

Minutes
Inland Waterways Users Board
Meeting No. 64
October 20, 2010
Quad Cities Waterfront Convention Center
Bettendorf, Iowa

[Note: The following minutes of the Inland Waterways Users Board meeting No. 64 were approved and adopted at Inland Waterways Users Board meeting No 65 held on April 1, 2011 in New Orleans, Louisiana.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 20th day of October 2010, at the Quad Cities Waterfront Convention Center in Bettendorf, Iowa. Mr. Stephen D. Little, Chairman of the Inland Waterways Users Board presiding. Inland Waterways Users Board (Board) members present:

MR. RICHARD R. CALHOUN, Cargill Marine and Terminal, Inc.;

MR. LARRY R. DAILY, Alter Barge Line, Inc.;

MR. MICHAEL W. HENNESSEY, Brownsville Marine Products, LLC.;

MR. MARK K. KNOY, American Electric Power (AEP) River Operations, LLC.;

MR. STEPHEN D. LITTLE, Crouse Corporation;

MR. DANIEL T. MARTIN, Ingram Barge Company;

MR. TIMOTHY M. PARKER, Parker Towing Company;

MR. JOHN PIGOTT, Tidewater Barge Lines;

MR. WILLIAM M. WOODRUFF, Kirby Corporation.

Also present at the meeting were the following Federal observers, designated by their respective agencies as representatives:

MS. CLAUDIA L. TORNBLOM, Office of the Assistant Secretary of the Army (Civil Works)

MR. ROBERT G. GOODWIN, JR., U.S. Department of Transportation, Maritime Administration, St. Louis Gateway Office, St. Louis, MO.;

MR. NICHOLAS MARATHON, U.S. Department of Agriculture, Agricultural Marketing Service, Washington, D.C.;

MR. ALAN R. BUNN, U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Ocean Service, Galveston, TX.

Official representatives of the Federal government responsible for the conduct of the meeting and administrative support of the Inland Waterways Users Board from the U.S. Army Corps of Engineers as follows:

MAJOR GENERAL WILLIAM T. GRISOLI, Executive Director, Inland Waterways Users Board and Deputy Commanding General for Civil Works and Emergency Operations;

MR. MARK R. POINTON, Executive Secretary, Inland Waterways Users Board;

MR. KENNETH E. LICHTMAN, Executive Assistant, Inland Waterways Users Board;

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

MR. DAVID V. GRIER, U.S. Army Corps of Engineers, Institute for Water Resources;

MS. JEAN GANNON, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division;

MR. MICHAEL F. KIDBY, U.S. Army Corps of Engineers, Headquarters, Operations and Regulatory Division, Navigation Branch.

Program speakers in scheduled order of appearance were as follows:

MR. DAVID V. GRIER, U.S. Army Corps of Engineers, Institute for Water Resources;

MS. JEAN GANNON, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division;

MR. JAMES E. WALKER, JR., U.S. Army Corps of Engineers, Headquarters, Operations Division, Navigation Branch;

MR. WILLIAM R. CHAPMAN, III, U.S. Army Corps of Engineers, Great Lakes and Ohio Rivers Division, Chief, Operations Division;

MR. DAVID F. DALE, U.S. Army Corps of Engineers, Louisville District, Deputy District Engineer;

MR. GARY A. LOEW, U.S. Army Corps of Engineers, Headquarters, Chief, Programs Integration Division;

DR. LARRY BRAY, Ph.D., Research Professor, Center for Transportation Research, University of Tennessee

Other individuals called on to provide additional information in response to questions raised by Board members during the meeting included the following:

MR. LARRY BIBELHAUSER, U.S. Army Corps of Engineers, Louisville District, Project Manager, Olmsted Locks and Dam Project.

The individual who provided public comments during the public comment period at the end of the meeting was:

MR. CORNEL J. MARTIN, President and Chief Executive Officer, Waterways Council, Inc.

MR. MARK R. POINTON: Can we take our seats, please. I would like to welcome everyone to the 64th meeting of the Inland Waterways Users Board here in the Quad Cities area of Bettendorf, Iowa.

I hope everyone enjoyed our tour yesterday. I'm not sure how the Commander from Rock Island controlled the weather, but it is beautiful outside, so I thank him for that.

My name is Mark Pointon. I'm the Executive Secretary and Designated Federal Officer for the Inland Waterways Users Board.

Before we start the meeting, I'm 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 waterways system.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act of 1972, as amended. This is a "Sunshine in Government Act" meeting, and as such, it is open to the public.

The U.S. Army Corps of Engineers is the sponsor for the Board, and it provides for the Executive Director, the Executive Secretary, and all normal activities.

If anyone wishes to make a public comment, we have a period at the end of the meeting. Please submit a statement to the record for me or indicate to me that you would like to make a public comment.

The proceedings are being recorded, and a transcript will be available shortly after the meeting. For those of who you are speaking, please speak into the mic and identify yourselves for the transcript.

I would like to introduce the Rock Island District Commander now to give us a nice welcome to his jurisdiction.

Thank you, sir.

COLONEL SHAWN MCGINLEY: Good morning, Ladies and Gentlemen of the Users Board, and welcome again to Rock Island. Here I speak for my boss, Major General Michael Walsh, and if you've seen General Walsh, he doesn't start any discussion that he has without saying, "Welcome to the third largest watershed in the world." And here in Rock Island, we like to see ourselves at the heart of that. So, again, welcome.

I hope that the last two days has given you -- I know the Board has been here before in the past, so I don't think we showed you anything, really, that you haven't seen before, just kind of an updated status on where we are at within the district and within the Mississippi Valley Division.

As part of the third largest watershed, we do have challenges, and I won't go back over those. I think Bill Gretten and others yesterday painted a pretty good picture for you as to the statuses we have.

All I will say is that as the Rock Island District Commander, having been here a year, it is an honor and is very humbling to go out to these locks, the 20 locks that the Rock Island District has. It has been my goal to go to every one of them every six months to talk to the lock masters on the issues that they've got.

And, so far, within this little over a year that I've been here, I've been successful in that. And having not been in the Corps previously, it is just -- it is incredible to me what 13 men and some women can do on these locks day in and day out. And, I mean, we went through the challenges yesterday, but there's a ton of successes out there too.

The fear that I have sometimes is that -- at least myself, is that I don't take that for granted, that they need our support, and -- but they do an incredible job on a daily basis at each of the 20 locks, working to keep these -- you know, these structures that were -- had 50-year design lives built back in the 1930s -- you can do the math -- it is a challenge every day to keep them operating, but they do an incredible job. And, as I said, it has been an honor and privilege for me to be their commander over the last year.

The last thing I'll do is, I know I got credit for the weather, but I think it was really Mr. Mike Cox who deserves the applause here. He has been our central point of contact in OIC for leading up this effort, so I would just like to thank Mike for his setting this up.

(Applause.)

So, again, welcome to Rock Island. I hope you have a productive meeting today and that you have safe travels going back to wherever you are going. And you are always welcome here in Rock Island and the Mississippi Valley Division, so thank you.

MR. POINTON: I would like to call on Major General Bill Grisoli to make his Executive Director's comments and remarks.

MAJOR GENERAL WILLIAM T. GRISOLI: Mark, thank you, and, Shawn, thank you for those comments and for the efforts of yesterday.

I will tell you, Chairman Little, the Board Members and the guests and visitors here to listen to the Users Board, it couldn't be a more appropriate place for us to be than Bettendorf, Iowa, when you take a look at our inland waterways system, a system that ties together many, many things in our country to assure our continued wealth and also in many ways in this place in the upper Miss, sustaining our environment, because those go hand in hand, and as we do those, we are able to continue to move forward to take care of what's been built.

I think yesterday we got a great appreciation of the status of some of those things, and I know the Board Members thank the Rock Island District for, again, identifying and showing us some of the challenges that we have on one of the most important issues that we are confronted with now in or with the inland waterway system, and that is how do we resource it. And we will talk about that a little bit today, because that's so important to us all.

I want to recognize some other Federal observers that are here today as we move forward. We have Mr. Alan Bunn from NOAA.

Alan, welcome.

Mr. Nick Marathon from the Department of Agriculture.

MR. NICHOLAS MARATHON: Good morning, General.

MAJOR GENERAL GRISOLI: Mr. Bob Goodwin from MARAD.

MR. ROBERT GOODWIN: Good morning, General.

MAJOR GENERAL GRISOLI: Good morning, Bob. And Ms. Claudia Tornblom from the Assistant Secretary of the Army for Civil Works.

What I will do is, after I've completed my remarks, I will offer you all a few moments, if you would like to add just some comments before we turn it over to the Chairman.

Okay. So where have I been? You know, a lot of folks, when I was last here in April and we had a Board meeting in Washington, I was heading off to Afghanistan. A lot of folks have asked me, okay, so what did you do, General, when you are in Afghanistan on, you know, your summer vacation? So, I will tell you, it was very, very informative for myself.

As I told many of the folks that have asked me, it was an engineer heaven in the fact that you got to do things as an engineer from what we call on the combat engineering side to troop construction side, but more importantly to this body here. And some of the lessons learned that I took from that experience was on the infrastructure side.

Now, obviously, Afghanistan, anybody who knows their geography, realizes we are not talking ports and we are not talking inland waterways, but, in fact, they do have a little bit of the inland waterways in the northern part of the country where I think there was a barge I saw in a picture, but they struggle with the same things we struggle with.

And what I mean by that is, they struggle with what's the value of their infrastructure that is getting older? A lot of the dams that they have there were built for really two reasons on the water. One was, and the first, is for irrigation, and the second reason was for hydropower for development and for their people.

How do they prioritize? How do they resource? How do they correct those deficiencies? How do they correct the problems with their turbines? How do they clean out their irrigation ditches so they can better develop their farms? Same issues that we have that -- we are not the only ones. You know, they have older infrastructure. They want to invest some money, where do they invest it and where? Same challenges.

So, it is -- and they also have the challenges of central government versus local. Many, many questions in Kabul of where should we invest it versus, obviously, when you go to a local governor, et cetera, they would love to see it tomorrow.

So, it was very educational for me as far as in the experiences that I had in Afghanistan and also just working with the rest of the team and our coalition partners was very, very helpful for me professionally, and I take those ideas on.

As I came back, obviously, we closed out the year. And you will hear a little bit more about that, and Gary is here, and he can talk a little bit more about how we closed out FY10, but just some facts.

We obligated \$11.54 billion. And when I say that, I'm including our civil works budget, our regular budget itself, the supplementals for Katrina, and ARRA, the stimulus funds. And as you all know, we got in ARRA funds in the civil works program \$4.6 billion. We were able to have allocated to inland waterways \$789 million, of which \$420 million was part of the -- would have been monies that we used for the Inland Waterways Trust Fund system for construction and major rehab.

Those funds were able to help us complete and start Lockport on the Illinois Waterway, the Mississippi Waterway Lock and Dam 3, 11 and, essentially, completed 27.

So lots of help helped us move forward about two years, when you take a look at the amounts of money we had in that particular area, so very helpful. And as we continue these discussions and dialogue on how do we address these -- these significant challenges that we have on our infrastructure, I think it was very helpful from the Administration.

In FY '11, you all know that the President's budget was \$4.9 billion. For inland nav, it was \$779 million and 191 for construction, of which 158 was for the Inland Waterways Trust

Fund. So, again, resources, but it shows, you know, that the work -- some of the work that we have to do.

But it comes down to, when we look at all of these different things, how do we want to address the system long-term, the long-term investment strategy which we talked about in April? And I was pleased to see that in April that we approved the plan to move it forward, we've moved it forward.

We are developing teams. One of the goals that we have is, immediately after the session here is, we want to make sure those teams develop schedules that are measurable so that we can see our progress as far as things that we control and then things that we need to recommend to the Administration and to our political appointees in Congress.

Very, very important there to work both of those actions. And what we owe you is to be able to measure the actions we can control and then help facilitate the other actions. We look forward to continuing to do that as we moved forward.

But as we move forward, and as I talked to many of the members yesterday and today, we have to be able to adapt. The situations will change. We will have different assumptions that we may have to make based on the changing of a condition. The resources availability may change. The requirements that we have may change. Leaders, Congressional leaders, political leaders, all, et cetera, may change.

So, we are on this journey towards trying to go to a common goal, and I believe we all believe in that that's the right goal, which is safe, reliable, efficient, and effective and environmentally sustainable water system, transportation system, that helps us to -- in commerce, national defense, and in recreation, all of those sorts of things that we want to do.

So, if we stay moving towards that goal, I think we will see benefits for it over time, and that's -- that's the important piece.

I look forward for these boards, because I think it is important to get feedback. I think it is important that we continue to work on it, because it is important for the next generation. We saw yesterday from the goodness of Rock Island a little bit more insight of some of the challenges we have to make sure that we correct those for the next generation.

What I would like to do now is ask if any of the other Federal observers have a comment before we start the official meeting. But I look forward to the discussion today. It is very important on both sides of a team partnering together.

Nick, did you have something?

MR. NICHOLAS MARATHON: Yeah. Thank you, General. As a representative of the transportation staff of the USDA's Agricultural Marketing Service, I would like to thank the Board for the opportunity to participate in today's meeting.

Shortly after the last meeting in Springfield, Virginia, the Departments of Agriculture and Transportation released a study on rural transportation issues. The report reviews transportation and its affect on the rural economy with an emphasis on agricultural transportation.

The report looks in depth at the major modes of transportation used by U.S. agriculture, including trucking, railroads, barges and ocean vessels. The report is over 500 pages long with 15 chapters and is only available online.

For the sake of the minutes, I would like to give the Web address. The Web address is www.ams.usda.gov/ruraltransportationstudy, and rural transportation study is one word.

And, I would like to follow up on an earlier comment. General, this is an appropriate meeting place, Bettendorf, for -- to emphasize the importance of barge transportation to agriculture.

