

Draft Minutes
Inland Waterways Users Board
Meeting No. 54
March 14, 2007
New Orleans, LA

[Note: The following draft minutes of Inland Waterways Users Board meeting No. 54 were approved and adopted as final at Inland Waterways Users Board meeting No. 55 held July 31, 2007 in Louisville, KY]

The following proceedings are of the Inland Waterways Users Board Meeting held on the 14th Day of March, 2007 at the New Orleans Marriott Hotel, Mr. William N. Whitlock presiding. Inland Waterways Users Board (Board) members present:

- Mr. Jeffery Brehmer, Holcim (USA)
- Mr. Mark Buese, Kirby Corporation
- Mr. Rick Calhoun, Cargill Marine and Terminal, Inc.
- Mr. Jerry Grossnickle, Bernert Barge Lines
- Mr. Charles A. Haun, Parker Towing Company, Inc.
- Mr. Gerald Jenkins, Ursa Farmers Cooperative
- Mr. Stephen Little, Crouse Corporation
- Mr. W. Scott Noble, Ingram Barge Company
- Mr. Deane Orr, Console Energy
- Mr. William N. Whitlock, American Commercial Lines, LLC
- Mr. Royce Wilken, American River Transportation Company

Also present were the official Federal Observers, designated by their respective agencies as representatives:

- Mr. John P. Woodley, Jr., Assistant Secretary of the Army (Civil Works)
- Mr. Nicholas Marathon, U.S. Department of Agriculture
- Ms. Julie Nelson, U.S. Department of Transportation, Maritime Administration

Mr. Alan Bunn, National Oceanic and Atmospheric Administration

Official representatives of the Federal Government for conduct of the meeting and Administrative support of the Inland Waterways Users Board were the U.S. Army Corps of Engineers officials as follows:

Major General Don T. Riley, Executive Director, Inland Waterways Users Board, and Director of Civil Works, U.S. Army Corps of Engineers.

Mr. Mark Pointon, Executive Secretary, Inland Waterways Users Board, Headquarters, U.S. Army Corps of Engineers

Ms. Anne Sudar, Executive Assistant, Inland Waterways Users Board, Institute for Water Resources, U.S. Army Corps of Engineers

Staff support provided by the U.S. Army Corps of Engineers was as follows:

Mr. David V. Grier, Institute for Water Resources, U.S. Army Corps of Engineers
Ms. Wanda Cook, Headquarters, U.S. Army Corps of Engineers

Program speakers in order of appearance were as follows:

Mr. David V. Grier, Institute for Water Resources, U.S. Army Corps of Engineers
Ms. Wanda Cook, Headquarters, U.S. Army Corps of Engineers
Mr. William N. Whitlock, Chairman of the Inland Waterways Users Board
Mr. John Paul Woodley, Jr., Assistant Secretary of the Army for Civil Works
Mr. Burt Lahn, U.S. Coast Guard
Mr. Michael Winkler, Engineer Research and Development Center, U.S. Army Corps of Engineers
Mr. Michael Kidby, Headquarters, U.S. Army Corps of Engineers
LTC Starkel, New Orleans District, U.S. Army Corps of Engineers
Mr. V. Landry, U.S. Army Corps of Engineers
Mr. Karl Brown, U.S. Army Corps of Engineers

A list of meeting participants and a list of current Board Members, Federal Observers, and U.S. Army Corps of Engineers support staff are included as Appendices A and B, respectively. See Appendices C through E for materials from presentations at the meeting.

MR. POINTON: Welcome to the 54th meeting of the Inland Waterways Users Board. I hope everybody enjoyed the tour yesterday. I thought it was very well done by the New Orleans District. My name is Mark Pointon. I'm Executive Secretary of the Users Board. Before we start the meeting, we are obligated to read for the record that the Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. It provides the Secretary of the

Army and the Congress with recommendations on funding levels and priorities for modernization of the inland waterway system.

The board is subject to the rules and regulations of the Federal Advisory Committee Act. The U.S. Army Corps of Engineers is the sponsor for the board and provides the Executive Director, the Executive Secretary and all normal activities.

This is a Sunshine meeting, and as such, is open to the public. The proceedings are being recorded and a transcript will be available shortly after the meeting. Lt. Col. Starkel from the New Orleans District will now give us some welcoming comments.

LT. COL. STARKEL: Good morning. On behalf of Col. Rich Wagenaar, the commander for the New Orleans District, welcome to the 54th meeting of the Inland Waterways Users Board. I would like to extend special thanks to the board members and especially to the Honorable Mr. Woodley and Major General Riley, Director of Civil Works in the Corps. Seems like you two gentlemen have been here quite a bit over the last 18 months and we appreciate it. It is almost like you have a home away from home. We appreciate the hard work you are doing here to help the citizens of the New Orleans metropolitan area.

I would like to give you a brief update on things that have happened since Hurricanes Katrina and Rita hit the ground. We had five of our structures sustain serious damage, but they are all up and open. We were able to get up them and running quickly after the storm. Namely, here in the Metropolitan area, the Algiers, Harvey, and the Industrial Lock in particular. The Lock Master rode out the storm and was able to give us reports of the water levels in the ICC, water in the guide walls as the storm was in its full feature. He stayed in position to the point where we almost had to order him to take some time off and leave.

But he stayed at his post with his family. A little funny note was that he celebrated his anniversary with his wife on the lock I think about September 20. Somehow they found a bottle of wine and had a bottle of wine and kept on trucking. That gives you an idea of the dedication of the hard working folks we have around here and the work they have done.

Then when Rita hit, same thing. We worked very closely with Mr. Butler and the GICA folks to keep the channel open as long as possible to get a lot of the barges through. And I remember working with the Corps waiting to the last possible minute to extract the lock master and lock operator from Calcasieu and Beaumont. Turns out we couldn't fly them out, so they got on the last couple of tugs and rode out the storm on those tugs and got out of harm's way. Again, welcome to New Orleans, and with that, sir, I will turn it over to Gen. Riley for Executive Director comments.

MG RILEY: Thanks. We really appreciate the efforts of the New Orleans District and the work they have done in putting on this important meeting and the tour and all the details that go in with planning something of this magnitude. So, thanks for your great work and certainly all the work that the District and the great and federal state team that we had down here over the last couple of years.

Thanks also to Mr. Whitlock, our chair, for returning as our chair and helping this Board. This is a very important Board for the Chief of Engineers and we think it is significant. The secretary is probably the first secretary and the longest serving secretary, probably the first that has attended nearly every board meeting; I think maybe he missed one meeting because he just got detained, but we appreciate the secretary's interest in this board.

Let me also welcome the other federal observers. First, Julie Nelson, Deputy of Maritime Administration. Thank you, Julie. And Alan Bunn, from NOAA. Alan, it is good to have you back again. Nick Marathon from the Department of Agriculture. I will ask you three, and the secretary, if you would like to make any comments at this point.

MR. BUNN: I want to make mention that NOAA is celebrating basically their 200th birthday. It was the predecessor under Thomas Jefferson; in 1807, he requested for commerce purposes that there be a survey of the coast. From that, came our coast and geodetic survey. We have changed our name to ISA, ultimately to NOAA. We are celebrating our 200th birthday this year. If there is any opportunity to tie in with the Corps out there on any kind of celebrations you may have, I know our public affairs folks look forward to doing that.

MG RILEY: Congratulations.

MR. MARATHON: Thank you, General. I appreciate the opportunity to be part of the Inland Waterways Users Board. By attending these meetings, the USDA gains considerable insight and information on the nation's inland waterways, which is a vital component of the nation's agricultural transportation system. I just would like to thank the board members for being cooperative, and we were able to gain a lot of information from them so that we can monitor the flow of grain from producer to domestic and exporter markets. Again, we appreciate being part of this board and working with it in the future.

MG RILEY: Thank you. Mr. Secretary?

MR. WOODLEY: Thank you. We appreciate the warm welcome from the New Orleans District. We are very proud of what the New Orleans District has been able to accomplish both before but very much so after the two hurricanes of 2005. But I think it is particularly good for this board to visit and to recognize that the great untold story of Katrina and Rita is the restoration of navigation.

Because New Orleans is a great city, and it would be a great city in its own right, but its importance to the nation is its location at the head of the navigation system of the inland waterways leading to the Upper Mississippi, Missouri, Tennessee and Ohio systems. And it is the outlet of all those systems to the international world markets.

As such, that is -- of course, speaking of Thomas Jefferson, he was heard to say that the power that controls New Orleans is the natural enemy of this Republic, speaking prior to the Louisiana Purchase. And the reason is clear. Whoever controlled New Orleans had his fist on the outlet of middle America to the markets to the world and the imports of the world. So, that has not changed in 200 years.

So that is the significance of the fact that after Katrina and Rita, the Corps, working with NOAA, working with the Coast Guard, working with all of the other agencies that were responsible for these things, were able to restore navigation in an amazingly short period of time, not just here but all along the coast. You hear some folks here from the Gulf Coastal Waterways Association that can tell some very powerful and interesting tales. I see they are well represented today by Raymond here. And I urge you to discuss that with him. They have some very interesting tales to tell of heroism and dedication to this navigation system, that make me proud, and deserve all the recognition that they can get. So, it is great for this board to meet here and award some of that recognition to the wonderful people.

MG RILEY: Thank you. Thanks also to members of the public and other interested parties who have joined us today. I want to recognize the commander of our Great Lakes and Ohio division, Bruce Berwick, who joins us today, and the rest of you as well. Certainly, to our board members.

Let me just give you a little bit of an update on a few things that you may have had a few pieces of information on. Yesterday, we had our second of four budget hearings and two more tomorrow, one in the morning and one in the afternoon, on the Senate and House authorizing committees. The President's Budget was released early last month and now these are the budget defense hearings.

But really, this is the highest budget ever submitted for the Corps. We feel privileged. It is not always keeping up with inflation, although it is higher, but we do feel somewhat grateful to the administration because of the tightened budget and the desire to balance the budget over the next several years. The Corps has really come out very fairly well in the budget battles. Now, of course, we are defending on the Hill and we will see what Congress does with all that.

The other thing we are working with now in the national budget is the program assessment rating tool. We get rated by them quarterly on many aspects of our program and we need to show progress every quarter. And so, we have done substantial work over the past couple of years to move that forward. So, for inland waterways, inland navigation in particular, we have moved it from results not demonstrated to performing, which is a major step. Julie, you understand that. And Alan and Nick, dealing with OMB, you could get a little bit of boost out of that. It is great progress. Because if we don't demonstrate results, then we find out about that in the budget.

Also, some of the work we are doing on economic modeling of navigation is very sophisticated. The secretary has stated a personal interest in that and to ensure that the models we develop are credible models and meet the credibility standards of the National Academies of Science. So I think we are very well on our way to doing that. Later this year, we got good support out of the academies and indicators that these models being developed now are sophisticated enough to meet their standards.

In FY07, the year we are in right now, of course you know the Congress did not pass our appropriation bills, but passed a continuing resolution, and we are into our fifth appropriation this year, I believe. That is like working -- you know, we are staffed to work one of those per year, and we are working five of them now.

In addition to the 08 budget and 09 and developing our five-year plan. We are in the middle of that. We don't have our FY07 and 08 plan approved by the Office of the Management of the Budget yet, but hopefully in the next few days we will have that. You saw in our 08 budget we moved up higher, 9 percent, in our operations and maintenance account. In 07, because the continuing resolution was based on a fairly robust funded year in 2006, so we think that for the remainder of this year, anyway, though it has been difficult with these continuing resolutions, we remain, this year, fairly healthy in operations and maintenance.

We'll talk about the trust fund today, of course. We are also looking at some very sophisticated methods that the board has heard about before on the risk and reliability, and Gen. Berwick and his division and his great team is leading that with the Mississippi Valley Division as well, to really base our investment decisions on the river on risk and reliability measurements, not just on simple judgment of how serious something might be.

So, I think that is a very, very important improvement for us. Of course, Mr. Woodley will talk a little bit on the agenda about the trust fund and some ideas on how we keep that fund healthy. And as you know, this board has been very, very significant to us and the Chief and your advice that you provide us, as well as your advocacy for the work that we do. So we appreciate the work of the board.

We ask your continued contribution not just to budgetary matters, but also a little bit more detail on some goals. We are developing a vision and goals for each of our business program. In this case, navigation. And we are going to -- as we develop our 09 budget, we'll give it to the divisions and ask them to bring back to us their regional goals. So we ask for the board and state board participation in developing those goals. From that, we will be available to develop objectives and performance. Thanks for the work of the board and I look forward to discussions in this meeting. Mr. Chairman.

MR. WHITLOCK: Thank you, Gen. Riley. Good morning. I would like to especially thank Assistant Secretary Woodley. As Gen. Riley said, he has attended every one of the board meetings since he was appointed except for one. And I really appreciate that. It is important that he attends and gives the board members an opportunity to discuss firsthand our issues, our concerns, as Secretary Woodley is the political appointee for the administration. So, he is the one voice that we have to communicate with directly.

So we really appreciate your attending and the interest you take in the board and the support of the Corps, which is so vital to moving commerce throughout the U.S.

I too would like to echo the comments earlier. I thought the New Orleans District's arrangement for the tour yesterday was outstanding. I continue to be, well, always impressed with the depth and breadth of knowledge of the Corps personnel and the professionalism. I just want to say thanks. As always, the Corps does an outstanding job.

I would also like to thank Raymond Butler for arranging the sponsorship of the reception last night and twisting many of the arms of some of the industry, my compatriots, to support that effort. But Raymond was the leader in doing the arm twisting, so, thanks, Raymond.

So, today we have several major issues that we will be talking about. One is the Board's annual report that we publish every year, generally toward the end of March. So, we will get into that a little later. Before we get into the program, there will be an opportunity for public comments at the end of the presentations. Those of you who intend to make public comments, please let Mark Pointon or one of us know so that we can get everybody scheduled ahead of time.

So, with that, let's move on with the first item on the agenda, and that is the approval of our board minutes, which was our meeting we had in Pittsburgh last fall. Do I have a motion for approval?

MR. JENKINS: My name is Gerald Jenkins, Mr. Chairman. I so move.

