

2010 Annual Report



THE AMERICAN WATERWAYS OPERATORS

“AWO has a proud history of working with government and private sector stakeholders to find solutions to issues of safety, security, the environment and freight mobility.”

George Foster
Chairman of the Board
The American Waterways Operators



Vision

The American Waterways Operators is the national advocate for the U.S. tugboat, towboat and barge industry, which serves the nation as the safest, most environmentally friendly and most economical mode of freight transportation.



Mission

The American Waterways Operators represents the people who own and operate the tugboats, towboats and barges serving the rivers, coasts, Great Lakes and harbors of the United States. AWO promotes the industry's value to the nation as a driver of the U.S. economy with a positive impact on the American quality of life, moving vital commodities safely, providing family-wage jobs, reducing air and water pollution, relieving highway congestion and protecting homeland security.

Values

AWO members:

- Operate their companies and vessels in an ethical manner.
- Care for their employees and the public by working to improve the safety of their operations and the professionalism of their people.
- Care for the environment by working to protect and improve the quality of our nation's air and water.
- Supply creative, practical, and economical solutions to their customers' and the nation's transportation needs.
- Provide value to the nation, moving cargoes vital to the U.S. economy as the safest, most environmentally friendly and most efficient mode of freight transportation.
- Value member diversity and engage in cooperative endeavors for the betterment of the industry.
- Work collaboratively with government and other stakeholders to find solutions to issues of safety, security, the environment and freight mobility.

Chairman's Message: AN AMERICAN INDUSTRY



George Foster
Chairman of the Board

The U.S. tugboat, towboat and barge industry is just that - an all-American industry. Vessels are American-owned, American-built and American-crewed, in accordance with the provisions of the Jones Act, a law that traces its origins to the days of our nation's Founding Fathers. Today, we can still appreciate the wisdom behind the notion that vessels carrying commerce between U.S. ports be owned, built and crewed by Americans. The tugboat, towboat and barge industry comprises the largest segment of the U.S. domestic vessel fleet and plays an important role in ensuring our nation's economic vitality, environmental protection, national security and quality of life.

I am a small business owner, not unlike many other members of AWO. My company, JB Marine Service, is a barge cleaning and repair service headquartered in St. Louis Harbor. My partner and I started the company in 1976 as a barge fleet and switching service and I bought the company outright in 1999. Today, JB Marine Service owns four dry docks, a machine shop, eight tugboats, five floating cranes, and employs over 100 people in my community. I have been in this industry for nearly my whole life. I know it well and I care about it deeply.

Interestingly, this all-American industry that moves cargoes vital to the U.S. economy is comprised of many small to medium-sized family-owned businesses like mine. Our industry employs tens of thousands of Americans in good-paying, family-wage jobs and provides career opportunities to men and women who want to learn a trade and appreciate the flexible lifestyle and chance for advancement through the ranks to jobs with the most responsibility and highest pay. Many employees also say they love being part of a team, and that

crewmembers often seem more like family than coworkers.

The industry in which AWO members like me are proud to make our living is essential to U.S. economic vitality because it transports bulk commodities that are the building blocks of our economy, including millions of tons of coal to



power plants for electricity, petroleum products to fuel our vehicles and airplanes and heat our homes, chemicals essential to our industries, iron ore to steel manufacturing plants, concrete for construction projects and salt and sand for winter roads. America's industries depend on economical and safe barge transportation. Without barge transportation, the prices of key commodities would be much higher. In many instances, there is simply no viable alternative to barge transportation of essential bulk commodities.

AWO members value their employees and continuously work to improve the safety of their operations and the professionalism of their people. They provide safety training to every level of employee and "walk the walk" on the importance of safety to protect people, property and the environment. All AWO members must

*The vessels operated
by AWO members
are American-owned,
American-built and
American-crewed.*



comply with the Responsible Carrier Program, a safety and environmental protection program that requires companies to have policies and procedures in place that cover every aspect of vessel operations, including maintenance and crew training. Third-party audited compliance with the RCP is required as a condition of AWO membership, and AWO has supported the U.S. Coast Guard in proposing new safety inspection rules to further improve our industry's safety performance.

