tax paid by commercial users is \$.20 per gallon of fuel. This tax rate generates approximately \$100 million in contributions annually to the Inland Waterways Trust Fund.

Reflecting the concept of “Users Pay, Users Say”, the Water Resources Development Act of 1986 (Public Law 99-662) (“WRDA ‘86”) established the Inland Waterways Users Board (the “Board”), a federal advisory committee, to give commercial users a strong voice in the investment decision-making they were supporting with their cost-sharing tax payments. The principal responsibility of the Board is to recommend to the Congress, the Secretary of the Army and the U.S. Army Corps of Engineers the prioritization of new and replacement inland navigation construction and major rehabilitation projects.

Appendix D – List of the Fuel Taxed Inland and Intracoastal Waterways and System Map

Statutory Definitions of Inland and Intracoastal Fuel Taxed Waterways of the United States

SOURCES: Public Law 95-502, October 21, 1978, and Public Law 99-662, November 17, 1986.

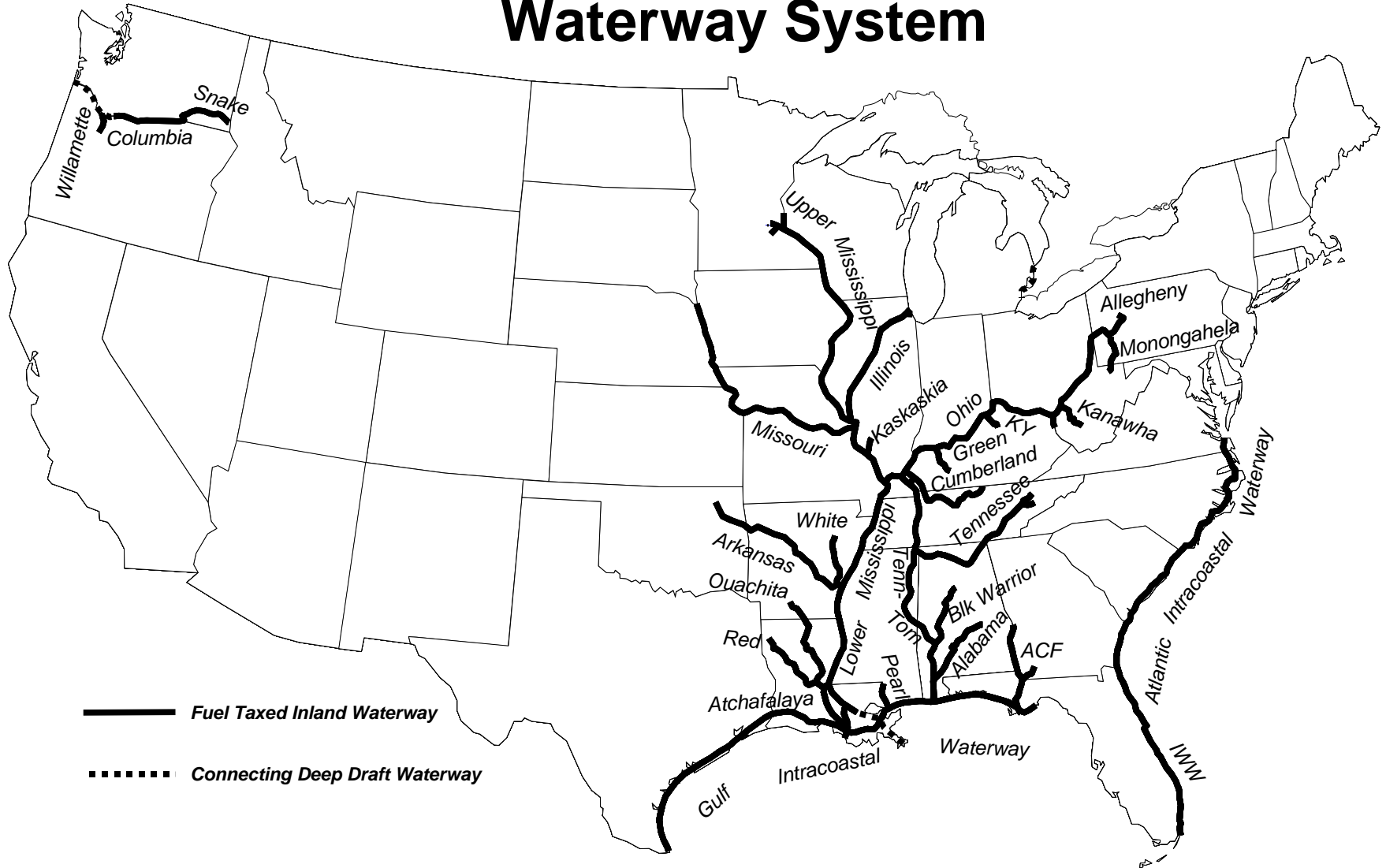
1. Alabama-Coosa Rivers: From junction with the Tombigbee River at river mile (hereinafter referred to as RM) 0 to junction with Coosa River at RM 314.
2. Allegheny River: From confluence with the Monongahela River to form the Ohio River at RM 0 to the head of the existing project at East Brady, Pennsylvania, RM 72.
3. Apalachicola-Chattahoochee and Flint Rivers (ACF): Apalachicola River from mouth at Apalachicola Bay (intersection with the Gulf Intracoastal Waterway) RM 0 to junction with Chattahoochee and Flint Rivers at RM 107.8. Chattahoochee River from junction with Apalachicola and Flint Rivers at RM 0 to Columbus, Georgia at RM 155 and Flint River, from junction with Apalachicola and Chattahoochee Rivers at RM 0 to Bainbridge, Georgia, at RM 28.
4. Arkansas River (McClellan-Kerr Arkansas River Navigation System): From junction with Mississippi River at RM 0 to Port of Catoosa, Oklahoma, at RM 448.2.
5. Atchafalaya River: From RM 0 at its intersection with the Gulf Intracoastal Waterway at Morgan City, Louisiana, upstream to junction with Red River at RM 116.8.
6. Atlantic Intracoastal Waterway: Two inland waterway routes approximately paralleling the Atlantic coast between Norfolk, Virginia, and Miami, Florida, for 1,192 miles via both the Albemarle and Chesapeake Canal and Great Dismal Swamp Canal routes.
7. Black Warrior-Tombigbee-Mobile Rivers: Black Warrior River System from RM 2.9, Mobile River (at Chickasaw Creek) to confluence with Tombigbee River at RM 45. Tombigbee River (to Demopolis at RM 215.4) to port of Birmingham, RM's 374-411 and upstream to head of navigation on Mulberry Fork (RM 429.6), Locust Fork (RM 407.8), and Sipsey Fork (RM 430.4).
8. Columbia River (Columbia-Snake Rivers Inland Waterways): From the Dalles at RM 191.5 to Pasco, Washington (McNary Pool), at RM 330, Snake River from RM 0 at the mouth to RM 231.5 at Johnson Bar Landing, Idaho

