

Summary Minutes
Inland Waterways Users Board Meeting No. 63
April 13, 2010
Springfield, Virginia

Inland Waterways Users Board Meeting No. 63 was called to order by Mr. Mark Pointon, Executive Secretary of the Inland Waterways Users Board (the Board) at 1:30 P.M. The meeting included approximately 48 attendees. Mr. Pointon made introductory remarks, and then called on Chairman of the Board, Mr. Stephen D. Little, who in turn invited Major General (MG) William T. Grisoli, Deputy Commanding General for Civil Works and Emergency Operations of the U.S. Army Corps of Engineers (the Corps), and who also serves as the Executive Director of the Board, to offer his opening remarks.

MG Grisoli began his remarks by welcoming the representatives of the various federal agencies who serve in an observer status to the Board's proceedings, Mr. Nicholas Marathon of the U.S. Department of Agriculture (USDA), Agricultural Marketing Service; Mr. Robert Goodwin of the U.S. Department of Transportation, Maritime Administration (MARAD); Ms. Jo-Ellen Darcy, Assistant Secretary of the Army (Civil Works); and Mr. Howard Danley of the Department of Commerce, National Oceanic and Atmospheric Administration (NOAA). MG Grisoli indicated that since the Board last met in New Orleans in December 2009, work had continued on the Inland Marine Transportation System (IMTS) Investment Strategy Team "Capital Projects Business Model" report, and that the findings and recommendations contained in that report would be presented at today's meeting. MG Grisoli also indicated that the Fiscal Year 2011 President's Budget was submitted to Congress in February. MG Grisoli then invited each of the federal agencies representatives to offer welcoming remarks.

Mr. Nick Marathon with the USDA thanked the Board for the opportunity to attend this meeting and indicated that the Department was in the final stages of preparing a Congressionally-mandated study of rural transportation issues including the transportation of agricultural products and economic development in rural areas. The report examines each of the modes of transportation that impact U.S. agriculture, including trucking, railroads, barges, and ocean shipping. The report is available at <http://www.ams.usda.gov/RuralTransportationStudy>.

Mr. Howard Danley indicated that NOAA is preparing for the 2010 hurricane season by holding meetings with representatives from the Corps, the U.S. Coast Guard (USCG), and private industry to discuss preparation and response activities. The Gulf Coast Hurricane Task Force, a diverse group of State, Federal, and maritime interests, which work together before, during, and after a storm or hurricane's passage to minimize disruptions to maritime commerce and to effectively and efficiently work together to survey affected waterways after a storm event, will be meeting in New Orleans on May 26 to review action plans for the Gulf of Mexico for the upcoming hurricane season.

On May 21, representatives from NOAA, USCG, the Corps and the Southeast Texas Waterways Advisory Committee will be celebrating National Maritime Day with a

dedication ceremony of the new Sabine-Neches Physical Oceanographic Real-Time System (PORTS) which will aid in safe navigation of the waterways via a system of tide gauges, water current meters, and weather stations along the waterway leading into Port Arthur, Texas. The system was instrumental in assisting with the recent oil spill at Port Arthur.

In conclusion, Mr. Danley indicated that Captain John Lowell, who replaced Captain Steve Barnum as Director of NOAA's Office of Coast Survey, intends to continue NOAA's support of the Inland Waterways Users Board, and its many partnerships which have been developed through interactions with the Board and its members.

Mr. Robert Goodwin of the St. Louis Gateway office of MARAD expressed appreciation for the opportunity to participate at the meeting of the Inland Waterways Users Board and took the opportunity to introduce Mr. Christopher Moore, Director of the Gateways Office at MARAD headquarters in Washington, D.C.

Mr. Goodwin discussed the status of a number of MARAD initiatives including:

- America's Marine Highway Program, including the availability of \$7 million for projects that will facilitate intermodal transfer of cargo from landside transportation modes to marine transportation;
- Small Shipyard Grants Program, including the award of a second round of grants in the near future;
- TIGER Grants II, a second round of TIGER (Transportation Investment Generating Economic Recovery) grants budgeted at \$600 million through ARRA (American Recovery and Reinvestment Act).

