MINUTES
MEETING NO. 38 OF THE INLAND WATERWAYS USERS BOARD
NEW ORLEANS, LOUISIANA
APRIL 11, 2001

* * * * *

The following proceedings are of the Inland Waterways Users Board meeting held on the 11th day of April 2001, at the Wyndham Hotel New Orleans at Canal Place, New Orleans, Louisiana, Mr. W. Norbert Whitlock, Chairman, presiding. Inland Waterways Users Board (Board) members present:

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

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

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

Mr. Markos K. Marinakis, President and CEO, Marinakis Chartering, Inc.

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

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

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

Also attending the meeting were **Mr. Ronald G. Stovash** as a substitute for **Mr. William G. Rieland** , CONSOL Energy Company and **Mr. Nicholas J. Lonnemann** as a substitute for **Ms. Lisa L. Fleming**, Midland Enterprises Inc.

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. Nicholas Marathon, U. S. Department of Agriculture (USDA).

Ms. John J. Parez (as a substitute for **Ms. Claudia L. Tornblom**, Principal Deputy, Assistant Secretary of the Army (Civil Works)), Office of the Assistant Secretary of the Army (Civil Works).
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. John J. Parez, Office of the Assistant Secretary of the Army (Civil Works), *Discussion of the Proposed FY 2002 Federal Budget; "A Blueprint for a New Beginning."*

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

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. Daniel P. Mecklenborg, Board Member, Vice President and General Counsel, Ingram Barge Company, *Board Prioritization Working Group Activities For 2001*.

Mr. Michael F. Kidby, U.S. Army Corps of Engineers, Headquarters, Civil Works Operations Division, *Civil Works Water Resources Infrastructure Backlog - Critical O&M Backlog*.

Mr. Steven J. Hudak, U.S. Army Corps of Engineers, Headquarters, Civil Works Programs and Project Management Division, *Civil Works Water Resources Infrastructure Backlog - Construction Backlog*.

Mr. David V. Grier, U.S. Army Corps of Engineers, Institute for Water Resources, *Overview of International Development of Inland Waterways*.

Mr. David L. Buccini, U.S. Army Corps of Engineers, Pittsburgh District, *International Development of Inland Waterways: Europe*.

Mr. James L. Adams, American Commercial Barge Line Company, *International Development of Inland Waterways: South America*.

Mr. David V. Grier, U.S. Army Corps of Engineers, Institute for Water Resources, *Development of Inland Waterways Users Board Web Site*.

Mr. Anthony R. Niles, U.S. Army Corps of Engineers, Research and Development Center, Topographic Engineering Center, *Status of Electronic Charting Initiative*.

Mr. John R. LaRandeau, U.S. Army Corps of Engineers, Northwestern Division (Omaha Office), *Status of the Missouri River Master Manual*.

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

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

Mr. Joseph L. Dykes, U.S. Army Corps of Engineers, New Orleans District, *Status of Bayou Sorrel Lock Study*.

Mr. Stanley B. Green, Jr., U.S. Army Corps of Engineers, New Orleans District, *Status of Calcasieu Lock Study*.

Mr. Byron D. Williams, U.S. Army Corps of Engineers, Galveston District, *Status of GIWW-West Brazos to Port O'Connor Study: Matagorda Re-route*.

Mr. Daniel P. Mecklenborg, Board Member, Vice President and General Counsel, Ingram Barge Company, *Waterways Work Campaign*.

During the public comment period, statements were made by **Mr. Ronald Schildknecht**, Internal Revenue Service, **Mr. Raymond Butler**, Executive Director of the Gulf Intracoastal Canal Association (GICA), and **Ms. Cherrie Felder**.

The 38th meeting of the Inland Waterways Users Board began with Chairman W. Norbert Whitlock calling the meeting to order.

(Thereupon Board Meeting No. 38 began at 8:00 a.m.)

MR. NORMAN T. EDWARDS: I'd like to welcome you to the 38th 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 (WRDA) of 1986. It provides the Secretary of the Army and the Congress with recommendations on funding levels and priorities for modernization of the inland waterways system.

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

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

This is a Sunshine meeting and, as such, is open to the public. The proceedings are being recorded and a transcript will be available shortly after the meeting. Mr. Chairman?

CHAIRMAN W. NORBERT WHITLOCK: Thank you, Norm. I'd like to call on Colonel Julich, the commander for the New Orleans District Corps of Engineers for his opening comments. Colonel?

COLONEL THOMAS F. JULICH: Mr. Chairman, thank you very much. I am Colonel Tom Julich. I'm the Commander and District Engineer of the New Orleans District Corps of Engineers. Fortunately, I was able to meet most of you yesterday on the harbor tour. I hope you all enjoyed that experience, give you a feel for the kind of commerce that moves on our waterways here in our Nation.

The Inland Waterways Users Board has really been a great partner to the Corps of Engineers over the years, and I'm just pleased to be here for this meeting this year. I would like to extend my appreciation to the Port of New Orleans for sponsoring the boat tour that we had yesterday. I'd also like to thank the American Waterways Operators (AWO) and also the Gulf Intracoastal Canal Association (GICA) and also the many other sponsors that we had for our ice-breaker last night.

I've got some slides that are going to accompany my talk here this morning that are up there on the screen. What I want to do today is introduce you to some of the activities of the New Orleans District Corps of Engineers and what we do here in southern Louisiana. Let me first quickly mention that the New Orleans District is the southernmost district in the Mississippi Valley Division. The other districts up there, St. Paul, Rock Island, St. Louis, Memphis and the Vicksburg districts, we encompass essentially the entire length of the Mississippi River.

Division. A couple comments on the overall Mississippi Valley Division. It's really at the forefront of providing a dependable navigation channel for the more than one billion tons of commerce that move each year on the Mississippi and the Nation's inland waterways. From the navigation activities that we have to our regulatory and flood control efforts, the Corps does

everything we can to maintain our navigable waterways. At the same time, we strive to minimize or to avoid any adverse environmental, recreational and cultural impacts.

Here in Louisiana, we're responsible for navigation, flood control and environmental engineering for an area of 30,000 square miles. Our district may be small when you compare it to the size of other districts, but we do have the largest Civil Works budget in the Corps of Engineers. In FY 2001, we anticipate expenditures totaling $359 million in Federal funds, of which $133 million is targeted for navigation. We'll spend $20 million in our sponsors' funds. We'll also have another $19 million of coastal wetlands fund and about $8 million in Superfund monies. That brings our total to right around $406 million. However, we still need an additional approximately $40 million to continue some of the construction that we have ongoing this year.

Our navigation mission, we address it with the dredging of 400 miles of deep-draft channel for international shipping. We also maintain about 2400 miles of shallow barge channel, and that includes the most heavily used portion of the Gulf Intracoastal Waterway, a stretch of about 366 miles across south Louisiana.

Many of our waterways are navigable thanks to the operation of our 12 locks and our six control structures out there. This is a picture of our Industrial Canal Lock. This is one of our more high-profile locks, and you all were able to get a firsthand look at it yesterday. It connects two of the busiest waterways, the Mississippi River and the Gulf Intracoastal Waterway.

We will have a status briefing later on this morning for you on the Inner Harbor Navigation Canal (IHNC) Lock Project, and also the Bayou Sorrel and Calcasieu locks.

We also operate some of our structures to protect sensitive environments from saltwater intrusion. That's the main purpose of this structure here.

We've also built about a thousand miles worth of levees and floodwalls to protect against historical floods on the Mississippi River. We do operate the Old River Control Structure. It's located about 60 miles north of Baton Rouge. That's to keep the Mississippi on course at all times and, if necessary, to divert floodwaters down the Atchafalaya.

In conjunction with Old River, we also operate the Bonnet Carre Spillway and the Morganza Control Structure whenever we have floodwaters that threaten downstream cities.

We also build floodwaters and levees to protect against hurricane storm surges. We've built five authorized projects, and those were started back in 1965 when Hurricane Betsy hit.

More recently, we've taken aim on city flooding due to rain events out there through our Southeast Louisiana Urban Flood Control Project, also known as SELA. We design and construct projects out there for Orleans, Jefferson and St. Tammany parishes.

In the environmental arena, the district together with our partners really is at the forefront of environmental protection here in south Louisiana. Using material that we dredge from our

ship channels, we've created about 10,200 acres of wetlands. This helps protect endangered and threatened species in the process.

In addition, we've designed and built two freshwater diversion structures out there. This helps freshen the water out there and helps build marsh. This is the one that we built out at Canarven. It's been in operation since 1991. The other one, Davis Pond, is still under construction. We're looking at it being put into service late this summer. It'll benefit Barataria Basin.

The district also serves on the Breaux Act Task Force to help protect the coastal marshes that we have here in Louisiana. Another one of our responsibilities is regulating the activities and navigable waterways and also wetlands. Our district issues 4,000 permits a year.

We also play an active role in the Corps Support for Others Program, and this is several examples here, work that we've done for the Coast Guard, Fish and Wildlife Service, and also for the Environmental Protection Agency (EPA). And we also take a proactive role in responding to natural and also national emergencies in support of the Army.

So that's a real quick one on what we do here in the New Orleans District. We've enjoyed a close working relationship with the Inland Waterways Users Board over the years. We plan on keeping that close relationship. Great to have you in town with us here today. Thank you very much.

CHAIRMAN WHITLOCK: Thank you, Colonel. Next on our agenda is General Hans Van Winkle, the Director of Civil Works.

MAJOR GENERAL HANS A. VAN WINKLE: Thank you, Norb. Always a pleasure to meet with this August committee, group of people. I enjoyed my day yesterday, taking a look at that. It's always fascinating to see what goes on in a place like New Orleans, the shipping, the commerce, the activity levels. Sometimes, we in Washington forget real people have to do some real work out here where the rubber hits the road. And I particularly enjoyed going through the Inner Harbor Lock. It's a testimony I think to the forefathers in the Corps of Engineers that that thing is still standing after all these years. There is concrete everywhere and some rebar sticking out, but it's still functioning. That's the good news. And the bad news is we obviously have to do some work on that.

A couple of items. We've been slow but eventually successful in getting the new member packages through the system. All appointments as you know have been difficult to work our way through, but we do have those I'm told now cleared all the way up to the White House and an official notification should be pending soon.

Norm, do you have any updates for me to introduce today as to when we'll possibly get a release?

MR. EDWARDS: Yes. I have a feeling that we'll probably be hearing from the Secretary of the Army's office either late this week or early next week, and the notifications to

those who have been appointed and those who have not been will be prepared and official notice will be given.

GENERAL VAN WINKLE: Okay. We have a number of Board members unable to be with us, Chuck Ebetino, who is, of course, leaving us shortly. Lisa Fleming had the audacity to have a baby or is about to have a baby here shortly, so Nick Lonnemann is here representing her. We wish her well obviously. Tim Parker has business with his legislature and Ron, of course, is representing Bill Rieland here. We're pleased to have them here. I think all the other Board members are present.

We have our Federal Observers. We're happy to have Nick Marathon here from USDA (U.S. Department of Agriculture) again with us; Bob Christensen from DOT (U.S. Department of transportation) and MARAD (Maritime Administration); and Tod Schattgen from NOAA (National Oceanic and Atmospheric Administration). Thank you all for making it down here today. They have been with us on many occasions and we are glad to have them. And John Parez is here from the Office of the Assistant Secretary (Civil Works), and he will be giving us a presentation shortly.

With regard to the budget release two days ago, John will be able to give us some updated information as to those events. I'd also like to pass on Tom's thanks to the Port of New Orleans and to AWO for a good tour yesterday and for the reception last night; always good opportunities for us to dialogue in a little more informal, casual setting some of the events of the day, and that was of great interest and so thanks to all those who participated in that.

I had a lot of things to come and tell you, but we've got a big agenda today and some of these topics will come up again, so I thought what I might do is just sort of very, very quickly talk about some perspectives and then perhaps as we get into some of the other issues I could give you some of my comments.

Clearly, the budget release was a large event for us and the numbers are down for the Corps in general and, of course, that's reflected in what we budgeted for the navigation related items. I think that budget is reflected with the overall priority of this Administration. First priority, of course, has been the tax cut, and the second part has been a couple selected items that the new Administration wishes to engage in. Education, for example, was a priority. The campaign reflected that in the budget. And so in an attempt to keep overall Federal spending down, there were certain other items that don't get the same sort of budget priority. And unfortunately, the Corps and the navigation system were one of those areas that did not get a lot of priority.

John, of course, will talk a little bit more about some of the details and the why's and wherefores, but those are sort of the macro aspects of that. The budget also had some other guidance to us as an institution. It talked about minimizing our support to low-use waterways.

I guess from the waterways users' perspective, the good news is the budget signal that this Administration wants the Corps to concentrate on current, ongoing work and, of course, we have a lot of ongoing work in the navigation arena. So that perhaps is a bright lining to some numbers that are lower than you all might expect. And so we will get to that system.

We obviously are now focusing on the appropriations process. We have four budget hearings coming up. As soon as I leave this, I'm going to spend full-time the next two weeks preparing for budget hearings. We have Senate and House appropriations on the 24th and 25th, and our authorizing committees would also like to hear about our budget on the 26th, so we'll have three back-to-back-to-back hearings. And then on the 2nd, we'll have another authorizing committee. So with four hearings coming up in Congress, there will be a lot of scrutiny over the budget and the impacts and what all this means to you and to the Nation, and then Congress will begin their process of making its determinations.

Also of significance are two recent hearings we had reference the Upper Mississippi controversy that seems to be lingering for quite a bit of time. Senator Domenici and Senator Inhofe, both on the Senate side, and our Appropriations office, they've had hearings. I think those went reasonably well. Our intent at both hearings was to reassure the Congress of the integrity of the Corps' program. We also tried to document some of the ways in which the program brings value to the Nation in our overall program, and I think that's certainly true in our navigation program, that we can document many, many benefits to the American taxpayer from the inland waterway system. And we use those opportunities to highlight some of those areas where when we do provide value to the Nation.

We also suggested that we as an organization are not unwilling to change, and the Chief of Engineers announced and made some recommendations about certain changes that we do plan to make.

Regarding the Upper Mississippi, we've halted the study temporarily, perhaps a pause is a good way to characterize that. The purpose of the pause was to sort of re-evaluate where we're heading with that study and particularly in conjunction with the National Academy study which I'll talk about in a minute. Although we made the decision prior to the National Academy study, it seemed wise to regroup and figure out where we're headed.

So we announced a pause in the study. We are making a couple of changes with regard to that. We have formed an inter-agency group at the national level with some of the agencies you see around the table, Department of Agriculture, Transportation, Interior and EPA, and we've asked senior representatives to come over and advise us on how we want to proceed.

We felt that one of the difficulties with the Upper Miss is that the decision on what to do is really a larger policy issue than simply a traditional Corps project where we do the benefit/cost and do an Environmental Impact Statement. The social consequences and the thinking how we're going to operate it, particularly on the Upper Mississippi over the next 50 years, are very, very broad, and it certainly seems wise to include on a more formal, more structured basis some of the other Federal agencies and get their views and advice.

I think ultimately what we will have to do on the Upper Mississippi is do some broad scenarios rather than trying to figure out what an actual number ought to be in terms of traffic, in terms of impacts and so forth. There are just too many variables. It would only take a small change in agricultural policy, for example, changes in how EPA regulates decision-making, to

have some major consequences one way or another. And so really, at least in my mind, as I've worked through the system over the last couple of years now, is that it's really more of a policy sort of decision and it lends itself more to a scenario type of planning rather than trying to come up with an exact number.

So that is sort of where we're headed at this point. We do have a responsibility to come up with a recommendation. I for one am very sensitive to the fact that it's been a long time and we've spent a lot of dollars, and we do need to reach a conclusion ultimately and we plan to do that. And we hope to use this Federal group to help us.

Now, we've also at the regional level, first of all, we've charged the Division Commander for assuming overall control and responsibility for the study, and we've also formed a regional panel of similar representatives. We've also included some non-governmental agencies to provide advice to General Arnold.

Those are ongoing. We've had two federal meetings already. The regional group is standing up and working through that, and we hope to consolidate all that shortly and make some decisions on how we're going to proceed with the study. The Chief has announced that he views a potential 2002 WRDA bill as the point where we ought to shoot for a recommendation, and we'll see if we can do that. It really depends how these groups work out and what advice they give us.

On a broader scale, in terms of what the Corps ought to do and how we ought to respond, we've done a couple of things. One is that we've formed a group called the Environmental Advisory Board (EAB), and we've asked a number of folks to sit down with us. There is a reason to have this Board, but it fell into disuse primarily because of difficulties in getting the members appointed through the appointment process. And you're all familiar with how difficult that is. And we were unsuccessful in getting a couple Board members, and so we had not actually met the Environmental Advisory Board in a while. We're re-invigorating that, and we have a first meeting later on this month to brief the Chief and myself on how we ought to proceed from a broader environmental policy perspective.

The other thing is the Chief has announced that he would like to also reinstitute another activity, agency process that we had. We used to have a system where we kept this particular system internally. We had division commanders and others advise the Chief separately on how we ought to recommend certain of our studies. We're going to reinstitute that.

It will probably include some outside groups, outside to the Corps of Engineers. It is to be a separate group to re-evaluate or give the Chief sort of a second look, a second opinion on studies of importance. Our intent is to do that, do it so we don't add more process and more expense to that. We hope to make it a parallel system. But someone who can give the Chief some additional advice as he makes his important decisions on Chief's Reports.

We've done a couple of other things, but I think that gives you some broad perspectives on how we plan to approach these. So again, we're not afraid of change and we certainly change as we see fit and as we're required to do and as we get good advise from many other groups. We

do not want to, again, slow or add additional expense to an already slow and lengthy process, so I think we can find prudent ways to do that and actually add value to the process.

So that's really our intent with regard to the controversy on the Upper Mississippi. Again, for this Board, our intent is to get the study back on track and give a recommendation and then, of course, the decision-makers will have to decide what they want to do in that regard.

Along the way also, I think I should mention that, I don't believe the National Academy study came out before our last meeting in November, and I think perhaps that's something we need to discuss. I'd recommend you all read the National Academy study. We've put it up on our Web site. By the way, I also would mention that we've also discovered that we as an agency are perhaps not as good as we should be about getting information out. Well, no agency is as good as it should be about getting information out. We've worked very hard to put up a very good Web site which we basically update on a weekly basis, and we put just about everything on there. The National Academy study is available and quite a few of these are available so that we can get that information out to you quickly.

But the National Academy study is there, and I'd recommend you read that.

One item I think the Board ought to address is a very strong recommendation from the National Academy that traffic management be sort of the first resort as we deal with the Upper Mississippi question of how we're going to modernize, maintain and work that system. They recommended very strongly that we look at traffic management sorts of systems. They mentioned a couple of areas. I had some discussions afterwards with them, and I was unable to get any concrete advice. They threw some ideas out but had no concrete recommendations as to how traffic management might work and how it might solve the problems.

