MINUTES
MEETING NO. 39 OF THE INLAND WATERWAYS USERS BOARD
DAVENPORT, IOWA
JULY 18, 2001

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The following proceedings are of the Inland Waterways Users Board meeting held on the 18th day of July 2001, at the Davenport River Center, Davenport, Iowa. Mr. W. Norbert Whitlock, Chairman, presiding. Inland Waterways Users Board (Board) members present:

Mr. Larry R. Daily, President, Alter Barge, Inc.

Mr. J. Stephen Lucas, Vice President, Louis Dreyfus Inc.

Mr. Daniel P. Mecklenborg, Vice President and General Counsel, Ingram Barge Company (Vice Chairman).

Mr. Timothy M. Parker, Jr., President, Parker Towing Company.

Mr. Michael R. Rayphole, Vice President - Transportation and Customer Service, Peabody COALSALES Company.

Mr. George H. Shaver, President, Shaver Transportation Company.

Mr. Ronald G. Stovash, Vice President - Transportation and Marketing Service, CONSOL Energy, Inc.

Mr. Lester E. Sutton, Manager - Government Affairs, Kirby Corporation.

Mr. W. Norbert Whitlock, Senior Vice President, American Commercial Barge Line Company (ACBL) (Board Chairman).

Ms. Lisa L. Fleming of Midland Enterprises Inc. and **Mr. Markos K. Marinakis** of Marinakis Chartering, Inc. did not attend Board Meeting No. 39.

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

Mr. Robert G. Christensen (as a substitute for the Deputy Maritime Administrator for the Great Lakes and Inland Waterways), Maritime Administration (MARAD) (U. S. Department of Transportation).

Mr. Dominc Izzo, Principal Deputy, Assistant Secretary of the Army (Civil Works), Office of the Assistant Secretary of the Army (Civil Works).

Mr. Nicholas Marathon, (as a substitute for Ms. Barbara C. Robinson, Deputy Administrator for Transportation and Marketing), Agricultural Marketing Service, U. S. Department of Agriculture (USDA).

Mr. P. Tod Schattgen (as a substitute for **Captain David B. MacFarland**), National Oceanic and Atmospheric Administration (NOAA) (U. S. Department of Commerce).

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 (MG) Hans A. Van Winkle, Executive Director, Inland Waterways Users Board, Director of Civil Works, Headquarters, U.S. Army Corps of Engineers.

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

Mr. Mark R. Pointon, Executive Assistant, Inland Waterways Users Board, Navigation and Water Resources Applications Division, Institute for Water Resources, U.S. Army Corps of Engineers.

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

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

Mr. Michael F. Kidby, Civil Works Operations Division, Headquarters, U.S. Army Corps of Engineers.

Mr. Steven J. Hudak, Civil Works Programs and Project Management Division, Headquarters, U.S. Army Corps of Engineers.

Program speakers in order of appearance were as follows:

Mr. David V. Grier, U.S. Army Corps of Engineers, Institute for Water Resources, *Status of the Inland Waterways Trust Fund*.

Mr. David V. Grier, U.S. Army Corps of Engineers, Institute for Water Resources, *Impacts of Delayed Construction Schedules: Estimated Foregone Benefits and Inflation Cost Increases*.

Mr. Steven J. Hudak, U.S. Army Corps of Engineers, Headquarters, Civil Works Programs and Project Management Division, *FY 2002 Funding for Inland Navigation Projects and Studies*.

Mr. W. Norbert Whitlock, Board Chairman, Senior Vice President, American Commercial Barge Line Company (ACBL), *Scheduling, Permits and Tolls on the Inland Waterways*.

Mr. David V. Grier, U.S. Army Corps of Engineers, Institute for Water Resources, *Congestion Impacts and Lock Capacity Constraints*.

Mr. Denny A. Lundberg, U.S. Army Corps of Engineers, Rock Island District, *Status of the Upper Mississippi River - Illinois Waterway Navigation Study*.

Mr. Gerald J. Dicharry, Jr., U.S. Army Corps of Engineers, New Orleans District, *Status of Inner Harbor Navigation Canal (IHNC) Lock Replacement Project*.

Mr. Michael F. Kidby, U.S. Army Corps of Engineers, Headquarters, Civil Works Operations Division, *Major Rehabilitation Program*.

Mr. W. Norbert Whitlock, Board Chairman, Senior Vice President, American Commercial Barge Line Company (ACBL), *2001 Board Investment Recommendations and Annual Report*.

Mr. Dominc Izzo, Principal Deputy, Assistant Secretary of the Army (Civil Works), Office of the Assistant Secretary of the Army (Civil Works), *Comments by the Principal Deputy, Office of the Assistant Secretary of the Army (Civil Works)*.

During the public comment period, statements were made by **Mr. Thomas Jackson**, Iowa Department of Transportation, and **Mr. Harry Cook**, President, National Waterways Conference, Inc. (NWC).

The 39th meeting of the Inland Waterways Users Board began with Chairman W. Norbert Whitlock calling the meeting to order.

(Thereupon Board Meeting No. 39 began at 8:10 a.m.)

MR. NORMAN T. EDWARDS: Good morning, everybody. I'd like to welcome you to the 39th meeting of the 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 the Water Resources Development Act of 1986. It provides the Secretary of the Army and the Congress with recommendations on funding levels and priorities for modernization of the inland waterways system.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act. 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.

I'd also like to make a brief announcement. This is a time of year when we prepare for members leaving the Board at the end of their terms. Some are available for reappointment. Some members are leaving the Board and retiring. Friday, July 13th, there was a notice published in the Federal Register requesting nominations for new members. We have three members that are leaving but are eligible for reappointment. We have two members who are retiring from the Board.

I have placed copies of the Federal Register notice at the table, at each of the seats at the table. If you have any questions, please see me at the end of the meeting. And with that, Mr. Chairman.

CHAIRMAN W. NORBERT WHITLOCK: Thank you, Norm. Just one quick question about those that are retiring from the Board. There hasn't been any discussion about retirement compensation. (Laughter.)

MR. EDWARDS: It's typical that we give a package of double the salary you've been receiving for the last two years.

CHAIRMAN WHITLOCK: Okay. Thank you. First off this morning we have the Mayor Pro Tem here for the City of Davenport, Mr. George Nicholas. George.

MR. GEORGE NICHOLAS: I'm representing Mayor Yarrington, who I understand met with some of you last night and welcomed you to the City of Davenport. As an old retiree from Federal service and one who has been concerned about the industrial base of this country for nye onto 15, going on 16 years, you know, the waterways are an integral part of the defense of America and it's important that we look at it not only from moving commercial goods in peacetime but the availability and the speed in which we can move military hardware in time of war.

As a young man I remember some of the activity on the river during the Second World War. Of course I'm of the Korean vintage. And by the way, I was attached to the SeaBees, your counter part I guess in some respect, in the Navy. Although I was a fleet sailor attached to them, I was one of those oddball types that did the clerical work. But I've seen some of the work that can be done by military engineers and it's phenomenal.

And I just urge you to look at our river from a dual aspect. Certainly we're worried about the ecology and the problems that go along with the flooding and the flood control on that river, but we're certainly interested in it as a major thoroughfare for commerce and for the defense.

And I guess that's why when Congress set up the Corps in the beginning it was to look at harbors and rivers. What for? For the purposes of defense. That's why the Army was stuck in the middle of it. So I think we need to balance that need of defense and commerce and do the most outstanding job for the citizens of this country.

I just welcome you to the City of Davenport. Do good work. Thank you very much. (Applause.)

CHAIRMAN WHITLOCK: Thank you. Next I'd like to call on Colonel Bayles.

COLONEL WILLIAM J. BAYLES: Thank you, Mr. Whitlock. Ladies and gentlemen, for those who did not meet me yesterday, I am Colonel William Bayles, commander of Rock Island District, headquartered just across the river here in the Quad Cities. Welcome to those who did not see me yesterday or meet us on our tour of the Mississippi River Locks and Dams Nos. 11, 12 and 14.

I have four slides, one of which is one that we promised you yesterday that we would show you in a little bit more color. So if we could have that next one, please. That's not the one that I had in mind.

That's my cue to remind myself that I'm stealing my boss's time here. I'm one of six colonels who serve the people of the Mississippi Valley Division. You'll hear from my boss, Brigadier General Ed Arnold in just a moment.

This amoeba shows the Rock Island District, 78,000 square miles, mostly in Iowa and Illinois. And some of you who were with us yesterday saw a good portion of that from right about Lock and Dam No. 11 there down here to the Quad Cities yesterday. We also encompass little corners of Missouri, Minnesota and Wisconsin.

This is the one that I was referring to just a moment ago, and some of you saw it in black and white yesterday. This shows our O&M expenditures for the channel maintenance and operation of the Mississippi River and Illinois River projects over the last few years. And I'd point out to you that the top is the total amount, the sum total of all of the different pieces of that appropriation. As you notice over the last 10 years it's been relatively flat. And as you notice, some of those colors kind of get squeezed out as we go along in time.

So as time goes on, the red portion of that which is maintaining the channels in our lock and dam system grows bigger and demands more and more, but it also squeezes out other things that we do for the people of our country. Next slide, please.

We showed you this one also and I show it to you again for emphasis. This is the effect on our buying power, of inflation on our buying power that affects all of you who are in business as well as those of us who maintain the arteries of commerce.

I show you this one. Last month I took my family on a vacation to Berlin, Germany and my German hostess asked me if I would like to see the Schiffshebwerku.

I show you this for a reason. Not only was it an amazing thing, but when she said this is like an elevator that takes ships up I thought that she was translating ship to mean as a boat, so I expected to see something that would take maybe a 15 or 18 foot runabout and move it up a couple feet. Well, instead I saw an elevator that has a trough 280 feet long, 40 feet wide, and nearly nine feet deep. It lifts 4,300 tons from the level of the Oder River, which runs between Poland and Germany, and it lifts it about 60 meters or about 190 feet to the level of the Havel River which runs through Berlin and eventually into the North Sea.

Why do I show you this? Well, after this lift and this Polish barge and that boat and some others went through the lift, which by the way takes only about seven minutes, I talked to the operator and the operator told me, you know, my two biggest problems is these guys in these recreational boats that get underneath the barges and cause all kinds of problems, and they never follow the rules. And that sounded familiar to me and I'm sure it sounds familiar to many of you.

And the other thing he said, I don't have enough money to keep this thing operating the way it really should. So even in Germany they have the same problems and face many of the same challenges that barge operators do here.

Let me close by saying that many of the Users Board members have just received a copy of my safety card. This is a card that I pass out to kids when I see them along the river or at one of our reservoir projects. And on the back is my safety slogan this year; life jackets, they don't work if you don't wear them. So if you have children or grandchildren see me for some more.

I'd like you to take that home and please be safe when you ply America's waterways. Again, welcome to the Quad Cities, and I hope you have a profitable and enjoyable time here.

CHAIRMAN WHITLOCK: Thank you, Colonel. General Arnold.

BRIGADIER GENERAL EDWIN J. ARNOLD: Good morning to all of you. I'd like to add my welcome to Bill Bayles' welcome to the Quad City's area, Mississippi Valley Division and U.S. Army Corps of Engineers. Since I met some of you last evening and this is my first Users Board meeting having been in the division headquarters now about 10 months.

As Colonel Bayles said, the division is comprised of six districts. And I challenged a group once that I could name them in just about any direction and there was one person in the group who was a little smarter than I am and asked me to do it alphabetically. We know who that is, don't we, sir? And that was a challenge when I first got here that folks on my staff used to love to see me do. They would put the map up and then say turn your back and name the districts.

But we have St. Paul, Rock Island, St. Louis, Memphis, Vicksburg and New Orleans all working on the River. We have some unique challenges in the Valley, some that you noticed yesterday on tours as you went to the various locks and dams. We are addressing them as fast as we can using the best tools we have available.

It's an ongoing challenge, as Colonel Bayles said, to try to take care of a very aging infrastructure, some of which are 60 years old, which means older than most of us here in the room.

I guess that's not all bad though. We keep on ticking every day. But we all need maintenance, as the locks and dams do. This year is going to be especially critical for us because of a severe backlog that we have in Operation and Maintenance (O&M) that was caused by the floods earlier in the year. Even though we do get some emergency relief monies for that, the

monies we expend in O&M taking the locks and dams out of service in preparation for flooding and then putting them back in service are not reimbursable under the Emergency Ops money, and so that has come out of our O&M budget.

And now we're facing some pretty low water as well. It's like somebody pulled the stopper out of the bathtub and the river is dropping very, very quickly. In fact, even as we sit here today the river's closed at Mile 306. I think that's in Pool 22 because of some shoaling.

We're going to take as prudent and as quick measures as we can. We have a dredge on the way up. It gets here tomorrow. It should get in the area tomorrow and start addressing some of those issues.

Another major item of interest that we have ongoing in the Valley, I'm sure most of you are aware, is the Upper Miss Nav Study. A quick update on that; the study was put on hold by General Flowers, Chief of Engineers back last spring, in the January, February time frame. We instituted a couple of different management groups to help us get at the National Academy of Sciences report and the recommendations and directions in that report to figure out how to bring the study back and to bring it to some sort of conclusion because we owe that to the nation.

The groups that we formed, one at the national level and one at the regional level, were comprised of members from the Corps of Engineers, the Department of Agriculture, EPA, the Department of Transportation and the Department of Interior. Let me check my cheat sheets. I think I got them all. But the idea was with both of those groups to review the findings and to put some idea of a Federal view on it, to make some recommendations to the Chief as to how to issue specific guidance and what guidance to issue to move that study along to bring it to closure. Those recommendations have been made.

