

Minutes

Inland Waterways Users Board Meeting No. 48

**February 24, 2005
Washington, DC**

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The following proceedings are of the Inland Waterways Users Board Meeting held on the 24th Day of February, 2005 at the Washington Court Hotel in Washington, DC, Mr. W. Norbert Whitlock, presiding. Inland Waterways Users Board (Board) members present:

Mr. D. Bryan Bashore, Vice President, Peabody COALSALES Company

Mr. Mark R. Buese, Senior Vice President, Kirby Corporation

Mr. Jerry Grossnickle, Bernert Barge Lines

Mr. Charles A. Haun, Executive Vice President, Parker Towing Company, Inc.

Mr. W. Scott Noble, Senior Vice President, Ingram Barge Company

Mr. Looman Stingo, Senior Vice President of Logistics, Holcim (US), Inc.

Mr. W. Norbert Whitlock, President and COO, American Commercial Barge Line

Mr. Deane Oar attended representing Mr. Ronald Stovash, both of Consol Energy, Inc.

Regrets were sent by Mr. Gerald Brown, Mr. Mark Knoy, Mr. Ronald Stovash, and Mr. Royce Wilken.

Also present were the official Federal Observers, designated by their respective agencies as representatives:

Capt. Roger Parsons, National Oceanic and Atmospheric Administration

Mr. John P. Woodley, Jr., Assistant Secretary of the Army (Civil Works)

Mr. Nicholas Marathon, U.S. Department of Agriculture

Ms. Margaret Blum, U.S. Department of Transportation, Maritime Administration

Official representatives of the Federal Government for conduct of the meeting and Administrative support of the Inland Waterways Users Board were the U.S. Army Corps of Engineers officials as follows:

Major General Don T. Riley, Executive Director, Inland Waterways Users Board, and Director of Civil Works, U.S. Army Corps of Engineers.

Mr. Norman T. Edwards, Executive Secretary, Inland Waterways Users Board,
Headquarters, U.S. Army Corps of Engineers

Ms. Anne Sudar, Executive Assistant, Inland Waterways Users Board, Institute for Water
Resources, U.S. Army Corps of Engineers

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

Mr. David V. Grier, Institute for Water Resources, U.S. Army Corps of Engineers

Mr. Leonard Henry, Headquarters, U.S. Army Corps of Engineers

Mr. Michael Kidby, Headquarters, U.S. Army Corps of Engineers

Mr. Michael White, Headquarters, U.S. Army Corps of Engineers

Program speakers in order of appearance were as follows:

Mr. David V. Grier, Institute for Water Resources, U.S. Army Corps of Engineers

Mr. Leonard Henry, Headquarters, U.S. Army Corps of Engineers

Mr. Ray Navidi, Headquarters, U.S. Army Corps of Engineers

Mr. Michael Kidby, Headquarters, U.S. Army Corps of Engineers

Public Comments were made by:

Lynn Muench of American Waterways Operators

A list of meeting participants and a list of current Board Members, Federal Observers, and U.S. Army Corps of Engineers support staff are included as Appendices A and B, respectively. See Appendices C through ___ for materials from presentations at the meeting.

The 48th meeting of the Inland Waterways Users Board began with Vice Chairman Norbert Whitlock calling the meeting to order at 9:00 AM.

MR. EDWARDS: Good morning. I would like to welcome you to the 48th meeting of Inland Waterways Users Board. Before we start the meeting, we are obligated to read for the record that the Users Board was created pursuant to Section 302 of 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. The U.S. Army Corps of Engineers is the sponsor of the Board and provides the Executive Director, the Executive Secretary and all normal support activities. This is a Sunshine meeting and as such is open to the public. The proceedings are being recorded and a transcript will be available shortly after the meeting. Mr. Chairman.

CHAIRMAN WHITLOCK: Thank you, Norm. Welcome to everybody, all the Board members, Secretary Woodley, General Riley and all the guests that are attending here today. I'm filling in for Gerry Brown. He is Chairman of the Board. Gerry had some shoulder surgery and where they planted the needle to perform that surgery ended up going in the wrong place so it's affected his lung capacity, his breathing capacity. So he's out for awhile and we hope that Gerry recovers very fast.

I spent a couple of hours this week talking to him about the plan, our annual report. It's probably what I would consider to be approaching the final draft. One of the orders of business today will be to get the Board to address that report and any other changes that may be needed to be made in it in order to get it finalized so they can get it published in the early to mid March timeline.

With that, I would like to turn the discussion over to General Riley and/or Secretary Woodley for any comments they may have this morning.

GENERAL RILEY: Thank you, Norb. My position is the Executive Director of the Board and I do likewise regret that Gerry Brown couldn't make it. Norb has ably stepped in to help us through the meeting. I'd like to welcome several Federal observers. First, Captain Roger Parsons of NOAA. Roger, it's good to have you here. And Maggie Blum, MARAD. Thank you, Maggie. And Nick Marathon, USDA representative. Then from the Assistant Secretary of the Army's Office for Civil Works, Secretary John Paul Woodley. And I would like it if any of the Federal observers would like to make any remarks or comments, I can leave this open for you right now or offer that later.

MR. MARATHON: General, not at this time for the USDA. Thank you.

CAPT. PARSON: Not from NOAA at this time.

GENERAL RILEY: Okay. And I know, Secretary, you'd like a few minutes to make some comments. Since our last meeting, the Board has done a lot of work and the President has released his budget for our Civil Works Program. In the next several weeks, we have three opportunities to defend that budget on Capitol Hill in testimonies, but it's about \$300 million more than it was last year, which is a substantial increase, much due to the great work of Secretary Woodley in putting that budget together.

And Len Henry will have a presentation on that later in the program, so I won't go into much detail on that, but it does fund the most critical water resources needs because it based on performance as Len will describe to you.

Let me bring up to the Board a couple of items of interest. Mike White, who is with us today, has been working mightily on this effort as our Chief of Operations, working hard to advance our performance and operations in a couple of ways. One is to define acceptable risk levels for our infrastructure on our inland waterways and the other is working with Maggie and MARAD towards a conditions and performance report.

As far as achieving the navigation system acceptable risk levels, this is driven by many factors, not the least of which is the challenge we have with our infrastructure, but also the

Administration's demand for effective government. We have many, many stakeholders represented here and around the country that are highly interested in that. So we can really articulate the risk of the infrastructure.

And Mike has led several efforts since our meeting last December. In fact, they've held meetings in Cincinnati, St. Louis and Cleveland to take a look at both the near-term risk as well as the long-term strategic action we can take along those lines. He's held many program outreach meetings with stakeholders around the country in developing performance metrics for our system. So then once again when we budget for this, we can budget based on good solid data. We've prepared fact sheets for each of our projects that talk about the near-term risks and have also worked to develop a rating system for the risk.

In addition to that, we're forming a decision capacity within the Corps to evaluate the true value of our waterways. Now I say this but none of this is being done within the Corps solely. It's all being done with our stakeholders as partners. I encourage certainly the members of the Board to participate heavily in that effort with Mike and encourage others as well because we do want to establish some good hard defensible economic and associated benefits locally, regionally and nationally. Of course, we do pretty well in our feasibility studies in looking at national benefits, but we also want to look at and capture all of the local and regional benefits as well so that we can actually provide defensible decision information.

On the conditions and performance report, the Federal Highway Administration has done that and we're using that as the template, working with MARAD in developing that conditions report, and looking at the gap between present levels of investment and what is needed in the future. And MARAD staff has certainly suggested a general outline for that report, first a description of the current system where we take a look at the needs out there and then regional assessments of infrastructure across the regions. And then second, some system performance and analytical tools. Third, we want to look at the current levels of investment and then develop that gap of our needs for the future and then conclude with findings and recommendations on investments for that conditions and performance reports.

So again, the intent of that effort is to target investment decisions, to maximize our reliability and minimize our risk. So again, I'd ask that we all stay engaged in that effort and Mike will be on the net constantly with you to make sure you're informed and helping us participate in developing those two products.

We have several good presentations prepared for you this morning. I think they will be helpful for information purposes. I'd really like for dialogue with that as well. And with that, I'll turn it over, I guess, Mr. Secretary if you'd like to make some comments.

MR. WOODLEY: Thank you, Don and Norb. It's good to be back with you. I probably should start by saying a brief word about my status. You may recall I was appointed in August of '03 as a recess appointment to the Assistant Secretary position and then that by operation of law expired at the end of the last Congress. The President and the Secretary of the Army have honored me by asking me to remain in the capacity of Principal Deputy to the Assistant Secretary and the President has further honored me by resubmitting my name to the Senate for

the Assistant Secretary position which is now vacant and that nomination is pending. I had a hearing a couple weeks ago with the Congress or was it only last week?

GENERAL RILEY: Last week.

MR. WOODLEY: It was only last week with the Armed Services Committee. I had a very cordial hearing and that process will continue according to the procedures of the Senate and regardless so I'm performing those duties. I'm allowed by law as a Deputy Assistant Secretary and going to be certainly, if I'm confirmed, delighted to resume the Assistant Secretary role.

But in the meantime, it's a real privilege to be able to continue working with you and with my colleagues in the Army Secretariat and the great leadership of the Corps of Engineers and certainly Don and Carl Strock, it's a real privilege to be with you. I wanted to repeat something I always say and that is how much I appreciate, and the President appreciate, the voluntary service of the members of this Board in their capacity as advisors to the Secretary and to the Administration in these very important issues. The wisdom and expertise you bring to bear on this are very important to this nation. I am deeply appreciative of it and want to thank you for it.

Don, said a very words about our budget that we presented in the first part of February and the primary thing about our budget on the construction side is that it is intended to be performance-based concept on budgeting in that we're seeking to use our necessarily limited resources, prioritize them according to the economic performance of the opportunities for investment that present themselves across the board in our program. That includes deep water navigation channels, flood damage reduction, flood control, storm damage reduction and inland navigation.

I suspected when we began that process of ranking our potential investment opportunities by their performance, that in the navigation we would compete very well across the board. I think the outcome of that which is in our proposals that I'm sure you've seen bears out that belief very substantially and on that basis we are proposing a substantial increase in our investment in Fiscal Year 2006 in construction and major rehabilitation of inland waterway navigation facilities.

The process also resulted in a prioritization such that some projects that are not in the highest level with their performance economically are being suspended or at least studied for suspension with the idea that the resources would be devoted to the highest performing projects economically, to accelerate the time of their completion and therefore the time of their beginning to produce the benefits for which they were designed and justified to produce. So we will expect to accelerate completion and once a project is complete then if we retain the same level of budget authority over time, that budget authority for a completed project can be devoted to other projects to accelerate their completion.

So we believe that this provides us a rationale and a means of prioritizing the use of scarce resources in the very, very tight budget time and as General Riley mentioned, we were able through the budget process to actually get an increase in this year over what the President requested for our program in fiscal year '05. I believe that is a real testament to the value of

work that the Corps of Engineers Civil Works Program does across the board and certainly not least, in the area of inland waterway navigation.

So that's the biggest thing in my world right now. I'm going before the House Committee with the Chief of Engineers and General Riley next week. We will be answering all those questions and seeking to persuade them of the reasonableness of our proposed approach and certainly anxious to hear from the Board your views on the prioritization, with particular emphasis on the inland waterway navigation program. Thank you.

CHAIRMAN WHITLOCK: Thank you, Mr. Secretary. From a Board perspective, we wish you all the best and hope that your confirmation process proceeds with that as the ultimate outcome. We appreciate having someone on the Board that is very supportive of the mission that the Corps does from a navigation standpoint and who has a deep understanding of the value that the transportation system provides the nation and we wish you the very best. I think the first order of business that we need to address this morning is approval of the last of the Board meeting minutes. I would ask if there are any suggested changes or corrections to those. If not, do I hear a motion for approval of those?

(Motion made and seconded.)

CHAIRMAN WHITLOCK: All in favor'

(Chorus of ayes.)

CHAIRMAN WHITLOCK: Okay. The minutes are approved as submitted. The next item on our agenda, I would like to ask David Grier to provide us an update on the Status of the Inland Waterways Trust Fund. David.

MR. GRIER: Thank you, Mr. Chairman. Board members, you should have a copy of the Inland Waterways Trust Fund status report under Tab 3 of your notebooks. I also have some extra copies if anybody doesn't have their notebook or it's not in there. I believe it would be the second page in after the cover sheet.

Okay. We began 2004 with just about \$392 million as a balance in the trust fund. Revenues in '04 were about \$91 million and interest earned was almost \$7 million and then transfers to the Corps were \$117 million, which was an increase over the previous year by nearly \$16 million. So that was good for our Project Construction Program. We ended the year with a balance of \$372 million.

As we've gone into Fiscal Year '05, revenues so far through the fiscal year have been about \$19 million and interest just under \$2 million, so total receipts of about \$21 million which is about the same as last year. So far, transfers to the Corps have been about \$30 million. At this time last year, we were showing no transfers through December. So that indicates the construction program is proceeding. We expect to have transfers of about \$146 million from the trust fund to the ongoing construction program in FY '05. So that's a considerable increase over the \$117 million last year.

In terms of the trends and commodities, you can see at the bottom and on the second page a couple of graphs. Although total traffic has been up over the last year, grain traffic has been down considerably by about 21 percent, and this does generate a considerable portion of the revenues. That explains why the increase in the revenues is just marginal compared to the changes in total traffic volumes. The long haul grain movements that generate so much of the trust fund revenues have been down and may continue to be down in '05 due in particular to the high ocean freight rates that divert a lot of grain to the west coast by rail rather than to the Gulf by barge, as many of you gentlemen are well aware.

This decline in the end-year trust balance is the first two-year fall since '92 and it looks like the balance will fall again for this fiscal year. Any questions on the status report? Otherwise, I'll move to the trust fund analysis itself.

