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Railroad Relocation At The
R. D. Bailey Project,
Justice, West Virginia B-177092

Corps of Engineers (Civil Functions)
Department of the Army

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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SEPT. 12, 1973



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-177092

The Honorable Ken Hechler
House of Representatives

Dear Mr. Hechler:

This is our report on the railroad relocation at the R. D. Bailey project, Justice, West Virginia. The review was made pursuant to your request of September 13, 1972.

The Corps of Engineers; the Norfolk and Western Railway Company; and Paramount Pacific Industries, Inc., were given an opportunity to comment on the matters in this report and we have considered their views in finalizing the report.

As agreed with you, we are sending a copy of this report to the Chairman, Subcommittee on Conservation and Natural Resources, House Committee on Government Operations. We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States

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ABBREVIATIONS

GAO	General Accounting Office
N&W	Norfolk and Western Railway Company

D I G E S T

WHY THE REVIEW WAS MADE

At the request of Congressman Ken Hechler, GAO reviewed the Corps of Engineers' contract with the Norfolk and Western Railway Company (N&W) for relocating the railroad's right-of-way at the R. D. Bailey project in Justice, West Virginia. GAO's review included

- determining whether the Corps' decision to allow N&W to carry out the relocation was proper and resulted in efficient and economical performance,
- evaluating the performance of N&W and its contractors in meeting contract time schedules, and
- determining the Corps' role in monitoring contractor performance.

FINDINGS AND CONCLUSIONS

The original estimated completion date for the R. D. Bailey project was 1969. This date has been revised to June 1976 because of a change in the location of the damsite and because of funding constraints. (See pp. 3 to 5.)

The Corps' initial detailed cost estimate for the project construction was \$76.6 million, of which \$38.1 million was for relocating about 25 miles of railroad right-of-way and some adjacent highways.

As of January 1973 the estimated project cost had increased to \$123.4 million. Of this \$46.8 million increase, about \$11.1 million represented increases in the cost of the railroad relocation; and about \$32.5 million--including that attributable to the railroad relocation--represented price-level changes. The remaining \$14.3 million was due to refinements in designs. (See app. II.)

The Corps' decision to allow N&W to carry out the relocation of its facilities was in accordance with the Corps' regulations which provide that the usual method is for the owner to relocate his facilities and for the Government to compensate the owner for his costs. The Corps said N&W insisted on retaining control over the relocation. The Corps said that, had it insisted on controlling the work, its only alternative would have been to institute condemnation proceedings which might have resulted in further delays and additional costs. (See pp. 6 and 7.)

N&W's method of selecting contractors and awarding the construction contracts was in accordance with Corps regulations. (See p. 8.)

Although some problems hampered progress on most contracts, the relocation work was generally being completed in a reasonable time, except for work performed by Paramount Pacific Industries, Inc. This

contractor's performance is the subject of pending litigation. (See pp. 8 and 21.)

The Government has incurred undeterminable additional administrative and inspection costs as a result of delays in the work. The delays have also postponed tracklaying, resulting in additional costs to the Government because of the intervening price-level increases and the reduced time available for tracklaying which must be done before dam construction can begin. (See p. 22.)

The Corps maintained certain controls over railroad relocation work done by N&W and its contractors. The relocation complied with applicable Corps regulations. (See pp. 23 and 24.)

AGENCY ACTIONS

The views of the Corps, N&W, and Paramount have been considered in preparing this report. Paramount told GAO that it would be inappropriate to discuss its contract work because of the pending litigation.

CHAPTER 1

INTRODUCTION

At the request of Congressman Ken Hechler (see app. I), we reviewed the Corps of Engineers' administration of its contract with the Norfolk and Western Railway Company (N&W) for relocating the railroad's right-of-way at the R. D. Bailey project in Justice, West Virginia. Our review included (1) determining whether the Corps' decision to allow N&W to carry out the relocation was proper and resulted in efficient and economical performance, (2) evaluating the performance of N&W and its contractors in meeting contract time schedules, and (3) determining the Corps' role in monitoring contractor performance.

BACKGROUND

The R. D. Bailey project is located on the Guyandot River in West Virginia about 108 miles above its confluence with the Ohio River. The project includes constructing a 305-foot-high dam and spillway, acquiring 19,550 acres of land, and relocating about 25 miles of railroad right-of-way and 14 miles of highways. The resulting reservoir can store about 8.9 billion cubic feet of water.

The project was authorized by the Flood Control Act of 1962 (76 Stat. 1188) to provide flood control, general recreation, fish and wildlife recreation, and water quality control. The Corps determined that a more economical dam-site could be constructed about 5 miles downstream from the site initially selected. The new location was approved in January 1965. The initial project completion date was changed from 1969 to December 1971 because the railroad relocation could not be planned until the damsite was finalized.

Corps studies showed that it would take 4 years to relocate the railroad and 2 more years to complete the dam. In October 1966 the Corps advised the Congress that the relocation was scheduled to start in June 1967 and that the project completion date was extended from December 1971 to June 1973.

After extensive negotiations between the Corps and N&W, a cost-reimbursement contract was signed in April 1967, and construction began in June 1967 on the first segment of the railroad relocation. Under this contract N&W is reimbursed for the payments it makes to the firms doing the work and for its administrative costs.

As of July 1973 the estimated date for completion of the relocation was June 1974 and the estimated project completion date was June 1976.

COST GROWTH

The Corps' initial detailed cost estimate for construction of the R. D. Bailey project was \$76.6 million as of July 1966. Of this amount \$38.1 million was for relocating about 25 miles of railroad right-of-way and adjacent highways. As of January 1973 the estimate was \$123.4 million--an increase of \$46.8 million, of which about \$11.1 million was for increases in the cost of the railroad relocation. About \$32.5 million of the increase--including that attributable to the railroad relocation--resulted from price-level changes in the construction industry since July 1966. The remaining \$14.3 million was due to refinements in designs. (See app. II.)

FUNDING CONSTRAINTS

Since construction started in June 1967, funding constraints have delayed project completion by about 3 years. A table showing the project funding follows.

<u>Fiscal year</u>	Amount requested by the <u>Corps</u>	<u>President's budget</u>	<u>Congressional appropriation</u>
(000 omitted)			
1968	\$ 5,200	\$ 4,000	\$ 4,000
1969	17,300	11,670	11,320
1970	21,600	10,700	10,700
1971	13,500	10,700	10,700
1972	23,800	15,550	17,850
1973	15,800	15,400	15,400

As a result of the reduction in the funds available for fiscal year 1969, the District Engineer at the Huntington, West Virginia, district office halted real estate acquisition on work not under construction and the project completion date was revised from June 1973 to June 1974.