MR. WHITLOCK: Motion by Mr. Jenkins. Second?

MR. NOBLE: Scott Noble, I second.

MR. WHITLOCK: All in favor? The minutes are approved. Thank you.

On our agenda, the topic that we are going to be discussing is the Inland Waterways Trust Fund, the status of the Inland Waterways Trust Fund and receipts. I would like Mr. David Grier to discuss that. Thank you.

MR. GRIER: Thank you, Mr. Chairman. The board members hopefully have in front of them a couple of sheets of paper. One is a single sheet, the Inland Waterways Trust Fund Status Report, and the second one is a stapled piece, the Assessment of Alternative Assumptions of Waterways and Revenues for the Inland Waterways Trust Fund. I apologize for these not being in your notebook. We were trying to get as close as possible to the final 07 numbers and my understanding is they are still not final, but we had the best numbers we could get to work with for the analysis.

In terms of the status report, the one pager, we began the fiscal year 2006 with a balance of about \$353 million in the trust fund. Treasury indicated revenues of about \$81 million and interest of \$9.4 million in 2006. And transfers to the Corps were very robust, \$175 million, leaving an end balance of \$267.36 million. That is a little bit higher number than I had indicated in the previous status report to the board. We elected to use a different accounting procedure which includes what Treasury reports as both assets and liabilities. And the liabilities being transfer authorities that have already been given to the Corps but not yet transferred. So we elected to include that as part of the ongoing balance in the trust fund because those funds have not been transferred to the Corps at that point.

For fiscal year 2007 through January, revenues have been 21.7 million with interest of 2.8, so a total receipt of 24.5. That is a decline of about 4.3 million from this point in 2006. Transfers to the Corps that have been indicated by Treasury at this point are just about 47 million, leaving a current balance of 245.4.

I would also mention that I know the board was concerned about the 80.8 million figure for revenues in 2006. We have engaged Treasury in a discussion of this. We are going to be pursuing that in the weeks ahead to see if they can offer any further explanation or just a review of the revenues to ensure they were accurately documented. Just real quickly, on the back, there is also some indication of the commodity trends through February of this year. And we do indicate from the Corps' own numbers, there was a slight decline in total traffic in terms of tonnage for 2006. I should have had a column there to add this up, unfortunately, I didn't have time to do that. So there was a small decline in tonnage in 2006. Any questions on the status report before I get to the trust fund analysis?

MR. WHITLOCK: David, I would comment for the benefit of everyone, the 80.8 million shown as receipts for 06, 16 of the major companies in the waterways industry did an informal survey and reported that 76 percent of that revenue was paid by those 16 members that were showing a year-over-year 1 percent increase. Which in my opinion, from a statistical analysis standpoint, would indicate that there is something wrong with the numbers that we have there, 80.8 million. 76 percent of the revenue paid by 16 members is showing a 1 percent increase, then this is -- it just doesn't compute in my mind at this point. When you look at the receipts through the first four months of 2007, showing about \$6 million a month, if you annualize that out, you are looking at even less in this fiscal year than last fiscal year.

So, I think it is an imperative that we try to engage, whether the board members or the Corps or whether we try to do it jointly, but I feel it is imperative that we try to engage Treasury to understand what is going on. Because we in the industry don't understand the numbers, and we have a hard time accepting that 80.8 million at this point.

MR. GRIER: I understand, sir, and we will be pursuing that with Treasury. And Treasury has also indicated that if the board would like to elevate that to a formal request, we have contacts to appropriately do that.

MR. WHITLOCK: Any other comments?

MR. WILKEN: Royce Wilken. Explain again the concept of transfer and not transfer, and why those funds are being withheld and not transferred in a more expeditious fashion to the Corps.

MR. GRIER: The actual transfers are based on what the Corps requests on a biweekly basis from Treasury to be transferred to execute ongoing projects. As I understand it, Treasury sets aside a lump of funds for the Corps that's authorized to be transferred and it comes off their books as part of the balance, at that point, of available funds. It then becomes a liability in terms of their bookkeeping. It is set aside and it is liquid rather than being invested in longer-term interest-bearing accounts, which is what Treasury does with the remainder of the funds. So, this is an active, liquid available fund that they can quickly transfer to the Corps when the Corps requests it. But from a bookkeeping standpoint, it shows up in their statements as already having been transferred to the Corps. You have to look at the footnotes where it says, "Authority for Transfer."

MR. WILKEN: Okay. As we research back over the past year, I will be interested in reconciling back from the beginning of the trust fund when we further started gathering funds to reconcile that account. Thank you.

MR. GRIER: I will work with the board and the Treasury to conduct that. It does offer some confusion from one year to the next, but if the Corps has not completely used up the transfer authority, then there is some carry-over authority into the next fiscal year, too, that needs to be accounted for.

In terms of the trust fund analysis itself, it was prepared using the best numbers we had for what we think we will spend in 2005 by project as well as what is in the president's budget request and the five-year plan with the 08 budget submission. There is three scenarios that have been addressed here. The tables 1A and 1B show the baseline program that is consistent with the president's budget request and funding ceilings that we have on some of our projects.

Table 1A shows the list of projects that are included in that baseline, and then as you can see in the footnotes, Kentucky -- well, let me correct this. Kentucky does have some funding in here, in 2007, but it is accounted for in the analysis. You do have an interruption to show for Kentucky from 2009 - 2012 and then funding will resume in 2013.

Inner Harbor is not funded after 2007. And then, Table 1B shows the cash flow associated with those projects being underway, and the funding levels showing in the five-year plan for each of those projects. Under those assumptions, and also assuming revenues recovered to about 90 million to the trust fund in 2007, we would still incur a trust fund deficit by the end of 2009 or the beginning of 2010 in the trust fund balance. And that would remain negative through about 2015, as the projects are completed.

Table 1C is just an attempt to try and show what revenue levels would be needed to sustain the program, showing in the five-year plan for these baseline projects. And interest on the order of about 120 to 130 million in revenues, and what would be needed to sustain the program would be indicated in that baseline.

Tables 2A and 2B expand the list of projects being assessed to include additional projects that are currently authorized, but not in the baseline list, such as Myers, and also, starting up somewhat sooner if we had the capability and funds to do it. In addition, you can see other projects there that would be underway in 2008 at a capability level including possibly starting something on the Upper Mississippi. And then, the other projects in the out years that are now under study or authorization pending are likely candidates for future inclusion in the program. And then shows the impact of that on the trust fund for the current revenue assumptions. The trust fund definitely goes negative in 2009 up to a maximum level of 1.7 billion by 2020 to sustain the projects indicated in 2A at a capability level.

Tables 3A and 3B show the same list of projects, but the changes in schedules that would be needed in order to construct them within the revenue assumptions for the trust fund at the current tax rate and assuming it does recover in the current fiscal year. That level of funding would push out completion of most projects by any number of years, over a decade, and the Upper Mississippi,

for instance, would not be able to be started until 2018 and finished around 2036. Other projects in the program would complete somewhere after 2040.

You can see the cash flow in 3B associated with that program and you maintain the funds just barely above zero through much of that period, out to 2034, when some of those projects on the list can finally be completed. With everything being completed by 2042. Any questions on that part? I have a couple of other tables to share. Separately, I didn't have time to get it included in the initial analysis, but there is a single sheet of paper labeled as item 4, ongoing projects, funded at average levels in FY06 through 08. This is something the board had asked to see and then asked if we did a rolling three-year average of what the projects were funded at for the past three years, and here we are using 2006, the stipulated amount for 07 and the president's budget for 08. You can see there what that works out to as an average by project. It's a very robust average for the ongoing projects, Olmsted, McAlpine, and Marmet, and it would allow them to be completed on their present schedules. In fact, on a bookkeeping basis, they can actually be completed sooner, but from an engineering standpoint, the funds spread out over a few extra years, the initial funds would go not allow them to be necessarily completed any sooner.

But for some other projects, funding at the level of the past three years would considerably constrain the completion dates; Kentucky and Inner Harbor are both halted on the base line, so that, of course, delays their completion, and then applying funding levels to continue construction would then further push out Kentucky to 2021 and Chickamauga out to 2020. Inner Harbor with zero funding in 08 shows a very low average for the three years and would push it out to 2060 at the level of just funding it at 9.5 million a year, which I think the board recognizes that is not realistic, but just for the mechanics of going through this analysis, that is what it demonstrates. Any questions on Table 4?

Okay. The final piece I was going to share, each year the board has asked for the estimates of the benefits foregone to project delays. There is a landscape sheet with a table that shows the latest estimates on the benefits foregone based on the 08 budget request. You can see the projects included in that tabulation. Based on the latest numbers, we are now at an estimate of just over 7 billion of benefits foregone that are no longer recoverable compared to the original project construction schedules at the time of authorization. There is about another 800 million in benefits that will be foregone as projects proceed at a baseline level rather than a capability level. In the past, the board has preferred to use these numbers in their annual report, so I wanted to make these available so you could do that if you so chose. Any questions on the benefits foregone analysis? That concludes my presentation, Mr. Chairman.

MR. WHITLOCK: One question on those tables that addresses the capability program level. Am I correct here when I look at these that they do not include any programs or any projects that could be authorized or be included in something? We don't have any general works project in here, correct?

MR. GRIER: Are you referring to 2A?

MR. WHITLOCK: A.

MR. GRIER: Yes, sir. What is indicated there as the UM-IWW system, that includes the seven locks proposed on the Upper Mississippi and Illinois waterways as a combined project at a total project cost of 2.2 billion. And that includes what is pending, as possibly being authorized for the Upper Mississippi. Also, I recall Bayou Sorrel would be in it. The rest are -- possibly some of the Gulf Intracoastal Waterways projects might be in there. The Matagorda Bay and reroutes. (Inaudible.) The others are all under study and potential future authorizations.

MR. WHITLOCK: Thank you, David. Any questions?

MR. NOBLE: This is Scott Noble. I appreciate your schedule on the foregone benefits attributed to the restrained project schedule. This is a relatively new schedule. Who has it been shared with?

MR. GRIER: This would reflect what was in the 5 to 10-year program that we show as our capability levels and our baseline level.

MR. NOBLE: I guess, to me, I'm thinking I would think if they were looking at that, they would be astounded to realize we have given up \$7 million by not adhering to a construction schedule that we certainly are capable of. And it's sort of worse, you know, it's almost more than what we are spending. I want to make that point; I just hope within the administration that this would get visibility, and I'm concerned that if we continue on the path that we are on, this number certainly will continue at this pace.

And so, just from a good financial spending sense, that should get recognized that we are wasting an awful lot of money. From a corporate prospective, this would call for heads to roll in my company if we had bonds that were allowed to lag like this. I want to make that point.

MR. BREHMER: Jeff Brehmer. I have a question or follow-up to the 80 million-dollar discussion raised in Pittsburgh in November. The response was insufficient. I don't feel like there is any more information today than there was then, so, if there is a requirement for this board to issue a request for investigation of that, we have done homework that says the number doesn't look right. I don't see that there is any other way to go on that.

MR. WHITLOCK: We talked earlier about how do we engage Treasury to take a look at this. And that is something that Gen. Riley will talk about: Do we do a joint letter or does Secretary Woodley sign a letter to Treasury to ask them to look at it on our behalf. I have asked David to provide contacts. I would be interested in going to the Treasury, whoever has responsibility for keeping track of trust fund monies, and talking to that individual to see what it is they are doing and impress on them the seriousness of the situation.

When you look at that, there is about a \$10 million shortfall from what we think it should be. That would be the trust fund's contribution to one of these major rehab projects you see here that averages about 20 million. We feel that we have lost the ability to fund a major rehab project somewhere along the line.

MR. GRIER: I understand, and we are pursuing those contacts to the Treasury, at least initially informally, just to make them aware of our concerns and see what they can undertake to explain it.

But they are aware that the board may want to request something formally and I will get a point of contact at the assistant secretary level to do that.

MR. BREHMER: One other request. I know we are all very tight on time, but I find it important to come prepared and ask questions about all the things that are handed out at this meeting. I know we are all busy, but if it is possible to get it a couple of days in advance it will help us all as members to ask important questions.

MR. GRIER: I apologize for that. We will work hard in the future to make sure they are in the notebooks at the time they are distributed.

MR. WHITLOCK: Steve Little.

MR. LITTLE: Stephen Little. Looking at the handout, David, and Chairman Whitlock, the benefits foregone, it raises the question in my mind also, as we look back, and this is kind of a backwards look at what we have lost, would it be possible, would the chairman entertain a request that we look at the trust fund and ask ourselves the question, if these projects had been completed, efficiently funded at the time of their authorization, where would we be with the trust fund today.

As one example, Olmsted, which is authorized, projects to be constructed in seven years, we lost \$750 million or so. We are looking at a project to be completed in 24 years with a total loss of \$1.5 billion. So, had that project been completed in seven years, fully and efficiently funded in that time frame, as well as Kentucky and the other projects, where would we be today with the trust fund?

MR. WHITLOCK: I think, Steve, that is a very valid question. One of the things that this year's report is addressing, some of the things that the board members feel that are the structural issues that result in expenditures of funds both from the Treasury and the trust fund are being spent very inefficiently. Point being, the trust fund dollars are not going as far as they could go if the Corps were permitted by Congress to execute in a much different manner than they execute today.

MR. WILKEN: On a follow-up -- this is Royce Wilken. On a follow-up to Jeff Brehmer's request, and I'm reading that, Jeff, as a formal request by the organization to the revenue side, the revenue folks for a reconciliation. Once again, I don't believe we should just ask for one year. We suspect that there is a 10 million difference between 80 and \$90 million for one year. I think we should go back and ask for a reconciliation from the very beginning and let's find out exactly where all these funds are at and how they are collected and transferred and get that requisition.

MG RILEY: This is Gen. Riley. David, I don't see any reason that I need to sign a letter of request. We can coordinate that ahead of time, but I think we ought to go ahead and document it, if the secretary doesn't have a problem with that. I think it is appropriate to ask them to do that reconciliation.

MR. GRIER: We will begin to draft something up for your review.

MR. WILKEN: This is Royce Wilken again. On a follow-up to Mr. Little's requests, is that something we can direct the staff to provide us at the next meeting in terms of a projection on project loss?