The tugboat, towboat and barge industry is not only the safest, but also the most environmentally friendly mode of freight transportation. The efficiency of tugboats and towboats results in less air pollution. Barging is the fuel-efficient choice; a barge tow can move a ton of cargo much farther per gallon of fuel than rail or truck. All modes of transportation have their place in our intermodal system, but the enormous carrying capacity of barges benefits all Americans, alleviating highway congestion by keeping thousands more trucks off already crowded highways. AWO members care about the environment, and work to protect and improve the quality of our nation's air and water by upgrading their equipment to include state-of-the-art technology, providing ongoing safety training to employees and continuously improving the safety of their operations.

One of the great things about this industry is the way companies that are vigorous competitors in the marketplace come together to cooperate for the betterment of our industry and our country. AWO has a proud history of working with government and private sector stakeholders to find solutions to issues of safety, security, the environment and freight mobility. We are proud of our collaborative nature and our reputation for safety leadership. Above all, we are proud to be an all-American industry.



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*The American
Waterways
Operators was
founded in 1944.*

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President's Report: AWO MEMBERS - ENERGIZED, ENGAGED, EXTRAORDINARY



Thomas A. Allegretti
President & CEO

In the twenty years since the passage of the Oil Pollution Act of 1990, there has been a 99.6% decrease in tank barge spills.

AWO began 2010 with a strong spirit of optimism and confidence – an optimism undeterred by the difficult market conditions facing AWO members and a confidence grounded in the assessment that the trade association was stronger than ever and that the value AWO members derive from their investment in the association was higher than ever before. Little did we know at the start of the year that these judgments would be tested like never before.

2010 was a year in which all of the advocacy strengths of our industry, all of its financial and human capacity, and all of its creativity, ingenuity and persistence, were fully tested as the congressional reaction to the *Deepwater Horizon* oil spill unleashed a torrent of legislative proposals. Many of these proposals would have had impacts far beyond the offshore drilling industry and done great harm to the owners of American tugboats, towboats and barges whose operations had no connection to the Gulf spill. The scope and intensity of the industry's defensive effort was unlike any seen in recent memory, perhaps in our entire history. We ultimately emerged from the year successful in blocking the enactment of these harmful and unnecessary provisions.

AWO's response to this unexpected onslaught showed the mettle of our industry and its association in all of its components – member direction and engagement, staff ingenuity and persistence, and the commitment of our industry's friends in Congress, who were steadfast in their support and protection. The industry's performance in successfully addressing this grave and unprecedented challenge was nothing short of magnificent.

We faced this most serious threat while simultaneously managing an agenda of public policy issues more consequential than at any time in our industry's modern era, and with the backdrop of a national landscape of uncertainty

and churn and a widening philosophical gap between the two political parties. The shifting sands of that landscape were confirmed with the national elections in November, which brought a new political party to power in the House, saw the electoral defeat of many longstanding industry friends in Congress and set the stage for the installation of the new Congress whose composition is more than one-fifth brand new members. For a small industry like ours, the challenge of education and relationship-building that derives from these changes is enormous.



One of the most prominent lessons of 2010 reinforced what we already knew – the importance of having a strong reservoir of advocacy capacity, and constantly growing that capacity and effectiveness through the combined efforts

of engaged and energetic member-leaders, passionate member advocates and a strong staff. This combination was, and will continue to be, indispensable to our success. Our experience in simultaneously handling the *Deepwater Horizon* reaction and the large agenda of high-stakes issues tells us that we must be nimble enough to both play an effective game of defense and an aggressive game of offense. Had the “AWO Army” that Chairman George Foster mobilized not been on the field of battle in full strength, the year would have surely ended in a decidedly less positive way.

2010 was also characterized by an intense and continuing focus to achieve goals that are constants for AWO. There are three major quests in which AWO is continuously engaged – quests that transcend the issue of the day and the controversy of the moment:

- The quest for value
- The quest for excellence, and
- The quest to be the master of our own destiny.

The quest to provide AWO members with increased value is embedded in the association’s DNA. We have an organizational ethic of commitment to continuous improvement. We are driven to produce results, on a continuing basis, that enhance our value and make it easier for members to support the association through their financial contributions and their personal engagement in AWO’s work. We never take that support and engagement for granted.