CHAIRMAN WHITLOCK: David, just a comment on the ocean freight rates. We are seeing that impacting the dry cargo sector of our business. The ocean freights out of the Pacific Northwest were favorable as opposed to the Center Gulf. The current spread is about \$24 to \$25 a ton out of the PNW. The indifferent point is about \$17 to \$18 a ton. The traditional spread has always been about \$7.50 to \$8 a ton.

So you ask yourself what's causing that and it's being caused by the huge amount of imports going into China, raw materials. In '04, they imported 26 percent of all of the iron ore and stainless and those types of raw materials and you see ocean freight, what is considered the Suez, the large ships, some of those big ships, upwards to \$90,000 to \$100,000 a day is the time charter rate on those and traditionally those are down in the \$20,000 a day range. Eighteen thousand dollars to \$20,000 a day range is traditional charter rates.

There is a lot of ship capacity under construction that is supposed to be coming online that will probably change these dynamics, but I don't see it changing until late this year or early in '06. So it is diverting. I know at one point last year there was an equivalent about 5,000 barge loads on an annualized basis that didn't flow through the Center Gulf that would normally have flowed in that direction. That is a reality that we're seeing right now and the global economy that we're all having to live in today, you push one things up one place and they pop up in a different direction. You wonder what's causing all these dynamics to take place. But it's reality.

MR. GRIER: Thank you. In terms of the trust fund analysis, there are four scenarios presented. The first is a baseline scenario that looks at the ten-year budget program for the ongoing construction projects as proposed and consistent with the President's budget. You can see in Tables 1A and 1B the results of the baseline analysis. Table 1A indicates which projects were included, principally, the ongoing construction projects at an accelerated pace for the highest return on investment projects including Olmstead, Mon 2-4, McAlpine, the rehab for Upper Miss 24 and the rehab at Emsworth, I'm sorry. That would start in '06.

But what happened also under the baseline scenario is a halt in construction at some of the other projects including Kentucky, Inner Harbor, and Chickamauga. Now that has impacts on the cash flows in the out-years and you can see what the balances do. You do have a trend

towards increased balances initially and then a decline as you go further out as the funding ramps up. Then the balance begins to grow again after about 2011. But the balances remain above \$200 million throughout the period because of the fewer projects that are under construction under this scenario.

Tables 2A and 2B show the capability construction program and these are the projects, first-off, just the ongoing projects are shown in Table 2A and the impact on the balance on Table 2B. This is before all the additional projects that are in the capability program. And in this case, just funding the ongoing construction at capability levels for all the projects, you see in Table 2A, the balance in the trust fund would be drawn down to zero by 2008. You can see that cash flow in Table 2B.

But in addition to those projects under our capability program, there are quite a few that show up in the queue in the ten year program and those are in Tables 2C and 2D. You can see the additional projects that are in the queue and were the funds available, many of those could be started as early as 2006 and 2007. But again, this would be very demanding on the trust fund balance and it would fall well below zero, over \$100 million in the negative, by 2008 with that very aggressive construction program.

Now Tables 3A and 3B present a modified capability program and this is just fitting in projects in the queue at a rate that would not allow the trust fund balance to go below zero. In that case, you can see in Table 3A that you push most of the newer construction starts out beyond about 2011 by the time you have sufficient balance to complete the ongoing construction projects and then allow you to start significant new ones. You could do some smaller new ones in the meantime such as the rehab at Emsworth, the channel realignment at Matagorda Bay and the rehab at Markland. But more expensive projects such as Chickamauga and Myers would need to wait until after 2011 to be able to fit into the existing trust fund balance. You can see what the cash flow does in Table 3B under that scenario, drawn down to near zero by 2012 and then basically just using the existing revenues as they come and keeping the construction program going at that level of around \$110 million to \$115 million.

Then the last scenario, Table 4, this is something that Board had asked to see in the past where the model is using a rolling average of the last three allocations for the principal, ongoing construction projects to see the impact of existing levels of funding if those had to be continued throughout the construction process. We've explained in the past that that rate of funding would be untenable for many of these construction contracts but for illustrative purposes, we've tried to show that here and how much longer it would take to build some of these projects if they could only be funded at the rate of the three previous years.

You can see there what that does to some of the construction project schedules. In particular for Olmstead, it would push it out to 2023 and Lower Mon 2018 and in particular, some of the ones that have had less funding like Kentucky and Inner Harbor would be pushed out way beyond 2020 or even 2040. But again, I emphasize these just for illustrative purposes and to give you an idea of the rate of funding that's been observed over the last three years for those projects, per the Board's request.

One other thing I was going to mention is there was an error in my numbers for the allocation for Marmet for '05 and I will have to redo the analysis to introduce that correct funding for Marmet which was under funded in the analysis. So that will show additional withdrawals in '05 to move the project forward a little bit faster than was indicated here. I'll send the Board those corrections right away.

CHAIRMAN WHITLOCK: Thank you, David. Are there any questions for David? I guess one comment, David, on Table 4 there. That's a very frightening scenario if you think about Olmstead. If it were stretched out 33 years, that would be mean lock and dam 52 would be well in excess of 100 years old before they were removed and the temporary lock at 52 which I helped write the economic justification and design, was involved in the construction of it, that was completed in December of 1970 was only designed and justified on an eight year economic life. It would be approaching well over 40 years old at that point in time, into the 50 timeframe. So these are very frightening.

Also, when you look at Mon stretching out, 2, 3 and 4 and that precarious condition and the deterioration of Lock 3 on the Mon River, to stretch those projects out like this is flirting with the possibility of creating closure on the river systems. If you lose a 52 or you lose the lower end of the Mon River, you effectively have lost this whole transport corridor and they affect not only the system but some of the things that Arlene pointed out earlier, handed out on a paper.

If you guys didn't get it, I'll make sure everybody in the Board gets it, but they've done a recent analysis which shows the amount of tons and ton miles that the offline rivers contribute and what percentage of those tons on offline rivers that are produced or of the main body and it's upwards to 63 percent, I think. Was it ton miles?

MS. DIETZ: Tons or about 68 percent.

CHAIRMAN WHITLOCK: Sixty-eight percent. Right. But it would have very significant consequences to the system as a whole if we had to live with this kind of funding and I think the recognition that Secretary Woodley and General Riley and others in the '06 appropriation is done as putting the monies to those projects that in order to accelerate the construction, in order to be able to capture the benefits that would be foregone by delaying these projects on a stretched out timeline like you see on this page.

So we're able to at McAlpine and Olmstead and places like that accelerate the construction so we don't run into these kinds of issues or potential issues. I think that is very good, good use of money. If there are limited resources, where do you spend it in order to get the biggest bang for the buck? So I think that's what as an industry have been saying and that's what we see the '06 budget reflecting this year which is very positive.

MR. WHITE: Mr. Chairman, I'd like to make a remark. We are managing risk at 52 and 53, the elongated construction schedule with Olmstead and certainly Dam 3 particularly on the Lower Mon. I can make available to you, Mr. Chairman, in the very near future some assessments we are making in the Pittsburgh District and Louisville District of how we're going to manage that risk to ensure that we have a plan to ensure that we can maintain that stability on those older

structures through the duration of this construction. If you would like to have that, we can certainly provide that to you.

CHAIRMAN WHITLOCK: Thank you, Mike. Any other questions?

MR. NOBLE: This is Scott Noble. Just a technical question, I know on a couple of these projections it shows the fund would go negative. Is there a prohibition or can the fund in fact go negative because when you look at these projections of where it goes significantly negative, it eventually does pull out.

MR. GRIER: My understanding is there is no mechanism to have it go negative. If the trust fund couldn't supply its share, then I'm not sure how that would impact the construction program. I don't think that's ever been addressed to my knowledge.

CHAIRMAN WHITLOCK: I'm not aware of any discussions. When the language in the Water Resource Development Act was being written, there was never any discussion about that that I'm aware of. I'm not sure how it would be handled. Okay. Next on the agenda, I would like Len Henry to talk about the Funding of the Navigation Projects and Studies.

MR. HENRY: Okay. Thank you, Mr. Chairman. You have in front of you a timetable. This timetable runs across five years. In the middle of the timetable, you'll see a vertical column of pluses that indicates where we are today in February and if you look at the top bar, you'll see that we're executing our FY '05 program. We're almost halfway through the '05 program executing it.

The second horizontal bar is our FY '06 program which we're defending in front of Congress. The bottom bar shows that we're just beginning to formulate the FY '07 budget. The districts are beginning to update their cost estimates and the benefit/cost ratios and so on, getting ready to develop the '07 budget. Does anybody have any questions on the timetable?

Okay. You also have in front of you another table that shows our studies and projects. Now normally, this table has O&M on it but I messed up a sort and a merge yesterday and I didn't have time to correct the O&M data, but I think I got all the corrections for the GI and CG data there. I think you're looking at good numbers.

Now before I go into this, General Riley said we have a performance-based budget for the Corps for this year. I'm going to talk about the construction general (CG) part of it. If you look at our budget for construction general, you'll see it's up about \$200 million from last year. Last year in FY '05, the President's budget was \$1.421 billion. Our budget this year is \$1.637 billion, a \$200 million plus increase. We got this in part because we're doing a performance-based budget.

What's a performance-based budget? We assign priorities to different aspects of our budget to bring online those projects that are most important, those having the highest return, the highest remaining benefit, remaining cost ratio and the highest safety aspects. In formulating

this budget, we funded at 100 percent funding level our dam safety projects. There were roughly ten or eleven of those.

Our next highest priority was put on those projects that we can complete. We have between 16 and 18. The number keeps fluctuating as you look at data. I think right now it's at 18 completion projects which bring our benefits online the soonest. We take this investment that we made over the last several years and complete the project and achieve our benefits.

The next group of projects is what we call our high priority projects. Those are the projects that have a remaining benefit/remaining cost ratio above 5.0. These projects we funded at the 80 percent plus level. What that means is that we funded all of our continuing contracts. If the continuing contracts drop the budget request below the 80 percent mark, 80 percent of our capability, we award a new contract or as many new contracts as we need to bring it up between the 80 and 100 percent range with the goal being that our high priority projects receive at least an 80 percent funding level.

The next group of projects that we have or the last group is those projects that have a remaining benefit/remaining cost ratio between three and five. Those projects receive funding for whatever continuing contracts they have in FY '06. That determines the funding levels of those.

When you add all those projects up that I've just described, you wind up with an FY '06 request of \$1.6 billion. Now in doing this, those projects that have a benefit/cost ratio below three, they fall out and there are 31 of those in construction general that are going to have to be terminated or suspended.

GENERAL RILEY: Now, Len, let me clarify that. I mean that list of 31 as described in the budget is to be considered for suspension. If it is less expensive to complete, then they will be completed.

MR. HENRY: Well, continued. Yes sir. That's right.

GENERAL RILEY: Right. So we still have to take a look at those now and see what the costs are to continue, complete, suspend or terminate.

MR. HENRY: Yes sir. I guess my point there was that they don't have a line item in the President's budget. Anybody have another other questions on our procedure and how we formulated the construction general budget for FY '06.

Now a similar process was used in formulating the general investigations (GI) and the O&M budget. Truthfully, I don't know enough about all the details on it to go explain all that, but the high priority projects were included in the budget and the lower priority ones were not included.

Going to the table if you look at the first page, you'll see the general investigations and the PED projects that we looked at here over the last year. You can see that we have one study

in the budget and that's Calcasieu Lock. It's in the budget for \$700 thousand in '06. As you go down in the middle of the table, you'll see that we have four PED projects in the budget in the grouping that lead to an Inland Waterway Trust Fund project. The next group down would show that we don't have any of the PED projects in the budget that lead to non-Inland Waterway Trust Fund projects.

Turning the page, we go into our construction general projects. What's noteworthy here is to mention that Kentucky Lock and the Inner Harbor Lock, projects that have been included in the budget over the last several years, were included in this group of 31 that we're not budgeting for. They have remaining benefit/remaining cost ratios below this 3.0 threshold and were not included.

If you go two-thirds of the way down to where you see it says 'Subtotal C, G and Inland Waterway Trust Fund,' if you look at the allocated for FY '05 column, you'll see that the number is \$294,761,000. Right along side is the '06 budget request for these projects and that's \$327,328,000 and what's significant about this is this \$294 number is reflective of all the Congressional adds for FY '05 and here in the President's budget, we have a larger number which would tell you pretty clearly that under this new budgeting procedure the projects that are cost-shared with the Inland Waterway Trust Funds are faring a lot better even though we lost two of them.

Now down on the very bottom, you'll see that the Inland Waterway Users Board took a slight hit. You lost \$15,000 of what you have historically budgeted. And that last page, we have our non-Inland Waterway Trust Fund projects.

MR. BASHORE: Len, could you go back that last point because I missed it?

MR. HENRY: That last comment?

MR. BASHORE: Yes.

MR. HENRY: On the very bottom, it says, 'Inland Waterway User Board.' Allocated for FY '05, it says, '36 to 145.' These have traditionally been budgeted at 45 and 180.

MR. BASHORE: Okay.

MR. HENRY: And these are after S&S numbers and I think there was a \$5,000 cut on the Board expense and a \$10,000 cut on the Corps expense.

CHAIRMAN WHITLOCK: Len, let me ask a question on the '04 allocation in terms of execution where you have a \$2 million - Let me get down here to the CG and Waterway Trust Fund. No, that's allocations. That's not going to do it. But I guess thinking in terms of '05 where you have \$294 million allocated, what do you anticipate as being the expenditure rate of the allocation in '05 and maybe the early question would be what was the performance of expenditure versus allocation in '04 or budget authority in '04?

MR. HENRY: For '05, I would expect that we would expend pretty close to what we have allocated for '05. For '04, I honestly don't remember. I think we expended something like \$140 million, but I'm kind of vague on it. I think we plused it up a little bit but I couldn't be positive. I don't want to tell you wrong.

CHAIRMAN WHITLOCK: But at the execution level from expenditure, you're still running what? Ninety-five percent? Is that fair on an executive basis from budget of 30?

MR. HENRY: Yes. Oh, 98.