Ms. Jo-Ellen Darcy, the Assistant Secretary of the Army (Civil Works), indicated that she was looking forward to the presentation of the findings and recommendations of the IMTS Capital Investment Strategy Team, and offered her thanks and congratulations to the members of the team for all of their efforts in stepping up to the challenge to address these tough issues.

Mr. Stephen Little, the Chairman of the Board, welcomed MG Grisoli to this, his first Users Board meeting, and indicated that he and the other members of the Board look forward to working with MG Grisoli in the coming months and years on the recapitalization of the inland waterway system infrastructure, and appreciate the enthusiasm and level of interest that MG Grisoli has displayed to date on this very important undertaking.

Chairman Little then asked for a motion to approve the minutes from the previous Board Meeting No. 62, held in New Orleans, Louisiana on December 15, 2009.

Mr. Rick Calhoun entered a motion to approve the minutes, Mr. Tim Parker seconded the motion, and the Board approved the minutes of Board Meeting No. 62 unanimously.

Chairman Little then called on Ms. Mary Anne Schmid from the USACE, Headquarters, Programs Integration Division, to report on the status of major project investments. Ms. Schmid reported that so far in Fiscal Year (FY) 2010 revenues to the Trust Fund continue to be a bit lower than anticipated, and as of the beginning of April, they are about \$35 million. Ms. Schmid also indicated that fact sheets for projects under construction were included as part of the Board members read ahead materials.

Chairman Little then called on Mr. Gary Loew of USACE, Headquarters, Chief of the Programs Integration Division to make a presentation on the status of American Recovery and Reinvestment Act (ARRA) funding of Corps projects. Mr. Loew reported that with ARRA funds, the Corps has been able to approximately double the amount of funds the Corps has been able to apply to projects on the inland waterways system. Execution of the Corps workload continues to be on schedule, so by the end of FY 2009, the Corps will have executed almost \$740 million worth of work. In the current Fiscal Year (FY 2010), the Corps received \$134 million in Congressional appropriations for projects on the inland waterways system. For FY 2011, the President's Budget is requesting \$158 million for projects on the inland waterways system.

Ms. Jeanine Hoey, Team Leader of the IMTS Investment Strategy Team presented the findings and recommendations contained in the final report of the IMTS Capital Investment Strategy Team.

Ms. Hoey provided a brief background on the establishment of the IMTS Investment Strategy Team and then discussed the current status of inland waterways investments and what the outcome would be if changes were not made to the current investment strategy. At present there are seven projects that are currently under construction, only three of which could be completed with efficient funding, Olmsted Locks and Dam, Emsworth Lock and Dam, and Markland Lock. Other projects would encounter significant delays in their construction, including the Monongahela River Locks and Dams 2, 3, and 4 Replacement project, Chickamauga Lock on the Tennessee River, Kentucky Lock, and the Inner Harbor Navigation Canal Lock.

Ms. Hoey then went on to discuss the work of the IMTS Investment Strategy Team, including the development of a list of future inland navigation projects and the development of a set of criteria upon which projects could be ranked. Based upon the ranking of the projects, the IMTS Investment Strategy Team developed a list of projects going forward that would require an annual investment of about \$380 million.

Having developed the size and scope of the investment program going forward, the IMTS Investment Strategy Team looked at different options for funding and cost sharing a program of this size. Options examined included the current 50-50 cost share between the Federal Treasury and the Trust Fund; varying the cost share percentage, for example increasing the Federal Treasury share to 60 percent; options such as excluding project

features such as dams, and establishing minimum cost thresholds for major rehabilitation activities, such as excluding projects below \$100 million.

The IMTS Investment Strategy Team is recommending that the cost sharing formula for new lock construction and major rehabilitations costing over \$100 million be cost shared at the current rate of 50 percent from the Federal Treasury and 50 percent from the Inland Waterways Trust Fund.

For major rehabilitation projects below \$100 million and all dam related construction related activities, the cost should be entirely borne by the Federal Treasury.

Based on these cost sharing determinants, the proportion of future investments is projected to be approximately \$270 million annually from the Federal Treasury and \$110 million from the Inland Waterways Trust Fund.

