

or growth of transportation savings over the project's economic life, 1975-2025. Our analysis dated August 18, 1967, computed the benefit-cost ratio of the subject project to be 0.3 to 1. Analysis of the comments by the staff of OCE resulted in increasing annual transportation savings by approximately \$1 million, of which about one-third results from a change in the growth curve used to discount transportation savings.

Since the Yazoo River navigation project clearly lacks economic justification, we recommend and urge this committee not to authorize it.

Mr. BLATNIK. Your full statement will appear in the record.
(The statement follows:)

STATEMENT OF JAMES G. TANGEROSE, DIRECTOR OF WATERWAY ANALYSIS,
ASSOCIATION OF AMERICAN RAILROADS

My name is James G. Tangerose. I am Director of Waterway Analysis of the Association of American Railroads, Washington, D.C. The Association represents railroads accounting for 98 percent of operating revenues by all line-haul railroads in the United States. This statement is presented on behalf of the Association and the railroads serving the area adjacent to the Yazoo River.

SUMMARY

Our review of the Vicksburg District Engineer's report, the Board of Engineers for Rivers and Harbors,¹ review report, and comments by the staff of Office, Chief of Engineers,² finds that the project is not economically justified, and at the best has a benefit-cost ratio of only 0.7 to 1. This is based on the use of an unrealistic interest rate of 3½ percent. The use of a more realistic interest rate reflecting the real cost of borrowing by the United States Treasury would make the benefit-cost ratio even less than shown herein. Based on the results of our analysis, we urge this Committee not authorize the subject navigation project.

INTRODUCTION

On February 10, 1964, the Division Engineer, Lower Mississippi Valley Division, announced the Vicksburg District's report of December 1963 was favorable for improving the Yazoo River for navigation, mouth to Greenwood, Mississippi. A brief review of the Vicksburg District's 1963 report showed the benefit-cost ratio for navigation the principal purpose of the project was only 0.85 to 1. We filed a statement in opposition to the navigation project with the BERH on January 8, 1965.

The Vicksburg District rewrote and resubmitted its report in 1966, and the BERH approved the project on February 17, 1967. We were not furnished a copy of the revised report, through an oversight by the Vicksburg District, until after the BERH has recommended approval of the project. Consequently, we were unable to file a statement in opposition to the project with the BERH.

Following the release of the BERH report, we made a careful analysis of the Vicksburg District's revised report, including the report by the BERH. Copies of our analysis were provided the OCE and interested government agencies in August 1967.

On May 27, 1968, the Department of the Army provided us with a review made by the staff of OCE of our analysis of the Vicksburg District Engineer's report. I will briefly summarize the findings of our analysis, taking into account the review of the staff, OCE, and request that my complete statement be included in the record of this hearing. I also request permission to file for the use of the Committee our analysis dated August 18, 1967, and the comments on our analysis by the staff of OCE dated May 6, 1968.

TRAFFIC AND TRANSPORTATION SAVINGS

We analyzed the principal commodities which the Vicksburg District estimated would have moved on the Yazoo River in 1966. Our analysis showed beyond any

¹ Hereafter referred to as BERH.

² Hereafter referred to as OCE.