

**Summary Minutes**  
**Inland Waterways Users Board Meeting No. 61**  
**August 11, 2009**  
**Paducah, Kentucky**

Inland Waterways Users Board Meeting No. 61 was called to order by Mr. Mark Pointon, Executive Secretary of the Inland Waterways Users Board (the Board) at 9:05 A.M. The meeting included approximately 67 attendees. Mr. Pointon made introductory remarks, and then called on COL Keith Landry, District Commander of the Louisville District of the U.S. Army Corps of Engineers (the Corps). COL Landry, speaking on behalf of Major General (MG) John W. Peabody, Division Commander of the Great Lakes and Ohio River Division, began his remarks by recapping the previous day's tour of the Olmsted Locks and Dam project site and Ohio River Locks and Dam 52. COL Landry remarked that on April 8<sup>th</sup> of this year, the second 1,200 foot chamber at McAlpine Locks and Dam was commissioned and opened to vessel traffic, and the lock was officially dedicated on May 27<sup>th</sup>. COL Landry remarked about the importance of the inland navigation system to the regional and national economy, and national security. COL Landry indicated that the previous week he attended the groundbreaking ceremony associated with American Municipal Power's construction of an 84-MW hydroelectric plant at the Cannelton Locks and Dam near Hawesville, KY. In conclusion COL Landry presented MG Bo Temple, the Deputy Commanding General for Civil Works and Emergency Operations, and the executive director of the Board, with an Olmsted Dam Construction Coin.

MG Temple, thanked the Paducah Chamber of Commerce and Ms. Susan Guess, Chair of the Board, for their hospitality in hosting this meeting of the Users Board, the newly appointed members and reappointed members of Board, and the Louisville District staff for their excellent support of the Board meeting and tours of Olmsted Locks and Dam and Ohio River Locks and Dam 52.

MG Temple remarked that the Corps has handled approximately \$7 billion in Civil Works related activities in recent years, but due to the American Recovery and Reinvestment Act (ARRA) associated works and supplemental appropriations, the Corps is currently managing approximately \$11 billion worth of Civil Works related activities. Conditions are favorable for the Corps to carry out this program. The Corps has developed and implemented better acquisition management tools; due to the slow down in the economy, there are more bidders on our projects resulting in lower project bids being submitted, stretching our dollars further.

To date, 21% of the ARRA funds have been obligated (approximately \$1 billion), with the intention of fully obligating all of the ARRA funds by the 2<sup>nd</sup> Quarter of Fiscal Year (FY) 2010. Over \$400 million in ARRA money is targeted for dredging and other navigation related work is getting funded – lock work at the Lower Monongahela, major rehabilitations, bulkheads and jetties – both operations and maintenance and construction.

With respect to FY 2010 appropriations, the Corps can expect to receive over \$5 billion in appropriations, about what the Corps has received in recent years. The Corps can continue to expect the ARRA funds to continue supporting construction through FY 2010 and complete ARRA related activities in FY 2011.

The Corps activities will require a systematic, watershed approach and a coordinated, collaborative effort with stakeholders. One example of this type of approach is the Inland Marine Transportation System Investment Strategy Team, where the Corps is working closely with industry to develop a long term strategy to address the needs and requirements to maintain and modernize the inland waterways system.

Mr. Stephen Little, the Chairman of the Board, thanked MG Temple for his support and leadership of the Board, the Louisville District and the Seamen's Church Institute for the previous day's activities. Mr. Little noted the importance of the river industry to Paducah, and thanked the Paducah Chamber of Commerce for hosting the Board meeting. Mr. Little welcomed the returning members to the Board and welcomed the newly appointed members to the Board. Mr. Little recognized Mr. Royce Wilken, Chairman Emeritus of the Board, who was in attendance at the Board meeting, for his leadership and his hard work and contributions to the Board. Mr. Little than offered the attending Federal Observers an opportunity to make remarks.

Mr. Nick Marathon of the U.S. Department of Agriculture (USDA), Agricultural Marketing Service, thanked the Board for the opportunity to attend this meeting and noted the importance of the inland waterways system to the transportation of farm and food products and the associated inputs (fuel, fertilizer, etc.). Mr. Marathon indicated that the USDA is in the final stages of preparing a draft report on the transportation of agricultural products (the report is being prepared in conjunction with the U.S. Department of Transportation), and will ask the navigation industry to review that section of the report pertaining to the barge industry.

Mr. Robert Goodwin of the U.S. Maritime Administration, St. Louis Gateway Office, thanked the Board for the opportunity to attend this Board meeting, and indicated that on July 30<sup>th</sup> Mr. Robert Matsuda was sworn in as the Deputy Administrator of the Maritime Administration. Mr. Goodwin indicated that the Maritime Administration was completing its review of submissions under the Small Shipyard Grants Program, funded at \$100 million under the ARRA (\$98 million available for grants, \$2 million for administration of the program). The program provides 75 percent federal funds with 25 percent matching funds from the shipyard for capital improvements and related infrastructure improvements which will increase efficiency of operations and improve the quality of ship construction and repair. Grant funds may also be used for maritime training programs to improve technical skills and increase productivity. Over 500 grant applications were received, requesting over \$1.25 billion. (Post meeting note: On August 18, 2009, the Maritime Administration announced the awarding of 70 grants totaling \$98 million under the Small Shipyard program.)