We are in the process now of, and the Chief and Headquarters are in the process now of reviewing that to develop the specific guidance. Mr. Denny Lundberg, the project manager, will give a more detailed discussion on where the study is a little bit later in the day.

Finally, as I wrap up, I'll tell you inside the Valley we're looking at these challenges with the philosophy of trying to drive solutions without boundaries. We do that in three areas, three aspects. One, as we face a problem, I tell my district commander don't bound your solutions by the boundaries of your district or the boundaries of this division. We have to go to the bounds of the problem to develop the solution. So we have the geographic aspect.

A second aspect of it is don't bound yourself to necessarily the standard people you have at the table. And that really gets at open dialogue. Get all the stakeholders at the table at the same time so you seek those synergistic solutions that the Chief talks about all the time. You get all the ideas before you get a solution framed in your head and you can develop better solutions that way.

So we think we're getting better at that. If we're not, I appreciate your comments any time on how my districts are doing and how we're doing in the division.

Once again, welcome. I know you have a busy agenda, so I'll take up no more of your time. Thank you.

CHAIRMAN WHITLOCK: Thank you, sir. Next is Major General VanWinkle.

MAJOR GENERAL HANS A. VAN WINKLE: Norb, thanks. It's always a pleasure to be with the Board and with this august group of people today.

Let me start out by thanking Ed, the district and Bill Bayles and all the crew that put on just I thought a great tour yesterday, and they've really taken good care of us.

It's always a pleasure for me to go out and see the business end of our work. You lose sometimes proportion and reality in Washington, so to come out and see our hardworking people and watch how they struggle to make sure that this great river system of ours runs day in and day out is really a pleasure for me.

In some ways, as you saw yesterday, it's sort of like going back in time. We get to see electrical equipment from the 1930's still operating. That's always fun.

But then it's also a pleasure to go out to some of the locks where we are doing some rehab work and realize that we're going to be able to modernize the system and keep it running and keep it state-of-the-art is also satisfying.

This will be my last meeting as Executive Director. I'm moving down the hallway to be the Deputy Commanding General for the Chief. For me personally that's some good news and some bad news.

The bad news is that I really enjoy doing what I've been doing for the last couple of years and working with you all.

I'm particularly pleased though to turn over Civil Works to General Robert Griffin who's an old, old friend of mine and very, very highly qualified for this job, having served as the Mobile District commander a couple of years ago. So he's familiar with the waterways in that part of the country. He's been up in the northwest where he became a fish expert on the Columbia and the Snake and then we moved him to Cincinnati where he got to learn a little bit about the Ohio and serve as a member of the Mississippi River Commission. He also spent a little bit of time as the Chief of Staff at Headquarters USACE as well, so I couldn't think of anybody more qualified or better served to do this.

So again, it's very heartening we've got someone of his credentials and his qualities working with us, and I think many of you know him already. I know he came along with us yesterday. You'll get a chance to reacquaint yourself and I'm very excited about his taking over this part of the program.

Some other changes ongoing. Mike Parker, a former congressman from Mississippi, has been nominated so he knows the river and he knows the issues. I think that's going to be a great

assignment. He has been nominated and I believe we'll see some movement toward his nomination in the next couple of weeks. So that will be very good.

We're also very pleased to have Mr. Dom Izzo with us today. Dom's an old friend of mine as currently he's the Principal Deputy Assistant Secretary of the Army (Civil Works) and is in the acting role until if and when Mr. Parker is nominated.

Dom is a Corps of Engineer officer, spent many, many years doing what I was doing which was out in the border in Germany making sure the hordes weren't coming across, as a distinguished Corps member, and then excelled at Enron. And I think many of you are aware of the fact that Enron is currently finishing up a hostile takeover of the United States Army. Tom is a part of that onslaught. (Laughter.)

We're very pleased to have him. We've got a highly competent person who knows the business of engineering, who knows what it takes to make this system work.

He's got some interesting stories in his tenure both in the private sector and in the military, and so he knows what it takes to keep things like an inland waterway system going. And I'm particularly pleased to have him here. He brings a business sense I think which is very important to what we do. It's a business for the country. It's a business for you. It's a business for all of us working together. So I think he's on the right track and I'm glad that he could spend the day with us yesterday. And he got to look into some things he hadn't seen for awhile as well.

And he's here learning a little bit about what we do so that as he makes decisions up in Washington he can make them on a more informed basis. So Dom, welcome to have you here.

MR. DOMINIC IZZO: Thanks.

GENERAL VAN WINKLE: Let's see, two new members. Ron Stovash. Hard to say new member to Ron. I think I've seen Ron at just about every meeting, so we're pleased to have him as a former participant and now as an official member. And Mike Rayphole from Peabody COALSALES. I had a chance to talk with him last night. I think two very welcome additions to the Board.

Congratulations to Dan Mecklenborg, Tim Parker, George Shaver and Les Sutton for their reappointment. That's always good news to have them.

We have our friends Tod Schattgen from NOAA (National Oceanic and Atmospheric Administration), Bob Christensen from DOT (US Department of Transportation) and MARAD (Maritime Administration) and Nick Marathon from USDA (US Department of Agriculture). They've been with us many times, so pleased to have them as well.

We've got a big agenda. Let me just go over a couple business items of where we are.

We're into the appropriations cycle as many of you know. The President's budget was a very stringent budget perhaps. It is a significant cut from what we were appropriated last year.

We've now gone through both the House and the Senate versions of that. There will obviously be a conference committee.

Overall, the house came in at about $4.5 billion, which is what we had last year. The Senate was a little lower at $4.3 billion. We're going to conference in the next couple of months and we'll see what ends up, where we end up on that. And we'll have a little report later on to give you some details on the inland waterway portion of that.

The supplemental funding, you heard Bill talk a little bit about some of the problems. We've got some severe problems throughout the country. We started off with the Red River and then we were hit by the Upper Mississippi portion of that, and Oklahoma had some very severe ice storms this winter. We're busy trying to dredge Houston a channel as we speak. All that and a couple other areas. Right now we're in West Virginia as you know.

So our Corps of Engineers structures took some major damage and took some heavy use during that time. And we had submitted just about all those costs into the supplemental request.

Right now we don't have a supplement. I don't know where that's going at this point, but that would certainly put an extra burden on if we're not able to recapture some of those costs. Then that would have to be reprioritized into an already stretched O&M budget. I thought Bill's little symbol showed very well what happens. That yellow portion is the major maintenance that gets squeezed out.

So again, as we have these disasters and to the extent that we're not successful in getting supplemental funding through, we've got to keep these systems going and open and so that money will have to be reprogrammed to do that, so there is significant budgetary challenges ahead.

In terms of we are looking forward to WRDA 2002 (the Water Resources Development Act of 2002) on our authorizing side. That we expect to submit a WRDA bill to the Army Secretariat sometime in the fall. We are working on that now. That's, of course, one of the roles of this Board is to help us in our deliberations at the Corps, and so we are putting together the authorizing language, the authorizing initiatives that we would like to see at this point and certainly welcome any input from the Board.

If you have authorizing changes that you'd like to propose, we'd certainly evaluate those and get those vetted throughout the process. We've got a couple more months to do that. We've been very active getting out and asking people what are your problems, what can we do to help with solutions, and the authorizing process is the way to do that many of that strictly in terms of policy.

So again Norb, for the Board, if you do have recommendations please forward those to us so we can continue to move in that regard.

Let's see. I'm not going to talk about the Reform Caucus.

We'll talk a little bit more about the Upper Miss Nav Study. I think what essentially happened is that, I thought it was interesting, last December or January we decided to halt the study. Ed Arnold suggested that might be spring. I guess from somebody in Vicksburg, Mississippi, January or February's spring, but to us it's still winter, so different perspective. You might call that a season without solutions, something like that.

But it was clear with the IG (Inspector General) report and the soon to be published National Academy of Sciences report that we had to sort of relook at what we're doing in the Upper Miss. I think we're getting very close. You'll hear a little bit more about that a little bit later, but I think we've gotten a reasonable way ahead for the study. We'll talk a little bit about that and get you updated on it, but I'm hopeful that we can one, get the study restarted.

We've had some great help from our other Federal family; Transportation, USDA, Department of Transportation, EPA and the Department of Interior are all our observers, and so they've been working very hard with us both at the national level and at the regional level coming up with some good works, some good analysis, some good recommendations, and we're very hopeful again that we can get this thing restarted. And then our responsibility is to give solutions, to give recommendations toward those solutions and we do plan to do that.

And the Chief, as stated in testimony on at least two occasions, our intent is to have something available for the WRDA 2002 process which means that we've got about a year to do this, have a report on the street. So we'll get into a little bit more details on that.

Anyway, as I say, we've got a full agenda, and I'm looking forward to it. Let me turn this back over to Norb.

CHAIRMAN WHITLOCK: Thank you, General. First, let me say it's been a pleasure for us as Board members to work with you. We appreciate your support and cameraderie that we have developed over the years and wish you the best in your new assignment.

GENERAL VAN WINKLE: Thank you. (Applause.)

CHAIRMAN WHITLOCK: I guess next I would like to also extend my thanks to the Rock Island District and the folks that provided a tour. I think it's very important for Board members to have an opportunity to view the projects that are under consideration, and I think yesterday we saw the full scope and range of type of activities. We saw one project that is awaiting funding. We saw one project that was in the middle of rehab, and we saw another one that had been completed. It provided the opportunity for Board members to get a full appreciation of what the needs are for rehab on the Upper Miss.

So I think from that standpoint, having Rock Island host the meeting here it certainly provides that venue for all of us as members to see what the needs are for this area. Thank you for all your support for the fine tour.

As I look at the agenda here there's several interesting items, and I'm very pleased to see that we have Dom Izzo here.

The Board, sir, has had many concerns over the years about where the inland waterways are and where we need to progress those and how we need to progress them, and I think in these discussions you'll get a sense of that. But I guess the number one concern that we have is we continue to have a trust fund that grows.

We continue to generate about a $100 to $120 million a year, a $100 million in revenue, $20 million in interest because of the $400 million balance. And over the past eight years the Inland Waterways Trust Fund has only spent about $85 million a year, meaning a total of $160 to $170 million of total budget authority so to speak. So the balance continues to grow.

And one of the things you're going to hear here is the section of benefits foregone. And one of the things that we feel is we're losing a lot of benefits is projects need to be funded at the full or efficient funding capability level commensurate with the availability of the Trust Fund to maintain a positive cash flow.

And so that's kind of the major theme and interest that we have. We feel that we aren't spending the money that we should be spending and that projects are being stretched out over too long a period of time. And particularly a project like Olmsted, the benefits foregone are almost as much as the total value of the project because of the stretch out during construction. So, you'll be hearing that.

Some of the other things on the agenda is the National Academy of Sciences report suggests that we ought to consider scheduling lockages. We'll have a brief discussion about that, but that came up at the last Board meeting and the Board as a group here commissioned a consultant to provide paperwork for us. We had submitted that to General Van Winkle and to others for consideration and we'll just touch on it briefly. I have copies of that that I can hand out today.

And then I guess one of the other things that we'll be talking about later on as when we look at, take the Corps LPMS data, which is the Lock Performance Monitoring System data, and look at the total amount of delay time of all locks throughout the whole Corps, Corps system, and if you take the top 25 locks, 10 of the top 25 locks that have economic impact delay are all on the Upper Miss.

And yet we can't seem to get the Upper Miss Nav Study up and running and get to viable solutions, and we're all very cognizant of the fact that whatever has to be done has to be a balance between providing for the needs and flow of commerce but also balance the environmental concerns on the Upper Miss.

So we'll spend a little time talking about that, and probably we'll be asking the Corps to do a little analysis. It's not going to be a huge study but helps give us, helps frame what we see or the needs of the system for the nation.

With that I would like to move to approval of the last Board meeting minutes. Do I hear any comments or have a motion for approval?

MR. TIMOTHY M. PARKER, JR.: So moved.

MR. DANIEL P. MECKLENBORG: Second.

CHAIRMAN WHITLOCK: Seconded by Mr. Mecklenborg. Thank you. Next we'll ask Mr. David Grier to talk about the status of the Inland Waterways Trust Fund. David.

MR. DAVID V. GRIER: Thank you, Mr. Chairman.

CHAIRMAN WHITLOCK: Before you start I've got one comment that I failed to mention. I'm happy to announce also that Mr. Dan Mecklenborg has been appointed vice chair of the Board. Dan has been, was very helpful this year in putting together and drafting our report that will come up for discussion today, our annual report. So I want to acknowledge that and thank Dan for all his efforts along with Les Sutton and others who participated very heavily in the review.

MR. GRIER: Mr. Chairman, Board members, you should have a one page sheet in front of you indicated as the Inland Waterways Trust Fund Status Report. And then also Tab 3 of your blue notebooks has the Inland Waterways Trust Fund Analysis. Does anyone not have their notebook? I have some extra copies of Tab 3.

The one page sheet, first of all, is a status report for the Trust Fund up through the 31st of May. And you'll notice that the beginning of the fiscal year the balance was just under $388 million. That's up from $371 million the year before in 2000 or about a 4.6 percent increase.

Through the end of May revenues have amounted to $62.5 million and that's down from $71.3 million at the same time last year, or a little over 12 percent. I wouldn't attach a lot of importance to that because of the way Trust Fund revenues get reported by Treasury. And there are often big gaps and then a sudden surge of revenues are recorded, so I expect to see some changes there.

Interest year to date is $14.5 million, up from $13 million the year before.

And then transfers to the Corps at $64.3 million up from $60.5 million last year or up 6.3 percent. That leaves us with a balance at the end of May of just under $401 million and that's up about one and a half percent from the year before.

