

Summary Minutes
Inland Waterways Users Board Meeting No. 55
July 31, 2007
Louisville, Kentucky

Inland Waterways Users Board Meeting No. 55 was called to order by the Executive Secretary of the Inland Waterways Users Board (the Board), Mr. Mark Pointon. Colonel Raymond Midkiff, the Louisville District commander, provided welcoming comments. Major General (MG) Don Riley, the Executive Director of the Board, opened the meeting by thanking the Louisville District and hosts for hosting the meeting and providing an excellent tour. He particularly thanked departing Board members Norb Whitlock (American Commercial Lines), Scott Noble (Ingram Barge Company), Charles Haun (Parker Towing Company), and Mark Buese (Kirby Corporation) for their service on the Board. The Federal Observers were also welcomed. In attendance were the Honorable John P. Woodley, Jr., Assistant Secretary of the Army for Civil Works, Mr. Alan Bunn of National Oceanic and Atmospheric Administration (NOAA), Mr. James Murphy of the Maritime Administration (MARAD), and Mr. Nick Marathon of the Department of Agriculture (USDA). Mr. Woodley announced that the new Board member appointments have been approved but the individuals have not yet been notified. New members terms will be effective August 15th.

MG Riley then provided an update for Civil Works. Highlights include the appointment of a new Chief of Engineers, Lieutenant General (LTG) Robert Van Antwerp. The new Chief wants the Corps to deliver on our commitments. He is very interested in teaming with industry. This is more than partnering; making industry part of the team. The Corps is currently developing the FY 09 budget which is due to the Office of Management and Budget (OMB) on September 10th. A Hurricane Protection Decision Chronology report has recently been completed. It analyzes 50 years of decisions, with many players, and a complex political environment that led up to Hurricane Katrina in New Orleans. Important findings are that expected funding did impact technical decisions. We must consider the cumulative impact on risk to the public. Also, we need to take a systems approach, and look at the hurricane protection projects over both space and time, which is more complex and more expensive. Uncertainty also needs to be included in cost estimates. The Corps is actually doing Flood Risk Management (not Flood Damage Reduction or Flood Control) because there will always be risks and we are communicating this to public. This risk assessment also applies to locks and dams. We also must look at the resiliency of projects. The Corps is moving forward on these initiatives but we need support from partners in industry, particularly the inland navigation community.

Board Chairman Norb Whitlock thanked Mr. Woodley for his continuous support, noting he has only missed one meeting during his tenure. Chairman Whitlock has enjoyed his time on the Board, working with issues that he has a passion for -- a navigation system that meets the needs of the nation. The FY 08 budget looks strong, with increased

Operation and Maintenance (O&M) funding. The elephant in the room, however, is the declining balance in the Inland Waterways Trust Fund. Chairman Whitlock reiterated the Board 's position that before we talk about increasing revenue we and our partners need to talk about how to fix the Corps business model so that the funds we have are spent in the most efficient way. Chairman Whitlock noted the stakeholders meeting held in June. As a result of that meeting, Board members agreed to further develop the concept of bonding. They are meeting in New York in early August to explore this concept.

Chairman Whitlock indicated that Board members would like to see further deliberation with the Corps on the Board's recommendations made in their 2007 Annual Report. He proposed a stakeholder meeting on these recommendations in the near future. Chairman Whitlock then discussed the Olmsted project as an example of what happens to projects that are not funded at full capability level. Specifically, an additional \$240 million and five years of additional time in the schedule were spent because of inefficient funding. The inland navigation industry position is: why would they be willing to pay more tax if these kinds of inefficiencies continue?

Mr. David Grier of the Institute for Water Resources (IWR) presented a status and an analysis of the Inland Waterways Trust Fund (IWTF). In terms of the status report, the IWTF ended FY 2006 at \$278 million, a decline of 24% from 2005. Through June of 2007 IWTF revenues and interest totaled \$72 million, up 12% from the same period of 2006. Transfers to the Corps were \$111 million, compared to \$120 million during the same period in 2006. The balance of the IWTF declined 23% to \$228 million compared with June 2006. Outstanding transfer authority (funds available for transfer) stood at \$129 million, leaving an unobligated balance in the IWTF of \$99 million. There was no change in total tonnage since last year, but there was an increase in petroleum products. The analysis of the Inland Waterways Trust Fund was unchanged from the one presented to the Board at its March 2007 meeting with the exception of a new scenario to show the impacts of increased revenues on potential project construction schedules. Currently, the IWTF is expected to be depleted by 2009. Suggestions made for alleviating this problem were: reconsider whether major rehabilitation projects should be included as IWTF cost shared projects; and reconsider the 50/50 cost sharing formula, i.e. reduce the share that comes from the IWTF, considering all other users of the waterways, or increase revenues. Total transfers are expected to be about \$200 million each for FY 07 and FY 08. If revenues were increased to about \$200 million annually ongoing projects could be completed on schedule and candidate future projects could be completed by about 2030, rather than well past 2040 under the current revenue projections.