A cutback by the President on new construction contract awards by Federal agencies in fiscal year 1970 delayed the award of contracts for segments 7, 8, 9, 11, and 12 of the railroad relocation (see app. III); and the project completion date was revised from June 1974 to June 1975.

The district office in February 1971 asked the Chief of Engineers for an additional \$2.1 million for the contract for the final segment of the railroad relocation. In April 1971 the Chief of Engineers said additional funds were not available. A construction season was lost on this final segment, and the project completion date was again revised from June 1975 to June 1976.

SCOPE OF REVIEW

Our review was conducted at the Corps' district office in Huntington; the Ohio River division office in Cincinnati; the R. D. Bailey project site in Justice; and the Office of the Chief of Engineers in Washington, D.C. We reviewed N&W records; pertinent laws; and Corps regulations, design memorandums, records of negotiations and relocation contracts, plans and specifications, correspondence files, and other documents. We also discussed the railroad relocation with Corps and N&W officials.

The Corps was given an opportunity to comment on the matters in this report. Also, N&W and Paramount Pacific Industries, Inc.--one of N&W's contractors--furnished comments on the portions of the report pertaining to them. The views of the parties have been considered in preparing this report.

CHAPTER 2

CORPS' DECISION TO ALLOW N&W TO CARRY OUT THE RELOCATION

The Corps' decision to allow N&W to carry out the relocation of its facilities was in accordance with the Corps' regulations which provide that, when it is necessary to relocate facilities to provide a right-of-way for a project, the relocation may be accomplished by one of three methods or a combination thereof.

The usual method, and the one adopted in this instance, is for the owner to relocate his facilities and convey to the Government his existing easements or rights-of-way and for the Government to compensate the owner for his relocation costs. As a result of using this method, the Corps was a party only to the contract with N&W and was not a party to the contracts with the construction contractors working for N&W.

Under the other methods, the Government may control the relocation by doing the work itself or by entering into a contract with a party other than the owner of the facilities to be relocated.

Corps officials said that railroads usually prefer to relocate their facilities themselves and that, during the past 10 years, the railroads controlled 159 of 224 relocations necessitated by Corps projects.

CONSIDERATIONS AFFECTING CORPS' DECISION

The Corps did not have sufficient personnel to do the work itself and proposed to relocate the railroad by entering into contracts directly with firms which would do the work. The Corps said the primary reason for its proposal was that it would have been easier to control completion dates by dealing with the contractors rather than through a third party. N&W, however, insisted throughout the negotiations with the Corps that it control the relocation. Once it became apparent that N&W would not change its position, the Corps allowed N&W to carry out the relocation.

Corps officials said the Corps' only alternative was to institute condemnation proceedings which might have further delayed completion of the project. Because the relocated route is longer and has steeper grades than the existing route--factors which will increase N&W's operation and maintenance costs in future years--Corps officials said the courts might have (1) required the Corps to provide a route more equal in length and grade to the existing route or (2) awarded N&W damages for the additional operation and maintenance costs in future years.

N&W officials stated that it was a company policy for N&W to control all relocations and cited certain Federal income tax considerations as a major reason for this policy. They pointed out that, by controlling the railroad relocation at the R. D. Bailey project, N&W will be able to claim an abandonment loss on the old railroad line. N&W officials said that any Federal income tax advantage which might result from claiming such a loss could not be determined until the relocation was completed. Their reason was that the amount of such advantage would depend on the effective tax rate of N&W when the old line is abandoned, the determination of N&W's remaining tax basis for the property, and similar factors.

CHAPTER 3

N&W'S CONTRACT ADMINISTRATION AND

CONTRACTORS' PERFORMANCE

METHOD OF SELECTING N&W'S CONTRACTORS

N&W's method of selecting contractors and awarding the construction contracts for relocating its facilities at the R. D. Bailey project was in accordance with the Corps' regulations which require public advertisement for bids and awards to the lowest responsible bidders.

The railroad relocation at the R. D. Bailey project was broken down into 12 segments for which 7 contracts were awarded. (See app. III.) Contractors responsible for the various segments are as follows:

<u>Segment</u>	<u>Number of bids received</u>	<u>Contract award date</u>	<u>Contractor</u>
1	8	June 9, 1967	Mountain State Construction Co.
2	9	Dec. 26, 1967	Codell Construction Co., Inc.
3	11	Apr. 13, 1968	Paramount Pacific Industries, Inc.
4, 5, and 6	9	Sept. 5, 1968	Paramount Pacific Industries, Inc.
7, 8, and 9	4	Apr. 29, 1970	G. B. & Y., Inc.
10	3	Dec. 20, 1971	Codell Construction Co., Inc.
11 and 12	2	May 7, 1970	S. J. Groves and Sons Co.

With the exception of the segment 10 contract, the Huntington district did not require specific environmental protection contract provisions when the contracts were entered into. The contract for segment 10 was entered into after the Corps had issued instructions requiring contract provisions for environmental protection relating to the control of air and water pollution. Each of the contracts, however, contains provisions requiring the contractors to remove any rock blasted into the Guyandot River and its tributaries during excavation before the work under the contract will be accepted by N&W.

CONTRACTORS' PERFORMANCE

Although some problems hampered progress on most contracts, the relocation was generally being completed in a

