

Summary Minutes
Inland Waterways Users Board Meeting No. 66
June 6, 2012
Pittsburgh, Pennsylvania

Inland Waterways Users Board Meeting No. 66 was called to order by Mr. Mark Pointon, the Designated Federal Official (DFO) and Executive Secretary of the Inland Waterways Users Board (the Board) at 9:05 A.M. The meeting included approximately 79 attendees. Mr. Pointon made introductory remarks, and then Major General (MG) Michael J. Walsh, Deputy Commanding General for Civil and Emergency Operations for the U.S. Army Corps of Engineers (the Corps), and Executive Director of the Board proceeded to conduct of swearing in ceremony of the members of the Board. Colonel Butch Graham, Commander of the Pittsburgh District then offered welcoming remarks to the Board and the attendees to the meeting and expressed the vital importance of the inland waterways system to the southwestern Pennsylvania region.

MG Walsh welcomed the observers from the four Federal agencies to the Board meeting, including Ms. Jo-Ellen Darcy, Assistant Secretary of the Army (Civil Works); Captain Jon Swallow, Chief of the Office of Coast Survey of the National Oceanic and Atmospheric Administration (NOAA); Mr. Nicholas Marathon, U.S. Department of Agriculture (USDA), Transportation and Marketing Division; and Mr. William K. Paape, St. Louis Gateway office, U.S. Maritime Administration (MARAD).

MG Walsh then made remarks concerning the status of the Fiscal Year (FY) 2012 Corps Civil Works appropriations, which totaled \$4.997 billion, of which \$820 million is directed towards the inland waterways system. Of the \$820 million, about \$170 million is directed toward inland waterways related construction activities including construction at Olmsted Locks and Dam (\$150 million) and Locks and Dams 2, 3 and 4 on the Monongahela River (\$3 million).

With respect to the FY 2013 President's Budget, the total budget request is \$4.731 billion, of which inland navigation would receive \$780 million, including \$201 million for construction, \$529 million would be for operation and maintenance, \$8 million would be for studies, and \$42 million would be for Mississippi River & Tributaries related activities. Included in the FY 2013 President's Budget is \$144 million to continue ongoing construction at Olmsted Locks and Dam and \$36.65 million for continuing construction activities at Locks and Dams 2, 3 and 4 on the Monongahela River.

Another major focus of MG Walsh's remarks concerned the ongoing efforts of the Corps to transform the Civil Works program to enable the Corps to better meet current and future challenges, and address the water resources needs of the nation. This transformation is based on four pillars: a new and modernized planning paradigm designed to streamline the project planning process to produce concise Chief's reports faster and at lower cost; a more logical and integrated budget development process; a long term strategy for infrastructure; and; enhanced methods of delivery.

MG Walsh indicated that the Corps has identified over 100 projects on the inland waterways system that require or could conceivably require major work over the next 20 years at an estimated total cost of \$18 billion, including 25 priority projects with an estimated total cost of \$8 billion.

In concluding his remarks, MG Walsh asked the members of the Board for their input and their recommendations with regards to the FY 2014 funding request for the Olmsted Locks and Dam project that MG Walsh will be submitting to the Assistant Secretary of the Army as she formulates the 2014 Civil Works budget. MG Walsh also asked the Board members for their input as to the construction method that the Corps should consider going forward with respect to the Olmsted project, whether construction should continue using the current “in the wet” method of construction or change to an “in the dry” construction method that would utilize cofferdam dams as the dam portion of the project is constructed. Lastly, MG Walsh asked for the Board’s input and recommendation with respect to the Section 902 limit decision concerning the funding of the Olmsted Locks and Dam project, and in the event that there is not an increase in the project funding limit for Olmsted, what are the Board’s recommendations to the Corps concerning which projects should receive funding.

After MG Walsh concluded his remarks he provided an opportunity for each of the Federal observers to provide opening remarks.

Assistant Secretary of the Army for Civil Works (ASA-CW) Ms. Jo-Ellen Darcy expressed her thanks for the opportunity to attend this meeting of the Board and indicated how important the contributions of the Board are to the work of the Corps, that there are challenges ahead facing the inland waterways system, and looks forward to hearing the recommendations of the Board members regarding the issues before the Board.