CHAIRMAN WHITLOCK: Ninety-eight percent?

MR. HENRY: Well, yes.

CHAIRMAN WHITLOCK: Okay.

MR. HENRY: We spent a higher percentage of our construction general money last year than we've ever spent.

MR. STINGO: Mr. Chairman, Looman Stingo. And maybe, Leonard, I don't know if you can answer this question, but the Upper Mississippi Illinois Navigation study, it was basically complete. Does anybody have any comments about that?

GENERAL RILEY: As far as I know, the next phase is planning.

MR. STINGO: Okay.

MR. HENRY: Yes, you'll notice it's in there twice. Did you see that? It's in under the Studies Potentially Leading and then in the PED group below it.

GENERAL RILEY: Yes. Okay.

MR. STINGO: But the study is essentially complete, isn't it?

CHAIRMAN WHITLOCK: It's a feasibility study.

MR. STINGO: Feasibility study.

CHAIRMAN WHITLOCK: Thank you.

MR. HENRY: Did anybody have any other questions on the table about our budget?

MR. GROSSNICKLE: I have a question. Jerry Grossnickle from Bernert Barge Lines. These projects in PED potentially leading to a construction project of the trust fund, you did not include the Lower Mon project on the Snake River. I understand that's completed or just about completed the study phase. When does it get put into your system? Or has it been already?

MR. HENRY: Maybe it's been overlooked.

MR. GROSSNICKLE: Yes.

MR. HENRY: What's the name of this?

MR. GROSSNICKLE: Lower Monumental.

MR. HENRY: Lower Monumental. It probably has been overlooked. I'd have to go back and look.

MR. WHITE: Jerry, are you referring to the major rehab?

MR. GROSSNICKLE: Yes, the major rehab.

MR. WHITE: It is a major rehab and it is under study. So it's not been decided for funding yet.

MR. HENRY: Those don't go in until the major rehab before it is finished and approved. And then it is entered in the system.

MR. GROSSNICKLE: Thank you.

CHAIRMAN WHITLOCK: Any other questions for Len? Thank you, Len.

MR. HENRY: You're welcome.

CHAIRMAN WHITLOCK: Turning next to our agenda, I would call Mr. Navidi who is going to be talking about the Competitive Sourcing Study on the O&M side for Locks and Dams Operations.

MR. NAVIDI: Thank you, sir. Good morning. I'm Ray Navidi, Headquarters USACE and I'm the Competitive Sourcing Program Manager for the Corps of Engineers and I appreciate you inviting me. I'll give a brief overview of our competitive sourcing format.

For those of you who may not be familiar with the Competitive Sourcing, it is one of the initiatives on the President's Management Agenda. Then -- just added two more -- and strategic sourcing, but basically, every one of these agenda items were intended to make the government more efficient and provide services at a lower costs to the taxpayers.

Now I'm just going to concentrate on competitive sourcing which is what we are interested in. A lot of people, when we are talking about competitive sourcing, think that it's something that this Administration started and that is true. There was a lot of emphasis that was put on this thing back about five years ago when then Governor George Bush was on the campaign trail. He made a statement that he's going to open up the Federal Government to the

forces of the private sector, innovation, choices and competition and what have you and he stayed true to his promise and he did that.

But in fact, competitive sourcing started back in 1965 when then the Bureau of Budget issued the first guideline that had to do with contracting commercial activities of Federal Government. And every administration since then had something to do with competitive sourcing. So it is not really something new.

Now our competitive sourcing program. Several years ago, all other agencies were complying with the President's directive and moving ahead with that and frankly, the Corps of Engineers, we were sort of behind. We had not done anything along those lines and OMB, to be truthful about it, got our attention about three years ago. We got busy. We said, 'Okay, we'll come back and come up with a plan that is acceptable to you, OMB.' We did that.

We studied our organization, our mission, requirements, the workforce and came up with a plan that was acceptable somewhat by OMB. What we wanted to do was look at the organization as a whole and make sure that we're not going to lose our core competencies of the Corps of Engineers. The Corps of Engineers has a history of 220 years plus and we wanted to make sure that we were preserving those core competencies. That was one of the guiding principles of our plan.

Then additionally, unlike some of the sister agencies, we did not want to become a hollow contracting agency. That resonated with OMB because they know about some of the others. And also we were determined that we are not going to reduce the quality and quantity of services to the taxpayers, the nation and the Army. So all told, we told OMB that we can compete somewhere around 7500 positions, commercial-in-nature positions, over the next several years. Although OMB never did actually accept that as an acceptable plan, but sort of grudgingly, they said, 'All right. That is a plan. Move ahead.'

Here what I have, this is the way it breaks down in terms of the numbers. There's a total of 7500 you see at the bottom. Our first competition that was announced last year and it's underway right now, was for information management/information technology, but 1300 FTEs, positions, Corps-wide, followed by a smaller competition, Director of Public Works at two of our locations and then we have the rest of them, the next three that you see there, the Finance Center, Logistics, Management, and then the O&M of navigation locks and dams that are in preliminary planning stages. I'll talk about those a little bit more.

I'm sure that you're interested primarily on the O&M of Navigation Locks and Dams. Just going into the preliminary planning stage of this competition, we are looking at 2200 positions. That number is going to change as we go through the preliminary planning. What it will end up to be, I'm not sure at this point.

In doing the competitions in the Corps of Engineers, we came up with a set of operating principles. This 876 competition is a highly emotional issue. It is a regular, normal acquisition process under FAR, Federal Acquisition Regulations, but it is about people. So from day one, we wanted to make sure that you're maintaining openness and we are keeping these competitions

fair to all parties, private sector as well as government employees. And as I said because it is about our people as a project manager, I pledge that this is going to be a zero-defect process and implementation.

I was in the business of engineering. In fact, I'm familiar with lock and dam designs. Under my direction, I finished Winfield Lock. I did Robert C. Byrd Lock and Dam rehab, Marmet's planning and part of the design and I also served at one of our resident offices, Robert C. Byrd Lock and Dam.

When we are talking about people's livelihood, it is extremely important to us to make sure that everything is done as best as possible and as near perfection as possible. And above all, as I said, compassion for the workforce. We have a communications strategy. We talk to our people. We tell them the truth. We talk to them on a monthly basis with various means and above all, we let them take it off their chests and talk to us because as I said, it is about their livelihood potentially.

What I have here is just a few of the milestones for the O&M of navigation locks competition. As I mentioned, we are in the preliminary planning stage right now. The first item there, we started that this year, earlier, January '05 and we have a team of the best and the brightest. I have a list of names. I'll show them to you. One of them is over here right now today.

We expect to finish that preliminary planning by November of this year. Then following that, I cannot give you the exact date because that would be the public announcement if I told you that, but sometime in FY '06, we are actually going to notify Congress and officially start the competition for O&M of nav locks and dams.

We have a standard competition process. It's about 12 months, not about, exactly 12 months under the revised OMB, Revised 876 Circular. But we are going to request an extension that is allowed, six month extension. So the competition is going to take about 18 months to complete.

Finally, sometime in FY '07, there will be an award of contract if it goes to private sector or what we call letter of obligation that is if in-house workforce comes out ahead and is the winner. Then following that, there will be six to 12 months of transition to the end stage where the future service providers will take over.

Now I guess that question is what does that mean to you and how does that relate to you? First of all, it should be seamless. It should be invisible to you in terms of services and what we are doing for you. That is our number one priority and we are going to stick with that. Now it is going to mean more efficient operation at reduced cost because after all, that is the bottom line. That is what competitive sourcing is all about.

Now just to give you some statistics, but please don't hold us to that, this is a matter of public record. Competitions within DoD and other agencies have resulted on the average anywhere from 25 to 40 percent savings. I'm not going to say that's going to be the case here,

but going into it, these are the kinds of statistics that we are looking at and also another interesting tidbit is that 90 percent of all the competitions have been won by the government actually. But still the end result organization is more efficient because they just simply have to become more efficient to be able to compete with the private sector.

And that last bullet, that is something really critical that we have to realize that. Regardless of what happens, we are not giving up the responsibility for our projects and our operation. We are still responsible for those things. This is not privatization. We need your help. We need your input. As we are going through the preliminary planning, we would like to have participation by some of you, representatives, because it is really important for us to hear from those people who we serve and our stakeholders.

The second bullet there, the performance work statement, that is the key to the whole competitive sourcing and competition. That is the one document that lays out the requirements of what is it that's going to have to provided, what types of services. These slides are going to be made available to you and that one is key to a successful competition. That's when we are going to need your input, really need your input.

Now we have a process in place already that I'm going to talk about for just a bit. Those names, maybe some of you are familiar with some of those folks. I just want to mention that our team leader is Ken Shoemaker who's over here. He's chief of our operations in Rock Island and we have a number of other folks that are working with him and reach out there and touch them and talk to them.

Take away: competitive sourcing, number one, it's really not a bad thing. I've heard some horror stories. If you don't do it right, you have problems from the perspective of government employees, the in-house workforce. Just last month, FAA announced that they lost a huge competition, 2500 positions, to Lockheed Martin, I believe it was, for the operation of their flight control centers at 58 locations. And the tidbit that I'm hearing is that '- Well, I think it could have been done better. It could have gone the other way, but I can't get into the details here.

And again, competitive sourcing is not about contracting out. People say instead of calling it competitive sourcing they call it competitive outsourcing and that is really not sitting too well with the workforce. It is competitive sourcing, not contracting out or privatization. We are not giving up our responsibilities. We are not abdicating our responsibilities.

From our people's perspectives, it really does provide an outstanding opportunity for them to participate. This is an unbelievable opportunity. When you put together the government's team to come up with the organization, they are free from the chain of command, the organizational hierarchy. They are not responsible to a single individual and organizations and they are after what they can do, how they can put their organization together to come out ahead. That is really critical.

As I said, we do need your input. That sums up what I have to say. I know there are a lot of details that we cannot go into. In competitive sourcing under 876, there are strict firewalls

that exist. Even within the organization, the teams are separated by firewalls. They all have their own set of consultants, legal, human resources, contracting and it's not just a regular acquisition process like I said.

There is the Headquarters website that you can go to and there's a bar that says 'Competitive Sourcing' that you can click on and get some more information. There's my email address there. Please feel free to contact me. Just let me know what you think and a telephone number there too.

CHAIRMAN WHITLOCK: Any questions for Ray? Ray, I guess one question. As you're in the formulation stages at this point, who are the potential, I mean, have you begun discussions with any group at this point on the outside or has it all been mainly focused internally at this point?

MR. NAVIDI: There have been no discussions with outsiders primarily because as I said, there are firewalls and what we discuss, what this group is doing is putting together the template or the framework for this competition. You have to be careful in how much of that information you put out because they are, like I said, protected by firewalls.

What we are formulating here eventually is going to be put on the website, but in terms of discussions with outsider, we have consultants, of course, that are working with us. And we do go out and seek information but there are restrictions as to how much you can discuss in terms of what you're thinking about, how you're going to group these activities, the scope of it because those are all privileged information.

CHAIRMAN WHITLOCK: Have there been any groups or entities like a Lockheed Martin or someone expressed interest in looking at this as a competitive bidding opportunity?

MR. NAVIDI: Not yet simply because it's too early and those folks who might be interested, they know the process and they know that until you've completed your preliminary planning, you don't even know what it is that you're going to put up for competition exactly. But once, like in the case of our information technology, we are putting out next week our performance work schedule, the specifications. That's when those people are going to be really interested and we've been getting a lot of calls from them trying to get more information from us. That's when they really know what is in the scope of this contract.

CHAIRMAN WHITLOCK: I would say from an industry perspective since we have a partnering relationship in that we're funding 50 percent of the new construction projects the industry would certainly like to participate in any formulation of how if it goes public or if it goes '-

MR. NAVIDI: Either way.

CHAIRMAN WHITLOCK: Either way, how the service levels may be impacted as it relates to the movement and flow of commerce up and down the waterway system.

MR. NAVIDI: Yes, sir and that's why we need you and like I said, we need your participation. There are certain formalities that they have to go through signing those nondisclosure statements and what have you, but other than that, we welcome that and we need it. And this is the time to get involved.

GENERAL RILEY: Let me pursue that a little bit. What is their mechanism to engage the industry, I mean, when you put together that team that develops the performance work statement? That's where you'll get to the prescribed levels of service. Will we notify the industry to say, 'Okay we're in the development of this to volunteer your services' or how will we do that?

MR. NAVIDI: This is the first time that we've had an opportunity, sir, to bring this up and request feedback and participation, but we had not done that because first of all, we just started in January.

GENERAL RILEY: Sure. But we're invited them to participate. Will it be another year before that time period comes when they do it? Six months?

MR. NAVIDI: No, sir. We would like participation now with us.

GENERAL RILEY: In developing what? Performance work statement?

MR. NAVIDI: When we are formulating our preliminary planning which is really the basis for the performance work statement, defines the parameters. This is the time to get engaged and provide input.

GENERAL RILEY: Okay. So you're going to get word out to them or Mike on how they can become engaged. We need to do that clearly. Throw something at me if I go too far astray, but for instance, you mentioned levels of service. We do have some locks that are run under contract on the Red River right now. Different levels of traffic on the Red than there is on the Ohio or Mississippi for instance. You can physically run a lock with one person under ideal conditions.

Less than ideal if you get weather or fog or increase in traffic or large numbers of vessels, so how do you then describe the right level of service depending on the type of lock, location of lock? That's where I think I personally would like the industry input in that. Do we need a man walking along with the barge taking the ropes or can we rely on the barge operator, so those kind of things that I'm not expert at but you all are where we really need your input. So when we put that performance work statement out for competition, we have it described, prescribed, pretty well what the expectations of the level of service is.

MR. NAVIDI: You're right, sir. Exactly and that's really something that if you left it up to the government in-house workforce again keeping in mind that they're, let's just face it, fighting for their survival. They are going to put together a bid that is as economical as possible. So the service level and all that are going to be impacted.