The locks and dams on the Mississippi River and Illinois Waterway originate about a third to over one-half of all of our corn exports. Also, they generate about 20 percent of our soybean exports. So, it is an important part of the agricultural economy.

Again, I appreciate the opportunity to be here and look forward to the rest of the meeting.

Thank you.

MAJOR GENERAL GRISOLI: Thank you. Any other Federal observers? Bob?

MR. ROBERT GOODWIN: Yes, sir. On behalf of the Maritime Administration and Department of Transportation, I also appreciate the opportunity to participate in the meeting today.

I would like to report on two programs the DOT and MARAD are currently involved in that impact on the inland waterways. One is the TIGER Grant II program. This is part of the ARRA funding to redevelop our country.

In TIGER I, one inland port received \$6 million, and that was the only inland port to receive money in the initial TIGER round.

Now that TIGER II is currently making their awards, we are hoping that some additional inland ports will receive money. The Northwest port down in Tennessee did receive \$7 million. And as the awards are continuing to be announced, we are hopeful that additional ports will receive money this time around.

The other program that I would like to talk about is the Marine Highway Initiative, and that program is being run by the Maritime Administration. We've been conducting this program for a little over a year now. We had \$7 million appropriated.

The intent of the program is to try to identify specific projects where we can divert containers and wheeled chassis off of congested railroads, congested highway onto the marine transportation mode, both inland and coastal.

We have identified eight projects that will receive funding under this program this fiscal year, and there are three initiatives. One of the initiatives deals with the Illinois River and the Mississippi River. That's the Heart of Illinois Gulf Intracoastal -- or Gulf Initiative.

We have \$275,000 that we are going to use to provide, in essence, a market analysis to look at existing traffic on the Illinois and Mississippi River, identify opportunities where we could possibly start moving containers or wheeled chasses from the highway and from rail and onto inland barges.

We are not trying to take traffic away from the other modes of transportation, but the intent of the Department of Transportation is to look at the most efficient way we can use the transportation system in our country.

And looking into the future and looking at the volume of containers that we are going to need to support our economy, we are going to have to do things a little bit differently than we've done in the past.

And that means we are going to have to start utilizing one of our modes of transportation, the inland mode, that is not at capacity and has the ability to move cheaply and environmentally -- in an environmentally-friendly way, the containers that are currently moving on rail and truck.

So, it is not an actual diversion from the other modes as much as it is a redirection of them to get the optimum utilization of all modes to support our transportation system and our economy.

So that program is currently funded for 16 months. We are hoping to get additional money in the out years to keep the program going, but it shows a lot of favor, and we've received a lot of favorable comment on it so far.

Thank you, sir.

MAJOR GENERAL GRISOLI: Bob, thank you.

Any other federal observers? Any other comments? Claudia.

MS. CLAUDIA TORNBLUM: Yes. Assistant Secretary Jo-Ellen Darcy wishes she could have been here today. She is at a groundbreaking in Puerto Rico for a civil works project there and asked me to represent her, which I'm honored to do.

Just wanted to support what General Grisoli said about that it was a real pleasure to, in addition to the regular budget, have \$4.6 billion additional funds to figure out the best way to allocate over the last year and a half. And I'm glad, as I know you are, that a significant amount of that was -- we were able to put on inland waterway projects.

I look forward to the rest of the meeting. Thank you.

MAJOR GENERAL GRISOLI: Thank you, Claudia.

Okay. If there are no further comments, I would like to turn this over to Chairman Little. Steve?

CHAIRMAN STEPHEN D. LITTLE: Thank you, General, and welcome back.

MAJOR GENERAL GRISOLI: Thank you.

CHAIRMAN LITTLE: This has been a beautiful venue to have our meeting, Meeting No. 64. We appreciate your dedication, General Grisoli, to the Civil Works and everything the Corps of Engineers is doing. Certainly appreciate your service to the country and your dedication, and we are really happy to have you back and have you in the fold here to help us as we try to tackle these issues today and going forward.

Ms. Tornblom, we are happy to have you here as well. It has been a delight to get to spend some time with you and to trade ideas and brainstorm on some things in the last day or two. And we appreciate you making the adjustments in your schedule to be here for this meeting and participation. We really do appreciate that.

Colonel McGinley and Rock Island team, great presentation yesterday, great tour. All of the Users Board members who participated in the tour really got a lot out of that and an ever-continuing appreciation for the hard work that's done out there every day in some very adverse conditions sometimes. We appreciate that very much.

And before I forget it, Mr. Hennessey, I think your company sponsored breakfast this morning, the reception, I appreciate that very much as well.

I woke up this morning and picked up the *Quad City Times* and there was an editorial. And they get it. This community gets it.

This area understands the importance of the waterways of the Mississippi River not only to their community but to the nation as a whole, and the timing is perfect. And I give Larry Daily credit for that, for meeting with the editorial board and communicating our message to that board. They got it, and it was a great to wake up this morning and see that editorial in the *Quad City Times* this morning.

And as good as that was, I can tell you that we have seen many other editorials throughout the nation supportive of what this Board has developed with the Corps of Engineers over the last year and a half.

So, I didn't want that to go unnoticed that we've got great support from this community and also want to highlight the fact we've gotten that similar support from other editorial boards throughout the country, as well as 200 organizations and companies and associations that have signed on in support of the IMTS plan that this Board approved in our last meeting.

The General alluded to that meeting. That was Meeting No. 63 in Springfield, Virginia, at which we approved unanimously that IMTS plan. It was a historic meeting. But like many historic events, that is oftentimes followed up with a lot of hard work, and that's what is before us today and as we move forward.

There is still a lot of hard work to do. Our job is by no means over. It is just beginning in some sense. And we are going to hear today on some items that touch on some part of that plan. The implementation of the IMTS plan, the Corps will brief us on how some of those steps are coming along, and as we move forward, how we can keep this ball moving so that we can go ahead and implement those parts of the plan that we can implement without legislation.

We are also going to have a discussion about our annual report which tries to articulate where this Board has been during the past year and where we think the country and the Board needs to go.

The Administration has a lot of work ahead of it. We delivered the outline of the report at our December of 2009 meeting in New Orleans. That would have been Meeting No. 62. And we outlined for the Board as well as for the Administration what that plan looked like.

We delivered the final plan in April of this year, and we need to continue to work with the Administration to know -- to learn what their position is, but we are also anxious to hear that.

Much work has been done. We've -- we've done a lot of hard work, and we are waiting for the Administration to respond in a positive way to what we know is a very well thought out, articulate plan that is a road map to the future.

And so we look forward to working with Secretary Darcy and General Grisoli as the Administration finalizes their position and continues to work with us in the future.

Let's go ahead and jump into the agenda. The first item is the approval of the minutes from Meeting No. 63. Board Members, you have those in your packet.

MR. POINTON: Need a motion.

CHAIRMAN LITTLE: I need a motion to approve those minutes.

MR. RICHARD C. CALHOUN: So moved.

MR. JOHN PIGOTT: Second.

CHAIRMAN LITTLE: Mr. Calhoun and Mr. Pigott seconds. All in favor say "aye."

(Aye.)

CHAIRMAN LITTLE: Opposed?

Thank you. Minutes are approved.

Next on the agenda, we are going to get a status report, I believe, from Mr. Grier, first, on the Trust Fund.

David.

MR. DAVID V. GRIER: I will move up to the podium with a clicker.

(A brief discussion was held off the record.)

MR. GRIER: Okay. Thank you, Mr. Chairman, General Grisoli, Board Members and observers.

Just wanted to just very quickly go over some of the trends and the status of the Inland Waterway Trust Fund itself.

Just a little bit as background for that, we have the -- from our Waterborne Commerce Statistics Center, the monthly estimated amounts for total and by commodity group of the inland waterway traffic.

This shows the totals for several years, 2006 through 2010, on a monthly basis. And if you look at it on a year-over-year basis, total tons were up about 1.7 percent, but I would caveat that with a note that some of the long-haul commodities were actually down.

The data was showing grain down about 3.2 percent, while coal and petroleum were both up a little bit over 5 percent. But the point to make here, I guess, is that traffic overall has not been declining. It has actually been growing, but these tend to be, in the scheme of things, shorter-haul commodities rather than long-haul like grain, which generate more Trust Fund revenues.

And then also apologize, we have a little correction on the amounts on the Status Reports Statement. I did hand out a one-page --

Did I lose this? Is it still working?

Okay. Sorry.

- a one-page update of the status report, and that's in front of you. And if anyone doesn't have it, I have a few extra copies up here.

This is Tab 3 in your notebook, but the only change is, we did get some final numbers for the fuel tax revenues, final numbers for 2010. And instead of what we see up there as 72.3, we ended up with 73.9 at the end of September. That changes the total amounts -- total revenues available to 74.1 as our final numbers.

And the implication of that is that the end balance was 58.5 rather than the 56.8. We still have 20.3 million in outstanding transfer authority from Treasury to cover outstanding obligations, leaving a balance of -- instead of the 36.6, it is actually 38.2.

But that balance -- that obligated balance can be a little bit misleading. The Treasury, as you see up there, went to a different accounting process in September '09. And we don't really see in the statements that they publish on their website what may still be outstanding for obligations. And what they tend to do is adjust that transfer authority as needed in working with the Corps in terms of transfers that are going to be needed to support ongoing obligations.

So, I wouldn't put too much stock in what we are showing as the effective unobligated balance, because they will simply bump up that transfer authority and reduce the available balance that's not obligated.

Mentioned that the Treasury made an adjustment in their accounting, so we don't really see all of these final numbers until the end of the year, which makes it difficult to track on a published basis. And then also we noted that FY 10 revenues still, even though with the last-minute bump, came in about \$2 million lower than revenues in '09, which in turn were about \$11.6 million lower than revenues in '08.

So, from here out, that's led us to be conservative in what we estimate for the revenues in the upcoming year for budget planning purposes. And we are using a figure right now of about \$65 million to leave ourselves a cushion in terms of what we think we can allocate by project for the upcoming year.

And so we are really just reflecting that downward trend we've observed, and we are hoping, of course, to see that turn around. There is some evidence that -- anecdotally, that the grain transports will be up this year, and that may help improve revenues, but -- and for planning purposes, we need to be cautious, and that's why you see the numbers there that you do.

That's really the status on the Trust Fund itself. If there are any questions, I will be happy to take them, or I'll go ahead and let Ms. Gannon come up and continue with the presentation.

CHAIRMAN LITTLE: Yeah, let's see if there are some questions, David. Let me start with this question.

So, the handout we have --

MR. GRIER: Yes, sir.

CHAIRMAN LITTLE: -- is correct?

MR. GRIER: It is correct in the sense of what Treasury published for their final September statement.

CHAIRMAN LITTLE: Right. And I should have said, this is the most recent information we have?

MR. GRIER: Yes, sir.

CHAIRMAN LITTLE: And there are no corrections that we need to make on this?

MR. GRIER: Not on this one.

CHAIRMAN LITTLE: The corrections went to your overhead, correct?

MR. GRIER: Yes. My apologies that we weren't able to get those in in time.

CHAIRMAN LITTLE: I just wanted to make sure we were clear on that.

And now let's go back for a second, a little bit about the revenues for the year just ended. I think you said those were \$2 million less than the year before?

MR. GRIER: Yes, sir.

CHAIRMAN LITTLE: Okay.

MR. GRIER: Yeah, the final revenues came in at 73.9, and -- with interest of just 0.1 million. That really did not change.

CHAIRMAN LITTLE: Okay. Got it.

MR. GRIER: And so that difference bumps up that end balance just a little bit by the same 2 million.

CHAIRMAN LITTLE: So the revenues for 2010, just ended, were 73.9?

MR. GRIER: 74.1.

CHAIRMAN LITTLE: 74.1.

MR. GRIER: I'm sorry. 73.9 for the revenue. 74.1 total when adding in the interest.

CHAIRMAN LITTLE: Okay. Then did you say going forward, you are assuming revenues at \$65 million?

MR. GRIER: That is the cautious amount we are using for planning purposes --

CHAIRMAN LITTLE: Right.

MR. GRIER: -- just because of the volatility in the markets. The -- again, we saw a decrease in farm traffic, at least as reported by Waterborne Commerce, on a monthly basis. And these are based on lock statistics.

So, we don't get a full national picture of what happens on the unlocked part of the system, such as the lower Miss, but this is what are Waterborne Commerce Statistics Center publishes as a monthly indicator of what's happening on the system.

And if you add up the monthly amounts and do a year-to-year comparison, the grain part of that was down by 3.2 percent, but petroleum and coal were both up by over 5 percent, but just reflecting on the past year, we had some extreme weather conditions that might have pushed coal higher, and petroleum, as the economy began to recover a bit. And so it is hard to forecast that we would see those kinds of growth rates in FY '11, although certainly we all hope they will.

CHAIRMAN LITTLE: I'm just trying to figure out how we get from actual revenues in 2010 of 74 million and a projected 65 million.

I understand some of the factors you've mentioned, but is there a calculation that derives -- that brings us to the 65 million, or is this -- how much of this is an art rather than a science that came up with the projected 65 million for the next year?

MR. GRIER: I would really defer to the Program's folks at headquarters on how that was derived.

I think it was a consensus of trying to be conservative to still have a cushion and thinking we do have obligations out there that may not necessarily have been reported in terms of what shows up on the Treasury statement.

And, also, just as a contingency, we wanted to start at a conservative basis. And I believe if funds come in higher, then it might be possible to provide more funds on individual projects as the year goes on, but I would leave that to Jean and to others to try and elaborate further on that, on how those resources could be utilized if they do materialize.

CHAIRMAN LITTLE: So, you are saying it would be adjusted during the year if you see the numbers come in higher?

MR. GRIER: Yeah, I believe so. But for planning purposes right now, as we begin the budget allocation process, I think they wanted to start conservatively at around the 65 million, which, at the time these numbers were being put together, it looked like about what was going to come in for the current fiscal year or the fiscal year that just ended.

