INLAND WATERWAYS USERS BOARD
22nd ANNUAL REPORT
TO THE
SECRETARY OF THE ARMY
AND THE
UNITED STATES CONGRESS
WITH APPENDICES

MAY 2008

McAlpine Locks and Dam Construction Project

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Table of Contents

Inland Waterways Users Board
22nd Annual Report
May 2008

The Inland Waterways Users Board (the Board) believes that our nation's model for delivering capital waterway infrastructure projects is broken and in urgent need of repair. For too many years, Congressional appropriations towards construction projects were not anywhere near the U.S. Army Corps of Engineers' stated full and efficient funding levels. During most of the 1990's, the steady growth in the Inland Waterways Trust Fund surplus provided evidence of this problem. In the past few years, Board reports have been generally encouraging that funds were being spent in a more rapid fashion, but despite this increased spending the nation's highest priority projects failed to move forward toward completion at a corresponding accelerated rate. In fact, even the industry's highest priority projects are now expected to take 20 years or more to complete. As a result there is diminishing support for the current Trust Fund cost sharing model or the projects to be funded through it since no benefits will be realized by current system users (and the payers of the fuel tax going into the Trust Fund) until far into the future. The Board can think of no other sector of the private or public sectors where a 20 year cycle for project construction would be tolerated or funded. And especially so for projects that are simply the replacements for locks and dams that were engineered and implemented more than 50 years ago.

This annual report will underscore the results of this broken "project delivery model." The report will provide insight into the process of the past and what will occur within the next two years – the full draw down of the balance of the Inland Waterways Trust Fund.

The need to maintain and modernize our world class freight infrastructure system in the United States has been widely reported and substantiated. Domestic freight volumes continue to grow and are projected to increase 20% by 2020. As traffic is pushed from mode to mode at a higher cost to the consumer, the overcrowding and under capacity that already exists for certain modes of transportation will become much worse. Our nation's need for increased transportation capacity in the future could and will be pushed to the last mode with the ability to handle the growth—the inland waterways of the United States.

It is also widely reported and substantiated that our nation's waterway infrastructure in many areas is deteriorating beyond repair and needs to be replaced. The majority of locks are over 50 years old and many locks are over 70 years old, and have outlived their original engineered life. This deterioration, along with the increased demand for freight, necessitates massive construction and major rehabilitation projects on our inland waterways. Many of these "Capstone Projects" and other projects are prioritized later in this report. We encourage you to review the lists to better understand what priority work has already been accomplished and to understand our recommended priorities regarding advancement of these infrastructure projects.

The Congressional appropriations model and its relationship to the broken project delivery model have been discussed in past Board reports, but deserve to be revisited here. Enormous project cost overruns and a seriously delayed construction pace have placed undue strain on the funding

capability of the Trust Fund. This inefficient pace of project construction results, at least in part, from a Congressional appropriations model focused on funding projects in one-year slices rather than providing reliable multi-year funding streams tailored to each project's unique construction profile. Full and efficient complete project funding would almost always cover more than one appropriations year. This annual appropriations model forces contracting in herk and jerk segments as planners, engineers and contractors are unsure how much of a project can be completed relative to the funds available.

Delays such as these also create much greater risk of projects experiencing large increases in materials and component costs over time. Although cost increases were relatively benign over most of the past 15 years, in the last three years significant increases have occurred in the cost of materials and components for construction (up 24%), steel mill products (up 65%), concrete and fuels costs (up 108%), construction machinery and equipment (up 16%), lumber (up 24%) (from Bureau of Labor Statistics). Had the projects that have experienced these increases been completed within their original project timelines, these cost increases would have been avoided. This situation is wasteful and has costs escalating out of control—e.g., more than $1 billion overrun and going higher on the Olmsted Locks and Dam project alone.

In the not too distant past, locks and dams were built on budget and on time. For example, the seven lock and dam modernization projects that were authorized in the Water Resources Development Act of 1986 (WRDA '86) were started and completed (the locks were operational) within an average of 6.3 years and at an average cost increase of 32.5% from the original authorization amount.

In contrast, for five projects authorized after WRDA '86 and currently under construction today, only one, Marmet Locks and Dam, has seen its modernized lock become operational after 10 years; and the average anticipated project timeline for all five projects is currently 17 years.