And then in terms of scheduled transfers, nearly $123 million is anticipated for transfer this year and that would be up nearly 20 percent from the prior year. And that goes back to the additional funding added by Congress with the FY 2001 appropriation.

In terms of the Trust Fund Analysis, as the chairman indicated we tried to take a look at the impacts of the baseline funding with the lower levels for projects in the 10-year President's

budget program and then compare that with the funding impacts if projects could proceed at a capability level.

Also looked at the possibility of enhanced revenues. The industry currently pays an additional 4.3 cents per gallon in deficit reduction tax. There have been proposals to either eliminate that tax or redirect it into the Trust Fund. And that third scenario looks at if those revenues were redirected to the Trust Fund, what that impact would be on potential project construction schedules.

In terms of the Baseline scenario, we only looked at the 12 projects now under construction or under major rehabilitation under the 10-year program outlook. That's tables 1A and 1B under the Trust Fund Analysis in Tab 3 of the blue notebook. In terms of the impacts of that on the Trust Fund, all projects are completed on the schedule indicated on the baseline funding program.

Outlays or transfers to the Corps from the Trust Fund would fall by nearly half between FY 01 and FY 02 from $123 million to $66 million. Transfers from the Trust Fund would then gradually ramp up with higher spending in the out-years for the projects now under construction to nearly $220 million in FY 07 and FY 08. This would be during the peak funding period for ongoing construction at McAlpine, Kentucky, Marmet and Inner Harbor.

Also under this Baseline scenario, the balance as you can see in Table 1B grows to nearly $500 million by the end of FY 04 and then begins to fall, falling to $220 million by FY 09 before resuming growth as projects under construction are completed.

The Capabilities scenario, these are Tables 2A and 2B under Tab 3 in your notebook. What we attempted to look at here was based on the Board's request earlier this year to assess a different mix of projects in the future than we have been presenting in the past. This included potential projects, particularly on the Ohio River, that are now under study and fitting those into the queue of projects in the future after ongoing construction is accommodated. In addition to that, we looked at another four projects under study on the Gulf Intracoastal Waterway (GIWW) and only then began to attempt to fit in potential projects on the Upper Mississippi River and Illinois Waterway.

What happens under this scenario, this assumes all projects now under construction do proceed at capability level starting next year. That schedule, if it could be achieved, would save two years on construction at Lower Mon 2 through 4 and two years at McAlpine and would save one year each at Kentucky, Inner Harbor, Marmet, remaining work at Winfield, and rehabs at London and Upper Miss Lock and Dam No. 3.

However, proceeding at capability level with the ongoing construction would completely draw down the Trust Fund based on the projected revenues and essentially be at zero by the end of 2007 due to the high funding levels required to support the Capability program. This would preclude new starts of any projects now under study until after the 2007 time frame, including a rehab at Mississippi River Lock and Dam No. 11.

In terms of additional new starts beyond that time period we looked at the list of projects requested by the Board and that included eight Ohio River projects and four on the Gulf Intracoastal Waterway and then potential work on the Upper Mississippi and Illinois Waterway.

In terms of time frame under this Capability scenario, by 2008 or 2009 we could begin to start rehabs at Upper Miss No. 11 and Markland. We could start the authorized 1200-foot locks through 600-foot extensions at Greenup and Myers on the Ohio River. We could also start Bayou Sorrel and Calcasieu and channel work proposed for two reaches of the Texas GIWW as well as the Ohio River projects at Meldahl, Newburgh, Cannelton and Emsworth.

Now, starting all that work in the 2008 and 2009 time frame would then begin to draw down the Trust Fund until after 2011 and preclude other new starts until about 2012 to 2014. New starts in that time frame could include Dashields, Montgomery and some small-scale improvements on the Upper Miss River such as mooring cells. Additional new starts could then be initiated after 2017. Between 2017 and 2020 we could start projects on the Upper Miss River at Locks and Dams Nos. 20 through 25 and including powered kevels at multiple locks on locks upriver from those projects. Finally, we could begin new 1200-foot locks at Peoria and LaGrange on the Illinois Waterway by 2022 based on the sequencing of the projects that the Board had requested to see.

Finally, using the Enhanced Trust Fund Revenue scenario, this would be Tables 3A and 3B, this would enhance Trust Fund revenues by diverting the current deficit reduction tax and increasing revenues effectively by about 20 percent. And this also very optimistically includes Federal matching funds to go along with those enhanced Trust Fund revenues.

The impact of that essentially is to increase or accelerate the start year for all of the out-year projects by about four to five years. So all of those projects I indicated under capability that couldn't start until 2008 or 2009 could move ahead to the 2003-04 time frame and then proceed on from there. And the final projects in the analysis, Peoria and LaGrange, could begin between 2015 and 2017 instead of 2022.

That's all I had on the Trust Fund Analysis. Do the Board members have any questions on that?

MR. MECKLENBORG: Yeah, David. I'm interested in Table 2A, in the ranking or order of presentation of the various projects. And is that something that, I know we've got first in order those projects that are actually started, but in terms of new starts, how is that order of processing determined?

MR. GRIER: I tried to use the projects that the chairman had requested, I believe it was the January time frame, as far as Ohio projects that were under study. I proceeded with Upper Miss No. 11 first since that's already been proposed and is in the queue as soon as new starts are permitted, and then Greenup and Myers, both of which are already authorized, proceeded with those next. Markland has been in the 10-year program before and then was dropped, so we added it back in for that reason as well as the projects on the GIWW in Texas. Those have shown up in the 10-year program in the past but then have been dropped due to the

budget considerations, so we felt it was reasonable to add those back in since they have appeared in the program before.

GENERAL VAN WINKLE: Dave, this doesn't necessarily imply that's the order in which we'd do that. It's just your drill using assumptions at this point to see what the impact on the Trust Fund is.

MR. GRIER: Exactly, sir. Just a mix of projects generally based on the progress of the studies and then seeing where they could fit in.

GENERAL VAN WINKLE: So the best guess as to what might happen in the budgetary analysis.

MR. GRIER: Yes, sir.

GENERAL VAN WINKLE: So it doesn't imply that this is the order with which we'd do them, those are the priorities.

MR. GRIER: And in particular, those projects on the Upper Ohio River are still very preliminary in the study of what even would be done there. So this is very speculative.

MR. MECKLENBORG: Okay. And then secondly on the idea of applying the deficit reduction tax to the Trust Fund revenues would be a change which, I just want it on the record that from my standpoint, and I know some of the other Board members, we probably would not be focused in that direction.

MR. GRIER: Okay.

MR. MECKLENBORG: In terms of supporting that.

MR. GRIER: Okay. I can drop that scenario for future analyses if the Board would prefer.

CHAIRMAN WHITLOCK: Yeah. I think the Board and industry consensus view on that at this time is putting 4.3 cents into a trust fund that's just going to build the balance serves no useful purpose, so we need to spend the monies we have first before we consider adding any additional monies into the Trust Fund.

MR. SUTTON: The Ways and Means Committee inserted a phase-out of the 4.3 cents in the energy bill. I think that happened yesterday or the day before.

MR. GRIER: Okay. If there are no more questions on the Trust Fund I'll proceed with the Benefits Foregone Analysis.

CHAIRMAN WHITLOCK: Okay.

MR. GRIER: Members should have a second handout in front of them, two pages, one page of text and a table, called Impacts of Delayed Construction Schedules: Estimated Benefits Foregone and Inflation Cost Increases. And I have extra copies here if anyone can't find theirs.

CHAIRMAN WHITLOCK: David, could you speak up just a little?

MR. GRIER: Certainly. In terms of the Benefits Foregone Analysis, the Board has seen this presentation a couple times in the past. The current analysis is somewhat modified from prior ones.

We dropped the Upper Mississippi projects from the assessment because of uncertainty about the final recommended plan mix of projects, and timing and schedule all remain to be determined. And so it would have been extremely speculative to try and anticipate any benefits foregone, let alone the construction schedules associated with those.

We did add Greenup and Myers to the nine ongoing projects that were in assessment that the Board saw at the prior presentation on this.

The assessment looks at the impact of changes and project construction schedules, and in particular delays to project completion and then attempts to assess in present dollars what the benefits foregone that would have been realized in those earlier completed years what those aggregate to.

In addition, we would attempt to look back at what project schedules were originally before problems with the deficit reduction efforts began to bite into the construction program for those projects. So some of these go back to about 1995 in terms of the original schedules that were anticipated.

The impact from the assessment shows about $2.62 billion in net NED benefits not realized due to project construction delays. And this is looking at it compared to the current baseline 10-year program. Of that, about $1.15 billion in NED benefits could still be realized if ongoing construction projects plus Greenup and Myers were to proceed at capability levels.

Another $1.47 billion in benefits can no longer be realized, they cannot be recovered at this point, due to previous scheduled delays. And this is up $137 million from the previous number presented to the Board.

In terms of cost increases, we estimated about $173 million in future inflation cost increases could be avoided if the ongoing projects and Greenup and Myers could proceed at capability levels. And that number is largely due to eliminating a 12 year delay in the start-up of Greenup and Myers.

Any questions on the benefits foregone?

CHAIRMAN WHITLOCK: Any questions for David? (None.)

MR. GRIER: Thank you.

CHAIRMAN WHITLOCK: Okay. Thank you, David. Next I would like to call on Steve Hudak to discuss the funding levels for projects and studies. Steve.

MR. STEVEN J. HUDAK: I passed out before the meeting started a new chart that has both the House and the Senate numbers on it, so the one in the book is outdated.

If you look at the first page of the new chart it shows you that we're working on a three year schedule. We are in the fourth quarter of FY 2001. We've got two and a half months to go, so we're trying to reprogram our funds to keep projects going.

We're at the end of defending the FY 02 program. As General Van Winkle mentioned, we've got the House and the Senate marks so I've got the numbers in here from the reports. Conference will probably be after the August recess, so it will be September before we actually know what's in the conference report.

We're presently developing the FY 2003 program and we're scheduled to brief the new Director of Civil Works on the 2nd of August with a program that's based on the President's FY 2002 budget.

We'll brief the Assistant Secretary on the 13th of August I believe. Then we'll work up a program and then have to redo it based on the FY 02 conference report, probably sometime in September or early October.

If you turn the page it starts with the list of studies and projects. The first list are the studies and the next is PED (Preconstruction Engineering and Design) projects.

For General Investigations (GI) we had a budget of about $16.6 million. The House came in at $18.7 million and the Senate's a little lower at about $17.6 million. And in that whole group we've got eight increases in the House, seven increases in the Senate. The House deleted one study, the Black Warrior and Tombigbee Rivers. The Senate did the same. The Senate also deleted another one, the New Madrid Harbor that the House had added. But overall we at least have an increase in GI.

If you turn the page to the construction program, for the Inland Waterways Trust Fund Construction Projects, both the House and the Senate increased the amounts. The House increased the first five Olmsted, Kentucky, McAlpine, Inner Harbor and Mon River Locks and Dams 2, 3 and 4, and the Senate increased them all, so we did fare better there than we did in the budget.

For the rehab projects nobody added Mississippi River Lock and Dam No. 11 yet but it still could be added in conference. Last year we had no new starts in the House and the Senate reports, but we had a bunch in the conference report, so maybe that will happen again this year.

The only rehab that was increased was London Locks and Dam which was increased in the Senate.

So overall, in the construction program, we gained $25 million in the House and $62 million in the Senate, and half of that is attributable to the Trust Fund.

If you turn the page to the Non-Inland Waterways Trust Fund Construction Projects, the House added funds for two of those projects; Montgomery Point and J. Bennett Johnson Waterway. The Senate added funds for four of them; Montgomery Point, Missouri Fish and Wildlife Mitigation; J. Bennet Johnston Waterway and Columbia River Fish Mitigation.

There were a couple of decreases. The House decreased the Missouri Fish and Wildlife and the Senate decreased the Upper Miss. And it didn't decrease it to $1.9 million. I left off a digit: it's $19 million. So they cut it by $2 million. So overall, in those projects we gained $6.6 million in the House and $11 million in the Senate.

If you turn the page to O&M, for the fuel taxed waterways the House added funds for 10. The Senate added funds for 17 and the Senate cut funds on four just by minor amounts, and they were the larger projects. So overall we gained $23 million in the House and $24 million in the Senate, so that was about a wash.

On Page 6, the last page, the Non-Inland Waterways Fuel Taxed O&M Projects, the House and the Senate both added funds for four of them and we gained $7 million there, $7 million in each of the House or the Senate. So we had a net gain of almost $31 million in the House and $32 million in the Senate in O&M.

So we didn't fare too badly. It was not as high as the capability, but, as you know, the Administration has constraints and so does the Congress, so we did better than we would have in the budget

Any questions?

CHAIRMAN WHITLOCK: Is there any feeling on your part that the conference may take the pluses of the House and the Senate and end up with a conference –

MR. HUDAK: That's higher than both?

CHAIRMAN WHITLOCK: -- level that's higher than both?

MR. HUDAK: That's what happened last year and we're hopeful that will happen again this year. I think they're waiting to see what happens with the allocations if there's funding at their level left over toward the end.

GENERAL VAN WINKLE: The overall budget picture is certainly a difficult one. The tax cut combined with an economy that has been not as robust as it was the past couple of years has certainly increased the budgetary pressures.

This program competes with all other Administration priorities and programs as well. And so within a somewhat deteriorated position it's going to be, I think, a little bit more difficult to do that. So we'll see. It's part of the process ongoing.