Captain Jon Swallow, Chief of the Navigation Services Division within the Office of Coast Survey, NOAA, thanked the Board for the opportunity to attend this meeting of the Board and looked forward to the discussion of the issues facing the inland waterways system. Captain Swallow indicated that Captain John Lowell who attended the last meeting of the Board in New Orleans in April 2011 has retired as of June 1, and that Captain Gerd Glang has been nominated, but not confirmed, to be the new Director of the Office of Coast Survey.

Mr. William Paape, Chief of the MARAD St. Louis Gateway Office, thanked the Board for being able to attend this meeting and looked forward to the discussion of issues facing the inland waterways system.

Mr. Nicholas Marathon of the USDA, Agricultural Marketing Service, thanked the Board for the opportunity to attend today’s meeting and expressed USDA’s appreciation for the importance of the inland waterways system to U.S. agriculture. Mr. Marathon indicated that this year’s corn crop is projected to be a record, some 14.8 billion bushels, an increase of 19 percent versus last year’s crop. Corn exports are projected to be some 1.9 billion bushels, an increase of 12 percent versus last year’s export amount. USDA

projects 53 percent of corn exports to be transported to export terminals by means of the inland waterways system. With respect to soybean production, Mr. Marathon indicated that this year's soybean crop will not be a record crop, but said that the U.S. could export half of total soybean production, and that about 46 percent of soybean exports are moved to export terminals by means of the inland waterways system.

Next, Mr. Larry Daily, Chairman of the Board, made opening remarks. Mr. Daily stresses the importance of the inland waterways system to the performance of the nation's economy. Many industries are dependent upon the efficient operation of the inland waterways system, including the metallurgical coke industry, agriculture and electric utilities. Mr. Daily noted that many industries are dependent upon the inland waterways system for the receipt of raw materials that are then manufactured into finished products that are then shipped by the inland waterways system. Mr. Daily also pointed out the importance of the inland waterways system to American companies' ability to compete in the world market, and the important role that the inland waterways system plays in supporting the export capability of the nation. In concluding his remarks, Mr. Daily indicated the Board's willingness to continue the process improvements that were identified in the Inland Marine Transportation System (IMTS) Capital Project Business Model (CPBM) report (http://www.waterwayscouncil.org/WCIExtras/IMTS_IWUB_Report.pdf), and working with Congress and the Administration to develop long term solutions to the challenges facing the inland waterways system.

Mr. Jon Soderberg of the Corps Headquarters, Program Integration Division then provided an update on the status of the Inland Waterways Trust Fund and an update on the status of projects on the inland waterways system. Mr. Soderberg reported that as of the end of FY 2011 (September 30, 2011), the balance in the Trust Fund was \$45.3 million, of which \$13.4 million is set aside as transfer authority for current obligations, leaving an effective unobligated balance of \$31.9 million. With respect to FY 2012 Trust Fund activity, during the first six months of FY 2012 (October 2011 through March 2012), fuel tax receipts totaled \$39.3 million, an increase of \$1.4 million versus the first six months of FY 2011. Mr. Soderberg then provided an update on the status of inland waterways projects.

At the conclusion of Mr. Soderberg's presentation, Mr. Pointon called upon the members of the Board to approve the minutes of the last Board meeting, Meeting No. 65 which was held April 1, 2011 in New Orleans, Louisiana. Vice Chairman of the Board, Mr. Michael Hennessey made a motion to approve the minutes of the last meeting and Mr. James Farley seconded the motion, after which the Board members voted unanimously to approve the minutes of Meeting No. 65.

Following the approval of the minutes of the last Board meeting, Mr. Richard Hancock, Regional Business Director of the Great Lakes and Ohio River Division (LRD) gave a comprehensive review of the Olmsted Locks and Dam project, including a brief history of the project (including the original construction of Lock and Dam 52 in 1929 and Lock and Dam 53 in 1928 and the construction of temporary 1200 foot lock chambers at Lock

52 in 1969 and at Lock 53 in 1980, the completion of a feasibility report to replace Locks and Dams 52 and 53 in 1985, and the completion of the twin 1200 foot lock chambers at Olmsted in 2005), a report on the current status of the tainter gate dam portion of the project, a review of the estimated cost of the project, the preparation of a Post Authorization Change Report (PACR), the Olmsted project 902 limit, project funding alternatives (maintaining the current project funding stream, increasing the amount of funds towards completing the project or reducing funding at the project and diverting the funds to other projects in the inland waterways portfolio of projects), and construction alternatives (including continuing project construction using the current method of construction “in the wet” versus using a traditional method of construction of “in the dry” which would utilize cofferdams).