Even more concerning, the estimated average cost increase for such projects, compared to the construction cost originally authorized by Congress, is currently anticipated to be 110.5% greater than the original price tag. This represents a total dollar increase of over $2 billion for such projects, half of which has or will be paid by the inland navigation industry as a result of cost sharing under current law.

As a result, the Inland Waterways Trust Fund is now in danger of running out of funds, and the Administration has called for imposition of a new "lockage fee" (which is just another way to say "tax") to generate higher revenues that would have very negative implications for inland navigation and the shippers of agricultural, industrial, petrochemical, and construction products so important to our nation's economic viability.

Going forward, the Board is convinced that better ways must be found to plan, fund and construct our priority inland navigation projects, and that improvements in the project delivery model need to occur before we consider increasing taxes or fees in any form on the inland navigation industry. As illustrated by the more efficient construction of the early WRDA '86 projects, the U.S. Army Corps of Engineers (the Corps) appears to have the planning and construction capability if the right project delivery model is in place with respect to a project.

We encourage you to read through the appendixes and tables supplied in this report. The table included as Appendix B underscores the benefits foregone by the delay of projects. Unfortunately as projects languish, the benefits foregone for not having use of the completed project continue to escalate. These benefits foregone are not considered acceptable by the tax paying stakeholders of the inland navigation system.

The Board sent a letter in March 2007, as detailed in last years report, to the Assistant Secretary of the Army for Civil Works, exhorting him to perform more extensive discovery regarding issues surrounding the Trust Fund. In response to this request, and to the Secretary's credit, a workshop was held in Washington, D. C. in June 2007. Certain take-home tasks were assigned to the working group. The Corps agreed to evaluate, compare and report back on one of the projects currently under construction that was proceeding relatively well from a cost and schedule perspective, such as Marmet Locks and Dam and one or more projects not proceeding well, such as Olmsted Locks and Dam, in order to identify actions that could be taken programmatically to improve project delivery performance. All participants agreed that conducting this review would provide the basis for improving the working model for achieving sound fiscal construction. Indications were that the report would be released to the Board shortly after our November 2007 meeting in Quincy, Illinois. To date, March 2008, the report has not been released.

The June 2007 meeting also was attended by a Treasury Department representative. A request was made to reconcile the Trust Fund collections from the past year. To the Department's credit, this was done and an approximately $10,000,000 apparent difference (shortfall) was explained.

A recent study by the Texas Transportation Institute reaffirmed that barge transportation surpasses truck or rail transportation in terms of safety, fuel efficiency, emissions and congestion impacts. For example, a truck can move a ton of cargo 155 miles on a gallon of fuel. A train can take that same ton 413 miles. A barge will move it 576 miles for each gallon of fuel used. The safety impacts are even more profound. On a ton mile basis, members of the public are 152 times more likely to be injured and 22.7 times more likely to be killed in a train accident than a barge accident. On the same basis, a person is 2171.5 times more likely to be injured and 155 times more likely to be killed in a truck accident than a barge accident. The value of keeping today's cargo on our inland waterways and moving more of tomorrow's by barge can be measured literally in the lives of citizens that will be saved, the energy that will be conserved and the emissions that will not pollute our atmosphere.

The Inland Waterways Users Board respectfully submits its comments with recommendations below:

- In order to maintain the improved pace of the past few years in modernizing the nation's inland waterway system, without saddling the commercial towing industry and commercial users of the system with damaging new taxes (under the guise of "user fees" or in any other form), the cost sharing formula for financing inland waterway modernization projects should be revised to 75 percent general revenues and 25 percent

revenues from the Inland Waterways Trust Fund. This revised formula should remain in effect at least until the Corps and Congress (1) determine why it takes so much longer and costs so much more today to complete lock and dam modernization projects that just a decade or two ago were completed far faster and with far less cost escalation than is currently the norm, and (2) implement the policy and other changes necessary to remedy this situation.

- Although issues, such as trust funds and lock and dam construction, are not "sexy," they can be influential in economic recovery. Jobs are being created as a result of the projects being adequately funded. Investment means jobs and stimulates an economy. Total direct jobs affected are several thousand**.** The Board encourages immediate job creation by fully and efficiently funding these capital projects.

- Conceptually, we need to ask ourselves should dam construction and repair fall under the Trust Fund cost sharing plan? Should the Trust Fund be used for navigation only? The commercial towing industry is the only industry that has benefits that accrue to others, like recreation. The project cost share of this model is disproportionate to the uses on the inland waterways.