In terms of, I'm not sure if we mentioned it, but Lock and Dam No. 11 was a victim of the no new start philosophy. I don't believe we've ever had no new starts when we came out of appropriations, is that correct?

MR. HUDAK: Usually they add some, somebody adds some.

GENERAL VAN WINKLE: Yeah.

MR. HUDAK: Last year there were no new starts in the House and Senate report and we ended up with 56 new construction starts in the conference, and this year they seem to be following the same path. There were no new starts in the budget. There are no new starts in the House or Senate reports and so we're hopeful that they'll add some in conference.

GENERAL VAN WINKLE: So it is possible, the point of that discussion is the possibility of Mississippi River Lock and Dam No. 11 might receive more favorable treatment but we'll know that fairly soon as to what's going on.

All that also is in the context of the growing backlog, and that's in the other dimension of this equation now.

With WRDA 2000 where we added the Everglades and other projects we added I believe about on the order of $7 billion to our backlog at the time.

Our numbers are in the range of $40 billion of ongoing, authorized projects that are, really could move forward as a backlog. And so that's also a dimension in Washington right now. As we evaluate what new projects we might want to take on, it's more and more difficult with a big backlog of ongoing work to add new things, so another dimension that you should be aware of at this point.

CHAIRMAN WHITLOCK: I guess the other issue that would concern us is the continuing, ongoing backlog of critical O&M. With this kind of funding level it looks like that will continue to escalate. I guess the question from the Board would be is, how serious is this going to become in terms of how does it affect the availability of locks down the road. Do we have a crisis in the making and is there something that we need to be aware of as Board members.

I know our efforts with our “Waterways Work” campaign is trying to focus on increasing not only funding for Construction, General (CG) projects but also enhanced funding levels for the O&M activities.

GENERAL VAN WINKLE: Okay. Mike wants to say something. Let me start off by saying that we have done an extensive job over the last two years trying to separate out critical O&M from all sorts of other things.

When you go to a lock and a dam and you have a leaky miter gate, it's much more serious than if you are not able to cut the grass or something of that nature, so we tried to separate out the two in a categorization.

And we felt we did a pretty good job whittling down the O&M backlog to those important but not critical to the functioning and those that would have some major impacts primarily by increasing the risk of our operations.

Last year we came out with about a backlog of those critical items of about $450 million. This year's budget, the President's budget, would have increased that level to about a little over $800 million. So the number's going up, and that of course means the risk goes up for those sorts of events.

I don't think I've seen an analysis yet given the House, and obviously that number is not quite as bad but I think it will be at best level to that $450 million perspective. And so I think we'll be about the same level you were assuming, a similar O&M backog. Do you have a number?

MR. HUDAK: I have some numbers. For O&M the budget was $1.745 billion, the House came in at $1.864 billion and the Senate at $1.833 billion. So the House went up $119 million over the budget and the Senate went up $88 million over the budget.

GENERAL VAN WINKLE: Okay, that cuts about $100 million off of that $800 million , so it’s still going to increase, it’s the perspective.

MR. HUDAK: Yes, sir. Right.

GENERAL VAN WINKLE: And so all those things, a couple of impacts. One is the risk increases overall to all our projects.

Secondly, that again creates some dimensions in that with less O&M more and more potentially gets pushed over to major rehabs, CG types of things, so it transfers over some of the burdens of repairing.

By not having a robust O&M program it means we're really going to need more major maintenance types of things which the Trust Fund obviously would share in. So those are some budgetary impacts of that.

We're concerned about that and I think it was good to show you yesterday what happens. The good news is we have some tremendous employees out on our projects and they're, you know, they're wiring things together as best they can, doing the best they can with the money

availability. But as you all know in this business that sooner or later that bill comes due in some fashion.

I don't believe we have an analysis of unscheduled outages. I've looked at that in previous years. That might be worthwhile doing to see if we can track unanticipated outages. You know we try to do scheduled outages and we work with you to schedule those, but it's the unscheduled ones that cause the real difficulties.

And it may be worthwhile to track. Mike, you've got it, could we do that so we can keep a running tab of unscheduled outages over time and we can, I think that would give us some indication if in fact we are seeing repercussions of that O&M problems.

Have we done any analysis lately on that? I don't believe we have.

MR. HUDAK: We actually have.

BRIGADIER GENERAL ROBERT H. GRIFFIN: I think at the district, at the district or division level we have. And I can tell you because we shared it with members of Congress. It's pretty graphic.

The good news is at this point with our great workers and contract capability we have not had major disasters but, you know, at some point this curve as it continues to rise, and it is, and we certainly can show you that, you know, at some point we're going to exceed our capability to do these quick hitting repairs and then it will manifest itself in more obvious impacts to the industry.

GENERAL VAN WINKLE: Let's see if we can't do a baseline. How about for the next Board meeting we produce a chart that shows both scheduled and unscheduled outages over some period and then we can perhaps do that again next year and it will allow us to look a little better to see what the trends are in terms of that impact. Does that answer your question?

CHAIRMAN WHITLOCK: Yes, sir.

GENERAL VAN WINKLE: Mike, did you have something?

MR. MICHAEL F. KIDBY: Yes, sir. I wanted to add another point to this discussion in that there is apparently a reluctance to provide supplemental funding to cover repairs of damage resulting from the natural disasters that we've had this year.

If that supplemental funding isn't provided, money for those repairs also must come from our constrained O&M account which means that the maintenance backlog will be even larger. There would have to be a reprioritization of critical maintenance work in addition to Congress being reluctant to fund the normal O&M.

GENERAL VAN WINKLE: Our estimate was about $100 million over all. Now, that isn't all navigation. Some of it applied to our flood control reservoirs and so forth, but we had an estimate of about $100 million worth of damage.

I think the Houston ship channel alone was about $30 million. So that is another factor, and as we have to reprioritize that will certainly also have an impact on the critical maintenance.

MR. SUTTON: Norb, there has been some willingness in the Senate if the supplemental doesn't include the funds to go back and try to put them in this 2002, so we'll need to watch for that. It's in and it's out, it's in and it's out in the supplemental, and I heard yesterday it's back in.

But if we don't get adequate funds in the supplemental we need to be ready to work the Senate because they have expressed some willingness to do that.

GENERAL VAN WINKLE: Yeah. I believe Senator Byrd made the statement that if it wasn't submitted by the President that he was very reluctant to put it in the supplemental.

So we were unsuccessful in convincing the Administration that these were critical needs. It wasn't submitted in the supplemental package. So that is, again, a part of the equation at this point.

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

Next up on the agenda, I'll spend a few minutes talking about the Board's response to the National Academy of Science's report on the Upper Miss which recommended that non-structural alternatives be considered to minimize the delay cost and reduce the cost to the shippers.

The Board commissioned this study to look at this issue. We asked Criton Corporation to look at this. And I guess in a very short synopsis sort of way, the things that we found in that study is that scheduling per se only treats the symptom. It doesn't address the real problem.

The real problem is capacity. And how we get to that capacity. If you look at the freight rates, and you look at what the costs are that being used by the Corps of Engineers uses for boat operating, costs for operating on the Upper Mississippi.

If you look at the cost of operation and you add onto that the cost due to delays and you compare that to the rates being charged that the shipper pays on the Upper Miss, there's not a correlation that is directly attributable to the cost increase. Meaning it's more of a supply/demand situation of barges into the Upper Miss that drives the cost.

And so the bottom line is, is that if you aren't lowering the cost of the goods to be shipped on the Upper Miss, i.e., the farmer receiving more for his grain in the Midwest, then you haven't really accomplished anything.

The real issue is capacity. You can't get enough capacity in, and I'm talking about barge capacity. You can't get enough capacity moved into the system in order to meet the demands of all the grain shipments that need to move southbound.

And, you know, what the farmer sees, if the futures price, and some of these grain experts like Gerry Brown with Cargill and Royce Wilkinson and Steve Lucas over here can better address that than I can, but what the farmer sees is, you know, his futures prices are two dollars a bushel and his total transportation cost from St. Paul to New Orleans is 10 cents a bushel, well, he's only going to get a dollar ninety, not two dollars for his grain if he's shipping it, or selling it up in those areas.

So I think one of the things is that scheduling is a novel concept, and the only place it's ever been used is, per se, is in the airline industry.

I know General Van Winkle asked when he met with Professor Lay, Lester Lay sometime ago, where has this been used. Well, he didn't get a good response to his question back several months ago. And it's only been used at Dulles and at National and at Kennedy and LaGuardia airports.

And it was only supposed to last for about eight months. It's lasted 30 years. But when you analyze what's happening, the only thing it's done is increase the cost to the people that have to use the service.

It's reduced the service. What is really needed is more airport capacity and providing more competition into the areas. And so what it's done is, just like out here, somebody talked about it cost a thousand dollars, or maybe it was General Arnold last night was talking about it cost $1,200 to fly from Jackson to St. Louis, but it's only $200 or $400, I forgot exactly what he said, to come up to Davenport.

And so I think what we're seeing in some of these things, it doesn't manifest itself in a lower transportation cost, and that's what the study that we've looked at in terms of looking at lock delays and looking at the cost it demonstrates, it's scheduling is not going to do, is not going to perform any function for you primarily for a number of reasons.

One, you have continuous queues at the lower locks. So whether we wait at the dock or whether we wait in between or we wait at the lock, we're still waiting. And from a transportation standpoint, you have to look at it in terms of the only thing we have available to sell, in a very simplistic sort of way, is a barge day. And the utilization of those barge days in terms of what is our profit or margin per barge day or our contribution per barge day. So whether you wait at A, B or C, you're still waiting.

And one of the other theories the National Academy of Sciences points out is well, if you had a scheduled time you could breeze on through. Well, just like yesterday when we were over here at Miss River Lock and Dam No. 14 and saw the lockage. Who knows when the recreational boat is going to show up and take 30 minutes or 45 minutes to lock. And who knows whether you're going to have fog early in the morning and those kind of uncontrollable events that interferes with schedules.

They also point out that if you knew what your schedule time was you could use your boat doing something else. Well, coming up this morning we saw one boat at the lock and two boats over here waiting to lock. Okay. What is he going to do with the boat between Locks and Dams Nos. 14 and 15 and what's he going to do with that boat some other place.

And most of the boats that you have on the Upper Miss are generally in the, say 3,800 to 6,000 horsepower. Once you get from St. Louis south you generally go from 6,000 to 10,000 horsepower. So the cost per ton of using a 4,000 horsepower boat from St. Louis and south is considerably higher operating cost than it is if you use a 10,000 horsepower boat, so you aren't going to necessarily take that boat while you're using it. It's still going to run your transportation costs up.

So, I think it's what the National Academy of Sciences looked at. I think it is an intellectual exercise at best. And to spend anymore time studying it, those dollars could far better be spent by building mooring cells above and below places like Lock and Dam No. 14 that permits a more efficient operation and utilizing the capacity than spent looking at scheduling.

So there's, I just don't see scheduling of locks to hold any merit. I know this was a concept Dr. Dickey used to use with the Corps years ago, he used to talk about. And it just doesn't appear to us when we look at the numbers and look at the costs of the shipper that it really holds any weight.

I have a copy of the report here that we submitted to General Van Winkle. For those that may not have gotten a copy you're certainly welcome to take one of those.

I guess my question may be to General Van Winkle. Is there a recommendation on your part that how do we have, what is the best approach for us to have dialogue with, say, the National Academy of Sciences?

Should we as a group meet with the National Academy to discuss these issues and see if we can't reach some different view or to impress upon them that scheduling is really not the solution, that increased capacity is the solution to the problems on the Upper Miss?

GENERAL VAN WINKLE: Well, Norb, that's a good question. I'm not sure. As you have mentioned, they approached us from somewhat of a theoretical perspective and you approach it from a practical perspective. It may be useful to do that but I don't know of any way in which they would adjust their findings or recommendations based on that.

I think this would be very valuable for us, what I think perhaps certainly what ought to happen is we ought to, as we address the Upper Miss now, incorporate these findings by you into what we have to do to proceed, because as you mentioned the scheduling and the different methods to ration out the time of the locks was an important consideration by the National Academy.

As we move forward with the recommendation we're going to have to address that, so I think this will help us do that. So I think we do need to have, and our experts have looked at this at a rudimentary level and will continue on to look at that.

And I think what we need to do is engage some dialogue with the Board as we sort of flush out all the details and implications of what you said with what the National Academy said.

So we'll certainly do that, and that will be an invaluable service as we go forward. Whether or not dialogue with the National Academy is good or not I'll have to think a little bit about that. I'm not sure.

And the main consideration is there's really not a mechanism for it. They were payed to do this. They assembled a team and they produced their report and then they all go away to some extent.

And so we can think about it whether or not it's worthwhile engaging in dialogue. There may be some other venues to do that as well. Do any of my staff have a comment? Norm or Mike?

MR. KIDBY: Yes. I reviewed the report and your letter, and the one element that wasn't mentioned in the report and that you didn't address was the unpredictable element of either equipment breakdown at the locks which would change the schedule or allisions between vessels and the lock chamber components. It's not just weather or recreational vessels. It's also the things that are going on, on a day-to-day basis out there now.

GENERAL VAN WINKLE: Any comments about whether or not to dialogue with the National Academy? Steve, you got any thoughts on that?

CHAIRMAN WHITLOCK: Okay. Les?

MR. SUTTON: Yeah. I have a comment. I think the testimony that both Craig Phillip and Dr. Lay participated in in Congress was almost a dialogue. Well, we had a dialogue directly with Dr. Lay, again Craig in Pittsburgh. And then in the testimony in Congress he did not push his congestion tolls or scheduling, and in fact barely mentioned it.