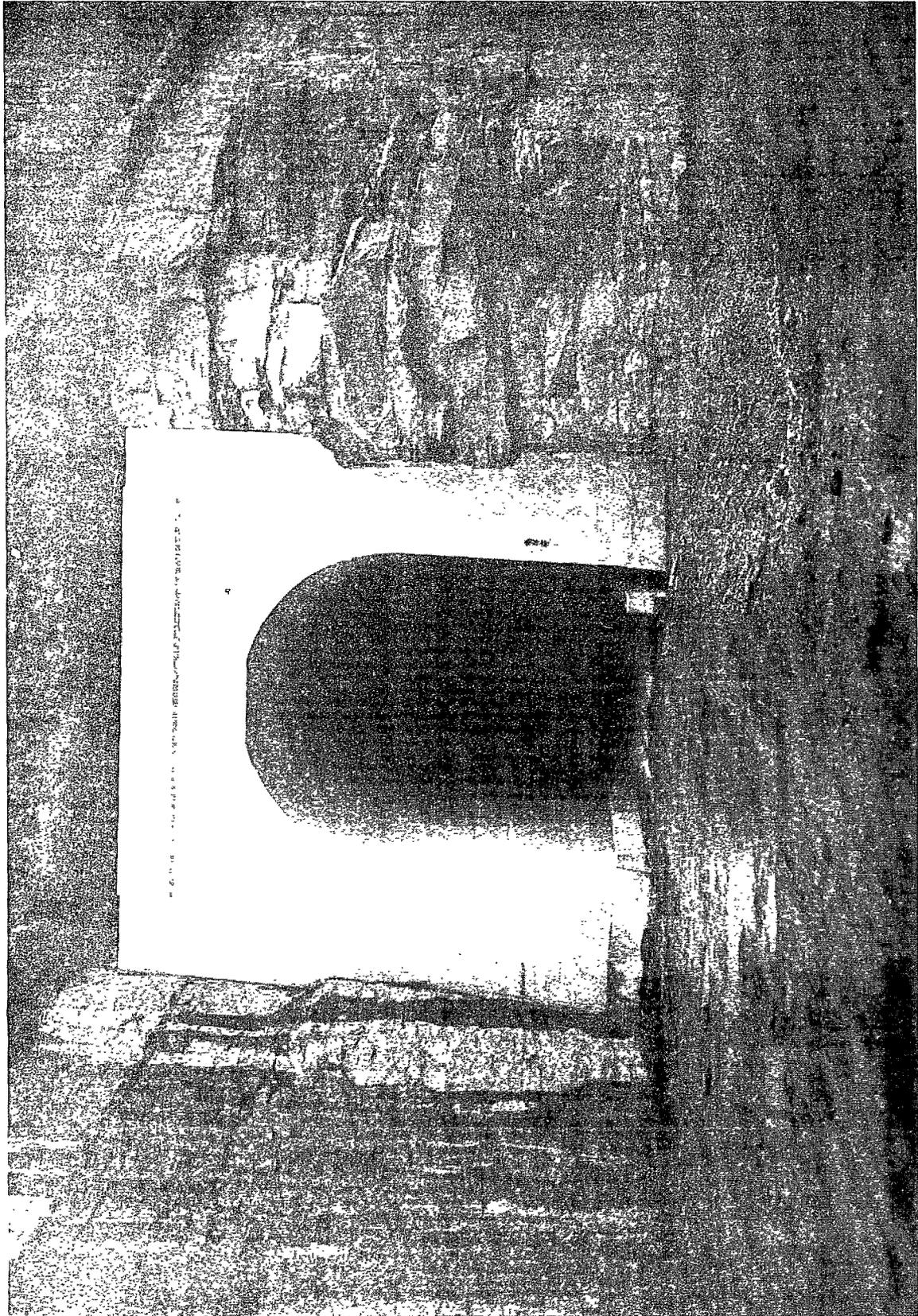
reasonable time, except for the work performed by Paramount Pacific Industries, Inc.

Problems affecting progress on most of the contracts were

- limitations inherent in the method used by the Corps to survey the terrain before preparing plans and specifications;
- labor disputes;
- use of a high percentage of unskilled labor due to inability to find skilled labor willing to move to the area; and
- bad weather during construction, including above average rainfall.

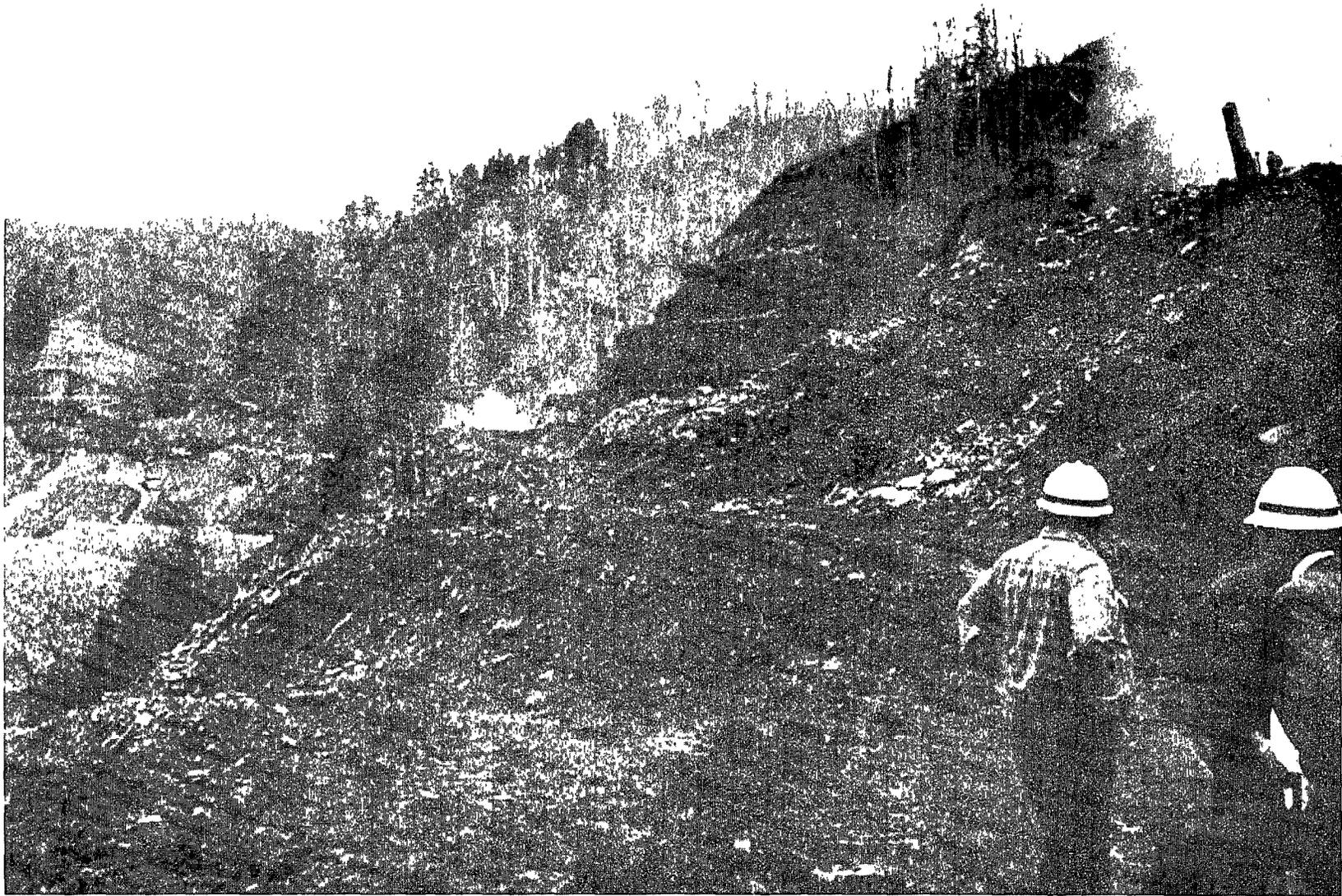
Corps' Huntington district and N&W officials said the railroad relocation at the R. D. Bailey project was the most complex they had been associated with. Photographs on the following pages show various phases of the construction and the mountainous terrain.