CHAIRMAN LITTLE: Okay. I haven't done the math, but it looks like it is over a 10-percent reduction. So -- just figuring in my head, so that seems to me to be an extraordinarily conservative approach to start off with, based on tons, as I understand it, and not ton miles.

We are looking at commodity use that is down historically, but we don't have any ton miles we are basing this on, but we are basing it on tons.

MR. GRIER: Right. Unfortunately, we don't have those kinds of estimates at this point. These are numbers that Waterborne Commerce can put out using a formula based on traffic at key locks. And, so, it is -- it is not able to take into account traffic trends on the parts of the system without locks, such as the lower Mississippi, which could also be significant in terms of what the trends are, if we just had the data to include those observations.

CHAIRMAN LITTLE: And I don't want to take up a whole lot of time on this, and I want to make sure the other members have a chance to ask you some questions too, but it seems like it is kind of a crude approach that we are using, and maybe necessarily.

Maybe that's the only tool we have available, but -- to be looking at tons versus ton-mile. But my one last question is, are you aware of any near-term impacts this has on the projects, ongoing projects?

As we look at the cash flow that's assumed of 65 million, what impact is that having on projects today that maybe are constrained because of the conservative assumption we are making with cash flow?

MR. GRIER: Right. With apologies, I'm not involved directly in those project-by-project allocations, but perhaps some other speakers from the Corps would be able to elaborate on that.

CHAIRMAN LITTLE: Other questions from the Board?

All right. Thank you, David.

MR. GRIER: All right. Thank you, sir.

CHAIRMAN LITTLE: Ms. Gannon?

MS. JEAN GANNON: Thank you. I'm Jean Gannon, Army Corps of Engineers, Construction Account Manager.

I will attempt to address some of your questions, Mr. Chairman, as we get into the project statuses. Right now, I would like to start on slide No. 4, which is the American Recovery and Reinvestment Act summary slide.

This slide shows an overview of the Fiscal Year '09 and '10 funds that were applied to inland waterways projects. The four projects that are highlighted in, well, green -- light blue, from what we see, are projects that the ARRA funds have taken to completion. In other words, when these funds are completed, those projects are going to roll into -- transition into operations and maintenance status.

The four projects at the top in blue text are projects which the ARRA funds allowed us to fund separable items, specific subprojects, within the overall project, to completion. And then the four remaining that are in black text represent projects that did receive ARRA funds but did not necessarily complete any separable programs.

Of the \$420 million, 92 percent of it has been obligated to date. Of the 33 -- of the 33 million, or 8 percent, that's remaining, those funds will be used for supervision, administration, for claims, and modifications. \$420 million is a \$27 million increase from what we briefed the Board in April. The additional 27 million was realized of cost savings of other ARRA projects.

The significance of the ARRA funds to inland waterways can't be understated with the direct \$210 million savings to the Inland Waterways Trust Fund.

Are there any questions before I move into project status?

Yes, sir.

MR. PIGOTT: John Pigott, Tidewater Barge Lines.

Could you identify the -- more specifically where some of those cost savings were found?

MS. GANNON: I don't have that detail right now, sir. I can get back to you on that. The \$27 million of cost savings that we did receive, the preponderance of it went to Olmsted, 22 million. And then Kentucky Lock and Emsworth were the other two projects who benefited from the cost savings, but I can get back with you on where the cost savings came from.

Any other questions?

The next seven slides are Phase I projects as documented in the IMTS report. The format is in accordance with the report and the recommendation that we provide a standardized, consistent method of reporting to you.

CHAIRMAN LITTLE: Ms. Gannon, maybe if you got a little closer to the microphone, it might help us to follow you.

MS. GANNON: Okay.

CHAIRMAN LITTLE: Thank you.

MS. GANNON: The format is in response and recognition of the recommendations from the final report. So, we would appreciate any feedback to ensure that we are meeting the communication requirements and that we are giving you what you require.

Moving into Chick Lock, the road bridge and utility relocations are completed. They are on schedule for the 30 December bridge fabrication milestone of the contract award, construction complete.

They will not be able to make their lock construction or their decommissioning of existing lock contract awards in January without additional funds.

Kentucky Lock, the ARRA funds keep the project moving forward through the first quarter of Fiscal Year '13. And they are currently on schedule for the superstructure and upstream lock monoliths.

Lock and Dams 2, 3, and 4 --

CHAIRMAN LITTLE: Excuse me.

MS. GANNON: Yes, sir.

CHAIRMAN LITTLE: Can we back up to Kentucky Lock?

So, on the upstream lock monoliths, it says \$50.1 million, all ARRA funds. Did the other slides say 50 -- the very first slide we started off with, do we have a copy of that slide?

MS. GANNON: Kentucky Lock --

CHAIRMAN LITTLE: Yeah. When you listed the first -- the first slide we started at.

MS. GANNON: Yes.

CHAIRMAN LITTLE: Kentucky Lock, that shows 72- --

MS. GANNON: 72.

CHAIRMAN LITTLE: -- -.4.

MS. GANNON: 51 of it was applied.

CHAIRMAN LITTLE: 51 was the upstream lock monolith?

MS. GANNON: Yes, sir.

CHAIRMAN LITTLE: Okay. Thank you.

MS. GANNON: Lock and Dams 2, 3, and 4.

Continuing the construction at the Charleroi. They have substantially completed their filling valves, and shortly, in December of 2010, they should finish fabrication for the river chamber miter gates.

For Olmsted, the ARRA -- the remaining equipment was bought which allowed Olmsted to complete their precasts. And Olmsted expects fabrication of six shells by the end of January of 2011.

Inner Harbor, the second bullet status is not accurate. When the enjoinder was lifted, they did execute some minor design work, lock design work, but they have exhausted their funds and are currently at a stop work.

For Emsworth, sir, I believe this will get to the previous conversation.

The \$11.5 million for -- for -- of Trust Fund is not certain as of to date. We anticipate that we will be able to fund that with the conservative estimate, pending no surprises and no emergencies that come up over the course of the year.

As the Trust Fund -- as the Trust Funds stabilize and we move forward, we anticipate that we should be able to cover that 11.5, but we can't make that commitment to date.

And Emsworth is on schedule for their right abutment and the service bridge rehab.

For Markland, the gate storage pier construction has already been completed, and the new gates sailed from Louisville into Markland yesterday.

I have not heard that they have arrived, but I assume if they hadn't, you probably would have known by now.

Pending any questions, that completes my presentation.

MR. MARK K. KNOY: I have one, Mr. Chairman,

Mark Knoy with AEP. Probably came up before, but how were the ARRA projects chosen?

MS. GANNON: The ARRA projects – the ARRA funding was provided to stimulate jobs in the country. So, in April of -- or May of 2009, projects came forward that were shovel-ready and requested the opportunity to receive ARRA funds. So -- and then those recommendations were put forward to OMB for OMB's approval.

MS. CLAUDIA TORNBLUM: If I may, Jean.

We certainly did coordinate with OMB, but the Army made the final decisions on the allocations.

For construction, the projects with economic benefits were prioritized on the basis of the benefit-cost ratio for those things that could be done within the time period that the Recovery Act Funds were available.

So, other -- and there was a significant effort to put as much as we could on inland waterways also, so. But, overall, the projects were ranked for construction based on the benefit-cost ratio.

CHAIRMAN LITTLE: Maybe it would be instructive to help answer Mr. Knoy's question to go back to the original slide which you started with, which we see there that there were \$10 million put toward Myers Lock and Dam.

And to follow up on Mark's question, we put \$10 million toward Myers Lock. We obviously have projects that are ongoing and farther along in the process, no offense to Myers Lock, and we appreciate the money that goes into the Trust Fund Projects, but the question is, would that \$10 million have helped us further toward completion -- excuse me -- either Chick, Kentucky, Lower Mon, Olmsted, if the dollars had gone there versus -- and I don't have the details on the Myers expenditure, but I think some of it had to go to a building that they are constructing, and then there is also some dredging at Myers Lock.

So, I think that's the question we are asking, is -- is, could some of this money have been more strategically implemented while accomplishing the goals of the Act and also furthering -- farther along to completion some of the projects up here.

MS. TORNBLUM: I will let Jean off the hook on this one too, and she can follow up.

One of the statutory requirements for using Recovery Act money is that you had to be able to complete something. So, for each one of these contracts that received Recovery Act Funds, you had to be able to complete at least a contract, if not something even bigger, but -- so, there were some constraints.

Like, they could have done perhaps more work but not completed another piece. Other than that, I can't speak specifically to the projects, but I know that that requirement to complete each thing we put money on did have some significant restrictions.

MS. GANNON: I would offer, sir, that I think that if the IMTS had been further along in the process and prioritizations, that, yes; but at the time, I don't think the final prioritizations were finalized.

CHAIRMAN LITTLE: Yeah. And so help me with that timing a little bit. So, when were these decisions made on the ARRA funding, Ma'am?

MS. GANNON: April, May '09.

MS. TORNBLOM: The initial list was approved at the end of April. It was modified several times after that as we figured out that additional funds -- that funds could be moved around. They perhaps couldn't be used where they originally were put.

CHAIRMAN LITTLE: We are talking April of '09?

MS. TORNBLOM: April '09, that's right. And all funds had to be obligated by September 30th of this year, except a small amount carried over for S&A and contract mods and claims.

CHAIRMAN LITTLE: Okay. Thank you.

MR. KNOY: Mr. Chairman, Mark Knoy again with AEP.

My comment was really driven by the Lockport Project, which wasn't even a capstone project from this Users Board, and here it is fully funded and completed now.

CHAIRMAN LITTLE: Does that complete your presentation?

MS. GANNON: Yes, sir, it does.

CHAIRMAN LITTLE: Okay. I did have one question. I think in our package, I guess, that would be --

MS. GANNON: Tab 4.

CHAIRMAN LITTLE: -- Tab 4.

MS. GANNON: I apologize -- my apologies for not commenting on that at the beginning.

There was an error when we prepared Tab 4. We added the appropriation amount for 10, which should have been the allocation amount. That is being updated and will be provided to the Board.

CHAIRMAN LITTLE: Okay.

MS. GANNON: I did not have it prepared before today.

CHAIRMAN LITTLE: I appreciate that very much. Thank you.

Any other questions of Ms. Gannon?

If not, thank you very much.

MS. GANNON: Thank you.

CHAIRMAN LITTLE: Next on the agenda is the 2010 Board Annual Report and Recommendations.

The Board Members have been working on a draft report that has been reviewed and the comments and is still in a draft status but is fairly far along.

Obviously, over the past year or two, we've had a tremendous amount of work that's been accomplished by these Board Members along with the Corps professional staff. And to a large extent, the Annual Report reflects on that work and summarizes many of the features of the IMTS plan as well as outlining some of the challenges that lie before us.

And I just want to thank all of the Board Members for their contributions and comments and suggestions as we worked on this draft.

We do need to approve the draft today, and then after this meeting, we will continue to make sure we've got the tweaking and the technical corrections that we need to before we go to press with that, but I want to thank all of the Board members for your help with that and participation.

And if anyone has any comments or anything they would like to say about the Annual Report that we've been reviewing, now would be a good time to do that.

Probably just sick of looking at it, aren't you?

Any comments? Any suggestions? Any questions at all?

If not, we can keep this agenda moving along with a motion to approve the draft report that you've seen and go on with the agenda.

MR. KNOY: I will make that motion, Mr. Chairman, Mark Knoy.

CHAIRMAN LITTLE: Thank you, Mr. Knoy.

MR. MICHAEL W. HENNESSEY: Second.

CHAIRMAN LITTLE: Mr. Hennessey seconds.

All in favor, say "aye."

(Aye.)

CHAIRMAN LITTLE: Nos?

All right. Ayes have it. Thank you very much on that.

Next item on the agenda is a Condition Assessment Report that I believe Mr. Walker is going to start off with.

Thank you, Jim.

MR. JAMES E. WALKER: Thank you, Mr. Chairman.

My name is Jim Walker. I'm the Navigation Manager at Headquarters, Corps of Engineers, and I will be speaking to you today on the IMTS Operational Condition Assessments and then turning it over to Bill Chapman to talk about a specific application of this effort.

As background for this effort, as a reminder, this topic was briefed at the Users Board meeting number 62 back in December of 2009 where we spoke of -- that we had developed a consistent national approach to evaluate these components, some over 300 components at each navigation lock in the USACE inventory, which is 241 navigation locks.

Each of those 300 components were evaluated by a team of folks, folks from our engineering division, coupled with our operations folks, to assess those components on a rating scale of A, B, C, D, or F. We were to complete these evaluations by the end of calendar year 2010, and our goal is to use these results to inform the fiscal year '13 budget development.

You'll see on the next slide the status of the evaluations. Most of the divisions, LRD, Lakes and River Division, Mississippi Valley Division, the North Atlantic Division, and the Northwest Division have all completed 100 percent of their lock assessments.

The South Atlantic Division has completed 32 percent of their lock assessments, and the Southwest Division at 81 percent. Those are actually -- while that's a low percentage at SAD, it is a relatively small number of locks. And they are confident they will complete the condition assessments by the scheduled date at the end of December.

When we talk about these navigation lock components, we've grouped them into eight different major component groups to assist us in the -- how are we going to take this information and apply it into budget work packages.

You see there the eight categories with the gates for the locks, the lock structures themselves, the fill and emptying valves, gate and valve operating machinery, the controls, the

primary electrical and hydraulic systems, the dam structure itself, and then the dam gates and machinery.

Our preliminary results, we were getting an initial baseline effort for this type of a review. We are finding that most of the components are in mid-range condition. That's a helpful thing for us, because if everything had come up with the worst possible condition, then we would have assessed that our scale was wrong.

We needed to be able to see that we had a scale that gave us some separation between what was an A, B, C, D, or F in the overall effort. So, we feel like we've got a good rating scale that we are applying to these things.