MR. WHITLOCK: I would ask maybe some of the folks in the Corps to address that. They could probably address it on the ongoing projects. I don't know about going back to the beginning of the trust fund and addressing all trust fund dollars expended, but I will leave that up to the Corps to advise the members of the feasibility of that. I know for the board report, we did ask the Louisville folks to address Olmsted as part of the annual board report, and the numbers we got back, I think, are probably pretty conservative in terms of what the added costs would be.

So, I think that is a question that we could ask the Corps; you know, what is the Corps capable of doing from an analytical standpoint. It gets hard to go back and resurrect those numbers and say, if I had all the money up front, I could have built this project in X time for X dollars. So, I don't know whether they can or not. It is not an easy question to get to.

MG RILEY: I know there are a number of assumptions you have to make in that sort of analysis, but I think it is worth pursuing. So, we will get back to the board on the capabilities of doing such analysis. But it certainly would be worthwhile.

MR. WHITLOCK: Any other questions? Thank you. Okay. Moving on, now we have Ms. Wanda Cook talking about the FY07 & 08 funding for Inland Navigation projects and studies.

MS. COOK: Thank you, Mr. Chairman. This is my first meeting, and I've just recently been reassigned to the Construction General program in the last few months, so I'm here to talk about it. Of course, the handout you have with the budget timeline, I was going to kind of give you a rundown on the activities we are doing in each one of the years.

So, across the very middle of the page horizontally, you will see the calendar years from 05 to 09, because in any one year, it is going to take approximately 18 months to prepare that budget from development all the way through execution. You will see the three major phases in each year, so that we develop it, we defend it, and then we execute it.

From the top down, we will be starting from the back, which is the execution phase. So the plus signs down the middle is March of 07, where we are. We just completed a draft Recommended Work Plan that we presented to OMB about a week ago. And when I left on Friday, we were providing additional information. I contacted my boss yesterday, and he said we still don't have an Approved Work Plan, but they are asking for even more additional information, and maybe the capability numbers. Like Gen. Riley said, we hope to have a work plan very soon.

Then you go down to the FY08 year. As Gen. Riley said, they just went through the hearings that are going on yesterday and tomorrow as well. Then we come down to FY09, and we are in the process of putting together the guidance for the field for them to put their budgets together and send it back to us. At any one time during the year, we are working on three different years of budget. Then below, in the bottom half of the page, you will see the different activities in each one of those major phases.

The second handout -- unless there is a question on the timeline. Is there a question on the timeline? The second handout is a 7-page handout of the list of projects, the ones that have amounts in the Inland Waterways for the 07 and 08 budget. The first page, I have broken it down, which I think is how we have done it in the past, by appropriation. The first page is all of your general investigations, those are your planning studies and projects.

The first category is studies potentially leading to Inland Waterways projects. Then, the next section would be your preconstruction engineering design project, leading to annual requests for projects, and then those that are non-Inland Waterways projects. Then a grand total at the bottom.

You flip to the second page and you get to the major projects under Construction General. The Inland Waterways project at the top, first category, and then there is a footnote there, No. 1, and it is stated on the last page, 7, which is 50 percent of the costs are derived from the Inland Waterways trust fund. The second category in the middle of page 2 are your major rehab projects, and you will notice over in the columns for 07 and 08, the zeros there, that means that the administration budgeted for those in O&M, but this year, currently, since the budget didn't hold, we will actually still be funding those if they are eligible for funding in Construction General. But you will see them on both categories; you will see them in Construction because they were there funded before, and then you will see them over in O&M for their budgeted amounts. Then, the non-Inland Waterways construction projects.

Then if you flip to page 3, you have the items that are carried under Remaining Items, the Inland Waterways Users Board, then board expense, of course, and then the sum totals of all those different categories. Then, the page 4, you will see those major rehab budgeted numbers, carried in 07 and 08. All of the O&M projects. The fuel tax project is the first category, the non-fuel tax project is the second category. And then at the bottom, grand total.

Then, the information that we have displayed of course is the total federal cost, the allocation through 06, which is 30 September. The president's budget for 07. We did not have a conference report. We got a continuing resolution which we are still operating under. In 08, we have had the budget submitted and signed by the president in February, and we have displayed the Capability column in the very last column there. That is all I have. If anyone has any questions.

MR. WHITLOCK: One question. Of the total amount of monies when you add the Inland Waterways trust fund projects, major rehab on 2 and then flipping back to page 4, and those that are showing under the O&M rehab, it amounts to about \$384 million, with the continuing resolution and the joint resolution that we ended up with for this fiscal year. Do you have an estimate at this point as to the impact that is going to have on the expenditure level of these funds?

Historically, last year, the expenditure was like, 98 percent, somewhere, of the budget authority, and with a continuing resolution, what impact is that going to have on the expenditure that we had and what impact is that going to have on completion because of the CR? Has it resulted in projects losing a year, and has the CR resulted in the Corps' inability to execute at, say, the 98, 95, 98 percent expenditure level?

MS. COOK: I will speak to that some and then Gen. Riley. There may be some impact to some of the projects, if you are talking about the major rehab, depending on if they are eligible, because when we got the CR this year and clarification from counsel, not all funds are eligible for funding. So if they are considered eligible, then they more than likely will get funded. Probably anything that was in the president's budget will see funds.

The impact of this CR, I mean, they have rules that we can continue what was ongoing in 2006 up through February 15. After February 15, of course, the rules changed, and then, we are working the Work Plan, which is not final, but I believe they have authority to move forward with anything that would have been in the budget because the president's budget items were things that we would continue on.

MG RILEY: In general, you will see an impact, clearly, sort of a stop and start. The project manager is not quite sure how much the next allocation will be. So, they had the ability to move forward, but you will see some hesitancy which results in inefficiency in the obligations, no doubt.

MR. WHITLOCK: At this point, is it too early in the fiscal year to determine what you think that impact is going to be?

MG RILEY: We are tracking it accordingly in our quarterly management reviews, but we certainly don't know the impact, or whether we will be able to make it up once we get our work plan.

MR. WHITLOCK: Thank you. Any questions for Ms. Cook?

MR. NOBLE: This is Scott Noble. Just a question on the Inland Waterways non-fuel tax projects. Are most of those cost-shared to some degree? Page 6, I believe.

MS. COOK: I have only been doing this just the last few months. I don't believe I can answer that question. Mark, would you know?

MR. POINTON: Yes. Non-trust fund projects would not be cost-shared. It would be 100 percent federal dollars.

MR. NOBLE: Which causes me to be curious as to how some of these things get funded.

MR. POINTON: Your tax dollars at work.

MG RILEY: Are you talking to the point of definition of major rehab and what is funded by the trust fund?

MR. NOBLE: No, I was more curious -- I know we are not the only ones that contribute to certain projects. There are certain state projects where states have to do it. I look at some of these names and they don't mean anything to me. I see that substantial dollars are spent. I can only imagine how they get on this list to get fully 100 percent federal funding.

MG RILEY: As I look, these are all from one end. So it is mostly, I suspect, dredging of federal navigation waterways. I think that is the case, as I look down the list.

MR. NOBLE: So, it would not relate to the Port Harbor Fund, harbor maintenance funds?

MR. GRIER: This is David Grier. I can speak to that briefly. If it is not a fuel tax waterway, and all new expenditures are applied to it, those are recoverable from the harbor maintenance trust fund for non-fuel tax waterways.

MR. WHITLOCK: Any other questions?

MR. BREHMER: Jeff Brehmer. On page 2, the Annual Waterways Trust Fund Major Rehab Projects that you said -- where were they at in 2005?

MS. COOK: They were proposed under -- you see them on the following page under O&M. So, they are in two places based on the funding.

MR. BREHMER: So, as the CR continues, they will continue, those funds will continue to come out of the trust fund major rehab?

MR. GRIER: Even though they are under O&M for budget request purposes, the intent was that they would still be cost-shared from the trust fund as if they were under the construction program.

MR. BREHMER: So, in either case, there would be cost sharing?

MR. GRIER: Yes.

MR. BREHMER: Thank you.

MR. WHITLOCK: Other questions? Next on the agenda is I'm going to provide an overview of the annual report. We had great participation by the board members in preparing the report this year. It started off with a meeting in early January as to what is the message that we want to maintain or want contained in a report. We departed a little bit from the past. Seems like the reports in the past, we were overwhelmed by the pound and we had great concerns about whether they were even being read. So we decided this year to make it a lot smaller and talk about the issues that we see affecting the program. What we are talking about is the Inland Waterways program.

The general consensus of all of the board members is that we have made significant progress over the past several years with getting increased funds for the projects. The Corps has done a much better job of executing in terms of the expenditure level, and that the funding level has provided funds approaching the capability level of what the Corps is able to execute at the field level on individual projects. This is opposed to back in the early '90s, when we were spending somewhere in the range of a total budget authority of about 150 million and our trust fund was growing very fast. There were projections back then that the trust fund would be a billion dollars surplus in not too many years if we continued on that course.

Of course, today, that is a different issue, but the point that the board wants to make is that we feel that the program could and should be executed in a different manner. And it is not a criticism of the Corps of Engineers, it is a criticism, I feel, of the political system that the Corps has to work in in order to execute the program.

As was mentioned earlier, one of the examples, because of not being able to receive full capability funding once a project is authorized and initiated, the Olmsted project and the project manager prepared an appendix for this year's report, as indicated, that in the early days of Olmsted, the project was funded at the capability level. But since the lock portion of the contract, and that was the early phase and they moved into the dam phase, because of the inadequate funding levels, or less than capability levels, the district estimates that the project is stretched at a minimum of five additional years and \$239 million more because of the inadequate funding stream.

Now, the initial project was authorized at 775 or somewhere million dollars. Immediately out of the box that project went up to \$1 billion, shortly after it was authorized. Now the reported number is about \$1.5 billion, and I think it wouldn't surprise me in the least to see it at \$1.7 before it is completed. So, when you stop and think about the project, because we have had inadequate funding, its total budget increased by \$225 million, that is the amount of money that would be needed to build one of the Upper Mississippi River locks, had that project been built in an efficient manner.

The other thing the board notes in the report this year is the FY08 president's request is the largest request ever in the board's history for an Inland Waterways project: \$414 million. We thank Secretary Woodley for his hard work in pushing that as part of the administration's request. I think it reflects his understanding and the administration's understanding of the importance of the Inland Waterways, and not only that, but we see the appropriation levels of what we call our capstone projects being funded at the capability level. I take from that that we are making a difference -- people are beginning to listen about some of the concerns that we had raised over the past several years. So, that is gratifying to see that. We feel there is a lot of work yet to be done.

One of the other things that we talked about earlier when Ms. Cook was talking about the question I had about continuing resolutions, that is not administration, that is a congressional problem when they don't approve projects and CRs are granted and the Corps is limited as to how much money they can spend during those things. Those kinds of things invariably will impact projects and it is very likely that we could see, because of that, some delays on some of the projects that we are keenly aware of or interested in.

I would like to now talk about some of the recommendations. These are structural changes that the board feels need to be made. I know there is going to be a lot of discussion later on about the trust fund balance and user fees. And from a board position, the position the board has taken is there are structural things that need to take place in order to ensure that the dollars that are being contributed to the board, that they be spent in a more efficient manner than they are currently being spent before we ever engage in a dialogue about what do we do about user fees. The things I'm going to talk about are not necessarily administration problems, these are congressional issues, but

we need an administration that would help the public maybe assume some of the changes that we think are appropriate from the congressional side.

First, we think Congress and the administration should act to put in place a process which encourages multiyear contracts. Contracts should allow for a significant completion of work. Now, I harken back to the days when I was a young engineer, resident engineer on locks and dams projects. We would build locks and dams completely in six to ten years. Break ground, build coffer dams, build 1,200 and 600, build the dam in six to ten years. We were not constrained in those days by the funding levels that constrain you here. Contractors would advance -- somehow or another, the administration was able to come up with the dollars to fund those things.

Now projects take 20 years to be completed. A project that should be completed in probably ten years, Olmsted with its difficulty in construction probably is the exception in terms of additional time. But these other projects certainly could be completed, if you are building a lock and dam, in six to ten years. There is no reason today, with the technology and the equipment that is available today, that is far superior than what was available in the 60s when I was building locks and dams.

The other thing the board would like to recommend is the civil works program of the Corps of Engineers should be restructured to emulate the military construction management progress, wherein monies are generally appropriated, total amount up-front, which permits the project managers, the district engineers to proceed uninterrupted, unaffected by some revenue stream or constraint that gets imposed on the project, so that the benefits foregone we saw earlier, \$7.5 or \$8 billion, that we are able to realize those benefits for which the projects were justified for in the first place.

We want to continue to urge Congress and the administration to provide full capability funding for these Inland Waterways Trust Fund Projects at the level that the district can execute on any fiscal year if some of the other changes and suggestions up front are not possible.

We are also suggesting, and the reason we are suggesting to Congress is we submit this report to both the Senate and the House and the administration, but we feel Congress, we don't want to be preachy to Congress, but these are things that affect the program. We need to complete the budget by the end of the fiscal year, and not have the delays like affected agencies this past year with CRs.

Also, on some projects, we think that projects should undertake to determine the feasibility of whether the trust fund revenues could be used to issue bonds. In the analysis that David Grier has provided to the board members earlier in the year, when you look at the cash flow analysis of all the projects that are currently under construction, those projects that are anticipated that will be needed for major rehab and all of those projects that are anticipated to flow out of an approved water bill, those projects can all be funded in a 20-year program for the current trust fund revenue stream of 20 cents per gallon if revenue bonds somehow could be issued. The TVA issues bonds, St. Lawrence Seaway issues bonds, state highway departments issue bonds throughout the nation. There needs to be some mechanism or some feasibility to determine why can't an Inland

Waterways authority or the Inland Waterways Users Board or something issue bonds to contribute the 50 percent cost share that the users would pay without increasing user fees.

Another item that we recommend is the Lockport project is projected as vying for Users Board dollars. The Users Board members feel very strongly that because this project reflects many purposes, flood control, water quality, the ability to drain sewerage, treated sewerage out of the city of Chicago as opposed to discharging it into the lake, and all the other things, that this is a project that needs further analysis to determine whether the cost share formula is appropriate for the Lockport project.