So I think it's really left to us as to what are the potentials for traffic management to help solve the congestion problems. I know you all have discussed that in the past, it's been an issue, but it's certainly been raised again and if we're going to proceed with the Upper Miss, we need to address this issue, what are the potentials, how can we use traffic management, if nothing else, to solve short-term close-in problems.

Norb, that's an area that I'd like some advice from you all as to how we proceed with that. Again, I was unable to get concrete suggestions, there were some broad suggestions thrown out.

And perhaps lastly let me say that we do have a new Secretary of Transportation, Norman Mineta, on board. I've had a couple of chances to hear him and interact with him, and I'm very positive about his understanding of the navigation system. He addressed the American Association of Port Authorities (AAPA) recently and gave a very good presentation. He is sensitive to and aware of the number of initiatives that we have. I believe he'll be a strong supporter for the MTS (Marine Transportation System) initiative which, as you know, got off and running the last year or two. I believe he will continue to support that. He's also made some comments, is considering a SEA-21 type of proposal which would focus on or continue that MTS type of focus on our waterway systems, and I think that he would be interested to continue to work on that.

So I think that's good news for the navigation industry that the Secretary of Transportation is aware of our work and sensitive to the navigation industry and the issues that we have at hand.

As I said, it's been an active period since November, and I probably talked much too long here, but I just wanted to give you some opening comments as to where we are and some of these things will come up again. Let me close there. Norb?

CHAIRMAN WHITLOCK: Thank you, sir. I would like to add my thanks to the New Orleans District and the Port of New Orleans and all those that were responsible for the tour yesterday. I thought it was well received by the members. It's always a great opportunity for members to get out and see the projects that are being cost-shared, try and understand what those needs are and all the issues surrounding those projects. The one here at New Orleans has been one that, it's been studied and looked at for a number of years, and it's gratifying to see that it is moving toward a solution.

I would like to just comment on a few things. One is, as a member of the Users Board, you know, we see the budget releases and that, this year, that causes us great concern and primarily from the standpoint that we have a Trust Fund balance of approximately $400 million. We're contributing approximately $100 million a year in revenue and earning another $20 million in interest, so we have net proceeds into the Trust Fund of $120 million. And this year, if this budget holds to these kind of levels, we're talking about only spending about $65 million.

So what you end up with is the Trust Fund continuing to grow. And we feel and have felt for a long time that we should be somewhere at the Corps's full capability, which is probably in the range of $200 to 300 million, even though the Corps hasn't released capability numbers at this point that I'm aware of, I think it's probably somewhere in the $280 million range that would probably be appropriate.

So I think all of us that spend time working these kind of issues with Congress have our work cut out for us. This kind of program where they are talking about a $3.9 billion Civil Works program versus last year of $4.6 billion, it stretches out these projects. It causes the total cost of these projects to increase due to interest during construction, and probably more importantly, we forego a number of the benefits that the projects were justified on the basis of in the first place. So it's very important that all of us that are in the public sector understand these issues and are able to address those with our congressional delegates down the road.

I guess one other comment I would like to make, and I know that there's been a lot of discussion and the General talked about the Upper Miss study, and I guess there was one issue there that I was pleased to see is that the National Academy of Science, even though we don't agree with some of their traffic management proposals, it was somewhat in my opinion a vindication of what many of the Corps people were saying, that the model that was being used was not accurate, was not appropriate, and as well as what we in industry were saying, that the model was not appropriate, because several of us in the industry were named in the "whistleblower" suit as being involved in the process, and as it turned out, they ended up saying

exactly what those of us in industry that were participating in those discussions were saying a year ago.

So we're hopeful that the pause and the regrouping and the assignment and I think working with a national group as well as a regional group I think will help move this project forward.

And I guess my only question would be is, do you see a role at the regional level or the national level for the users that participate in those deliberations as the study resumes and moves forward? When I say the shippers, I'm talking about the shippers as well as the carriers of that Upper Miss region, how do they participate if there are others that are non-federal type interests involved in that process going forward?

GENERAL VAN WINKLE: Yeah, I think we certainly plan to include that, although the Inspector's General (IG) report had some interesting comments from my perspective to say we plan to continue to let people know, interested people, and certainly the Users Board is absolutely essential as we proceed to get your advice. So we can do that either in an informal or formal basis. I can't tell you any time lines right now for when the decision-making is done, but we'll certainly listen to your recommendations as to, if you'd like, we could back you up and give you a formal briefing as to what we plan to do or we could do that informally and let you know.

So the answer is yes, we certainly want to do that and plan on doing it, either at the regional or national level. But we're expecting sometime in the next few months to have some kind of recommendations on the way ahead on the process that we are going to use. Again, I'd offer up to you, we can do this formally or on an informal basis , to notify you as to where we are going. Do you have any preferences in that regard?

CHAIRMAN WHITLOCK: No. I would think that, you know, certainly we have opportunities at our meetings that we have and, you know, there may be opportunities for some of the members to participate at the regional level in those deliberations as they proceed.

GENERAL VAN WINKLE: Yes. Our next Board meeting I believe is scheduled for July, and we're hoping to have some broad structuring on how we're going to make appropriate changes done before that. So we will probably need to set up something separately, and I would be quite happy prior to the decision-making to have you informed and get your comments. I think that's the purpose of this Board, to provide the Corps advice, and it certainly would be appropriate to do that.

All right. I'll work with Norb on that request and perhaps what we'll do is set up a separate briefing in Washington, or maybe, for those of you who have the VTC capability, we'll try to make that opportunity available.

CHAIRMAN WHITLOCK: Okay. I guess the only other comment, I know the General's schedule is one that is extremely busy. I happened to be in Washington in February

and I dropped by just to say hello, and the only time I could spend with him was walking from his office down to the Chief's office, so I got to bend his ear for about two minutes about issues.

So we appreciate you being able to take the time to be with us yesterday. I know your schedule is extremely busy, and it's important for members to have an opportunity to interface with you one on one. So thank you. I know your time is very valuable.

With that, I would like to ask for a motion for approval of the minutes of our last meeting in Pittsburgh.

MR. LESTER E. SUTTON: So moved.

MR. DANIEL P. MECKLENBORG: Second.

CHAIRMAN WHITLOCK: All in favor?

BOARD MEMBERS: Aye. (Unanimously approved.)

CHAIRMAN WHITLOCK: The minutes are approved as submitted.

Next on the agenda is Mr. John Parez, who is with the Office of the Assistant Secretary of Army for Civil Works. John?

MR. JOHN J. PAREZ: Thank you, Norb. Good morning. I understand that the Board has seen the President's budget blueprint for FY 02 and has some concerns, as Norb indicated before, and would like to hear some more about the proposals contained in that document. The blueprint, as some of you know, is what was outlined for the President's budget plan for FY 02 and the blueprint was sent to Congress on February 28th, the day after the President addressed the Congress about it. Two days ago, as General Van Winkle mentioned, April 9th, a more detailed budget was sent to Congress, and Federal agencies held press conferences in the Washington area to discuss their portions of the budget.

And my boss, Claudia Tornblom, the Chief of Engineers and General Van Winkle participated in one of those press conferences to present the FY 02 budget for the Army Civil Works program. And so today I'd like to provide you with essentially the same information that was provided at the press conference, plus some additional details about how it pertains to the inland waterways piece of the budget.

You should have a handout in front of you in the pile of handouts. It's called "News Release," and looks like this. This document was provided at Monday's press conference. It gives you the highlights of the budget proposals along with a breakdown of the budget into its various components, such as studies, construction, operation and maintenance, et cetera.

To put the Corps's FY 02 budget in context, which General Van Winkle has done to some extent, it's important to note that our part of the Federal budget reflects the President's overall goals to slow the growth of Federal spending, provide for tax relief and reduce the national debt,

along with other national priorities such as education, healthcare and defense. So the Civil Works budget has been formulated in accordance with those overall priorities.

So I'd like to go over the main points of the entire Civil Works budget, some of the new policy proposals contained in it, so you can get an appreciation of how the inland waterways piece fits into it.

As mentioned before, the FY 02 Civil Works budget is $3.9 billion. Of the $3.9 billion, about $765 million will be derived from three sources other than general revenues, with the Inland Waterways Trust Fund being one of those sources and will provide the $65 million that Norb mentioned earlier. The other two sources are the Harbor Maintenance Trust Fund, which provides $675 million, and the Special Recreation Use Fees would provide $29 million to partially pay for the Operation and Maintenance (O&M) of recreation facilities at Corps lakes.

In addition to the $3.9 billion, about $514 million will be contributed by the Bonneville Power Administration (BPA), non-federal cost-sharing sponsors and other additional sources. In combination with the appropriated funds, these funding sources support a full Civil Works program of about $4.4 billion.

Now, in order to manage within the $3.9 billion allocated for Civil Works, the budget emphasizes the principal Civil Works missions of commercial navigation, flood damage reduction, and environmental restoration. Funding is also included for individual studies and projects that provide other benefits, including storm damage reduction, hydropower, water supply, and recreation.

The Civil Works program has a construction backlog currently estimated at about $40 billion, including $32 billion to complete ongoing construction projects, and so available funding is directed toward continuing construction of these projects.

Initiation of new studies and projects would divert resources away from ongoing construction, causing unnecessary delays in the completion of ongoing work. Therefore, the FY 02 budget does not have any new starts either for construction or project studies.

There are only two new starts in the budget for two national studies that provide information to assess the potential changes in Civil Works policies and procedures. Both of these new studies were authorized in the Water Resources Development Act of 2000.

For the first study, the budget includes $100,000 to initiate a project monitoring program to monitor the economic and environmental results of up to five projects constructed by the Corps. The second national study is a national shoreline study to review the state of the Nation's coastal shores. The budget includes $300,000 to initiate this study.

The budget presents a new Administration policy towards shore protection projects that involve beach restoration. For these projects, the Administration proposes no change in the existing 65/35 percent Federal/non-federal cost sharing for the initial sand placement, but for the periodic renourishment of such projects, the Administration would seek a 65 percent non-federal

share, reducing the Federal share to 35 percent. The policy would apply to all renourishment work funded in FY 02 and beyond.

Beach nourishment projects initiated since 1995 have not been budgeted for continuation until now. With this policy change, these kinds of projects are now eligible for consideration and the FY 02 budget includes $82 million for beach nourishment projects. In addition, no funds have been budgeted since 1995 for new phases of beach nourishment studies. With the policy change, this restriction is being lifted. Project reports will recommend the same new cautionary formula for the resulting projects.

For the Mississippi River and Tributaries (MR&T) project, the budget targets funds to high priority flood damage reduction projects which are on the mainstem of the Mississippi River and in the Atchafalaya River Basin in Louisiana.

Recreation user fees are proposed to be increased in order to raise receipts by about $10 million, and legislation will need to be transmitted to Congress to authorize certain changes in the current fee collection authorities.

The Corps Civil Works program has an emergency response mission, of course, and we anticipate the carry-over funding from prior year appropriations is sufficient to fund normal program activities during FY 02. But the Administration is proposing a government-wide Emergency Reserve Fund to finance responses to emergencies that may arise during the year, and Civil Works is one of the programs that would be able to tap into this nationwide reserve, Emergency Reserve Fund, in the event that flood and other emergency response costs exceed available funds.

The Assistant Secretary's office is working with the Corps to identify opportunities to strengthen the Civil Works planning process. In addition, as indicated in the President's budget blueprint, the Army is considering options for strengthening the ability of the Assistant Secretary's office to ensure policy oversight to project planning.

In the O&M program, within the navigation arena, the budget gives priority to harbors and inland waterway activities that support a higher level of commercial navigation use. For coastal harbors, the budget includes $47 million to maintain shallow-draft harbors 14 feet and less. Among these, subsistence harbors for isolated communities and commercial harbors are emphasized while harbors that are recreational in nature are de-emphasized.

For inland waterways, the budget includes $42 million for operations and $25 million for maintenance dredging of the lower commercial use inland waterway segments, which are defined as those having less than one billion ton-miles of traffic per year. The $25 million for maintenance dredging is targeted at the waterway segments within those low-use projects that have the most commercial use.

In order to manage within the available resources that we have, no funds are requested for structural maintenance on the low commercial use segments. If an emergency situation does arise during the year, we will reprogram funds from other projects.

In terms of specific projects, I think Steve Hudak is going to provide you some material on that. But in addition to Steve's material, I also have provided a handout so you can see which O&M projects are affected by concentrating on the high commercial use segments and de-emphasizing the low commercial use waterway segments.

And the handout you should have is a two-page table with a title at the top called "Fiscal Year 2002 Operation and Maintenance, General Budget, Inland Waterway Navigation Projects with less than One Billion Ton-Miles Per Year." So if you can find that handout in the pile, I can go through that with you.

It lists the projects with less than a billion ton-miles and shows you the FY 01 budget, the FY 01 appropriation, and the FY 02 budget broken into the operations piece and the maintenance piece plus the total for FY 02.

In the first page of the handout is a subset of projects with the higher volumes of traffic. For these projects, you will notice that funds are provided in the FY 02 in both the Operations and in the Maintenance column.

And if you turn to the second page of that handout, this is a subset of projects, again, with less than a billion ton-miles of traffic but with even lower volumes of traffic than the projects on the first page. These are the projects with the lowest commercial use. And you'll notice that in FY 02, there is money for in the budget for operations but none for maintenance. In other words, funds are in the budget to continue operating these projects but maintenance will need to be deferred unless an emergency happens, in which case we will have to reprogram funds in order to keep the project operational.

And I did this to illustrate to you how funds have been redirected, if you will, from the low commercial use waterway segments so that we can target available funds to the high-use waterway segments. I feel like this is the best use of available resources.

So, in closing, I hope you can appreciate that the FY 02 budget reflects the President's overall priorities for discretionary spending. We'll continue to concentrate our efforts on continuing ongoing construction projects and applying Federal resources where they produce the most benefits. I feel the budget is sufficient to carry out our principal missions of commercial navigation, flood damage reduction and environmental restoration, along with the other project purposes of storm damage reduction, hydropower, water supply and recreation.

If there are any questions, I can try and respond to those.

MR. SUTTON: I have a question. This is Les Sutton. When you calculated your one billion ton-miles, for example, on the Missouri River, if a barge left Rulo, Nebraska, destined for New Orleans, Louisiana, were the ton-miles of that entire trip captured or were they cut off at the mouth of the Missouri?

MR. PAREZ: I'm not sure. I think they were probably cut off at the mouth of the Missouri. Can Dave (Grier) verify that or is that the way you understand the way we normally calculate those statistics?

MR. DAVID V. GRIER: I can't verify that's how it was done in this instance, but that is how the data is normally collected and reported to the Waterborne Commerce Statistics Center (WCSC).

MR. PAREZ: Right. That's the date we relied on, so that's undoubtedly how it was calculated.

MR. GRIER: They can do special runs to determine ton-miles for the entire trip, but that's not normally collected or reported.

CHAIRMAN WHITLOCK: Any other questions?

John, I guess a question I have is, when you're comparing apples and apples from the FY 01 appropriation to the FY 02 budget, am I correct in assuming that we should compare $3.9 to $4.5 billion? You were coming up with additional funding, but I assume that those same adds would have been in the $4.5 billion?

MR. PAREZ: The appropriation for FY 01 is $4.5 billion. And yes, you're right. Those additional contributions would be added on top of that to be comparable to the $4.4 billion. So you might also keep in mind that, you know, apples and apples, apples and oranges, we've actually got an orange in the FY 02 budget at $3.9 billion and an apple in FY 01 with appropriations. Our budget request for FY 01 was more in the range of $4.1 billion and, of course, Congress appropriated $4.5 billion. So you might state it an apple and apple at $4.1 billion in the FY 2001 budget and $3.9 billion in FY 02, again, in terms of the budget.

CHAIRMAN WHITLOCK: Okay. Are there any other questions?

MR. MECKLENBORG: Yes. Just from the Administration standpoint, is the Trust Fund balanced and the level of accumulation and growth there, something that is under consideration? I'm wondering whether that was a factor in your consideration.

MR. PAREZ: I don't think the Administration focused too much on that, similar with the Harbor Maintenance Trust Fund. There's still a balance there. I think it was a matter of how much in Federal appropriations we could devote to this program and still hold down Federal spending.

MR. SUTTON: This is Les Sutton again. In comparing apples and oranges and maybe prunes, I would point out that the $4.1 billion request for FY 2001 also assumed a billion dollars in Harbor Use Fees that I assume the $3.9 billion request does not include.

MR. PAREZ: No, the $3.9 billion does include Harbor Maintenance Trust Fund fees of about $765 million.

MR. SUTTON: But I believe there was a billion dollars additional.

MR. STEVEN J. HUDAK: The $4.1 billion included the proposed Harbor Services Fund because the money had to be appropriated, so it was just a financing scheme to wash the money through. It was an offsetting correction and a receipt. So in the overall scheme of the whole Federal budget, it didn't affect the deficit or paying down the debt. But as far as our appropriations are concerned, our $4.1 billion, it was in the $4.1 billion.

MR. SUTTON: So it was in effect $3.1 billion.

MR. HUDAK: Well, yes, I'll give you that. But if you're looking at them on the same plane, the $4.1 billion was equivalent to the $3.9 billion.

CHAIRMAN WHITLOCK: Okay. Thanks, John. Next, we have David Grier with the Institute for Water Resources and he will be discussing the Inland Waterways Trust Fund.

MR. GRIER: Thank you, Mr. Chairman. If you look in front of you, you should have a one-page handout with the "Inland Waterways Trust Fund Status Report" labeled at the top and a table of numbers. (See ix D.) This brings us up to date on the status of the Trust Fund through February of 2001, and just reflecting back on the prior fiscal year we began 2000 with about $371 million as the balance in the Trust Fund. Revenues, as you mentioned earlier, Mr. Chairman, were about $100 million, and interest of about $20 million, bringing the total interest and revenues of about $120 million. We had transfers to the Corps for ongoing construction of just over $102 million. And that left us with an ending balance at the end of the fiscal year, beginning of October, at $388 million. That was an increase in the balance of about 4.6 percent over the prior year.

Currently, up through February, which is the latest data we have, revenues have been just about $48 million, this is down just a little bit from the prior year time period, interest a little over $9 million, for total revenues to date of about $56 million. The current transfers to the Corps have been just under $39 million. That's an increase over the prior year, which at this point in time was about $30 million, so the transfers to the Corps had been up over 29 percent. And our current balance is $406 million, about a 1.2 percent increase from this time last year.

Our scheduled transfers to the Corps realized would be nearly $123 million altogether, and we are expecting revenues and interest to again be about $120 million. So the scheduled transfers would slightly exceed the revenues and interest of the current fiscal year. These transfers at $123 million are up about 20 percent from the prior year.

Just in terms of comments on the traffic, although traffic was up about 35 percent in 2000, we estimate that total revenues in the Trust Fund were down about four percent, and we attribute this to declines in the longer haul traffic, in particular, farm products, which were down about seven percent, and coal, which was down about four percent.

For 2001, right now I don't really anticipate significant changes in the revenue situation. It looks like farm products may be about the same or down just a little bit, so we won't see additional revenues generated from that market sector.

Are there any questions on the status of the Trust Fund? (No response.)