GENERAL VAN WINKLE: Yeah.

MR. SUTTON: So perhaps some of that dialogue has taken place already.

GENERAL VAN WINKLE: That's already been done. Yes, I see.

We'll certainly consider it as, and certainly I think one thing we can do is circulate your letter pretty broadly and widely and there may be some additional dialogue as well regarding that.

It might be interesting to engage in a dialogue with the FAA and see if they're interested to discuss that. Because that was my question to Professor Lay, can you give us an example where congestion tolls and these rationing methods have proved effective. And he honestly said he couldn't give us any practical examples of how it proved to be particularly useful. So maybe it would be worthwhile to sit down with FAA and make sure that they don't have any insights for us.

CHAIRMAN WHITLOCK: Okay. Next we have David Grier is going to be talking about congestion impacts and lock capacity.

MR. GRIER: Thank you, Mr. Chairman. The members should have another handout in front of them with one page of text with an attached series of tables, Estimated Operating Cost to Industry Due to Delay Queues and Processing Time.

And this was just something we thought we would share with the Board for your information and any feedback, perhaps reaction we could obtain for it.

This was a modeling effort done by our Huntington District and they took 1999 LPMS data and used the number of tows by lock. An estimate of the average tow cost per hour which was based on individual towboat horsepower operating throughout the system by waterway and by lock, and then the average delay at those locks and developed an estimate of the total delay cost as well as the total processing time at each lock with the delay cost being based on time in the queue and then the total transit time being the sum of the delay time and the processing time at the lock itself.

As a result of that analysis they came up with an estimate of about $276 million in total transit costs nationwide for the industry.

This, again, would be the delay and the processing time at a lock. And about $155 million of that they attributed that to the direct result of the delay, so that's about 55 percent of the total processing cost.

Now I would note that there's considerable variation in the estimate of tow cost per hour depending on the lock, anywhere from less than $200 an hour at some locks on the GIWW to over $450 per hour at some locks on the Upper Mississippi and Ohio Rivers.

And again, this is also 1999 data and we could see some changes as a result of the higher fuel costs over the last couple of years since those data were collected. And some of these hourly tow costs could increase by perhaps 15 percent or so.

And some of you gentlemen may have a better feel for that than I would, but we wanted to share this with you for your information as a preliminary estimate to begin to quantify what the delays are on an annual basis and thought if we can come up with a good modeling approach for this that the members think is capturing a reasonable estimate of what those tow costs are, that we can apply those to the delay times which we'll know on a year by year basis and be able to generate an annual cost for these delay impacts.

Attached to it is the table, as I indicated, of how these numbers were generated. And you can see there the average delay in hours by lock. And I would just note some of the higher ones, over four hours per lock at some of the key projects, are now under construction for replacement such as Ohio River Locks and Dam No. 52 and Kentucky Lock.

But then when you go through some of the higher average delays are also obvious at other projects that are not underway such as the Upper Miss Locks and Dams Nos. 22, 24 and 25, LaGrange, Port Allen, Algiers and Bayou Sorrel. Inner Harbor is under construction, but the others are just under study.

But we wanted to share that you with for any reaction, and we would like to try and adjust the modeling approach and have it become a useful tool for capturing this kind of information annually.

Any questions?

MR. MECKLENBORG: Yes. I had a question as to two aspects of your report, and I think it's a very helpful report. As far as the average delay in hours, I've looked at for instance Greenup Lock being listed as having an average delay of 2.34 hours.

And there's another presentation of this that is a different table that's from the web site, and what it shows is that you've got Greenup broken down between the main and the auxiliary chamber, and the hours of annual average delay at Greenup is shown as 1.12 hours. And then at the auxilliary chamber it's shown as 8.58 hours. And so I'm trying to understand how we get from those numbers to the 2.34 hours of an average delay for Greenup as to whether there's some kind of weighting or combination there?

MR. GRIER: I would need to get this clarified with the analyst at Huntington that put it together. My initial take would be that it's based on the percentage of tows delayed at each of those chambers, and then they would come up with a consolidated number on an annual basis combining both chambers for a single number for the project. I'll get that clarified.

MR. MECKLENBORG: Because at other locations, for instance, the Mississippi River Locks and Dams Nos. 24, 25, 22 that are listed on the web site, the numbers are exactly the same between your report and the presentation there.

MR. GRIER: Right.

MR. MECKLENBORG: So, it's important in terms of how you value the cost of delay to have the right number in terms of the delay. And so I'm just interested in us making sure we've got that accurate.

MR. GRIER: I will get that clarified. My guess is it has something to do with a closure of the main chamber at Greenup and heavy use of the auxilliary for a given period of time, and then that was factored into an annual number for Greenup as an entire project.

MR. MECKLENBORG: Okay.

MR. GRIER: And of course you don't have the auxilliaries at the Upper Miss locks so it's more straightforward to come up with a delay time at those projects.

MR. MECKLENBORG: Right. And the other question I had was in terms of generating the average cost per tow hour. Do you know how that was arrived at?

MR. GRIER: That comes from a survey that we at the Institute for Water Resources do every two to three years for our shallow draft vessel operating cost. And that's a survey of industry that's actually done through canvassing and then we proceed to issue guidance to our field offices for operating cost numbers to use in their planning and economic analysis.

We're due to have an update of that survey in the next year or so if we can come up with the funding to do it.

MR. MECKLENBORG: Thank you.

MR. GRIER: But it is updated periodically and a new update would reflect the changes in fuel cost and other things that are happening in the industry.

MR. MECKLENBORG: Thank you.

MR. GRIER: Any other questions?

CHAIRMAN WHITLOCK: David, I guess a question that I would have on these, I've got a handout here I'll send around that I've kind of taken some of the same data that was used and kind of ranked the highest economic impact to the lowest.

I guess I have two questions. One of those I see on there is Mel Price and Miss River Lock and Dam No. 27 which had significant maintenance closures in 1999. And I guess the question I would ask is, and I guess what I'm getting to is from a national priority standpoint, would it be appropriate to look at say three years worth of data or would it be appropriate to exclude those projects that had a significant maintenance outage like Greenup?

Greenup may be high because they may have unwatered the main chamber and everything had to pass through the 600-foot chamber, so how do you sanitize that to know

whether or not on an ongoing basis whether this project ranks at the top in terms of its economic impact and delay or whether it's more near the bottom of the list?

So do you smooth it out using a three year look or do you just take the 1999 data and just sanitize that from the major lock outages?

MR. GRIER: Yes, sir. We certainly could do a multi-year average that might smooth some of that out. Or we could, as the members talked about earlier, of perhaps something that looked at the unscheduled outages in the course of the year and factor that into the analysis, so that we discount for those projects that had that kind of impact versus a continuing congestion issue due to traffic volumes.

But yeah, we could certainly revisit this as a multi-year approach.

CHAIRMAN WHITLOCK: I guess what several of us on the Board have talked about is from a national priority standpoint the projects that we should be pursuing, either replacement projects or added capacity or major rehab or whatever, are those projects where we have the highest economic impact to the shipper.

And so this would be a way to help look at things from a priority standpoint going forward. And I guess a caveat to that is looking at the tonnage forecast say over the next 5, 10, 15, 20 years. And I'm not suggesting that we need to do a very precise tonnage forecast, but you've got a tonnage scenario that is, you know, historical perspective, and you have a high grow scenario and you've got a low grow scenario that you would look at. And I guess what I'm trying to get to is, on some of these looks that may be at 60 percent capacity say, in my experience dealing in queuing theory over the years kind of tells me that once you start approaching 80 percent of the practical capacity of the navigation structure then your queues become exponential at that point. It starts an exponential equation.

What I'm really getting at is, depending upon what the future holds, how do we as Board members get the information in order to advance which projects we really need to provide for the future? We've got the impact here, but say five years out or 10 years out, a project that may be number 20 may be number one on the list. And a project that's number two or number three today may be experiencing a diminished growth. And we see that in certain areas of the river system.

We see negative growth in terms of tons and you see positive growth. And so I'm grappling with how do we provide information in terms of where is it should we spend the dollar to get the most benefit for the dollar being spent to meet the needs of the shipper.

MR. GRIER: I would mention to the Board we do have a one page handout that should be in front of you, Congestion Impacts at Selected Locks Under Study. Now, this again is just a snapshot of 1999. It doesn't show trends but it does show the 1999 traffic as a percent of estimated capacity at the project and then sorted high to low for that percentage of capacity.

And you can see that the Upper Miss projects rank at the top of the list when you look at it from that perspective. Now, what we could do is add to this a time series so you can see the trend over time and we could work with the divisions and districts for studies that are underway so that we capture their projected traffic levels to look out in the future for these projects.

I would be reluctant to attempt to try and project in-house when we have a number of studies underway at each of these waterway segments, but there are some numbers available from those studies that are ongoing that we could incorporate into something like this.

Would that be of interest then to the Board? I could try and do that for the next meeting.

CHAIRMAN WHITLOCK: Yes, it would.

MR. GRIER: Okay.

GENERAL VAN WINKLE: David, a couple months ago I had a briefing, I think it was from Huntington, I'm not certain, but it dealt with a model. It was a pretty sophisticated model that allows you to look at queuing impacts and as you replace one lock and you improve performance it will track what happens at the next lock and it's able to do that. That would be very useful to present to the Board. I don't know where we are on that.

It's still a developmental piece but it had, I thought, some pretty powerful analytical tools that would help us do exactly what Norb said, which was sort of predicting the future where this is going to work.

MR. GRIER: Yes, sir. I believe that's their ORNIM (Ohio River Navigation Investment Model) model that they're working on with Oak Ridge.

GENERAL VAN WINKLE: Right. Yes. Do we know the status of that?

MR. GRIER: It's in the testing phase. I think they're pretty far along with it though. It may be an opportunity to share that with the Board.

GENERAL VAN WINKLE: Yes. Have you had a chance to see that?

CHAIRMAN WHITLOCK: No, sir.

GENERAL VAN WINKLE: We need to share that. Let's schedule that, a brief on the ORNIM model at the next User's Board meeting, and maybe we'll have some recommendations at that point.

But I think that's doing exactly what Norb suggested. And it's a pretty sophisticated model to do that and I think that will help.

Let's plan on giving that a demonstration and an update on where that model development is and we can talk a little bit about how it might be used by this Board and how it might be used for the Corps in a prioritization system.

MR. GRIER: Okay, certainly.

CHAIRMAN WHITLOCK: Larry?

MR. LARRY R. DAILY: I'd like to make a couple comments relating to what we saw in a practical way yesterday and trying to bring some of that to light for people who do not live with the lock queue sheet on the Upper Mississippi every day like some of us do.

And what this data here shows, it shows an average delay on the locks on this sheet looking at the congestion impact from two to four hours for the locks on the Upper Mississippi.

And if you add that up then on average, every trip you're having over 24 hours delay. But as we saw yesterday, two of the three locks we visited had nobody there. The other lock had a couple of them. We saw some this morning coming down here, there's several boats waiting at Lock No. 15.

The way the system works, and it shows by the fact that it's averaging the delay moves, it's usually about 24 hours at a time at one lock in the system. But that moves from Lock No. 14 to No. 15 then to No. 18 and then suddenly it's back at Lock No. 13 which again shows the difficulty with the scheduling idea. That what in effect what you're seeing is two way traffic that has to go through a one way procession of say road construction.

And that's what's building up the delays, and it's moving all over the system. So again, because you don't see this on other rivers I'm trying to bring that to the Board's attention and show you the difference.

Again, you see the ones on the Ohio River. I agree with you, Norb. I think these were major outages that all happened at once and they skewed the data a little bit. Thank you.

MR. SUTTON: I have one brief comment. First, I want to thank David because this is extremely valuable information, and if we're going to have to figure out which needed project has to wait until 2222 to start we need the best data that we can get.

And I think you're certainly on the right track and encourage you to do more because that's really what we want to do is we need to predict what's going to happen over the next 20 years so we can prioritize the projects.

GENERAL VAN WINKLE: What's nice about the ORNIM model it allows you to put in, you can change the river traffic and you can run a number of contingencies. If traffic on one segment is increasing and traffic in another is decreasing, you can do a lot of what if modeling in that regard. So I think it's going to be a very powerful model to do that.

CHAIRMAN WHITLOCK: Okay. Very good. Thank you. Next let's move to, is it Mr. Denny Lundberg? Denny is going to be addressing the Upper Miss Navigation Study.

MR. DENNY A. LUNDBERG: You should have a copy of my slides in front of you. At the last Users Board meeting I provided a summary of the comments received from the NRC (National Research Council) and also discussed the formation of the National Senior Task Force, the Federal Task Force, that's been mentioned a couple times here today. Today I'm going to give you an update on the activities of this task force and what they've been doing here for the last couple of months. They have developed a concept paper that I'll talk some about today that provides a Federal family response to the NRC recommendations.

Please recognize this is a work in progress. It is only a draft. It is up in Corps Headquarters right now and they are assessing the concept paper and trying to determine guidance right now.

The main issues that are in this concept paper I think you've seen before. One of the first big ones is assessing the environmental effects of the operations and maintenance ongoing out there today. Some of the major components of that are looking at the cumulative effects of everything going on out there.

Another item is assessing the baseline traffic effects. I've got a chart that explains that a little bit better.

Also looking at nine foot channel O&M effects, the dredging that's going on out there, the rock placement right now, how all that integrates into the effects on the environment. The bottom point there is a suggestion of a comprehensive mitigation plan for all nine foot channel project activities, which is quite a bit different than the direction we were heading in the navigation study to begin with.