Each of the seven N&W contracts--which were fixed-unit-price contracts (for example, a fixed amount per cubic yard of concrete)--includes the Corps' standard clause which provides for liquidated damages when the required contract completion dates are not met. Liquidated damages of \$390,300 had been assessed against three of N&W's contractors as of June 30, 1973, for failure to complete the construction work within the contract completion dates. Approximately 76 percent, or \$297,000, of the liquidated damages was assessed against Paramount. The amount of the liquidated damages was computed in accordance with the Corps' formula in the contracts which is based on contract cost and duration of the work.



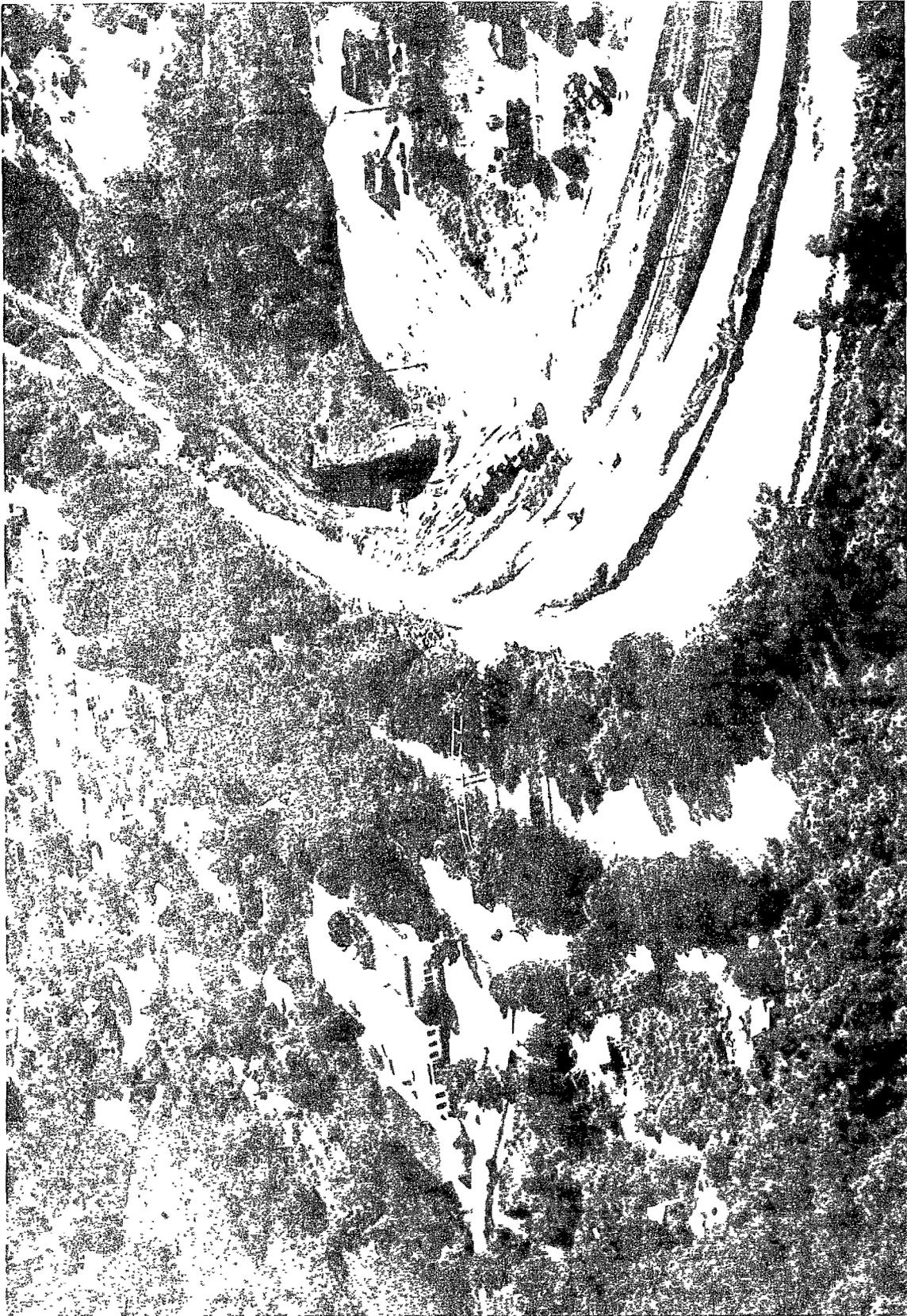
Source: Corps of Engineers

EAST PORTAL OF TUNNEL #3 (SEGMENT 1)



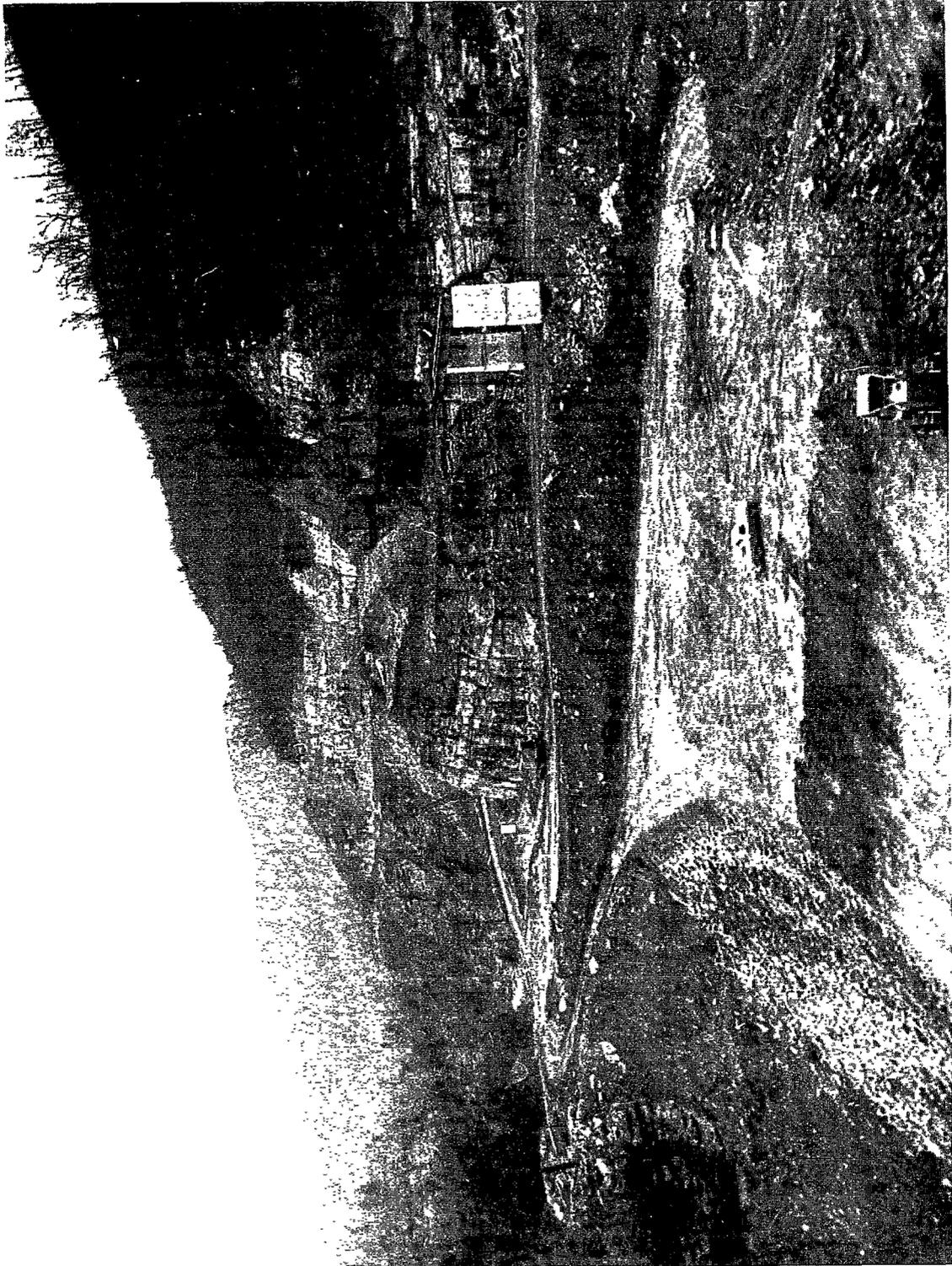
EAST OF TUNNEL #3 (SEGMENT 7)