I would point out that we didn't have the budget numbers for the Corps budget or capability program in order to do the usual long-term Trust Fund analysis that we normally present to the Board, and we'll attempt to get those numbers and prepare that analysis in the next few weeks and send it out to the Board as soon as possible.

We also, by not having those numbers, we were not able to do the analysis the Board requested on the impacts of the project delays and potential benefits foregone. Likewise, we'll get that analysis prepared as soon as possible to give to the Board in the next few weeks.

CHAIRMAN WHITLOCK: Okay. David, a question. When you forecast your revenue, are you basing that on tonnage projections of one-half percent or something like that?

MR. GRIER: Yes, sir. We attempt to look at what's developing in the market as best we can. We don't have perfect information by any means, but we monitor through several forecasting services, such as Sparks, what they're estimating for corn and soybean and wheat exports in the current market year. We also look at some of the indications from the utility sector on coal, projected movements and current stockpiles and inventory rebuilds and that sort of thing, so we attempt to just sort of make a best guess on that.

CHAIRMAN WHITLOCK: Do you try to factor in any aspect of the engines that are being used by the operators are more fuel efficient and that the vessels that are being built or have been built over the past three or four or five years are generally of larger horsepower vessels, meaning that they generally run the long haul route from St. Louis to New Orleans and carry more barges and, thus, the gallons per ton-mile is less for those vessels than it would be for other vessels? So you've got a couple things working against you that need some reflection when you estimate revenue forecasts there. I don't know how you include that. We might be able to help you in some way if you aren't capturing that.

MR. GRIER: That's a good point, sir. We have not been factoring in any changes regarding engine designs and increased efficiency, so we would be very interested in getting some additional information from the Board to help us improve the analysis.

MR. SUTTON: This is Les Sutton again. You might just look at trends in fuel usage per ton-miles, say, on the Lower Miss River to see what's happened to that the last three or four years might give you some indication of what Norb is talking about.

MR. GRIER: Thank you, sir. We'll do that.

CHAIRMAN WHITLOCK: Any other questions for Dave? If not, we'll turn to, at this point, Steve Hudak.

MR. HUDAK: I'm going to discuss two pieces of paper that are also in your pile. The first is a little bar chart called "Program and Funding Timetable." The second is a table with a bunch of columns on it and it's labeled "Inland Waterways Studies and Projects."

Just to refresh everybody where we are in our timetable, we're executing the FY 01 program and just ending the second quarter. We're well ahead of schedule. We're going to spend about $1.7 billion in the construction program, well over $4 billion overall in all of our programs. We've just released the President's budget. It was about two months later than it normally is. That's part of the reason why we don't have capability numbers right now and why our budget justification sheets show "being determined" for completion dates. So we don't have that information in our tables either.

People are working on the capabilities. The divisions will be approving them this week. We were late in getting the out-year numbers, the out-year ceilings for OMB (Office of Management and Budget), and that's why we don't have completion dates. And they're doing the same with computing their completion dates, and we'll have that information in the next few weeks as well. And we'll be giving them to David so he can work the impacts on the inland waterways projects.

As General Van Winkle said, we're going to have hearings on the 24th and 25th of April with the Senate and House Appropriations committees, and believe it or not, we're starting to develop the guidance for the FY 03 budget this month as well.

So we're executing FY 01, we're defending FY 02, and we're looking into our crystal ball to try and see where we're going for FY 03.

Next, if there's no questions on where we are, we'll turn to the funding sheets. As I said, we don't have completion dates like we usually provide you and there are no capabilities, and we'll send them to you shortly as soon as the divisions approve them.

We do have 11 studies in the budget that deal with inland waterways for a total of $10 million. We've got seven Preconstruction Engineering and Design (PED) projects for a total of $6 million. Out of our General Investigations (GI) program, we've got over $16 million in the budget for inland waterways.

Turning to Page 2, in the construction program, we've got eight construction projects for $114-plus million, we've got four major rehabs for $18 million, for a total of $132 million from CG (Construction, General) and Inland Waterways Trust Fund split 50/50 in the budget.

The gross number that we show on this table is $66 million. The net number that's in the budget is $61 million. And the reason for the difference is the reduction in the overall appropriation for what is called anticipated Savings and Slippage. So we budget gross numbers at the project level and net numbers that reduce the overall amount by this anticipated Savings and Slippage at the net level. So that's the difference for what seems to be different numbers. But it just depends on how you look at them, whether they're gross or not net.

We've got $230,000 in the budget to support the activities of the Board.

On Page 3, we've got 13 inland waterway construction projects that are not cost-shared with the Inland Waterways Trust Fund. There is one error on that sheet. Barkley Dam and Lake should not be on there. It was funded for completion in FY 01, and it was an oversight on my part to not take it off.

But in the total, we've got $313-plus million in the budget as compared to an allocation of $417 million for FY 01.

And then on Pages 4 and 5, I have listed all of the fuel tax waterways that are in our O&M budget. There are 74 of them. They total $534 million. And on Page 6, there are 22 inland waterways that are not part of the fuel tax system. They total $26 million.

So we've got $560 million in the O&M budget and a total of $891 million overall for inland waterways.

As John Parez pointed out, this is the budget, not the appropriations. The FY 02 budget overall is $164 million less than the FY 01 budget and it's $641 million less than the FY 01 appropriations.

The big hits were, as you would expect, in the construction program, which is $391 million less than the FY 01 appropriations, and the O&M program, which is $153 million less than the FY 01 appropriations. So there's still an opportunity in the appropriations process to increase these numbers.

Unless there's any questions, that is all I have.

CHAIRMAN WHITLOCK: Are there any questions?

MR. HUDAK: Oh, one thing, just to note that the amount that was in the FY 01 budget for the Inland Waterways Trust Fund was $74 million, and as a result of the appropriations process, we expect to spend about $123 million.

MR. WHITLOCK: Any questions? (No response.)

Okay. Thank you, Steve. Turning now, I'd like to call on Dan Mecklenborg, one of the Board members, to talk about our Prioritization Working Group.

MR. MECKLENBORG: Thank you, Norb. For the past several years, the Board has used a sub-group, our Prioritization Working Group, to help discern the proper priorities, in the Board's view, to be included in the report to Congress. In this case, we're looking at our Board's annual report for 2001. Our working group was comprised of Norb, Lisa Fleming, Les Sutton, myself and Tim Parker and also assisted by Norm Edwards and Mark Pointon. We're appreciative of their help. These are preliminary suggestions or recommendations as to the direction the Board might take for 2001.

In the 2001 report, our working group is recommending several changes that, while not particularly dramatic, are reflective of the actual choices made by the Congress last year and the changing landscape relative to the Upper Mississippi study.

In making our prioritization recommendations, the working group uses the Board's prioritization format in an attempt to objectively identify differences between proposed projects. This ranking tool examines eight project factors, including condition of the facility, the capacity and future demand on the particular waterway, costs and benefits, operating and safety considerations, traffic delays, environmental concerns, timing, and the public and political support for a particular project.

Going to specific recommendations for investment, the working group for 2001 is recommending continuing the same New and Replacement Construction Project priorities as 2000 with two changes. First of all, we would continue to recommend in order of priority the Olmsted Locks and Dam project as Priority No. One; the Inner Harbor Lock project here in New Orleans as the Priority No. Two; the Monongahela (Mon) River Locks and Dams 2, 3 and 4 project as the third priority; McAlpine Locks and Dam as Priority No. Four; the Marmet project as Priority No. Five; and the Kentucky Lock as Priority No. Six.

Last year, we included as Priorities Seven and Eight the Robert C. Byrd and Winfield Locks and Dams. These are so close to completion that we felt that, in 2001, we might consider reducing the list of priorities and put these in a separate reference as basically a final finished or final cleanup phase for those projects. We think that will allow the Congress perhaps to focus more attention on the truly important items that remain.

With respect to Major Rehabilitation Projects, we would again recommend in order Lock and Dam 24 on the Mississippi River, Lock and Dam 3 on the Upper Miss, London Lock and Dam on the Kanawha, and Lock and Dam 12 on the Upper Miss.

Last year's report had listed Mississippi River Lock and Dam 11 as a priority, but Congress didn't appropriate funds for Lock and Dam 11, so this project we believe should be mentioned separately for consideration as a new start as opposed to in the section that we're discussing.

With respect to Preconstruction Engineering and Design (PED), given the Corps's decision to suspend the Upper Miss study, we would recommend removing the Upper Miss study from its position as Priority No. One in the PED section and basically await further direction from the Corps through a modified study process.

For 2001, we would note that the Bayou Sorrel project has been authorized for PED, and given the size of this project and in our view the ability to move it along fairly rapidly, we would recommend that this project be placed as Priority No. One for 2001 in the PED category. We would also recommend retaining the John T. Myers project as Priority No. Two in the PED category and the Greenup project as Priority No. Three.

In the Studies and Future Projects category, we would retain as the Upper Mississippi River and Illinois Waterway study as Priority No. 1 as it may ultimately be constituted through the Corps's reevaluation process. With Bayou Sorrel's elevation to PED status, it would be removed from the Studies and Future Projects listing, and this would move the Ohio River Mainstem study to Priority No. Two, the Calcasieu Lock project study to No. Three, and the GIWW modifications study in the Texas area, the Brazos River and the Colorado River, as No. Four. The Black Warrior and Tombigbee Rivers study would move to No. Five.

Additionally, we'd recommend again mentioning the Chickamauga Lock on the Tennessee River as worthy of special consideration given its deteriorating condition.

That's the state of our preliminary recommendations at this point and, again, the full Board will, over the coming months, make its own determination as to what will be included in the final report. But that's our view at this point.

CHAIRMAN WHITLOCK: Any questions or comments? Thank you.

Just one other point I would like to comment on, during our discussions yesterday, we didn't change the priority for the McAlpine project, but I would like to just share with the Board a particular concern about McAlpine in that the 600-foot chamber there at McAlpine, the old chamber, is going to be removed. And during the time that it is removed and the new lock is being built, there is only going to be one chamber available, and that's the 1200-foot lock there at McAlpine.

And the concern, having spoken to several of the folks in the district as well as the division, the concern is they have gone in and dewatered the lock and have done major maintenance on it, but the schedule for doing these kinds of repairs is about every five to six years. And the concern that we have is, if these projects get stretched out from a funding stream and the construction of the new lock gets delayed, then we can't afford an interruption during the construction period because we do not have another lock with which to pass that segment of the river.

So it's important that the McAlpine project I think be advanced. The other projects you do have alternatives at this moment. So McAlpine is an extremely important project, just from the time constraint, it's important that that one be advanced. We didn't raise it in the priority list. We think others are extremely important. But I felt that everybody on the Board and others need to be aware of the concern about the McAlpine project.

CHAIRMAN WHITLOCK: Norm?

MR. J. STEPHEN LUCAS: Can you share with us some of this thinking about moving the Upper Miss study out of the one category into the other, because I'm frankly a little concerned that we're sending the wrong signal here, unless we're saying we give up, don't beat us any more.

CHAIRMAN WHITLOCK: Let me try. I think it was in PED because they were trying to get early authorization on some projects, at least that's my understanding. You probably need to correct me on that. But I think it's still in the study phase. It's almost like ground zero again, so we're back to the study phase. And as I see it, we aren't close to getting to start Engineering and Design on the projects, and that's where you would start the Engineering and Design, in the PED phase. That's all I can think of as to why. There's nothing to do until they complete the study report at this point.

MR. LUCAS: Then I guess I'm confused. If we were still on that same point a year ago, why did we put it in the other category which gives you the sense that it is in PED or is going to be rather shortly, because I never got that impression that it was, frankly. Part of that's my cynical nature on this thing.

CHAIRMAN WHITLOCK: I think there was the plan to push for early authorization on the lower locks at the same time that they were completing the study, but the study got delayed.

GENERAL VAN WINKLE: Let me try to shed a little light here. We attempt to do seamless funding, seamless work, so that as we go from a reconnaissance to feasibility to PED and then in to construction, we do it as seamless as possible. Given the fact that we have some discreet points with legislation, it doesn't always lend itself to that. What we were trying to do and we typically, once we feel comfortable, we try to go into PED activities so we have an assessment, and we in fact had started some PED activities on some of the common features of the system, such as lockwall extension and things of that nature.

That became an issue at some point in the controversy, and so we in fact scaled that back. We were unsuccessful in explaining how that was working and that we were not, in fact, doing design on major lock extensions prior to an authorization. All we were doing was doing some common low-level features, such as lockwall extensions, that we would do anyway, particularly as we look to a rehab potential. That got to be controversial, and we agreed to scale back that PED design until we, in fact, had a firm, hard recommendation for an authorization. So I think that is a source of the confusion in what's going on.

MR. LUCAS: I'm just worried about sending the wrong signal to people that, you know, we're hollering for six years, seven years now to get it done, get it done and quit spending our money, and now we're saying, well, we're back to where we were, like square one.

MR. MECKLENBORG: Steve, I might suggest that, in terms of the report and the letter that generally accompanies it, you know, certainly the intent or recommendation of the working group would be to put that in the proper context and provide a significant focus on the Upper Miss project as being one that is extremely important to conclude in terms of the study phase. So it can get pretty high visibility even though it might not be listed under that particular category in the report.

CHAIRMAN WHITLOCK: Are there any other questions? (No response.)

Okay. Next we have Mike Kidby. He's going to be talking about the critical O&M backlog. Mike?

MR. MICHAEL F. KIDBY: Thank you, Mr. Chairman. Before I elaborate a little bit on what John Parez has already presented this morning, I wanted to give you a few numbers on our existing infrastructure. As of this year, 45 percent of our operating locks are 50 years or older in age.

By the year 2020, when we're talking about our MTS Vision 2020 horizon, 75 percent of the existing locks will be 50 years or older. So we've got a 30 percent increase in the percentage of locks over 50 years.

Our lock age, our usage and the appropriated levels of funding for Operation and Maintenance (O&M) of that infrastructure are combining to create a serious backlog of maintenance critical to the operation of the system at its intended level of service. Critical maintenance is what we call our Level 2. It's non-deferrable. It needs to be done to keep the projects operating efficiently but it's not on an annual basis. That level, Level 2, is the critical maintenance.

In FY 01, the critical maintenance backlog was $415 million for O&M, and in FY 02, it's $835 million, which is an increase of $420 million in backlog.

To break that down a little bit into navigation and then to the fuel taxed waterways system, the inland system. In FY 01, the navigation comprised 65 percent or $270 million towards the critical backlog, and the inland system comprised 59 percent or $158 million of the navigation backlog.

In FY 02, at the President's current budget level, navigation comprises 65 percent or $545 million of the total backlog, and the inland system comprises 65 percent or $354 million of the navigation backlog.

As a result of the proposed FY 02 budget, the inland system would have an increase of $196 million towards the navigation backlog, the critical backlog.

How we're going to address this, we are going to continue pursuing O&M cost savings through looking at our procedures and, therefore, reducing costs, and we will be looking for opportunities for a funding increase for maintenance of the system.

In looking at the critical backlog, the purpose of identifying that was proposing levels of funding to reduce that backlog to zero in a five-year time period. If that strategy of reducing our O&M costs or getting the additional funding doesn't work, the short-term impact will be that we won't be able to provide the current level of service, especially for those low-use waterway systems. We will look at efficiencies in operations and at other O&M functions to reduce that backlog.

Long-term, the problem with the continued critical backlog would increase, it could result in major reductions in service. While we won't jeopardize public safety and health, the backlog

hinders the ability to operate and maintain and manage the resource projects that we have and to provide that justified level of service that we currently do.

CHAIRMAN WHITLOCK: Mike, when you give these numbers, are these numbers what you describe as critical for O&M or just part of the O&M backlog? I've seen charts at various places that shows the O&M backlog and it shows the critical items, meaning that if something is not done, then the service is going to be immediately affected or the availability of those structures.

MR. KIDBY: The numbers that I've used for the inland system are the critical Level 2 backlog items.

CHAIRMAN WHITLOCK: Are there any questions of Mike from any of the Board members? (No response.)

So what you're suggesting then is that the approach to address the critical O&M backlog is to, if not this year then sometime soon, is to have a program that addresses it over a five-year period to try to get Congress to fund the critical O&M backlog over some period of time? Is that what's being suggested?

MR. KIDBY: The purpose of us identifying those critical measures was to develop a program to reduce that to zero over five years, and at the current rate, we won't be able to do that.

MR. SUTTON: This is Les. I didn't understand on your low-use waterways, these numbers. And so what I heard Norb say is we need an additional $70 million for each of the next five years in O&M to get rid of the backlog. But what happens to the low-use waterways as proposed by the Office of Management and Budget (OMB)? Do you continue to maintain those or do these numbers assume you accept OMB's numbers on low-use waterways?

MR. KIDBY: John Parez gave you that one table that showed the level of funding that would be consistent with the Administration's view of not funding the low-use projects more than operation.

What was it, your Page 2 of that table?

MR. PAREZ: Correct.

MR. KIDBY: That indicates what the funding would be in Fiscal Year 02 to live within the guidelines that we currently have for FY 02. And maintenance would not be there.

MR. PAREZ: And that is contributing to Mike's numbers that he's reporting. The fact that those low-use waterways are not getting maintenance dollars, that is reflected in the backlog numbers that you just reported.

MR. KIDBY: Yes. Yes.

MR. PAREZ: I think that's the answer to Mr. Sutton's question.

MR. LUCAS: Then the question is, of that, I don't know what that was, $300 million, how much of that is in the low-use waterways?

MR. KIDBY: That I don't have numbers on.

GENERAL VAN WINKLE: We'll try to break that up for you. Let's do that and send out a memo.

CHAIRMAN WHITLOCK: Any other questions? (No response.)
Thanks Mike. Steve?

MR. HUDAK: I'm looking at a piece of paper that's labeled "Civil Works Construction Backlog" that's also in the pile of handouts, and the construction backlog is a bit different. It basically reflects the uncompleted portion of projects in the Construction, General (CG) account and the construction portion of the Flood Control, Mississippi River and Tributaries (MR&T) account. So it's what's left to complete those projects after we consider what has been appropriated through FY 01 and what's in the President's FY 02 budget. So, for instance, there are 879 projects in this group. Their total cost is about $74 billion. About $27 billion have been allocated through FY 01 or are in the President's budget, leaving a balance to complete of $47 billion. And this is what we call the construction backlog. It's really the construction balance to complete.

Within the context of the backlog, we divided the projects into three groups. The active group are projects that are economically justified and supported by local interests. The deferred group has doubtful economics, needs further study or local interests are unable to give us the requirements of local cooperation. And the inactive group are those projects that are not economically justified or don't meet current needs or are opposed by the sponsor.

So the active backlog consists of $40 billion for 653 active projects. There's 35 deferred projects that total about a billion dollars of backlog and 194 inactive projects that total $6 billion. So basically, the active portion is the viable portion of the backlog, so that totals about $40 billion.

Thirty billion dollars of that $40 billion are for projects that are in the President's budget, so the simple answer of how to eliminate the construction backlog is to have more funds appropriated or for us to have larger budgets. Then we would build out those projects.