The other item that we recommend is the one we talked about earlier, and that is Congress and the administration should conduct an investigation to determine why there seems to be a significant drop in the Inland Waterways Trust Fund receipts from 2005 to 2006. As I mentioned earlier, the informal survey by the Inland Waterways Users Board members suggest that 76 percent of the credit receipts for FY06 were paid by 16 companies, showing a year-over-year increase of 1 percent rather than the overall decline of 11 and a half percent.

The other items that are very important and we are gratified to see the healthy increase in O&M funding, particularly in Gen. Berwick's area, for the FY08, and that is Congress and the administration provide for sufficient funds for the O&M areas to preclude a lot of these catastrophic-type events. The Upper Ohio Project, last fall, the Pittsburgh District completed a report on the Montgomery lock and dam that was stating that those gates were in imminent danger of failure. It just so happens, the same day the report came out, a barge went through and didn't take out but one of the gates that was in imminent danger of failure, but they are all in very, very serious condition. They were all built in the 1930s, '35, '37. So what we did, if we don't have adequate O&M funding, then projects are left to deteriorate and we end up paying for maintenance through the back door through the major rehab program.

Secondly, because we have several projects that are at significant risk of failure, such as Emsworth and Montgomery that the Montgomery -- that the districts probably should provide -- spend some time developing contingency plans to look at how navigation can be restored as quickly as possible. If it had not been for the concrete temporary dam that the Louisville District had, we could conceivably have seen a resultant loss of pool at the Montgomery lock this past year. The districts need to think about, because of the lack of funding and the continued deterioration, districts need to think about contingency planning for emergency events.

Then, the last item would be we talked about meeting with Treasury, looking to ensure that the funds going in to the trust fund are being properly credited to the trust fund account.

With that, priority projects, we didn't change those, we left the capstone projects, meaning those that are very high-priority projects that the board would like to see funded at the full capability level and that they advance to completion as soon as possible. Those projects consist of Lock and Dam 19, a major rehab project; Lock and Dam 27, another major rehab; McAlpine Lock and Dam; Olmsted; and Lock and Dam 3, major rehab on the Upper Mississippi.

Projects that we -- that were in the higher priority construction projects include new projects as well as major rehab. There is no change from last year other than some new ones have been added. Mon River 2, 3 and 4, which is currently underway; Marmet; Kentucky lock project; Lock and Dam 11, major rehab on the Upper Mississippi; Markland, major rehab of dams and water gates; Emsworth Locks and Dams, major rehab; Lockport Pool, this is one that I spoke of earlier that we needed to really look at that project from a cost share analysis from the other beneficiaries. The question I would raise there is if the wall failed and navigation ceased, would you rebuild the wall? If the answer to that is yes, then what are the drivers behind that? If navigation proceeds, is one driver flood control? What are the other drivers that would cause one to rebuild that wall?

Inner Harbor Navigation Lock is a high priority. Chickamauga and John T. Meyers.

Projects, PED studies, these are the ones that we did rank from a priority standpoint and I would ask the board members, if you feel differently about the priorities assigned, we certainly would entertain your thoughts about what projects and what priority they should have. But the Upper Mississippi is the No. 1; Greenup Lock and Dam is 2; Bayou Sorrel Lock is 3, and the PED study project; Calcasieu was 4; Gulf Intercoastal waterways, GIWW Texas, is fifth; Lower Monumental Lock study on the Snake River is 6; John Day Lock and Dam Columbia River is 7; and the Upper Ohio navigation study is -- which is really the Emsworth Dashields Montgomery area -- was No. 8.

We had other projects in -- called complete expeditious projects. And I guess shown in the report was Lock and Dam 24, major rehab; and Grays Landing, Point Marion, Robert C. Byrd and Winfield. And to those, I have some questions. Grays Landing and Point Marion, the best I can recall, are completed projects. I'm wondering why they are even on the list and were on the list for Construction General financing? What are we doing at Grays Landing and Point Marion that needs Construction General funds if it is not major rehab?

Additionally, what are we spending the million to \$2 million at Robert C. Byrd on an annual basis for, and what are we spending the 2 to \$3.5 million annually at Winfield for, when I have been under the impression that both Byrd and -- and other board members -- that Byrd and Winfield were completed several years ago? I think the board would like the district division to provide some explanation as to what are we spending these dollars for on these projects when we thought they were completed many years ago.

With that, that kind of concludes the overview of the report. We do have an appendix which talks about the Olmsted project in terms of its total cost increase and additional time because of inadequate funding streams in the various years in the past. Right now, I would entertain any comments from the board members that they may have on the report or any suggested changes that we would like to see made as we move to finalize the report.

MR. WILKEN: Royce Wilken. I would like to point everybody's attention to Appendix A, the main take-away with the Olmsted Locks and Dam is the fact that the extension of the time period it takes to construct this lock and the overspending and the draw on the trust fund could literally build another lock and dam in the system. If there is one take-away you can get on this, it is that, or that you take away from this the fact that we are not productive in the way we are operating. The

Inland Waterway Users Board stresses to the administration and to Congress on the 12 items that we have recommended, we recognize those are just recommendations, but we are more than willing to engage in dialogue to try to determine how we can help become more efficient, as you pointed out Mr. Chairman, and more productive.

MR. WHITLOCK: Thank you, Royce. Further questions? Recommendations?

MR. NOBLE: I would like to follow up that point. Again, David Grier's report shows that we have lost benefits due to this extended schedule on Olmsted alone of \$4.5 million. Again, that is a huge number. But I do want to mention as I think most of you are familiar with our business, 52 has required some rehab this past year that was instrumentally hurtful to our industry. There were significant delays. I don't know that those are captured, and it is my understanding that is going to require some additional time for rehab this coming year, which again will result in significant tow delays.

I believe somebody is going to speak to -- I don't know if it is just the rehab project or whether it will touch on that. But these are some of the unintended consequences of extending the schedule. If you think it is just one of delay, ultimately getting into a new house, unfortunately you have got to put a new roof back on the old house, and it has probably got a longer life than really necessary. But it is extremely unfortunate. This is one example. I know of some other projects that due to delay have these sorts of unintended consequences where you are putting O&M dollars back into a project that should not be necessary. I want to amplify that for you.

MR. WHITLOCK: Thank you, Scott. If I could follow up, this ties into a remark that I heard the New Orleans District express yesterday about the need to rehab the Inner Harbor Lock and extend maintenance and the concern about how much to spend and so forth. Well, in regards to Scott's comment, I was involved in the design and wrote the Economic Justification Report for the temporary lock at 52. And I was told as part of the project engineer working on that, that that temporary lock only had to last eight years. Because Olmsted, or then called Mount City, would be in operation. Now, had we known back then that instead of eight years, it was going to be 28 years, we would have designed that lock a lot differently to provide for better service, less interruption and that kind of thing. But I will tell you the lock was built for \$10 million, and built in one year's time. So that is why I say we can build things a lot faster if we turn the purse strings loose than what we are currently doing. Any other comments?

Okay, do I -- I guess, right now, I would be looking for a motion from the board members to approve the report, and if you have any suggested changes or modifications, give those to Anne Sudar to finalize the changes. And so we are looking for a motion.

MR. BUESE: Mark Buese, so moved.

MR. WHITLOCK: Do I hear a second?

MR. CALHOUN: Rick Calhoun, same.

MR. WHITLOCK: Thank you, Rick. All in favor? Okay. The report is approved. Anne will get any last minute contributions to you to finalize them. I would like to thank Anne Sudar, David Grier and Mark Pointon for their efforts in working with us and in our meeting to help develop the framework and helping us with the drafting and putting up with all of my continuous changes and so forth in the report. But they have been great to work with and it has been a fairly easy process.

MR. WHITLOCK: Next on our agenda is Mr. John Paul Woodley. Secretary Woodley.

MR. WOODLEY: Thank you, Norb. As you know, I have made a point of attending these meetings, and I'm a great fan of this board. I think that it does very important work and serves a very important function in the civil works program and in our navigation program in particular.

I am an advocate for inland waterway navigation and the navigation program. And I am very, very pleased that we have been able, in the past years, to increase our investment in the program and to address some of the issues of inefficient funding that, Norb, you were discussing in your report.

The increased levels of investment that we've been making, coupled with the increased investment that all of us can see coming down the road and the need to address the aging infrastructure, to replace old facilities and to improve the capacity of the facilities that exist, and to rehabilitate the ones where we don't propose that their capacity be increased, leads us to a point where we can now perceive that some changes have to be made in our financing structure.

We have a financing structure that grew out of compromise in 1986. That compromise led to this board being created. It led to a cost-share concept with a dedicated fund and that the general revenue would be drawn on for half of what we spend for new construction and for major rehabilitations to facilities. That the operation and maintenance would be entirely borne by the general revenue fund.

We are now at a point where if we do not make changes, then undesirable things will take place. I had prepared remarks that went over and kind of described the issue, but naturally, or fortunately I find I don't have to do that because I think the issue has been very clearly defined in the earlier remarks that have been made and the comments that have been made.

So, the need for a change is clear and so, in response to that, we have worked within the administration to ask the question, what would we -- we feel the responsibility to put on the table some proposals for discussion purposes as to what our initial thought would be as far as an outline of what should be done to change our revenue picture.

You will find that it is very sketchy and that is intentionally the case. The reason it is sketchy is because what we want to know is, is this concept an acceptable concept, are there better concepts available, if so, what are they and how can we -- and can we arrive at solutions through discussions with all people concerned and all the interests concerned, and implement something that would solve the situation we are faced with in a way that is constructive and creative.

The idea that has been advanced in the president's budget is that some kind of a new user fee be imposed on the users of the -- fiscally speaking of the commercial users of the various waterways. The idea is that way, the burdens are allocated where the benefits are proved. And so, that is something that -- that seemed to us to be -- that had a lot of advantages over any other concept we could advance, but not to be the only concept out there.

We would very much like to have a discussion and to receive some ideas and proposals as to whether, for instance, if we do have a new fee, if we use it to replace the current gasoline tax, or if we put it on as something in addition to the current tax. If we do a fee mechanism, what is the most appropriate incidence of the fee that we could use? Should it be fixed and predictable, pretty much predictable, or should we make it an adjustable thing that varies in accordance with the investment that was actually called for in any given year. How do we go about adjusting it if we decide to make an adjustment? Do we apply it to all waterways or some subset to maintain the current system of certain waterways paying and others not being in the system? Should we make it uniform across the board, across all waters, or should it vary in accordance with the investment called for in each waterway from time to time?

If we have it available, should it be available only in the waterways for which it is paid or should it be available for investment across the system.

Finally, what would be acceptable and most appropriate for its reporting and collecting mechanism that we could use. Now, I attempt to say that during our deliberations on this, preliminary deliberations leading to our suggestion that a fee system should be used, I do not recall the question of using any fee or tax as a revenue source for a bonding mechanism was discussed. I do not know of a precedent for that at the federal level, although the precedent for it, there is certainly that as a basis for almost every other infrastructure financing, non-federal infrastructure financing arrangement that I'm aware of. For instance, states and state authorities, municipalities, municipal authorities, municipal subdivisions and other corporations routinely bond their infrastructure investments. So, it should not be surprising that that would be a mechanism to be looked into.

My difficulty, Mr. Chairman is that sitting here, I'm not aware of an example of that in the federal government, although you mentioned the Tennessee Valley Authority earlier, and the Tennessee Valley Authority, of course, today is run more like a private corporation than it is like a government organization. But I think the question is whether the Tennessee Valley Authority model could be adapted to the inland waterways. That is a very interesting question. It is certainly worthy of being explored.

But I certainly take as an important part of the message that we need to send together, that if the trust fund is to be paid for by the users, that they have, as users, every right to expect that expenditures from the fund be made in an efficient way and that some mechanism be put in place to prevent the kind of avoidable cost overruns that have been the feature of our situation in the past.

One of our efforts in the budget division in the last few years has been to concentrate on available funding on the highest priority projects and on those projects at an efficient rate. So I believe that is reflected in the funding requests that we have made for many of the facilities.

For instance, it is reflected in the fact that, I believe last year, we requested funding for a number of facilities and requested exactly nothing for Kentucky Locks and Dam. The reason is that the money that could have gone to Kentucky Locks and Dam was being concentrated and used in other locations.

Remember the report of the Senate committee on this project, which did fund the Kentucky Locks and Dam, did so by taking money from Olmsted, McAlpine and other very important projects. It was a note in the report that said this doesn't mean we don't like these projects, it just means we don't have the money. Remember that? So, it is a dilemma, and I'm not criticizing the Senate for that because your other alternative is not to fund Kentucky and that is not a good alternative either.

But there are no good alternatives. But the question we had was, if you concentrate your money, it is limited and you concentrate it, something is not going to be funded. There are only two ways to do it.

When I was first appointed, I understood we were having minimal funding on a lot of things, inefficient funding on a lot of things. And then we said, okay, there are certain things we are not going to fund in our budget in order to get to efficient funding in the things we do fund. That has resulted in a very high level of funding requests for these projects historically, or looked on as an historical basis. However, if you look at the tables that David just presented us with here, and they show a need that I don't see how anyone can deny for even higher levels over the next -- at least over the next ten years.

So, how do we get there? And that is basically our dilemma and our question and one on which we are working together and in the spirit of having all ideas, everything on the table, and everything available for consideration, I think should be considered by the board and made part of your recommendation going forward to the secretary and to Congress. We are available and certainly in support of that going forward, to give you all of the analytical support and all the factual information that we have that you might not have available to you, of course, as representatives of the people that are actually on the water and shipping their goods by the water. We feel you have available to you an enormous fund of information and experience that we in the administration and even in the Corps of Engineers have no insight into.

So, it is in that spirit that I have come here, not meaning it is an extraordinary matter because I always come, but at a time where decisions are on the table, needing to be made, recommendations need to be made and action needs to be taken. Or there will be undesirable consequences. As they say in the military, not to decide is to decide.

Thank you very much and I look forward to hearing from you on this and very much appreciate you putting this on your agenda and making it part of your recommendation for the future.