9. Cumberland River: Junction with Ohio River at RM 0 to head of navigation, upstream to Carthage, Tennessee, at RM 313.5.
10. Green and Barren Rivers: Green River from junction with the Ohio River at RM 0 to head of navigation at RM 149.1.
11. Gulf Intracoastal Waterway: From St. Mark's River, Florida, to Brownsville, Texas, 1,134.5 miles.
12. Illinois Waterway (Calumet-Sag Channel): From the junction of the Illinois River with the Mississippi River RM 0 to Chicago Harbor at Lake Michigan, approximately RM 350.
13. Kanawha River: From junction with Ohio River at RM 0 to RM 90.6 at Deepwater, West Virginia.
14. Kaskaskia River: From junction with Mississippi River at RM 0 to RM 36.2 at Fayetteville, Illinois.
15. Kentucky River: From junction with Ohio River at RM 0 to confluence of Middle and North Forks at RM 258.6.
16. Lower Mississippi River: From Baton Rouge, Louisiana, RM 233.9 to Cairo, Illinois, RM 953.8.
17. Upper Mississippi River: From Cairo, Illinois, RM 953.8 to Minneapolis, Minnesota, RM 1,811.4.
18. Missouri River: From junction with Mississippi River at RM 0 to Sioux City, Iowa, at RM 734.8.
19. Monongahela River: From junction with Allegheny River to form the Ohio River at RM 0 to junction of the Tygart and West Fork Rivers, Fairmont, West Virginia, at RM 128.7.
20. Ohio River: From junction with the Mississippi River at RM 0 to junction of the Allegheny and Monongahela Rivers at Pittsburgh, Pennsylvania, at RM 981.
21. Ouachita-Black Rivers: From the mouth of the Black River at its junction with the Red River at RM 0 to RM 351 at Camden, Arkansas.
22. Pearl River: From junction of West Pearl River with the Rigolets at RM 0 to Bogalusa, Louisiana, RM 58.
23. Red River: From RM 0 to the mouth of Cypress Bayou at RM 236.
24. Tennessee River: From junction with Ohio River at RM 0 to confluence with Holstein and French Rivers at RM 652.
25. White River: From RM 9.8 to RM 255 at Newport, Arkansas.