The need to raise additional revenues to support the Inland Waterways Trust Fund would necessitate raising the Inland Waterway Fuel Tax by approximately 30 to 45 percent, or six to nine cents a gallon, based on the current fuel tax of 20 cents per gallon.

The IMTS Investment Strategy Team is also recommending a cap be placed on the size of the cost share. If the cost share exceeds the cap, any costs above the cap would be entirely borne by the Federal Treasury.

Other recommendations by the IMTS Investment Strategy Team included the development of risk based project cost estimates, independent external peer review, project management certification, appointing a member of the Board to project management teams, and adopting certain concepts and practices from the Military Construction side of the organization to apply to Civil Works construction projects.

Chairman Little emphasized that efficient project funding is key to making this recapitalization plan work.

At the conclusion of Ms. Hoey's presentation of the recommendations of the team, Mr. Matt Woodruff introduced a motion that the Board adopt the findings of the team as presented and that the Board adopt the report presented as the position of the Board. Further that the Board provide the report to the Assistant Secretary of the Army for Civil Works and request that the Administration similarly adopt these recommendations and implement them as set out in the final report. Finally, that the Board provide copies of the final report to the Congress, with the request that the Congress consider and implement those portions of the report that require Congressional action.

Mr. Larry Daily seconded Mr. Woodruff's motion and the Board members voted unanimously for the motion.

Chairman Little asked that a list of over 150 companies, organizations, and associations that have expressed their support for the recommendations of the Inland Waterways Investment Strategy Team be inserted into the record of the meeting.

Mr. Michael Hennessey seconded Chairman Little's motion and the Board again voted unanimously in favor of including the list in the official record of the meeting.

Mr. William Chapman, Chief of Operations Division, Great Lakes and Ohio River Division, gave a presentation on the status of repairs to Markland Lock and Greenup Lock. Repairs to the chamber at Markland Lock were completed in mid January and the main chamber was returned to service in mid January. Repairs to the main chamber at Greenup Lock were completed in late February and the main chamber was place back in service.

At the conclusion Chairman Little asked Mr. Chapman, given the two recent events at Markland and Greenup locks, whether the Corps is taking a systematic approach to examining the condition of other locks to identify other potential lock closures. Mr. Chapman replied by indicating that the Corps has a robust inspection program and its structures are undergoing inspection on a daily basis, so as to be ahead of the curve. This inspection program includes underwater visual inspections by divers, and inspection of all components of the structures.

Mr. Michael Ensched, USACE, Headquarters, Chief of Operations and Regulatory Division added to Mr. Chapman's comments by pointing out that the Corps has undertaken a number of activities that look at the physical condition of the Corps locks and dams in a more systematic manner. Mr. Ensched indicated that Facilities and Equipment Maintenance (FEM) is being implemented on a nationwide basis. This program not only includes lock structures but powerhouses and other structures as well. This systematic approach will assist the Corps in accumulating information on maintenance patterns and requirements.

Mr. Ensched said that the Corps, through the efforts of its Engineer Research and Development Center (ERDC), is examining the use of strain gauges at it physical structures.

Mr. Ensched also indicated that the Corps will be completing its assessment of physical conditions at inland waterways structures by the end of the current fiscal year.

During the public comment period, Mr. Cornel Martin, President and CEO of the Waterways Council, Inc. (WCI) offered a public comment in support of the Inland Waterways Investment Strategy Team's final report and recommendations, and WCI, as well as the American Waterways Operators (AWO) and the National Waterways Conference (NWC), urge the Congress and the Administration to move forward on the recapitalization plan, and offered thanks to those individuals involved with this effort.

Chairman Little offered concluding remarks and thanked the members of the Board and the IMTS Investment Strategy Team for their hard work and excellent analysis of the issues in developing a strategy going forward and recommendations offered. Also Chairman Little thanked MG Grisoli for his participation with the Board and noted that “for your first meeting (referring to MG Grisoli), we kind of set the bar pretty high.”

In his concluding remarks, MG Grisoli indicated the Investment Team’s final report and recommendations point to the great success that can be generated through the collaborative efforts between the Corps and the Board, and looks forward to working with leaders in the Administration and the legislative branch going forward.

The meeting was adjourned at 3:30P.M.