MR. WHITLOCK: Thank you, Secretary Woodley. Any comments from the board members?

MR. WILKEN: Thank you. What you just referred to, the consequence, is of great interest to ourselves. I am going to be incoming chairman of the American Waterways Operators; that represents 80 percent of the tug barge industry. We would like to know clearly who you consulted with and how you arrived at a tax scheme or user fee to be released without speaking with the board or without engaging us in dialogue before you did that, sir?

MR. WOODLEY: This is nobody's idea, but those of us within the administration who felt an obligation to put some kind of concept forward in order to begin the discussion. So, this has nobody's endorsement or imprimatur other than mine and the administration in general. So, there is nobody out there with any baggage on this.

I will say the question of having to make the decision on this is something we decided and discussed together on many occasions. But I think you are absolutely right, that consultation needs to take place and that many, many consultations will be taking place between now and the time that an actual proposal of some kind is put forth.

MR. JENKINS: This is Gerald Jenkins. I wanted to make sure I understand. It is a very complex issue and it needs to be addressed, but I am opposed to any kind of user fee on this. I'm afraid of what that trickle-down effect will be by employing a user fee and how it might affect our exports in general. In a very competitive nature.

MR. WHITLOCK: Jerry Grossnickle.

MR. GROSSNICKLE: I thought the report that was drafted by the chairman was particularly excellent on some of these points regarding how we spend money. And seems to me that the board ought to request that these particular proposals in this annual report be considered before we go on to consideration of the user's fee.

In addition to the great recommendations in the report, there are some other ideas that may come to the fore that may be useful to look at in addition to those that were suggested. Last night, I thought since this is going to come up today, maybe there are other ideas not in the report we could consider. One of the ideas that has trickled out is that you may know that the TVA has estimated there is some 30 percent difference between the tonnages reported and the lockages recorded.

Now, some people in the TVA are suggesting that there is an underpayment of fuel tax based on those figures. I personally don't believe that is necessarily the case. We don't have enough information to know that for sure, but perhaps we should explore looking at the possibility of determining whether that is indeed the case, whether there is an underpayment.

A very simple way of finding this out might simply be to change the basis on which the money is collected. Now it is you do it on an annual report, self-reporting, like any income tax. What if it were collected by the fuel suppliers, as you stop and get gas at the station, you stop and pay your tax there as well? That is just one idea. I have several others, but I will let other people contribute.

MR. WHITLOCK: Other comments? Steve Little.

MR. LITTLE: Stephen Little. Thank you, and thank you, Secretary Woodley. I know you have been a strong proponent of this waterway system. I think we are seeing some of those efforts and we are seeing more robust numbers. I don't think that is to be ignored here. And we appreciate that.

I know your question today that you presented is, how did we get there, addressing the shortfall in the trust fund. I think it is a legitimate question to ask: Why are we here? That is the question I was trying to ask earlier and I think the board has been receptive. I think that is a very legitimate question. Why are we here today, addressing what is perceived to be a shortfall in the trust fund? And I suspect that we would not be here today if we fully and efficiently funded these projects all at once so we would not have to be addressing it here today.

That is a legitimate question to ask, as you would any question you were trying to ask going forward. As a taxpayer, I can tell you that we have fully and efficiently paid our taxes since 1986. So, as taxpayers, we have paid our taxes and we have kept our end of the bargain. And this is not necessarily a reflection on the current federal players in this debate, but certainly, in the past, I don't think the other end has been kept up in fully and efficiently funding these projects. If it had been, we would not be in this situation.

And a fee or a tax, whatever you call it, is still a tax. That is an additional burden. I don't think there is a case to be made to impose an additional tax on the users of the system where there has been an inefficient expenditure of the funds to date.

MR. WHITLOCK: Thank you, Steve. Scott Noble.

MR. NOBLE: This is Scott Noble. Mr. Woodley, again, I appreciate your comments. With all due respect, I think as a concept, I don't think it is a good idea and I won't go into great detail on that, but again, and following up with Mr. Little's comments, I think how did we get here, going back to the original concept of the user fee, I think it came about in a different climate than we have today. There was an extreme necessary relationship particularly with the environmental community. I think at that time they had little, if any, appreciation for the role that waterways can play in actually minimizing the impact of moving the cargos that our economy must have to move forward.

So, I think, again, maybe I'm suggesting something too basic and fundamental that you can't go back to. Again, the 50 percent split for new construction was completely arbitrary, as I understand it. I realize that this would suggest -- some people view it as moving backward. I do understand at a time when it looked like there was a growing surplus, there was a redefinition in the rehab because there were insufficient funds for maintenance, and it was moved into the category of funds to be paid out of the trust fund.

So, again, I think we should put it all on the table and I reinforce the concerns that Steve has, that had it been done right, if it had been spent the way we would have liked our money to be spent, I don't know that we would be in the box we are in today.

So, I simply would add that – to think about all of the ways of how we got here and how can we resolve it, I think those things have to be taken into consideration.

MR. WHITLOCK: Mr. Calhoun?

MR. CALHOUN: Rick Calhoun from Cargill. I'm extremely new and have been here less than a week. I read the report on the plane, so now I'm an expert.

I would like to echo what some of my colleagues have expressed, that as I sit here and listen, fairly new to the process, I hear of lost benefits over the years, inefficient use of funding over the years and now it appears to me there is a possibility that we don't even know where some of the money has gone that had been collected.

So the whole thought process of coming before the industry and saying we need more and we need another sort of user fee to collect more money is extremely foreign to me.

MR. WHITLOCK: Jeff?

MR. BREHMER: Thank you. I, unlike most of my counterparts, I represent shippers on the waterways. So, although they are collecting and paying the tax at the end of the day, I know that is reflected and it is usually in the rights that we pay as a shipper and then are passed along to my customer. Again, as has been pointed out, this group has put together a very comprehensive list of things that we think would be important to see before we can consider additional funding streams to look at funding, so that I, as a shipper, can turn to my customers and say there is a potential for increase in my commodity because of freight rates, there is a logical stream that says where is that coming from and how it is being accounted for.

So, some focus on how do we address the 12 issues that are in the report I think would be a significant step in making progress before we look at a different fee or an increase in fees.

MR. WHITLOCK: Thank you. Any other comments? Charlie Haun?

MR. HAUN: This is Charlie Haun. I have spoken with the five associations which are in the area I represent. The associations represent the shippers, the carriers, the support industries, general business, ports and terminals, general businesses, banks, gas companies, et cetera. And the feeling among the association members is that they are opposed to any additional taxes. Particularly, they are opposed to a lockage fee, because of the way it would distort the market. I just want to report to you there is a lot of hostility particularly toward lockage fees, but to increased taxes in general.

MR. WHITLOCK: Thank you. Deane?

MR. ORR: Thank you. I would like to say that, first off, I appreciate the work you have done and I'm not in the least bit offended that you didn't come to the board. I think you are coming to the board now and this is the process you chose and I respect that.

I'm not a great believer in going back in history and trying to tear systems apart and trying to figure out what went wrong and all that. I'm more of a guy to pull pieces together and move forward in a positive and efficient way. And it is clear to me that -- when you say it is obvious, I agree 100 percent. It is obvious that we need to do something. I am a shipper, and I am not really in favor of using taxes, but I do believe that you are on the right track.

I salute your efforts and I think you have brought a worthwhile objective to the board for further consideration and I think you are hearing some good suggestions from my colleagues.

Going back to your speech for a moment, I'm not so sure that a tax based on the usage in a general area or the demands for dollars in a particular river or segment is really the way to go. I think that puts economic hardships on those who try to make a dollar in that area. It could favor -- if you are going to do the mainstream Ohio River, everybody in this room would be involved. If you are going to do a segment that is smaller than that, then you could hurt somebody. I think this has got to be across the board. We are an industry and it has to be across the board. I don't personally do any shipping on the Upper Mississippi, but I vote in favor of our recommendations, although the No. 1 is the Upper Mississippi River. We never have a barge up there. But you have to take off your local hat and put on your national hat when you come here, and I try to do that.

So, bottom line, I'm trying to say I appreciate your efforts, I salute you as an American, I really appreciate your help inside the Beltway and I think we will get through this. We just need to carefully consider a lot of options and we will come up with an answer here.

MR. WHITLOCK: Thank you. Mark?

MR. BUESE: Mark Buese. Secretary Woodley, I appreciate everything you have been doing as well, but I think you have heard from a number of my colleagues here that jumping to the conclusion that we need to enhance the revenue stream by raising taxes or imposing new fees is short-circuiting the process. I think we have got a full plate of options we need to explore before we ever get to that option.

MR. WHITLOCK: Thank you. Let me just comment briefly here. I think as Secretary Woodley has suggested, he said he wants to talk and I think we, as board members, need to conference and decide where we go from here. Our recommendation from the board report was we look at alternate methods of financing, bonding, for example, until someone tells us that is not possible or we can devise the ways and means to do that. That would be the board's position at this point, that we continue to push for bonding, the bonding process.

I think it is something that we all recognize that down the road, you know, I think we recognize down the road that we are going to be faced with a decision. Part of that decision has got to include changes in how our monies are being spent. If everything is on the table and we can talk about all of those things, funding mechanism, is bonding responsible, how are the monies being spent, then you may get the industry that may want to talk about a solution down the road.

So, I would tell you at this point, other than what we have said in the board's report, I can't make any further comments, but I guess from a dialogue standpoint, if, as you mentioned earlier, if

all things are on the table in terms of how the monies get spent and how we can execute the program going forward, then, at some point, the industry and a lot of my colleagues and the companies that contribute to this 80 to \$90 million that goes into the trust fund on an annual basis, as well as all the shippers, that, as Jeff Brehmer pointed out and Rick Calhoun and others pointed out they end up seeing in their rate base, we need to kind of all huddle and figure out what to do down the road. I think some of the basic structural things that have been identified, we feel very strongly need to be addressed before we begin a dialogue about where we go down the river.

So, I offer to, after we have an opportunity to huddle among ourselves, get back and see where this group wants to go with your offer and have a dialogue beyond what we have done here today.

MR. WILKEN: Royce Wilken. Mr. Secretary, we just need to be very clear, that industry is not seeking a user fee solution to enhance the revenue stream of this trust fund. They are not for that. They are for being able to support these capstone activities. This board recommended these top five activities. They expect them to be funded. And we are going to figure out how we can get the mechanism to fund those. We look to the Corps to be efficient in what they request for those capstone activities and that is the reason it is here, to prioritize the projects.

Once again, we appreciate your engagement, we appreciate that if we walk down the aisle together that we make sure that some of the recommendations and the dialogue that we exchange is understood, accepted and we come to a consensus and execute it.

MR. WHITLOCK: Any other comments? If not, we will move on into the program. We have Burt Lahn, who will be talking about a Coast Guard demonstration project. Bert?

MR. LAHN: Thank you, members of the board, good morning. My name is Bert Lahn, with the Coast Guard Waterways Management District, Coast Guard Headquarters in Washington, D.C. My presentation is on Automatic Identification System, commonly referred to as AIS. The four objectives of this presentation describe what AIS is, what vessels are required to carry the transponders. I have got some slides that depict what your our current AIS coverage is. Couple of slides on our national AIS program, major acquisition. I'll describe briefly what we are looking to accomplish in Louisville, called the Louisville AIS. I will finish off with the AIS binary message and the potential it brings to the table.

What is AIS? AIS is a ship to ship, ship to shore, and shore to ship transponder system using wireless communication to enhance navigational safety on the waterways. AIS is based on an international protocol outlined by the International Telecommunications Standards M.1371. The benefit of having an interstate standard is that it ensures the different manufacturers of the AIS transponders, when they build it to this standard, they are completely compatible.

AIS transmits both static and dynamic information automatically from the vessel. It does not require any activity from the vessels. Static information includes the vessel's name, length, breadth as well as dynamic information, such as its course, speed, draft and rate of turn.

AIS was first used domestically in Valdez, Alaska, following the Exxon VALDEZ spill and is mandated by OPA 90. Currently, the standard is the 1371 standard as mandated by the Maritime Transportation Security Act. The next slide is the carriage requirements. The governing regulations there are CFR 164.46. You can see, basically, our domestic regulations pretty much adhere to the international sign. Tankers, passenger vessels over 150 gross tons, self-propelled commercial vessels over 65 feet. Domestically, carriage requirements are required within VTS areas. We do have exemptions for fishing vessels and small passenger vessels. AIS is also required on vessels certified to carry over 150 passengers.

The next series of slides show what our current AIS coverage capabilities are. First one is vessel traffic service areas. These are the required carriage areas for AIS transponders. Coast Guard also has a Joint Harbor Operations Center that we run. Major ports are San Diego, Charleston and Hampton Roads. We also have an MOU in the St. Lawrence Seaway Development Corporation. We have several initiatives from the Coast Guard's Research and Development Center, basically looking at a prototype AIS network, how AIS and VHF can co-exist if there are problems with frequency bands. Also for coverage analysis and evaluation.

We have coverage by the Alaska Secure Passage AIS system. We also have AIS based stations on some offshore platforms in the Gulf of Mexico. We have AIS transponders on NOAA weather buoys. An initiative of the national AIS program is to launch a satellite with AIS capability to receive signals via AIS satellite. National AIS program, you can see from the previous slide, there are some gaps in our coverage. The goal of the AIS program is to enhance existing capabilities and close down gaps between the areas. We have a regional system, we want to go to a national system. That will help us with correlating and disseminating the data and sharing with other agencies.

The national AIS program is an incremental buildout. The next three slides will show Increment 1 is receive only in the critical port areas. Increment 2 is coastal transmit and receive nationwide. Increment 3 is the long range initiative, and that is involved with the satellite, hoping to get coverage out to 2,000 miles.

An AIS program for the inland waterways, the requirement document receive only capability in five ports: Huntington, West Virginia, Cincinnati, Ohio, Pittsburgh, St. Louis and Memphis. This is receive only. What we want to do in Louisville is the only VTS we have that does not have AIS capability. What we want to do from my office's standpoint is to bring full AIS capability to Louisville for two primary reasons. First off, AIS is a tool for ETS watch standards. They use radar, they use voice, they use camera. AIS is another tool for them to safely manage traffic. We wanted to bring that capability for ETS watch standards to Louisville, Kentucky.