- The Board continues to believe that a significant structural change to the project delivery model, including the annual appropriations model, should occur. As stated in past Board reports, the "regularization" of project funding through the Congressional appropriations process needs to occur. **The focus should be on productive project management through full and efficient funding.** Using Continuing Resolutions to bridge funding cycles are NOT conducive to productive project management.

- Until the project delivery model is proven to work, no action should be taken to "create" more funds for the Inland Waterways Trust Fund by the implementation of Use Taxes, or any other taxes. The implementing of new taxes only perpetuates the broken project delivery model and does not address the underlying issues and flaws. The Board requests that the Administration avoids the temptation to raise taxes in lieu of repairing a broken model.

- The ongoing assessment of selected inland waterways construction case studies needs to be brought forth as soon as possible to evaluate and improve the project delivery model. The Board respectfully requests that this be produced by the Corps.

- A reconciliation of the Inland Waterways Trust Fund revenue streams over the past five years needs to be performed quickly. Furthermore, the Board respectfully requests that the Treasury Department investigate whether all operators who should be paying the fuel tax have, in fact, been paying the tax for their operation on fuel taxed waterways. We also ask the Treasury Department to supply information on collections and credit to the Trust Fund on a timelier basis – it's not appropriate to wait months to get Trust Fund data

reported as a result of a lag time in posting. The Board would respectfully request this be accomplished by the Treasury Department.

- The Corps needs to ensure they have enough engineers to handle a different appropriations environment. This includes bench strength to come into the game and execute a production plan in a timely fashion. The Board respectfully requests that the Corps review their engineer capability for complete productive project management.

- As a matter of national transportation policy, our government should be actively encouraging the increased use of our inland waterway system, not promoting a system of funding and investment that will make it less competitive.

Table 1. Inland Waterways Users Board Priority Projects

Name	Full Efficient Funding FY 2009 ($million)	States Directly Impacted	Economic Impact To Each State
C A P S T O N E A C T I V I T I E S (1)			
Lock and Dam No. 19, Mississippi River, IA (Major Rehab)	$0.0 (expected to be completed in 2008)	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)	$5.8	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)	$6.3	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)	$114.0	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)	$6.0	MN, LA, IL, WI, TN, MO, IA, KY, WV, TX, IN, MS, AR, AL	11.5 million tons, at least 14 states

Name	Full Efficient Funding FY 2009 ($million)	States Directly Impacted	Economic Impact To Each State
HIGH PRIORITY CONSTRUCTION AND MAJOR REHABILITATION PROJECTS (2)			
Monongahela River Locks and Dams 2, 3, and 4, Pennsylvania (Const)	$40.8	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)	$9.0	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)	$52.0	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
Lock and Dam No. 11, Mississippi River, Iowa and Wisconsin (Major Rehab)	$6.3	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)	$11.7	KY, LA, OH, WV, IL, IN, PA, TN, MO, AR, TX, MS, AL, FL, IA, OK, MN, WI	50 million tons, serving 18 states
Emsworth Locks and Dam, Ohio River, Pennsylvania (Dam Safety Static Instability)	$25.8	PA, WV, OH, KY, IN, IL, MO, TN, LA, AR, MS, AL, TX, OK, IA	20 million tons, at least 15 states
Lockport Pool, Illinois Waterway (Dam Safety Static Instability)	$28.6	IL	17 million tons
Inner Harbor Navigation Canal Lock, Louisiana (Const)	$10.0	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 (Const)	$46.0	TN, KY, AL, IN, WV, PA, LA, AR, TX, MO, IL, OK	2 million tons valued at $562 million serving 12 states

Name		Full Efficient Funding FY 2009 ($million)	States Directly Impacted	Economic Impact To Each State
John T. Myers Locks and Dam, Ohio River, Indiana and Kentucky (Const)		$10.5	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
Lower Monumental Lock, Lower Snake River, Washington (Const)		$3.1	WA, OR, ID, MT, ND	3.8 million tons annually valued at $500 million serving 5 states
PRIORITY	P R I O R I T Y PED PROJECTS AND S T U D I E S (3)			
1	Upper Mississippi River and Illinois Waterway Navigation, Illinois, Iowa, Minnesota, Missouri, and Wisconsin (PED)	$15.0 (PED) ($50.2 if Construction new start)	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)	$4.2 (PED) ($12.5 if Construction 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
3	Bayou Sorrel Lock, Intracoastal Waterway (PED)	$2.5	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 (PED)	$0.6	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)	$1.0	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	John Day Lock and Dam, Columbia River, OR and WA (Dam Safety) (Study)	$2.0	OR, WA, ID	8.5 million tons serving 3 states