The backlog keeps increasing because of inflation based on not being able to construct those projects as quickly as possible and by new authorizations in Water Resources Development Acts. So every time we get a new authorizing act, the backlog does go up.

The biggest item that increased the backlog for the Water Resources Development Act of 2000 was the Comprehensive Everglades Restoration Program, for which $1.4 billion of new

construction work was authorized. And that's a $7.8 billion program that's just going to continue for the next 25 to 30 years. So that's the biggest impact in the increase in the new construction backlog.

For navigation projects, there are $13 billion or 141 active projects and a billion dollars for 12 deferred and 36 inactive projects. So the viable portion of the navigation backlog is about $13 billion.

Are there any questions?

CHAIRMAN WHITLOCK: Any questions of Steve? Thank you, Steve.

GENERAL VAN WINKLE: Perhaps I might make a comment. The good news is that the backlog is acknowledged. I think we're hearing considerable discussion and considerable acknowledgment of the fact that that is there and facing a national challenge. Of course, the bad news is we haven't decided what to do about it at this point. But now we've got to have the two steps, as you're aware, and as I learn more and more about how Washington works, it's an important step I believe to identify the problem on the table. So I think that, from the Board's perspective, I think we can count that as a success that this backlog, particularly as referred to numbers as it affects navigation, are very familiar to the Washington Establishment, some of the decision-makers in that process. So what we will see then as we move from problem identification to problem solution how that goes. So it's not all bad. I'd make that comment.

MR. MECKLENBORG: Steve, of the $13 billion of active project backlog in the navigation area, what portion of that would be projects that are Trust Fund eligible?

MR. HUDAK: The balance to complete the Trust Fund projects right now is $2.6 billion, of which a $1.3 billion would come out of the Trust Fund.

MR. MECKLENBORG: Thank you. Appreciate it.

CHAIRMAN WHITLOCK: Okay. Next on the agenda is an overview of international development of inland waterways, I think David Grier.

MR. GRIER: Thank you, Mr. Chairman, and I'll keep my remarks very brief. I just wanted to introduce this topic and then proceed with two speakers that will address in more detail a number of the inland waterway initiatives that are going on in other countries. We thought the Board would be interested in some of these activities and that there's always things we can learn from what other countries are doing in terms of their technology and improvements they're making to their systems from both a competitive and complementary aspect.

First, just taking a quick look at some of what's going on in Europe, the European Commission issued a White Paper in 1992 that called for a number of programs to improve the integration of their transportation systems, and one portion of this called for improvements to the inland waterways and, in that, they recognized that their transportation system needed to be competitive, efficient, safe, friendly to the environment, and then it recognized that inland waterways support all of these priorities.

Elsewhere, also in inland waterway improvements, Latin America has seen some construction going on and, in particular, the Paraguay-Parana River project in Argentina, Paraguay, Bolivia and Brazil. And these improvements I believe are under way and are providing improved navigation access deep into South America's agricultural heartland in areas where extensive soybean and corn production is increasing.

Let me quickly just go through some of the initiatives that are going on in Europe and then I will turn it over to Mr. Buccini will talk more about it. He's been over there and observed what is happening in terms of their improvements.

One of the things that the European Commission has been trying to do is improve just their availability of information and access to it for people, and this Web site, the Inland Waterways Observatory, contains quite a bit of information that you can access directly. And you have copies of these slides in the pile in front of you, so you would have that Web site available there.

One in particular item that you might be interested in is The Environmental Dimension, and there's a one-page printout from that link, Web link, there in front of you which goes into some detail on what the European Commission used as the environmentally friendly benefits of inland waterway navigation and why they want to encourage it.

In terms of their traffic system, this is the 2000 numbers for their various modes within the European Community, the European Union, and you can see they are about 363 million tons of inland waterway traffic currently, and that comes in at about four percent of their total inter-city freight across all modes.

What they're projecting for the future and what they're trying to improve their system to accommodate is about a 60 percent increase by 2020 in total freight movements within the European Union, and for the inland waterways in particular, they're foreseeing about a 74 percent increase in traffic.

A number of programs they have under way, different initiatives to begin to look at how to better use the inland waterways, make them more economical to their shippers, and then to look at the environmental aspects of it. They have this Transport Research (RTD) Programme that has a number of studies under way, and some of these are nearing completion now and we'll be able to access the results very shortly.

This is kind of an overall umbrella for the inland waterways research, INCATS: Research on Inland Waterways, and I wanted to point out the comment they make. "The continuing growth of road transport has led to unacceptable damage to the environment and congestion on European road networks. One way of helping to relieve this situation would be the modal move towards rail and waterborne transport. Such a modal shift would only work, for example, if inland navigation becomes financially and operationally attractive to shipping and industry." So a number of these research initiatives are looking at ways to make the waterways more attractive.

One of these is Shifting Cargo, and this research project is either completed or nearing completion, and I'll be happy to try and obtain the final report and share that report with you as soon as I can obtain it. This looked at different mechanisms from both an operational, institutional and economic perspective on what could be done to make the waterways more appealing and more efficient for handling inland waterway traffic and improving intermodal connections.

Another study is looking at the Danube corridor, improvements that can be made there, and they're real interested in strengthening the economic and transport links with southeastern Europe to help improve those economies and prepare them for integration eventually into the European Union.

The Immunity Project is looking at, if these other initiatives are successful in shifting more cargo to the inland waterways, then there will be some environmental consequences of that, and they're looking at that early on to look at different ways to minimize the environmental impacts and possible mitigation measures. And this one has also been completed recently, and I'm obtaining the final report for that and look forward to sharing that with the Board members.

And also Incarnation, this is a river information system from a technical perspective for helping to improve the navigation guidance systems along the waterways.

With that, I'll conclude my remarks and turn it over to Mr. Buccini to speak in more detail about the European initiatives.

MR. EDWARDS: I'd just like to take this opportunity while they're getting ready for the next presentation to let everybody at the table know that handouts of all the slides for all the presentations are at the table. And for those of you in the audience that are interested, there are copies of the handouts just outside at the registration table.

MR. DAVID L. BUCCINI: Last spring, a group of engineers from Pittsburgh District along with Ernie Drott and Low Richie of LRD (Great Lakes and Ohio River Division) went to Germany, primarily to see what they're doing with lock automation and remote control. But we soon found out there was a lot more to see when we were over there.

This is a list of technical developments I'll discuss in more detail. This is a list of economic developments. There are quite a few slides here so I'll just move on.

With lock automation, this is a typical control tower that they're installing on all their locks, new and old. And basically, they're automating their locks where there's a control tower with a control console.

This is a view of the control console. They have three upstream cameras and three downstream cameras, and the screen at the top is a graphic user interface. They use a mouse to point and click on the different features of the lock. It's an automated system where all they do is click upstream and downstream lockage, and it goes from there. They can, however, override at any time and just click on features like upper miter gate, lower miter gate, so on.

The red button you see in the middle is like an emergency stop button. Whatever process is going on, if they hit that button, it'll stop.

To minimize camera views, the number of cameras they need, they came up with this camera tower concept. They have one of these at each end of the lock. And that allows them to just use six cameras, three on each tower. They have an upper, they have an approach view, a lock chamber view, and then the camera at the very top is looking down directly at the miter gates.

This is another control tower on a double-lock chamber on the Danube River. It has control consoles at each end for the lock chambers.

These are some of the views you get from the cameras. Of course, you have the user interface. This is that high camera that's looking down on the miter gates. You can see they have a really good view of both sides of the miter gates, the ship retarder, and this is a typical view looking in to the chamber.

This was our concept of their control tower that shows four identical control consoles, and their plan is to operate as many as 12 locks from this location with these four different control consoles.

This is the finished product. It shows two of the control consoles. The consoles are identical for the lock they're operating from and the locks that you're going to operate remote from. Depending on what lock you want to operate, it's like changing channels on a television. You just pick that lock and that is what will show. And you can start the process at that particular lock, see the camera views.

This is another type of remote control they are in to. This is the Main-Donau Canal. This is the central control station for that canal. It controls the water resources. It's a pump storage facility at the top, and each of these is a dam on the steps. And what the system does, it keeps track of the water going into the system and the water that they're using for lockages for the navigation channel and also for hydropower generation, and it automatically adjusts dam gates at the projects, the amount of pumping or the amount of hydropower that they could use. The operator simply oversees the operation in case there's a problem.

This is just a graph of the canal with the rivers on each end and the steps that they go through. The pump storage facility would be at the top.

They're also getting into innovative components for the locks themselves. They have improvements on miter gates where they've eliminated the timbers for like miter sills and coins, and they're going with these adjustable contact points and using better sealing methods, like J-bulb seals and that type of thing. They've eliminated the diagonals on the gates.

They use a lot of vertical lift gates in place of miter gates, especially for high-lift locks. They also have what they call double hook gates, and in this type of gate, this lower part moves

up to fill the chamber so it's also like a thru-the-sill filling system, and then the entire gate will move down and collapse to pass the tow. They can also use it as an overflow weir.

This is a view of a lock on the Danube River with two chambers with the two double hook gates.

For smaller locks, they've come up with this submergible tainter gate that also incorporates the filling system. It'll rotate down 12 degrees to fill and then continues to rotate down 90 degrees to pass the tow.

You see these on all the locks over there to protect the miter gates on them. It's basically an arm that lowers a cable into a socket on the opposing wall. Then the arm is raised out of the way and there's a cable that goes across the chamber with a shock-absorbing system. And you'll see that, on the barges with a rake on it, they have to have these anchors on them to catch the cable.

You also see user-operated locks. This is the upper approach. I don't know why this sign is pointing towards the dam. I guess that's a warning sign. (Laughter.) This is the lower approach. There's a fish ladder off to the side and the dam gate.

This is the operating station. The user will actually have to get out of his boat, select upstream or downstream lockage and press the button, and then he has two minutes to get back in his boat to make the operation.

This is a view from the control tower of the small lock. You can see the arrow again facing the wrong direction.

On their canals, they have to conserve water because there's no natural drainage basin there for the upper part of the canal. So they've come up with these water-conserving locks. Basically, it recycles about two-thirds of the water. The water will flow into these tanks when they lower the chamber and then back into the lock chamber when they raise the chamber. This is a view of the natural water-conserving lock that we visited.

And this facility is most intriguing to me. This is a shiplift. It's two lanes. You can see in this view here, one of the lock chambers is up and the other one's down. We were riding the lift up. The boat is in the chamber and we're on our way up to the upper level. This is a view of the lock chamber from underneath. This is a view when we're almost at the top and there's a gate on each piece. This is the bridge that's the upper approach. They'll join together and seal off and then they raise the gates and open it up.

Just some more views, aerial view of the facility. The upper approach is actually two bridges with a road going underneath, and this is the uppermost part of the canal. This is a view from above looking down with the chamber low, and this is the chamber raised and you can see the river down below. This is a 129-foot lift and it took less than three minutes to raise the chamber.

The idea with the ship lifts is it actually saves more water than the water-conserving locks, plus it allows them to eliminate some of the locks that they would need because of the high-lift capabilities. The lock chambers are counterbalanced to minimize the amount of power required to operate.

The other thing you're starting to see more of are these self-propelled barges. They're basically sized for the river that they operate on to be efficient. A lot of them are owned by the operator, and many of them have their families on board and it's actually their home, too. It's hard to see, but you can see, they have their car and a boat right on the barge, and they download that at night when they're docked and they can go do their chores.

They're getting into containerization on the inland waterways. They're using the self-powered barges sized for the containers.

They have automated container handling systems, and there again, they're sized for the river that they're operating on. It gives them efficient container storage management.

These are their intermodal facilities. They have various sizes. Some of them are pretty inexpensive on the smaller rivers to transfer the containers from one mode of transportation to the other. That's another view of some small ones.

This is the 1995 traffic projections for the Main-Donau Canal. You can see at bottom there, after the canal opened, they had a significant increase in use.

Are there any questions?

MR. MECKLENBORG: Yeah, I have one question. What's the largest size lock that you observed over in the European system?

MR. BUCCINI: The largest locks we visited were on the Danube River in Austria. They were I believe 80 feet, 84 feet wide, 86 feet wide, something like that. Most of them in Germany were in the 40- to 60-foot-wide range.

MR. KIDBY: How about length?

MR. BUCCINI: Lengths were in the 300- to-600-foot-range. They did have some longer ones on the canals.

CHAIRMAN WHITLOCK: What about the lifts that you saw, like the lock gates without diagonals, what sort of head were they?

MR. BUCCINI: They had various sizes. We visited a lot of projects. They had lifts of all sizes, from 30 feet, you know. A lot of them were, on the less busy rivers, were in the 12- to 15-foot range. For the higher lifts, they actually prefer the vertical lift gate over the miter gate.

CHAIRMAN WHITLOCK: Any other questions? (No response.)

I think there's one thing of note there that you see and it's something that we as a Nation need to talk about, and that is the concern that I've seen in Europe is that they're moving a lot of containers off onto the waterways to eliminate the congestion on the highways. And I think that's an issue here in this country. They have found that navigation is much more environmentally friendly, and that's something that we need to discuss and talk about as a whole, not only the economic benefits but the environmental benefits of operating on inland waterways. And you see the Europe nations turning more and more to increased use of those waterways as transportation arteries.

MR. MECKLENBORG: The other thing that seems to be interesting is the apparent buy-in that the Europeans are obtaining from moderate environmental elements. You know, they use words like "sustainable transportation mode," and those are the type of terms that certainly offer hope from our standpoint in turning the mindset in the United States to one of proper use of inland waterways from an environmental standpoint.

CHAIRMAN WHITLOCK: Okay. Next we have Jim Adams, one of my associates. In general, he'll be talking about some of our operations that we have going on in South America.

MR. JAMES L. ADAMS: Thank you, Mr. Chairman, General, members of the Board. It looks like I'm snake-bit on this presentation. We need to reboot, I'm told by the technical expert. So if I could ask just for two or three minutes.

CHAIRMAN WHITLOCK: Why don't we just take a short break for about five or ten minutes, if anyone needs to.

(Whereupon a recess was taken.)

CHAIRMAN WHITLOCK: Can I ask everyone to take their seats and we can resume. Okay, we can resume. I'd like to call on Jim Adams. Jim?

MR. ADAMS: Thank you, Mr. Chairman, and, again, General, members of the Board. Thank you for inviting me here today. I do apologize for the technical difficulty. It's remarkable to me. This same presentation basically I provided back in November I believe at a USDA conference and the same thing happened. It's not as if we haven't given another presentation between now and then. It's this one that my machine doesn't like, so I'm going to replace my machine.

I was asked to speak a little bit about American Commercial Lines' investment overseas, and we do have several businesses in other countries where we're exporting the knowledge we've gained on the Mississippi and Ohio rivers in barge transportation to serve commodity transportation needs around the world.

It's been interesting. Since we got involved in South American ventures back in the early '90s, I think the story of the transportation improvements that our investments have made has

been an intriguing one to shippers, the shipping community in this country, especially the agriculture community. And we are eager to share that information with our agricultural customer base here in this country because we believe there needs to be the political support to reinvest in our own infrastructure in this country, and the best way to do that is to illustrate the value that our system provides by looking at how our competitors view our system and how they're attempting to emulate it.

Of course, the real strength of the inland waterway system, I think from this country's point of view, certainly one of the most significant strengths, is its impact on the agricultural exports. Approximately 72 percent soybeans and 77 percent of corn will pass through Gulf ports. We depend on the productivity of the American farmer, at least at American Commercial Barge Line Company (ACBL), and we've used the knowledge we've gained again to transfer it to other markets serving very many of the same customers overseas that we do in this country.

And as we move down, I neglected to mention, everyone should have a handout, and I'll try to let you know where I am in the presentation as we move through.

I'm looking at our inland waterways system. As we've all heard, because we're all familiar with our system, it provides us a third coast or a fourth coast, depending on how you look at the world, but an inner-coast to this Nation's industrial heartland as well as agricultural heartland that's gone very much noticed by the governors in various states and countries in South America. Last fall, ACBL hosted two of those governors, one from the Brazilian state of Mato Grosso and another governor from the state of Amazonas to discuss what types of investments need to be made in their states in Brazil.

But before going on about our investments in South America, I'd just like to give you an overview of American Commercial Lines and our operating units. Our largest, of course, is ACBL, American Commercial Barge Line. We operate approximately 5,000 barges and 200 towboats. We also have an extensive drydocking and cleaning facilities through Louisiana Dock Company. We have a very large shipyard in Jeffersonville where we're headquartered called JeffBoat. We also operate terminals throughout the inland waterways system, and then, of course, we do have an international business as well.

Domestically, of course, ACBL is our largest operating company, and we account for about 24 percent of the domestic dry cargo market and about 16 percent of the tanker fleet. I'd like to point this out because, while a lot of our foreign investment gets I think a disproportionate amount of attention, 90 percent of our annual revenue is domestically produced. So we have an inherent interest in participating as a partner to see that both the government and the public users of the waterways system work in partnership.

And that brings me to the slide "U.S. Waterway System, A Result of Government-Industry Partnership." The reason why this is important to recognize is when we meet with governor officials from other countries, part of what they're attempting to do is emulate the partnership that we almost take for granted in this country. "Partnership" became a catch phrase in Washington in the last decade or so, and if you'll look at this Users Board, if you'll look at the long history of cooperation between inland waterway users and the Corps and the Coast Guard, I

think it serves as a very good lesson for other countries trying to develop a public waterways system.

The reason why the U.S. inland waterway system is so critical to the future of this country as a reliable source of grain is because it provides a competitive advantage for our Nation's producers, agriculture producers. Back in 1996, then Assistant Secretary of Agriculture Michael Dunn, described this benefit, and there's a chart that demonstrates the differential between the cost of production in the U.S. with all of our regulatory, environmental, land value, all the components that go into the production cost for grain, and then match that against the price to produce grain in Argentina.

And the differential, the factor that delivers income to our farmers and makes us the price-competitive source really is domestic transportation. This fact has motivated a great deal of interest among our shipping community, and I'm encouraged by that because politically, they really do hold the ability to persuade our policy-makers at the highest levels to reinvest in our system.

Now turning towards South America, there's a map of the South American continent. In 1993, we began on the Orinoco River in Venezuela, and then in '96 we began operation on the Hidrovia system, operates through five countries in South America on the Parana-Paraguay river system.

Again, looking at the Hidrovia system, one of the obstacles traditionally to navigation on this system has been international borders. We were blessed in this country with early on a recognition that interstate commerce was critical to our success, and barriers, interstate barriers, were recognized as an impediment to growth. Well, countries in South America have also recognized that those international boundaries can be an impediment to transportation and, thus, production in their countries. And we've seen an ability to do business down there. It's certainly not equivalent to interstate commerce in this country, but from what I've been told from folks that have followed the situation for much longer than me, it is a vast improvement.

The first step in establishing a business, a barging business in South America, is illustrated by a picture of a submersible ship. This one I think, as Norb can probably tell you exactly, but this was probably loaded in '96, '97, with barges here in New Orleans, a couple of towboats there you see in the picture, and they moved 6400 miles to Buenos Aires from here in New Orleans. That's a significant cost to move that inland equipment to a new market, but I think it's a good indicator of two things: One, the quality that we build into the marine products for the shallow-draft industry here in this country, but two, it's a recognition that there's a vast amount that needs to be done to emulate our infrastructure in this country on the inland waterway system.