This has been a very positive effect in terms of helping identify those things so that as you achieve, either through savings and good bid results on other contracted efforts or slippage in other work, that you've identified these high priority needs and where they are within what funds can be made available, we can go ahead and address those rapidly and buy down the risk of those components having a failure that leads to an unscheduled lock closure.

We also, as lessons learned, want to look at expanding these evaluations to our spare parts, identifying those critical spare parts, what inventory we have, and what condition those spare parts are in to make sure that they are ready to be placed into service when called upon.

Funding as far as the use of the condition assessment results is something that we are now working on. The funding situation is that we are funded by projects, and so we are having to identify between what is normal operation and maintenance funding to keep the lock staffed and able to pass traffic and accomplish onsite, routine annual maintenance, and then accomplish that other non-routine maintenance, where you would be looking at using your repair crews or the floating plant to come in and assist with the repairs.

So, we need to break those dollars out to better articulate within the O&M funding for each of these river systems what dollars we would have for that. Right now, those are all assigned to projects. There is nothing established in the way of a national funding and how we will adjust between project-based needs out there and looking at -- nationwide at the approach to address it.

We also need to make sure that in looking at the funding that we keep a certain amount there at the local projects, recognizing that these budgets are put together two years in advance and certain things can happen between the time that the budget is assembled and when we actually get the appropriation and are ready to execute the particular program.

We have a desired end state with the use of these condition assessments. One is that we have completed that initial baseline, and now we will have subsequent reviews in future years. We want to couple these conditions assessments with other engineering analyses that are currently being performed.

The big advantage that we see with this particular condition assessment approach is that the results are being used -- will be used directly to help us in the budget prioritization process.

Some of the other inspection products right now that have been performed do not get us to the budget -- directly to the budgeting process. So, we are looking to bring them into the fold in terms of how we can apply the results of their inspection efforts into this effort.

We feel like we will be developing more engineering rigor in the analysis. This initial analysis was a bit more subjective, but as we get our information database built and begin to maintain records of the efforts that are applied to repairs and what the life cycles will become of these things, we are going to have that -- a better handle on increasing the engineering rigor on these things.

Our process is transparent. It is repeatable. It is going to be auditable in terms of the means that are used to conduct these condition assessments, and we see that as a big positive out there.

And then using this database to prioritize the non-routine O&M investments, I think that's going to be a big help with us. Many times we are challenged with, if you would have received additional dollars, where would you put them and what would the benefits be? We are now going to have a more rigorous process to be able to explain how we would use those funds and the idea of buying down the risk or the economic impacts that we would be reducing the risk of having to incur.

As far as an example of the use of this condition assessment database, the Lakes and River Division has prepared a report. This Ohio River Miter Gates Replacement Program has been developed to show how we can use this information to assist in a budget prioritization process or an investment strategy.

And so, at this point, I would like to introduce Bill Chapman to come up and present a summary of that effort to you.

Subject to any questions on this first part.

CHAIRMAN LITTLE: No. I think that this is a logical time to have Mr. Chapman come up. Then, if we have questions for you, Jim, we can do all that at the same time.

MR. WALKER: All right, sir.

MR. WILLIAM R. CHAPMAN: Thanks, Jim. Thank you, General Grisoli, Mr. Chairman, Ms. Tornblom, and Members of the Board.

Basically, what I'm going to present here is LRD's lock gate replacement program. This is a program that has been envisioned over the last five years or so, really come to fruition over the last year and a half or so.

A couple of key points that I want to bring out is, it is founded on a life cycle asset management risk-based principles. Jim alluded to those through our OCA process. This is the premise for all that we do.

It incorporates a lot of the IMTS initiatives on stuff that has gone on. It helps us achieve acceptable levels of risks with our buy-down at our most -- highest-risk projects. And one of the key foundations that -- to keep it going until we move toward replacements is a proactive maintenance control measure to extend gate life and last thing lay out the proposed strategy that we see down the road as one possible option, you know, to illustrate this program.

This slide here kind of gives the current lock infrastructure conditions. I've kind of combined a couple of those. Jim had the eight categories. This rolls them down into two.

I think we combine the primary electric hydraulic and some of those. But, basically, it kind of gives an overall condition of LRD's infrastructure.

One of the key things that most of our system does is surpass their design life. Our average age is, you know, 50 years plus. Some are 90 years old at this point.

The lock gates are the most important, critical component in this infrastructure system, and it is slowly degrading. And in some areas, it is rapidly, rapidly moving from a C condition to an F condition. I will kind of illustrate that in the next couple of slides.

This slide here just kind of gives you an idea over the last several years where our -- our work has been and whether it has been dams or lock systems. As you can see, the lock systems have been the greatest need out there. They've experienced the most maintenance and needed for to maintain the reliability.

In fiscal year '01, if you look at that, there was a remarkable increase in lock gates showing this. So that is at the very beginning we had started looking at that, and it has continued to grow all of the way until fiscal year '10, and in which we do not have that data but will have that data shortly.

Next slide, this is kind of a historic to the future look here. As you can see, our lock outages are -- we are having more failures due to the failure of the components. It is increasing. It has increased. In the last 10 years, our lock outage delays have almost tripled. That's one thing.

This outlook really is not good, and we are trying to figure out ways to do this. Over the next 20 years, we predict that many of our lock gates will rapidly enter a failing condition, is what we are going to see. So, we are trying to be proactive, trying to look how we can move forward, come up with a proposed plan, methods to address this issue here.

There's two pictures there of recent ones that just happened over the -- the last fiscal year. A Markland gate failure, which I think everybody is aware of, and Greenup. At the last

meeting, I kind of gave a presentation, kind of stepped through on what happened, and kind of alluded to this report that we've been working on for several years.

In this next slide here, it is going to show a progressive lock deterioration. As you can see, this is based on our OCA's predictive maintenance process we have. So, most of our gates are going. We are in a good condition. Now they are going to an F condition over the next 10 to 15 years. It is alarming. It is alarming to me, and we are trying to figure out how and ways to deal with this.

And how do we do this? We analyze this. This is kind of a breakdown. It is kind of hard to see, but this is our LRD projects. And what -- the key thing to note on here, if we look at the left, there is a lot of greens and some I guess it looks like blue. As you get to the right of that, they are turning red.

And this was a -- this was done on each of these projects using the OCA tool, the OCA analysis that Jim alluded to to start with. And we coupled that with the next step which we are working on, which is the engineering -- detailed engineering analysis. This has gone under a rigorous review by our Risk Management Center.

And one thing we've noticed, that the structural performance over time is degrading. It is deteriorating. We are starting to see more uncontrolled failures, cracking. It is going to continue to propagate in our gates.

We try to address these through many means. One, more frequent inspection, more frequent dewaterings; welding, welding up cracks. One thing we've noticed in welding, it doesn't -- it will just repair it temporarily. The cracks are continuing to propagate. We are having a lot of fatigue in the structures, load transfer. We are starting to see these failures become more and more prevalent in our system, and through our predictive analysis, this is kind of what we are seeing over the next -- next, you know, 20 years. Is it scary. It is alarming.

Okay. How are we going to address this? And Jim kind of alluded to it. This is -- and I think you have a copy of our proposed lock gate replacement program, the report. This was prepared -- this report was prepared over several years, and I'm just glad to be able to present it to the group here. There has been a lot of talk, but really the bottom line is -- is, we are trying to figure out ways to address this issue over long term, before failures reach, in a proactive method.

It is an expensive program, if you look through it. You know, in the long term, nearly, you know, 400-, you know, \$500 million.

Here are some of the things that we are moving toward to try to incorporate in this program. Our exiting gates, we are replacing those within affordable levels within our program.

You've heard a couple of projects mentioned. I think Ms. Gannon mentioned Markland, the Markland gates. The Markland gates are at Markland now. They got there late yesterday.

So, we are trying to address our most critical projects first, Markland, McAlpine, Greenup, Meldahl, Willow Island. We are going to continue aggressive inspection and affect any interim repairs. That's the only thing we can do at this point.

The heavy lift crane, the Shreve, we are going to use it to its maximum to minimize the impact to navigation. That was very evident in the Greenup and Markland. And we are going to investigate various options and methods how we move forward to be proactive and kind of help get our system and address the infrastructure issues and get our system in a good condition.

The proposed program that we have or we are looking at, we've looked at several options. Out of those options, obviously, the do nothing option is your first one. What do you do? You keep applying -- the maintenance operations kind of keep a band-aid effect; but, over time, it is going to still continue to deteriorate. And we see, you know, billions of dollars of losses over the next 20 years if we continue on that route.

We looked at replacements, you know, per technical recommendations, engineering analysis, detailed engineering analysis. And this is a fairly high cost, annual cost of around \$32 million a year to address our gates that are needed that -- to have replacements. We are looking at -- if we go down that route, you know, you are looking at, you know, 13 to 15 years to get there.

20-year replacement program, we looked at that. That is one that we feel that's -- it is a viable option, to the tune of about 25 million a year.

And then the last one we are kind of looking at is replacements in construction or major rehab. You have shifts from O&M to construction; but, there again, that could be a potential cost share issue with the IWTF. We are not sure how that will work.

We've got to have major rehab reports done, approvals, and then moving into the CG. You know, that's an option we have, but that's a long-term option that I'm not sure if the system of band-aids -- if we have enough band-aids to keep them going. It is something we are investigating. We are not sure at this point.

But what we want to do is move toward an optimal and affordable plan. That's our key right there. That's really the premise of the report.

If you have any questions on the report, I would be pleased to answer some of those, or our navigation business line, or Bill Harder or Jim Walker. We all have worked on this and looked over this over the last several years, so that is really all I have.

Any questions for us?

CHAIRMAN LITTLE: Mr. Knoy?

MR. KNOY: Bill, Mark Knoy with AEP.

Question on slide five, that is the lock failures and the historic lock outages, is that ORD only?

MR. CHAPMAN: Yes, that's just LRD. Are you talking about this slide here?

MR. KNOY: Yes. That is ORD?

MR. CHAPMAN: Yes, that is LRD only.

MR. KNOY: Thank you, Bill.

CHAIRMAN LITTLE: Other questions for either Mr. Walker or Mr. Chapman?

MR. WALKER: I have a couple of other slides.

CHAIRMAN LITTLE: Go ahead, Jim.

MR. CHAPMAN: Thanks.

MR. WALKER: Well, as Bill presented the option of what they are looking at for their lock miter gate replacement program, one of the things that we see now, as we've got these condition assessments results, or at least by the end of calendar year '10, we are going to have the results from all across the country. Looking to transition this component result, one of the next actions is to have teams that will then take those component conditions and relate that to a risk of failure.

And, again, LRD has pioneered the effort, and we are now looking at applying some of the good work that they've done across the entire country, the entire IMTS, to take these condition results and equate it to risk of failure, and then we can couple that with the economic impacts associated with that failure to get what the actual economic impact could be.

Right now, we've also got a team that's working on grouping these components and looking at how we are going to assemble those for the fiscal year '13 budget work packages. We are looking at how we are going to display these condition results.

There are ways through -- we can look at things with Google Earth to be able to take you down and look at the individual lock, to look at the individual component groups, and see what those conditions are.

One of the things that we need to discuss with the stake holders and perhaps with the Users Board members would be to -- how we begin to explain this risk in terms of strategic communications.

One of the things that we learned as we went through the dam safety analysis was that -- how are we going to communicate this risk? With dam safety, it was the idea that you could

potentially alarm the public as to how bad the conditions are and do they need to be looking at trying to sell their homes and move out of the flood plain.

For us, with the navigation program, we were looking at trying to see that there are user groups or associations that are trying to seek industries to locate on those rivers, and looking at this tool, how we can relate that it is both a currently reliable system that is in need of some repairs, but to not use this information as an alarmist thing to show that maybe industry should relocate elsewhere because of the conditions that they are seeing on some of these locks.

So, it is kind of a balancing act of how to show and communicate the risk that we have, but in the same token show what is currently available and reliable, the reliability of the river systems that are within the IMTS. So, we are looking for some additional discussions in that regard, and we welcome your thoughts and input for that.

As far as in the future, we've got this -- again, to summarize, we looked to use the condition assessments that we are performing and also looking to combine those with other inspections that are out there being done. We are looking to directly link these condition assessment results to the budget prioritization process.

FEM, the facilities and equipment maintenance program, has been deployed at all districts and divisions. This is an automated maintenance program that's using MAXIMO. Some of your companies may be using this in terms of their maintenance management efforts out there.

But this is going to give us better information, again, nationally consistent, IMTS-wide, on these various components and begin to figure what the life cycles will be for these.

You see up there "failure rate curves." That has to do with the overall life cycles and when we can expect to see difficulties as we use the combined -- looking at the components and their life cycles across the entire inventory.

We are now looking at using this information to -- it will enable us to go from a "fix-as-fail" approach that we are presently in to one of maybe being able to go towards preventative maintenance if the funding can be made available. When we can identify those that are on the outer parts of the life cycle for that asset, of that component, and then begin to replace that just in time.

And then also the condition assessments that we've developed for inland navigation, again, is one of the leading ones for the overall effort for within the civil works business lines. And so we are looking at applying those condition assessments to other navigation assets and across the civil works program to assess in developing all of the others to this point.

So, that will conclude my presentation, and subject to any questions, there is also a video presentation that we were looking at providing to you at this point on Olmsted lock.

CHAIRMAN LITTLE: Thank you, Jim. But at this point, are there any further questions for Mr. Walker or Mr. Chapman on their presentations?

We appreciate that report very much from you, Jim and Bill. Good work in reviewing the assessments with us and obviously very sobering, the task that's in front of us. I appreciate that very much.

MR. WALKER: All right, sir. Thank you.

CHAIRMAN LITTLE: At this time, David Dale, I think we have a short video of some of the work that's going on at Olmsted that we are going to look at. So, David, if you could kind of set this up for us.

MR. DAVID F. DALE: I will be glad to. First of all, introductions, my name is David Dale. I'm the deputy district engineer down in the Louisville District working for Colonel Keith Landry.