Name		Full Efficient Funding FY 2009 ($million)	States Directly Impacted	Economic Impact To Each State
7	Upper Ohio River Navigation, PA (Study)	$4.2	PA, WV, OH, KY, IN, IL, MO, TN, LA, AR, MS, AL, TX, OK, IA	20 million tons, at least 15 states
C O M P L E T E E X P E D I T I O U S L Y (4)				
Lock and Dam No. 24, Mississippi River, Illinois and Iowa (Major Rehab)		$0.0 (no funds requested this year, future years funding expected)	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		$0.9	PA, WV	5 million tons
Point Marion Lock and Dam, Monongahela River		$0.3	PA, WV	4.5 million tons
Robert C. Byrd Locks and Dam		$1.0	WV, OH	54 million tons
Winfield Locks and Dam, Kanawha River		$0.0 (anticipate current funding is enough to complete)	WV	20 million tons
Total for All Projects		**$407.6**		

(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 Messrs. Kenneth E. Lichtman and 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 seven years. At the present time, 2008, construction has been underway for 15 years, and another seven years will be needed to complete the project, for a total of 22 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 $2.067 billion, almost triple 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 continued through 2006. Each year the appropriated funds fell significantly short of the amount needed.

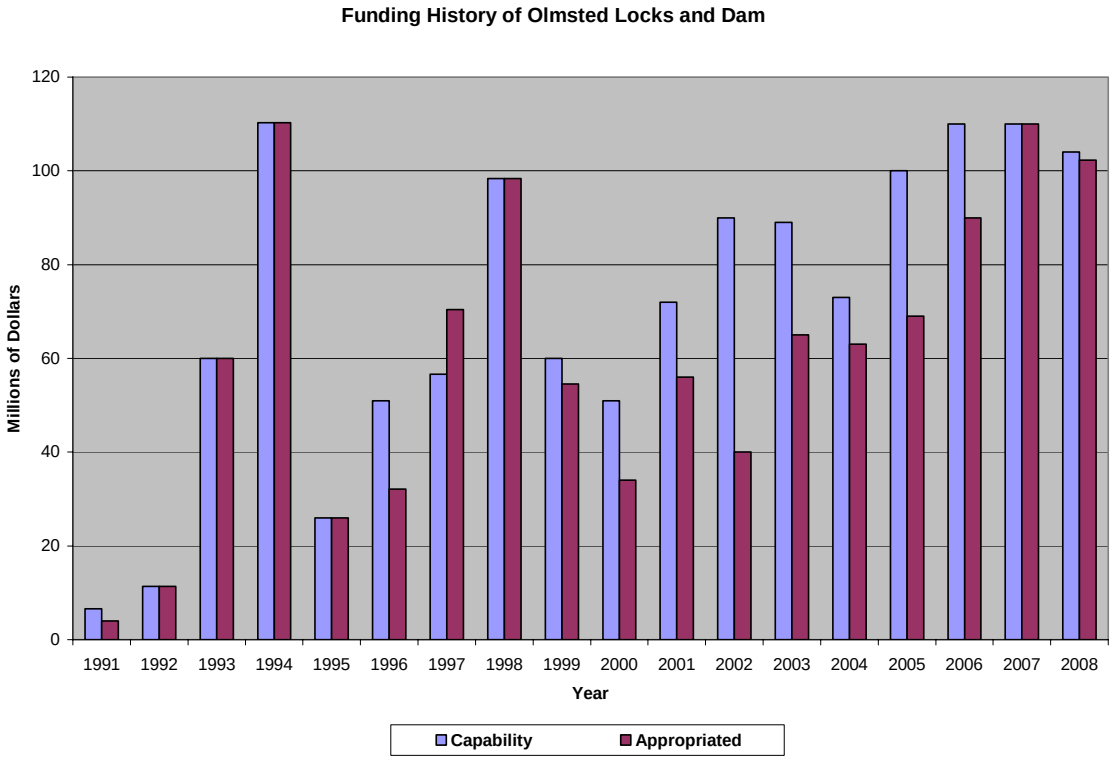


Figure 1. Funding History of Olmsted Locks and Dam

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.