Source: Corps of Engineers



Source: Corps of Engineers

BAILEYSVILLE (SEGMENT 10)



Source: Corps of Engineers

RAILROAD BRIDGE OVER W. VA. STATE ROUTE 6/2 (SEGMENT 11)

Details on N&W's contracts as of June 30, 1973, follow:

<u>Segment</u>	<u>Contractor</u>	<u>Initial completion date</u>	<u>Revised contract completion date</u>	<u>Latest estimated completion date</u>	<u>Liquidated damages assessed through 6-30-73</u>	<u>Estimated construction costs at completion</u>
1	Mountain State Construction Co.	6-21-68	9- 3-68	a11-21-68	\$ 15,800	a\$ 1,878,000
2	Codell Construction Co., Inc.	1- 6-69	6-30-69	a6-30-69	-	a1,009,000
3	Paramount	7-23-70	10-26-70	8- 1-73	149,800	4,500,000
4, 5, and 6	Paramount	9-28-70	5-26-71	8- 1-73	147,200	5,800,000
7, 8, and 9	G. B. & Y., Inc.	9-13-72	3-17-73	9-15-73	49,500	8,785,000
10	Codell Construction Co., Inc.	b9-11-73	b11-23-73	b11- 1-73	-	4,155,000
11 and 12	S. J. Groves and Sons Co.	9-25-72	5-14-73	10-15-73	<u>28,000</u>	<u>12,665,000</u>
					<u>\$390,300</u>	<u>\$38,792,000</u>

^aActual.

^bThese dates represent the completion dates for the major part of the work under this contract. Some additional work will be done after the relocation completed in June 1974.

Paramount encountered considerable delays in completing its work, which resulted in the Government's incurring undeterminable additional administrative and inspection costs. These delays have also deferred the initiation of tracklaying operations and have resulted in further cost increases to the Government. Presented below is a discussion of the problems with Paramount's performance.

Paramount

Corps and N&W records state that Paramount's performance on its two contracts has been unsatisfactory for the last 2 years. Records indicate that several factors--such as inadequate supervision, high turnover in key personnel, and improper blasting and excavation techniques--contributed to this unsatisfactory performance. The Corps informed us that Paramount's performance was also affected by the problems discussed on pages 8 and 9.

Work on segment 3

In February 1968 N&W advertised for bids for the work on segment 3. Eleven bids were received, and Paramount--the lowest responsible bidder--was awarded a contract on April 13, 1968. This contract provided for constructing a 6,000-foot, concrete-lined railroad tunnel; an approach

roadbed up to subgrade elevations; and special ditches and drainage structures. The railroad right-of-way for this segment was approximately 2.1 miles. (See pp. 16 and 17 for photographs of some of this work.)

During the contract work, the construction schedule began to slip and N&W notified Paramount on several occasions that it should regain schedule and complete the remaining work. In September 1969 N&W notified Paramount that it should improve its performance since it was 20 percent behind schedule. The contractor was 34 percent behind schedule as of March 1970 and 28 percent behind schedule as of April 1971.

A Corps official said that the Corps had suggested several times before December 1971 that N&W take action against Paramount but that the Corps had not documented these efforts.

The Corps suggested in December 1971 that N&W closely watch Paramount's progress and terminate the contract if Paramount demonstrated any further unsatisfactory progress. Work continued at a slow pace, and Paramount was 810 days behind the revised schedule as of December 31, 1972. The scheduled completion date, including authorized time extensions of 82 calendar days, was October 26, 1970.

There were also problems relating to the quality of Paramount's work. According to Corps and N&W records, Paramount did not use reasonable care or proper techniques in excavating the tunnel. As a result the tunnel walls and floor were overexcavated, necessitating installation of an additional 17,175 cubic yards of tunnel-lining concrete. N&W did not reimburse Paramount for the cost of the overexcavation or the additional concrete.

N&W found poor workmanship in the tunnel lining and would not accept the tunnel until considerable remedial work was done. N&W officials stated that this work was necessary to minimize future maintenance costs. In July 1973 a Corps official said that this work had been completed and that N&W had accepted it.