Secondly we want to use the Louisville location as a test location for binary messages. Binary messages are basically the ability to transmit a variety of information via a vessel's transponder to the vessel. It is governed by an IMO circular. IMO realized this was some new technology in 2005 and they put out circular 236. It encouraged most governments to begin to use binary messages. It involves a standard to basically take the data, put it in a certain binary format. The seven applications that you can see up there are meteorological and hydrological data, dangerous cargo information, fairway information, tidal information. The standards have been

developed at IMO and we do have that particular standard. One thing that is worth noting on AIS binary messages is that it normally requires some additional software and additional hardware to display that information. Either an electronic charting system, laptop in the pilothouse, software that basically takes the tidal information, visibility information, whatever the case may be, transmits it over the AIS frequency, AIS transponder system, displays that to the vessel operator to get, like I said, either through an electronic charting system or third-party software program.

We are looking to do this in Louisville and feel it would provide a great service to the mariner. Capability is there, it is just a matter of working with the Army Corps to develop the standards and bringing the industry in on this too. We know it runs and we are ready to do it right the first time. With that, if you have any questions, Mr. Secretary?

MR. WHITLOCK: Thank you very much.

MR. NOBLE: If I could, is there yet a schedule on when inland vessels outside the existing VTS areas would be required to carry AIS?

MR. LAHN: No, there is not.

MR. WHITLOCK: Any other questions? Okay, thank you. At this point -- is there any further discussion on this topic?

MR. WINKLER: This is a two-part presentation.

MR. WHITLOCK: Okay. We have Mr. Winkler.

MR. WINKLER: Good morning. This is a follow-up in this presentation to the demonstration that everyone -- a lot of the board members saw in Pittsburgh at the last board meeting. Mr. Lahn presented the AIS format, the national AIS program, but we would like to talk about why AIS is important to the Corps.

We are trying to do a better job of working with our other federal partners who have the authority to mandate the requirements for the mariner to use an information service and for all of the federal partners to work doing to reduce the burden on the mariner and his data reporting needs. A lot of them can report data one time and one way and for us to all take advantage of that information. I keep showing this slide. It has become my mantra as I work through this program. I go back and focus on the work that we are doing that will improve safety, reliability and efficiency on the waterways.

Last November, you saw a demonstration of a real-time current velocity system. The capabilities being developed to transmit real-time current information around structures. We have focused on locks first. But we can transmit real-time current information around structures to an approaching tow boat automatically. The mariner would begin receiving this information as far as 20 miles away from the structure, allowing him to make better decisions as he approaches these structures.

We are in the process of working with headquarters and our other federal partners to form a PDT. We took away some extremely useful information from mariners about structures they felt were the most important on the inland waterways to consider. As it turns out, the second most important structure was McAlpine Locks and Dam identified last week. We have a draft proposal to work with the Coast Guard, the Louisville District, for a proof of concept demonstration project to begin standardizing these AIS messages. The mariners unanimously said last week, "We want standards to work with and we need a data standard."

The first project that was ever demonstrated was at Tom Bevill. The meter is still at Tom Bevill in operation. The district would like to obtain the meter but with the current budget situation, they have been unable to buy the meter. They not only want to install one there but at Coffeeville Locks and Dam also. As soon as they can get out from under the CRs, they intend on installing two systems.

We continue to make improvements. Since the Pittsburgh demonstration we have totally revamped the communication program that handles the data from the ADCP to the wind meter, converts it to an AIS message and transmits it. We are continuing to update and develop. McAlpine Locks and Dam will be hopefully the proof of concept that we are exploring with the Louisville District and the Coast Guard to implement a second unit there.

McAlpine Locks and Dams has a history as being one of the more difficult entrances on the inland waterways system for the mariner. There have been numerous studies of the canal and the approach. What we have learned is that during the lock filling operation, the mariner can be affected if he is in the region of the railroad bridge that is upstream in the approach on the canal. The railroad bridge is probably not going away. The Louisville District has done everything I think in their power to try and remove the railroad bridge. It has not gone away.

So, with the installation above the current meter in the vicinity of the railroad bridge, the mariner would begin receiving information about lock filling operations and he would receive this, again, up to 20 miles away, and be able to make a better decision about his approach into the canal. This is upstream of McAlpine Locks and Dam. As you can see, the mariner has to pass three bridges as he goes into the approach. This is the final bridge that he must transit to get into the canal. It is a very difficult situation even on the brightest and sunniest days. With that, I'm going to conclude this presentation for any questions or comments.

MR. WHITLOCK: Any questions or comments? I guess I only have one comment I would like to offer on McAlpine. I guess I would ask a question or just state a concern is while you have current direction and velocities there, I need to understand how that equates to the position of the currents on the river. The reason I ask the question is, I'm very familiar with the McAlpine approach from a hydraulic model study conducted at WES, and the currents. What the model study demonstrates is that if you are downbound, and you run left to center line, then the current flow generally carries you down into the canal. If you are running right of center, center line downbound, then you are fighting downdraft that is breaking around the head of the dike and going across to the upper dam site.

I guess my question, my concern is how does the current data really help the mariner when he needs to make the decision not when he is down in the point, so to speak, of current attack, but he has to set up upriver when he is coming down past what we call Tow Head Island and making his approach. It is not something you decide once you are there; you have got to decide 20 or 30 minutes upriver in order to be set up properly to make that approach.

MR. WINKLER: In response to your question, I was one of the ones that principally ran the model studies. I'm intimately familiar with the approach technique. With that said, sir, you are talking about this vicinity right here where currents are pushing the boat toward the dam. It is not technically an outdraft current. To be precise, it is more of a crosscurrent. There is no flow into the canal unless there is a filling operation. There is nowhere for the water to go. It simply has to follow the river, that is, the current you encounter when you make the approach. With that said, as we begin progress into this right now, installing an instrument out at the end of Shipping Port Island would be extremely expensive for the district to incur when we are still working out the message formats and standardization. The other two model studies that were run at WES dealt with the vicinity, right here in particular, due to the fact that when a fill operation occurs, more water will be drawn under your boat than your wheels are pushing out. For a short period of time, you basically lose all steerage of your vessel. It is quite a concern that you would lose steerage in the vicinity around the bridge. We have picked a more secure location as we begin hopefully standardizing and improving this concept. If it is proven to be useful, I hope the district or the industry would want to install a second one.

MR. WHITLOCK: Okay. Thank you.

MR. NOBLE: If I could, I've been involved in this project. At the conference this past week, we had, I think it was eight senior executives from most of the major companies that have offered input to what locations would be good to work with, and our intent is, as we go forward on specific placements, that we will have this project retain active mariners. We agree with your thoughts. We want to make sure they are in the right place. The objective is to tell somebody what they will encounter when they get there in advance of that. This obviously does not substitute for good pilot skills. It is the set-up that is critical. Once you are there, it is really too late.

MG RILEY: If I could, we certainly agree with that approach and working with industry. I have asked Dr. Lang, our chief of ops, in the FY09 budget circular that we are developing now and in the 09 budget, to put in that budget either some of these pilot demonstrations or other work at those critical sites in conjunction with industry. That is clearly in some of these system industry costs. But as the secretary reminds me, the cost of this pales in comparison when one barge goes into our locks and dams. We've got to get some precision navigation through our locks. So, clearly that is something.

MR. WHITLOCK: Okay. Next up is Gene Dowell with the Louisville District. We have an item inserted in the agenda to talk about Locks and Dam 52.

MR. DOWELL: Good morning. Gene Dowell from the Louisville District, Chief of Operations Manager for Locks and Dam. Mr. Whitlock was kind enough to shoehorn me in here, so this is a bonus presentation for everyone. I'm speaking on recent events at Locks and Dam 52. The current

slide shows the condition of some of the cells in the 1,200 foot chamber before we started the repairs in FY06. The second picture there is an indication of the unique method the contractors used to place concrete. The third picture on the right is a barge on a lock wall that occurred two weeks ago.

Before we started repairs on the 1,200 foot chamber, we performed a significant amount of work on the 600-foot chamber to ensure that it would remain operational while we did the work on the 1,200. We didn't want to have an equipment failure and shut the river down. So we repaired the filling and emptying valves, the miter gate anchorages, pintles and sills, and went into the 1,200 foot chamber to start reinforcing the cells that had lost a significant amount of fill and had therefore become unstable.

We reinforced 14 cells by placing 21 cubic yards of concrete at an approximate cost of \$2.5 million. In 07, we plan to go back into the 1,200 foot chamber and place another 850 cubic yards of concrete in six of the cells. What we have planned is two one-week duration closures. We will also do miter deck repairs. And hopefully, this year we will have funding for bear traps. The bear traps are a critical component of the dam.

If you are going to make a dam adjustment due to change in flows to maintain the pool, you either have to raise and lower the bear traps, which you could do remotely, or you have to fire up the steam powered maneuver boat, get a ten-person crew in on overtime and proceed out there to raise and lower them by hand. The bear traps are a critical component and they are in a very sad condition right now.

This is the concrete placement that I mentioned. What is going on here is over here on the land side, we have a concrete pump truck that concrete trucks are dumping in the back of. He is then pumping into the boom of a concrete pump truck that is located on a barge in the 1,200 foot chamber. This truck here is not even using its pump. We are just using the boom and the boom is placing the concrete in the cells. So that was a unique situation there that gave a lot of flexibility in the placement of the concrete. We could actually do two cells at a time because we didn't want to overload the already deteriorated sheet piling that these cells are constructed of.

This is the aerial view of Lock and Dam 52. I have put on there the location of the Motor Vessel KIMBERLY JANE, which is here. What happened two weeks ago, February 27, approximately 7 p.m., they were upbound, and the entire project was submerged and is still submerged. What they were supposed to be trying to do is shoot the 1,248-foot navigable pass right here, which is marked by a buoy here at the end of the 600-foot river wall and a buoy out here on the bulkhead.

For some reason, there was some confusion, and I'm sure whenever you have human beings involved there is the possibility of error, but apparently, he was marking this buoy on his starboard side and came up here and got into the wall. Actually got hung up on, we think, a check pin. He was carrying 960,000 gallons of cumene, a petroleum distillate used to manufacture phenol as well as other products.

Another odd thing that happened, the next day, the Motor Vessel LOUIS LEON was coming up to offload some chemical and help get the barge off there. The LOUIS LEON came in this way, for some reason, and got into our miter gates and damaged that LOUIS LEON enough to where he had to back off and get repairs before he could offload the barge.

So, I'm not sure what all was going on but it had the potential for being a real disaster. We have not been able to assess all of the damages yet, because the predictions for the river to fall out, it looks like the walls won't be exposed until this Friday or the weekend. This is another shot of the approximate location of the barge. We think it came to rest on these cells here. One of the things I wanted to point out was the fragile nature of this project. This wall is supposed to be straight. It is built on wooden pilings that are beginning to fail. This is one of the things we have to get in there and find out why the wall is leaning and we need to make repairs before it falls over. This is the type of thing that if a modern towing vessel with horsepower and tonnage, if they get into one of these projects in the right way, you can essentially close the river.

Locks and Dam 52 is the highest tonnage project on the inland waterways. It typically locks 100 million tons of commodities or more a year. When these projects were designed, I don't think the designers ever imagined the horsepower, tonnage and usage these projects would get. They are just not very durable.

In defense of the captain, this is what he has to see. Basically, he has just a flat river. You can see a light standard here on the 600-foot chamber. Here is the buoy at the end of the guide wall. Basically, he was just out of the navigational channel that we use at this time, which is way over here.

In summary, my point here is that our modern high lifts are designed to take some abuse. Their weak points would be the miter gates, container gates. You can hit the walls and things like that and essentially not do a lot of damage. 52 and 53 are fragile and susceptible to damage. People coming through those locks should be acutely aware of allisions that could easily close the river for an extended period. We are pushing the limit with these projects.

Mr. Whitlock mentioned earlier that it wasn't even designed to be in use at this time. We are really putting a lot of resources into keeping 52 and 53 functioning. I do the budgets for these projects and it costs twice as much to operate 52 and 53 as it does to operate a high lift with labor and maintenance. So, that's it. Thanks very much.

MR. WHITLOCK: Any questions for Gene? Thank you. Oh, Jeff?

MR. BREHMER: More of an editorial comment. This addresses point 12 on our list of recommendations in the fact that damage has occurred and there is clearly going to be an insurance settlement. All of that money will then go into the general funds and O&M will not see it. We had to rebuild a high lift terminal here in New Orleans and used insurance proceeds. It didn't get taken off to the general funds and then reallocated. So, these folks are clearly fighting an uphill battle to start with and then to have these kinds of events occur without being able to use the funds, it is just a very difficult situation.

MR. WHITLOCK: That is a good point I failed to describe in the report, Jeff. I'm glad you brought that up. Anytime a navigation accident occurs, the districts have to take the money out of other appropriations throughout the division and that money goes into the general Treasury. What the net result is, that project gets pushed back and deferred and it creates more costs and the districts are not able to execute like they should or planned to do when navigation accidents occur. Thank you.

MR. WILKEN: This is Royce Wilken. Why do the insurance proceeds in this instance get turned into the general funds? Does anybody know?

MR. WHITLOCK: I don't know. Does Gen. Riley or anybody have an explanation?

MG RILEY: I think it is just the standard practice. In my years growing up in Army units, we complained about the same thing. If we had damage, it went back to Treasury and we never saw it. I don't know if there is any precedence other than that in other agencies.

MR. WHITLOCK: Okay. Moving on, Mike Kidby, who will be talking about navigation data collection initiatives.

MR. KIDBY: Good morning. I don't often get to bring good news to meetings, more often I'm reporting on accidents and things like that to the navigation industry. I did want to let you know that we have a new chief of Navigation and Operations Branch, in Operations Division and Headquarters. Barry Holiday retired in April of last year and we have been blessed with two temporary people. We now have a permanent chief in Jim Walker, formerly from the Mobile District. He is very familiar with the inland waterways system and deep draft. So he is our new chief now and we will be working with him.

