

Summary Minutes
Inland Waterways Users Board Meeting No. 43
November 21, 2002 in Galveston, Texas

Opening Remarks

Executive Secretary Norman Edwards called the meeting to order at 8:05 a.m., noting that it was a Sunshine Meeting and as such it is open to the public and recorded as a matter of public record.

COL Leonard Waterworth, Commander, Galveston District, then welcomed the Board to Galveston and noted the importance of commercial navigation to Texas. He also thanked the Board for organizing an informative tour along the Gulf Intracoastal Waterway the previous day.

The Board Chairman, Dan Mecklenborg, thanked COL Waterworth and his staff for the meeting and tour support, and for their hospitality, then turned the meeting over to the Inland Waterways Users Board's Executive Director, MG Robert Griffin, for his introductory comments.

MG Griffin noted that we don't have the Board meetings in locations with Corps districts by accident. The support we receive from district staff is crucial to the success of these meetings. District offices also provide the right people to inform the Board about ongoing projects and issues. With respect to the fiscal year 2003 budget, General Griffin noted that passage is still awaiting final congressional action. The President's Budget Request included \$4.25 billion for the Corps. The House version provides \$4.76 billion, while the Senate markup is for \$4.65 billion. In the meantime, the Corps is working under a Continuing Resolution that funds programs at FY02 levels. Also, the House and Senate budget numbers may not hold once new committee chairmen take over in the 108th Congress.

With respect to the Operations & Maintenance (O&M) activities, the unfunded backlog grew to \$1.979 billion in FY02. Of this, \$884 is "critical" backlog. MG Griffin noted that the Corps will be challenged to perform maintenance of "low use" infrastructure. Over time, customers could expect more outages and less reliable service. He noted that a lock gate at John Day Lock & Dam on the Columbia River had experienced a "catastrophic" failure and will take months to repair (service is continuing, with delays, using a cumbersome temporary gate). On other matters, WRDA '02 was pulled from the congressional calendar, but he said he expects it to be re-introduced in '03. Various proposals for "Corps reform" were in WRDA, including a requirement that projects achieve a B/C ratio of a least 1.5 to qualify for authorization. The Corps supports a number of reforms, such as updating the Principles & Guidelines and additional project review within the context of the Chief's Report process. Internally, the Corps has added project review teams within HQ to provide support to specific divisions. The General noted they are also looking at enhanced planning capabilities that would include centers

of expertise for certain mission activities. Lastly, the Corps is in the process of reporting to DOD on an assessment of “core competencies” with respect to military missions within the Army. The general expected to have more to report on this topic at the next Board meeting.

The chairman added his thanks to Galveston District for their support for the meeting and also to the Board members for their continued interest and involvement. He noted new issues continue to crop up – “outsourcing”, the Missouri River – and the Industry has to be prepared to respond to these challenges and speak with one voice. He noted he recently spoke at the National Waterways Conference and highlighted the Board’s priorities for inland waterways investment needs.

Minutes of Meetings 41 and 42 were approved by the Board.

Status of the Inland Waterways Trust Fund

David Grier reported on the status of the Inland Waterways Trust Fund. Traffic was down overall in 2002, with an increase in grain offset by declines in coal and other commodities. Although traffic on the inland waterways declined 1.5%, revenues to the Trust Fund declined by 15%, indicating increased fuel efficiency.

With respect to the 10-year inland waterway construction program, Trust Fund revenues are expected to be sufficient for ongoing projects under the baseline (budget ceiling) schedule. However, if projects are funded at or near “capability” levels, the Trust Fund is projected to be depleted by 2008, assuming a new project at Chickamauga is initiated in the 2004 time frame. But it was also noted that funding near capability levels has not been forthcoming.

As a result of discussion during the meeting, David Grier agreed to produce a Benefits Foregone Report, and to produce scenarios with something more realistic than capability funding (a percentage of capability funding). The project construction sequence displayed in the Trust Fund model will also be adjusted to reflect the Board’s priorities.

Status of TVA Trust Fund Revenue Modeling Effort

Mr. Grier presented results of the Tennessee Valley Association Trust Fund Revenue Modeling effort, and asked the Board to review them. At the request of the Board, Mr. Grier said he would work with TVA to develop Trust Fund revenue estimates based on waterway of origin and destination. TVA will need to modify their revenue model to generate such estimates. Mr. Grier will also obtain updated lock delay figures for the next meeting.