Ms. Mary Anne Schmid from the Corps HQ Programs Integration Division presented the most recent financial data on Inland Waterways Trust Fund projects and studies. The Investigations program was marked up \$15.6 million by the Senate and \$5.75 million by the House. It was noted that major rehabs were budgeted in O&M while the House and Senate keep them in the Construction account. The Senate included the Olmsted Locks and Dam project at \$10 million less than either the Budget or House. The other significant difference was the Senate amount for Illinois Waterway, Lockport Lock and Dam, was equal to the Budget but almost \$10 million less than the House markup.

Ms. Claudia Tornblom, Deputy Assistant Secretary of the Army for Civil Works Management and Budget, presented a summary of the June 12th stakeholders workshop. As background, the FY 08 budget proposed the Administration's intent to impose a user fee on barges to replace the fuel tax. Letter exchange occurred between Mr. Woodley and the Board. She explained the conceptual difference between a user fee and a tax. A user fee theoretically places costs more on the beneficiaries. None of the options were a true user fee according to the Treasury Department representative at the workshop. The Tennessee Valley Authority (TVA) has done an analysis of the impact of various user fee options for the Corps. The goal is to generate \$200 million per year in annual revenues. They have developed several options that will produce this amount of revenue, and estimates of how much the tax would have to be increased to achieve this. The analysis did not pursue options of different fees for different locks. A lockage fee of \$70 per barge would produce the required revenue. Also a segment fee could be implemented as well. The fuel tax would have to go to 45 cents per gallon to produce comparable revenues.

Ms. Tornblom then described the stakeholders' position (already stated by Chairman Whitlock above). She mentioned the bonding idea. Any analysis must include interest, inflation, and new projects that might be needed. As a result of the stakeholder meeting, the Corps is planning to do a self-assessment of its business model. They have agreed to compare two projects, one with the desired "good" outcome and one without. The Olmsted project has been selected as the project with a "bad" outcome. Marmet has been offered as the project with a "good" outcome. The study will compare management and various outside impacts in these projects. Industry agreed to continue to pursue bonding option.

Ms. Tornblom's office is continuing discussions with OMB as they put forward the FY 09 budget. She has conveyed the Board's position to both Mr. Woodley and to OMB.

Internal Revenue Service (IRS) representatives Mr. Thomas Ludwig and Ms. Joan Cannon then made a presentation on how the Inland Waterways Fuel Tax payments are processed. Mr. Ludwig is in the compliance arena, and they are investigating TVA's data on the discrepancy between reported tonnages and what the lock operators see passing through. There are indications of under-collection. Ms. Cannon from the Office of the CFO explained the processing of the excise tax. Financial Management Services (FMS) reports have estimated amounts and certified amounts, after the IRS goes through a process to assign revenue to the correct trust fund and certify that the amounts are correct. There is a long lag time between the quarterly payment of taxes and when they are certified and put into the IWTF. She offered that Hurricane Katrina's impact probably showed up in FY 06 amounts due to the lag time.

The remainder of the meeting was devoted to technical presentations. The presentations will be available at the Inland Waterways Users Board web site <http://www.iwr.usace.army.mil/newusersboard/index.htm>. Presentations included Status

of the Inner Harbor Navigation Canal (IHNC) Lock Replacement Project by Mr. Bobby Duplantier (New Orleans District), Status of the Mississippi River-Gulf Outlet (MRGO) by Mr. Greg Miller (New Orleans District), an Update of the LRD Asset Management Initiative by Mr. Richard Lockwood (Pittsburgh District), Status of the Lower Monongahela Locks & Dams 2-3-4 Replacement and Emsworth Lock & Dam Projects by Mr. Tom Holden (Pittsburgh District), and Status of the Kentucky Lock & Dam project by Mr. Don Getty (Nashville District).

There were no public comments at this meeting.

The meeting was adjourned at 12:15 p.m.