Note: There was no representative from the National Oceanic and Atmospheric Administration (NOAA) at the meeting.

Mr. Terrence C. Salt, Acting Assistant Secretary of the Army (Civil Works) remarked that Ms. Jo-Ellen Darcy was confirmed by the Senate on Friday, August 7, 2009 as the Assistant Secretary of the Army (Civil Works). Ms. Darcy will bring talent and experience to the position. Mr. Salt remarked that the review of the Principles and Guidelines has been broadened to include all water resources agencies. The revised Principles and Guidelines (P&G) will emphasize a collaborative approach to planning, and part of the review of the P&G will include looking at ways to cost share portions of a project that are within an agency's authority.

Mr. Salt indicated that the FY 2011 budget is under development and the development of a Water Resources Development Act is just beginning, and welcomes input from stakeholders including the members of the Inland Waterways Users Board.

With respect to the ARRA, Mr. Salt indicated that there has been some criticism that the ARRA is not supporting the most important projects, but noted that the list of projects to receive funds under the ARRA continues to be refined and that some additional projects may be added to the list, due in part to the lower bids received so far, thus freeing up money to fund additional projects.

After Mr. Salt concluded his remarks, Chairman Little then asked for a motion to approve the minutes from the previous Board meeting (Meeting No. 60), held in Vicksburg, Mississippi on February 20, 2009.

Mr. Matt Woodruff entered a motion to approve the minutes, Mr. Rick Calhoun seconded the motion, and the Board proceeded to approve the minutes of Board Meeting No. 60 unanimously.

Chairman Little then called on Ms. Sandra Gore from the USACE, Headquarters, Program Integration Division, to report on the status of the Inland Waterways Trust Fund. Ms. Gore reported that in the first nine months of the current FY (October through June), trust fund receipts total approximately \$58 million, and are projected to be approximately \$85 million for the entire FY (October through September). Ms. Gore also indicated that project fact sheets for selected projects were included as part of the Board members read ahead materials.

Chairman Little then began discussion of the Board's 2009 Annual Report to the Secretary of the Army and the Congress. The report is currently in draft form. Chairman Little began the discussion by commenting that the Administration's lockage fee proposal was counter to a systems/collaborative approach that the Corps and the industry has entered into by means of the work of the Inland Marine Transportation System Investment Strategy Team. Chairman Little noted that the Board strongly opposed the lockage fee proposal and the application of a lockage fee runs counter to the concept of viewing the inland waterways as a system.

Mr. Woodruff remarked that a comprehensive solution to the problem of developing a long term investment strategy for the inland waterways system is needed and that the lockage fee proposal runs counter to the work underway with the Corps. Mr. Woodruff remarked that the lockage fee proposal highlights that the difficulty of the problem and that Corps and the industry cannot alone solve the problem and that it may be time for another seat at the table for additional participation by other parts of the Administration or even Congressional interests.

MG Temple noted that there are three legs to the stool – a program for internal improvement to the Corps business processes, a recapitalization plan, and a long term plan to get funding support.

Chairman Emeritus Wilken noted that the collaborative process which the Corps and the industry has embarked upon has evolved over a two year period and continues to look to the Corps to step forward and represent advancing the efforts of the team.

Mr. Mark Knoy, a new Board member, remarked that it maybe necessary to have a better way to present the Board's Annual Report and recommendations, including the content of the report and the means of distribution of the report, so as to garner more serious attention and consideration to the concerns of the industry and the state of the inland waterways system by the Congress and the general public.

Chairman Little agree with Mr. Knoy's comments and indicated the need to look at how best to maximize exposure for the report. The Annual Report to the Secretary of the Army and the Congress is an important document and is deserving of serious consideration by members of Congress.

Chairman Little asked for a motion to approve the Annual Report. Mr. Knoy entered a motion to approve the Annual Report to the Secretary of the Army and the Congress. New member Mr. Michael Hennessey seconded the motion, and the motion was adopted unanimously to accept the 2009 Annual Report to the Secretary of the Army and the Congress.

Chairman Little then introduced Mr. Gary Loew, USACE Headquarters, Chief of Program Integration Division, who gave a presentation on the status of funding of ARRA projects. Mr. Loew pointed out that the FY 2009 Omnibus Appropriations Act precludes the Corps from issuing new large continuing contracts while revenues from the Inland Waterways Trust Fund (IWTF) are uncertain and insufficient. The language of the FY 2009 Omnibus Appropriations Act cites nine projects to be cost shared with the IWTF in 2009 and exempts major rehabilitation projects from cost sharing with the IWTF. The Omnibus Appropriations Act directs the Corps in FY 2009 to utilize the general fund of the U.S. Treasury to fund inland waterways projects without specific requirements for IWTF revenues. The Corps is directed to bring FY 2009 inland waterways projects funded entirely with general fund revenues to a logical stopping point and defer future work until such time as the IWTF revenue stream is enhanced and these projects can

again be cost shared with the IWTF. Once the revenue stream is sufficient to allow additional work, the Corps is directed to adjust the cost share so that the total project costs will be cost shared at 50 percent.