Source: Corps of Engineers

EAST PORTAL OF TUNNEL #2 (SEGMENT 3)



Source: Corps of Engineers

WEST PORTAL OF TUNNEL #2 (SEGMENT 3)

Work on segments 4 through 6

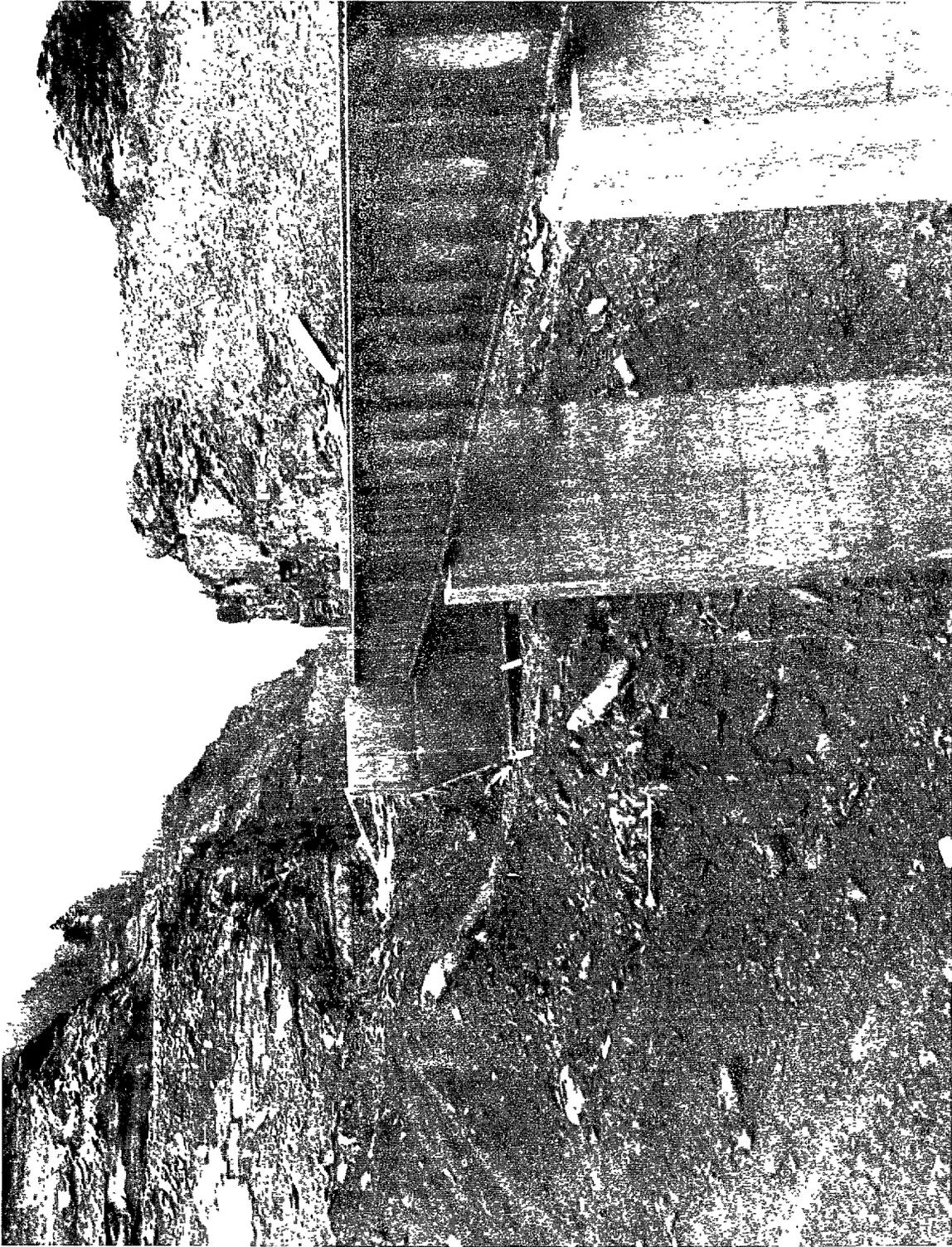
In July 1968 N&W advertised for bids for the work on segments 4 through 6. Nine bids were received and Paramount--the lowest responsible bidder--was awarded a contract on September 5, 1968. The contract provided for constructing railroad and highway roadbeds, including special ditches and drainage structures; four railroad bridges; and a 1,245-foot, concrete-lined railroad tunnel. The relocation for these segments was approximately 4.6 miles. (See pp. 19 and 20 for examples of the work.)

Work under this contract started on October 15, 1968; and, since the early stages of work, Paramount has been considerably behind schedule. For example, Paramount was about 24 percent behind schedule in September 1969 and was 623 days behind schedule as of December 31, 1972.

N&W notified Paramount to take the necessary steps to regain schedule several times and threatened, in July 1970, to institute termination proceedings unless performance improved. Corps and N&W records show that Paramount's progress had not improved through December 1971, but N&W did not take any steps to terminate the contract. The Corps suggested in December 1971 that N&W closely watch Paramount's progress and terminate the contract if Paramount demonstrated any further unsatisfactory progress. Work continued at a slow pace and N&W notified Paramount in October 1972 that it should complete the remaining work by December 1, 1972, or N&W would terminate the contract.

As of December 31, 1972, about 99 percent of the work was complete. N&W said the 99-percent figure related to the value of the work completed and excluded items for which no pay was due, such as cleanup work. The contract completion date, including authorized time extensions of 202 calendar days, was April 18, 1971.

According to Corps and N&W records, Paramount's work caused other problems. In some cases, Paramount's excavation procedures resulted in the inclusion of unsuitable materials in fills which had to be removed and/or corrected. In other cases it blasted improperly. For example, drilling and loading patterns for the explosives were not adjusted for variations in the quality of rock and this resulted in badly damaged side slopes and broken ledges.



Source: Corps of Engineers

WHITE OAK BRIDGE (SEGMENT 6)



Source: Corps of Engineers

EAST PORTAL OF TUNNEL #1 (SEGMENT 5)

Contract terminations

N&W notified Paramount on January 10, 1973, that it had 10 days to proceed more rapidly with the work or both contracts would be terminated, and on January 30, 1973, N&W terminated the contracts.

In February 1973 Paramount initiated court action against N&W in the United States District Court in Charleston, West Virginia. On March 9, 1973, the court issued a preliminary injunction restraining N&W from enforcing the contract terminations and permitting Paramount to continue working under both contracts until the work was completed. The court concluded that

- Paramount, if given reasonable cooperation by N&W, could complete its work by June 1, 1973, and was the only contractor who could do so;
- N&W's action in terminating the contracts was arbitrary, unjustified, and improper; and
- Paramount had made a strong case showing that it was likely to prevail on the merits of its case at a final hearing.

The court noted also that N&W may have contributed to, and in some cases caused, delays in the work and that cooperation and communication may have been lacking due to the complex nature of the arrangement involving three parties--the Corps, N&W, and Paramount.

A Corps official told us in August 1973 that N&W had decided not to appeal the preliminary injunction and pointed out that Paramount's work was virtually complete. He told us that the remainder of Paramount's action against N&W, which seeks recovery of damages and costs from N&W, was still pending.

By letter of May 31, 1973, Paramount informed us of its objection to the statements in this report concerning its contract work but stated that it would be inappropriate to respond in detail to such matters because of the outstanding litigation.