Conceptually, here is a chart that shows traffic versus time, the traffic on the Y axis, time on the X axis. This is basically historical traffic. This is just conceptual and at the point we're making predictions on what the future without traffic would be if we don't do anything. And then we assess the traffic increases due to some action we might take. That's the future with. That's the threadline here.

The original navigation study was focusing on the impact right here, and we're preparing a mitigation plan for that. What is being discussed and suggested is that we need to assess the impact and possibly mitigate for those impacts for all of this down here.

Next item is, really involves equal consideration of planning for the environment. I think most of you recognize that Congress has designated the Upper Miss as a national significant transportation system and national significant ecosystem. This issue would provide equal consideration for planning for the environment on an equal plane.

Next item discussed was the use of model based systems, and the fact that they're probably not achievable with the available tools that are out there. Basically what this means is that the elephant that we're wrestling is really way too big to get our arms around.

What they suggested is putting together some sort of framework analysis at a very high level and including some things like phase implementation of improvements, determining potential consideration of immediate implementation of some type of improvements and then trying to define thresholds for initiating or terminating efforts in the future.

There was a discussion on the ESSENCE model and that it is unlikely to be successful given the time frame, if we tried to make some refinements to it. They felt that development of spatial equilibrium concepts should probably be done outside of a Corps study in more of a research effort.

Some discussion on traffic forecast. It was also concluded that it is probably not possible to develop 50-year traffic forecasts that are going to satisfy everybody. It is very difficult. What was suggested is the use of a scenario based analysis which I'll talk a little bit more about here.

This is a busy slide, but let me try to explain it. Conceptually the Y axis shows possible future worlds, whatever they might be. And on the X axis you've got a time line. This shows scenarios that would result in more development or less development. The idea is to engage the Federal family and others in trying to define future worlds out there and an appropriate Federal response.

The scenarios would cover a wide range, from doing nothing to a more robust plan of possibly putting in more locks.

Another item that was addressed heavily is the concept of adaptive management. This is more a programmatic attempt at managing the resources out there both on the economic and the environmental side. Basically this establishes a plan of action, and then it is monitored. If it doesn't work, something different is tried.

They also discussed the preparation of an interim report for possible consideration or incorporation into WRDA 2002. That's also in the concept paper. As I said, Headquarters is currently assessing this right now and we're awaiting guidance.

Questions?

MR. MECKLENBORG: Yeah, I have a question as to what this work that you've done today and that is being considered by Headquarters would likely assist in any recommendation for how to proceed on the Upper Miss either on a project by project basis or on a systemwide basis. How do you envision this helping the Corps and the country reach consensus or conclusions relative to the Upper Miss?

MR. LUNDBERG: You're talking about the work we've already completed?

MR. MECKLENBORG: Yeah.

MR. LUNDBERG: We've learned a whole lot out there. A lot of folks think that we spent a lot of money for nothing but we've learned a lot of things in the environmental and

economics area and I think we're going to have to utilize a lot of that to build this interim report in the next year.

It's all going to have to tie into that certainly, and certainly to help build these scenarios. What additional guidance we get out of Headquarters on that regard, I don't know.

MR. MECKLENBORG: I guess in listening to your description of the slides and the work of your group, the things I heard were you might need to look at the entire basket of environmental issues as opposed to the effect of a change in our infrastructure on either negative environmental consequences and that increment. Instead you look at the entire scenario. Is that an accurate description?

MR. LUNDBERG: Yeah.

MR. MECKLENBORG: Okay. And then the other conclusion or point that I derived from it is, that in looking at things out to the future you really would be looking at both a positive scenario that would be pro development, all the way down the spectrum to a scenario that would provide a recommendation for no additional development.

And so I'm trying to think with those in mind, how does that then get incorporated into a review of whether or not these projects or system enhancements or environmental mitigation on a systemwide basis needs to be done. And maybe you can't answer that at this point.

GENERAL VAN WINKLE: Let me step in here and tell you that these are preliminary because we are still one, working with project managers of the district and the division. I sort of hinted what I think we're going to do and I think what we're going to do is learn from both the IG report and particularly from the National Academy of Sciences report.

They all said that the ability to project out 50 years is almost impossible to do. So you're really driven to a scenario based approach to do that. And that was one of our purposes talking to other Federal agencies to get a feel for their thoughts.

Obviously, agricultural policy has a lot to do with where we end up 10, 20, 30, 40 years from now. Transportation policy has a lot to do with it. And taxes. All that can affect. When you're looking that far out there are no, nothing is fixed, and so the National Academy really told us you have to go with a scenario projection.

So what I think we need to do and what the study team is coming up with and what we at the Federal level are in favor of of looking at some broad scenarios. And the scenario could be a very, very robust scenario with the United States continuing to lead in the agricultural arena, markets opening up, very, very robust growth in agriculture, robust growth in some other commodities.

And the other spectrum could be that we end up with, let's say we find alternate uses for agricultural products, and if the need for transportation is either negative or flat lined, what might those scenarios look like and what might possibly occur.

Based on that then there's going to be some, obviously some decisions that have to be made in that as to what the likely or less likely scenario and what might be a prudent way to move ahead given those variety of scenarios.

And then I think what we need to do is, having done some analysis of the scenarios in general, then come up with some conclusions as to how to move ahead with the study. One of which would be to give a recommendation as Denny mentioned, this idea of what are we mitigating for. Are we mitigating for the increase? Are we mitigating for the total impact? And that clearly would require some additional study.

The National Academy recommended that. That's some significant effort, so that might be a recommendation to say we are going to look at that and once we reach conclusions on a mitigation strategy, come up with some recommendations.

It might also, given a variety of scenarios, recommend certain things that need to be done from a transportation perspective. I think our early on work identified that there are some low level things that could be done early on to assist in cutting congestion costs.

That might be an interim recommendation to move forward on those low level activities while we do some more detail work on specifics.

Another area that would have to be addressed is what impact is there from these very, very old structures in the water that do need maintenance. What's the proper course to take given that. We have lots of bad congestion cost, delays, times. We know the age of these structures. And given that scenario there may be some recommendations we would like to make on the interim basis.

So what I don't think we'll do is what we started off doing was just trying to have a big macro study that sort of was able to wrap everything into one document and say here's what we want to do. Do this at this lock, do that at that lock, do this in mitigation, do that, in other words, have a mac, sort of an all encompassing comprehensive recommendation, but instead to sort of take this thing a piece at a time and see where we can move forward given whatever the scenarios tell us it might be.

So I think that's really where we're headed for some initial guidance and more of a sequential approach, more of an individual approach to issues with some recommendations vice a broad study that sort of wraps everything all into one document.

And that's really what the National Academy report told us. You just can't get there. We've never done that before. It makes sense.

Someone asked me I think yesterday looking back six or ten years if it makes sense to do that, and I think the answer is yes. You know, clearly the Upper Mississippi is a system. It ought to be studied in a total system package.

However, having said that, you know, we spent six years trying to come to grips with that as a system and you can see the result. We're all over the board in terms of looking out 50 years. Various groups, various elements have much different views of that that far out. And so to be able to make a definitive call like we would on an individual project just proved to be a road too hard.

So that's what we've been doing over the last six months, regrouping, trying to figure out what makes sense. And I think what Denny talked about and what I've talked about is probably what will go.

Now, these are preliminary marks I need to tell you. I haven't briefed the Chief of Engineers at this point and we haven't briefed the Army Secretariat on where to go, but we assessed that we needed to do something different than we've done in the past.

You know the old saying, you can beat your head up against a wall for awhile and sooner or later you need to stop beating your head and try some other approach. So we are trying a different approach.

This is one potential. I've given you sort of what my crystal ball says at this perspective. I think we'll know fairly soon. We're going to go in front of the Chief and give him our thoughts and get some guidance from him.

We'll go to the Secretariat and ask for their thoughts and I hope soon. We've given Denny and his crew a tall order in a year to try to wrap this up for WRDA 2002 prospect, and so we need to give him some guidance very soon and we need to move on because, you know, commerce is moving on, structures are getting older in the water. We need to go somewhere with this in short order.

I'm really giving you my best guess as to our way ahead, our plan. And we'll certainly take input from you, one of the purposes of this group is to advise us in the Corps what to do.

If you all have other suggestions or other ideas, we're certainly welcome to listen to those and incorporate those as we go. Obviously we've been talking to the Board as we go along on all these issues. So that's my best guess as to where we are and what's going on at this perspective.

MR. J. STEPHEN LUCAS: This report for WRDA is a preliminary report, not a final report?

GENERAL VAN WINKLE: That's correct.

MR. LUCAS: Okay. And I don't mean to beat on you but I'm going to express my frustration again. We spent $60 million of the taxpayers' money seven to 10 years and now we're regrouping and trying to figure it out again, and maybe we'll get a sort of answer in 2003?

GENERAL VAN WINKLE: Well, that's what we have to do is we have to assess how it is we put this together. But I think an interim report would have some specific conclusions in it to allow us at least to move forward on certain aspects of the system.

So we're cognizant of that fact but I think we can come up with specific recommendations to allow us to at least start moving forward in terms of some actual projects, actual improvements, actual enhancements of that nature.

So I understand your frustration. We're frustrated as well. We've not done a good job at this, but again, I find it difficult for us to be able to do a final package at this point.

There's just too many unknown variables. So I didn't think we had many other options other than try this approach, so I understand your frustration. I understand your criticism. It's well founded. And we've got to come to grips with this.

MR. MECKLENBORG: One additional comment, and that is that the prior approach was working toward a possible conclusion or recommendation that would have involved as probably the most likely, or at least the more likely than not, recommendation to extend or build new 1200-foot locks or extend the existing chambers at Mississippi River Locks and Dams Nos. 25, 24, 22, 21, 20, and then two locks on the Illinois River.

That scenario is referenced in the Board's report last year and probably will be referenced in this year's report. Under the approach that we're talking about now trying, if you were looking at a 1200-foot lock construction you probably would start at the lowest lock in the system as your first project.

And that's just traditionally been the way it's been done. You try to avoid congestion at or near the construction effect I guess up the system versus down the system and you try to relieve that first and work up.

So would there be a focus on Lock and Dam No. 25 for instance which was one of those that would have been perhaps recommended for extension? Would the new approach allow us to look at that particular project first, for instance, just from the logical construction standpoint.

GENERAL VAN WINKLE: I think that's a good suggestion, and that might be a very logical outcome at this point, but again, I'll have to wait for the study team to look at that, but that's somewhat along the lines of what I think we're referring to. Are there any solid conclusions and recommendations we can make at this point and then sort of have a phased approach further on down the line.

So that could be one recommendation, one alternative that comes out of this new way of thinking. Does the project manager have any comments on that?

MR. LUNDBERG: Certainly it's something we can look at as part of it.

CHAIRMAN WHITLOCK: Any other questions? If not, thank you, Denny.

We're running a little bit behind right now. Why don't we take a 15 minute break. Try to resume here at 20 minutes after the hour and we'll start off with Joe Dicharry giving his report on Inner Harbor Navigation Canal Lock.

(Whereupon a break was taken.)

CHAIRMAN WHITLOCK: Okay. Next we're going to hear from Joe Dicharry with the New Orleans District discussing Inner Harbor Navigation Canal Lock. Joe?

MR. DICHARRY: Good morning. What I'd like to try to do is give you a real brief status report on where we are with the project. Some of you all have seen many of these slides already and I'm going to go through a few of them real quickly.

Of course you don't need to know that this is one of the most important projects in the nation. It's the number two priority project. The Board has determined that over the last couple of years. And it's just a lock that's too small, it's got tremendous delay times, sometimes 24 to 36 hours.

This gives you existing conditions, what it looks like today. And I'm not going to go through the entire construction sequence with you.

This is what we hope it will look like in the next 12 to 15 years. Here is where the new lock is located right here north of where the existing lock was.

The premise of the entire project, of course, is to prefabricate the lock on an off-site location and float it to this location to minimize the construction activities on site.

While we're building the new lock here we'll have a by-pass channel around the construction site to use the existing lock during the construction of the new lock. And then when we're demolishing the existing lock we'll also have a by-pass channel around it to provide continuous access for navigation traffic through the construction period.

Some of the numbers here. The total cost of the project is a little bit over $600 million and that's for a lock that not only accommodates the inland navigation but also accommodates the deep draft traffic that the Port of New Orleans has requested as part of this lock replacement project.

The cost sharing, as you can see here, the Trust Fund has to come up with about $243 million. These numbers differ from what David has shown in his analysis because David uses fully funded numbers and these numbers here are today's dollars. So you'll have a little difference there if you try to compare these numbers to what David has in his analysis.

We've got still a healthy benefit/cost ratio of 2.2 to one, so we think we've got a very worthwhile project.

Of course, part of the project is authorized as a community impact mitigation plan that was authorized by Congress in 1996 to the tune of $37 million to offset the impacts of the project we'll have on the communities alongside the existing canal. We've made great progress with this community impact mitigation plan. We have formed a community based committee and have been meeting with them for about a year and a half now on a monthly basis, and they have signed a partnering agreement with us to work toward determining a win-win for everyone associated with this project.

They have come up with the first three year mitigation plan that we are trying to now implement, trying to work with the City of New Orleans and other local agencies to make some of these things happen. And as I said, it's been a great success. We've turned a corner with a lot of the people down there in the area who have been so vocal against this project over the years.

And we've been so successful that we won a national award for planning excellence with the American Planning Association. This project was submitted to them as a planning project and won the Planning Project of the Year for Federal projects this last year. So we're pretty proud that we've been able to develop this process of working with the neighborhoods and working with the local people and showing some results, and it's starting to get more recognition now.