With respect to the construction of the tainter gate portion of the dam, to date, eight shells (out of a total of 18) have been set in place. It is planned to place another four shells in the river by the Second Quarter of FY 2013. Then the remaining six shells are planned to be in place by the Second Quarter of FY 2014.

In addition to the continuing construction of the tainter gate shells, it is anticipated that foundation work on the navigable pass portion of the dam will begin in the First Quarter of FY 2013.

With respect to the Olmsted PACR and the 902 project limit, the PACR project cost is \$2.92 billion. The original project authorization cost in 1988 was \$775 million. The current 902 limit is \$1.745 billion. It is anticipated that the Corps will reach that figure (\$1.745 billion) in FY 2014. Without an increase in the 902 limit, construction at the project will have to stop. Mr. Hancock explained that without Congressional action to increase the 902 limit, the Corps will need to redirect funds that were scheduled to be expended at Olmsted to other inland navigation projects.

Mr. Hancock presented various alternative funding scenarios for the Olmsted project. In one scenario, Olmsted would continue to receive funding at the rate of \$150 million per year, one half from the General Treasury and one half from the Inland Waterways Trust Fund (IWTF). In this scenario, the Olmsted project would be operational in 2020 and benefits attributable to the project would begin to be realized, and the project would be completed in 2024. Within this funding scenario, the project at the Lower Monongahela River Locks 2, 3, and 4 would be completed in 2033 (although 85 percent of the project benefits would be realized in 2027), and the project at Kentucky Lock would be completed in 2040.

In a second scenario, funding to the Olmsted project is assumed to be increased to \$215 million per year (full capability funding). In this scenario, construction of the Olmsted project could be accelerated and become operational in 2018 versus 2020, and the entire project could be completed in 2020 rather than 2024. In this scenario, project benefits are realized two years sooner (2018 versus 2020) than the first scenario of funding at \$150 million per year, and project construction costs are reduced by \$250 million.

Mr. Hancock also discusses two other funding scenarios, one involving a reduction in the funding of the Olmsted project to a level of \$50 million a year for a specified period of time (either two years, four years, or six years) and redirecting the remaining \$100 million per year (assuming a total funding level of \$150 million) to other inland waterways navigation projects, and a fourth scenario in which the Olmsted project would be placed in caretaker status (meaning construction work would stop except for certain required functions), in which case \$10 million would be directed towards Olmsted and the remaining \$140 million would be directed toward other inland navigation projects.

During his presentation on the alternatives regarding project funding Mr. Hancock indicated that the project benefits associated with the Olmsted project are estimated to be approximately \$875 million per year, which is greater than the combined value of the project benefits for all of the other inland waterways projects identified as receiving funds in place of Olmsted, which are estimated to be \$488 million per year.

During Mr. Hancock's presentation, Board member Mr. Mark Knoy pointed out that the Olmsted project is the gateway to the Ohio River and its many tributaries, and that the benefits associated with other projects on the Ohio River would not be realized unless they could get passed the lower Ohio River.

At the conclusion of his remarks regarding alternative funding scenarios, Mr. Hancock indicated that the current funding method would result in the completion of three projects (Olmsted, Lower Monongahela River Locks and Dams 2, 3, and 4, and Kentucky Locks and Dam) by 2040. Mr. Hancock remarked that the current funding model is unsustainable.

To which MG Walsh commented that the statement should be "the current funding model is unsustainable, and here is what we are going to do to address this issue."

Board Vice Chairman Michael Hennessey indicated that the Board would like to see the implementation of the recommendations of the IMTS Capital Project Business Model, which are part of the "Waterways Are Vital for the Economy, Energy, Efficiency and Environment Act of 2012" or "WAVE 4 Act" [HR 4342] that has been introduced in the House of Representatives by Representative Whitfield of Kentucky.