Now the customer then is going to have to come in and say, 'Now wait a minute. That's not what we want.' As you notice on the schedules, sir, we have a formal process for that where we put the performance work statement out for the customer, what we call customer review and comments, and we did that for IT. Of course, that was mainly in-house because the customers are in-house.

And also we have formed, and we will do that for this competition too, a formal customer review group that all along review the performance work statement and get feedback. This is in addition to participation during the development of the PWS. But again, once things come together, the customer is going to look at it.

Now keep in mind that this is not a silver bullet and we are not going to ask for things that we are not getting now. In other words, there is no betterment. That was not the intent of the competitive sourcing, but just the financial savings that you will be realizing otherwise why would you do competitive sourcing. You're bound to see some improvements.

CHAIRMAN WHITLOCK: For one member of the industry, I would say that you can certainly count on us to participate as an industry group very heavily whether it's part of the membership here or whether it's through some of the other organizations that we have in the industry whether it's the River Industry Executive Task Group or whatever. You can count on the industry participating very heavily with you as you march down this path.

MR. NAVIDI: Thank you, sir.

MR. WHITE: Let me just say one thing. It is extremely important, Norb, as Ray indicated relative to the preliminary planning team that's headed by Ken Shoemaker who's the Chief of Ops at Rock Island who's been mentioned to input things that you think are important, relative, just efficiencies that the industry sees so that we might consider those things going forward. It's not only the scope of work that's critical but it's also as we think about how we can become more efficient. Your ideas, I think, would be very much appreciated in that process.

CHAIRMAN WHITLOCK: Ken.

MR. SHOEMAKER: Hi. I think probably the best point for input into the planning team, we have periodic meetings and I think what I'm going to suggest for not the next one but possibly the planning team meeting after that we have maybe a half day discussion group with industry on how we're proceeding, and some of those things that you have some good positive input for us and that will probably be in the March/April timeframe.

MR. NAVIDI: We'll work with Norm to get something firmed up and get something going on that.

CHAIRMAN WHITLOCK: Thanks, Ray.

MR. NAVIDI: Thank you.

CHAIRMAN WHITLOCK: Next on our agenda is Mike Kidby who will be addressing the Infrastructure Initiatives and Activities. Mike. Mike, before you get started, I would like to request that, Ray, your slides, would you make those available as part of the minutes and provide them to each of the Board members'

MR. NAVIDI: Of course.

CHAIRMAN WHITLOCK: Thank you.

MR. KIDBY: Good morning, Mr. Whitlock and General Riley, Mr. Woodley, Board members, staff support, Federal observers and guests. I wanted to give a brief update on some things that we have been working on, we within the Corps and with the Users Board and there are three items that I'll be talking about.

Okay. We've known for a number of years that we have some problems out there with our existing infrastructure. General Riley asked us last fall if we could come up with the number of emergency closures that we've had of our infrastructure in the last five or six years. So we went back to 1999, asked the field to help us with that and I have some information to share with you on that.

I gave Norb, General Riley and Mr. Woodley a notebook and in that notebook is the summary spreadsheet for this particular topic, the Infrastructure Emergency Closures. It described each of the 205 that we came up with. I will commit to providing the Board members with an electronic version of that. There are 24 pages and I individually folded the pages into those notebooks and I didn't want to do that for the number of books I'd have to prepare.

The second topic is major rehabilitation projects that are in the queue and we've talked about that before. What I wanted to do is share with you a little bit more information on that. This again has a spreadsheet that I will give to you electronically so that you have that to look at, but it described in the presentation.

The third item is risk and reliability assessments. In January this year, both in Cincinnati and St. Louis and then in Cleveland, there have been discussions about risk and reliability, a process coming up with a priority and I have some information and that was also handed out. Then there are some upcoming activities just to be bring to your attention if you're aware of them.

Getting into the infrastructure emergency closures, let me tell you what this list contains and what it doesn't contain. This information was provided by the divisions and the districts from 1999 to the year 2004 by division. I have the information in the spreadsheet by waterway, by district, by year and the costs for the repairs here that were accomplished at the time or that remained to be accomplished because of funding constraints.

This list includes only the projects that were closed for a day or longer. The reason that I did that was there were a lot of closures less than a day. One of the districts gave me a notebook

that contained 218 closures, 30 of which were equal to or longer than a day. So we're like the tip of the iceberg with this summary.

This does not include emergency dredging, normal channel dredging. It relates specifically to the infrastructure. It does not include emergency closures for weather conditions where the Coast Guard or the Corps stops operating the project because of rising water or ice or other conditions. It does not include hydropower because that is being dealt with in other ways that I didn't want to confuse the results of this table. It does include locks and dams. It includes flood damage reduction reservoirs and it includes some coastal and other projects.

But as you can see in the year 1999 if you look at the table over on the right-hand side, there were 21 closures. In the year 2004, there were 44. I wanted to show it to you in tabular form and then show you on a line diagram what it looks like and this is by division. I wanted to also show you how it breaks out for just lock and dam structures. In 1999, there were 14 closures. In the year 2004, there were 35. So it's even a greater disparity starting that period and ending that period. I mentioned the total closures including reservoirs and all the others was 205. Lock and dam closures were 151 during that period. This is the other way of showing '- Yes, Norb.

CHAIRMAN WHITLOCK: The top line there seems to be reverse for some of those. I mean the top line shows an index of Northwest Division. It appears to be ?-

MR. KIDBY: The very top line is total.

CHAIRMAN WHITLOCK: Oh, is it'

MR. KIDBY: The second line that you see with the diamonds is LRD. There's a yellow line that indicates MVD. I'm color blind so I can't give you colors for the rest of them. But there's a symbol over at the right that corresponds with it. Some of the ones that are bouncing along at the bottom there, they're barely on the radar screen. Okay. I'm sorry.

CHAIRMAN WHITLOCK: That's all right.

MR. KIDBY: Looking at total costs for these closures, some of the problems in this tabular form deal with dam issues, stability and that kind of thing, and they're not related to lock and dams. But the total for construction general is \$109 million. The impact to O&M for all of these closures was \$142.9 million for a grand total of \$251.9 million.

The reason I summarized it this way is that when this happens, when we have these emergency closures, money that's been planned for other activities at these projects to keep them in operation and keep them maintained has to be diverted to handle the closures. And it's not the just the Corps that's impacted. It's the carriers, the shippers and the end users during the period that these repairs have to be made.

Looking at locks and dams, taking out all of the reservoirs and all the other non lock and dam issues, \$26 million were expended. CG money, \$121.9 million. For O&M for \$147.9 million. Again, this impacts all of us.

Going to the second tab in the three notebooks that I gave you, the tabular form, the first sheet is the information that we talked about back in December at our last meeting. We had a priority working session in New Orleans in mid January, the same week that we had risk and reliability in St. Louis and Cincinnati, and we handed those forms out.

The first one is a tabulation that shows Priority New Work. These are projects for which a major rehab evaluation report has been completed and approved, but there has been no funding allocated to them. They're waiting for funding.

The second is Continuing Major Rehab. These are projects that have been started and as Len Henry discussed and Dave, too, these are things that are underway that are affected by our funding level, but they are underway. The numbers that you see, the single star and the two stars, we formed a Headquarters team. It was Mike White, Engineering Operations people, to look at all of these major rehab projects. We had our division and district online. We were talking about these and this was the prioritization that we had Headquarters came up with within each of these categories and there's one more category that we have some of the priorities for.

So in priority new work, you have one through four because there are four projects there. The two stars next to it, these are the projects that we feel are the five most important projects either that need to be funded or that have been funded that need to be completed. I've provided you a handout that describes each of those five and it starts out with Emsworth, Markland, Lock & Dam 27, Lock & Dam 24 and Lock & Dam 19. That was part of the handout for the Board members.

The third category under Major Rehab is those major rehabs that are under consideration. They're being evaluated to determine whether they meet the major rehab funding threshold and whether this is the appropriate way to deal with them with the issues there and again, we did prioritize those at Headquarters based on the input that we got from the field.

The fourth category there, Major Rehabs that Need to be Considered, these are part of a larger either a system study or a segment study that is under construction or is underway that need to be pulled out and evaluated because there are problems at these particular projects that need to be dealt with now because the project has not been constructed or completed.

Risk and reliability assessment, this is as you can see there a risk-based analysis. We invited key stakeholders to be involved and participate in the meetings. This is a watershed or system-based approach. We had a meeting in LRD that covered all of the main stem of the Ohio and tributaries. We had a meeting in St. Louis that dealt with the Mississippi, Illinois and other tributaries. The goal is to find ways to spend available funding on the existing infrastructure where it will reduce risk, increase reliability and provide the best return for the investment and I've mentioned the meetings that we've had there.

We have the process now and you have a handout that lists from top to bottom the priorities that were established in Cincinnati and in St. Louis starting at the highest priority first on the first page. The other MSCs will be asked to develop this same process or go through this same process to look at the waterways in their divisions and districts to do the same thing. So we have an evaluation regionally that will help us manage the monies that we have to reduce risk and improve reliability.

Upcoming events, March 8th and 9th, the National Waterways Conference is conducting a 2005 budget summit. That's here in Washington, D.C. March 15th through 17th, the Inland Waterways Conference will be held in Nashville, Tennessee and March 23rd and 24th, we're going to have the Third Navigation Performance Measures Workshop in Springfield, Virginia and you are invited to attend that as well. Any questions?

MR. GROSSNICKLE: Mike, Jerry Grossnickle. A little question. On the Northwest District, very few emergency closures. It might have the fewest of all of the states. Yet it had the second highest expense. Can you tell us why that might be?

MR. KIDBY: Because the severity of the repairs that needed to be done.

MR. GROSSNICKLE: Was that the John Day?

MR. KIDBY: John Day. I have the list, but John Day had '- In fact, I will pull it out here. Just a moment. John Day had two instances where it was taken offline for major repair, one of them dealing with a cracked monolith, the other one with the gate issue. Just a moment here. The monolith cracking was \$17 million in repairs and the upstream lock gate wire rope failure \$4.5 million in repairs. Damage done to the gate, damage to the wires, pulleys, all of the operating system.

We found that there were some bits of information as we looked at these closures that we don't have or haven't been collecting until just recently. We've always been concerned about the number of tow boats, tows, that were held up when we have these closures, but we haven't concerned ourselves too much about the shippers or end users.

We are now very concerned about gathering that information as well because that tells a major part of the story. We discovered that at Greenup with the things that happened there and you know some of the things that have happened since then. We need to gather that information. Some of our districts are gathering very detailed information on the specific repair timing. Others, they have one account and whether the person is maintaining the lock features or repairing damage, that's all one number. But the time spent to repair, we need to capture that better and we have a way of doing that through our FEM system.

MR. GROSSNICKLE: Mike, one more question.

MR. KIDBY: Yes.

MR. GROSSNICKLE: On our Snake River-Columbia River system, we have been experiencing quite a number of closures that I don't think are captured in your emergency closures stats and nor are the closures that are added on to our two normal two-week outage period. It's been extending year after year for more than two weeks. I was wondering if those are captured because they are doing repairs of infrastructure rather than maintenance.

MR. KIDBY: I relied on the PO to give me the information and I explained what needed to be included. If they didn't, then I need to get back to them and see if they can give me more details. I will.

MR. WHITE: I'm pretty sure, Jerry, that we have a survey of the Northwest for five years. I'm pretty sure that we have that in there, but we'll certainly be willing to talk to you during the break and reconcile it and get back with you.

CHAIRMAN WHITLOCK: Any other questions for Mike?

GENERAL RILEY: Mike, in any way do we have data at all that captured costs to industry or the regional economy of any emergency closure?

MR. KIDBY: The more recent ones, we are capturing that information. We sent out a best business practice message under Mr. White's signature. We asked the field to gather that kind of information. They need to go farther than just the towing industry. They need to find out what it did to the region and to the local area.

MR. WHITE: Sir, let me just update you and Mr. Woodley. We are looking into this now and we have some things that we need to talk to you about and present to you as to what the cost level would be to get this kind of information, but this is real serious business. I was with Scott last week or the week before in Cincinnati and MEMCO was telling me just how close we came relative to coal supplies on the Ohio with Bellville incident.

So I mean we really don't have a good way now to capture this information of what the real impact is and of course, do you buy a Cadillac or a Ford and we have to have a dialogue with General Riley and Mr. Woodley as to what we might do. I think really it's going to come down to some industry assistance on this as to how badly do we want this kind of information.

CHAIRMAN WHITLOCK: I think one of the things I note on the McAlpine closure last summer, Waterways Council, Inc. commissioned a study to assess the impact and they contacted all the shippers in the valley throughout the system that had products that were going to be flowing through McAlpine to assess what the impact was. But I would submit to you that the one area that didn't get captured as an impact is the fact that you had it closed for ten days and the fact that the industry or the shippers in some cases preshipped because they had sufficient warning or the fact that they had to make up tonnage because of the closure.

You in effect create an artificial demand both before and after that ends up tightening the supply/demand side, which causes rates because at that point in time, you were close to a balance

from the supply/demand side. You artificially create higher rates during that period of time because the demand is artificially greater than what it is if it's steady-state so to speak.

So that's an economic impact that never gets captured as what happens to the shipper that ends up having to pay a higher rate against cargo moved during that period of time. Generally, what you're looking at is how much delay time did we as an industry incur as an economic impact or in some cases like WCI did go to the shipper and asked, 'Did you have to take it another route? Did you have to take your product by rail? What did that cost you? Or what is the extra inventory that you had to have in place prior to the closure? What did that cost you?' But there's a component in the economics I don't think is being captured at all.

MR. KIDBY: I think that another reason that we haven't been able to capture this kind of information in the past is that some of it is proprietary and there are few enough shippers on the waterways that they don't want to reveal what their product is and providing the information to us could expose them to us.

CHAIRMAN WHITLOCK: Okay. Arlene.