Those boats and barges are expensive to move, but it's obviously cost-advantageous to move them from this market rather than build them in South America. Of course, that won't always be the case, but for now, I think it indicates that there's a significant amount of private investment that needs to be made in South America before their inland waterway system is approaching the maturity that ours is.

In Venezuela, turning to the first map in Venezuela, we have a picture map of the Orinoco River. It's 544 navigable miles. It's free-flowing, no locks. Primarily we moved bauxite for a single customer, I believe, in that system, and we have an operating season from May through December. In Venezuela, we operate five towboats, one drydock facility, 110 barges, and we're moving about three million tons of bauxite annually with an employee base of about 113 to 120 employees.

On the Parana-Paraguay river system, the Hidrovias, this system has a potential for tremendous growth. When we entered the market, 80 percent of the grain was moving to market by truck. You can just imagine the cost advantages of establishing an ability to move grain by barge.

The primary commodity that's moved on the system currently are soybeans and soybean products, but we're also moving fertilizer, wood chips and there's a potential for container movements. As you can imagine, the infrastructure in this region is not fully developed, and there may very well be an economic advantage to moving finished products via container into the region to help establish the infrastructure required for a maturing economy.

The Hidrovia system, just for review, moves through Argentina, Paraguay, Uruguay, Brazil and Bolivia. The length of the system is about equivalent to the Mississippi from St. Paul to New Orleans. It's a free-flowing river, and there's only one lock on the entire system. And it's not on the Paraguay River but rather, I believe, on the Parana River. So the significant length of the river is free-flowing.

I'd like to point that out because there's a conventional wisdom in the inland navigation community that significant government investment is required to make these rivers navigable. That's not the case. What's required really is the infrastructure to move product from production areas to the river itself. Roads, bridges are required to justify the construction of a terminal. So while we have a bit of a chicken and the egg situation, which is going to come first, the surface transportation or the waterway transportation, as markets develop, the ability, the invitation of the inland waterway system I think will create the impetus for the other infrastructure requirements for this system to carry its capacity.

Last October, we announced that we were forming a new joint venture on the Hidrovias. We formed a company with a competitor called UABL, and together, we operate 307 barges, dry cargo barges, 25 tank barges, 13 towboats, a harbor boat and a drydock. That's proving I think beneficial in that by consolidating, we've helped to create the critical mass, if you will, to become a more efficient operator on the system.

The next slide I'd like to point out is a map of South America with an overlay of the United States. And to the best of our ability, that's represented to scale. And if the yellow portion is our Midwestern grain belt, it fits very nicely into the Parana-Paraguay river system. You can see that that region is very much like our own Midwest in many respects. It is open plains. It's suitable for almost immediate production. And one of the things that's missing, of course, is the transportation, a complete transportation corridor.

The next slide I'd like to point out is a rather new opportunity that we've just become engaged in, and that's in the Dominican Republic. It's a very small operation in the southeastern region of Dominican Republic. We're going to be moving cement from a coastal offloading to a short river system. It's only a six-, seven-mile move to move imported cement into a more inland processing facility. It's interesting not for its size but for what it's going to do for the Dominican Republic over time. It will deliver a fundamental requirement of building infrastructure and building their economy in a cost-effective manner.

Another initiative I'd like to point out, and this is preliminary but we have talked about it publicly in a number of venues, and that's on the Amazon River. The Amazon River shows great potential over time. And a really interesting application is an opportunity to move natural gas from an inland natural gas field dead center in the middle of Brazil on the Amazon, and the gas is there but getting it to market in a substantial city called Manaus in north central Brazil has created a problem for that community.

Currently, the energy requirements for Manaus are served by deep-draft tanker moving petroleum up the Amazon to petroleum facilities in that municipality.

The natural gas is there in the region. It's domestically produced. But getting it through the rain forest is a critical challenge. Through a partnership with a Canadian firm, we've designed an application to utilize barge transportation.

You see these yellow cylinders. Those would hold the natural gas. It's economically feasible, and it's the subject of ongoing discussions with government officials in Brazil as well as private interests.

I think what's interesting about it is it's consistent with the Amazon culture. Those folks rely on the river. It's environmentally beneficial in that it's going to substitute one mode of energy for a domestically produced, cleaner-burning fuel in natural gas. If we move forward with it, we'd be avoiding the construction or the Brazilians would be avoiding the construction of a pipeline through a very environmentally sensitive area.

So I think it shows that in developing markets, where in this country that project certainly wouldn't make economic sense, in a developing country, shallow-draft applications have great potential and I think there's a number of creative ways to use some of the traditional approaches and modify them to new applications.

When we look at an international opportunity, we're looking for effective local partners. We found that's very important. We found that developing operating relationships with local folks is critical to our success. We also have to encourage this partnership that, again, I think we take for granted in this country between the government and private investment in transportation infrastructure requirements.

We do like to capitalize on existing relationships with domestic customers, and fundamentally, if we're going to succeed, our operating principles, our operating philosophy has to be consistent with the opportunity that we're looking at. We do apply the same sort of standards in operating our towboats in port operations that we do in this country, and that's

critical to us because we believe the standards here are very good, they're effective, and they ought to apply in new opportunities as well.

That's all for my remarks today. I'd be happy to answer any questions. And I can tell you, there's another individual in the room that can probably answer a great deal more than I can, Norb, so please, I'm very interested in any comments or questions.

CHAIRMAN WHITLOCK: Any questions of Jim? (No response.)

MR. ADAMS: Thank you.

CHAIRMAN WHITLOCK: Thanks, Jim. I'd like to call on David Grier again. I think he had another paper he wanted to discuss.

MR. GRIER: I'll just take a brief moment. Thank you, Mr. Chairman. I meant to mention this earlier. The Board members will find in front of you a one-page color handout labeled the "Inland Waterways Users Board," and we just wanted the Board to be aware we have now set up a Web site for the Board, how it's constituted, information about its background, who the members are at the moment and general information on upcoming Board meetings. This is the first page you come to when you call up the Web site, and then from there, you can go to any other pages that are indicated for more information. There is now a link from the Corps's main Web site for Civil Works, and from the Institute for Water Resources (IWR) Web sites.

We've posted to it a list of the ongoing construction projects that are being cost-shared from the Trust Fund, Web site and links to the Web sites for those individual projects such as Olmsted so that anyone that's going through this can then get more details on any of the projects that are underway. And we are also going to post the Trust Fund analyses and the annual report to Congress as soon as it is available on the Web site.

Anyway, I just briefly want to make you aware of that, and I look forward to any comments or questions you may have about it after you've have a chance to look at the site. Thank you.

CHAIRMAN WHITLOCK: Thank you, David. I'd like to just make one comment on Jim's discussion. As we see the Parana-Paraguay river system developing, its primary commodities, as he mentioned, being shipped is soybeans, and I guess the opportunity we've had to meet with various government officials in both Argentina, Brazil, Paraguay and Bolivia and other countries that are big producers of soybeans, they view that Hidrovia, the system, as their primary transportation artery. And I was telling General Van Winkle here just a minute ago, the truck rate for moving soybeans from Corumba, Brazil to the East Coast is about $70 a ton to move those, and we would think we had died and gone to heaven if it was $20 a ton, and that's moving that 2700 kilometers.

So it's providing an avenue, you know, and the thing that we saw and when I had the opportunity to go down and do the exploratory trip in deciding what we would need and whether or not we could operate there, the one thing we came away with as the biggest issue to overcome,

and Jim mentioned something about it, is the lack of infrastructure up in the basin. And that, you're talking about just basic roads that trucks can travel over to get the grain to the river, and then after you get to the river, there's very, very few elevators of any size.

So those are all starting to be developed, and I guess the whole point of all this is going to make South American grain much more competitive in the global market. And it's important that the Upper Miss, the corridor for the Upper Mississippi River system, that it be modernized and those locks improved in order to maintain efficiency and economics for the American farmers in the U.S.

So I think, when you see these two, it's a very stark contrast as to the value the governments place on their inland waterways there. And there's a lot of support. I don't mean to imply that there's not support for waterways in this country, but it's probably not to the extent that all of us feel as Board members that it should be at this point.

MR. LARRY R. DAILY: Norb, I have a question. This is Larry Daily. Before we move out of the foreign discussion, there's a sheet in our package about inland navigation and The Environmental Dimension. Is that for later on the agenda or is that part of this?

MR. GRIER: That I wanted to just make available to members. That's from that Navigation Observatory Web site on the European system, and that's just one of the links from their Web page was to that brief description of some of the environmental issues that came from the report. So that's just a printout from the link from that Navigation Observatory Wet site.

MR. DAILY: Well, there's one point there, the next to the last one, it's just exciting that someone's finally figured it out, the environmental impact and the socioeconomic terms, that road transport costs environmentally-wise 91.5 percent, air is six percent, rail transport is two percent, and only a half a percent for water transport, as the impact on your daily lives, the environment, and what it would cost to get things done. I hope those figures would translate into the American model also. It would be nice if someone could produce that. Thank you. That's all.

CHAIRMAN WHITLOCK: Thank you, Larry. I guess next we'll hear from Mr. Niles, discussing electronic charting.

MR. ANTHONY R. NILES: Thank you, Mr. Chairman, and with much relief, we have the projector back in operation. It's much relief to me. It would kind of be like taking the word "like" away from a teenager, just wouldn't be able to communicate. So we're back in business.

Production and dissemination of electronic chart data, this is an initiative of the Corps that was announced at the meeting last November in Pittsburgh. Since that time, we've had some developments and some issues that we've encountered with that I'd like to talk to you about today.

So, once again, our aim here is to improve safety and efficiency of navigation by providing electronic chart data and positioning systems. The positioning service is essentially complete, so that leaves us with the electronic chart component. And our objective, again, is a uniform electronic chart product for the inland and the coastal systems. The coastal piece, which will be in close coordination with National Oceanic and Atmospheric Administration (NOAA), has yet to be initiated. If the funding materializes, then that will start next year.

The area that we have been focusing on is the inland to produce river electronic navigation charts, and that's what I'll talk about here.

Product is to be available on the Internet free. Eventually, the paper charts and the electronic will both come from the same database, and it will be in S-57 format, which is the format recognized for use in electronic chart systems, and it's something that will be maintained and updated.

So looking at our seven-point master plan, three areas that we are active in right now, identifying the features that are necessary to go into these charts to make these useful river Electronic Navigation Charts (ENCs), prioritizing the areas for coverage, and conducting some pilot projects.

Well, we've done the very critical first step in the process, which is establishing the partnerships primarily with the industry. Last December at the Workboat show here in New Orleans, we had an open meeting that was coordinated by the American Waterways Operators (AWO) where our plan for river ENCs was presented, and as a result of that meeting, we had a group of industry representatives who agreed to get together and provide some feedback to us for our plan on river ENCs.

And then we convened the group on January 29th and 30th in St. Louis, and you can see the companies that were represented there. And as a result of that meeting, we drafted a list of features for the charts and we got some input on the preferences for priority of coverage.

Basically, what we did at this meeting was we brainstormed on all the features that might be useful in these charts, and then we had each of the members prioritize each of these features high, medium and low, and these are the features that the majority of the members deemed necessary for a useful river ENC. The red features are the ones that we do not have in our current paper charts and we may not even have the data for, and we'll take a look at some of these.

One of the important ones was aids to navigation. Users want to see updated information on the buoys rather than the charted positions of those from five years ago. This is going to be something, of course, we've got to coordinate closely with Coast Guard. It's not information right now that they make available, but they have acknowledged that it is feasible and they want to be able to do it. They just need to work out the details technically and the coordination on it.

Waterline. This is a feature that really distinguishes the coastal user from the inland user. Coastal users have said that the shoreline is not important on the charts because they're never going to be near the shoreline.

Different situation on the inland areas, where the waterline may also vary significantly between low and high water, so the users were saying, we not only need to see the waterline but we need to see the real-time waterline. If it's high stage where that waterline has shifted, we need to see that on the chart. What that means for us in the production of the river ENC is that we're going to need some fairly accurate and high-resolution topographic information in that area near the shoreline.

It's feasible, it can be done, but it's probably one of those things that will be determined by the level of resources we'll have to put on this and probably a step-two or a step- three part in the process.

Wrecks, rocks and obstructions, something that we don't currently have on our charts and in most cases don't have the information. Our NOAA friends tell us that this is a feature that's very easy to add to a chart but very difficult to remove. If there is a feature, a wreck that is reported that is from a reliable source, that will be put on the charts with reliable coordinates. If it's of questionable reliability, approximate position, it will be denoted as so.

But when does it get removed from the chart. Even if we can conduct some detailed site scan or multi-beam surveys of the area, the wreck or the object may have moved downstream or it may have become buried in sediment, only to be uncovered later on and reemerge as an obstruction. So it's an area that is going to require some further investigation in how to effectively manage this in the charts.

Bridge piers, a very important piece of information that the group expressed to us. Right now, on the paper charts, you can typically see these bridge piers on the profile insets on the charts. Well, these need to be shown on the chart itself so that the user can see the precise location of these piers in relation to the position of the vessel so that they can use this in lining up for navigation through these very tight navigation areas.

It's information that does exist in some databases. We hope that we'll be able to collect it from Coast Guard database and maybe from other sources. Reality of it may be that we just may need to re-survey many of these features.

Coverage priority, the group pretty much agreed with our priority scheme based on tonnage, and using this, we would probably have the Lower Mississippi and the Ohio rivers as the first areas to be covered, followed by other areas like the Upper Miss, the Illinois, and then some others on there.

Also expressed at this time was the high importance of getting the Gulf Intracoastal Waterway (GIWW) covered with ENCs. It's an area that we would prefer to help NOAA produce a product and disseminate it to the users. However, right now, it's not on their list of

areas to be covered. If they're not going to be covering it in the near future, probably the Corps will look at producing a product in that area.

Other areas of consideration, the automatic identification system which is in operation now in this area, for that system to be useful to the vessels themselves, they need to have an electronic chart to display the information. So the coverage in the other areas on the inland system may further drive the priority of the ENC coverage.

In the northern areas where there are ice-prone waterways, where the buoys typically get moved quite a bit or they may be removed altogether, this puts a very much in need on the use of river ENCs. That may also drive some of the priority.

And something that we can't overlook is the recreational users who may have some different priorities on coverage with the charts. Our focus is on the commercial use of the charts, but we need to also consider what some of the needs might be for the recreational users.

Pilot projects, we are initiating five pilot projects on the inland system around Vicksburg, Memphis, Rock Island, Kansas City and Pittsburgh. And with the very low level of funding that we have this year, we may not see some pilot products in all those areas for this year, but nevertheless, we are confident that we will see a pilot product on the Mississippi River around Vicksburg, north of Baton Rouge to just south of Memphis, hopefully next month and then possibly see some other products later on in the year in some of the other areas.

It's a product that we want to disseminate to whoever wants to see them, solicit feedback on that. We also want to see it tested on some vessels of opportunity and get some experience with it and get some of the feedback from them.

A pilot project that has been very successful is being conducted out of the New Orleans District here on the Atchafalaya River as they have produced really the first detailed S-57 chart on an inland system. And I think that sign that's shown in there really aptly describes what has been produced. Last January, they had delivery from the contractor of the production of this chart. On the left side, you can see the data as it exists in the CADD files. On the right side is the river ENC as it would probably appear on the vessel.

It was a successful product. The features were accurately translated from one standard to the other. But we can also see some of the odd fits of the S-57 standard to the inland use in the U.S. waters. For example, it's hard to see in this slide here, but instead of river mile markers, these are kilometer markers, and depths are shown in meters rather than feet; so how to make that fit our own use, whether that requires modification of the river ENC or is it a simple adjustment that would be done by the electronic chart systems themselves. Something that will be investigated.

And there is some international coordination. There are some other key areas in which there are some activities going on where they very much have an interest in the use of river electronic navigation charts, primarily in Germany and in Brazil. And as a matter of fact, in Europe, they have produced a draft standard of the electronic chart displaying information

standard for inland navigation. And we're taking a look at that and kind of doing a crosswalk between our needs and what's in that standard.

And then there's also going to be a brown water ENC forum at the U.S. Hydrographic conference in Norfolk on May 21st, and at the very least, there will be presentations by us, the Corps, Germany and Brazil, and there will probably be other countries represented as well. Probably going to be the first big forum to pull together some international interest in this electronic charting arena for the inland waterways.

And then one the week before that as well, at the Radiotechnical Commission for Maritime Services annual meeting, there will be a day long brown water session that will go on there as well.

So that's basically where we are right now with the effort. It's still just getting started. It's going to be a big challenge, but it's something that is appropriate that we do. This year was a bit of a disappointment with the funding. We didn't have some reprogramming like we had hoped but we're using some R&D funds as well as some others to kind of keep the momentum going, and hopefully we'll have a much bigger effort next year.

CHAIRMAN WHITLOCK: Thank you, Tony. Are there any questions from the Board? (No response.)

Moving along, our next agenda item is the Missouri River Master Manual. John?

MR. JOHN R. LARANDEAU: Board members, observers, guests, thank you very much. I appreciate being here from the Missouri River, the longest river in the United States to the headwaters. I won't go through that story any more. You've seen this presentation before. This is similar to the one I did in Pittsburgh and there's a lot of slides that I passed out, but I'm going to just speak to you mostly today about Mississippi River effects in our Master Manual. But I will go through some of the slides and after the meeting, if someone wants more details, I'll be here this afternoon after the meeting and we can talk about those. Please stop me at any time if there's any questions along the way.

You've seen that slide before. It's basically the infrastructure. We have six mainstem reservoirs, very large reservoirs, and they feed water for multi-purposes down to the lower channel which incorporates a bank stabilization and navigation project.

I need to say one thing here and then we'll go on. The lower 735 miles of river is navigable, is free-flowing, but remember it's a bank stabilization project, also a navigation project, but all the funding is identified as navigation. Half the project maintenance is bank stabilization. So be careful how we budget that project.

The infrastructure. Again, you haven't seen this slide. This is a new slide. I just want to show it to you so you have it. Three main dams in the upper river hold all the water essentially. Three years of waters can be held in the river system. We keep two years in it and one year runs through it. We just manage one year. That simplifies the project.

This is just a slide showing you a bathtub approach to the dams. Basically, the red line is where we try to be on March 15th, and then above that red line is how we try to manage the river.

Right now, this year, we're in a drought, plan on lower water levels in the Missouri River to support navigation, but right now we're at intermediate service, which is 3,000 cubic feet per second less than full service. We may go into a minimum service situation July 1st when we check the river water again. Those are our checks based upon the amount of snowpack that comes into the system. Eighty percent of our water comes from the mountains. Right now, we're about 60 percent of normal in the mountains right now at this time.