AWO is also an organization that is genuinely committed to excellence in its work, across all fronts – advocacy, analysis and administration. We are intolerant of lapses below that standard and we are our own harshest critics when we fail to achieve excellence.

The third major constant that drives AWO’s work is the quest to define our future – to be the master of our own destiny. There is no doubt

that trade associations must be reactive, as the *Deepwater Horizon* imbroglio reminds us. But, effective reaction by itself is insufficient. A distinguishing characteristic of AWO is that our member-leaders think down the road to the challenges of the future, and consider what we must do as an industry not only to prepare for those future challenges, but to actually shape them. This kind of thinking is now embedded in the fabric of our industry and our association. In 2011, the road map that results from the work of the Task Force on the Future of AWO Safety Leadership will define our next frontier in the quest to be the master of our own destiny.

Waterways transportation is the most environmentally-friendly mode of freight transportation.



AWO is an extraordinary and fortunate organization. We are characterized by attributes and values that are important to the nation and the U.S. economy. We are personified by successful businessmen and community leaders like Chairman Foster, who started with very little 40 years ago and today provides good, family-wage jobs to over 100 people in his city. We are fortified by the knowledge that while the challenges facing us have never been greater, our capacity for success has never been stronger. We end the year as we began it, with optimism and confidence.

The tugboat, towboat and barge industry provides family-wage jobs for hardworking Americans; jobs that cannot be outsourced.



Jobs: MAKING A POSITIVE IMPACT

Barges, inland river towboats and coastal tugboats are the largest sector of the U.S. commercial maritime industry. The U.S. domestic fleet includes more than 40,000 vessels, making it one of the largest fleets in the world. The domestic maritime industry:

- Provides 500,000 quality jobs for Americans
- Generates \$100.3 billion in economic output
- Contributes \$29.1 billion in labor compensation
- Pumps \$11.4 billion in taxes into federal and state treasuries

The tugboat, towboat and barge industry is the largest provider of on-board jobs in the U.S. domestic fleet and a critical component of the U.S. freight transportation network. Barges move bulk commodities safely and securely, away from population centers and off congested roadways.

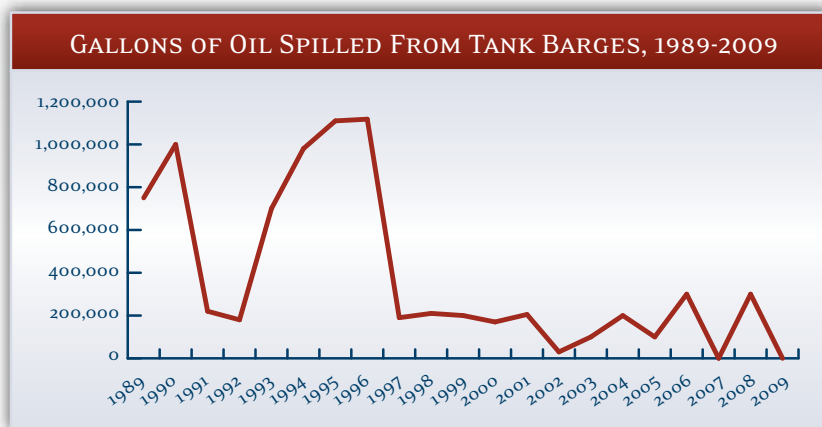


SECURITY

The tugboat, towboat and barge industry is essential to America's economic strength and its homeland security. Federal law, known as the Jones Act, requires that vessels moving cargo between U.S. ports be owned by American citizens, built in American shipyards and crewed by American mariners. Barges and towing vessels operate on navigable waterways throughout the United States, and the men and women who crew those vessels serve as the eyes and ears for the U.S. Coast Guard in helping to protect our coastline and the heartland of America. The Jones Act, which ensures the American character of the U.S. domestic fleet, has enjoyed the support of the U.S. Navy, members of Congress of both parties, and every U.S. president in modern history.