Some of the mitigation that we've got underway already is job training. We've awarded a contract to a local university to do some job training for us down there in New Orleans, and they have completed their first contract and have graduated a number of local residents from this program. Many of them have already gotten jobs, jobs within the area, and some of them have gotten jobs on the ongoing contracts for this project. So again, that's another success story.

Of course, when you all were down in New Orleans for your last meeting we took a boat tour of the Industrial Canal. This is the existing lock here. We came down the river and came into the lock here and we went down here. Notice that all of these buildings were still there and this is where the new lock is going to be built, right up in here.

We had a test pile contract in 1999 that we looked at a different number of piles, different types of equipment, did some noise and vibration monitoring there.

The first contract was demolishing all of these buildings here. It's a TERC or Total Environmental Restoration Contract that we have with our Tulsa District. We partnered with our Tulsa District who has an existing, ongoing contract to do environmental cleanup work. They're very experienced in this and so we're utilizing their contract to do this work.

We also have a second contract here for the Galvez Street Wharf demolition that is awarded. This gives you an idea of the type of buildings that are being demolished on that east side in that TERC contract area.

First what they had to do is there was a lot of containers in these buildings, and instead of just knocking the buildings down and not worrying about what was in the containers they had to take all these containers out of the buildings, bring them to a location and start testing what's in these containers before they can dispose of them.

Then they did a lot of asbestos removal. A lot of those buildings are very old and have a lot of asbestos and so they took all the asbestos out. Then they were able to start knocking the buildings down.

Then they started taking up the slabs from the buildings. And at present they are now treating the soil. There's a lot of contamination in the soil, non-hazardous stuff but still contaminated stuff that will have to be handled separately and not just dumped into a mitigation site, or I mean a disposal area.

So finally after so many years I guess on this project we've finally got some work going on down there and I'm able to show some pictures of some actual work going on down there for this project.

We've got a second contract, as I said, to demolish the Galvez Street Wharf. That was awarded in April and the contract is out there starting demolition activities now on that facility.

Future construction will be dependent upon funding. As you can see here we've got $10 million in the President's budget, and $13 million in the House, they added to it. And Steve showed this morning that the Senate plussed that up to $15 million. So we'll see what we actually get in FY 02. You can see here that we need $42 million in FY 02 to keep this project going. Of that, $17 million is to pay the Port of New Orleans for their real estate that we still owe them once we execute a PCA (Project Cooperation Agreement). And I'll talk about that in a few minutes.

One of the newest issues that we've had to deal with here in the Industrial Canal project is the bridges. In the background on this slide you can see that we have basically put a replacement in kind bridge here at Claiborne Avenue and another low level bridge at St. Claude Avenue.

Well, people in Lower St. Bernard Parish that utilize these two roadways to get to and from work every day are complaining that we're going to cause them tremendous problems in delays to vehicular traffic when we build this project, or after we build this project, not necessarily during it, but after we build the project. They believe that because the new lock is going to be bigger and is going to attract a lot more traffic that these bridges are going to be going up a lot longer and for a lot longer durations with the project in place.

Our analysis that we did based on the traffic that we project, to use this lock in the future and the volume of traffic that goes over those two bridges, that these bridges will open less frequently now than they do now but will have slightly longer durations once they're open.

Now, you've got to realize that we operate curfews on these two bridges during the morning and afternoon rush hours, so there's no lockages going through the Industrial Canal Lock during the rush hours in the morning and afternoon, and that takes care of about 45 percent of the traffic that goes over this canal on a daily basis.

So we don't believe that it's going to cause any bad impacts to the vehicular traffic during and after construction, but the local sponsors have pushed this issue quite a bit. They have the ears of the local congressional delegation down there and they believe that we should be building higher bridges and/or tunnels here under the Industrial Canal to offset these problems.

And they say that the navigation interests would like that too. Obviously, you wouldn't have any additional delays from bridges at this location. But we felt like that the tunnels would have tremendous impacts on the neighborhoods and be a lot more costly of course.

To appease them we've had to do a study of tunnels. We've hired some architect-engineers to look at tunnels at these locations to see if in fact it can be built and how much impacts they will cause and how much it would cost.

They are about 75 percent complete with their study now. The analysis shows that the tunnels can be built at these two locations with surprisingly smaller impacts on the neighborhood as we thought it was going to be.

But the downside is of course they're going to be costing four to five times greater than what we're talking about here with these two replacement bridges.

So we've still got another month or two before they come in with their final report, but it still looks like what we said before, that it's going to be much more costly.

And the way we've allocated the cost on this project, these bridges would be required for inland navigation and so all that additional cost, if that was to be part of the project, would be 50/50 cost share with the Inland Waterways Trust Fund because all of that would be allocated to the shallow draft increment for the project.

And so more to come later on that, but once we get their final report then we'll be able to specifically determine. And this is only a recon report. This is not a total feasibility report to look at all the ifs, ands and buts about it. This is a recon just to see if, in fact, it's worth looking further into it. So probably by the next meeting I'll have a full report as to what the final results of this analysis was.

The other thing is the PCA negotiations that are ongoing with the Port of New Orleans. We've developed a draft PCA. We've sent it up to Headquarters who's reviewing it. Once we execute the PCA we'll have to have the $17 million in order to pay off the Port of New Orleans for the property that they have already granted us the right to go onto to do the construction that we've got ongoing down there now. So they've partnered with us and allowed us to go ahead and start the project without finally signing on the dotted line for the property.

That concludes the quick update, and I'll answer any questions if anybody has any.

MR. RONALD G. STOVASH: If you'll go through, and maybe someone else can answer, where the Board has reluctantly accepted the break point between a deep draft and a shallow draft and what allocation is to the deep draft.

Then you made a comment if the tunnels went in that would be on the shallow draft. Can you explain that?

MR. DICHARRY: Well, the way we do our projects formally, on our projects we have to determine all the cost that would be attributed to a shallow draft or an inland navigation increment. If we were just building a shallow draft lock we'd have to replace those two bridges anyway. We'd have to do a lot of the levies and floodwall work that's required on all or most of the construction. The only difference in building the deeper draft lock is the longer lock and the deeper lock, so that's the only additional cost that, based on our regulations, we can allocate to the deep draft increment. So all the other costs are allocated to the inland navigation increment.

MR. STOVASH: Two further questions. What is the deep draft portion of this?

MR. DICHARRY: The cost of it?

MR. STOVASH: Yes.
MR. DICHARRY: I have one of these slides here.

MR. LUCAS: It's about $100 million.

MR. DICHARRY: Yeah. A little bit less than $100 million. It’s $511 million versus $603 million.

MR. STOVASH: I guess my other question, when you say build tunnels, that would go to shallow draft. I don't remember exactly how high it was for the bridges. It seems like you'd need a lot higher bridges to handle deep draft vessels versus the shallow draft vessels.

MR. DICHARRY: Well --

MR. STOVASH: I am confused. What would be the incremental costs to allow a shallow draft to go under a certain sized bridge where you couldn't put the deep draft, but yet if you put the tunnel that would accommodate the deep draft.

MR. DICHARRY: That's what we're going to have to look at. That's what we have to look at in this analysisl. I made that general statement that all the costs of the tunnel would be allocated to inland navigation, but you make a good point that we'll have to look at that and see if there's a difference there if, in fact, we recommend tunnels instead of the bridge plan that we have now.

Now, I'll make one point here that I didn't, the people in St. Bernard who don't live right there in that area, they want tunnels and they want these higher bridges. The people right there that live right there in the canal, next to the canal, they don't want tunnels and they don't want higher bridges. They don't want anything obviously. Some of the people don't want anything, but they would rather have the bridge plan that we have proposed to date rather than tunnels or higher bridges there.

MR. STOVASH: I guess my one concern just to leave, is that as the Board has mentioned, my concern would be that we're allocating those costs appropriately.

MR. DICHARRY: Okay.

CHAIRMAN WHITLOCK: Any further questions? If not, Joe, I appreciate it. Thank you.

Next on our agenda we will hear a report from Mike Kidby addressing the Major Rehabilitation program.

MR. KIDBY: Thank you, Mr. Chairman, Board members, General Griffin, General Van Winkle and Mr. Izzo.

I prepared a fact sheet and it was handed out to you. You should have it in hand right now. It summarizes our Major Rehabilitation program. And I identified in the first paragraph some of the facts behind the inland waterways, that there are 215 lock chambers at 172 sites along the fuel taxed inland waterways system.

I apologize, but I have to change a number in the second sentence where I talk about lock statistics as of this year. Instead of 119, it's 96 of theses lock chambers, or 45 percent, on the inland waterways system are over 50 years old. So it's 96 instead of 119. By the year 2020 the MTS (Marine Transportation System) threshold that we're looking at, 75 percent of the lock chambers on the inland waterways will be over 50 years old.

We saw three projects yesterday, Mississippi River Locks and Dams Nos. 11, 12 and 14, that were built or completed in the late 1930's, so you can see the kinds of things that happen over time and that we need to address.

The first two pages of this handout are just facts and figures. The third page is the definition of major rehabilitation that was published in Section 205 of the Water Resources Development Act of 1992. That definition resulted from a very well coordinated, collaborative effort between the Inland Waterways Users Board and Headquarters people in order to meet the needs concerning major rehab along the inland waterways.

I've included a table summarizing the last 10 years of major rehabilitation that the Corps has had funded through the Construction, General appropriations. And as you can see by the numbers for the inland and intracoastal waterways, hydropower, flood damage reduction and other navigation projects, harbors, the total for those 10 years is just over $1 billion in major rehab work.

Of that amount, the $231 million that's applied to the inland and intracoastal waterways is 23 percent of the total major rehab funding. Hydropower has received 63 percent. Flood damage reduction has received 11 percent. And the harbors or other navigation facilities have received three percent.

I've listed the projects that are currently underway for major rehab along the inland waterways: Mississippi River Lock and Dam No. 12, Lock and Dam No. 24, and Lock and Dam No. 3; and London Lock and Dam on the Kanawha River.

Lock and Dam No. 12 on the Mississippi is scheduled for completion in December of 2003; Mississippi River Lock and Dam No. 24 is scheduled for completion in September of 2007; Mississippi River Lock and Dam No. 3 is scheduled for completion in July of 2003; and London Lock and Dam on the Kanawha River is scheduled for completion in September of 2004.

We have to deal with the problems of the funding that we can receive and use towards major rehab and new construction not being at the level that could be provided through the Trust Fund revenues. And also the fact that in the last couple of years we've had no new starts for construction or major rehab.

We have worked very diligently in reviewing the Major Rehabilitation Evaluation Reports that come to Headquarters to be sure that the components that are funded under the major rehab are in compliance with that definition in WRDA 1992. If there is no economic feasibility for the major rehab then it doesn't get included as part of the major rehab package that you cost share.

As an aside, we saw yesterday two projects that have considerable concrete damage in and around the lock chamber. We talked with the field about that problem which is being funded currently under the O&M program rather than major rehab.

We have agreed to work with the field divisions and districts and with our R&D Center, the Engineer Research and Development Center in Vicksburg, and we have asked that we get some participation from the Users Board in order to address alternatives to continuing to replace that concrete and having the same problem happen over time.

If there are other means of sheathing those lockwalls or the approach walls or the horizontal surfacing so that they're protected, more durable, then we hope to come up with that through this joint and collaborative effort through our R&D program. That is something that we would hope to accomplish through the Innovations for Navigation Projects area or program that we have in our R&D arena.

We don't have a time, date or place. I'm assuming it would be in Vicksburg, but no time and date at this point. We will provide that kind of information as it is scheduled and request your support as the chairman of the Board.

CHAIRMAN WHITLOCK: Okay. Thank you, Mike. I've got one question that deals with major rehab.

Let me go back in history. Back in 1991-92, Berdon Lawrence, who's the chairman of Kirby Corporation, and Charlie Jones who is the owner and chairman of Madison Coal Company or Amherst Industries, I'm not sure what family of companies he has, but both former chairmen

of the Inland Waterways Users Board and myself drafted this language that identifies what is applicable for major rehab, working with Headquarters back then.

And I guess I give that as a background because looking at some of the things that I saw on some of the slides yesterday that described what was included in major rehab, and then there was another list on the slide that was showing what was major maintenance.

Some of the things I saw included as major maintenance back when I wrote the definition in 1992, I contemplated it as being major rehab. So what I would suggest, sir, is that maybe we convene a group of Headquarter folks and maybe get the principals that were involved in writing the language and some of the other Board members that want to participate and let's try to come up with some common understanding.

I guess the one thing I saw that was not covered that I thought would clearly be covered was on the one lock where you're going in and you're going to cut off 16 to 18 inches of the face. You're going to put in precast panels and then you're going to grout behind the panels.

My impression back in 1992, that would constitute major rehab. It's like once in a 50 or 60 year time frame that something like that would come along. You know, the real point that the Board members in our view that we wrote this pretty tight, is we didn't want to see a lot of deferred maintenance come in and be funded under major rehab.

So I would suggest that maybe we convene a meeting sometime over the next quarter if possible to discuss this issue and see if there's not some common ground that we might come to. I don't know about the other Board members. I'll let them speak for themselves.

I'd like to make just one request. When other Board members speak, please state your name. Our stenographer over here is having difficulty with keeping up with who's talking at whatever time.

GENERAL VAN WINKLE: I don't have any objection to that. If you require some statutory language it would be useful to do that in the next couple of months. If it's a matter of interpretation of policy then it's not, it's less time sensitive.

But again, as I told you, we hope to have WRDA language up to the Secretary's office sometime in the September, October time frame, so if we're envisioning a change to the legislation then we ought to do that sooner rather than later.