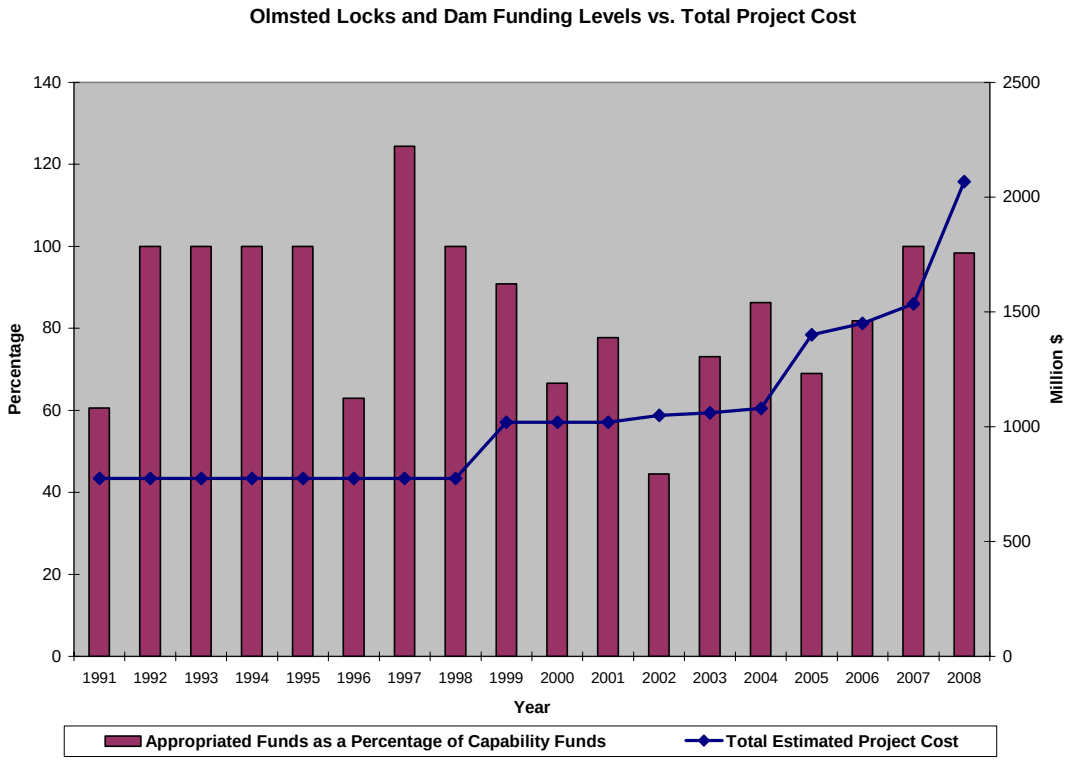


Figure 2. Olmsted Locks and Dam Funding Level vs. Total Project Cost

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 Project Schedules, Capability vs. Constrained IWTF Revenues (3)

Project	Initial Optimum Schedule Completion Date	FY 09 Capability Schedule Completion Date	FY 09 Constrained Schedule Completion Date	Average Annual Benefits (1) (Million $)		Schedule Change Initial Optimum vs FY 09 Capability Sched. (Years)	Estimated Benefits Not Recoverable (Million $)	Schedule Change FY 09 Capability Sched. vs FY 09 Constrained Sched. (Years)	Estimated Benefits Foregone (Million $)	Total Benefits Foregone w/ FY 09 Contrained Sched. (Million $)
Lower Mon 2-4	2004	2016	2019	$174		12	$1,211	3	$482 -	$1,693
Marmet	2007	2009	2009	$79		2	$124	0	$ -	$124
Olmsted	2006	2014	2017	$743		8	$4,527	3	$ -	$4,527
McAlpine	2002	2009	2009	$56		7	$313	0	$ -	$313
Kentucky	2008	2015	2021	$71		7	$311	6	$171	$482
Inner Harbor	2009	2015	2027	$110		7	$535	11	$391	$926
Greenup	2008	2015	2026	$28		7	$122	11	$106	$228
Myers	2008	2015	2024	$19		7	$83	9	$57	$141
Chickamauga	2010	2013	2019	$2		3	$3	6	$9	$11
TOTAL						**60**	**$7,229**	**49**	**$1,216**	**$8,444**

(1) Average Annual Benefits based on FY 2008 Justification Sheets
(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.
(3) Project construction schedules constrained to avoid an IWTF deficit, based on revenues of $90 million in 2009 and growing at 1.3% annually thereafter.