26. Willamette River: From RM 21 upstream of Portland, Oregon, to Harrisburg, Oregon, at RM 194.

27. Tennessee-Tombigbee Waterway: From its confluence with the Tennessee River to the Warrior River at Demopolis, Tennessee

The Fuel-Taxed Inland and Intracoastal Waterway System



Appendix E – Letter from the Board to Assistant Secretary of the Army (Civil Works) on the Administration’s Proposed User Fee



INLAND WATERWAYS USERS BOARD

Washington, D.C. 20314-1000 (CECW-P)

March 27, 2007

The Honorable John Paul Woodley, Jr.
Assistant Secretary of the Army (Civil Works)
108 Army Pentagon, Room 3E446
Washington, DC 20310-0103

Dear Secretary Woodley:

Thank you for joining us at the 54th meeting of the Inland Waterways Users Board two weeks ago in New Orleans. We very much appreciate your consistent attendance at our meetings.

One of the most important parts of the board meeting was your presentation on the Administration's new user fee proposal. We anticipated with great interest hearing your thoughts on the basis for this new user fee and your suggestions about how the Users Board could engage the Administration in considering a wide range of options for dealing with the declining balance in the Inland Waterways Trust Fund. As you could tell from our commentary at last week's meeting, each and every member of the Users Board is extremely concerned about this new proposal. Many of us are even more concerned that it was developed without any consultation with the Users Board and unveiled in the President's budget as an unexpected and quite unpleasant surprise.

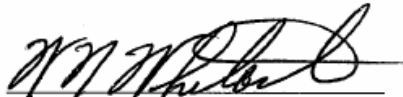
We had hoped that we would hear in your presentation last week a willingness on the part of the Administration to not proceed further with the development of a legislative proposal for this new user fee until meaningful consultation took place with the Users Board on the whole range of options for dealing with the declining balance in the Inland Waterways Trust Fund. We had also hoped that we would hear in your remarks an acknowledgement that part of the reason for the declining balance in the trust fund is the inefficient contracting and spending procedures utilized by the Corps for new construction and major rehabilitation projects and a commitment on your part to resolve these matters before the government seeks increased revenue from the industry. We were disappointed that your presentation contained neither of those commitments.

We are sending this letter to ensure that you fully appreciate our grave concern with the manner in which this user fee proposal was developed and with the direction the Administration is taking in proceeding to prematurely send it to the Congress. We also want to ensure that you understand clearly that you do so without the support or endorsement of the Inland Waterways Users Board.

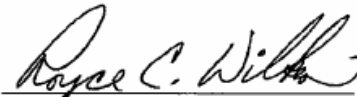
The carriers and the shippers who make up the inland waterways transportation industry have fully and efficiently paid more than \$1.6 billion in users taxes since its inception more than 20 years ago. Unfortunately, the Corps of Engineers has not spent those taxes and the matching general treasury funds with the same level of efficiency. It is therefore, at the very least, premature for the Administration to seek additional taxes from the industry until such time as we have corrected the inefficient spending and contracting practices of the Corps. Until that is done, you should expect the inland waterways transportation industry to strongly oppose any increase in the revenue we send to the federal government to cover our share of new construction and major rehabilitation projects.

We hope you will reconsider your plan of action regarding this unwise user fee proposal and engage the Users Board and the leadership of the inland waterways industry in a broad consideration of all the options available for dealing with the declining balance in the Inland Waterways Trust Fund.

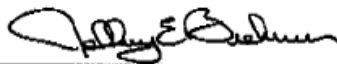
Sincerely,



Chairman
W.N. Whitlock
Senior Vice President – Governmental Affairs
American Commercial Lines LLC
Jeffersonville, IN



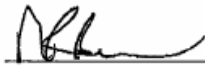
Vice Chairman
Royce C. Wilken
President
American River Transportation Company
Decatur, IL



Jeffery E. Brehmer
General Manager of Logistics Operations
Holcim (US) Inc.
Dundee, MI



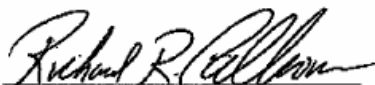
Gerald Jenkins
General Manager
Ursa Farmers Cooperative
Ursa, IL



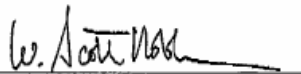
Mark R. Buese
Senior Vice President
Kirby Corporation
Houston, TX



Stephen D. Little
President
Crouse Corporation
Paducah, KY



Rick Calhoun
President
Cargill Marine and Terminal, Inc.
Minneapolis, MN



W. Scott Noble
Senior Vice President
Ingram Barge Company
Nashville, TN



Jerry Grossnickle
Chief Financial Officer
Bernert Barge Lines
Portland, OR



W. Deane Orr
General Manager, River Division
Consolidation Coal Company
Elizabeth, PA



Charles A. Haun
Executive Vice President
Parker Towing Company, Inc.
Tuscaloosa, AL

cc: Major General Don T. Riley
Executive Director
Inland Waterways Users Board