I have no objection to doing that. I'll be happy to sit down and work through that.

MR. LUCAS: Steve Lucas. I'm not quite sure how to phrase this question but, you know, we've talked about there's all this deferred maintenance that gets put back and put back and put back and it goes from kind of normal maintenance to something more than normal, and then it goes to major and then if you don't do it long enough all of a sudden it becomes major rehab.

Is there some way of determining that time line and that progression at various places and the costs of those things? Because I think that's a fairly useful number to look at. If you're looking and it doesn't become a problem until 2050 well, I'm going to be dead by then and I don't really care. (Laughter.)

GENERAL VAN WINKLE: Your grandchildren will be.

MR. LUCAS: Yeah. If you are talking about three years from now that may be a different story. And it also has some, or I suspect some significant impacts on the drawdowns from the Trust Fund if all of a sudden you start seeing this stuff that was put off from 1986 roll into major rehab in 2006 then you've got an impact on your new starts. Is there a way to do that? I mean, maybe there isn't.

GENERAL VAN WINKLE: Right. That's a sophisticated question, and at least I'm not aware of state of the art or where we can adequately do that and say there's an equation or a model or whatever that would allow us to do that.

Does any of the staff have any comments? I'm not familiar with any. We've talked about this before, and is there a way you can analyze by waiting, it kicks it over and what are the economic impacts, that's your question. It's a great question and I would love to know the answer to that. I don't know of any current system that does that.

It's somewhat more of a technical engineering question that has to do with risk analysis and breakdowns. I'm not sure if any industry has those sorts of things. It tends to be a bit qualitative.

We might check with our experts and see if they know of any system that would assist us. But I'm not aware of it personally. Anybody else?

MR. LUNDBERG: Sir, the methodology that's used to get to major rehab funding is the use of this reliability analysis, and I would suggest that you get together in Headquarters and you have a briefing on how that works. What we try to do is we look at a lock and dam like Lock and Dam No. 11. Lock and Dam No. 11 is really a series of components, and we look at each one of those components and try to determine when in time it's going to reach unsatisfactory performance so I mean, you've got to collect them all together and make some guesstimate of when the best time to rehab is.

GENERAL VAN WINKLE: Okay. Right.

MR. LUNDBERG: It's a very complex issue, and it's as much of an art as it is a science. I would suggest that you get together and you have a briefing on that.

GENERAL VAN WINKLE: Okay. And it may be useful to bring that up as another presentation for the Board next time. That would be a potential topic. Let me research that and see what our technical experts have to say about it. And I can recommend to Norb whether or not it would be. It's a great question, and whether or not it's worthwhile representing to the Board.

CHAIRMAN WHITLOCK: Okay, sir. Thank you. Moving along, our next item on the agenda is the Board's 2001 investments, or our annual report which includes investment priorities and recommendations.

Dan, do you want to cover what the priorities were at this point or do you want me to just go ahead?

MR. MECKLENBORG: Yeah. I think the handout that we have is a summary of the recommendations that are included in the Board's proposed report. I think that all the Board members have received through Norm and Mark Pointon on the final draft version of the report that's dated July the 1st.

I would just suggest that we could open up to discussion any points that, or questions, that the Board members might have relative to the proposed report.

And Norb, do you think there's any need to go through just for the purpose of reading into the record the prioritization factors? We did that at the last meeting in terms of the prior draft and so it's in the minutes from there. Do you think we should do that again?

CHAIRMAN WHITLOCK: I think we can dispense with that.

MR. MECKLENBORG: Okay. So my suggestion is just indicate any comments or questions that might be present.

CHAIRMAN WHITLOCK: Any comments or questions or changes that any of the Board members would like to see? We do have some suggested language change on Myers and Greenup. Did you bring them? Les has it?

MR. SUTTON: Yes, I have it.

CHAIRMAN WHITLOCK: We do have one suggested change on Myers and Greenup.

MR. SUTTON: Because it wasn't consistent, the language didn't come out exactly as what we said in other areas of the report.

Under recommendations for both Myers and Greenup, it says the Board recommends that PED activities continue through to an expeditious completion to allow the U.S. Army Corps of Engineers to proceed with project authorization and implementation consistent with the ability of the Trust Fund to provide efficient funding for the project within the current fuel tax rate structure.

So that last sentence was the key as to what we wanted to add.

CHAIRMAN WHITLOCK: Are there any other suggested changes? I guess if not, at this point we need a motion to accept the report as submitted as our 2001 report.

MR. DAILY: So moved.

MR. SUTTON: Second.

CHAIRMAN WHITLOCK: Second. All in favor?

BOARD MEMBERS: Aye (unanimously approved).

CHAIRMAN WHITLOCK: Okay. The report will be submitted with the change that Les Sutton has suggested dealing with Myers and Greenup.

Okay. We next move to the public comment period. I think we have Mr. Jackson from Iowa DOT.

MR. THOMAS JACKSON: Thank you, Mr. Chairman. Although this is your last item on your agenda I'd like to take the opportunity to again, on behalf of the State of Iowa, welcome you all here to the Quad Cities and to the State of Iowa.

I had planned to call your attention to the urgent needs at Lock and Dam No. 11, but in the face of your trip yesterday and your discussions here this morning clearly that's not necessary.

Let me just say that despite the focus nationally in the recent years and the interest in Washington in the pursuit of the Mississippi River Navigation Study and possible capacity enhancing improvements on the Upper Mississippi, that we do need to do what's necessary in the shorter term to keep the system open and operating.

So we are prepared as a State agency to continue to work with our congressional delegation in support of the combination of construction and O&M major maintenance funding that is necessary to get that new start going at Lock and Dam No. 11 and to pursue the needs in the Upper Mississippi system.

I'd also like to add a note about our other navigable river in Iowa, the Missouri. As the Corps proceeds with the development of the Missouri River Master Manual revisions which have also attracted a good deal of national attention, they face a very difficult set of problems. In some cases they are directed to do things which taken together cannot be done. In the face of that, they are working hard in the Northwestern Division and specifically in the Omaha District to come up with some solutions.

And we as a State are working with them through the Missouri River Basin Association to come up with solutions that, while they don't meet everybody's needs, at least they share the pain and share the benefits of that multipurpose project.

Like the Upper Mississippi River Navigation Study we would like to see this situation resolved with maybe more light and less heat and we're trying to work with the other basin states to come up with solutions that may be acceptable to everyone.

Again, I hope you enjoyed your stay here in Iowa and let you know that we'll carry on and hope that you'll carry the message for the needs that you've seen here.

CHAIRMAN WHITLOCK: Thank you, Tom. Is there anyone else that wished to speak? Harry?

MR. HARRY COOK: I'm Harry Cook, National Waterways Conference. I can't pass up an opportunity to invite you all to participate in the National Waterways Conference annual meeting which is this September 19th, 20, 21. We meet this year at Louisville, Kentucky. Brett Harvey with CONSOL Energy is opening luncheon speaker, and Bill Holch (phonetic) who's the new Undersecretary of Agriculture for Marketing and Regulatory Programs is the closing luncheon speaker.

I guess in all we have about 30 panelists, moderators or speakers. The PIANC breakfast meeting on Thursday morning includes three project managers from the Louisville District talking about projects on the Ohio River. Your chairman, Mr. Whitlock, is one of the panelists talking about the Criton Corporation report, the schedule and the congestion issue. We're hopeful that General Griffin or his representative can give the traditional Civil Works reports on Friday morning.

Anyway, it's a great program. Our preliminary program and hotel information and registration packet will be going out either Friday of this week or Monday of next week, so it will be in the mail. You have a very cordial invitation to join us. Thank you.

CHAIRMAN WHITLOCK: Thank you, Harry. In closing Mr. Izzo requested a few minutes for some comments. Dom.

MR. DOMINIC IZZO: Thank you. I guess I'm going to use my new guy card and say I can't make any real major commitments here. I did want to first thank you all for making me feel very welcome and tell you that I have been listening and this has been very helpful to me in only my third week on the job in understanding all of the concerns that you have up here, and I think they're very valid.

I can tell you two things on an informational basis, and that is on my philosophy and what we're working on now with the budget guidance and that has to work all the way through OMB (the Office of Management and Budget) and through Congress. I can tell you that philosophically we're very interested in reducing the maintenance backlog and we don't think that it's a good thing that it has been allowed to get in the situation that's it in.

We, of course, will support the President's budget whatever it is, but right now in the process of coming up with that budget for 2003 one of the things we're trying to do already in the Assistant Secretary's office is get some money in there to address the maintenance backlog.

Also, I share the concern that several folks addressed about the inefficient construction schedules. That also is a product of reduced funding, but it only exacerbates the problem, it doesn't help it in any way. And so the best thing you can do is have an efficient construction schedule. And there are several things that make that difficult to do with our process.

But again, in the initial work we've done in our office in the last two weeks I've asked the staff to put out guidance that would tend to minimize construction inefficiencies. You'll see how successful we're going to be as time goes on.

Also, I want to let you know that I share your frustration, Steve, that you have expressed it about why these studies go on for years and years and years. I understand that there is a process and a lot of that process is statutory. But one of the goals that I've set for myself is to see if we can do less studying and more construction.

So that's all philosophy from a new guy coming on the job, but at least that's the way I'm going.

And lastly, I want you to know that I'm very committed to the Corps of Engineers as you might expect from an ex-engineer officer. I think they're doing great things. The tour yesterday reemphasized to me that this is a tremendous thing that we're doing for the country. We're doing great things for the environment. And I ask you to spread that story around as you go out in the country. For some reason in the last couple of years the Corps has gotten a little bit of a bad rap. I think that it's totally unjustified and I ask you to just spread the good word of what you've seen. That's what I intend to do.

The good news is that the Corps has been doing great things for over two centuries, and I don't think they're going to stop and we need to get that word out on the street. Thank you all again.

CHAIRMAN WHITLOCK: Thank you, sir. I would just like to say it's refreshing to see that we have such strong support and commitment out of the Assistant Secretary of the Army's office, and we look forward to continuing dialogue with you and I guess Assistant Secretary Parker once he is confirmed.

We would welcome the opportunity to share with you our issues, our concerns and our views on some of the solutions. We aren't bashful about offering solutions. But thank you.

We feel the Corps needs the support in that particular office to help with some of the battles that go on on Capitol Hill, and I think you all can lend a very strong hand in doing that. Thanks.

General Griffin, we look forward to working with you in the future. Do you have any comments?

GENERAL GRIFFIN: Not really.

CHAIRMAN WHITLOCK: Okay. In closing I would like to thank Larry Daily for hosting the reception last night and dinner. I appreciate all your work and effort to make our visit most enjoyable.

And once again, I'd like to thank Norman Edwards and Mark Pointon for all the work that they've done in helping the Board pull our annual report together and providing us the data that we need.

And once again, all the presenters today at this meeting I would just like to acknowledge each of you. I'm oftentimes very moved with the professionalism that I see being exhibited in the presentations and the knowledge at these meetings. It's very comforting to know that we've got the talents and the abilities to solve many of the problems that we're talking about. And so I just want to thank all the Corps personnel that participated in yesterday's tour as well as the presentations this morning.

General, any closing comments?

GENERAL VAN WINKLE: No. As I told you before this will be my last meeting as Executive Director. I'm not going away, so all the good things I've been doing I will continue to do in a different capacity. All the bad things I've been doing I will stop doing. (Laughter.)

But it's really been a pleasure working with this group in particular, and I sort of share Mr. Izzo's comments about being a very worthwhile part of the national infrastructure. Not without its challenges, but it's certainly been a pleasure to work with you all, to work with the industry in pursuing this objective of making sure we have a safe, efficient, environmentally sustainable waterways system. It's the backbone of the country. It's part of our historical development and I'm convinced it will be here for a much, much longer time.

It's gratifying that this Board working with the Corps has been able to achieve the successes we have. In the areas where we haven't been successful, we'll continue to keep trying in that regard.

So my pleasure to work with all of you. And, please, when you're in Washington, please stop by and say hello. The door's always open in that regard. So, thank you very much.

CHAIRMAN WHITLOCK: Just two final comments. One, our last Board meeting we were in New Orleans. It was last fall we were in Pittsburgh. And the dam, they've now flooded the hole there and they'll be moving that up sometime later this fall I believe. Up to Braddock.

MR. EDWARDS: It's already moving.

CHAIRMAN WHITLOCK: Is it? Is it moving now?

MR. EDWARDS: Yes.

CHAIRMAN WHITLOCK: Okay. So that's some of the innovative design and construction concepts the Corps is using that helps reduce project costs. We're seeing that come about so everybody's watching. I know it's going to work. There's no question about it. It will. (Laughter.)

GENERAL GRIFFIN: It's moving to its refitting area. It's not actually moving to be set in place. Just to make that clear. I think when we do the setting in place piece there will be a big ceremony.

CHAIRMAN WHITLOCK: A big ceremony. And I think the final comment, our next Board meeting for the fall we haven't arrived at a date yet. We'l have to coordinate with General Griffin to see what his calendar looks like, but we're contemplating having it in Florida.

And you might say well, why are you having it in Florida. And I guess the primary reason is to help all the Board members understand the magnitude of the Florida Everglades Restoration project and understand the demands and competition for funds that the projects that we're so vitally interested in are going to have to compete with. So that's the reason that we're going there.

Like last year we went to the Pacific Northwest and Columbia River and were trying to understand what's going on out there and the amount of dollars that are going into the salmon recovery, restoration and transportation and counting and all those types of issues. So look forward to seeing everybody at the fall meeting.

Thank you. Meeting is adjourned.

(Whereupon, Board Meeting No. 39 adjourned at 11:20 a.m.)

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