Corps officials believed the Corps would not have obtained lower construction contract prices than N&W if it had contracted directly because it would have probably also used the same contractors, including Paramount. Corps officials believed they could have dealt more effectively with Paramount than N&W could have. They also stated that, if the Corps had controlled the relocation, they would have taken steps earlier to terminate the contracts with Paramount.

EFFECTS OF DELAYS IN COMPLETING CONSTRUCTION

The Government has incurred an undeterminable amount of additional administrative and inspection costs as a result of delays in completing the relocation. The delays have also postponed tracklaying, resulting in further additional costs because of the intervening price-level increases for labor and materials and because the tracklaying will have to be done in a shorter time than originally planned.

Delays in completing the relocation postponed the scheduled initiation of tracklaying from December 1972 to May 1973. N&W advertised the contract for tracklaying in February 1973, and opened the bids on April 24, 1973. Because the lowest of the five bids received was considerably higher than N&W's estimate of the cost for the work, the Corps rejected all the bids and readvertised the tracklaying on May 3, 1973. This further postponed the estimated date for initiation of the work from May to July 1973. Because of these postponements and because the relocated railroad has to be completed before June 1974--the time scheduled to begin construction of the dam--the scheduled time available for tracklaying has been reduced from 18 months to about 11 months.

The contract for the tracklaying was awarded on July 9, 1973, for \$2.8 million, about \$900,000 more than N&W estimated. Most of the increase was due to price-level increases and the reduced time available for the work resulting from the delays in awarding the contract.

CHAPTER 4

CORPS' ADMINISTRATION OF THE RELOCATION

ADMINISTRATIVE AND FINANCIAL CONTROLS

The Corps maintained certain controls over the relocation done by N&W and its construction contractors-- such as retaining authority to approve or disapprove initial plans and specifications, changes to the specifications, award of any subcontracts, and revisions to contract completion dates.

N&W is responsible for inspecting the relocation. Because N&W did not have sufficient personnel, it contracted with a firm of consulting engineers for inspection services through October 1, 1974, at an estimated cost of \$2.5 million. The Corps reviewed and approved the technical qualifications of the consulting engineer's inspectors.

Corps regulations provide that it may reimburse the owner of a relocated railroad for extraordinary maintenance costs to stabilize the railroad for up to 5 years after completion. The Corps has a resident engineer who identifies and requires correction of poor quality workmanship which might unnecessarily increase the Corps' obligation to pay for such extraordinary maintenance. He also checks on construction progress and reviews and approves progress payments to insure that they are consistent with the work completed.

The Corps exercised financial control over N&W contractors' relocation work by reviewing and approving N&W's monthly progress payments to its contractors and by performing desk audits before making progress payments to N&W. The consulting engineers prepared monthly progress reports on N&W contractors' work. Payments were not made until the Corps and N&W approved the reports.

The Corps' progress payments to N&W through December 31, 1972, were adequately supported and properly authorized. The liquidated damages assessed against N&W's contractors were deducted from progress payments the Corps made to N&W.

As of June 30, 1973, work had been completed under two of the seven contracts. The Corps' audits of the contracts

revealed that all payments it made to N&W were passed on to the construction contractors.

COMPLIANCE WITH CORPS' REGULATIONS

The relocation was carried out in accordance with applicable Corps' regulations. Corps' regulations state that the Federal Government's liability for the acquisition of facilities owned by a railroad is the cost of providing necessary replacement facilities. The regulations state also that replacement facilities provided will, as nearly as practicable, serve the owner in the same manner and reasonably as well as the existing facilities. The regulations provide that relocated facilities are to be built to the same load limitations and equivalent engineering criteria as those of the existing facilities.

The N&W facilities being relocated consist of about 22 miles of main line track and about 5 miles of passing and storage track. The relocated route will consist of about 25 miles of main line track and about 7 miles of passing and storage track. The Corps studied six alternate alignments for relocation of N&W's facilities. The Corps' engineering study showed that, of the six alignments, the route chosen most nearly replaced in kind the existing N&W facilities.

There are 20 bridge structures on the existing route and there will be 14 bridge structures on the relocated route. The bridges on the relocated route were being built to essentially the same load limitations as those on the existing route.

Corps regulations specify that relayer (used) rail should be used wherever possible in lieu of new rail. The Corps and N&W attempted to obtain relayer rail for the relocated route but were unsuccessful in locating it for about 16 miles of track. The Corps authorized procurement of new rail for this part of the relocation.

Corps' regulations provide that the Government shall receive salvage credits for facilities on the existing line, and the Corps plans to obtain such credits. The amounts of these credits, however, will not be known until after rail traffic is diverted over the relocated route. N&W officials

said they were not interested in any of the facilities other than the relay rail. Corps officials stated that any facilities on the existing route that N&W did not want would be disposed of through public bid.

Corps' regulations provide also that the Corps is liable for the cost of substitute facilities for publicly owned roads, where they are necessary, and that highways shall not be designed in excess of the current standards of the State based upon traffic at the time the existing road is taken.

The R. D. Bailey project necessitated the relocation of about 12.4 miles of highway and the raising of another 0.8 mile of highway above the flood-pool level, at an estimated cost of about \$5.7 million as of January 1973. The Corps estimated that N&W's construction contractors will perform about \$3 million of this highway work.

Corps records showed that highway relocations by N&W's construction contractors were necessary to relocate the railroad and to insure that the highways were above the flood-control pool of the reservoir. Also the specifications for the highways did not exceed the standards of the West Virginia State Road Commission, based upon traffic at the time the existing road was taken.

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—PLUS ANY VOLUNTEER
HELP WE CAN GET!

Congress of the United States
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September 13, 1972

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Honorable Elmer B. Staats
Comptroller General
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Staats:

The Corps of Engineers, in constructing the R. D. Bailey project in West Virginia, has found it necessary to relocate the right-of-way of the Norfolk and Western Railroad at a cost of more than \$35 million.

At the insistence of the railroad, this relocation is being undertaken by the N & W's contractors. The Corps has entered into a cost reimbursement contract with the N & W.

Performance by the railroads' contractors has been poor to date. The original date for completion of the work has slipped badly. The N & W's contractors who hold multi-million dollar contracts for this work have reportedly paid or have been charged with liquidated damages amounting to \$200,000 or more.

I would appreciate it if the GAO would conduct an investigation into the Corps' activities, concerning this relocation, including the execution and administration of the Corps' contract with the railroad. I am particularly interested in learning what steps the Corps has taken or failed to take in insuring that this relocation is accomplished in a timely fashion and economically and efficiently. I am also interested in determining whether or not the N & W and its contractors have performed their obligations fully and in a lawful and timely manner. Your investigation should also review the procedures followed by the Corps in connection

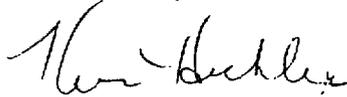
Honorable Elmer B. Staats

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with this relocation to determine whether all applicable laws, regulations, and policies have been fully complied with, and to determine if the Corps' decision to allow the N & W to carry out this relocation was a proper, efficient, and economic one.