Status of Funding for Inland Navigation Projects and Studies

Mr. Len Henry reported that Fiscal Year 2002 had adequate funding, and noted that there was the lowest Construction General funds carryover ever. Funds were reprogrammed to

support ongoing construction contracts where needed, so no project ran out of funds. He stated that the Continuing Resolution allows the Corps of Engineers to continue to fund projects at the 2002 level. The FY03 President's Budget Request would not have allowed for full funding of all contracts. FY03 funding is still uncertain since congressional mark-ups may now be off the table in the new session. The low level of carry-over funds will add to the FY03 challenge.

Inner Harbor Lock, New Orleans GIWW

Mr. Joe Dicharry gave a presentation on the Inner Harbor Lock in New Orleans, Louisiana. The latest cost estimate for the project is \$655 million, with \$263.7 million coming from the Trust Fund and \$32 million from the Port of New Orleans. The Galvez Street Wharf demolition has been completed, but funding limitations have precluded awarding new contracts (need \$25 million in FY03 – only \$9 million in budget request). The tonnage data for this lock has declined from 18 million tons to 15 million tons. Delays at the locks have decreased, partly due to the tonnage declines, and also because lower levels on the Mississippi mean less head and quicker locking.

Possible reasons for the decline in tonnage were discussed. One factor cited was a weak export coal market; international coal is more competitive due to the strength of the dollar. But the "Field of Dreams" argument was also suggested. Carriers may be avoiding the area because of the uncertainties, previous delays and difficulties. And if this is the case, when facilities are improved, the traffic will increase again. Board members favored a scientific examination of the dynamics at work in this type of a situation. MG Griffin said that Board members would have the opportunity to comment on any re-assessment of traffic trends. The general also congratulated Mr. Dicharry on his pending retirement.

Other Projects

Presentations were also given on the Bayou Sorrel Lock, the GIWW Matagorda Bay project, the GIWW High Island to Brazos project, the Colorado River Locks project, and the Olmsted Locks and Dam project. Power point presentations on each of these projects (and Inner Harbor Lock as well) are available on the Inland Waterways Users Board website, <http://www.iwr.usace.army.mil/usersboard/>.

The Olmsted Lock and Dam is the Board's number one, top priority project. It is currently under construction, with half of the \$1 billion cost spent to date. Twin 1200-foot chambers have been completed and construction of the floating approach wall is scheduled for completion during the summer of 2003. State-of-the-art "in the wet" construction techniques have been planned for the new dam, but Mr. Bibelhauser, the project manager, reported that the project has not drawn much interest among contractors.

Good progress was also reported on another of the Board's high priority projects, the McAlpine Lock. A contract to construct a second 1200-foot chamber and a bridge overpass was awarded in September. There are, however, concerns about funding

because a shortfall is anticipated (\$40 million is needed to support contract activities, but only \$6 million was included in the budget request).

Prioritization Work Group

The following Board members volunteered to serve on the Prioritization Work Group: Ronald Stovash; Tim Parker; George Shaver; Les Sutton; Larry Daily; Mark Knoy; Dan Mecklenborg; and Looman Stingo. A meeting is planned for the week of January 6, 2003 in Nashville, Tennessee.

Les Sutton proposed that a laptop computer be available to this group during their meeting, so that they could run the Trust Fund model under various alternative assumptions. He suggested that a list of alternative assumptions be compiled prior to the meeting and given to David Grier. Lock delay numbers will also be needed for the Prioritization Work group meeting.

Next Board Meeting

The Board plans to meet again in Washington, DC the week of February 10, 2003.

Public Comments

Mario Medina of the Texas Department of Transportation made a statement emphasizing the importance of waterborne commerce to the state of Texas, including 163,000 maritime-related jobs. Cargo valued at over \$25 billion depends on the Texas reach of the GIWW.

Raymond Butler of the Gulf Intracoastal Canal Association applauded the partnership between the U.S. Army Corps of Engineers and his organization. He encouraged continued attention to these two problems: 1) erosion on the GIWW, and the need for bank protection; and 2) the need for disposal sites for dredged material, with two especially problematic areas being the Laguna Madre reach of the GIWW and the Escambia River in Florida.

Closing Comments

Chairman Mecklenborg observed that the inland waterways are not getting enough funding through the government process. The target is \$300 million per year, and industry representatives will increase efforts to achieve this target. The focus will be on public awareness and politician awareness of the value and importance of inland waterways.

After closing remarks from MG Griffin, the meeting was adjourned at 11:35 a.m.