The Master Manual went into a process where we held it up for Endangered Species to do a consultation. I won't repeat all this information. Right now, this is the last schedule, we don't have any other schedule officially, except the fact that our revised draft Environmental Impact Statement (EIS), we plan to have it available to you at the earliest by May 31st. That's our early date.

I'll mention three goals. That's just the idea of jeopardy that we've looked at in terms of what the Fish and Wildlife looked at as far as the consultation.

I've already discussed the implementation plan. We made it public. We had so many comments, we had 2,000 comments on this thing, that we held it up as far as releasing it and finalizing it. We're going to finalize it when we finalize or draft the EIS.

The three goals I want to mention to you in this process are that we plan on meeting the contemporary needs of the basin as defined by the basin when we come up with a Preferred Alternative. The Preferred Alternative is the flow, is the valve turning.

We also plan on serving the authorized project purposes, which we have many of those, and we also at the same time will preclude jeopardy of the listed species. We still plan on meeting the March 2003 implementation.

Now, I want to spend some time with you. This is going to be fun. Don't be afraid of this slide. If I can do it, you can do it, but this is important for you to understand. There is a lot of rhetoric out there that the Missouri River does influence the Mississippi River tremendously, that you're going to have all your barges and towboats on sand bars because we are releasing less water.

With the Mississippi Valley Division, we've worked with them on a hydrologic and hydraulic scheme, so let's go over this slide so you kind of understand it, and then you can see what the effects might be of a Fish and Wildlife plan which I'll share with you.

The gray or the large range is average daily values of fluctuations in the Mississippi River at the St. Louis gauge. The yellow represents average monthly. And those things are just things that engineers like to have to make them happy. Don't worry about that.

But the thing that's important is, look at the red line and the blue line. Also, look at the green line. The green line are the targets in the Mississippi where you would have reduced navigation or no navigation. The top green line represents plus two on the gauge at St. Louis at 90,000 cubic feet per second. The bottom green line, that's 45,000 cubic feet per second. That represents when navigation ceases. In between those two green lines, you do things as navigators to handle droughts by reducing tow sizes or drafts.

Okay. Let's have fun. Look at the red line here, look at the slide this area right here. Okay. There's a plan from a consultation from the Fish and Wildlife to implement a split season or summer flow situation which would put less water in the Missouri River in the summer to enhance the habitat for the pallid sturgeon and also for the two birds we've talked about, least tern and piping plover.

The blue line represents our current water control plan. That's our plan we have in place right now. You can see the effects, and what this is, that line is a representation of the flows, the hydrologic and hydraulic flows, at St. Louis representing backwater effects. These are not numbers you just add based upon gauges upstream. These are hydraulic analysis. They're very realistic.

So what happens is, if we do a split season using a Fish and Wildlife plan of ramping down at 25,000 cubic feet per second (cfs) beginning at Gavins Point beginning about the 15th of June, then go down to 21,000 cfs, and later in the summer, raise it up to 25,000 cfs to September 1st, that's when you see that dip between the blue line and the red line.

Okay. What is the difference there? What effects does that have on the Mississippi? Also, this is the year 1930, and our system is designed around a ten-year drought period from 1930 to and including 1941. So this is a worst-case scenario that would have happened in 1930, very bad year for navigation.

The difference between the blue line and the red line is about a foot, and as a result of that, based upon restrictions, navigation restrictions, the blue line would represent a navigation restriction below the green line of 25 barges. Above that, above the green line, there's no restriction on barge configurations. The red line would represent a barge configuration of 20 barges.

And we have this criteria that we have in our EIS analysis from previous years working with the Mississippi River folks as to what gauge depth, when the Mississippi drops lower and lower and lower, you will do certain things, like change configuration and change your drafts.

What this shows you is that there are effects from the Missouri River from the Fish and Wildlife plan if we were to implement that, if possible, as sort of a worst-case scenario for you, but the effects to you would be using five barges, from 25 to five. There are some effects, but I just wanted to show that to you. Kind of a warm and fuzzy, that's not a great effect but it is an effect, and you need to consider that in our further work in developing a Preferred Alternative.

Now I'm going to go to 1939. I believe that's 1939. All I want to show you here is this region here, and it's kind of an anomalous situation but what happens is, under the Fish and Wildlife plan, it also incorporates some of the conservation ideas of leaving more water in the reservoirs and reducing the navigation season, so to speak, compared to the current water control plan. Late in a drought, what happens is, because we're triggering conservation earlier in droughts, later in the drought, there are some advantages, and the Fish and Wildlife plan really shows an advantage of later in the fall and early winter.

Other than that, I just had one more slide to show you, and that's this one so you get a picture in your mind of what the Fish and Wildlife plan is all about. This is a representation, if you were at Sioux City, Iowa, sitting on the banks fishing, this is the water that you see go by you on an average day. And this is our winter operation, and about 1st of April, we ramp up to normal, full-service navigation and then we follow the red line. This is our current water control plan.

The Fish and Wildlife plan incorporates a spring rise to represent the flooding that goes on and queues fish and provides some habitat development, and then this reduction is the split season or summer flow situation. And this is the water that's being given up under that particular scenario.

Just to give you an idea, we are still developing a Preferred Alternative. We don't have one public yet. That may be coming out in the near future. We'll keep you informed of that.

Three things to consider, we've got some troubles with this plan. If we were trying to implement the Fish and Wildlife plan, the navigation industry says that this will extinguish them. Also, the power company, WAPAS, which makes power or which we make the power, they buy it, they take the power and market it, they say that in the summer, although you conserve a lot of elevation in the dams for more efficiency, in the summer, the value of hydropower is so great, it's up to 10, 20, 30 times the value in the summer because of deregulation, that they're going to lose between $50 and $30 million.

There's another thing. If we do this type of an operation, we have to get rid of the water for flood control, and we're finding out now through other analyses that trying to get rid of the water in that short season between September and December 1st, we're having trouble evacuating floodwaters for the next season.

So we have three issues to deal with. It's going to be very difficult to comply with the potential Jeopardy Opinion of not following it. And what we start with is going to be very challenging for us as a division and as an agency.

That's all I have. Are there any questions? If anybody wants any more details, get with me after the meeting. Any questions?

CHAIRMAN WHITLOCK: Are there any questions of John? (No response.)

John, at this point, one comment I think as you assess the impact is, you have to look at the impact not only in St. Louis but the Lower Mississippi River. I recall what happened in 1988 during the drought, that the flow past Cairo was about 96,000 cubic feet per second and, of that 96,000, I think it was 40,000 to 45,000 cfs of that was being contributed by the Missouri River. If you're talking about taking or having a reduction of approximately, what is it, 10,000 cfs during that period of time?

MR. LARANDEAU: Yes.

CHAIRMAN WHITLOCK: Ten thousand cfs at those types of river stages where you only had 96,000 cfs at Cairo and you have minus 10.6 at Memphis, that Lower Miss would really become a major issue.

I think there's two points that I feel about the Missouri River. One is, right now, you have only an eight-month navigation season on the Missouri River. To do this, you end up making it only a six-month season, which in effect kind of closes the river to navigation from an economic and infrastructure standpoint of all the investments that have been made along the waterway.

If there is some kind of plan that goes in that alters flow, there should be some mechanism that provides for deviating from that plan in the event that we have a repeat of 1988, that we don't continue to follow the plan when you have what would be termed major economic emergency conditions throughout the whole Mississippi Valley if you had a repeat of the 1988 conditions.

MR. LARANDEAU: Yeah. Thank you, Norb. I appreciate that thought, and it's something that we've always considered. Whether you move water from the Missouri River for the purpose of the Mississippi River is an issue that we've dealt with and there's some aspects that we believe we can. In our Preferred Alternative of 2000, in January, we incorporated some measure to provide water to the Mississippi River. But during an emergency, as you all know, all bets are off and the river can run based upon those emergency needs, as what's happening in the North Pacific.

Okay. Any other questions? I'm probably out of time, so get me after the meeting and we'll talk more if you need to. Thank you.

CHAIRMAN WHITLOCK: Thank you, John. Next on our agenda is Mr. Lundberg, who will be talking about the Upper Mississippi River Navigation Study.

MR. DENNY A. LUNDBERG: I appreciate the opportunity to give an update on where we are with the navigation study. There's three things that I want to talk about today, as General Van Winkle indicated. We're essentially in a pause on study activities, but we have been working hard to try to stand up to new management initiatives. These are the subpoints, and I'm going to go over each one of those in a little bit of detail. We've also been evaluating the National Research Council (NRC) review of the navigation study, and I want to give you some general observations of what we think of the comments that are coming out of there, and then I'll talk a little bit about the study schedule.

Quick review here, the National Federal Task Force that was formed here is composed of these senior-level agency heads here. Its purpose is to coordinate the development of consistent policies, strategies, programs and priorities for future economic development and environmental sustainability of the region and the Nation in terms of agriculture and trade. This task force has met twice, and I'll give you a summary of that in a few slides.

The second layer involves the Regional Inter-agency Work Group. This is essentially the regional counterparts to the task force and would be composed of more working-level individuals. This group has been stood up and we're going to meet for the first time tomorrow in St. Louis.

The third layer is within the Corps of Engineers and involves the Corps Planning and Policy Guidance Oversight Team. This is mainly made up of senior-level Corps personnel to help give us guidance on direction to go with the study.

And then the fourth area is to continue development of a robust independent technical review forum where we bring in outside experts to help review products and what's been going on.

For those of you who like boxes and arrows, this is basically what the management structure looks like. The light blue areas are existing coordinating and management structures that we had in place before. The yellow ones were the ones that I talked about.

I was glad to hear some discussion this morning about getting the industry involved in this process. Historically, the industry has been involved in our coordinating committees. This is the Navigation and Environmental Coordinating Committee, the Economics Coordinating Committee and the Engineering Coordinating Committee. They have been heavily involved in this process in the past.

As we move down through these issues, we definitely need input from the industry, and I see that coming here and I see it coming here (indicating). And my best guess on that would be somewhere in the next 30 to 60 days we're going to have to figure out when to get together and how to get together.

The other box in the upper right there, the GLC for some of you that don't know that is the Governors Liaison Committee. That is made up of representatives from the five states. They represent the governors' views on study issues and, in fact, we have a meeting of the GLC going on tomorrow in St. Louis as well.

I'd like to give you a summary of the first two meetings from the Federal task force. The first one was held on the 16th of March. We gave them a presentation, some background on the navigation study. Several of the participants really didn't know a whole lot about the navigation study. The National Research Council came in and gave a summary of their findings, and for those of you that have seen that, of course, some of their basic recommendations is don't build in advance of the demand increases. They think that use of traffic management and some

congestion fees can push out the need for any sort of infrastructure improvements. I'll talk a little bit more about that in a bit here. The results of this meeting were that we were given the okay to start the dialogue with the National Research Council. Up until this point, the study team had not had the opportunity to talk to an of those reviewers. We've been doing that over the last several weeks. They've been very helpful and cooperative in listening to what we have to say, and I think it's been very productive.

We were also tasked with providing a preliminary assessment at the next meeting of the task force of what the study team felt about the NRC recommendations. And then we were also tasked with starting the coordination with the regional group. It was also decided that this task force would meet every two weeks for the next several months until a lot of these issues got sorted out.

The second meeting was held on the 30th of March. We discussed the standup of the regional group. We provided about an hour-and-45-minute presentation on preliminary assessment of the NRC recommendations.

The results of this meeting were that we were to begin a dialogue with the regional group and report back to the next task force meeting, which is scheduled for the 20 th of April. That's what we're going to do tomorrow is get together with the regional group and start working through some of these issues more on a working level and not at the high agency level.

Just to give you some idea on what our general observations are, and I'll go into a little bit more detail at the end here, but our general observations are that the National Research Council reviewed a very preliminary draft report. When they were asked to get involved in reviewing where we were going, we did not have a formal draft report ready. A lot of the comments reflect that. This is very hard to see, but I think most of you have seen this chart before. We used it at the waterways conference. This is the whole process from initial appraisal of a project through to when it goes to Congress, and the feasibility study is this big box here. The little box here is the study phase. That's still where we are. We have yet to produce a draft report.

Now, the real question is, if we'd have had a draft report, a formal draft report, and the NRC would have reviewed it, would their comments have been any different? Well, I think some of the comments would have probably gone away, and I think some of them wouldn't have been quite so severe, but I think the major issues that they're bringing up are still going to be there or would have still been there, so we still need to work through those.

The second general observation there is, they really defined a new problem statement for us. This study is focused on reducing the congestion on the navigation system. Some of their recommendations were to go with a more holistic comprehensive river planning approach, and really this is not a new issue. That issue was brought up back in the early '90s, and the Administration at the time, through the Assistant Secretary of the Army for Civil Works, agreed that the Corps could be involved in doing that more holistic planning; however, it would require cost-sharing partners. And at the time, nobody came forward. That's still a policy issue that I think's still going to be out there and probably going to be revisited.

The third area there is, they certainly acknowledged the complexity of what we were doing in the economic and environmental area. They thought we were heading in the right direction; however, they felt the studies didn't go far enough. This is something we're going to have to wrestle with because we are going to have to balance theory and academia with practical, real-world constraints. Some of what they are suggesting would take lots of time and lots of money, and we need to assess whether it's really worth it to get to a point where we have enough information to make a reasonable choice on alternatives. But we're working through that process, and the task force and regional group are going to help us do that.

Then the fourth point there is that some of the comments really have application beyond the Upper Miss Navigation study, and that's a big-time Corps of Engineers issue that we'll be wrestling with.

For the purposes of the task force and the regional group, we identified 11 main issues. For those of you that have looked at the Executive Summary, these 11 issues pretty much match up with what's in the Executive Summary. Now, understand that there are several sub-issues that are involved in each one of these, but I'm going to just briefly go down each one of these issues here.

The first one's a big one, it was talked about already today some, the Spatial Equilibrium Model and ESSENCE. Now, what does that really mean? Well, the Spatial Equilibrium Model is really a theoretical conceptual model. ESSENCE is what we use to try to apply that theory.

The NRC had two problems with that. One is they didn't feel like ESSENCE had sufficient spatial equilibrium concepts involved in it, and they also felt that there were data gaps in two areas. One, they didn't like the traffic forecasts. They thought they were not done well. And secondly, they didn't feel there was enough information to support the demand elasticity values that were used. That's the famous “N” value.

So there's lots of work that is yet to be done on that, and as I mentioned, that one is probably the biggest one in terms of time and money that we're going to have to sort through.

The second one there is managing congestion. As I mentioned before, their findings recommended that we try to put in place some sort of traffic management measures prior to any infrastructure improvements. As part of the study, we did do a fairly extensive analysis of non-structural measures and we did look at congestion fees and scheduling programs. The one other one that they brought up was the tradeable permits, which we hadn't heard of before and we're still trying to evaluate exactly what those mean, so please don't ask me because I can't tell you yet. But we're trying to get a better handle on that.

Some of those items that we had evaluated, we thought they had implementation problems and they were screened out. But we're going to step back and relook at it and get some additional feedback from the Federal task force and certainly from industry as we work through this process.

The third one there involves really a comprehensive look at the environmental effects, and this is a difficult one in that the Upper Miss Navigation study, what it's doing is it's assessing the environmental impacts of the incremental traffic that may come onto the system for any action that we may take. And there's lots of folks out there from the resource agencies as well as the NRC that think that we need to go back to some point in time that's yet defined on when man touched the river and try to get a good understanding of the impacts of man's touching of the river. That's a very difficult one. That has got some technical aspects but it's mostly going to be policy.

The fourth issue there is clarifying relations between the environmental studies and decision-making. That's one where I think, if we'd have had a draft report, I think a lot of those comments would have gone away. The most incomplete part of what we gave them last summer was the environmental studies. A lot of those were just coming to completion. They did not see how the environmental studies integrated into this decision-making process. So I think some of that could potentially go away, but we need to work through those issues.

The fifth issue was their suggestion to have additional independent technical review. We agree with that. We've been actually doing that for some time. From a roll-up of the study standpoint, once we get the full study done, we'll have to assess what the appropriate action and the appropriate ITR (independent technical review) form is for that.

The sixth one there is again this holistic idea that we shouldn't just be looking at navigation improvements and potential mitigation but we ought to take opportunities to do environmental improvements as well. This basically is the same issue I just talked about where, at least in the early '90s, the Administration policy and with the rules and regulations that were on the books at the time, they required cost-sharing and nobody stepped forward at that time. This is another big-time policy issue that will be discussed with the task force and regional group.

Issue seven there involves cumulative effects of everything going on out in the river. The NRC did not review the report that we did on that, primarily because it wasn't done when they started their review, but we have since given that to them and have started some dialogue in trying to get them to understand what we did in that area. So that's one that I'm hopeful will go away.

Issue eight is basically just a statement. It is a policy issue that Congress continue to provide support in the Environmental Management Program and the research going on in the Upper Miss. We utilized a lot of that research in the Upper Miss Navigation study and we think it's important to continue that out in the future.

Issues nine and 10 are really tied together. We have proposed an adaptive management concept on the Upper Miss in terms of mitigation. Basically, what that means is we're trying to put together a program where you have flexible from year to year in terms of what you want to do. It's basically a trial and error. You will try some mitigation effort and, if it works, just continue, and if it doesn't, try something different. That's basically what it is in a nutshell, but

they felt we didn't go far enough in how we defined that, and we still have some work to work through that issue. And there's some technical issues there and some policy issues as well.

The eleventh issue there was they felt that our 25 percent contingency was too low for our cost estimates. We tried to peel that one back a little bit, and it seems that they made that determination based on looking at one project and were comparing numbers for the project that extended from 1975 to 1991, so they were comparing 1975 dollars with 1991 dollars and concluding there was a 300 percent increase in cost growth. We think they misinterpreted the data, but we're going to continue to look at this and we want to have a lot of backup to what we provide on contingencies.

In terms of the study schedule, on the short-term, as I mentioned, we have another task force meeting on the 20th of April. We'll be working with the regional group tomorrow. We've been tasked right now with providing General Flowers a status report by 30 April, and hopefully shortly after that we will have at least a general sense of what our road map's going to be to bring the study to completion.

Once we have that, we need to put together a revised project study plan that lays out all of the costs and resources and time required to bring the study to completion. The schedule we have right now is to hopefully try to have all that done by the end of May and be able to reinitiate the study about the 1st of June.

Now, the obvious question is, well, what happens after that and how much more time is it going to take, and as General Van Winkle indicated this morning, it's difficult to say because we don't exactly know where we're going to end up with the involvement of the task force and what exactly we're going to do with the NRC recommendations, but we're working through that process.

As always, there's my phone number and e-mail address. If anyone's got any questions or wants to talk about it later on, feel free. Any questions? (No response.)

CHAIRMAN WHITLOCK: Thank you, Denny. I guess the Board would like to discuss with you an opportunity maybe to get a complete briefing at our next Board meeting as part of that and we'd like to participate because many of us have been very active working with the planning process up to this point. We'd like to continue to be involved in it.

