



SYSTEM DELIVERY OF LOCK & DAM PROJECTS

Due to inefficiencies in infrastructure improvement projects, the current process to construct locks and dams is taking years longer than planned at costs that are sky-rocketing compared to projects completed only decades ago. We must find ways to improve the current waterways project delivery system and ensure transportation benefits are being realized more quickly by shippers, consumers and the American economy.

LEGISLATING INLAND WATERWAYS SYSTEM MODERNIZATION

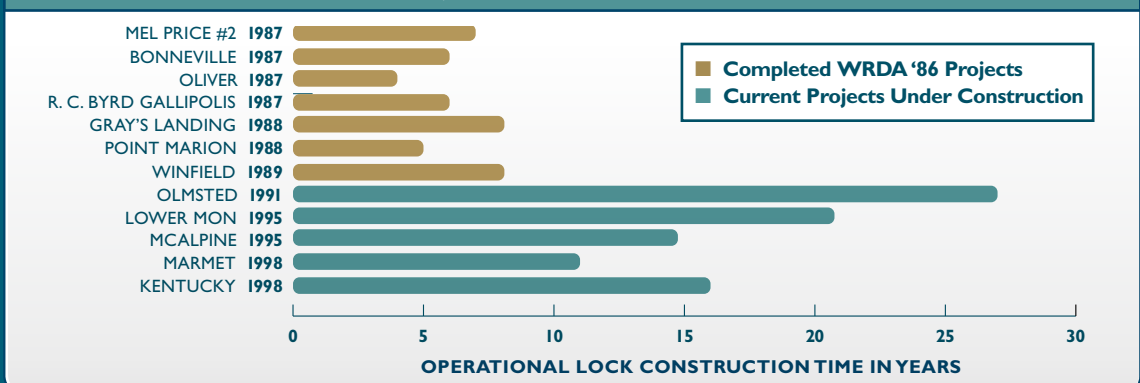
With enactment of the Water Resources Development Act of 1986 (WRDA '86), the Inland Waterways Trust Fund (IWTF) started funding modernization of the nation's inland waterways system, beginning with the authorization of seven new lock and dam projects.

Under the 1986 Act, a diesel fuel tax increase on the barge industry - from 10 cents per gallon in 1986 to

20 cents per gallon effective January 1, 1995 - was levied to capitalize the IWTF. A cost-sharing formula was established under which one-half of project construction costs would be paid from the IWTF, with the other half paid by general revenues. The Act created the Inland Waterways Users Board to advise Congress and the Secretary of the Army about inland waterways system investment priorities and spending levels.

Locks and dams require financial support and ongoing maintenance to remain viable.

Project Delivery Performance



The current process to build lock and dam projects is increasingly inefficient.



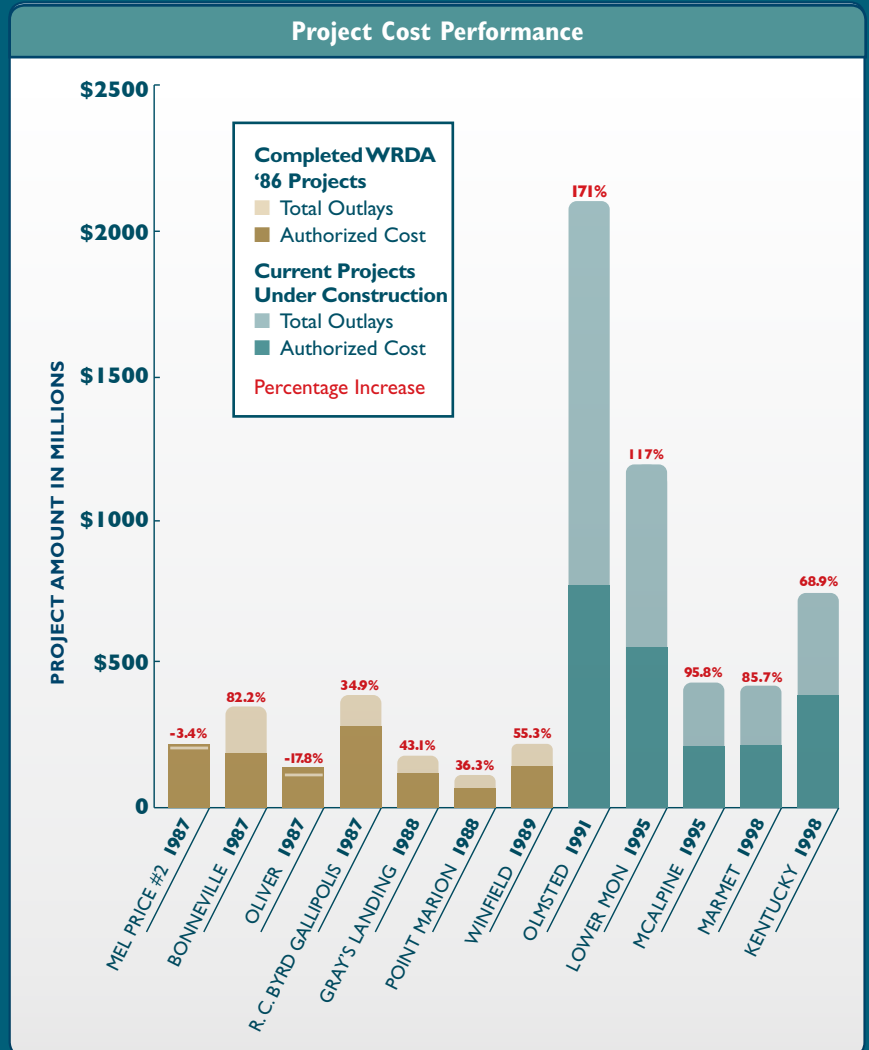
WATERWAYS PROJECT DELIVERY DETERIORATION

A little more than two decades after WRDA '86 became law, an examination of five lock and dam modernization projects that are currently under construction illustrates a significant opportunity for improvement. Each of these five projects was authorized after WRDA '86, but before the most recent WRDA '07 legislation. Comparing the completed WRDA '86 projects to current post-WRDA projects is revealing. Statistics show that project delivery on the WRDA '86 inland waterway system far surpasses current performance in terms of both cost and completion time.

Where the seven WRDA '86 projects experienced an average 32.4% increase in actual costs over estimated costs, the five post-WRDA projects are currently estimated to require an average almost 120% more than what Congress authorized. And, while construction for all seven of the WRDA '86 projects proceeded at a pace that resulted in new, modernized locks becoming operational within a reasonable average of 6.3 years, the estimated time for completing post-WRDA projects has ballooned. In fact, only one post-WRDA '86 project has become operational. If current Corps estimates hold for these five projects, the average time to complete projects will be nearly 17 years – almost three times as long as was required for the WRDA '86 projects.

A NEED FOR IMPROVEMENT AND ACCOUNTABILITY

There's no doubt that our nation has a critical need for infrastructure improvements. But as we proceed, a focused effort must be made to determine why current projects take longer to complete, at costs that far surpass inflation rates, than those completed less than two decades ago.



On July 17, 2008, the Army Corps of Engineers released a study titled "Inland Navigation Construction Selected Case Studies" to the Inland Waterways Users Board. The study reveals "significant inefficiencies" and has "fostered discussions for an improved process." Waterways Council, the industry, the Inland Waterways Users Board and American Waterways Operators are committed to ongoing discussions to change the current business model and improve services on waterways completion. Only then should public policy leaders consider increasing revenue to fund these important infrastructure projects.