Mr. Loew indicated that both the House and the Senate have completed their versions of the FY 2010 Energy and Water Development Appropriations bill. The legislative language accompanying the FY 2010 Appropriations bill may be modified in conference between the two Houses. Both the House and the Senate version of the FY 2010 Energy and Water Appropriations bill prohibit new continuing contracts. Both versions call for a solution to the IWTF insolvency. The Senate version says a solution must be developed with the users of the system, the Corps and the appropriate authorizing committees of the Congress. Both versions of the FY 2010 appropriations are committed to continued cost sharing of the IWTF projects.

The bulk of proposed FY 2010 appropriations are directed towards the Olmsted Locks and Dam Project and the Emsworth Locks and Dam Project. A lesser amount is directed to the Monongahela Locks and Dams 2, 3, and 4 Replacement Project. Funding for the Chickamauga Lock and Dam Project differs between the House and Senate versions of the appropriations bills, with the Senate version containing \$1 million and the House version containing \$15 million.

Mr. Loew voiced a sense of optimism that the FY 2010 Energy and Water Development Appropriations bills conference between the House and Senate would be completed by the end of the current fiscal year, the first time an Energy and Water Development Appropriations bill would have been completed before the end of the current fiscal year since FY 2000.

Mr. Knoy asked Mr. Loew if Ohio River Locks and Dams 52 and 53 would be candidates for ARRA funds since they need to be in service to perhaps 2018, when the Olmsted Locks and Dam Project is scheduled for completion.

Mr. Loew indicated that the distribution of ARRA funds was developed with specific criteria and Congressional guidance in mind. USACE Headquarters would be relying on District and Division staff to identify the operation and maintenance priorities to keep projects in service and Headquarters would defer to their judgment.

Mr. Hennessey asked Mr. Loew if the Monongahela Locks and Dams 2, 3, and 4 Replacement Project could be accelerated if additional funds became available.

Mr. Loew indicated that the Corps would look to the navigation industry to help prioritize projects if additional revenues became available.

Mr. Daniel Martin indicated that while attending the July meeting of the Inland Marine Transportation System (IMTS) Investment Strategy Team meeting, he heard that the greatest concern of MG Peabody, Great Lakes and Ohio River Division Commander, was a failure of Ohio River Locks and Dams 52 and 53, and the implications for operations on

the Ohio River system. Mr. Martin also conveyed that he heard that the Olmsted Locks and Dam Project could not be accelerated beyond its current schedule.

Mr. Loew sees the Olmsted Locks and Dam Project as being completed in eight years, and might be accelerated by a year with increased funding. Mr. Loew will look to the District to apply Operation and Maintenance funds to keep Ohio River Locks and Dams 52 and 53 in operational condition.

Ms. Jeanine Hoey, Team Leader of the IMTS Investment Strategy Team, gave a presentation on the status of the progress to date of the work of the team. Ms. Hoey's presentation included a background discussion of why the team was formed, the need for a new management plan, the identification of investment needs, and the current versus future capital projects business model for improving funding and execution.

The list of projects for consideration as part of the current and future investment plan is about 95 percent complete. This list includes projects currently underway, authorized, or planned for the future. The total value of these projects approximates \$17 billion over the next 20 years. Knowing that it is not possible to accomplish this level of work, the IMTS Investment Strategy Team will focus on prioritizing the list of projects. Prioritization will be based on a set of criteria, still under development. Possible criterion to be used in the prioritization scheme include condition assessment, risk and reliability, economic return, percentage of project completed, and remaining benefit to remaining cost ratio (RBRC).

Chairman Little noted the importance of the IMTS Investment Strategy Team efforts and the presentations to ensure the newly appointed members of the Board are brought up to speed on the activities of the team.

Mr. Woodruff commented that he expected to see the project list to become much shorter once the list is reviewed and additional information is ascertained.

MG Temple indicated that the ranking of projects may change over time as factors such as risk and reliability concerns are incorporated, or new criteria enter the decision making scheme under the revisions of the Principles and Guidelines (i.e., public safety, environmental, other benefits, etc.).

Mr. Michael Jacobs of the USACE Cost Engineering Center of Expertise at the Walla Walla District gave a presentation on risk-based cost estimation and factors that affect the development of project cost estimates.

After Mr. Jacobs presentation, there were no public comments made.

MG Temple made closing remarks, thanked the organizers of the meeting, and noted from Ms. Hoey's presentation that there is still much work to be done including the development of alternative future scenarios.

After MG Temple completed his remarks, Chairman Little offered his concluding remarks, thanked the organizers of the meeting, and adjourned the meeting at 12:15 P.M.