MR. LUCAS: Norb, if I might, I don't have a particular question, Denny, but I want to vent my frustration with this a little bit. You know, you read these reports, you read the reviews, you read the review of the review, and I'll tell you frankly, I sit there and wonder. We're arguing about what the coefficient of elasticity is for demand for grain transportation. You got to quit talking to the academics. They wouldn't know a grain truck if it ran over them. You've got to go talk to somebody in Minneapolis or in St. Louis and someplace else, and they've got a pretty good idea what the coefficient of elasticity for demand is because they work with it every day, and that's the difference between buying grain in central Kansas, central Missouri, central Iowa. You go to the river or you go to the Northwest. It ain't that hard. But while we're all talking to all the academics and doing all these studies, we miss the point, and

that's I think where a lot of people's frustration is with this. And it goes back to these charts you're showing, we've got this department and that department and this agency and that agency. You've got to start talking to the real people who do this for a living because those are the people who know what the realities are. Whatever the model says, you know, is fine, but if it's not reality and you can't replicate reality, there's a problem.

MR. LUNDBERG: I understand your comments and appreciate them. In fact, we had a meeting earlier this week that talked just about that and whether the regional representatives were really the right people to provide some of the information we need. And I think at this first meeting, we're going to find that out and we're going to have to figure out what additional resources we need to bring on board to help answer those questions.

CHAIRMAN WHITLOCK: I'd just add one comment. I know the Summit meeting that we called in St. Louis, I've forgotten, in '98 I think it was or '99, I've forgotten now exactly when it was, but we were trying to do just that, we as industry members, and had the grain people and the grain community that was trying to input to the process. But unfortunately, the Army Inspector General, IG, ended up reprimanding the Colonel and the General Officer for getting into it from industry members as to what the elasticity of demand number really should be and just exactly what you're talking about, trying to get to an elasticity of demand number that is reflective of what's going on in the marketplace.

MR. LUCAS: It ain't that hard.

CHAIRMAN WHITLOCK: So anyway, I think that process needs to continue and I think probably the National Academy of Science report that came out, you know, shed a lot more light on the issues than maybe what the Inspector's General report did.

MR. DAILY: Norb, I think there's another issue that, again, it is why we had the presentation today from Jim Adams is, we've got to look at what the cost of not acting and delays are doing to our position in the global markets, what that's going to do. You know, bring it right back home to the farmer in Iowa, it's not hitting him too bad this year but as they increase and lower that bar for delivery of their product in South America, if we don't keep pace with it, we know our inflation is fairly steady on the way up. It hasn't gone down in anybody's lifetime that I know. So our production prices are not going to get cheaper. The only thing we can do really is increase our transportation efficiency. And the more we delay this, the quicker they're going to catch up with us.

So again, on a regional basis, we've got some people right across the river from you in Rock Island and we would be glad to give you whatever arms-length information you can get from us.

MR. LUCAS: One other question. Do we want to talk about this idea of congestion pricing and traffic management at this point or when?

CHAIRMAN WHITLOCK: I would say if anybody has any comments they'd like to make about congestion pricing, it would probably be appropriate to discuss that since it

has been recommended and it's something that the Corps has been asked to consider in the Upper Miss Navigation study. So if anybody has any comments on that, feel free to make them.

MR. LUCAS: Well, I obviously do. I mean, you know, it's an idea that has been around for years and years and years. I heard it from Senator Moynihan about 15 years ago, I'll have the answer to all that, you really just put up a toll there and the economics will take care of itself. All you do is you drive the commerce off the river in times of high demand that other forms of transportation or other places. Now, do we want to do that? If you do, you can have congestion pricing at all of the locks and dams, and it'll work perfectly and it will make the BN and the UP railroads rich. Any comment about that.

MR. MECKLENBORG: Yeah, but a slightly different take on that is one of a reaction to the suggestions in the report, and from a theoretical standpoint, some of those, as Steve said, are viewed as favorable solutions, but on a practical level, the idea of scheduling barge transportation, I mean, you can look right now and we had as a company a plan that we'd be on the Upper Mississippi River in St. Paul-Minneapolis today. In reality, it doesn't look like we're going to be there for three more weeks, and part of that's to do with ice. Part of it's to do with the rainfall that we're receiving right now.

Those kind of vagaries are the kind of things that in reality we confront and that would I think just, on a fairly common-sense level, eliminate a lot of the efficiencies or opportunities that might appear on a theoretical level to be present in either a scheduling system or a congestion pricing mechanism.

MR. SUTTON: I have one more comment. This is Les Sutton again. In going back partly to what Steve said and what Norb alluded to, I managed a research operation many years ago, and we never ever ever put in a new prediction theory without testing it against real data. And that's what Steve is saying. It's not that hard to test it against real data because we have many, many years of history under different conditions. And so I would encourage you, if you do it again, to test it with real data before you come up with the answer.

CHAIRMAN WHITLOCK: I think just one comment on congestion I would make is, if you approach it from an economic investment standpoint, from an industry standpoint in terms of if we make an economic investment in a barge and the barge has a certain amount of life and you think in terms of, the only thing we have available to sell in the marketplace is a barge day. So whether that barge sits a day at a fleet before it leaves to get to the lock to lock through or whether it sits somewhere en route midway between locks or whether it's sitting at the lock, it's still lost productivity days that goes into the cost equation of transportation economics.

And so the notion of schedules, I can schedule and get to Lock and Dam 24 and not have to wait at the lock, but I waited between Locks 25 and 24. So it doesn't make a whole lot of difference there.

I think the real key issue that needs to be addressed in this whole Upper Miss study is, one, what is the projected forecast for tonnage on the Upper Miss and when do locks reach the capacity, the physical or practical capacity. And once that is identified, then we know what we

need to do to provide for the growth of the tons. How do we accommodate the tons? Because at many of the locks right now, you have a continuous queue, so there's not any way of eliminating the delay time when you have continuous queues.

So I think the real key is what does the traffic growth look like and when do we exceed the practical capacity of the locks, and once you exceed the practical capacity of the locks, then you've got to provide additional lock capacity, and whether it's in lock extensions or whether it's a new lock, but from a transportation economics standpoint, that's what I see as the important thing.

MR. MECKLENBORG: Yeah. Another comment that ties into the European preference for water transportation, which certainly the United States might decide to follow at some point, you know, if we were to decide to favor the rivers from an environmental standpoint, from a congestion reduction standpoint, then those types of increases in usage might need to be modeled into the long-term projections for us to have those options as a country from a policy standpoint. So I don't know whether that's being factored in at this point in a full sense.

GENERAL VAN WINKLE: Norb, can I make a suggestion? I think one is that we will continue to seek real-time data or real-time input as we do this. I think that's the key and that we will find an appropriate way to do that.

Secondly, for us to move on with any longer term recommendation, I think you're going to have to really tackle this congestion management approach. And I think absolutely that we've got to understand the practical effects of doing that and you've all made some comments to that effect. I think, and I'll have to check with Norm Edwards and some other experts, that it may be appropriate for the Users Board to ask that a sub-task force come together and comment on the applicability of those traffic management systems to the extent to which they produce a potential for real short-term savings, to the extent to which they're implementable to the extent to which they could be envisioned, because I don't think we're going to be able to -- The bar was set by the National Academy. I think it is generally accepted that you ought to do what you can short-term and then that may or may not buy us some time to look further on down the line. So I don't believe we're going to be able to come up with any longer term recommendations until we directly address that particular issue.

I think it would be valuable to have your comments, particularly on the traffic management, on a fairly short-term basis here, because we've got to overcome that hurdle first before we can move on. So the extent to which you as a Board feel that might be useable, that would be a potential suggestion is to form a small group to address those issues. And you've indicated you've done some work in the past and thought about this and had some conclusions, some observations. And if we could get that in a formal report to be made public, since this is a public meeting, for other comments and drafts. I think that would be, from my perspective, switching my hats of try to produce this report, would be very useful. Norm, do you have any comments about that approach?

MR. EDWARDS: I think it would work very well. We just have to be careful that when you bring this group together that it's not necessarily an extension of the Board. I think

you're asking for the industry to make these recommendations, and that really goes beyond the Board itself. And the reason I bring that up is that bringing all or part of the Board together comes under the FACA (Federal Advisory Committee Act) rules, and I don't know whether this should be a part of that and I would suggest that that be a group including industry, including Board members, but that it not necessarily be a function of the Board and thereby we don't run into public meeting considerations and questions and it will be independent then.

GENERAL VAN WINKLE: I see. All right. Well, I'll leave it up to you as an industry representative now, to decide what you want to do.

CHAIRMAN WHITLOCK: Okay. I'll take the lead on that. Maybe we can do that through the American Waterways Operators (AWO) or somebody like that to put together a task group to review the National Academy of Science recommendations and provide a report back to you as to the industry input on these issues. And we'll include the shippers in that category as well. A lot of the shipper community are members of AWO, some aren't, but we'll make sure Mr. Lucas's comments get included.

Okay. Thank you, Den. Okay. Next on our agenda is, we'll hear from Mr. Joe Dicharry, who's talking about the Inner Harbor Navigation Canal Lock.

MR. GERALD J. DICHARRY, JR.: I'm just going to give you a quick update on the Inner Harbor Navigation Canal Lock project. You have a handout. I don't have any slides today. The first couple of sheets in your handout just shows you the existing conditions, what it looks like today, and then a third sheet is the proposed plan. I'm not going to go through the plan. I've briefed the Board on a number of occasions and probably a lot of the Board members can make the presentations themselves. They've seen it a few times.

What I'd like to do and in the fourth sheet there is just a cost breakdown of who pays what, what's coming out of the Trust Fund and how much from the Corps regular appropriations. And these are incremental costs today. These are not fully funded costs. So you might see some of the other tables that Dave Grier prepared and Steve prepared about the budget numbers. But those are fully funded numbers that they're using in their analysis. This is incremental numbers, today's dollars. So I'm not going to talk about that. That's just for your information.

I'll just go straight to the status of where we are with the project. We finally got construction started a couple years ago and we finally have awarded our first contract. That's the East Bank Industrial Area Demolition. That's all those businesses on the right side of the boat on the trip going through the lock yesterday. The contractor is on site. That's a TERC contract, a Total Environmental Restoration Contract, that we are using an existing contract with our Tulsa District to do this.

They have got an additional capability through their existing contract, and this contractor that we have hired, the Washington Group, who used to be called Morris Knudsen, is very experienced in cleanup and demolition of contaminated areas and all that. And that's what we have here on the east side of the canal, a lot of contaminated materials and all that we have to handle specially. It's not hazardous. There's no hazardous material. We don't have a Winfield Lock situation here. But there is some contamination, lead-based paint, asbestos, low levels of

some contaminated materials, but nothing serious enough to worry about hazardous or toxic waste problems.

So that's the first contract that's ongoing. The second contract, the Galvez Street Wharf Demolition, we have opened bids on that contract. Unfortunately, the first bidder, the low bidder, had to withdraw his bid. He had a problem with his bid. So we're now dealing with our second low bidder, and everything looks pretty good with this bidder so we hope to award that contract within the next 30 to 60 days and have that activity ongoing.

So pretty much you'll see, if you're going through the canal, demolition activities on both sides of the canal over the next couple years because the TERC contract will take about two years to demolish all of that material on the east side.

The third contract that we hope to award here in the next few months is a little piece of levee and floodwall on the west bank of the canal south of St. Claude Avenue. That's just a little piece of floodwall that needs to be done. It was one of the smaller areas and smaller jobs that we could get started pretty quickly.

So those are the three contracts that we have scheduled for this fiscal year. Funding levels, of course, would dictate how many more contracts we could get started next year. We've already discussed about the shortage of funds possibly, well, not possibly, but definitely with the Inner Harbor Project, and so that may be just enough funds to keep these contracts going. So we'll just have to wait and see what kind of additional funding we might receive, if any, before we start scheduling any additional contracts.

The next bullet on that sheet is the lawsuits. We've had a number of lawsuits filed against the project over the last year. I'm happy to say that all of them have either been withdrawn by the plaintiffs or they have been settled in court in our favor, and so right now, we have no outstanding lawsuits that we have to worry about for this project. Are there going to be any more? Your guess is as good as mine on this project. But that's the good news there.

We've been operating under Right of Entry for construction. We negotiated this with the Port of New Orleans. They own all the land along the canal that the project is going to be needing for the construction. And we have been able to get an agreement with them to go ahead and start construction even before we have purchased the land from them. And we are negotiating with them for a project cooperation and cost-sharing agreement (PCA) which we need before we can actually purchase the land and give them the money that we have agreed to as far as the value of the property. And that PCA should be going up to headquarters by the end of this month, and so hopefully by July time frame we'll have an executed cost-sharing agreement.

The next bullet is bridges. We've had some concern with some of the locals in the area that the plan for replacement of the bridges at St. Claude and Claiborne avenues, which are basically replacement-in-kind bridges but with new machinery, wider horizontal clearances at St. Claude, is going to create tremendous traffic problems because of the additional increased traffic that's going to be using the new lock once the project is complete. They feel that the bridges are

going to go up for a lot longer times and for longer durations and it's just going to create disaster for vehicular traffic.

Well, we have a very differing opinion from the local constituency down there. We feel that actually the bridges are going to operate less often but possibly stay open in longer durations but not tremendous durations like the locals have said.

In fact, at St. Claude Avenue, right now, that bridge goes up on the average of about 34 times a day. Our analysis shows that that will only have to operate 10 times during a 24-hour period but it would have to stay open for about maybe, on the average, four or five minutes longer.

At Claiborne Avenue, right now it operates, it has to go up for navigation traffic about five times on the average a day. Our studies show that with the new lock in place, it would be only three times a day, and the duration though would go up maybe two minutes on the average per opening.

So we feel like, with those statistics, and we're going to relook at them again because they're based on some outdated traffic information, with the traffic management and efficiency that we can utilize and implement with the new lock, that we can even better those numbers as far as durations of openings to the vehicular traffic.

But the big point here is the locals have made such a stink about it and they have been saying that they want tunnels, they want tunnels instead of bridges at these two locations, uninterrupted traffic flow under the channel. Actually, they wanted high-rise bridges, but we said we couldn't do high-rise bridges because it would have significant impacts to the local people on either side, relocating a number of houses, businesses, much more costly for that matter, too.

But they have gone to the Congressional delegation and have put enough pressure on us that we need to go and study tunnels, so we're going to do a feasibility, a little four-month feasibility study as to whether or not tunnels could be built here and how much impacts it would have and, of course, how much more costly it's going to be to build a tunnel rather than what we've got proposed now with these bridges.

So I just want to let you know that maybe by the next meeting I'll have some results of the tunnel study for that, whether it's feasible or not to build tunnels there.

And the last thing is the Mitigation Plan. I just want to let you know that that's going. We're progressing very well with the Mitigation Plan. We've initiated some job training for the locals down there in the area along each side of the canal. The first graduates from that training program are going to graduate at the end of this month, and the contractor that's on board doing the demolition has already made a commitment to hire some of these folks to use in their contract because the training that they have gotten over the last few months has been handling of contaminated materials, so it's very appropriate for them to be hired by the contractor that we have on board already. So that's going along well.

We're meeting on a monthly basis with the community-based mitigation committee, and we're actually starting to turn the corner with some consensus with some of the folks down there in the Lower 9th Ward. We still have some opposition, but we feel that we're starting to turn that corner and a lot of people are starting to work with us a lot better now than they have been in the past. So we think we've made some strides there with our efforts and with the efforts of our contractor who we've hired to help us with this process.

So that's a real quick update of where we are right now. I'll answer any questions if anybody has any.

CHAIRMAN WHITLOCK: Any questions for Joe? (No response.)

Thank you, Joe. Next we have Mr. Dykes, who will be discussing the Bayou Sorrel Lock.

MR. JOSEPH L. DYKES: Okay. This is on the Bayou Sorrel Lock Feasibility study. Bayou Sorrel Lock is a feature of the Atchafalaya Basin Floodway Project. It passes barge tows to the east Atchafalaya Basin protection levee, which is the east side levee for the Atchafalaya Basin Floodway. Bayou Sorrel Lock is structurally sound, but it's eight feet below the design grade for the east Atchafalaya Basin protection levee and must be replaced or modified for flood control purposes.

From a navigational standpoint, by using Bayou Sorrel Lock, barge tows moving between the Mississippi River at Baton Rouge and the mainstem of the GIWW at Morgan City save 160 miles over the Mississippi River to New Orleans and then going by the GIWW up to Morgan City.

The existing Bayou Sorrel Lock is 56 feet wide and about 800 feet long, and between 1995 and 1999, tonnage has averaged 23,700 per year, and delays averaged 5.2 hours per tow. And on the map you can see the relative distances there.

We're nearing completion of our feasibility study and our tentatively selected plan provides for a new 110 by 1200-foot U-chambered reinforced concrete lock that's immediately adjacent to the existing lock, the permanent closure of the existing lock, and there will be no closures of the waterways during construction.

From a mitigation standpoint, that's not covered in the points here, but all mitigation is limited to direct construction impact and impacts are all direct construction impacts. It's all mitigated on site.

The cost allocation apportionment of the replacement-in-kind lock with the cost of replacing it in kind at existing dimensions is $62,800,000. The navigation increment, the cost of providing a larger lock, the 110 by 1200-foot, is $19,600,000, $9.8 million of which would be Federal appropriations and $9.8 million would be from the Inland Waterways Trust Fund, so a total first cost of about $18 million.

Summary of economic analysis, for the $19.8 million that would be charged to inland navigation, we have average annual benefits of about $15 million, average annual costs of about $1.2 million, and benefit/cost ratio of about 12 to one.

Our schedule is that we're wrapping up a draft feasibility report right now. Our final report is scheduled for September of this year and we complete PED about 2005 and should complete the construction in about 2008.

Are there any questions?

CHAIRMAN WHITLOCK: Any questions for Joey? If not, thank you. Next we have Mr. Green. He will be talking about Calcasieu.

MR. STANLEY B. GREEN, JR.: Since according to the agenda I should have been finished about ten minutes ago, I'll try to keep this brief. The Calcasieu Lock is located on the Gulf Intracoastal Waterway just east of the Calcasieu River. It helps to preserve the freshwater reservoir essentially inside the Mermentau Basin. The lock was completed in 1950. It has dimensions of 75 feet by 1200 feet with 13 feet of depth at the sill.

It's been experiencing delays in recent years due to increases in vessel traffic. We now have a feasibility study underway to determine the feasibility of a replacement lock to try to alleviate some of these delays to navigation.

The Reconnaissance report was completed in February of 2000. We received authority from our Headquarters in June of 2000 to proceed with our feasibility study so we now have that just underway.

In looking at three different alternative lock sizes, the 75 by 1200, 90 by 1200 and 110 by 1200, these could be used with or without the existing lock still in operation.

We're also looking at three different sites where these locks might be located, one immediately north of the existing lock, one immediately south, and one that would use the old Black Bayou channel.

In Fiscal Year 2001, we're doing a limited number of things. Funding was not what we would have liked but we'll be doing the topographic and hydrographic surveys in the area. We're developing some of the information that we're going to need for the economic model, and we'll be beginning the preliminaries of the environmental analysis.

The Feasibility report is scheduled to be completed in January of 2004, assuming that our funding comes along as scheduled.