MG Walsh noted that the Corps could not comment upon legislation that is before Congress, but did note that Congress needs to make a decision on the Olmsted 902 limit, and that if Congress does not take action on the 902 issue, then the Corps will have to begin to look at options for redirecting money away from Olmsted towards other inland navigation projects.

The last portion of Mr. Hancock's presentation focused on a preliminary comparison of continuing construction of the navigable pass portion of the dam at Olmsted using the current "in the wet" method of construction versus changing to an "in the dry" construction method in which cofferdams would be used to construct the navigable pass portion of the project. Switching to an "in the dry" construction method would require

the construction of the cofferdam in two phases (so as to allow navigation to continue during construction of the navigable pass portion of the dam).

Based on the preliminary work done to date, Mr. Hancock indicated that the cost of constructing the navigable pass portion “in the dry” would be competitive with the current “in the wet” construction method. Mr. Hancock indicated that it might be on the order of \$110 million cheaper to construct the navigable pass “in the dry”, but changing construction methods would necessitate changes to existing restrictions on the use of continuing contracts and might extend the completion of the project by between 24 and 30 months.

Mr. Hancock indicated that the Corps is looking to make a decision as to whether to continue the current “in the wet” construction method or switch to the “in the dry” method of construction before October 1, 2012.

Following Mr. Hancock’s Olmsted Locks and Dam presentation, Mr. James Walker, Chief of the Navigation Branch within the Operations and Regulatory Division at Corps Headquarters, provided a briefing on a report being prepared by the Corps on the modernization of deep draft coastal ports and inland waterways in response to the expansion of the Panama Canal to permit the passage of post-Panamax sized vessels.

The Congress directed the Corps Institute for Water Resources to submit to the Senate and House Appropriations committees within 180 days of enactment of the FY 2012 Energy and Water Appropriations Act, a report on how Congress should address the critical need for additional port and inland waterway modernization to accommodate post-Panamax vessels.

The report will identify port capacity and expansion issues associated with the deployment of post-Panamax vessels to trade routes serving U.S. ports through an evaluation of the future forecast of freight movements, vessel fleet composition, and the capacity of coastal and inland waterways ports. The report will also examine the environmental impacts of port expansion and the financing options available for funding future port and inland waterways infrastructure needs.

The draft copy of the report was prepared between the months of January and March, after which the report comments were received. The second draft of the report was prepared and then submitted for Administration review.

The final report will be submitted to Congress on June 20.

Following Mr. Walker’s presentation, Mr. Richard Lockwood, Acting Chief of the Operations and Regulatory Division at Corps Headquarters provided an update on the Corps Inland Marine Transportation System Levels of Service initiative.

Mr. Lockwood discussed the need to undertake the Levels of Service initiative as a means to optimize Corps operations and maintenance expenditures. Working in concert

with Corps district operations personnel, Corps Headquarters will analyze each lock and each river system to develop a program that is appropriate for that lock and river system.

Mr. Lockwood described six levels of service: (1) Full Service - 24 hours per day, 7 days a week, 365 days per year; (2) Reduced service – two shifts per day, 16 – 20 hours per day, 7 days per week, 365 days per year (basically two shifts of either 8 or 10 hours per day); (3) Limited service – single shift per day, 8 to 12 hours per day, 7 days per week, 365 days per year; (4) Scheduled service – set times per day – lockages (including recreational craft) at set times per day (for example, 8 AM to 4 PM); (5) Weekends and Holidays – Lockages on weekends and holidays only; and (6) Service by Appointment – commercial lockages by appointment.

