CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D.C., August 17, 1968.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee, Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: In my opinion, the development of our land and water resources is vital to the continued economic growth of this country. If the projections of population growth are anywhere near correct, we are not allocating an adequate proportion of our annual expenditures for this purpose.

The concept of using the so-called opportunity cost of money, which I am told would be in the neighborhood of 10 to 15 percent in the economic analysis, would effectively stop the development of all land and water resource projects.

I would like to cite the following example of a project in my state which is recent enough to reflect current procedures of the Corps and at the same time has been in operation long enough to demonstrate the trend of the commerce being developed.

For fiscal year 1955 initial construction funds were provided for modernization of locks and dams 1 and 2 on the Green River in Kentucky. At that time the cost of the work was estimated at $14,399.00. The report of the Corps was predicated on the movement of 2,250,000 tons of coal annually; on this basis, the Corps reported the benefit-to-cost ratio as being 1.5 to 1. The hearing record for fiscal year 1955 before the Appropriations Committee shows that there was a demand for Green River coal by both the TVA and AEC. At that time it was pointed out that AEC could save 40¢ a ton on coal for their Portsmouth plant alone. Similarly, the savings to TVA to certain of their steam plants of 30¢ a ton was indicated. In the case of AEC, firm contracts for 15 years had been signed with the Ohio Valley Electric Corporation for the delivery of 1,780,000 tons annually. Under the terms of the contract, if the coal could be furnished from the Green River fields the price to AEC would be 40¢ a ton less than the alternative source. The savings to the AEC under that contract alone would be $8,500,000 in 15 years. In both of these cases, the savings in transportation costs would accrue directly to the Federal Government, because TVA and AEC are Federal agencies.

Bearing in mind that the estimated tonnage used in the economic justification for this project was 2,250,000 tons. Actual tonnage on this waterway was:

1957	2, 693, 350	1962	8, 494, 301
1958	4, 794, 960	1963	7, 764, 284
1959	5, 170, 118	1964	10, 363, 520
1960	5, 446, 365	1965	11, 309, 727
1961	7, 590, 542	1966*	11, 677, 155

*The latest year for which tonnage is available.

Actual deliveries of coal to AEC and TVA were far greater than the estimates, and consequently, the direct savings to the Federal Government are substantially greater than the estimates. While time does not permit a determination of actual shipments to these Government facilities for incorporation in this letter, I shall attempt to secure this information and forward it to you at an early date. The principal point I wish to make is that this project not only was economically justified by a wide margin, but the savings to the Federal Government in transportation costs alone will more than pay the entire cost of modernizing these structures. Clearly, it is a wise and prudent investment of Federal funds.

Taking the Corps' estimate of costs and benefits and using the lower figure of the so-called opportunity cost of money—10%, the benefit-to-cost ratio would have been 0.56 to 1.0, clearly an uneconomical project.

I sincerely hope that the sub-committee will find it possible to fully consider this and other similar cases that may be presented before taking final action.

Sincerely,

WILLIAM H. NATCHER.