And that's it in brief. If anybody has any questions, I'll be glad to address them.

CHAIRMAN WHITLOCK: Any questions? (No response.)

Okay. Thank you. Moving along, we have Mr. Williams, who will be discussing the GIWW-West Brazos to Port O'Connor.

MR. BYRON D. WILLIAMS: Greetings to the Board, the General, and attending persons. I wasn't too sure of the level of detail, so what questions that you may have afterwards, I will be here to answer them. I'm going to have a supplemental information sheet for questions that you may have so, therefore, you don't need to repeat any questions if it's already written down in front of you.

This is a 15- to 19-mile reach of a 71-mile GIWW stretch from the Brazos River to Port O'Connor. If you look on the map here, we'll be going down here into Port O'Connor, which is here. This is the Matagorda Ship Channel. And this is the route from here across the bay that we're having problems with.

Problem identification. The first problem we're having is shoaling. When we created the Matagorda Ship Channel in 1962, Pass Cavallo began to shoal and it began to close up the existing GIWW. The currents also going across the Matagorda Ship Channel got extremely difficult for the barges to operate across to whereas, when they were entering the Port O'Connor jetties, they'd begin to crab, and as a result, industry has self-imposed one-way traffic. And our goal is to bring back two-way traffic, of course, and decrease the shoaling and the effects of the currents.

Future without project conditions right now, we're doing O&M maintenance every nine months on a channel that is 125 feet in width. We are dredging it right now at 225 feet in order to keep the barges going through safely.

So we have a definite problem there, and right now, we're at the ending stages of the feasibility, and let me look at some maps so you can see what I'm talking about.

We have two options that we decided to go with after screening out dredging Pass Cavallo, reopening the old inlet, because of environmental hazards, it just wouldn't be accepted by the resource agencies. In addition, the cost would be extremely high. So we decided to listen to the users, so to speak. They prefer that northern reroute, a route several miles away from the Matagorda Ship Channel. What it does is it gets them away from the current and it gets them away from the shoaled channel.

So we took those options to WES (Waterways Experiment Station) and we modeled them and we came up with two plans, a northern realignment and a southern realignment. They're both north of the existing channel; however, the southern is just only two miles north and the northern is approximately five miles north.

I had some maps to show you and they aren't coming out like I thought they would. If you're not able to see that very well, you can look on your sheets that we gave you.

Okay. This map here is essentially the project map. It is the southern realignment. And what we are doing is, we divided it into three regions, and we've had communication with Dave Bastion, a former reviewer at Headquarters, and also with, coincidentally, the New Orleans District here. What we're trying to do is come up with beneficial uses that the resource agencies accept. That's been our major task.

Currently, we do open-bay disposal, and the resource agencies are opposed to all open-bay disposal for new work in Matagorda Bay.

If you look carefully at this map, you'll see, what we've come up with is marsh creation here and here and on the east end of the island and also to refurbish Sundown Island, all the remaining materials to go in the surf zone off of this barrier island.

We have construction costs of the four plans totaling $12 million to $11 million to $13 million. Our chosen plan has a B/C ratio of 2.42. It is the selected plan. It is the plan that we are putting in our draft feasibility, which coincidentally has been sent up to Headquarters and Southwestern Division for review.

We have an AFB, which is an Alternative Formulation Briefing, scheduled for May 15th in Galveston District. Upon approval, we should be ready for the final draft in August of 2001.

Other than that, I know I'm pressed for time, any questions that you may have on what we're trying to do, what we're trying to explain?

MR. SUTTON: I have a question, and you may want to talk about it afterwards, but are you going to continue open-bay disposal of the material from the Matagorda Ship Channel adjacent to this route?

MR. WILLIAMS: Yes. The Matagorda Ship Channel is a totally separate project from the GIWW, and the disposal practices that are going on now will continue.

MR. SUTTON: But that will just dump it into our channel, and we have to pay to pump it out of the marsh.

MR. WILLIAMS: Correct. However, all of our maintenance material for this project, Les, will not be an open-bay maintenance for 50 years, so we are reducing a considerable amount of open-bay disposal.

To answer some concerns that one particular Board member had about dealing with the users, our accumulation was directly handled by the users, coastal towers and many other agencies, and they traveled throughout, and basically the plan was a plan that the users themselves came up with. Fortunately for us, it worked out to be the NED plan.

CHAIRMAN WHITLOCK: Any other questions? (No response.)

Thanks, Byron. We now come to the point in the agenda where we have public comment.

Is there anyone wishing to make a statement? Would you please state your name, please?

MR. RONALD SCHILDKNECHT: Yes, sir. Mr. Chairman?

CHAIRMAN WHITLOCK: You can use the mike.

MR. SCHILDKNECHT: Thank you. Mr. Chairman, General and staff, distinguished guests, my name is Ron Schildknecht, and I'm an excise tax specialist with the Internal Revenue Service. Over the last two meetings, I've had a chance to meet with many of you and just briefly talk about what I'm doing here, what is an IRS agent doing at these meetings.

And the reason that I'm here, maybe I can talk with some numbers here. There have been a lot of numbers thrown out here and a lot of budget comments. I have some data I'd like to share with you from the Internal Revenue Service. In 1998, we had 2,000 taxpayers filing the Inland Waterways Use Tax Form 720 and reporting $122 million in excise taxes generated from fuel used on inland waterways. As the economy continued to improve and we looked at 1999 data, we found that we had 2,030 filers in 1999 but our revenue has declined to $116 million. That's a revenue decline of over $6 million in excise taxes.

That's why excise tax specialists are starting to show up at these venues is that we are trying to educate ourselves as to what's going on in the industry. We come to these particular venues to meet with you and talk with people that work with the industry. And as an excise tax field agent for the IRS, I am concerned with this particular decline in revenue at a time when the economy has been booming. I know that there are many budgetary reasons for the decline. But that is why the IRS is coming out to these particular venues.

We would like to sit down with members of the Board at some future point. I would like to do possibly a presentation at some future meeting when your agenda is not so crowded and talk about how the IRS enforces this particular fuel excise tax and I'd really like to see compliance in the future.

But again, I appreciate you letting me make brief comments. I know we're at the end of the program. Does anyone have any questions for me at this point? Again, thank you for letting me speak.

CHAIRMAN WHITLOCK: Yes. The only comment I have is, I'm sure that of the 2,030, I know many of us sitting at the table have been audited. How many of the 2,030 have you conducted audits on?

MR. SCHILDKNECHT: Very, very few. Our particular audits going on in this particular area, I don't have any statistics that I can share with you, but we're more concerned at the IRS in finding people who do not file the Form 720, what we refer to as non-filers, and a lot of our efforts are spent in those particular areas.

I'm sure many of you here with the Army Corps of Engineers have met with me and some other agents in which we're trying to get information from you to identify, through your data collection efforts, people who use inland waterways in the United States and may have a liability for this tax. That's what we're doing. We're going out to other Federal agencies, getting information there, coming to venues like this and talking. We're trying to shore up our compliance. Revenues are declining.

CHAIRMAN WHITLOCK: I would just offer one comment. I know one of the things that this industry has done, if you look at our revenue, our rates and so forth that we have experienced over the past several years, we, unlike the Federal budget, don't automatically always get to increase our revenues by three percent, four percent or whatever that number is. So the industry has to look constantly at reinventing ourselves in terms of how do we operate more efficiently. And some of that comes about, as I commented earlier, by equipping vessels with more fuel-efficient engines, building vessels that have larger horsepower that move more ton-miles per gallon than fuel consumed.

And so all of those issues in many cases go to drive down the amount of dollars that end up being paid in from a waterway fuel tax view. So you've got to look at what the industry's doing in order to maintain profitability. So it's not a static situation that we're in. It's very dynamic in order to compete in the global economies and all of us in here that compete with one another on a day-to-day basis.

Is there anyone else who would care to comment?

MR. RAYMOND BUTLER: Yes.

CHAIRMAN WHITLOCK: Raymond Butler.

MR. BUTLER: I guess it's good afternoon at this point and I'll be brief. My name is Raymond Butler. I'm the Executive Director of the Gulf Intracoastal Canal Association (GICA). And I just wanted to make a couple of brief comments.

For those of you who aren't familiar with our association, the GICA was started back in 1905 in Victoria and actually fostered the idea and followed through with the completion of the Gulf Intracoastal Canal as we know it today. Our membership is representative of a lot of carriers. Some of you, many of you in here I'm thankful are members of our association, many shippers, manufacturers, suppliers to the marine industry, port associations, navigation districts. Just about anyone with any interest in the GIWW, we try to solicit their membership, all the way from Florida to Texas.

And what I'd just like to emphasize this morning is our strong support for continuing the Inner Harbor Navigation Canal Project that Mr. Dicharry just described. We feel like that any slowing of that project is going to be very expensive for all of our users. We forego the benefits of that project and, as I recall, the current proposed funding is less than half of what we'd like to see. Our preference would be to see at least $25 million for fiscal year 2002 devoted to that project.

Some additional ones that are under construction, the Houston Ship Channel, the barge navigation lanes, fortunately that project is well under way. We'd like to see that continue at full capabilities of the Corps.

The Victoria Channel is another very important construction project that's under way. We feel like the benefits there well justifies continuing at full capability there.

And as we've all heard this morning, the studies that are under way for Calcasieu, Bayou Sorrel and the Matagorda Bay alternate route are items that we strongly support on the GIWW. The Matagorda Bay alternate route actually we are using today. It's got a draft restriction to ten feet, but it's being used very, very often by the users down there now.

I'd like to offer just a personal observation. I'm kind of new at this, particularly the political side of this, but I've been in the marine business most of my life. And what I heard this morning was that Europe is probably up here (indicating) as far as promoting their waterway system, South America may be down here (indicating), and we're somewhere in the middle. And for a country of our size and stature to be in the middle is disappointing to me.

The more I become familiar with waterways and what the waterway industry offers our country and has offered our country for many years, I think all of us in here have an obligation to tell the story of the inland waterway system in our country to the many people that make decisions about its future that have very little idea of the value of the waterways to the country.

And I'll share a couple of quick observations with you. We were in Austin, Texas about ten days ago, about 20 of us went up there to voice our opposition to a bill that could have shut down the lower 120 miles of the GIWW from Corpus to Brownsville, very real possibility. And one of the legislators that was sitting on the committee making decisions on this bill, whether or not to recommend it to further vote in the House and Senate of the Texas Legislature, she asked one of our members, "Well, why do you guys need that section of waterway anyway? Can't you just take your ships and go outside?"

And, you know, while that's kind of funny, it's really sort of sad because that particular person had a lot of power in whether or not that piece of legislation could pass, and she had very, very little knowledge of the inland barge business and how it operated and particularly the values that it offers.

Another sad note that I just got yesterday, as a matter of fact, from a major chemical company that all of us in this room would be very familiar with declined to continue supporting the GICA. And we probably share a lot of the fault there for not getting the word out on what the waterway offers to this company, but I can tell you, without the GIWW or with the continuing problems at Matagorda Bay that we're having down there, this company will suffer significantly, and they don't realize that. And they're a major chemical carrier, and I'll tell you there's probably a whole lot more out there just like this fellow, had no idea what the waterway was doing for him or the necessity to spend time and effort in promoting it and doing things like we're all trying to do here with this budget that's come out.

And this morning, I heard from Cherrie Felder that we all got some pretty bad publicity this morning on television from one of the environmental interests coming down on the barge industry. They're being very proactive on their stand, and I think that we probably need to devote some time and attention to doing just that.

I think that we should probably begin to promote ourselves very strongly as the solution to a lot of our country's environmental and transportation-related problems, safety problems and congestion problems, just as they've done in what I've heard is going on in Europe today.

Thanks for your time, and if anyone has any questions, I'll be happy to take them.

CHAIRMAN WHITLOCK: Okay. Thank you, Raymond. This kind of brings us near the end. If you'll bear with us a bit, I think it's a nice segue in and I'd like to ask Dan Mecklenborg to spend about five minutes talking about Waterways Work, and it's an endeavor that many of the folks in industry in this room are promoting that hopefully will help retain our inland waterways system or advance our inland waterways system to the state that we all have the vision it should be.

MR. MECKLENBORG: I appreciate that, Norb, and I'm excited about the effort that we have under way called Waterways Work. It's a campaign that is broad-based. It involves shippers, trade associations, inland waterways, carriers, the port authorities, and hopefully can be broadened to include recreational users and municipalities as well as utilities and mining companies. So we're trying to really look at the waterways in a holistic sense and identify all those who have a stake in a modern, efficient inland waterways system.

You know, part of this effort has been prompted by the difficulties that we've all become well aware of over the past year or two, and we feel that, in today's environment, if we sit back and let events take their course, that we really risk losing the system that has become so important to all of us.

So this campaign is primarily a Washington-based lobbying effort and also a grass roots public communications effort to try to do some of the things that perhaps Raymond Butler identified where there's a lack of understanding of what we do as a Nation with our inland waterways, what a barge is, what benefits barge transportation brings to our country.

We have a great story to tell, and it's a matter of elevating this, we think. So we've retained at considerable expense some Washington lobbying firms that we feel are more than just hired hands. They're people who really understand the waterways. For instance, John Doyle, who was involved with the Corps of Engineers for many years, is going to help us. Bob Livingston, who was the Chairman of the House Appropriations Committee for many years, is going to be helping us. And this is a multi-pronged effort certainly to try to improve the allocation that we have in terms of the Corps Civil Works budget, also to address decision-making in the inland waterways area in terms of heightening the comfort level that our policy-makers have in the objectivity and fairness of the evaluations that are being done.

I think from a standpoint of our public policy, we certainly feel the information that was given today on the European preference, on the environmental benefits of water transportation, those are very, very important to highlight.

We think that from a congestion standpoint, our ability to take freight in trucks, if that's congestion that the general public experiences, we certainly have the ability to handle more of that traffic as the economy grows and provide a very big benefit there for congestion reduction. Also, the air pollution elements from our boats are much less than the other modes.

And so a variety of things we think make us an environmentally friendly mode of transportation. That's the kind of message that we're trying to get across.

As I said, there are many existing entities in the inland waterways area, for instance, the American Waterways Operators (AWO), National Waterways Conference (NWC), DINAMO, MARC 2000, we don't intend to supplant any of those organizations which are all doing a fine job. Our campaign is an effort to augment and try to branch out in a broader sense to the various beneficiaries.

So appreciate your opportunity to raise this.

MR. SUTTON: Norb, I have a comment. This is Les Sutton. Since one of the reasons that we decided to form Waterways Work was that the opponents of the waterways have been more adept at using the free media than we have, and since Raymond Butler gave us that teaser about what Cherrie heard this morning, why don't you ask her to share that with the rest of us.

CHAIRMAN WHITLOCK: Cherrie?

MS. CHERRIE FELDER: You'll have to excuse my voice. I'm fighting allergies. But I had the television on this morning while I was getting dressed, and the Today Show was on and Matt Lauer interviewed Steven Ambrose, the historian and writer, and the reason was that the list has come out for the most endangered rivers. And Missouri River is number one, and of course Steven Ambrose has just written his new book on Lewis and Clark and is planning for the 200th anniversary of the trek of Lewis and Clark.

And his comments were that he feels strongly, as the environmental groups he's associated with, the Missouri River should go back to its natural state where it was 50-plus years ago. And Matt asked him, "Well, isn't there commerce on the river and barges?" And he said, "Yes, but you might see one a week or something like that, and basically they could go home and we don't need those people out there."

And Matt said, "Well, don't they have a right to be there to conduct commerce?" And he said, "Well, the point of the United States is that we're all supposed to be able to make change and it's time to change, and the barges need to get off the river. We need to go back to its natural state." And this went on and on.

And to Matt's credit, I have to say, he tried to offer the other side concerning flooding issues, and he said, "It's going to flood anyway so what difference does it make."

And it was just really very distressing to me, I must say. It started my day off very poorly. But it's very typical of the type of free press that some of these groups are getting out well, Steven Ambrose is a very well-respected publisher and historian.

So I think we should try to call and be seen and get some equal time to counteract that.

CHAIRMAN WHITLOCK: Thank you. General, do you have any closing comments?

GENERAL VAN WINKLE: No. I think it's been a good discussion. I think with the budget out now, now is a the time for you to do what you are principally here to do, and that is help us advise in the priorities, and I look forward to that. And we will continue through the staff process to make information available to you to perform your tasks. As I mentioned, we will find an appropriate venue to keep you informed of what's going on as we're on a fairly short flight path for some of the Upper Mississippi decision-making process.

And again, in the appropriation process, we will have some hearings, and certainly all of you are welcome to come and visit those if you'd like to do that. I've given you the dates and we will get the exact times. I think that's an opportunity for you to personally observe the process, if you have some time available, to come and visit a hearing. With almost a full week of hearings, you can come in almost any day of the week and we will be there getting grilled.

So anyway, I appreciate all the hard work from the New Orleans District in putting this together and the American Waterways Operators folks and for all of you that come. I find these very useful sessions. As someone mentioned, I do take seriously the responsibilities to know what's going on at a practical level, so I look forward to these opportunities where I can come and spend some time on the water with users, with Corps folks, and learn firsthand and it's useful to bring much of our staff down for that. So I welcome the opportunity.

Thank you very much and we probably need to talk about the next time.

CHAIRMAN WHITLOCK: I would just like to thank all of the presenters that have participated today. I thought the presentations were all excellent, as always. This meeting, I found the discussion to be very good. I thought this was a very good meeting from a discussion standpoint, and I appreciate the opportunity for everybody to participate.

Our next meeting we will be holding in the Quad Cities. Mr. Daily will be our Board host for that meeting. So we look forward to visiting the Quad Cities. In particular, we'll be looking at Locks and Dams 11 and 12 on the Mississippi River, which are part of the major rehabs that have been identified. The Board has not had an opportunity to visit those, and as we continue to do, we try to keep the Board acquainted with those projects that are under consideration.

We are considering, and I don't know that we'll be able to pull it off, but considering the fall meeting to go to Florida to get a briefing on the Florida Everglades Project. You might say, well, why are we considering that? It doesn't have anything to do with navigation. But I view its importance as a huge environmental project. Environmental issues are with us. And there's environmental issues that we've got to deal with with projects on the Upper Miss or wherever, and we need to understand as much about those projects as we can.

It's also going to be a huge project. I was just working with the numbers that Steve gave. He said it equates to about 30 years, and so many billions of dollars. I think I came up with $270 million a year for the next 30 years. That's a huge amount of dollars being spent. And we're advocating for the inland that we would like to spend $280 to $300 million a year for the next ten years.

So that's a huge project, and I think it's going to come from the discretionary funds that are going to be available in the budget so we're going to be competing with that kind of project for funding, so our work ahead of us, as we look to modernize and advance the state of inland waterways, is going to be ongoing. Things aren't going to change. We're always going to be in competition for the dollars.

So any further questions or comments of anyone? I appreciate everyone being here. Thank you and we'll see you probably in late July or early August as we get the dates nailed down for the Quad Cities meeting. Thank you.

(Whereupon Board Meeting No. 38 adjourned at 12:50 p.m.)

* * * * *