MS. DIETZ: I just wanted augment something that Mike had said in response to the gentleman from the Northwest. We do capture the downtime, all the downtimes, at the locks, the hydropower units and that is available in our Corps of Engineers database.

What Mike was referring to in this presentation were those that were just captured under emergency and that particular identification is not in our regular database. Hence, they did a special call going from our databases to identify which was emergency, but the scheduled and the unscheduled and the causes are in the Corps of Engineers' standard and national databases.

CHAIRMAN WHITLOCK: Okay. We're now at point on the schedule where it calls for a break. We're running slightly behind, almost 15 minutes. So let's limit it to about 10 minutes max and try to be back here ready to go by somewhere near 10:55 a.m. By 10:50, we'll start back and we don't have a lot of remaining items. I don't know what the weather's like out there for those who might have to out of the city. Thank you.

CHAIRMAN WHITLOCK: As another item of business, we have not had any indications this morning that we have members of the public that would like to make a statement at the end. If you do, please pass your name to Anne Sudar sitting up at the table in front of the speaker podium.

Okay. The next item on the agenda is a discussion of our 2005 Board's Annual Report. I guess maybe there are a couple of things that we need to do here. One, maybe I would like to just summarize briefly some of the key points in the report. There's been a task group that has worked. Many of the members of the Board have participated in meetings with Gerry Brown and others. Unfortunately, I was not able to attend those.

But as the Board did last year, they have recommended that they have what they call 'capstone projects.' These are what they feel are the top priority projects and strongly urges

Congress and the Administration to support completion of these in a very timely manner at full efficient funding levels.

As we've seen in the 2006 President's budget, the President's budget basically mirrors our capstone recommendations and that is rehabilitation of Lock and Dam 19, Lock and Dam 27 rehab and the sufficient funding at McAlpine and Olmstead. The other high priorities for construction and major rehab at what we would call the tier two would be Inner Harbor, the Mon River 2, 3, 4, projects, Marmet, Kentucky and Lock and Dam 11 which is a rehab project.

We also identified two other projects which are very near completion and that's Lock 24 and Lock and Dam 3. We feel that funds should be provided so that we can get those completed. There was also the whole issue of trying to provide the language and I don't know whether it's doable but I think we will be that way from Waterway Council, Inc. and that is to try to, you know, when projects are authorized at 14 foot.

I know one of our Board members, Jerry, over here raised the issue about the projects particularly in the Pacific Northwest authorized the 14 foot or not being maintained to the authorized channel depth and that's resulting in loading to shallower depths. We have language in the report. Instead of 'authorized,' we're trying to get it changed to 'mandated' as referring to navigation projects.

The other one, a very contentious issue, that's been going on is the Missouri River. The Missouri River again as we are very much aware of in the Midwest, is continuing to suffer through another very dry year with lack of snowfall in the Upper Basin of the Missouri as well as in the Plains meaning that the runoff is going to be below the average runoff. I think system storage historically is that they would like to have is about 57 million acre feet. I think I remember reading a document last week it's somewhere in the range of mid 30s, 35 to 37, somewhere. Does that sound right, Mike?

SECRETARY WOODLEY: Norb, it's lower. Both those numbers are lower. Fifty-four is the first number, but the other number which is significant today is more like 33 to 34.

CHAIRMAN WHITLOCK: Is it? So you're talking about a continuing issue of releases. You're going to see continued debate between the Upper Basin states and the Lower Basin states as we move forward on those issues.

SECRETARY WOODLEY: Let me, I'm sorry. I apologize. I think it's very important for everyone who is concerned about navigation on the Missouri to appreciate that I say 34. You must recognize that at the point at which during any year in which as of March 15 checkpoint, the storage is below 31. According to current Master Manual that was issued by General Grisoli last year, we will not release to support navigation in the ensuing navigation season. That has never happened and if it rains, it will not happen. If current trends continue, it will happen.

CHAIRMAN WHITLOCK: I think the significant point though is we are at a historic low. It's lower than what we experienced back in the '88 through the late '80 timeframe when we were having droughts during that period. This is an all-time low of levels for the Missouri Basin at

this point. So that is a potential impact. It could impact particularly during the low flow season and while navigation on the Mississippi may not be authorized project purpose, the reality of the situation is that it can significantly impact navigation on the Mississippi in the low flow season.

We have language in there that is talking about mandating flows but that's an issue. Missouri River, while we'll push for that, I think everybody needs to understand that the impact of the Missouri River is a bigger issue than all of us in this room know.

The operation and maintenance is an area that we want to continue to support the Corps' effort for increased level of maintenance funding. Somehow or another in the operation and maintenance if you have like \$600 million or I think I saw in your recent report of navigation it was something like \$660 million, does that sound right, was the backlog for navigation.

MR. WHITE: It's in that neighborhood.

CHAIRMAN WHITLOCK: Maybe we need to try to encourage Congress to do a phase program of X million dollars a year over a five year period or a six year period in order to work this backlog down. You can't fund \$600 million in one year. You couldn't probably execute that kind of program anyway. So how do you get it started and do it in a phased approach, but that would be a recommendation for you.

I think, getting back, we know that there's been some concern expressed about low-use waterways and it was like the comment that I mentioned earlier. We feel that as an industry one has to protect the low-use waterways, the tributary waterways, with appropriate funding levels, because as the data sheet from 1999 to 2003 average on inland waterway, tributary time represented about, as Arlene mentioned earlier, 68.7 percent of the total tons.

You could look on the tributaries, but it's like you take your house and you start pruning a tree. If you can prune it back far enough, then your whole tree dies. So many of the tons and ton miles, you're looking at 56 percent of the ton miles on the system come from tons that are moving off the tributary waterways. So the tributaries are the important lifeline, arteries that feed the main system. So everyone, we as an industry, when you have the opportunity to meet with Congressional interests, we need to talk about the importance of those tributary waterways. Now, yes, there may be some segments of the waterways that you do that, but we need to be very strategic in whatever actions we take.

And I think the other issue is we applaud the effort that Mike White and his team are doing in addressing the potential for catastrophic failures, looking at the risk of projects and trying to apply the dollars that may be available to address those highest needs first. I think that's a very significant effort that Mike and his team are leading at this point and we appreciate that.

So that's kind of the executive summary of the projects that we intend to include in our report this year. I guess, talking to Gerry Brown, Gerry views the report as being probably 97 to 98 percent complete and we still have to include some photographs. I would ask that maybe Mike Kidby or some of the guys twist some of the arms in the districts, if we do already have

those, for good photographs to include in the report that describes some of the conditions and in particular, major rehabs, why we need the rehab. A picture is worth a thousand words and the districts that have the major rehab projects provided a picture describing the condition which needs to be addressed and I think that would be good.

I think the action or the purpose today is we need a resolution from the Board as to whether or not the report because, has everyone had an opportunity to review whether they vote in favor with the certain modifications or how they want to address that? Scott, do you have any comments'

MR. NOBLE: Yes. Perhaps this is a bit late, but on further reflection, I think in terms of maybe it's in the executive summary what we've failed to do is maybe appropriately acknowledge and thank the Congressional Appropriations level that it is highest than it's every been. I know thinking of who are our audience is here, I think it's worth recognizing that in fact we've made real progress and certainly in terms of the Administration's budget, it's at a much higher level than we've had for a period of time.

Sometimes when you're asking for money, it's good to acknowledge that I think we've made real progress and it looks like a concern that's been expressed in the past as what we've known as slippage in savings, that while sometimes the level is at proposed level that is quite high often times that doesn't in fact get spent. I think we want to continue to encourage this high level of spending.

I know I mentioned earlier asking if in fact the fund could go to a negative number. I look at it from the standpoint that we've had significant surplus. Yes, we earn interest on that money, but at the same time, I think these projects are so important that I think it's worth investing at as fast a rate as we can. So again, just a comment, I'd like to see some acknowledgment that we are showing progress on these points and to the extent that it can be done without significant disruption to the production of the report, I'd like to see that.

CHAIRMAN WHITLOCK: I think a comment along that line both Congress and the Administration particularly with the '06 budget, that is recognizing that the '06 budget reflects the priorities of the Board and we appreciate it. Yes, Dean.

MR. OAR: Norb, are you going include photos of just the capstone projects or also the high priority projects'

CHAIRMAN WHITLOCK: I think we'll include photos of all of it, but I think we'll try to include photographs of some of the key projects that help tell the story as to why it's important that we fully fund certain projects to advance them and why it's important we do major rehab to forego a catastrophic failure. We won't put photos in for everything, but I would say maybe the capstone projects as a minimum as well as some of the rehabs.

MR. OAR: I would ask that you include a photo or two of Lock 3. We provided them. They're in this list of extra photos. This one with the Corps insignia on it that has the three pictures and all that, that's actually a pretty run-of-the-mill photo. But the other one that was included, this

one here, that actually shows a piece of concrete that had fallen off the walls, they are visible when you do work, I would ask that this please be included.

CHAIRMAN WHITLOCK: Okay. Do any of the other members have comments on the report or further recommendations?

MR. STINGO: I don't have any. Looman Stingo. I don't have any further comments other than a question as to what is our timing now we would hope to complete and then in previous years, we've talked about some formal presentation of the report. I don't know if that's ever had any further discussion on that.

CHAIRMAN WHITLOCK: In talking to Gerry, Gerry's thoughts were that we try to reach a consensus view with the report today, that we try to go final and have the report final by no later than the middle of March, early March to mid March. I did not spend any time talking about presentations. As in the past as Norm Edwards mentioned just a second ago, there's generally a transmittal letter that's prepared that we send both to the House and the Senate. We send it to Mr. Woodley, his office, that transmits a copy of the report.

I would suggest at that point that we also arrange a meeting with WCI to make sure that WCI is fully appraised of all the issues. Maybe a group could meet with WCI to go over those because when we go to the Hill, we all need to be talking about the same sheet of music.

MR. STINGO: Thank you.

MR. BUESE: Norb, this is Mark Buese. This is probably a nit with the appendix A, the last sentence of the first paragraph talking about the deficit reduction tax. We probably should update that point for the phase-out with the deficit reduction tax.

CHAIRMAN WHITLOCK: Great. Any other comments? Okay. Hearing no other comments, do I hear a motion from the Board to accept the report in its draft form as submitted as the final subject to the several weeks that we have discussed and have provided to Anne and to Mark and those?

PARTICIPANT: So moved.

CHAIRMAN WHITLOCK: Second?

PARTICIPANT: Second.

CHAIRMAN WHITLOCK: All in favor?

(Chorus of ayes.)

CHAIRMAN WHITLOCK: Okay. Very good. At this point, do we have anyone, a member of the public, that would like to make a statement?

MS. SUDAR: I have one. Lynn Muench.

CHAIRMAN WHITLOCK: Lynn Muench representing the American Waterways Operators.

MS. MUENCH: Good morning, Secretary Woodley, General Riley and the Board. I just have a few quick questions. First of all, I would like to thank the staff of the Corps for some great presentations this morning and offer AWO's service when you go through the competitive sourcing to look and see and getting the right members at the table.

Next I'd like to talk shortly about the Missouri River which as those of you who know me know it's one of my passions and also would like to thank the Corps, especially General Grisoli for his leadership in the Fish and Wildlife Service to the table so that the river didn't close last year and we have an opportunity to really have some very good collaborative work with the Fish and Wildlife Service over the next few years.

The problem is that it looks very likely that this year the river is going to be closed for 61 days early and unless we get a lot of rain, it's going to be closed entirely next year. Obviously, this is a problem for those who are trying to ship on the Missouri River and really bring back some reliability to that river.

But it's an even bigger issue for the Mississippi River. Those of you who know at the time of the year when this will be closed probably this year, that's a major export season and it could really harm the entire economics of the entire Midwest. So I go to Mr. Whitlock's comment that it's unfortunate when they created this Master Manual did not look at the impacts on the Mississippi River as much as they should have especially considering the judge ruling that it was for all downstream uses including the Mississippi River. I think at one point we're going to end up with a lot of trouble because as you look at your priority and capstone projects, if there's no water in that middle Mississippi, the upper Miss. and the Illinois really doesn't matter much.

The other thing that the Corps has asked for again and again is some science to really relook at some of the endangered species issues and I think from an industry perspective we would really like a list from the Corps of what they think they need not only so that we could perhaps finance some of that stuff, but also go to the appropriate agencies within the U.S. Government and the states to look for some of that science.

The other thing that's troubling about the Master Manual is indeed if the million acre feed is at 31 or below next March 1, our season is over and there is no way to recover if all of a sudden the skies open and there's a lot of rain. I think that needs to be relooked at because as everyone saw in '93 and '97, those reservoirs fill up awfully fast and there has to be some way to react to that if by July 1 or June 1 that the reservoirs are full or near full.

Moving on, there are two things talking about some commerce that we'd like to keep moving. I'd like to thank General Riley in particular for his help with the fish barrier. For those of you who don't the Coast Guard almost shut down that very important navigation area that connects the Great Lakes to the rivers a couple months ago. He was instrumental in bringing

some real live common sense to that and thank you very much, General. We look forward to working with you to make sure we can keep that area open.

The other thing is I'd like to thank Mike White. As we move forward, we're looking with the recent high water really looking at the whole system and look at ways for the Corps, the Coast Guard and industry to work together during extreme events of high water and low water. We're hoping that this will make future things that happen like did last month a while lot more common sense and we can keep more of the commerce moving.

Last, I would really like to encourage the Board to take a new step and spend a lot of time on Capitol Hill and with the Administration with these reports this year. It's an excellent report. I know you guys have put a lot of work into it. But sending a nice letter with a book to Congress just gets put on a file and also to the Administration.

I think you need to go in there. You guys are experts. You're leaders in your industry to really go forward and sell your plans and not just with Congress, but with a lot of the Administration. I think a nice visit to OMB would be useful, a visit to MARAD and the Department of Agriculture and any other people that you see as real allies in this Administration and this Congress. Thank you.