Safe: OIL SPILLS AT AN ALL-TIME LOW

There has been a 99.6% decrease in tank barge spills in the 20 years since the passage of the Oil Pollution Act of 1990, the best spill rate in the transportation sector. In 2009, the last year for which complete statistics are available, tank barges recorded their lowest spill volume ever. AWO is committed to working with the Coast Guard and Congress to implement prevention measures - from double hulls to tankerman training to safety management systems - as we continue to strive toward the goal of zero spills.



AWO RESPONSIBLE CARRIER PROGRAM AND TOWING VESSEL INSPECTION

Tank barge oil spills in 2009 reached the lowest levels since 1973, when Coast Guard recordkeeping began.

The AWO Responsible Carrier Program (RCP) is a third-party audited safety management system with which all AWO members must comply as a condition of association membership. Developed in 1994, the RCP exceeds federal regulatory standards and provides guidelines for vessel management, operation, equipment and crewing.

Building on the success of the Responsible Carrier Program, in 2004, AWO supported the U.S. Coast Guard in seeking new legislative authority to establish a towing vessel inspection regime including a safety management system

requirement. AWO has worked closely with the Coast Guard through the congressionally established Towing Safety Advisory Committee to implement the new requirements.

THE U.S. COAST GUARD-AWO SAFETY PARTNERSHIP

Established in 1995, the Coast Guard-AWO Safety Partnership, the first public-private partnership of its kind, continues to serve as a vital component of AWO's efforts to promote safety and environmental stewardship in the tugboat, towboat and barge industry. The Partnership has launched more than 30 Quality Action Teams to address safety and environmental challenges in the industry. In 2010, the Partnership focused its efforts on promoting crew endurance in the 24/7 world of barge and towing vessel operations and paving the way for a smooth transition to towing vessel inspection. Through the Towing Vessel Bridging Program, the Coast Guard has conducted more than 2,600 industry-initiated towing vessel examinations, helping the industry prepare for the forthcoming inspection requirements.

The Partnership also continued its efforts to encourage adoption of science-based Crew Endurance Management System (CEMS) principles to enhance crew alertness. Cutting-edge research by Northwestern University's Center for Sleep and Circadian Biology builds on studies conducted for NASA and shows promise for building on the CEMS foundation to enhance crew safety within standard industry watch schedules. That groundbreaking research continues in 2011.



A NEW INITIATIVE IN SAFETY LEADERSHIP

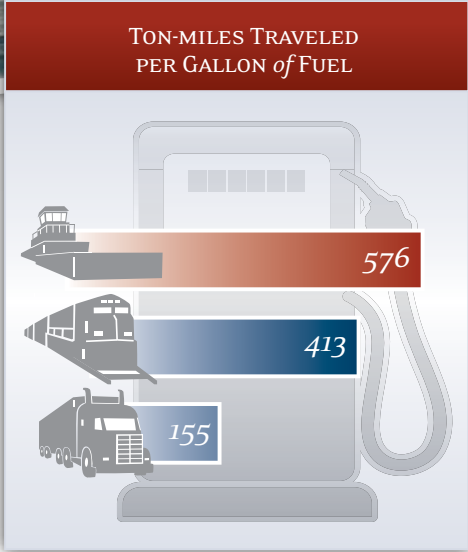
AWO's strategic plan, *AWO 21*, affirms AWO's commitment to safety leadership and calls on the association to "lead and support AWO members in continuously improving safety, security and environmental stewardship." In 2010, AWO established a senior-level task force on the Future of AWO Safety Leadership to develop a new vision of industry safety leadership and a work program to achieve it. The task force is consulting with safety experts from the Coast Guard, the National Transportation Safety Board, industry customers and other experts to define what it means for AWO and AWO members to lead the industry in safety and environmental stewardship today and over the next decade. The most significant AWO safety initiative since development of the Responsible Carrier Program, this work will continue in 2011.

The tugboat, towboat and barge industry comprises the largest segment of the domestic U.S.-flag fleet, providing economic, national and homeland security for America.