Mr. Lockwood also described the level of lock utilization that would be associated with the various levels of service. Full service operations (24 hours per day, 7 days per week and 365 days per year) would apply to a lock where there were more than 1000 commercial lockages per year; Reduced service – two shifts per day, 16 – 20 hours per day, 7 days per week, 365 days per year (basically two shifts of either 8 or 10 hours per day) would apply to a lock with between 500 and 1000 commercial lockages per year; Limited service – single shift per day, 8 to 12 hours per day, 7 days per week, 365 days per year would apply to a lock where there is less than 500 commercial lockages per year or greater than 1000 recreational lockages per year; Scheduled service – set times per day – lockages (including recreational craft) at set times per day would apply to a lock where there is limited commercial and/or substantial recreational traffic, with a consistent daytime pattern of lockage; Weekends and Holidays – Lockages on weekends and holidays only would apply to locks with little or no commercial lockages with significant recreational lockages (500 or more per year); and Service by Appointment – would apply to locks with limited commercial traffic with no consistent pattern of lockage.

Following Mr. Lockwood’s presentation, Mr. Brian Tetreault of the Engineer Research and Development Center’s Coastal and Hydraulic Laboratory made a presentation on the e-Navigation and River Information Services.

e-Navigation is defined as the collection, integration, exchange, presentation and analysis of maritime information onboard a vessel and ashore by electronic means to enhance navigation and related services for the purposes of improved navigation, safety and security at sea and protection of the marine environment.

River Information Services include such items as inland electronic navigation charts, automated identification systems to support vessel tracking, vessel traffic systems, notices to mariners, real time current velocity information, and lock operations management applications.

The Committee on the Marine Transportation System (CMTS), comprised of representatives from a number of Federal agencies, has developed an e-Navigation implementation strategy and has two conferences scheduled for August 30-31 in Pittsburgh and November 6-7 in Seattle to discuss the e-Navigation and River

Information Service initiative with representatives from the navigation industry and other stakeholders.

A public comment period was conducted next.

There were three speakers during the public comment period.

Mr. James McCarville, Executive Director of the Port of Pittsburgh Commission thanked the Board for holding its meeting in the city of Pittsburgh. Mr. McCarville referred the members of the Board and others in attendance at the meeting to the Fall 2011 issue of the [*Pittsburgh Engineer*](#), the quarterly publication of the Engineers' Society of Western Pennsylvania, which focused on the issues facing the inland waterways system in southern Pennsylvania.

Mr. Michael Toohey, President and CEO of the Waterways Council, Inc. (WCI) thanked the Administration and the Corps of Engineers for reconstituting the Inland Waterways Users Board. Mr. Toohey indicated that WCI succeeded in having significant parts of the IMTS "Capital Development Business Plan" incorporated into the "Wave 4" legislation now in the House of Representatives. Also Mr. Toohey indicated the concern on the part of the membership of WCI with respect to the increase in the cost of construction at Olmsted Locks and Dam. Mr. Toohey indicated that both the House and Senate in their separate FY 2013 Energy and Water Appropriations bills have certain conditions with respect to the expenditure of funds on the Olmsted project (the House requires the Corps to prepare a report on the alternative "in the dry" construction method; the Senate alters the cost sharing formula for Olmsted for FY 2013 to 75% from the General Appropriations and 25% from the IWTF).

The third speaker was Mr. Matt Woodruff from the Kirby Corporation who expressed concern about the e-Navigation initiative. Mr. Woodruff indicated that Kirby Corporation is the largest operator of tank barges and probably the nation's largest transporter of hazardous materials by water. While supportive of the use of Automated Information Systems (AIS) data for improved vessel safety and operation, Mr. Woodruff expressed concern about the availability and wide dissemination of AIS from a national security perspective. Mr. Woodruff indicated that these concerns had been raised to the attention of the U.S. Coast Guard and wanted to raise them to the attention of the Corps of Engineers.

Mr. Woodruff also said that while data input and collection is important, the National Transportation Safety Board has indicated that it is important to have vessel operators avoid distractions. So it is very important when crafting these proposals to collect data not to do so at the expense of safety.

In closing, Chairman Daily promised to continue to maintain a dialogue with MG Walsh and Assistant Secretary Darcy as all parties try to work together to make the efforts to modernize the inland waterways system succeed.

MG Walsh in his closing remarks indicated how important it was to reconstitute the Board so that the Administration and the Army could engage in discussions and deliberations and receive recommendations and advice as the Corps and the Army makes its decisions regarding the inland waterways system.

Mr. Pointon adjourned the meeting at 1:17 P.M.