CHAIRMAN WHITLOCK: Thank you, Lynn. Are there any other members of the public wishing to speak? Any of the Board members have any comments or statements they would like to make?

MR. NOBLE: Norb, this is Scott. If I understand it, we get a copy of the minutes from the meeting as we prepare for the next meeting. Would it be possible to get that much sooner? There is information in there that I know would be of interest and of value to me. So if we could get that much in advance of instead of just announcing the next meeting.

CHAIRMAN WHITLOCK: Good point. General, any final comments?

GENERAL RILEY: Thank you, Mr. Chairman. Thank you for your work and all your efforts and the time you spend doing this. This is critical and I really appreciate your partnership with this as we put in place some of these initiatives to try to better articulate the challenges that we have and whether we can make our budget even more defensible.

CHAIRMAN WHITLOCK: Thank you. I would like to thank you and Secretary Woodley there for your time. I know you guys have a very busy schedule and I appreciate the amount of time you're able to spend with us in our deliberations. We're always willing to help wherever we can. As you do say, we do have a very close partnering relationship with the Corps of Engineers and your interest or our interest in many cases were very aligned. Anne, do you have a final comment?

MS. SUDAR: I just wondered if we might talk about the next meeting and maybe make a general plan on when and where so that we can get the arrangements made early.

CHAIRMAN WHITLOCK: Norm and I were just talking about that. What I'd like to do is touch base with Gerry Brown as the chairman and see what his recommendations might be. But we were talking about maybe a July timeframe subject certainly to the availability of General Riley's schedule and we would certainly welcome Secretary Woodley to participate as he has in our recent meetings with us as well.

MS. SUDAR: Well, the other factor is if we had it in Minneapolis, then Mr. Brown could attend for sure.

CHAIRMAN WHITLOCK: July is a good time to go to Minneapolis. I wouldn't recommend going today.

MS. SUDAR: Okay. The other thing I would like to add is that we do plan to produce a trifold handout with the highlights of the Board report that you can use to promote it even further and easier. It's just a one-page, double-sided folded in three. So we are planning to do that also. If anybody has any strong feelings about any of the other photos that I passed out, please let me know positive or negative.

CHAIRMAN WHITLOCK: Okay. Maybe we ought to set a date here to get final comments in on the report for Anne. Would you suggest a date a week from today?

MS. SUDAR: A week from today, March 3rd.

CHAIRMAN WHITLOCK: Final comments? Any editorial comments or any other input that you may want, March 3rd is the deadline. Okay. Very good. Any other business? If no other business, then the meeting stands adjourned. Thank you all for attending.

(Whereupon, at 11:24 a.m., the above-entitled matter concluded.)

Appendix A

List of Participants

Inland Waterways Users Board Meeting No. 48

Attendance List for Inland Waterways Users Board Meeting No. 48		
Name	Key	Affiliation
Tim O'Connor	Nav Industry Rep	National Grain & Feed Assoc.
Capt. Roger L. Parsons	Fed Observer	NOAA
Jerry Grossnickle	Board	Bernert Barge Lines
Michael Kidby	Corps	USACE HQ
Selvin McLean	Coast Guard	U.S. Coast Guard
Deane Orr	Representing Mr. Stovash	CONSOL Energy, Inc.
Arlene Dietz	Corps	Navigation Data Center
Looman Stingo	Board	Holcim (US), Inc.
Mark Buese	Board	Kirby Corp.
Ray Navidi	Corps	USACE HQ
Moya Phelless	Nav Industry Rep	National Mining Assoc.
Norman Edwards	Corps	USACE HQ
Anne Sudar	Corps	USACE IWR
Doug Svendson		WCI
Scott Noble	Board	Ingram Barge Co.
Kenn Shoemaker	Corps	USACE
Brian Sullivan	Corps	USACE HQ
Nick Marathon	Federal Observer	U.S. Dept. of Agriculture
John Higgins		The Corps Report
Elvyn Darden	XO to Fed. Observer	ASA(CW)
MAJ Hugh Darville	XO to Exec Director	USACE HQ
Michael Gordon		MARAD
Maggie Blum	Federal Observer	MARAD, DOT
David Grier	Corps	USACE IWR
Lynn Muench	Nav Industry Rep	American Waterways Operators
Len Henry	Corps	USACE HQ
Norb Whitlock	Board	ACBL
LCDR Conrad Theroux		US. Coast Guard
Charles Haun	Board	Parker Towing
Karl Hahn		U.S. Dept of Agriculture
MG Don T. Riley	Corps	USACE HQ
John P. Woodley, Jr.	Federal Observer	ASA (CW)
Jeanene Nieberding	Corps	USACE IWR
Michael White	Corps	USACE HQ
Marla-Jo Bonuccelli		DA Committee Manager

Appendix B

**List of Board Members, Federal Observers,
And U.S. Army Corps of Engineers Support Staff
As of February 24, 2005**

Inland Waterways Users Board Members
(as of February 24, 2005)

Board Chairman

Mr. Gerald W. Brown
Cargill Marine and Terminal, Inc.
Minneapolis, Minnesota

Board Vice Chairman

Mr. W. Norbert Whitlock
President and COO
American Commercial Barge Line Company
Jeffersonville, Indiana

Board Members

Mr. D. Bryan Bashore
Vice President
Peabody COALSALES Company
St. Louis, Missouri

Mr. Mark R. Buese
Senior Vice President
Kirby Corporation
Houston, Texas

Mr. Jerry Grossnickle
Chief Financial Officer
Bernert Barge Lines
Portland, Oregon

Mr. Charles A. Haun
Executive Vice President
Parker Towing Company, Inc.
Tuscaloosa, Alabama

Mr. Mark K. Knoy
President
MEMCO Barge Line, Inc
Chesterfield, Missouri

Mr. W. Scott Noble
Senior Vice President
Ingram Barge Company
Nashville, Tennessee

Mr. Looman Stingo
Senior Vice President of Logistics
Holcim (US), Inc.
Waltham, Massachusetts

Mr. Ronald G. Stovash
Senior Vice President
CONSOL Energy, Inc.
Pittsburgh, Pennsylvania

Mr. Royce C. Wilken
President
American River Transportation Company
Decatur, Illinois

Inland Waterways Users Board
Designated Federal Observers
(as of February 24, 2005)

Captain Roger L. Parsons
Office of the Coast Survey
National Oceanic and Atmospheric Administration
Silver Spring, Maryland

Dr. Barbara C. Robinson
Deputy Administrator, Transportation and Marketing Division
Agricultural Marketing Service
U.S. Department of Agriculture
Washington, DC

Ms. Margaret Blum
Maritime Administration
U.S. Department of Transportation
Washington, DC

Mr. John P. Woodley, Jr.
Assistant Secretary of the Army (Civil Works)
Washington, DC

Inland Waterways Users Board
U.S. Army Corps of Engineers Representatives
(as of February 24, 2005)

Major General Don T. Riley
Executive Director, Inland Waterways Users Board
Director of Civil Works
U.S. Army Corps of Engineers, Headquarters
Washington, DC

Mr. Norman T. Edwards
Executive Secretary, Inland Waterways Users Board
Civil Works Planning Division
U.S. Army Corps of Engineers, Headquarters
Washington, DC

Ms. R. Anne Sudar
Executive Assistant, Inland Waterways Users Board
Institute for Water Resources, Navigation and Water Resources Applications Division
U.S. Army Corps of Engineers
Alexandria, Virginia

Mr. T. Fred Caver, Jr.
Deputy Director of Civil Works
U.S. Army Corps of Engineers Headquarters
Washington, DC

Mr. William Dawson
Chief, Civil Works Planning Division
U.S. Army Corps of Engineers, Headquarters
Washington, DC

Mr. Michael White
Chief, Civil Works Operations Division
U.S. Army Corps of Engineers, Headquarters
Washington, DC

Robert F. Vining
Chief, Civil Works Programs and Project Management Division
U.S. Army Corps of Engineers, Headquarters
Washington, DC

Mr. Robert A. Pietrowsky
Director, Institute for Water Resources
U.S. Army Corps of Engineers

Alexandria, Virginia

Mr. David V. Grier
Institute for Water Resources, Navigation & Water Resources Applications Division
U.S. Army Corps of Engineers
Alexandria, Virginia

Mr. Michael F. Kidby
Chief, Navigation Section, Civil Works Operations Division
U.S. Army Corps of Engineers, Headquarters
Washington, DC

Mr. Leonard Henry
Chief, Eastern Branch, Civil Works Programs and Project Management Division
U.S. Army Corps of Engineers, Headquarters
Washington, DC

Appendix C

Inland Waterways Trust Fund Status and Analysis

By Mr. David V. Grier

U.S. Army Corps of Engineers, Institute for Water Resources

Inland Waterways Trust Fund Status Report
 Prepared for Inland Waterways Users Board Meeting No. 48
 Washington, D.C., February 24, 2005

Status (\$ Million) Trust Fund Component	Status	Prior Year	Net Change	Percent
Begin Balance FY 2004:	\$391.6	\$394.1	-\$ 2.5	- 0.6%
Revenues FY 2004:	\$ 90.8	\$ 89.5	+\$ 1.3	+ 1.5%
Interest FY 2004:	\$ 6.9	\$ 9.5	-\$ 2.6	- 27.4%
Transfers to Corps FY 2004:	\$117.3	\$101.6	+\$ 15.7	+ 15.5%
END BALANCE FY 2004:	\$372.1	\$391.6	-\$ 19.5	- 5.0%
YTD Dec 04 vs. YTD Dec 03				
Revenues YTD	\$ 18.9	\$ 18.7	+\$ 0.2	+ 1.1%
Interest YTD	\$ 1.7	\$ 1.9	-\$ 0.2	- 12.3%
Total Receipts YTD	\$ 20.6	\$ 20.6	+\$ 0.2	+ 10.7%
Transfers to Corps YTD*	\$ 30.2	\$ 0.0	-\$ 30.2	- --
BALANCE YTD	\$362.5	\$412.2	-\$ 49.7	- 12.1%

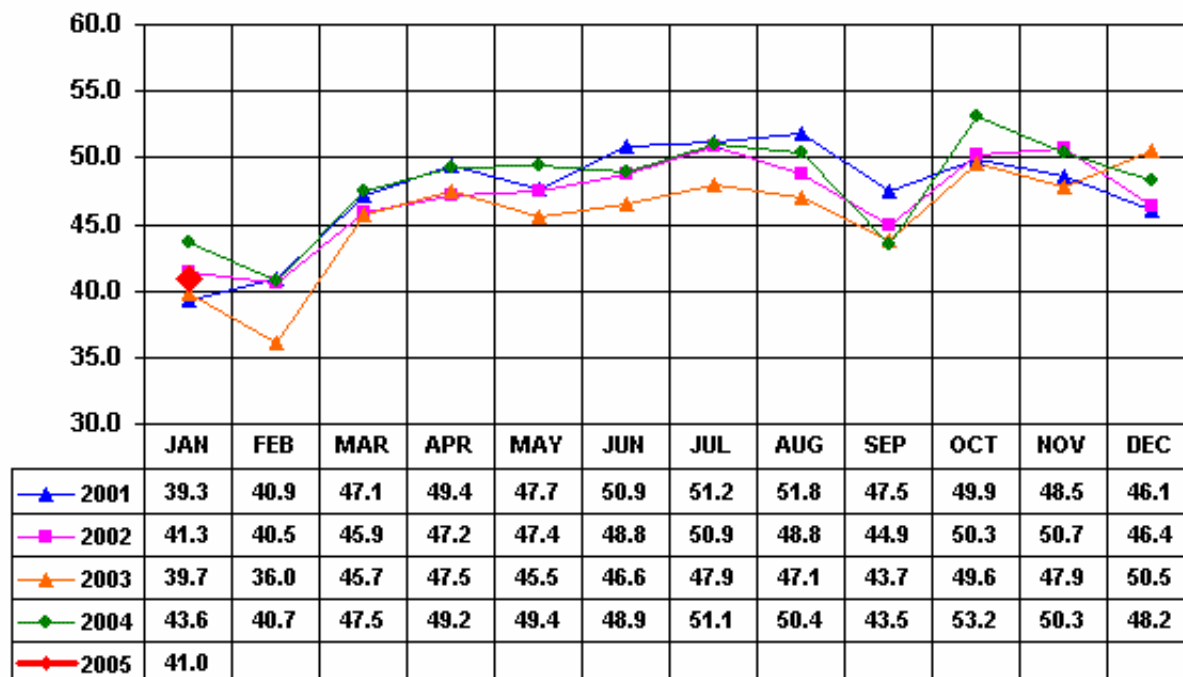
*Actual transfers from total authorized level.

Comments

- Year over year thru December 2004 (Estimated by WCSC):
 - Total commerce: + 5.2%
 - Coal: + 5.5%
 - Petroleum & chemicals: + 1.3%
 - Grain: - 20.8%
 - Other: + 32.8%
- Ocean freight rates reached record levels in Feb 04 and have remained high, shifting grain exports to PNW.
- Decline in end-year IWTF balance is first two-year fall since 1992.