And what I'm going to do is take you through just a real brief -- I think some of you all have seen portions of this -- but a video presentation of what we are doing down at Olmsted.

As a professional engineer, as a project management professional, I will tell you, this is exciting stuff that we do here. It sets the standard in the industry, both from a project management perspective and from an engineering perspective.

So, what we want to do is kind of take you through that. There is no audio with this. I'm going to give you kind of a verbal description as we go through this. After we get done, you can ask any questions.

The only thing I will tell you, just as we go forward, we did make a major milestone. That's what we are going to show you here. We set our first shell back in September, which is what we said we were going to do. We have our second shell set in place as of this morning.

Later today, we should finish the tremie concrete going into that shell, which is a little bit ahead of what we said we were going to do. So, we are very proud that we are moving this thing along on schedule with the target of 2016 going operational.

So, with that, Mike, would you mind keying up the video?

(Video Playing)

The first view is -- the second of what you see is really the precast yard there where we cast the actual shells in place. The individual shells themselves are very heavy. Although they are very thick concrete, they weigh 3- to 5,000 tons. You have to pick them up very carefully so you don't break them.

During this process, what you see is the concrete frame underneath, the brown tubular structure is the lifting frame, and that frame is there to make sure that as we lift this concrete frame up, it doesn't flex and crack. Because although we are talking, you know, in places two or three foot of concrete, when you pick up -- I think this shell was in the 2,700-ton range, that becomes very flexible and you can do damage.

So, all of this while there are folks surveying this very precisely to make sure we lift it up, we set it down very intricately, which when you think of the scale that we are doing this on, you wouldn't think of the tolerances that we are working with, but they are, in fact, there.

Just to give you a feel for the time -- this is clearly a time-lapse photo. The sequence of what we are watching is going to occur over about a week's worth of time. In some portions of the operation, work around the clock, once they get going.

What you see right now is, they are sliding the first shell down on what we call the marine skid way, down towards the river. This thing is moving at about one foot a minute. It's a very controlled operation. Again, surveyed very carefully to make sure that you don't get anything out of alignment for fear of it jumping the tracks. It is essentially a rail-type system.

Once they get it down to the waterline, they have to pull back the device that slides it down there and readjust it. And, then eventually, what we are seeing here is the cat barge -- what we call the catamaran barge -- being brought into position, because eventually, the shell gets slid down into the water.

The catamaran barge has to straddle that shell and then pick it up. We will see that kind of progress. And, again, these are events taking days to occur.

You finally get the catamaran barge in position, and then they will continue down the marine skid way. You can kind of see how it is sliding down through there. And then it will get to the bottom.

And then, see, there is a little trailer-like structure uphill of the shell itself. That's the mechanism that lowers the whole ramp. You can see they've locked the shell in place, and now they are bringing that up river -- or, excuse me, up the hill.

They will put some straps on it so they can lower it down in the water and keep the mechanism out of the water. So, what we are doing is now going into the river with the idea of moving underneath the cat barge, which you can kind of see it slide in here.

Once we get underneath there, we are going to attach the cat barge, and it takes a while to hook up all of the strand jacks. Each one of those -- the strand jacks are kind of the circular things you see on top of the cat barge. You can see in this instance they are working through the rain because we were very schedule-driven. We know we have a mission here to get done on time.

And in this portion of the river, with river conditions, days matter, so we work through everything we can in a safe manner, and that's what they did here. They were bound and determined.

Kind of interesting, if you didn't miss it, but the -- you can kind of see the cat barge settle into the river as it picks up the load. Once it has the load in place, they will begin to move it down river and get it next to the lock chamber, to get it positioned. That's what you will see occurring over the next several frames.

Everyone gets excited because they want to come down and watch this happen. The problem is, to watch this happen, you need about a week. So, you know, you are welcome to come down, but it does take a while; otherwise, what you are going to see is pieces and parts.

So, they'll bring it down here, and they'll position it, and just -- I think everybody is familiar with the site we have there. We have existing locks that we constructed several years ago. We will bring this down, set it next to the -- this is the first shell. It butts up right against the dam. And as they ease that into place -- and I don't know if you've noticed, but you'll see there is still traffic going up and down the river very quickly in this.

Now, we are setting the shell down into the river. Again, you just don't lower it down. You have to take it down very, very carefully to make sure that you contact all of the piles that are down there on the river bottom at the right time, because if you contact one too soon and you get that thing shifting around on you, you could have some cracks occur, so it is a very meticulous process.

Once they get it set in place, they will kind of lock it in here, and then they'll go in, and they have what we call some flat jacks, essentially some hydraulic jacks. They'll go in and grout full of epoxy to lock it up so that the concrete structure sits solidly on the piles that it is bearing on.

Then, in the operation you see here, once it happens, you've got the cat barge pulled off to the back, we are now in process of placing tremie concrete. They go down the tubular structure that you saw, the lifting frame, we place it down through there, and we'll place some tremie concrete down into the hollow shell to lock it all up. That's kind of the operation that we are doing.

And what's going on today is what you are seeing at that very last phase of that one. By close of business today, we should have the second shell in place, and then we'll get ready to move the fourth -- or the third shell.

So, that's really all I had wanted to share with you. We've talked to you about that a lot of times, but until you really see it occur, you don't -- or at least I don't. Once you see it, you really understand what's going on. A lot of tremendous work on a very tight schedule and some very dynamic river conditions.

Subject to your questions, I'll be done.

CHAIRMAN LITTLE: Thank you very much, David. That's very interesting. I think I heard you say that the completion for Olmsted is still 2016.

MR. DALE: The lock goes operational in 2016. The actual project completion is 2018 because of some of the work that has to be done after the lock -- after the dam is operational.

CHAIRMAN LITTLE: Okay. Got you. What timeframe in 2016? Early '16, or what's the estimate?

MR. DALE: I don't have that in my head. I will have to get back with you. Larry, do you know off the top of your head?

CHAIRMAN LITTLE: Larry Bibelhauser, project manager, Olmsted.

MR. DALE: Sorry. Can you answer that quickly?

MR. LARRY BIBELHAUSER: We would hope to be finished in the first or second quarter of 2016.

CHAIRMAN LITTLE: Okay.

MR. BIBELHAUSER: But some of that is subject to river conditions and funding and so forth. So, probably first or second quarter of 2016.

CHAIRMAN LITTLE: All right.

MR. DALE: Anything else?

CHAIRMAN LITTLE: Further questions?

If not, then at this point, let's take a short break.

MR. DALE: Thank the Board for the opportunity. Appreciate it.

CHAIRMAN LITTLE: Thank you very much.

Let's take a 15-minute break.

(A recess was held off the record.)

MR. POINTON: Can we return to our seats, please?

Thank you.

CHAIRMAN LITTLE: Okay. We will resume the meeting. Welcome back from the break.

Mr. Daily has asked to be recognized.

MR. LARRY R. DAILY: Thank you, Mr. Chairman.

Larry Daily with Alter Barge Line.

I would like to make a motion that today's *Quad City Times* editorial be read into -- or be put into the record for today's meeting, because it does cover just about all of the important points from our study that we approved last April.

CHAIRMAN LITTLE: Okay. Thank you, Mr. Daily.

MR. CALHOUN: Second.

CHAIRMAN LITTLE: Mr. Calhoun, second.

All in favor say "aye."

(Aye.)

CHAIRMAN LITTLE: All opposed?

Thank you. Ayes have it.

And moving on with the agenda, we have Mr. Loew and Mr. Walker, again, on the status of the implementation of the IMTS capital projects business model report. Is Mr. Loew here?

MR. GARY A LOEW: Yes.

CHAIRMAN LITTLE: Gary?

MR. LOEW: Thank you, Mr. Chairman. Good morning, General Grisoli, Ms. Tornblom, and Members of the Board.

Jim Walker is about to give a presentation on how we're progressing in implementing the recommendations in the IMTS capital investment report. Before he does that, and provides you with that detail, I would like to just add a little perspective, maybe a 36,000-level view.

We've reached altitude, and where are we, where have we been, and where are we headed now, or where are we headed in the future? Because there is a key message, I think, that General Grisoli stated earlier that I would like to reinforce, which is, we are on a journey.

We need to stay focused about where we are going, and so we sort of need to be aware of where we are, what the externalities are that are impacting us and where we are headed next.

I would like to start with reminding everybody of how we did the last couple of years. The last couple of years, we've had a record civil works programs even though our normal budgeted program has been in the neighborhood of \$5.2, \$5.4 billion. Last year, we executed \$10.8 billion.

This year, as General Grisoli said, we were executing 11.6 billion, actually even above our own estimates. And of that 5.2 was regular programs. 2.2 was the Recovery Act, completing that, and then 4.1 billion was supplemental funding of which the majority was in New Orleans, but not all of it.

So, we are still executing the – some of the supplemental funds which are used for project repair, which are very helpful to the Corps of Engineers, because it means that if we do have a project damaged by a storm, and a typical damage, for instance, of storms in the upper river would be increased silt down in the lower river that's not programmed for. So, if we have an unusual storm that would justify supplemental funds, then we are able to spend those as well.

So, 11.6 billion, and one of the lessons in that, which you've heard, is that when we get money that we can spend efficiently, basically award everything, fully fund things upfront, we are able to execute our work on time and pretty much on budget.

You heard a presentation yesterday, for instance, of the West Closure Complex. And at one point, they realized they were almost \$300 million over budget on a very, very large project there, and they understood the importance of staying on schedule and on time, and so sat down and basically did a massive value engineering effort to bring that project back on time and on schedule.

Another lesson to me when we heard our presentation there was that about a third of the cost savings was due to schedule savings; that is, by making some of the design changes they made and staying on schedule, they didn't have the cost growth that would ordinarily be associated with an increase in schedules.

So, when we have the right kind of funding and we include the right kind of incentives in the system, then we are able to do work very efficiently and effectively. And I say that because it reinforces the value of the IMTS capital investment report.

Those were the findings of the Board with over really almost two years worth of effort that we all put into it. And my message again is that we need to stay focused on those principles.

So, the Corps of Engineers is taking that report very, very seriously. We have put teams in place to implement all of the recommendations, as you will see when Jim briefs. We think we've completed a couple. There are still a number that we are working on. Some are easier to

implement. Some require policy and process changes that will take us longer out into the future. So, we are moving forward on that.

I think it is important, and I think it is important that both the Board and the Corps of Engineers stay focused as we move through those. And, so, one of the things we will do in the future, I think, is probably, at subsequent Board meetings, we will come up with a standard report that will show the status on those, similar to the standard slides that Jean Gannon showed you earlier today, so that you can track progress from one meeting to the other as we move forward.

I would also like to address just a couple of questions that came up earlier as I was listening to them. There was, I detect, a little bit of Board concern about the fact that we are only scheduling \$65 million this coming year versus a higher revenue projection.

It is our intention to use all of the revenues. The -- so, all that Jean was trying to convey there is, at the current time, at the beginning of the fiscal year, as we allocate out those revenues, we have allocated to them specific projects but allowed ourselves room for some cost growth if anything happens, anything unforeseen happens in a project like Olmsted. Those can be large dollars.

Every so often, Mr. Dale comes back to us or Larry with a change that we have to address. So, we want to just make sure there is enough in the till to take care of those, but we do have a plan if those revenues aren't required. As we move towards the end of the year, we do have plans to allocate them, I think, towards Markland project.

So, when you see our schedule, you will see a plan to allocate funds to Markland, if the funds are available, a little later in the fiscal year, and we are pretty sure we don't need them for anything else. So, there is an intention to use them all. Didn't mean to indicate that we weren't.

A second question I heard was Jean also briefed that we had applied about \$27, I think, million of cost savings to additional inland waterways projects. Those were cost savings that occurred on projects -- Recovery Act projects throughout the Corps of Engineers.

So, as awards were made, as many of you are aware, it is a good climate out there to get work done, and so a number of our awards were coming in at lower than the government estimated prices, and we have a firm target to obligate all of the available funds by the 30th of September of this last fiscal year.

And, so, we had projects in place, ready to go. And as we awarded projects and accrued savings, we applied those to the other projects in waiting on the list in a priority order. And so that's where the funds came from. We had some additional inland waterways funds or projects lined up. And as the funds became available, we applied them to those projects, so that was a nice benefit there.

The last issue I would like to address is, I also detected a little Board interest in why did Myers, J.T. Myers, receive \$10 million of ARRA funds? And Ms. Tornblom addressed how

we did that, or, that is, how we made those recommendations inside the Corps of Engineers. I would like to add just a little bit of detail to that.

As you will recall, the ARRA funds came to us in four separate appropriation titles. The two big ones were a little over 2 billion in O&M funds, and a little over 2 billion in construction funds, or exactly 2 billion in construction funds.

For the O&M work, we basically applied the funds to the available projects as -- in the order that they could be awarded. So, as Ms. Tornblom said, we had some other criteria. Each project had to be -- had to complete a phase or a contract. That is, we did not want to use the funds for anything that would create a hole in the ground that needed to be filled up later with appropriated funds that weren't budgeted. So everything we did had to be completed.

The Districts submitted their project recommendations. And for all of the good projects, we simply awarded them on the -- in the order of the projects that could be awarded first. Again, keep in mind, the purpose of that appropriation was to create jobs and create them quickly, and so we gave priority to those projects that could be awarded early.

Now, for the construction account, we still had the criteria that we wanted to get early awards, but we also applied more of our typical criteria, which is, they had to be life projects. We wanted to award to high-value projects. So, as she stated, we looked at all projects that could be awarded in the window, that is between the time we got the funds and the 30th September deadline, but they also had to be completed activities.

So, J.T. Myers fit all of those criteria. And I guess I would also comment that there were no other Trust Fund projects that did fit the criteria. So, if it hadn't gone to J.T. Myers, it would have gone to some other non-inland waterways project. There were no other opportunities inside there to have, again, projects ready to award in the timeframe.

So, I think those -- those were really the points I wanted to make. Next up is going to be Jim Walker.