I wanted to talk with you just for a few minutes, and I will try to make it short because we are running out of time. Both the Coast Guard, Bert Lahn and Michael Winkler have talked about the initiative of AIS and real time current velocity measurement and transmitting that. We have had further discussions with the Coast Guard, with NOAA and with the industry on other things that are needed along the waterways.

Real time data. Three points. Real time electric transmission of data is beginning to happen. You have seen an example of that with the demonstrations for the current meters. Numerous federal agencies have responsibilities, and an industry and federal government partnership is needed for this to go forward.

These are some of the federal agencies that are responsible in some way for data on the waterways. Most of these, in fact, all of these are part of the committee on the marine transportation system and I have a proposal further on in my presentation that these federal agencies need to be involved in.

These are some of the current initiatives that are ongoing out there. As we began talking with the Coast Guard and with the industry, we soon found out there were a lot of things going on

out there that we were not aware of. The Transportation Security Administration is doing things out and about that other parts of the Department of Homeland Security were not aware of.

This is just a brief summary, but it involves things that the industry is doing, things that some of our ports are doing, things that we are doing within the Corps in the way of research and other practices. Washington State ferry system has a river information system that they are using to track all of their ferries. Regional transportation security system out there. We have always had the lock performance monitoring and OMNI systems within the Corps, but there are a great number of things out there that provide information, collect information that need to be brought together.

We have operational dynamic data, things like the electronic navigation charts that we're developing for the inland waterway system. We have information on lock conditions, the availability, the queue at the locks. We are now able to transmit information on current and wind velocities. We provide information several times dail on river stages and water releases.

From the vessel side, the industry side, we have information that we can gather and gain from. The tow sizes, the commodities shipped and the tons and other bits of data.

Present situation, these are things that need to be considered. Transmission, Wi-Fi versus VHF versus satellite? Mention was made by Mr. Lahn about satellite transmission of AIS information. Kinematic versus differential GPS versus GPS. Vector versus Raster electronic navigation charts. Data access and retrieval, data mining from behind fire walls and warehousing so that people outside of the federal agencies have access while the federal agencies maintain security over their databases.

Industry concerns. These were brought up and discussed in January, late January in Pittsburgh. Industry and the Corps and the Port of Pittsburgh got together and talked about some of the issues that the industry faces. The industry is very concerned about the various initiatives and things going on and the need for developing federal requirements with minimal interagency coordination. The industry wants to see a federal standard developed for these data. Industry is very concerned with protection of company proprietary information and they indicated that they were very interested in an industry government partnership.

Suggested next steps; we are going to be presenting this information to the Committee on Marine Transportation Systems. Our working group tomorrow morning, Jim Walker will be doing that, proposing that the CMTS be the lead, because they are the umbrella organization over all of these federal organizations that have needs for data and can provide data. Creating interagency/industry project delivery team. Partnering with the industry, and there are a number of organizations shown, including the Users Board.

Identify the needs and requirements for a federal standard. Define the data so that all understand what each piece of data that is being requested or given really means. Establish one firm standard. Align this with international and intermodal standards and coordinate with federal international efforts. ITDS is the International Trade Data System, and WCO is the World Customs Organization. I just wanted to present that to you and to let you know that we are ready to

work with you and we are proposing this to provide a standard for you so that we can get information from you and we can share information with you.

MR. WHITLOCK: Any questions for Mike? If not, thank you, Mike. Next, we have Lt. Col. Starkel who will give a presentation on the intracoastal waterways, shallow draft system in the New Orleans District.

LT. COL. STARKEL: Chairman Whitlock, Secretary Woodley, Gen. Riley, distinguished members of the board. I want to be real brief because I know we are running behind time, so I will go quickly through some slides. Stop me if you have any questions. I will get right to the issues we are most interested in.

Brief picture of where we are in the world. You're probably familiar with that, where we are in the eastern United States in the waterways system. Talking about the coastal zone area, and in particular, on the Gulf intracoastal waterways and the associated waterways for entrance and egress to that waterway.

This is kind of the picture now. Zooming down into the area of responsibility within the New Orleans District and just by way of kind of overview, starting with the east or from the western part of the state, you have the Calcasieu River and Lake Charles area, which had quite a bit of water with Rita, as Rita hit landfall just to the west of that. Mostly that is special chemical and LNG. We have next to that, the Mermentau Basin which leads to the Calcasieu. Agricultural there. This is responsible for keeping a lot of fresh water for that area in crawfish production. Crawfish capital.

Next you have the Freshwater Bayou, and that is the Port Iberia project, we talked about that a little bit. We are deepening that channel to 16-foot. It goes from the port to the freshwater lock. This is mostly, again, offshore supply. We have the Outer Continental Shelf here. A lot of these companies provide the support for the Outer Continental Shelf offshore drilling, oil and natural gas properties.

Next is the Teche and Vermilion, which is really this loop. Mostly agricultural in this area. Then we get to the Atchafalaya River Basin and then, the Bayous Bouef and Black. Houma Navigation. Offshore and fabrication. Bayou Baratavia waterway, which is mostly commercial fishing. Of course, the Mississippi River and that comprises from Baton Rouge to the oceangoing buoy there. It is the largest port complex in the world in terms of tonnage. And then, the infamous Mississippi River Gulf Outlet which I will give you an update on that. I understand you had a brief update from Michelle Daigle, the MRGO project manager.

Just an idea of the size of the program within the Louisiana coastal zone here. 2,800 miles, that includes all of our smaller waterways we are responsible for. Mostly shallow draft, 20 feet or below. Number of miter gates. Tim tells me a lot of you from the northern part of the country probably haven't seen a lot of sector gates. We have that because of the ability to open and close against a differential head. And then, this is a general idea of our total O&M costs.

Port of Iberia, as I said, we did achieve support, signed in December of 2006, for an authorization. Awaiting WRDA authorization, continuing to work the PED and working through our Corps draft management project man. It's hard to see but you go from the Port of Iberia, that transmits through the freshwater lock.

Update on the MRGO. Working very closely with -- just so you understand, there is no less than seven different activities and authorities involved with the MRGO. The coastal restoration piece with the the LCA coastal restoration piece that has yet to be authorized. The State's Coastal Impact program. Of course, the navigation site for deep draft, which is what this slide is talking to. And then, Louisiana Coastal Protection Restoration, which is looking at a higher level -- a comprehensive look at higher level of protection for all of southern Louisiana. How it will provide the navigation channel and hurricane storm protection along the St. Bernard Hurricane Protection Project in that vicinity.

Some of the specifics on the history of it. Then, the options that we are currently pursuing. The study of deauthorization, deep draft. Option one is shallow draft. Option two is closing it to all deep and shallow draft, and then, ceasing all MRGO operations. Currently we have been directed not to maintain the channel to its authorized dimensions. It certainly has an impact, although we see a lot more traffic than we normally see here less than historically because of draft restrictions.

Then quickly going over the GIWW. Some statistics here that you will have in your packet of take-away. I think you've already got a lot of information on the budgetary requests. FY06, large bump, there is a typo there. With more than \$1 million supplemental with carry-in and carry-out and supplemental funding it came to about \$30.4 million that we requested. A lot of that went to repairs of the structures caused by the damage from the Hurricanes Katrina and Rita.

I will go quickly through some of the major structures in the GIWW. Calcasieu Lock, statistics for this. We are installing a replacement for that. As Raymond Butler will tell you, the ability for that to operate in times when the Mermentau Basin has to drain water and safely navigate, we have to work with industry to make sure we can effectively navigate and -- safely and effectively navigate and drain the Mermentau Basin in terms of flooding in the Mermentau.

Leland Bowman Lock on the other end of that particular Mermentau drainage basin. Again the statistics there. Bayou Bouef Lock and the Harvey Lock, one of our older locks on the GIWW. It is one of the actual miter gate locks which has the authorization for replacement but currently does not have any funding in the FY08 budget.

Algiers Lock, the newer lock which has a sector gate lock tying into that with the hurricane protection system, raising it on both sides of the Algiers Lock.

The IHNC lock, which is we are in a preconstruction E&D phase. We have worked with the legislature. Our plan is to move forward in the supplemental analysis plan based on post-Katrina commissions. We are proceeding on an emergency dredging episode on the IHNC, inland side of the IHNC in order to get the authorized draft, now that the MRGO is restricted in its draft.

Port Allen Lock, alternate report. This became our logistical support center after the hurricane. We were very fortunate to have that as well as the alternate route while we were in the process of opening the Mississippi River to deep draft navigation.

The Bayou Sorrel Lock, again under study for replacement. Our Vicksburg District is working with us as part of the Regional Business Center. It got deleted on this particular study.

And then, some of the challenges obviously are maintenance. We understand sharing of the sea turtle tax across the Gulf of Mexico District has worked well in the last couple of years. We had to share our tax and it has not had an impact on our ability to maintain the channels, maintain the deep channels.

Beneficial reuse, I will talk in a little more detail on that. As part of the higher levels of protection, the ecosystem restoration piece from a schematic perspective, we're looking at more opportunities for beneficial reuse, but of course we understand the higher cost of beneficial reuse for dredge material. A little more detail on beneficial reuse of dredge material. And then, a little bit to understand how we dredge here. We do dredging significantly different here because of the volumes we have to dredge than we did when I was in San Francisco. We tried to do deep ocean disposal. Here we do with a lot of cutterhead and dustpan and we agitate it, put it in the middle of the channel.

Some of the ongoing maintenance, you can still see jetties out there, for those of you who read "Rising Tide." They are still there functioning as they were designed, which is a good testament to the work that they did. Maintenance, ongoing maintenance, which I have heard as an ongoing theme through all of the discussions here, is a continued challenge. We do have a very good hired labor unit here and we work closely with the Association of General Contractors to balance the work we give to them and the work we can do with our hired labor unit. We call them our cavalry. They can come running to the sound of the bugles and get work done often more quickly than the industry can respond, but we balance the work. Hired labor units right now are heavily engaged in the reconstruction of levees. Quite a lot borrow pit processing.

Endangered species, we talked a little bit about that, the success we have had in sharing the taxes. We have been very fortunate in limiting our taxes, particularly the sea turtle. And then, the last issue I wanted to talk about a little bit was our capacity for dredge material disposal. This goes hand in hand with the beneficial reuse. Obviously, the more beneficial reuse of the material, the less we are going to fill in our confined disposal areas. Particularly in the Calcasieu River channel we have some challenges to maintaining our dredging and we are finishing up our dredging disposal areas. So, subject to your questions.

MR. WHITLOCK: Any questions for the Colonel? Thank you, Colonel. Next we have Vic Landry, who will talk about our Bayou Sorrel project. He has an update on that.

MR. LANDRY: Good afternoon. Welcome to New Orleans, my hometown. Vic Landry, New Orleans District U.S. Army Corps of Engineers project manager for the Bayou Sorrel Lock Replacement Design. It is located in southeast Louisiana approximately 20 miles south and west of Baton Rouge. It is the connecting point between the alternate route from Morgan City to Bayou

Sorrel or to Port Allen along the GIWW alternate route. You can see the Atchafalaya River Basin to the left. As you can see, that's Bayou Sorrel indicated in the GIWW by the red dots north to south.

The existing lock was constructed in 1952. Some of the reasons for replacement are flood control as well as the opportunity to improve navigation. As far as the existing lock, it is 5 feet below projected flood and part of the Atchafalaya Basin projects. We've also seen that significant tow delays are occurring up to 12 hours and it's having a significant economic impact on the tow industry. One of the other reasons is it is such a small lock, it is rather narrow and short, 56 by 797 feet.

Replacement lock will be much larger, 75 by 1,200. Can accommodate 54-foot barges. The existing lock has sector gates and the new lock will also be a sector gate structure. As Lt. Col. Starkel mentioned, these are preferred with the differential heads we experience in this basin. Concrete U frame chamber with top lock chamber elevation of 26 and sill elevation minus 15.

This is a view of the lock looking north. This is the East Atchafalaya Levee on your upper left and right. Flood side on the right and protected side up above on your left. As you can see, the flood side below and the protected side below. There is another aerial view. This indicates some of the traffic delays as you can see the tows waiting as one locks through and here is another one down below. So, alleviating these issues is one of our major concerns.

Currently, the normal procedure is to crack and hold the gate. Let the water equalize. We are not going in with any mechanical filling operation in the future. We are going to continue with the same type of crack-and-hold which seems to work just fine in this case. Same tow going through. This is a typical 35 by 195 hopper barge coming through. It is rather tight in there. One thing that is unique is that the Bayou Sorrel regional design team throughout the Valley, just about all of the districts are contributing to the design. St. Paul, Rock Island, St. Louis, Vicksburg and New Orleans. Good collaborative effort. We really can't complain. It has been very productive and we are meeting our deadlines. Part of the design team is we have a weekly teleconference and we use Net Meeting. The guys up in Vicksburg, Rock Island, they can show us all of their illustrations and everything that is going on. As we have design issues, we work through it. ERDC is also heavily involved. Here is one of the ERDC early navigation models. This is the pilot with the 3D model. This is the lock structure. He is coming through and it is pretty neat the way they can simulate different flows and elevations in all of the various conditions that could affect the pilots in the lock.

We are currently in the design document report phase of the project. We are 60 percent now and we should be complete with the DDR by August. From there we move on to P&S, which should take two years. Hopefully we will be authorized for construction and are anticipating a time frame of 36 months. Hopefully from August of 2009 to 2012 we will be in construction and have it wrapped up.

As far as construction sequence, these slides illustrate it pretty well. We will construct the new lock adjacent to it to maintain all of the navigation traffic while the new lock is built. Materials, all of the dredge materials will be used to fill in the old channel and this is the completed

effort. As far as the old chamber, it would be left in place, filled, all of this area will be planned. Here is your bayou pass channel coming down here.

Existing, proposed, proposed, complete. Concerning the ERDC channel study here, we have a fair amount of siltation in this area that has not been dredged regularly. When I was a co-op student 15 years ago, I worked as an inspector on one of these dredges. Little did I know I would ever be working on a replacement design for this project. Any questions?

MR. WHITLOCK: Any questions? If not, thank you. Next, Karl Brown.