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.

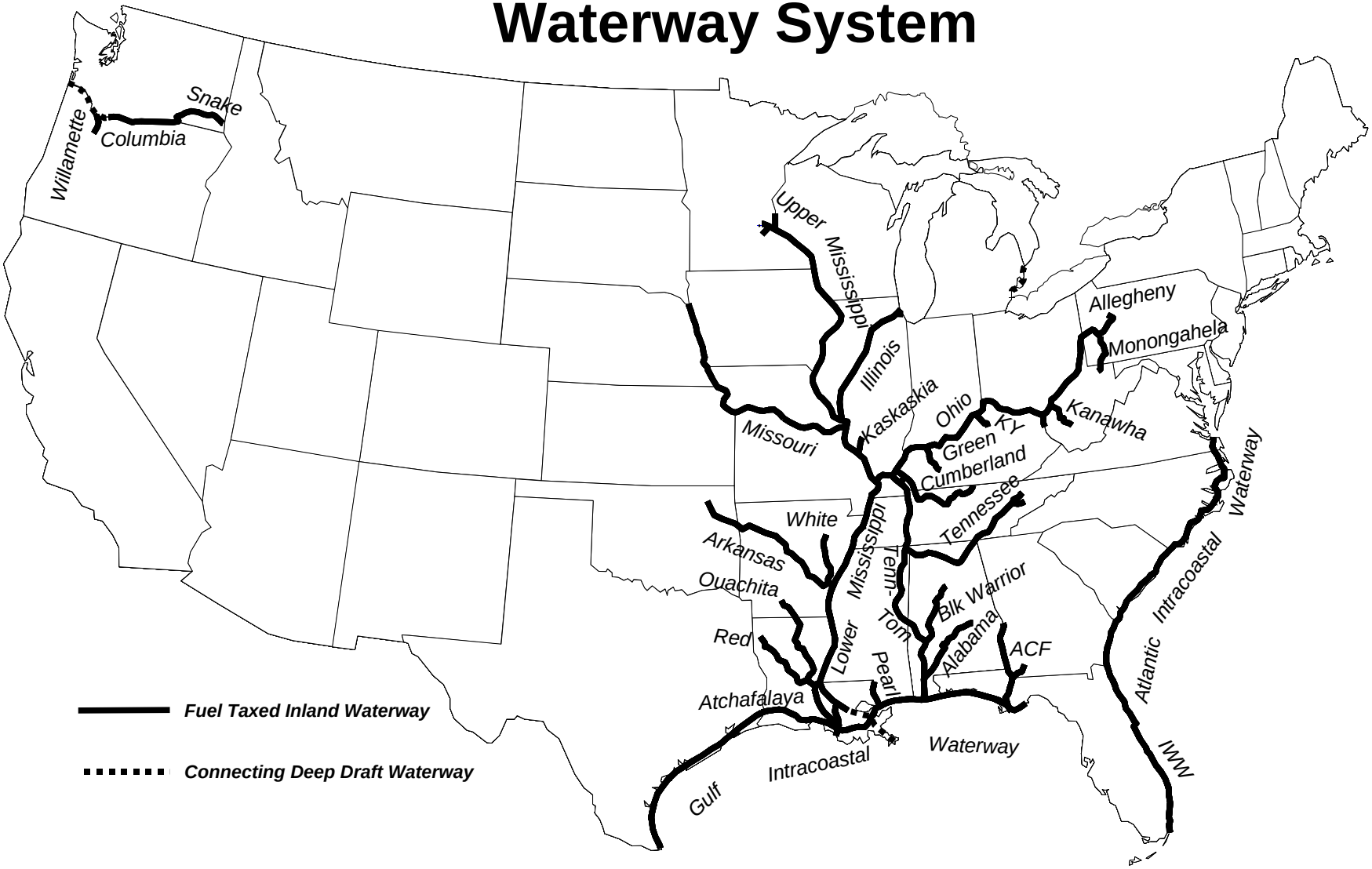
24. Tennessee River: From junction with Ohio River at RM 0 to confluence with Holstein and French Rivers at RM 652.

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
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Mark R. Buese
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Stephen D. Little
President
Crounse Corporation
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Rick Calhoun
President
Cargill Marine and Terminal, Inc.
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W. Scott Noble
Senior Vice President
Ingram Barge Company
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Jerry Grossnickle
Chief Financial Officer
Bernert Barge Lines
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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