I would like to inform you all, I guess, that Mike Ensich, Chief of Operations and Regulatory, who is sitting behind me, and myself are really the two responsible senior staff members in the Headquarters of the Corps of Engineers reporting to General Grisoli, who are responsible to see that we move forward quickly to implement these recommendations, or if we have other advice, to come back to the Board recommending any changes or modifications that we might have.

So, he and I are overseeing this process. In fact, we are meeting after this meeting with the teams. It will be the our first meeting together where we are going to go through where we are for each of the three teams and develop some hard schedules to finish them up.

So, it is important to us. It is an incredibly valuable document, and we continue to pursue it through to the end.

Any questions before Jim Walker comes up and starts providing you with those details?

CHAIRMAN LITTLE: Any questions for Mr. Loew?

Gary, I appreciate the explanation you have given on points that we touched on earlier, and I really appreciate your leadership in this area. You have helped point us in the right direction, and as a team, we've worked hard together to produce that report.

And without your leadership, I'm not sure we would have started down that path. So, you deserve a great deal of credit for that, and you've earned a great deal of respect from the Board members in the past couple of years.

And as we said before, I think the IMTS plan, capital development plan, that we've developed is a point of pride with a lot of folks in the Corps and in the industry, and I think you deserve a lot of credit for starting us on that path. And Jeanine Hoey is here today, and she helped keep us on that path, so I just want to state that again for the record, and we appreciate your leadership.

MR. LOEW: Thank you for those comments.

I guess, in response, one last comment I would make is that we basically put the recommendations into two groups. There is the group that the Corps of Engineers can implement within its own authority, and we can move forward on those.

There is, of course, a group of recommendations that are outside of our control, and that's where our partnership is so important, because none of us can control the legislative process. But as it bumps its way forward, we are the ones that need to stay focused on our primary goal there. So, thank you all very much.

CHAIRMAN LITTLE: Thank you.

Mr. Walker?

MR. WALKER: All right. I'm Jim Walker with the Headquarters, Corps of Engineers, Navigation Branch, and I will be giving you an update of each individual recommendation of the 20 recommendations that are found in the Capital Projects Business Model.

The Capital Projects Business Model mentioned has 20 recommendations. They're divided into three different groups. They were identified in the report as those that were already identified process improvements, those that were immediately implementable, and those process improvement recommendations that would require additional study or authority.

What we've done is to -- towards the implementation is to establish three different implementation teams. We've broke those down by titles as one being strategic communications lead by Mark Pointon. Mark is sitting there beside Chairman Little. The

finance team is led by Jeanine Hoey. Jeanine is in the audience. And the process team is led by Jeff Stamper, a structural engineer out of the St. Louis District.

So, these team members, Jeff and Jeanine, if you would stand, and just so the – face recognition with the Board members.

Jeanine and Jeff.

They are also my lifelines during the course of these discussions. Thank you.

When it comes to the -- I will break it out by the teams as far as the different recommendations that have been established for the specific teams, and I will go through them in this manner.

The first one up there under Strategic Communications is to encourage project management certification. We've gone through and identified those projects that were identified in the capital investment plan and identified those project managers and to look at their certifications, and I've got additional details on a subsequent slide for that particular effort.

The Users Board liaison for each capital project. The word "liaison" there is a change from what was in the original recommendation. I think that what we are looking at or what's evolved since the report was finalized and approved is the need for the dialogue on the exact role of the expectations of the Board members and how they will interface with the project delivery teams.

One of the things we are working on there is to provide guidance to those project managers for all of those different projects as to what would be expected, and it could run the range of full participation as a product delivery team member to receiving periodic updates to being notified when there are substantial changes to the quarterly project review board meetings that are taking place at the district offices on all of these projects.

So, there is a dialogue here that needs to be further expanded, and I look forward to the opportunities. I think we are going to be able to have some discussions on that this afternoon to try and help us advance that particular recommendation.

On the project status communications, you saw the slides that the task there was to develop the one slide summary for each of the projects currently underway to provide the Board with additional information and details of the milestones that had been achieved since the last meeting, and those efforts kind of got -- between now and the next meeting able to maintain -- to see that we are maintaining schedule and cost, and so that any issues are identified quickly so that it doesn't come as a surprise down the road and to give a better information on the exact status of those projects.

We certainly welcome the Board's feedback on those slides, if there is any adjustments that need to be made in the format or things that were either on there or were not on there,

needing additional clarification, but we have taken a checkmark for that effort as far as at least establishing that and presenting it at this Board meeting and will modify it as needed.

The next milestone – the recommendation is the Users Board member as signator to the project management plans. Project management plans are established for each of the capital programs out there in the Corps of Engineers, particularly, let's say, you have a -- generally a cost-sharing, non-federal sponsor that is paying a contributed share, and what the intent of this recommendation was, to have the Users Board more actively involved in that project management plan effort.

And so, again, we are looking to dialogue with the Users Board members on the -- whether it is the Chairman or whether it is a specific Board member or just how they would like to have the implemented items go forward on these, but we are providing the heads up to the project managers that this is the way we are looking to conduct our business in the future.

The next recommendation, revisit continuing contracts clause use, has to do with the evolution of the increases in the fully-funded efforts with the -- ever since the fiscal year 2006 appropriation, there have been -- where we were seeing reduced reprogramming and reduced use of continuing contracts, we've now emphasized an altered RFR contracting strategies to address, but one of the recommendations coming out of the capital investment plan was to review the continuing contracts clause. And the report stated a goal of trying to fund \$50 million -- fully fund efforts at \$50 million or less.

And so that has been taken under advisement working with Gary Loew, and so that we will be working with future year's budget development guidance in that regard.

One of the discussion points that we will need to have with the Users Board members is the idea of -- pursuit of continuing contracts clauses and the idea that if it is of a rehab nature or smaller dollar amount nature, whether it would be preferable to hold those funds over, carry them over until the time where you have the funds -- sufficient funds to be able to fully award -- award a fully-funded contract as opposed to a continuing contract.

Some of that is going to be perceptions by our contractors. And the idea that if they are -- there is still the awareness of the continuing contracts clause, and that that could be leading to constrained funding in the subsequent years. So, it is how the contractors would perceive the use of the continuing contracts clause and exactly just where we look to kick this in, but the recommendation \$50 million is something that we are exploring for further application.

Mr. Chairman, I don't know if there would be questions from the Board as I go through the specific recommendations or -- you know, rather than wait to the end, I welcome whatever you would like to do in the way of questions.

CHAIRMAN LITTLE: If anyone has a question, just stop Jim along the way; otherwise, Jim, just go ahead and proceed with your presentation.

MR. WALKER: All right, sir.

MR. WILLIAM M. WOODRUFF: I do have a question, just to go back on what you just said. My name is Matt Woodruff.

Is your concern that you will get a better -- or is your thought that you might get a better price from a contractor if it is a fully-funded contract as opposed to a continuing contract, that the concern that they might have under a continuing contract would result in higher bid numbers?

MR. WALKER: You know, given the challenges that we've had in prior years, yes, that is the effect. If you are looking at a contract -- let's say it is \$100 million, and you are able to fund a part of it -- you are able to budget for a part of those funds in one fiscal year and the remainder of the funds in a subsequent year, would it be better to wait until year two and advertise for a fully-funded contract or advertise the contract in year one as a continuing contract?

And one of the dialogue discussions there with the contractors is that if you are advertising it in year one as a continuing contract, there is still the memory of the old approach with the use of continuing contracts, that this could mean that there is no real assurance of fully funding the balance of that effort in the second year; and, therefore, potential for contingency bidding on the part of the contractor.

MR. WOODRUFF: Thank you for that.

Mr. Chairman, I think that illustrates that one of our goals is to relentlessly drive costs out of this program. We must drive costs out of the program to get everything that we have to get done done, and that's why it is so important that we have effective funding streams in order to give the contractors the confidence they need to give us our absolute best number. And I appreciate the fact that they are being mindful of that as they are going through their planning.

CHAIRMAN LITTLE: That's a good point, Mr. Woodruff, and I appreciate you pointing that out and underscoring that. That's one tool of many to make sure we get the most efficiency out of this program that we can. Thank you.

MR. WALKER: All right. No. 6 on that slide is the -- to make the relative risk matrix consistent with the dam safety assurance criteria.

As a point of explanation there, the dam safety assurance criteria, your worst case in dam safety results was a DSAC 1 rating. Meaning it is in the state of active failure. When we were looking at developing our relative risk matrix for us, it was a Condition 5 was the worst, or an F in the condition rating, and a 5 in economic consequences.

So, what we saw -- and we were having the discussion of buying down risk with the idea of taking it from 5 down to a lower number, but in the discussions that was creating confusion and inconsistency with the dam safety approach. So, we wound up agreeing to convert ours to the dam safety approach, and that was included in the fiscal year '12 budget

development guidance. So we are taking a checkmark there as having completed that action with the fiscal year '12 budget development.

This slide shows the project management certifications. I mentioned in the very first recommendation we encouraged project management certification.

By way of explaining the 11 new projects identified in the capital investment plan and 20 major rehabs that are proposed, we've prepared the list of those project managers. And in summation, Level 1 that you see there, the Corps of Engineers has a three-tiered project management certification process:

Level 1 being the first stage, and that's really at the project manager level.

Levels 2 and 3 may get up into a supervisory or senior leader position in the way of project management. The PMI certification is the professional board that provides that examination and issues those project management certificates.

And then the PE stands for professional engineer, and the idea that a number of our project managers are also professional engineers.

So, you see of the 11 projects identified in the capital investment plan, five of those project managers have completed Level 1 certification. One has achieved past their project management examination and has become a certified project manager, and four have their professional engineer's license.

In the major rehabs, you are seeing the lower numbers there, and that's leading to identifying an effort to encourage project management certification in future endeavors. And Gary Loew and his program staff are taking a look at right now the implementation of the project management certification program and whether it is going to be encouraged or whether there may be some effort to require this down the road as far as a phase-in of the professional certification as a requirement for working on these levels of projects.

So, in a way, this -- while they are pursuing this endeavor, it is much broader than just the inland navigation effort, but we have accomplished what we were seeking, to at least identify what the status of that is. And, again, we are encouraging the assignment of senior project managers to be able to make use of that professional certification, and, again, drive the best cost and schedule as possible for our capital projects.

The next group of recommendations under the finance committee, Jeanine Hoey's team. The very first one there is developing criteria for evaluation of IMTS navigation channel capital investments.

What we saw in the development of the capital investment plan was a way of evaluating and prioritizing the navigation locks, but there were also some that were channel improvements that didn't fit the existing criteria. So, there is a need to develop a criteria and how you will

integrate those channel investments along with the navigation lock investments for overall IMTS long-term reliability.

There is a team that's been recruited for that endeavor. It is in its initial stages, and we would welcome a Users Board representative to participate in that team effort.

The identifying and quantifying other IMTS beneficiaries, that effort has largely fallen with Dr. Bray's analysis that he has performed. And he will be presenting this after I've completed my presentation, give you an update on where that stands.

And we look forward to Users Board feedback on that and where we would look to go in next actions beyond the results of Dr. Bray's analysis.

The next one, develop and standardize additional economic data. I think that at the conclusion of the capital investment plan, there was a recommendation that there may be additional economic data to be available or be needed down the road as we see how the approach that we've used in this initial assessment would take place.

We kind of view this one as more of a down-the-road effort to see as we work our way through the prioritization of the projects that we currently have before us and whether there is a need for additional economic data. So that one has not started. It is a to-be-determined in terms of status.

Improve automation of the prioritization process. We've got an interesting development there. The hydropower business line of the Corps civil works program has their hydropower modernization initiative, and they have a contractor that developed an automation process that we are now looking to borrow from and see how we could apply that to the efforts that were done for inland marine transportation. I've got a -- the next slide, I will show you some details on that particular initiative. I think that holds great promise for us.

The last one on this slide, establish procedures for recommending new construction starts.

What we have in mind there is to establish the Users Board meetings throughout the year and look at the timelines of coupling the budget development process and actual issuance of the President's budget and defense of the budget or Congress's evaluation and timing the Users Board meetings and having the themes of updating the condition assessments and those results, the re-evaluations of -- re-ranking, as necessary, of the projects based on changed conditions or new information that's revealed through condition assessments. And then the Users Board recommendations to be timely for consideration in the budget development process.

The asset investment plan, AIP, is the tool that the hydropower folks have developed. And I wanted to show you this slide because of those that were participating in the development of the capital investment plan remember the hours that Jeanine labored over the Excel spreadsheet to pursue how to do the right mix of new construction and major rehabs.

The process that was developed by this contractor will allow you to establish various scenarios. You can then select scenarios. It has a tool for them developing that over an extended period. In this case, a 20-year timeline on the side, you could click on a particular year, and you see what projects are then going to be underway, and then their project funding.

So we see that, you know, this tool, while it was developed for hydropower and its assets as far as major rehabs and that program, we are – we think there are great opportunities to modify and adapt that project -- that approach to inland navigation and our efforts. So, there are further discussions underway with how we could look at moving forward with automating this process.

The third team -- process team is lead by Jeff Stamper. To give you to an introduction to -- of Jeff's background, he has been on the regional navigation design team, which has been a joint effort within the engineering organizations of the Mississippi Valley Division and the Great Lakes and Ohio River Division staffs. And they have been working more on a grass-roots level of discussing the engineering design components of our inland navigation systems. So we've recruited him to lead this team in taking a look at these processes.

The very first one up there, develop risk-based cost estimates, that effort -- we've made progress as far as it is underway, but what we've seen is, we've got to do a little more enforcement or vigorous pursuit of those risk-based cost estimates that will involve workshops with the cost engineering Center of Expertise at the Walla Walla District.

So while we have a few projects that have completed this process, there are a great number still to go, and we will be tracking the progress of this for subsequent Users Board meetings to be able to show you exactly where these stand.