Clean: FOCUSED ON PROTECTING THE ENVIRONMENT

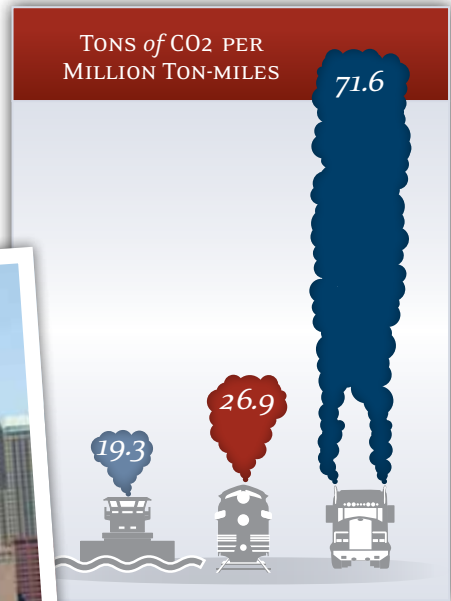


The tugboat, towboat and barge industry is the most environmentally-friendly mode of freight transportation. The fuel efficiency of tugboats and towboats results in fewer hydrocarbons entering the air. State-of-the-art vessels, including those with emissions reduction engines, and a new hybrid tug, contribute to the protection of the environment and hold promise for even greater environmental protection in the near future.



Barging contributes to Americans' safety and quality of life by reducing highway congestion. The enormous capacity of barges means thousands fewer trucks on the highways. And barges carry hazardous cargoes on the nation's waterways, away from population centers.

Waterways transportation contributes to the American quality of life by helping to reduce congestion on roads and rails.





The U.S. Department of Transportation has projected that the demand for commercial waterways transportation will more than double by 2025. America must invest in its aging waterways infrastructure to handle that increase.



Economy: TRANSPORTING AMERICA'S PRODUCTS RELIABLY

Freight movement is the lifeblood of the U.S. economy and no mode of freight transportation is more efficient and cost-effective than barge transportation. Barge transportation provides family-wage jobs for Americans and a low-cost, safe and efficient way to transport the building blocks of the U.S. economy to the marketplace -- coal to power plants, iron ore to steel mills, petroleum products to oil refineries and chemicals for industrial use. Barging also helps foster fair trade. For example, economical barge transportation helps American farmers by providing a reliable, low-cost way to transport 60% of America's grain for export,

helping them remain competitive with heavily subsidized foreign producers.

National leaders from across the political spectrum recognize the importance of exports to the U.S. economy. In his 2010 State of the Union speech, President Barack Obama laid out the ambitious goal of doubling U.S. exports in five years.

For this vision to become a reality, our intermodal freight transportation system must be expanded and improved. In order to continue to reap the benefits of barge transportation to the nation, the U.S. must invest in modernizing and properly maintaining the waterways infrastructure. Many locks and dams that affect efficiency and safety are over 60 years old, well past their expected life span. AWO has joined with other stakeholders, including Waterways Council, Inc., and the National Waterways Conference, to advocate for a long-range strategic plan to invest in the waterways infrastructure needed to support export growth.

"We need to export more of our goods. Because the more products we make and sell to other countries, the more jobs we support right here in America. We will double our exports over the next five years, an increase that will support two million jobs in America."

President Barack Obama
State of the Union speech
January 27, 2010

More than half of America's grain exports move by barge along the nation's inland waterways, accounting for \$10 billion in exports.



2010: MAJOR ISSUE CHALLENGES AND OBJECTIVES

By 2015, all tank barges carrying oil in U.S. waters will have double hulls.

- Raise public awareness of the tugboat, towboat and barge industry's value to the nation.
- Promote AWO Responsible Carrier Program compliance and assist AWO members in being marine safety leaders.
- Prepare for Coast Guard notice of proposed rulemaking on towing vessel inspection.
- Secure improvements to the inland waterways infrastructure project delivery process to maintain waterways transportation efficiency and benefits to the nation.
- Secure a uniform and practical national approach to regulation of ballast water and other vessel discharges.
- Ensure a practical, science-based approach to crew endurance, work and rest issues.
- Prevent erosion of the Jones Act.
- Eliminate the unnecessary requirement for a second trip to the TWIC enrollment center.
- Ensure that vessel operations are regulated and governed by the federal government.



AWO Staff

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The National Trade Association of the Inland and Coastal

Tugboat, Towboat and Barge Industry