I would appreciate receiving your agency's report of this investigation, including your comments and recommendations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ken Hechler".

Ken Hechler

APPENDIX II

ESTIMATED COST INCREASES
FOR THE R. D. BAILEY PROJECT

<u>Category</u>	Estimate at July 1966	Estimate at January 1973	Total increase	Price- level increase	Other increase or decrease (-) (note a)
(000 omitted)					
Lands and damages	\$ 8,500	\$ 12,910	\$ 4,410	\$ 3,315	\$ 1,095
Relocation of railroad and adjacent high- ways	38,130	49,229	11,099	11,215	-116
Other relocations	4,660	6,591	1,931	1,970	-39
Reservoir	334	1,025	691	391	300
Dam	16,875	38,300	21,425	12,020	9,405
Roads	536	1,725	1,189	369	820
Recreation	842	1,420	578	578	-
Buildings, grounds, and utilities	85	420	335	125	210
Permanent operat- ing equipment	72	195	123	38	85
Engineering and design	3,396	6,635	3,239	849	2,390
Supervision and administration	<u>3,170</u>	<u>4,950</u>	<u>1,780</u>	<u>1,610</u>	<u>170</u>
	<u>\$76,600</u>	<u>\$123,400</u>	<u>\$46,800</u>	<u>\$32,480</u>	<u>\$14,320</u>

^aRefinements in designs.

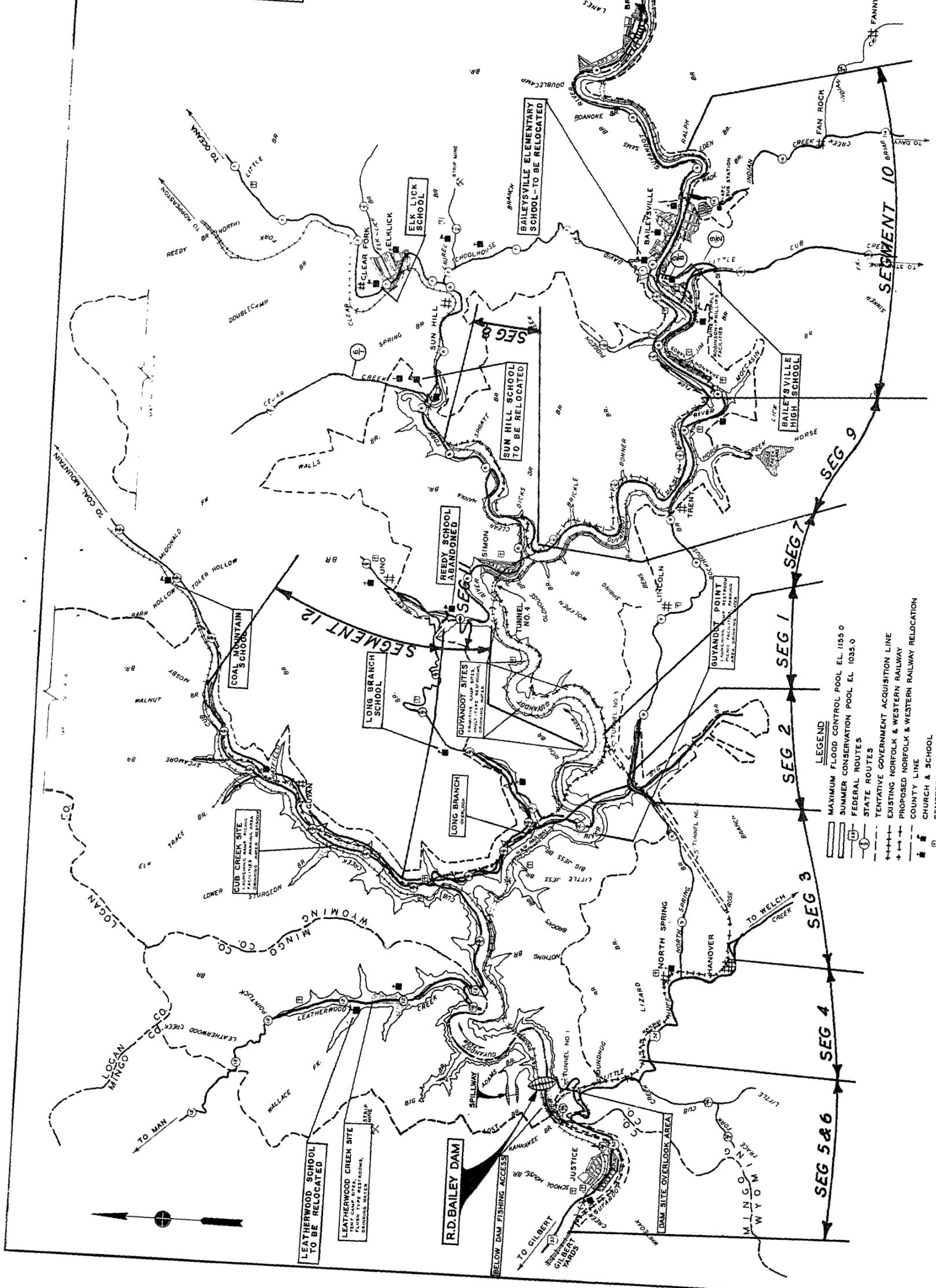


OHIO RIVER BASIN
R.D. BAILEY LAKE
 GUYANDOT RIVER

GENERAL PLAN

U.S. ARMY ENGINEER DISTRICT, HUNTINGTON
 CORPS OF ENGINEERS
 HUNTINGTON, WEST VIRGINIA
 JANUARY 1972

1:50,000
 1" = 1 MILE



- LEGEND**
- MAXIMUM FLOOD CONTROL POOL EL. 1155.0
 - SUMMER CONSERVATION POOL EL. 1035.0
 - FEDERAL ROUTES
 - STATE ROUTES
 - TENTATIVE GOVERNMENT ACQUISITION LINE
 - EXISTING NORFOLK & WESTERN RAILWAY
 - PROPOSED NORFOLK & WESTERN RAILWAY RELOCATION
 - COUNTY LINE
 - CHURCH & SCHOOL
 - CEMETERY
 - STRIP MINE
 - HIGHWAY TO BE RAISED ON EXISTING ALIGNMENT
 - HIGHWAY RELOCATION
 - HIGHWAY TO BE ABANDONED
 - HIGHWAY TO REMAIN SUBJECT TO FLOODING
 - PROPOSED PUBLIC USE AREA

NOT AVAILABLE