The initial inquiries, many of them were claiming to have risk-based cost estimates, but when you really challenged them on the -- had it really been through the Walla Walla process and getting to that 80-percent confidence level, they really had not. So, it is an effort for further development.

The capital projects for external peer reviews, that effort is underway. We've got to still work on our checklist of pursuing those peer reviews and beginning to get those done.

Now, a part of that has to do with the current state of funding and no really new projects coming along, so it is just, when do you time the pursuit of those external peer reviews as a part of the factors of moving out on implementation of that recommendation?

When it comes to applying lessons learned to new capital projects, what Jeff has found in discussions with the various districts, the engineering organization has an automated system called Dr. Checks. And it's really one of these that the quality of this has to do with the dedication of the people that are entering the information and then the commitment of the people to go back and review this information. So that it very important that the project managers and the key design people actively seek this out, and it as much as the dialogue that

can take place with the engineering folks as it is reviewing the written word that resides in a database.

So, there is -- some discussions of maybe even a face-to-face meeting to make real good use of the actual lessons learned. While we certainly will still make use of the database that's out there, I think that we are looking at establishing a milestone that would have a face-to-face meeting with some of those folks.

A recent example of one of those, looking at the NESP locks, began to explore their lessons learned, they met with the people that had worked with Olmsted, Charleroi, McAlpine, and Braddock to get lessons learned from all four of those engineering organizations and to see how to really bring that -- those lessons learned into practice for the design of those upper Mississippi River locks.

The next one, evaluate the use of early contractor involvement. We saw a great example of that yesterday presented by the Rock Island folks with their use of the Western Closure on the Intracoastal waterway.

The -- they are using early contractor involvement there, and so we are looking at coming up with a candidate project to be pursued using early contractor involvement. To this point, we have not identified a project. We are to the point of we are informing the command structure and senior leaders of the desire to do this and getting a volunteer project identified so that we can look at applying this, but what we see is that the -- at least in monitoring the progress of the effort there on the Western Closure Structure, the early contractor involvement seems to hold promise for the efforts, and to have this tool in our tool box for our acquisition strategies.

Military construction examples, and there you were looking at things -- there is a process -- a technique called a design charrette, which is really at a preliminary meeting, at the very outset of the initiation of the design effort. That's one of the things we would look to bring from the military construction program.

You may tie this in with the lessons learned, but those types, again, I think the intention behind that recommendation was the approach that we saw used at the Western Closure Structure, where when you saw that you were having cost and schedule growth that was going to exceed the project funding, you called a timeout. You did your huddle, you did your reviews, and you got the project back into design cost and schedule parameters.

So, again, it is not a mindset -- it is a mindset change to be pursuing that endeavor. Again, the opportunities haven't really come along to this point, but we are mindful of that, and we will go forward.

The next group is, create Design/Review Centers of Expertise, and this has been one -- this is a major organizational or cultural change for the Corps of Engineers, but there is progress to report there.

Within the engineering organization and the Senior Executive Service, the members that oversee the engineering organizations at the Division offices and at Headquarters have accepted that the inland navigation construction and rehab program will be evaluated.

They had already agreed to commit to doing such an evaluation on dam safety, and so they have added inland navigation construction to this list, and they are going to be going through a process to evaluate how they deliver the product in this regard.

I don't have a timeline on that yet, but that's -- for me, it is a very good news story that we've now gotten this formally established that this will be reviewed and will be reporting progress in subsequent meetings.

The next effort is to develop a portfolio of standardized designs. What we are talking about there are the design components and trying to -- again, what we saw that was very encouraging yesterday in the Cave at Rock Island and their ability to use that 3-D design mechanism is to try and come up with components that can and should be standardized and then be able, when you begin a design effort, to pull those off the shelf and immediately consider having those done.

What we saw and heard at the Cave yesterday was that their engineering and design costs are, were roughly 5 percent in using that technique, and then being able to adapt that or taking components of that into new designs will further drive down the design cost.

So they were very encouraging in their views of how we can look at these navigation lock designs and move them from one lock to another, and taking major pieces of the design effort to be able to incorporate into the next navigation lock.

And then develop reliability data, what we are talking about there is the -- I mentioned in the previous presentation the facilities and equipment maintenance program, our ability to track the effective lives of the various navigation lock components and determine those failure rate curves of their actual useful life. And, so, we are at the point of moving forward with that.

And just as we talked about with the operational condition assessment, moving from that into the risk of failure, there is a team established there. They've had one face-to-face meeting and two virtual meetings. They have their next face-to-face meeting next week, and their efforts are on schedule to get this developed so that the product would be available for use in the fiscal year '13 budget development practice.

The last remaining recommendation, Recommendation 12, in the investment plan was a Capital Projects Business Model regulation. And in further discussions there, I think that the understanding of the intent was to institutionalize the recommendations and to assure that it lasts beyond the timeframe that the Users Board members are on, or the length of time that I'm in this job or others, and that we do have this institutionalized in the organization.

And so we are looking at, with these three teams, working on how that would be presented. What we are really thinking about is something along the lines of a checklist as one of the major products of this effort.

We went through the process things, you started hearing the number of different things that needed to be accomplished. What we saw was -- evolving from the discussions was that, you know, what -- the point of the checklist, you are looking at whether you've got project management certifications, that you've got a risk-based cost estimate, that you've developed an acquisition strategy that's going to look at whether I say earlier contractor involvement or other opportunities. You are pursuing the design charrette that's applying those lessons learned.

So that you are very deliberately accomplishing all of the things and implementing those -- those recommendations that are going forward on capital investment efforts with the Users Board. And then what we are looking at will be to provide you with a formal acknowledgment of -- that those things are being implemented and pass along the guidance that has been developed as a way of closing out those recommendations, that they have been accomplished, and that we have issued guidance for those -- for that implementation.

As far as next steps, the most important one here is that right after this meeting today, the group is going to assemble to pursue a more rigorous list of milestones and schedules so that we can develop those slides that will show in future read-aheads for Users Board meetings the exact progress and status of the actions leading to full implementation of these recommendations.

And then we will also be having discussions with Users Board members on their participation, giving their feedback on where we stand with these efforts and their willingness to participate, their time availability to help us pursue these recommendations.

With that, that concludes my presentation subject to your questions or comments.

CHAIRMAN LITTLE: Okay. Thank you, Mr. Walker. That's a very good outline, very thorough outline of the work ahead of the Board and still -- still a lot of work to be done.

Does anyone have any questions for Jim?

If not, then we do appreciate that very much.

MR. WALKER: Thank you, sir.

CHAIRMAN LITTLE: I think that gives us a place to start from here on. Thank you, Jim.

Next on the agenda is Dr. Larry Bray. Dr. Bray has been working on a study that identifies the other beneficiaries of the inland navigation facilities. And Dr. Bray has that presentation up, and he's at the podium.

And, Dr. Bray, thank you for being here.

DR. LARRY BRAY: I want to thank the Board for inviting me to come up here today. It has been a great two days. The trip yesterday was outstanding. Presentations today were good, especially the one on Olmsted. How do you like that tow?

Let's see here. Okay. Here we go.

Before I get started with the presentation, though, I want to make one comment that I'm the Committee Chairman for the Transportation Research Board's Inland Water Transportation Committee, and we are supportive of what you are doing here. And we are having a session Wednesday, January the 26th, at 10:15 through 12 o'clock. It will probably be held at the Omni Shoreham at the annual TRB meetings, and the topic of the session is going to be "Inland Waterways Capital Development Plan, Will Plans Become a Reality?"

And we have four speakers, Mr. David Grier is going to talk about the financial situation; Ms. Jeanine Hoey is going to talk about the IMTS investment strategy, in other words, how the prioritizations were made; Mr. Stephen Little has agreed to talk about the Users Board perspective; and I'm going to talk about the impacts on other beneficiaries, who may gain and who may lose if the -- something happens to part of the inland river system, navigation system.

So with that said -- by the way, they've given us the big room, and we want to pack the room, so I encourage everybody to come, if you possibly can.

You can see from this slide, which I found on the internet, this is Cincinnati pre-impoundment, and you can get a really good feel for who would benefit with an impoundment. The water there is one and a half feet deep.

My father used to tell me about the upper Tennessee River, people walking across it in the summer, and Model Ts driving across it in the winter, very low water, without the impoundments.

Now, I gave a presentation in December of 2009, and the Board asked for a documentation, and I've completed a paper. It is titled, "Toward a Comprehensive Identification of Beneficiaries of Navigable Waterways". The Corps has been looking at it, and I've got some comments back, which are reflected in my PowerPoint.

These are the categories that I've identified in the paper before: Shippers through transportation savings, economic development, flood control, hydropower generation, water supply, nuclear and coal steam plants, heat assimilation and maintenance, sewage assimilation. NASA uses the navigation channel through Boeing, the military ships equipment fairly regularly on the inland river system, people recreate on the inland river system, TVA uses it to control mosquitoes, what they call vector control, water is made available for irrigation, and it affects wealth through property values.

The paper covers the material presented in the slide show and adds a case study to facilitate the ranking of the value according to each user group.

We picked Kentucky and Chickamauga. I know a lot about those two because I worked for TVA for 30 years. Much of the data is available, and I know the people who put the data together, and that's a help.

TVA estimates flood damages by project. The Corps of Engineers, of course, does Kentucky, which TVA had also. TVA hydropower benefits, you can estimate them. You don't know what they really are, but you can estimate them. TVA built a model with which to estimate property values, impacts given permanent changes in elevation. This came out of our 2003 Reservoir Operations Study. And, additionally, TVA commissioned some recreation studies for several projects as a follow up to that ROS.

This is the title of the ROS, and in the study, we did property value estimates for Cherokee, Chickamauga, Douglas, Fort Loudoun, Norris reservoirs.

Here is the deal. I had several questions back from the PowerPoint from people in the Corps, so I thought if they had a problem with it, you might. And it is pretty simple, really.

The Board, Federal Reserve Board of Governors, wanted to know, when the stock market runs up and down, people gain or lose wealth, how does that affect their spending? And that's what you really want to look at here in this study.

For example, I got hit pretty hard, just as I was retiring, from my 401(k) from the stock market. I may have wanted to buy a car. I postponed it. I'm still driving my old Jeep. So, it affected my expenditures. It is a pretty good old car, but I was going to get a new one.

But, anyway, here is what the value of property is in those two reservoirs. Residential properties, 3 billion in Fort Loudoun, and I can't hardly see that, but 2 and a half billion in Chickamauga.

If you eliminate nine feet of water, this is what the impact would be. In other words, you totally eliminate the navigation channel, then you've got these million dollar homes sitting there on the shoreline looking at a lot of mud. At Fort Loudoun, we estimated it would be, like, 34 percent of the value of the home just due to the navigation channel. Over on Chickamauga, that's 17 percent.

So, what we did was, we took Kentucky and Chickamauga and just did -- you know, these are rough but indicative of probably actual values.

Recreation dominates here. Water supply comes in at \$650 million. Navigation at Kentucky is about \$384 million. Hydropower would be \$39 million.

We did not know what happened to property values at Kentucky. The equations just didn't work there.

Flood control is \$20 million. That's an Army Corps of Engineers number.

So, of the total of \$2.8 billion, you can see that -- I'm having trouble with that -- 60 percent is recreation, 23 percent is water supply, 14 percent is navigation, 1 percent is hydro, flood control is half of a percent. So, you can see that here, navigation ranks third.

Chickamauga is a different story. Recreation is a little lower at \$967 million, water supply is \$135 million, hydropower is \$28 million, property owner's expenditures is \$13 million -- that's the expenditures based on the shift in wealth at \$12.62 million -- flood control is \$12.85 million, and navigation with the low traffic level and the smaller shipper savings is \$4 million.

You can see that 83 million is -- 83 percent is recreation, 11 percent is water supply, 2 percent is hydro, property owner is 1 percent, flood control, 1 percent, and navigation less than a half percent. So, here again, recreation dominates.

So, I didn't want to take a lot of your time, but I do want to say this, that as far as getting a report out, I spent yesterday at lunch with Nick Marathon, last night with Nick Marathon, and breakfast with Nick Marathon talking about their report.

It seems to be that I really need to read that report and see what I can get out of it to put into this. I need to put the Kentucky lock case study in the report, and I need to get a good review after that from several people, including Mr. Pointon and Mr. Grier, and maybe somebody up in Huntington, and -- before we can get the thing out. So that's where it kind of stands right now.

Have any questions?

CHAIRMAN LITTLE: Thank you very much, Dr. Bray. This is a very informative and I think an eye-opening presentation. I do have a couple of questions.

DR. BRAY: Sure.

CHAIRMAN LITTLE: Going back to the Kentucky slide there, yeah, the 384 million in navigation, what does that represent? How --

DR. BRAY: What that is -- it is the tonnage times shipper savings.

CHAIRMAN LITTLE: Shipper savings.

DR. BRAY: That's what we always use.

CHAIRMAN LITTLE: Okay.

DR. BRAY: And it is higher there than it is in Chickamauga.

CHAIRMAN LITTLE: As you would expect.

DR. BRAY: As you would expect, yes.

CHAIRMAN LITTLE: Right.

What about if we expanded your review to other sections of the river, to the Ohio River, and attempted to capture an overall net river system that you touched on here?

DR. BRAY: We can do that. I would say I don't think there is going to be any problems, but one of the points we make in the paper is that most of the Corps of Engineers data, which would be on the Ohio River, is aggregated to the national level.

You do that in -- you do that in flood control, you do that in hydropower, you do that in recreation, just to name three that come quickly to mind. I've talked to these folks before, and they've told me, "Well, we don't have the data."

So, the data can be broken out. It is just that if I'm going to get into this, I'd need their cooperation. I'm sure I will get it, but you see what I'm saying?

CHAIRMAN LITTLE: Right, yeah. I think the Board would be very interested in seeing that done and supporting that effort in any way we could.

Mr. Daily?

MR. DAILY: Thank you. I just had a question on the next slide, the Chickamauga number.

Any way to break out on that recreational number how much the locking value of those recreational vessels being able to go through the lock in that area?