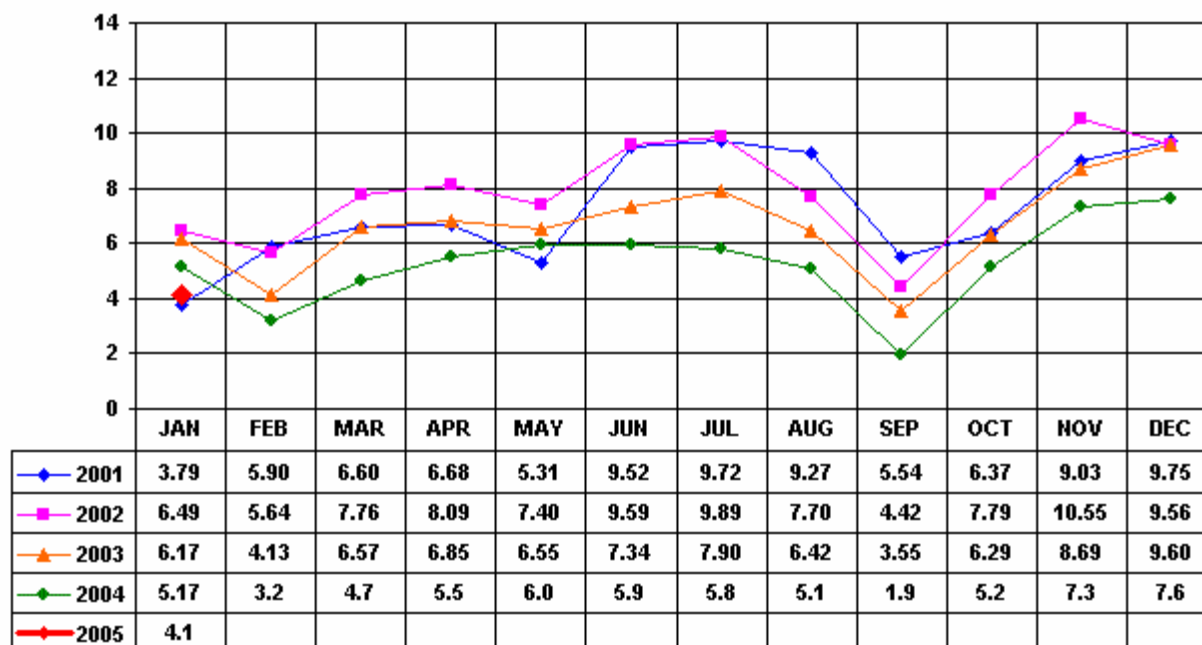
All Commodities

Monthly Tonnage Indicator for Internal U.S. Waterways



Farm and Food Products

Monthly Tonnage Indicator for Internal U.S. Waterways



**ASSESSMENT OF ALTERNATIVE ASSUMPTIONS
OF OUTLAYS AND REVENUES
FOR THE INLAND WATERWAYS TRUST FUND**

**Prepared for the
Inland Waterways Users Board**

**Meeting No. 48
Washington, D.C.
February 24, 2005**

QUALIFYING STATEMENT AND DISCLAIMER:

This document presents revenue, outlays and balance projections for the Inland Waterways Trust Fund based on specified assumptions of growth in receipts and inflation, Treasury forecasts for interest rates and Corps of Engineer forecasts of potential outlays. These projections are for macro-planning purposes only. No final determination of the economic justification or environmental acceptability of projects, no final decision on the cost, size, or location of future projects shown, and no Administration or Corps of Engineers commitment to request funds to proceed with potential construction are implied with this analysis except for projects under construction or proposed for construction in the President's Budget.

U.S. Army Corps of Engineers
Institute for Water Resources

February 2005

INLAND WATERWAYS TRUST FUND ANALYSIS

Prepared by the Institute for Water Resources
February 16, 2005

Background

The Inland Waterways Trust Fund Analysis is prepared using a macro template developed with the commercial spreadsheet software "Lotus 1-2-3" and adapted to run in a "Windows" operating environment. Dr. David Martinelli at West Virginia University developed the template, or "Trust Fund Model", under contract to the Institute for Water Resources.

The Trust Fund Model is a cash flow analysis spreadsheet designed to show the impacts to the Inland Waterways Trust Fund of changes in annual levels of funding for Corps of Engineers navigation projects. Anticipated outlays by year for each project now under construction, or proposed for construction, are entered into the model. A base year starting balance is entered from Trust Fund statements received from the Treasury Department. Generally, the ending balance for the most recent complete fiscal year is used. Assumptions are also made as to the Trust Fund revenue growth rate, inflation and interest rates. The model allows the user to then analyze the impact to the Trust Fund balance of a mix of projects under construction, authorized, or planned.

An analysis of the current status of the Inland Waterways Trust Fund is provided to the Users Board at each of its meetings. The intent is to provide the Board with an additional tool to accomplish its mission to provide inland waterway investment recommendations to the Secretary of the Army and to Congress.

Assumptions for the Current Trust Fund Analysis

Construction Program Scenarios

The following analysis of the Inland Waterways Trust Fund has been modified from the December 2004 presentation to the Board to reflect FY 2005 project construction allocations and the President's FY06 Budget Request and the associated 10-year program. The analysis examines four alternative funding scenarios:

- 1. Tables 1a and 1b: Ceiling Program (Baseline) Scenario.** Project cost and construction schedules are based on information provided in the Corps of Engineers' 10-year funding program, adjusted to reflect FY 2005 allocations and the FY 2006 Budget Request. The scenario assesses schedule and Trust Fund impacts of funding ongoing construction projects at Baseline levels.

Highlights: Ongoing construction projects are funded at the Baseline level consistent with the President's FY 2006 Budget Request and overall budget ceiling guidelines in the 10-

year program (Table 1a). Major rehabilitation of Emsworth L&D on the Ohio River would be added to the program in 2006. This is the only proposed new start in the Baseline program. However, additional major rehabilitation work at Upper Miss L&D 3 is not funded after 2004. Additional major rehabilitation work at Upper Miss L&D 11 is not funded after 2006 (funding was added Congress in the FY 05 appropriation). And, most notably, **an indefinite halt in ongoing construction is proposed at Kentucky, Inner Harbor, Chickamauga and Myers after 2005**. But other projects would be funded more robustly than in previous Baseline scenarios presented to the Board.

Based on FY 05 allocations, the Trust Fund balance is projected to fall to \$353 million by the end of FY 2005, then continue to fall as construction expenditures are weighted toward the out-years under the Baseline scenario (Table 1b). The balance would fall to a minimum of \$237 million in 2009 and then begin to increase. **Olmsted** and the rehab at **Upper Miss 24** would each be completed a year earlier than in the last analysis presented to the Board. Other projects are completed along Baseline schedules previously presented, except for the discontinued projects. No restart for those projects is assumed in the 10-year Baseline program.

2. **Tables 2a – 2d: “Capability” Program Scenario.** Assesses the anticipated project cost and construction schedules, for ongoing and proposed projects, if sufficient Federal funding becomes available to proceed at “Capability” levels consistent with the ability of Corps districts’ for project execution. The Capability scenario has been updated for actual FY 2004 expenditures by project, FY 2005 allocations and FY 2006 Capability levels, including new major rehabilitations that would be added to the program.

Highlights: The results of the Capability Program were assessed for two groups of projects – ongoing projects only (Tables 2a and 2b) and all projects showing up in the 10-year Capability program (Tables 2c and 2d). Optimum funding at ongoing projects would shorten the construction schedules for Lower Mon 2-4 by three years and would continue funding for Inner Harbor, Kentucky, Chickamauga and Myers (Table 2a).

<u>Project</u>	<u>Capability Completion</u>	<u>Baseline Completion</u>
Lower Mon 2-4	2010	2013
Inner Harbor	2016	Further work omitted
Kentucky	2017	Further work omitted
Chickamauga	2011	Further work omitted
J.T. Myers	2012	Further work omitted
Upper Miss 3 Rehab	2007	Further work omitted
Upper Miss 11 Rehab	2009	Further work omitted after 2006

However, with the robust level of funding at the Capability level, the model shows *the Trust Fund would be depleted by 2009 for just the ongoing projects (Table 2b)*.

Additionally, the full portfolio of projects that would be initiated over the 10-year Capability program also includes numerous new starts, many of which could proceed in 2006. These include new construction starts at Matagorda Bay, GIWW – High Island to Brazos, Bayou

Sorrel, and Greenup, as well as major rehab starts at Lockport, O'Brien, Markland and Cannelton, in addition to Emsworth (Table 2c). Funding all these important new starts and major rehabs at Capability levels would quickly deplete the Fund by 2008 (Table 2d), indicating a less robust funding program would be necessary to maintain the integrity of the fund.

3. Tables 3a and 3b: Modified Capability Schedule to Avoid a Trust Fund Deficit.

This scenario reflects a combined look at funding ongoing construction at Baseline Ceiling levels (including ongoing projects proposed for halting in the FY 2006 Budget Request), then adding candidate new projects from the Capability program at a rate consistent with avoiding a deficit in the Trust Fund.

Highlights: Table 3a shows the list of candidate projects and the estimated start year and completion year. As noted in the discussion of the Ceiling Baseline program, ongoing projects have increased in cost, and funding levels are weighted toward the out-years, drawing down the Trust Fund late in the decade. Under this scenario, only a few relatively low cost projects could be started through the remainder of the decade to avoid a Trust Fund deficit. These include the proposed new start for a major rehabilitation at Emsworth, and a major rehab at Markland, both on the Ohio. The rehabs of Upper Miss Locks 3 and 11 could also be resumed and completed, and new construction channel realignment at Matagorda Bay on the Texas GIWW could be accomplished. Larger scale projects could not be funded until about 2011-14 and beyond, including further work on new chambers at Chickamauga and J.T. Myers and major rehabs at Lock 27, Cannelton, O'Brien and Lockport. *[It should be noted that structural integrity concerns at Chickamauga might require an earlier completion date than suggested by this funding sequence].* Additional projects would need to wait until 2015 or later, including new chambers at Upper Miss Locks 22, 21 and 25, Bayou Sorrel, and Greenup, and channel improvements along the GIWW. Other projects could then follow by 2020 and beyond, including other Upper Miss locks, LaGrange and Peoria on the Illinois, and other channel and lock rehab work on the Texas GIWW. The pace of additional projects is driven by the Trust Fund balance, which falls nearly to zero by 2012 and then remains under \$100 million until after 2025 (Table 3b).

4. Table 4: Ongoing Projects Funded at Current Average Levels. This scenario looks at the impact of funding the ongoing construction projects at the very constrained levels of the recent years. The Board in previous meetings and in its annual report to Congress has noted the Baseline schedules indicate substantial increases in construction funds during the out-years at many projects (Tables 1a and 1b). The Board questioned whether these anticipated increases were realistic, considering past funding constraints. Table 4 attempts to gauge the impact to project construction schedules if outlays were ultimately held to the average allotment level of the past three years (FY 03-05). Principal funding levels used for this scenario include:

- Olmsted: \$41 million
- Lower Mon 2-4: \$36 million
- McAlpine: \$48 million
- Kentucky: \$23 million
- Marmet: \$43 million
- Inner Harbor: \$13 million

FY04 Expected	FY05 Baseline	Completion with Funding at
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Project	Completion	Completion	“Constrained” Levels
Olmsted	2014	2013	2023
Lower Mon 2-4	2013	2013	2018
McAlpine	2008	2008	2008
Kentucky	2012	Halted	2027
Marnet	2010	2009	2010
Inner Harbor	2012	Halted	2044

Under this scenario, the delays in project completions range from no change in the case of McAlpine, up to over 30 years in the case of Inner Harbor (by which time that project would be 120 years old). Assuming 3% inflation, the combined total cost of these projects would increase by over \$860 million, as shown in Table 4. It needs to be recognized that such funding levels are clearly **not viable** as projects enter peak construction periods and would have to be increased in order to meet contract requirements. But the impact of such theoretical funding levels is shown here for illustrative purposes only.

Revenue Assumptions

Trust Fund revenues were about \$91 million in FY 2004, and growth of 1.3% annually is assumed thereafter, based on projected growth of inland waterway commerce.

Issues and Discussion

The 10-year Capability program is intended to highlight project construction capabilities at the level of Corps districts with responsibility for those projects. It is recognized that funding all ongoing and candidate construction projects at Capability levels is not realistic. In addition, many projects included in the 10-year program are in early or intermediate planning stages that may or may not lead to an economically justified and environmental sound project that would ultimately be authorized. Therefore, the Capability program funding stream should be viewed simply as a planning tool to define hypothetical expenditure limitations of the Trust Fund itself.

In addition, issues related to safety and structural integrity at individual projects may require that these projects be initiated at an earlier start date than shown here. These projects may include Chickamauga and a number of proposed major rehabilitations throughout the system.

**Table 1a: Inland Waterways Trust Fund Schedules
Projects Funded Only at Baseline '05 Ceiling Levels
(Feb 05)**

Project	Start Year	End Year	Construction Duration (Years)	Total Trust Fund Draws with Inflation (\$ Million)	Total Project Cost w/ Inflation (\$ Million)
R Byrd	1987	2007	21	191.6	383.2
Winfield	1989	2007	19	118.0	236.0
Olmsted	1991	2013	23	700.0	1400.0
Mon 2-4	1995	2013	19	328.1	750.0
McAlpine	1996	2008	13	175.0	350.0
UM 24 Rhb	1996	2007	12	43.4	87.6
Kentucky *	1996	*	*	78.6	639.7
Marmet	1996	2009	14	166.5	333.0
UM 3 Rhb *	1998	*	*	2.2	48.8
Inner Hbr *	1999	*	*	58.1	622.5
UM 11 Rhb	2002	2006	5	5.9	31.2
Chickamauga *	2003	*	*	10.1	310.0
UM 19 Rhb	2003	2007	5	12.1	24.2
JT Myers *	2006	*	*	0.0	227.0
Emsworth Rhb	2006	2010	5	68.2	136.4

* UM 3 Rehab not funded after 2004 under Baseline. Kentucky, Inner Harbor, JT Myers and Chickamauga not funded after 2005 under Baseline. IWTF expenditures shown for these projects are through 2005.