MR. BROWN: I'm the last one between y'all and lunch, so I will make this pretty quick. Thank you to the Board for allowing me to speak to you today. I want to talk about some processes that we are doing here in the district with the Corps of Engineers. One of our projects started in 2005 with Butler with the GICA. Of course, this slide is not what we are doing today, this is a couple of years ago, but it started here for us. This effort is something I always like to do, is start with the map. We know where we are but we have the three districts: New Orleans, Louisiana; Galveston and Mobile.

Like the Ohio River, they are prioritizing projects on a regional basis. They don't see the division and district lines that we tend to focus on within the Corps. That is something we are trying to do is erase those lines, trying to make a more efficient and focused thought process. Think regionally. Think of this as one system. The system approach for project funding on the GIWW.

First thing we do is start off with the fact sheet. What it does is a typical fact sheet, right here, risks and reliability. Focus on the risks, focus on reliability, focus on the consequences. The question: So what? So what if we don't fund this. Well, those consequences can be safety, navigation hazards, those types of things. Decreased efficiency on the system. Process is really typically simple. We have a ranking system that we started out with, with five as our highest. We rank from five to one, five being our highest, and five will be a failure. If you do not fund this project, you will fail. You will have failure in that project on that piece of the system.

Annual requirement like paying for Locks and Dam operators. If you don't pay them, you have to lock the door and leave and then you don't have a lock. For example, if someone were not able to lock a boat through, that would be a failure.

Safety consequences, five being the highest. Severe economic impact to the system. Lives will be lost. What we are trying to do is answer that question, So what? Together these two numbers make a matrix. What we have done here is gotten together in our process, all three of the Gulf Coast districts have gotten together and we just erased those lines. We erased the lines between not only the divisions but the districts, and said, what is the best process for the system.

Here is our result. The first time we did it was in 2005 and we ranked all three districts into one table. I apologize, it is a little hard to see. I would like to note that we have all of the projects on one list. And here are the risks and our consequence index. It is relatively simple. What we

have done now is as we all get together, we hash it out and rank internally and we all have just a consensus among the three districts.

This is this year's sheet. If you will notice here, for FY08 we have all three districts and division projects. The matrix is coming here. Minus 25. We've got a lot of requirements and not enough money. The next step, as always, continue to work with GICA, our sponsor. They are the ones we are doing this for. They are our voice. They are the ones that took the Ohio River model and adapted it for the Gulf intracoastal waterways. All three districts and divisions want to get together to make sure that we create a process of thinking regionally. Something that Gen. Riley mentioned this morning, he said we need to continue regionally but the next step also is to create a more robust system. I call this is the Mississippi Valley Division Model. Steve Jones put it together at the division office in Vicksburg. Other things in our ranking. Give them weight. A criteria ranking.

Bottom line, what does this give us? It gives us a process, an objective process. We don't just say we have to fund this, this and this. It is an objective process but we are thinking regionally and wanting to show Congress that the three districts have come together as one and then when he goes to Congress you have one sheet of paper, this is what we need to do and we are not asked, well, what is the next best thing for the Mobile District. We can say the best item that needs to be funded next for the system is this project.

That is really all I have. I wanted to give an update to the board. Thank you for allowing me to talk. I do want to recognize Raymond Butler for continuing in his effort to keep this moving. There are too many others to thank individually. Any questions?

MR. WHITLOCK: Any questions for Karl? I think the work you are doing is significant and it is important that our industry group that was formed try to promote increased funds for the Inland Waterways understands what your needs are, what your priorities are, so that when we are working the Hill side from the WCI organization standpoint, we are able to communicate adequately what those needs are and what the consequences might be of not providing the appropriate level funding. So I think the work you are doing, and keeping Raymond posted so that Raymond is able to input to the WCI group is very important. Thank you.

With that, we are ready to almost move to the public comment, but first, Julie Nelson with MARAD has asked to say a few words and then we will moving to the public comments.

MS. NELSON: Thank you for allowing the Maritime Administration to be a formal observer at this Users Board meeting. As you know, the Maritime Administration is the federal agency that advocates and supports the commercial marine industry and your efforts here are integral to that effort in providing a safe and efficient waterway for the users. I wanted to thank the New Orleans personnel that gave us such a good tour yesterday, because seeing is believing. And I'm thankful that I had a chance to see part of the New Orleans canal and lock system firsthand.

In my official capacity, I would like to thank the board for not only taking time to critically look at the inland waterway system and keep all of us in government on the right path, but also for out-of-the-box thinking. Your recommendation for the bond issuance and authority is very

interesting. The secretary's user fee proposal is also very interesting. I can't say whether either of those alternatives are going to be viable and taken aboard by Congress, but I think these ideas and approvals are not unlike many of our proposals that we are seeing right now in transportation as a whole.

As you know, the Secretary of Transportation has many public and private partnership proposals on the table and has been working with industry to find ways to fund it. The federal pocketbook is not filled with money. Increasingly we need to look at industry, the public, the states and other creative thinkers to find ways to leverage federal dollars. I look forward to reading all of the recommendations you have in your annual report and I know these are some of the very ways we need to work together to find the money in the federal transportation infrastructure. Thank you.

MR. WHITLOCK: Now we would like to go to the public comments period. We only have two individuals that have indicated an interest in speaking. I would like to call on Mark Knoy.

AUDIENCE MEMBER: He had to leave.

MR. WHITLOCK: Okay. Raymond Butler.

MR. BUTLER: Thank you, Mr. Chairman. My name is Raymond Butler. I'm with the Gulf Intracoastal Canal Association. And my comments after listening to what has gone on this morning seem miniscule to me in their importance to the major issues you guys are facing, but I would like to share with you real quickly three views we have got on the Gulf Intracoastal Waterways.

We are unique, and a lot of times I feel like we are in the background down here quietly doing our job. We don't have a lot of structures and we don't command a lot of capital needs down there, but we do provide 120 million tons a year and I think it moves probably, relative to O&M dollars, one of the cheapest and most efficient waterways we have in the country. You can check me on that but I think we operate very cheaply down there.

I would like to share with you three things. No. 1, what Karl Brown just got through mentioning to you; we are in the beginning stages of and we are trying to follow Gene Berwick's lead in The Great Lakes and Ohio River Division because we think as WCI does and the rest of us in here, this is our way forward, to show O&B and Congress that we are trying to do the right thing with what money they do give us. In my mind, that is beginning to pay off for the Great Lakes and Ohio River Division because their credibility level has obviously come up with O&B and they are benefiting from that. And I just think it is probably the right thing for us to do. It is the responsible thing for us to do with the taxpayer's money. Try to spend it where they get the maximum benefit for the dollar. We are working on that, on Gulf Intracoastal Waterways. We have a little bit of a unique challenge, as Karl showed you there with the map, in that we are working across three districts and divisions with sometimes varying priorities. I would like to ask you folks in the room that can to help us foster that effort on the Gulf Coast. We have some unique challenges to overcome. But we have also got some really good folks working on that theme.

Where is Chris? Chris is focused here in the New Orleans District, Michelle Owens, Tim Connell, they have been fantastic partners. Karl Brown, Joe, the folks from Galveston, Nelson

Sanchez, Dwayne, Terry James over in Mobile, they have been outstanding partners. Fred Schilling, I don't know if Fred is still here or not. He was a big help in helping us get started with this as a group. We sort of stumbled along. But this group has been very transparent and very open with everything. There are some risks involved for us laying all of the stuff out on the table regarding how we feel about funding projects in three different districts and divisions, but I think it is working well. Help us keep it going.

Second thing, in six years in this job with GICA, prior to that, I worked for Kirby Corporation and Hollywood Marine and I owned four tugboats of my own for six years. I think I know the business fairly well from a grassroots perspective. In my six years with GICA working with the Corps, I have learned that, especially lately, our cost calculations for operating your own barge business these days, the numbers we are using, the ones we threw out this morning talking about benefits foregone with the IHNC, delay costs at Calcasieu, Bayou Sorrel, all of these projects are based on us calculating what it costs us to run towboats and barges and what it costs our customers to keep them going.

Those numbers, in my view, are for a number of reasons sadly outdated. In my experience on a few occasions with MRGO, Calcasieu, Brassos Fleet in Texas, trying to collect good operating cost data is very tough. I think in some cases we maybe off by a factor of two with our numbers. That is because wages have gone off the roof, steel prices have gone up, shipyard maintenance, fuel has gone up. When you combine all of that, I think we will be surprised when we get to the bottom-line numbers and how they have changed in the recent past, but they are supercritical when we try to justify these projects. I think there are significant costs we are not capturing today. When we did MRGO, the little bit I have been involved in it, we had no way of capturing the numbers of it that go up because the Industrial Canal is blocked. Nobody logs that down anyway. I have gone to all of our major companies and they run it when they have to. We use it two or three times a year but when we use it, we use it with, in my view, 60,000 barrel tows running 1,200 horsepower vessels, that model of equipment. That equipment model is very different than that used by the Corps when they did the study on MRGO.

Calcasieu Locks is another example. After Hurricane Rita, we sat over there for a long time with a lot of tows waiting to get through the lock. That happened not only after Rita, but it just happened recently with all of the rains we had in the basin over there, we can't push the current and we have to use the lock to drain the floodwater. I don't think we have a really good method of calculating what it costs the industry when we sit there and wait. I know we capture the arrival and departure time, but they don't always capture whether or not we need an assist boat or how many trips we have to make through there. In our estimates, we are missing a lot of extra costs in the way we capture that. The industry shares a burden too, guys. We don't keep very good records on what it is costing us when we have to stop and wait on the current. From my perspective, we are missing the capturing of this data at our lock structures. It is a good spot for us to do that. It might even get to the point where we are talking about paying fuel tax on tonnages moved. Maybe there is another way for us to back check ourselves and see if we are paying the right taxes. I don't know about that, but I have a really strong feeling we are missing a lot of extra costs from the way we capture and model equipment and the way we account for operating costs these days.

I know that David and Mark and Ken Ericson, that we are trying on working to get that data remodeled right now. I would encourage us to, when we get that data, let's sit down at the table together and see if it looks like it is real to us. Does it match what we're charging our friends like Citgo Refining, what do we charge him for a 60,000 barrel tow on a daily basis? Do the numbers the Corps model produces reflect the reality? It would be a good exercise, in my view, to try to validate the model the Corps is using and trying to simplify data collection and the numbers we come up with.

Finally, the last thing that is kind of unique about the intracoastal waterways is we depend on draft. Dredging is our big issue in the intracoastal waterways. We have got a lot of structures in Louisiana and Col. Starkel just went over all of those with you. We have to keep them going. We're trying to convince Congress that we have to have O&M bucks to keep these things going. Places like Tennessee are even more expensive to do, but we are going to get out the word on the intracoastal waterways because we can't lower our barges to 9-foot-6 anymore. If we don't get some dredging funding in Texas, I'm concerned we are going to be shallowing up even more than we already are. I'd like to ask any of you in here, how many of you load your barges to full draft capacity on the intracoastal waterways? Nobody does. It's supposed to be 12 feet deep, but virtually everyone loads no deeper than 10. Especially on the West End. We are leaving a lot of money on the table, we stand to lose a lot of money if we have to shallow up from 9-foot-6 to 8-foot. We did a back-of-the-napkin calculation a couple of years ago, between Houston and Corpus, and if we have to shallow up from 9-6 to 8 foot, it's on the order of 20 to \$30 million a year in additional trips we have got to make to try to keep that tonnage going. I just had that number of kind of corroborated. Jim Cruise at TTI is doing a professional, more in-depth study on this very issue. I want to ask him to come to the GICA meeting and reveal that to us this August. But in my mind, that is a hidden issue that is lurking back here, but it is worth a lot of money to us in terms of lost tonnage that we have got to make up some sort of way, and in some cases, we can't make it up. The dollars are tremendous.

The last thing I will leave you with is two weeks ago, this is on IHNC, we were all in Washington with WCI, John Doyle and many of us, we made over 70 visits to the Hill. A good many of those were on IHNC. Part of our message was, let's expedite completing the EIS, let's use the capability money we have indicated for FY08, but then, the new wrinkle we had was the MRGO this year. If the MRGO is closed totally to shallow draft, we are all hanging on an 85-year-old lock, 84-year-old lock. We have been lucky that it has been as reliable as it has been. It is a testimony to the New Orleans folks using baling wire and chewing gum to keep this thing operating for us. We lost it for 16 days after Katrina. We had to go around through MRGO. That was the only way we got back and forth to Mobile, Florida, got gasoline, diesel fuel to the air bases and coal to the power plants over there, and basically got things on their feet as quickly as we did. We had the MRGO. If we lose it, and I don't really want to go out on a limb and try to forecast what is going to happen, but the view I'm getting is MRGO's future is pretty dim even for barges. If that is the case, we have really got a problem. If we were to lose that lock either to a hurricane or catastrophic failure of some sort for any length of time, there is no other way to get to and from the ports on the east side.

We sat down with Mary Landrieu, she was at the table with us, and she said, "Look, guys, I'm willing to go and step out on a limb here and offer an amendment to fund this thing all at one

time, 600 million-dollar amendment to the Katrina supplemental." She offered to do that if we would try to garner support for her in this move. I want you to know that is working. The barge industry is actively engaged right now in trying to garner support from the senators that are on the appropriations committee to support her in this amendment. We realize it is a long shot and we may not get to first base, but we may get a good portion of funding to see through this effort. So far I think it is the best chance we have had. Bill Rankin of Citgo is here with me today supporting that. They will be voicing their opinion to the senators. Shell Oil Company, Chevron Pascagoula, we are all onboard with this effort at this time. First time we have ever had that kind of agreement among these groups in addition to all of the barge lines.

I just wanted to share with you that is going on. I don't know where it is going to go, but we are really pushing the issue. Thank you very much for your time.

MR. WHITLOCK: Thank you, Raymond. Anyone else wishing to make a comment at the public meeting? John Doyle? Okay. With that, any closing comments, Gen. Riley or Secretary Woodley?

MG RILEY: No, thank you.

MR. WOODLEY: Thank you once again. It has been a real privilege to be with you.

MR. WHITLOCK: Thank you. I would like to thank all of the presenters. I know it is extra work for you to go through. We appreciate that and it doesn't go unnoticed. We thank everyone for attending and we look forward to seeing everybody early in August for our summer meeting. Thank you.