DR. BRAY: Well, that doesn't include that. I talk about it in the paper. That's a big deal. That's one of the most-heavily used recreational locks in the system.

Now, when we were doing the original, a long time ago, Chickamauga Lock Draft Environmental Impact Statement, we did some survey work down there and tried to determine what value people put on the experience, and you get different results.

Many people who lock through it, they are out there sun tanning, and they like the delay, and they are just going to get a hot dog anyway. So, so there would be -- you could do it, but it is not in that number, but we do -- we do record the number of lockages on the entire inland river system. We could try to do something with that, but you don't know what you are going to get until you go start looking.

MR. DAILY: Right. No. I guess the point I was trying to get to is that we are talking about the beneficiaries of the dams, but the recreational and some of the other groups up here get a lot of benefit out of the navigation locks also.

DR. BRAY: Sure do.

MR. DAILY: For instance, we saw that on our tour yesterday. If the gentleman had had to truck his boat down from Minnesota to the Gulf, it would have cost him substantially more than enjoying the ride down.

DR. BRAY: We can do a literature review and see what other people have done. We know the number of recreational lockages on every lock. We can do that.

MR. DAILY: Thank you.

DR. BRAY: It is no problem. It is just finding some data.

CHAIRMAN LITTLE: Thank you, Mr. Daily.

Mr. Woodruff, did you have a question?

MR. WOODRUFF: No.

CHAIRMAN LITTLE: No, okay. Anyone else on the Board, questions of -- Mr. Martin?

MR. DANIEL T. MARTIN: Dr. Bray, you may not be able to answer this, but I'm wondering the status of your paper and whether the Board may be able to receive a copy of it when it is finalized. That may be a question for someone from the Corps.

DR. BRAY: Well, I talked to Mr. Pointon and Mr. Grier about this, and they don't see a problem. Like I said, I want to make the paper as good as I possibly can, and I want to add a few more things to it. And I wanted to get some hard read from 2 or 3, 4 or 5 people in the Corps, so when we get this thing out of here, we've -- you know, we've dealt with all of these issues internally, and we don't want to deal with them when they get out of here. So, I think this can be fairly expeditious at this point.

CHAIRMAN LITTLE: Okay. Very good.

DR. BRAY: Thank you.

CHAIRMAN LITTLE: Thank you very much, Dr. Bray.

DR. BRAY: Okay.

CHAIRMAN LITTLE: That concludes our agenda, but we do want to recognize that we have a public comment period. And I know we have at least one person who would like to come up and make a comment.

Colonel Martin, President of the Waterways Council, Inc., would like to address the Board.

Mr. Martin.

MR. CORNEL J. MARTIN: Thank you, Chairman Little, General Grisoli, Members of the Board.

Just to elaborate a bit on the Chairman's opening remarks on the efforts that have been put together by the industry in support of the Capital Development Plan, just like to make part of the record some of the things that have taken place since your last meeting in April, where we certainly got up and thanked the Board for your work in working with the Corps and putting the plan together, and committed to you that we as an industry would do all we could to move the plan forward and get it adopted by both Congress and the Administration.

We put together, I guess, a three-part plan. The first part being to put together a coalition of supporters to promote the plan, and then to put together an effort to support the plan both in Congress and in the Administration, and I'm happy to report to you that we've made quite a bit of progress in achieving those -- those three goals of that strategy.

As the Chairman alluded to in his remarks, we've put together a coalition now of more than 200 organizations and companies that have endorsed the plan. Those include national organizations; state, local, and regional organizations; and individual companies who have put their names on the bottom line and said, "We think this is the way to move forward and to invest in our inland waterways infrastructure going forward".

With that coalition, we've conducted to date more than 300 meetings on Capitol Hill. I personally have participated in 75 of those meetings with various coalition partners. Waterways Council, our organization, sponsored a fly-in even before the April meeting, back in February of this year.

American Waterways Operators, one of our key coalition partners, had a fly-in in April, just days after the Users Board meeting. That was followed by fly-ins put together by the Illinois Corn Growers, by the Ag Industry, sponsored mostly by National Corn Growers, but it included various ag groups from all of the Midwest states. The St. Louis Carpenters even participated in a round of Hill visits with the Paducah Chamber of Commerce, Mr. Chairman, which was very successful, and the Corn Congress, when they met in Washington earlier this year, did a number of Hill visits. But all told, more than 300 visits to individual members on Capitol Hill.

In addition, our team has met with the leaders in the House and Senate and the key committee staffs. We've also had several -- a couple of meetings within the White House to promote the plan to get the Administration on board.

But we've supplemented that effort, Mr. Chairman, with a very aggressive public relations campaign that we in Waterways Council are very proud of. We've had editorial board meetings, the result of which we saw here today in the Quad Cities. Larry Daily, Deb Colbert, our communications director, and I met with the editorial board just a few weeks ago, and we saw the results of that.

We've had similar positive editorials in Pittsburgh. We've had op-eds in other cities throughout the Midwest, all endorsing the plan as well as op-eds in a number of trade publications that I've done or the Chairman of Waterways Council or other members have done to promote the plan.

But I am most proud of our television campaign. While not focused on the Capital Development Plan, we in this industry, the inland waterways industry, have talked about for a long time the need to tell our message on television.

We've all seen the railroad commercials touting the benefits of rail transportation in this country, and we certainly agree that rail is valuable to the economy of our nation, but we all know that barges are better, that the inland waterways transportation system affords even more value to the nation.

Waterways Council put together a 30-second television commercial. We asked for voluntary contributions from our members and others. We raised, to date, more than \$200,000, actually about \$225,000. We've been airing the commercial in the Washington, D.C. area since February of this year. And according to Nielsen Ratings, the commercial has been viewed by more than 2 million people in the Washington, D.C. area since February.

We've had some very positive feedback, both from the Hill and from within the Administration, not the least of which is the Administrator of the Environmental Protection Agency, Ms. Lisa Jackson, reported to one of our members that she had seen the commercial. She was not aware we had such a green message, and she encouraged us to do more to get that message out.

So, we think the commercial, while generic in tone, not promoting the plan, but promoting the value of investment in the inland waterways infrastructure, we think has had some value.

We've also supplemented that with print ads on Capitol Hill and plan to do more of that between now and the end of the year.

So, Mr. Chairman, we just wanted to leave you and the members of the Board with the thought that we, as an industry, are doing all that we can to promote the plan, and we will continue to do so.

We at Waterways Council have even restructured the way we are going to tackle this effort going forward, to make some more resources available to even further our efforts in the 112th Congress.

So, we thank you again for your valuable work, and we want to again commit to you as an industry that we will continue to promote the plan and promote investment in our inland waterways infrastructure.

Thank you, Mr. Chairman and members of the Board.

CHAIRMAN LITTLE: Thank you very much, Mr. Martin. That's very well articulated, and I am glad you stepped forward and made those statements for the record. I don't believe we have any other public comment -- comments at this time.

As we conclude today's meeting, I think we see the outline for the Board, as we move forward, in trying to implement many of the items in the Capital Development Plan. There is much work to be done.

I think that -- I know that the Board members have been very active in what we have done to date. What we have accomplished and the plan that we have developed with the Board speaks for itself.

As we sit here and we look at the work that's ahead of us, it is going to require additional investment of members' time and resources in order to make sure that we follow through on that.

We see many of the benefits that we still need to achieve under this plan in trying to implement those, and I think the Board members' good faith and their hard work is evident by what we have done, but we must hesitate at this time.

We must ask ourselves at this time, before we undertake more efforts and more work, where the Administration is, if we wait for a formal position from the Administration. We don't want to retard these efforts, and we don't want to fail to achieve many of the good things that are out there that need to be achieved. But a partnership -- a true partnership requires action on both parties' part.

And, again, we applaud the efforts of Mr. Loew and his staff and all of the hard work that's been done to date, but we have to be realistic and ask ourselves where the Administration is on this plan and what kind of reaction are we going to get and what kind of response we are going to get.

So, we are waiting, and we have outlined the plan, and we have delivered the plan, and we are waiting because we know this work is very important, not only to the industry, but, obviously, to the entire nation, and we have this historic opportunity to do something very great

for this country. And, so, we continue to believe that and we await the Administration's response.

General Grisoli.

MAJOR GENERAL GRISOLI: Thanks, Steve, and thank you for your leadership on this Board.

These are some challenging times for our nation's waterways. I understand that the message referenced, continue to work together, and I understand the things that we can work on we need to get on, and Gary laid out for you how we want to do that as far as implementation in some areas.

We want to continue to state a path as far as the things that we need legislative help on and administrative help on. I think it is very important.

I want to thank everyone that participated and also the Board members for your participation today, and folks that helped set this up. I think it is extremely important business that we have at hand, and I appreciate everyone's effort, and thank you again for your leadership, and thank you for continuing to moving forward. Thanks.

CHAIRMAN LITTLE: Thank you, General. You are a great team member to have involved in this effort, and we appreciate not only your time but all of the effort you are putting into this.

That concludes today's meeting. I do need a motion to adjourn and a second, and then we will get out of here.

MR. MARTIN: So moved.

MR. HENNESSEY: Second.

CHAIRMAN LITTLE: Mr. Martin moves, and Mr. Hennessey seconds. All in favor say "aye."

(Aye.)

CHAIRMAN LITTLE: Thank you very much, gentlemen. Meeting is adjourned.

(The meeting was concluded at 12:11 p.m., October 20, 2010.)

CERTIFICATE OF SHORTHAND REPORTER

I, Lucinda Winslow-Haidsiak, a Certified Shorthand Reporter in and for the State of Iowa, hereby certify that I reported the minutes of the meeting; and that the above and foregoing computer-aided transcript is a full, true, and complete translation and transcript of all the short-hand notes of the proceeding taken down and reported by me at the meeting.

Dated this 1st day of November, 2010.

Lucinda Winslow-Haidsiak, CSR
Herring Reporting Services
Certified Realtime Reporter
Certified Shorthand Reporter
Iowa and Illinois
2516 East 40th Street
Davenport, Iowa 52807

ADDENDUM TO THE MINUTES OF THE 64TH MEETING OF THE INLAND
WATERWAYS USERS BOARD
OCTOBER 20, 2010
BETTENDORF, IOWA

Reprint of the Editorial which appeared in the *Quad-Cities Times* on Wednesday, October 20, 2010.

Commit to Our River

When U.S. Sens. Chuck Grassley, Dick Durbin, Kit Bond, and Al Franken agree on a tax increase, perhaps voters should take note.

This tax increase is being sought by those who would pay it: Towboat operators and other commercial shippers relying on our Mississippi River and other inland waterways across America.

Many of those folks convene today at the Quad-Cities Waterfront Convention Center in Bettendorf for the Inland Waterways Users Board national meeting. The agenda is packed: Update ongoing river navigation projects and briefings from U.S. Army Corps of Engineers leaders who implement them.

The Inland Waterways Users Board won backing of 20 U.S. senators from Mississippi River border states for a plan that would add 6 to 9 cents on top of the 20-cent –per-gallon fuel tax paid exclusively by commercial waterway users. The self-tax has been used for years to pay part of the costs for lock and other navigation infrastructure repair and expansion.

The proposal being discussed by the board in Bettendorf today doesn't spare other taxpayers. The Inland Waterways Users Board wants to see their new tax revenue supplemented with even larger congressional appropriations to get long-term commitment to these projects, instead of the start- and stop- funding they've experienced over the past decade.

Protecting agriculture jobs

Waterways Users Board member Larry Daily, president of Alter Barge Lines in Bettendorf, says inconsistent federal funding delays worthwhile projects. And delays in construction always mean major cost increases. For example, a lock expansion on Pennsylvania's Monongahela River swelled from \$534 million to \$1.76 billion while awaiting congressional funding, said Waterways Council President Cornel Marin.

Daily emphasizes the need for regular, scheduled maintenance and development of public waterways for shipping, instead of sporadic funding that shifts with political currents; or worse, emergency funding necessary after an infrastructure disaster.

The board envisions using its new tax increase and congressional appropriations to commit to an average of \$380 million per year in construction. Waterway users would provide about \$110 million each year; other taxpayers would provide about \$270 million.

We'll nigger on details for increasing the cost-share commitment for taxpayers, particularly the provision that saddles taxpayers with 100 percent of any waterway project under \$100 million. For obvious reasons trumpeted in every campaign ad by both political parties, Congress is in no position to ramp up spending anywhere.

But we strongly support a long-term plan that rewards waterway users' bigger stake with assured, fixed funding from Congress. And we support that knowing none of the Inland Waterways User Board projects are anywhere near here.

The projects are part of the Waterway Users Board's goal of a reliable, sustainable export network for American products – primarily Midwest grain. Our Iowa and Illinois corn and soybeans only get more valuable when they can reach global markets as cheaply as their South American competitors.

Daily notes that thousands of Midwest farming and ag-processing jobs rely on overseas markets. "You can't export these jobs," he said, "except by deferring maintenance on our shipping network."

That's why Republicans and Democrats from our river border states agree. So do the U.S. Chamber of Commerce, Iowa and Illinois Corn Growers Associations, Farm Bureaus throughout our region and 75 ag and shipping groups in our two-state area.

America needs the economic security and sustainability offered by the Inland Waterways capital development plan.

PROPOSAL DETAILS

Costs: \$380 million per year in construction.

Who pays: Waterway commercial shippers provide \$110 million per year through a 6-9 cent increase of the 20-cent per gallon fuel tax.

The remaining \$270 million a year would come from congressional appropriations.

WATERWAYS PLAN LOCAL PROJECTS:

Proposed rehabilitation and new lock expansion under the Waterways Council plan mostly targets the Ohio, Monongahela and Tennessee rivers. The closest are:

- L&D 25, Winfield, Mo: New construction and rehabilitation in 2011 and 2012
- L&D 22, Saverton, Mo: New construction in 2022
- L&D 24, Clarksville, Mo: New construction in 2024