**Table 1b: Inland Waterways Trust Fund Cash Flow
Projects Funded Only at Baseline '05 Ceiling Levels
(Feb 05)**

Year	Estimated Outlays	Tax Revenues	Interest Earnings	Year-End Balances
	(\$Millions)			
1990	117.3	62.8	26.2	292.8
1991	148.6	60.5	21.2	225.9
1992	122.7	69.9	13.7	186.7
1993	74.5	78.6	7.5	198.3
1994	75.7	88.4	9.3	220.2
1995	94.8	103.4	13.3	242.1
1996	85.5	108.4	15.6	280.6
1997	89.5	96.4	17.0	304.6
1998	76.9	91.1	18.3	337.1
1999	88.2	104.4	16.0	369.2
2000	102.4	99.6	20.0	387.8
2001	120.3	102.6	20.9	390.9
2002	104.5	95.3	12.4	394.1
2003	101.6	89.5	9.5	391.6
2004	117.3	90.8	6.9	372.1
2005	128.9	92.0	17.9	353.1
2006	165.3	93.2	19.5	300.5
2007	161.8	94.4	16.8	249.9
2008	122.1	95.7	13.9	237.4
2009	111.4	96.9	14.4	237.3
2010	81.6	98.2	13.6	267.5
2011	60.4	99.4	15.4	321.9
2012	23.0	100.7	18.5	418.1
2013	18.5	102.0	24.0	525.7
2014	0.0	103.4	30.2	659.3

**Table 2a: Inland Waterways Trust Fund Schedules
Ongoing Projects Funded at Capability '05 Levels
(Feb 05)**

Project	Start Year	End Year	Construction Duration (Years)	Total Trust Fund Draws (\$ Million)	Total Project Cost (\$ Million)
R Byrd	1987	2007	21	191.6	383.2
Winfield	1989	2007	19	118.0	236.0
Olmsted	1991	2013	23	701.0	1400.0
Mon 2-4	1995	2010	16	348.1	750.0
McAlpine	1996	2008	13	175.0	350.0
UM 24 Rhb	1996	2007	12	43.4	87.6
Kentucky	1996	2017	22	319.9	639.7
Marmet	1996	2009	14	166.5	333.0
UM 3 Rhb	1998	2007	10	16.6	48.8
Inner Hbr	1999	2016	18	311.3	622.5
UM 11 Rhb	2002	2009	8	15.6	31.2
UM 19 Rhb	2003	2007	5	12.1	24.2
Chickamauga	2003	2011	9	155.0	310.0
JT Myers	2006	2012	7	113.5	227.0
Emsworth Rhb	2006	2010	5	68.2	136.4

Projects reflect Capability Schedules regardless of TF balance available. Trust Fund outlays for programmed amounts, while totals may include remaining outyear balances not yet scheduled for expenditure.

**Table 2b: Inland Waterways Trust Fund Cash Flow
Ongoing Projects in the 10-Year Capability '05 Program
(Feb 05)**

Year	Estimated Outlays	Tax Revenues	Interest Earnings	Year-End Balances
	(\$Millions)			
1990	117.3	62.8	26.2	292.8
1991	148.6	60.5	21.2	225.9
1992	122.7	69.9	13.7	186.7
1993	74.5	78.6	7.5	198.3
1994	75.7	88.4	9.3	220.2
1995	94.8	103.4	13.3	242.1
1996	85.5	108.4	15.6	280.6
1997	89.5	96.4	17.0	304.6
1998	76.9	91.1	18.3	337.1
1999	88.2	104.4	16.0	369.2
2000	102.4	99.6	20.0	387.8
2001	120.3	102.6	20.9	390.9
2002	104.5	95.3	12.4	394.1
2003	101.6	89.5	9.5	391.6
2004	117.3	90.8	6.9	372.1
2005	128.9	92.0	17.9	353.1
2006	214.7	93.2	19.5	251.1
2007	244.2	94.4	14.0	115.4
2008	212.0	95.7	6.4	5.4
2009	212.3	96.9	0.3	-109.7
2010	220.3	98.2	0.0	-231.8
2011	160.3	99.4	0.0	-292.7
2012	96.0	100.7	0.0	-287.9
2013	72.6	102.0	0.0	-258.5
2014	46.4	103.4	0.0	-201.5
2015	27.6	104.7	0.0	-124.4
2016	28.9	106.1	0.0	-47.2
2017	6.6	107.5	0.0	53.7
2018	0.0	108.9	3.1	165.6

**Table 2c: Inland Waterways Trust Fund Schedules
All Projects in the 10-Year Capability '05 Program
(Feb 05)**

Project	Start Year	End Year	Construction Duration (Years)	Total Trust Fund Draws (\$ Million)	Total Project Cost (\$ Million)
R Byrd	1987	2007	21	191.6	383.2
Winfield	1989	2007	19	118.0	236.0
Olmsted	1991	2007	23	701.0	1400.0
Mon 2-4	1995	2007	16	348.1	750.0
McAlpine	1996	2007	13	175.0	350.0
UM 24 Rhb	1996	2007	12	43.4	87.6
Kentucky	1996	2007	22	319.9	639.7
Marmet	1996	2007	14	166.5	333.0
UM 3 Rhb	1998	2007	10	16.6	48.8
Inner Hbr	1999	2007	18	311.3	622.5
UM 11 Rhb	2002	2007	8	15.6	31.2
Chickamauga	2003	2007	9	155.0	310.0
UM 19 Rhb	2003	2007	5	12.1	24.2
Lockport Rhb	2006	2007	5	56.1	112.2
Matagorda	2006	2007	1	2.5	15.4
Bayou Sorrel	2006	2007	5	26.3	52.7
Emsworth Rhb	2006	2007	5	68.2	136.4
O'Brien Rhb	2006	2007	3	9.1	18.2
GW HI/BR	2006	2007	2	3.8	10.9
Markland Rhb	2006	2007	2	7.9	17.6
Greenup	2006	2007	7	113.0	226.0
Cannelton Dam	2006	2007	2	7.5	15.0
JT Myers	2006	2007	7	113.5	227.0
Up Miss 22	2007	2007	6	113.0	226.0
UM 27 Rhb	2007	2007	4	18.5	42.6
Up Miss 21	2009	2007	6	113.0	226.0
GW BR/PC	2009	2007	5	19.1	50.0
GW PC/CC	2010	2007	4	12.6	50.0
GW Brazos	2012	2007	2	6.6	37.5
GW Colorado	2012	2007	2	6.6	37.5
GW SB/HI	2012	2007	2	6.6	50.0

Projects reflect Capability Schedules regardless of TF balance available. Trust Fund outlays for programmed amounts, while totals may include remaining outyear balances not yet scheduled for expenditure.

**Table 2d: Inland Waterways Trust Fund Cash Flow
All Projects in the 10-Year Capability '05 Program
(Feb 05)**

Year	Estimated Outlays	Tax Revenues	Interest Earnings	Year-End Balances
	(\$Millions)			
1990	117.3	62.8	26.2	292.8
1991	148.6	60.5	21.2	225.9
1992	122.7	69.9	13.7	186.7
1993	74.5	78.6	7.5	198.3
1994	75.7	88.4	9.3	220.2
1995	94.8	103.4	13.3	242.1
1996	85.5	108.4	15.6	280.6
1997	89.5	96.4	17.0	304.6
1998	76.9	91.1	18.3	337.1
1999	88.2	104.4	16.0	369.2
2000	102.4	99.6	20.0	387.8
2001	120.3	102.6	20.9	390.9
2002	104.5	95.3	12.4	394.1
2003	101.6	89.5	9.5	391.6
2004	117.3	90.8	6.9	372.1
2005	129.2	92.0	17.9	352.8
2006	246.2	93.2	19.5	219.3
2007	297.0	94.4	12.3	29.0
2008	262.2	95.7	1.6	-135.9
2009	311.5	96.9	0.0	-350.5
2010	308.7	98.2	0.0	-561.1
2011	233.3	99.4	0.0	-695.0
2012	180.4	100.7	0.0	-774.7
2013	104.6	102.0	0.0	-777.2
2014	61.4	103.4	0.0	-735.2
2015	27.6	104.7	0.0	-658.2
2016	28.9	106.1	0.0	-580.9
2017	6.6	107.5	0.0	-480.1
2018	0.0	108.9	0.0	-371.2
2019	0.0	110.3	0.0	-260.9
2020	0.0	111.7	0.0	-149.2
2021	0.0	113.2	0.0	-36.1
2022	0.0	114.6	0.0	78.5

**Table 3a: Inland Waterways Trust Fund Schedules
Projects Funded at Modified Capability '05 Levels
to Avoid a Trust Fund Deficit (Feb 05)**

Project	Start Year	End Year	Construction Duration (Years)	Total Trust Fund Draws with Inflation (\$ Million)	Total Project Cost w/ Inflation (\$ Million)
R Byrd	1987	2007	21	191.6	383.2
Winfield	1989	2007	19	118.0	236.0
Olmsted	1991	2013	23	700.0	1400.0
Mon 2-4	1995	2013	19	328.1	750.0
McAlpine	1996	2008	13	175.0	350.0
UM 24 Rhb	1996	2007	12	43.4	87.6
Kentucky	1996	2017	22	319.9	639.7
Marmet	1996	2009	14	166.5	333.0
UM 3 Rhb	1998	2007	10	16.6	48.8
Inner Hbr	1999	2016	18	311.3	622.5
UM 11 Rhb	2002	2006	5	5.9	31.2
UM 19 Rhb	2003	2007	5	12.1	24.2
Emsworth Rhb	2006	2010	5	68.2	136.4
Matagorda	2006	2006	1	2.5	15.4
Markland Rhb	2006	2007	2	7.9	17.6
UM 27 Rhb	2011	2014	4	18.6	37.1
Cannelton Dam	2012	2013	2	7.5	15.1
Chickamauga	2012	2020	9	156.6	310.0
O'Brien Rhb	2013	2015	3	9.2	18.3
JT Myers	2014	2020	7	114.8	229.5
Lockport Rhb	2014	2018	5	56.7	113.3
Bayou Sorrel	2015	2019	5	26.3	52.7
Up Miss 22	2015	2020	6	114.3	228.6
Up Miss 21	2018	2023	6	114.6	229.3
GW PC/CC	2018	2021	4	12.6	50.0
GW BR/PC	2018	2022	5	19.1	50.0
GW HI/BR	2018	2019	2	3.8	10.9
Greenup	2018	2024	7	114.7	229.4
Up Miss 25	2019	2024	6	114.8	229.5
GW SB/HI	2020	2021	2	6.6	50.0
GW Colorado	2020	2021	2	6.6	37.5
Up Miss 24	2020	2025	6	114.9	229.8
GW Brazos	2020	2021	2	6.6	37.5
Up Miss 20	2022	2027	6	115.1	230.2
Peoria	2023	2028	6	86.2	172.3
LaGrange	2023	2028	6	84.5	169.0

Trust Fund outlays for programmed amounts, while totals may include remaining outyear balances not yet scheduled for expenditure.

**Table 3b: Inland Waterways Trust Fund Cash Flow
Projects Funded at Modified Capability '05 Levels
to Avoid a Trust Fund Deficit (Feb 05)**

Year	Estimated Outlays	Tax Revenues	Interest Earnings	Year-End Balances
	(\$Millions)			
1990	117.3	62.8	26.2	292.8
1991	148.6	60.5	21.2	225.9
1992	122.7	69.9	13.7	186.7
1993	74.5	78.6	7.5	198.3
1994	75.7	88.4	9.3	220.2
1995	94.8	103.4	13.3	242.1
1996	85.5	108.4	15.6	280.6
1997	89.5	96.4	17.0	304.6
1998	76.9	91.1	18.3	337.1
1999	88.2	104.4	16.0	369.2
2000	102.4	99.6	20.0	387.8
2001	120.3	102.6	20.9	390.9
2002	104.5	95.3	12.4	394.1
2003	101.6	89.5	9.5	391.6
2004	117.3	90.8	6.9	372.1
2005	122.5	92.0	17.9	359.5
2006	209.8	93.2	19.8	262.8
2007	199.8	94.4	14.7	172.1
2008	154.9	95.7	9.6	122.5
2009	158.5	96.9	7.4	68.4
2010	143.0	98.2	3.9	27.5
2011	125.5	99.4	1.6	3.0
2012	102.0	100.7	0.2	1.9
2013	95.9	102.0	0.1	8.1
2014	87.6	103.4	0.5	24.4
2015	98.9	104.7	1.4	31.6
2016	124.7	106.1	1.8	14.8
2017	122.8	107.5	0.9	0.3
2018	108.9	108.9	0.0	0.3
2019	88.5	110.3	0.0	22.1
2020	117.3	111.7	1.3	17.8
2021	126.0	113.2	1.0	6.0
2022	114.1	114.6	0.3	6.9
2023	103.2	116.1	0.4	20.2
2024	88.8	117.6	1.2	50.2
2025	82.9	119.2	2.9	89.3
2026	59.9	120.7	5.1	155.2
2027	37.1	122.3	8.9	249.3
2028	17.1	123.9	14.3	370.4
2029	0.0	125.5	21.3	517.2

**Table 4: Inland Waterways Trust Fund Schedules
Projects Funded Only at Average FY03-05 Level Thru Completion
(Feb 05)**

Project	Start Year	End Year	Construction Duration (Years)	Total Trust Fund Draws (\$ Million)	Total Project Cost (\$ Million)	Total Trust Fund Draws w/ 3% Inflation (\$ Million)	Total Project Cost w/ 3% Inflation (\$ Million)
Olmsted	1991	2023	33	700.0	1400.0	771.9	1543.7
Mon 2-4	1995	2018	24	328.1	656.2	389.4	778.8
McAlpine	1996	2008	13	175.0	350.0		
Kentucky	1996	2027	32	319.9	639.7	364.2	728.5
Marmet	1996	2010	15	166.5	333.0		
Inner Hbr	1999	2044	46	311.3	622.5	565.8	1131.5
Total (Bolds)				1659.2	3318.5	2091.3	4182.5
Inflation Increase						432.0	864.0

Appendix D

Status of FY 2005/2006 Funding for Inland Navigation Projects and Studies

**By Mr. Leonard Henry
U.S. Army Corps of Engineers, Headquarters**

Appendix E

U.S. Army Corps of Engineers Competitive Source Program

**By Mr. Ray Navidi
U.S. Army Corps of Engineers, Headquarters**

Appendix F

Infrastructure Initiatives and Activities

**By Mr. Michael Kidby
U.S. Army Corps of Engineers, Headquarters**