



PRESS RELEASE

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**WATERWAYS COUNCIL, INC. REACTS TO \$800 MILLION COST
OVER-RUN AT OLMSTED LOCK AND DAM PROJECT
NEW PRICE TAG TOPS \$2.9 BILLION**

Arlington, VA –Waterways Council, Inc. (WCI) President/CEO Michael J. Toohey issued the following statement regarding the U.S. Army Corps of Engineers’ revelation in the President’s FY ’13 budget of the cost over-run amount at the Olmsted Lock and Dam project on the Ohio River:

“Tucked away in the fine print of the Fiscal Year 2013 Budget, the cost over-run at Olmsted Lock and Dam is finally made public. Alerted in August 2011 by the U.S. Army Corps of Engineers that there was a ‘significant’ change in the cost of the Olmsted project, the users - who pay half of the costs of the projects and the overruns - repeatedly asked for clarification and have, until now, been rebuffed. Today’s news is hugely disappointing, not only because of the colossal \$800 million amount of cost escalation and over-run on the Olmsted Lock and Dam project, but also the incredible 10-year addition to the construction schedule. The Olmsted project was originally authorized under the Water Resources Development Act (WRDA) in 1988 at a cost of \$775 million, with a 7-year construction period. Since authorization, this project has seen multiple, significant cost over-runs. As recently as last year, Olmsted’s price tag had ballooned to \$2.1 billion since its authorization. Today’s re-statement may be low; it apparently does not contain an escalator for inflation, which all other Corps’ project estimates do contain.

Let us be clear about the implications of today’s announcement to the national economy, to jobs and to exports. No other meaningful investment in modernization of our aging inland waterways infrastructure will be made for a decade, or more, if the Olmsted project continues down its current path. Nothing for the authorized projects on the Upper Mississippi River, no investment for the Illinois, the Ohio, the Tennessee, the Cumberland, the Monongahela, or any other construction on any other part of the system. And that means no new/additional jobs, no chance to grow exports, and no transportation cost-savings returned to consumers from these shelved projects.

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Olmsted over-run...page 2

The national economy will lose \$700 million per year in benefits foregone by the delay in the Olmsted project alone, as estimated by the Corps of Engineers' own economists. Our Nation will be placing a risky 10-year bet in relying on the 'Roaring 20s'-era facilities at locks 52 and 53, which Olmsted was to have already replaced.

This is yet another example that the present business model is broken and that we do not have an efficient way to construct lock and dam projects. Recognizing the failings in the current system, the navigation industry, along with Corps of Engineers experts, developed the Inland Waterways Capital Development Plan to address these deficiencies and cap cost over-runs. This plan will deliver 25 projects in the next two decades instead of the six that will be completed under the current process. (click here for the plan:http://www.waterwayscouncil.org/WCIExtras/IMTS_IWUB_Report.pdf)

The navigation industry pays for half of the cost of lock and dam projects – including one-half of the over-runs – through a 20-cent-per-gallon fuel tax. The other half is paid for by the General Treasury. The navigation industry is the only user of the waterways system to pay a tax, although there are multiple beneficiaries, including recreational boaters and those who depend on flood control, municipal and industrial water supplies, and hydro-electric power, to name just a few.

Ironically, as we are learning of this cost over-run and construction delay at Olmsted, Panama is proceeding toward completion of six Olmsted-sized major lock expansions in 2014, below budget and ahead of schedule. As a nation, we should be extremely concerned by our seeming inability to complete these much needed projects that are the foundation for American competitiveness. As President Obama calls for doubling U.S. exports over the next five years and increasing American jobs, the nation's waterways and its infrastructure must be modernized and made efficient to meet that demand.

The Capital Development Plan applies objective criteria to prioritize essential construction and major rehabilitation projects, revises current beneficiaries' cost-sharing for these projects, reforms the Corps of Engineers' internal project delivery process, and suggests a revenue enhancement – a 30 to 45% increase in the existing diesel fuel tax – to pay for these vital infrastructure investments that return so much to the American economy and to consumers. Waterways Council calls upon Congress to carefully scrutinize the implications of today's announcement and the alternatives to completing this project as proposed. The decision by the Corps of Engineers to employ an experimental construction process (building a dam in the wet) has not yielded a timely performance. Congress must decide whether this experiment will continue or whether traditional construction techniques should be employed to bring costs under control. At a minimum, Congress must act to relieve the Inland Waterways Trust Fund from further obligation to the Olmsted project.

We need to modernize our inland navigation infrastructure on all waterways of this vital transportation system. The Capital Development Plan is the means to do so.”

Waterways Council, Inc. is the national public policy organization advocating a modern and well-maintained national system of ports and inland waterways. The group is supported by waterways

carriers, shippers, port authorities, shipping associations and waterways advocacy groups from all regions of the country. Visit www.waterwayscouncil.org.