Minutes
Inland Waterways User Board
Meeting No. 57
March 27, 2008
Baton Rouge, Louisiana

[Note: The following minutes of Inland Waterways Users Board meeting No. 57 were approved and adopted at Inland Waterways Users Board meeting No. 58 held on July 31, 2008 in Walla Walla, Washington.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 27th day of March, 2008 at the Baton Rouge Marriott Hotel, Baton Rouge, Louisiana, Mr. Royce Wilken, Chairman of the Inland Waterways Users Board presiding. Inland Waterways Users Board (Board) members present:

Mr. Jeffrey E. Brehmer, Holcim (US) Inc.,

Mr. Jerry Grossnickle, Bernert Barge Lines,

Mr. Gerald Jenkins, Ursa Farmers Cooperative,

Mr. Stephen D. Little, Crounse Corporation,

Mr. Daniel T. Martin, Ingram Barge Company,

Mr. Deane Orr, CONSOL Energy, Inc.,

Mr. Tim Parker, Parker Towing Company,

Mr. Royce C. Wilken, American River Transportation Company,

Mr. Matthew Woodruff, Kirby Corporation.

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

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

Mr. Alan Bunn, National Oceanic and Atmospheric Administration,

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

Mr. James Murphy, U.S. Department of Transportation, Maritime Administration.

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

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

Mr. Mark Pointon, Executive Secretary, Inland Waterways Users Board, Headquarters, U.S. Army Corps of Engineers,

Mr. Kenneth E. Lichtman, Executive Assistant, Inland Waterways Users Board, Institute for Water Resources, U.S. Army Corps of Engineers.

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

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

Ms. Mary Anne Schmid, Headquarters, U.S. Army Corps of Engineers.

Program speakers in order of presentation were as follows:

Mr. Kenneth E. Lichtman, Institute for Water Resources, U.S. Army Corps of Engineers,

Ms. Mary Anne Schmid, Programs Integration Division, Headquarters, U.S. Army Corps of Engineers,

Mr. Dennis Webb, Research Hydraulic Engineer, Engineer Research and Development Center, U.S. Army Corps of Engineers,

Mr. Steve Jones, Navigation Business Line Manager, Mississippi Valley Division, U.S. Army Corps of Engineers,

Mr. Robert Davinroy, Director, Applied River Engineering Center, St. Louis District, U.S. Army Corps of Engineers.

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

The 57th meeting of the Inland Waterways Users Board began with the Executive Secretary of the Inland Waterways Users Board calling the meeting to order at 9:00 a.m.

MR. POINTON: I would like to welcome everybody to the 57th meeting of the Inland Waterways Users Board here in bright, sunny, warm Baton Rouge, Louisiana. The tour of Bayou Sorrel and Port Allen yesterday were excellent. The weather was fabulous. We had a great tour,

great support from the New Orleans District. Thank you. I would like to thank our hosts here in Baton Rouge for their hospitality as well.

My name is Mark Pointon, I am the Executive Secretary of the Inland Waterways Users Board. Before we start the meeting, we are obligated to read for the record that the Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. It provides for the Secretary of the Army and Congress with recommendations on funding investment priorities for modernization of the Inland Waterway 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 for the Board, and provides for the Executive Director, the Executive Secretary and all support activities. This is a sunshine meeting and as such it is opened to the public. The proceedings are being recorded and a transcript of the meeting will be available shortly after the meeting. Anybody interested in making any public comment at the end of the meeting, please let the chairman, Royce Wilken, or myself know so we can keep track of that.

At this time, I would like to turn the floor over to the Chairman. Thank you.

MR. WILKEN: Thank you, Mark. Before I exit -- before I say and have some opening remarks, I would like to recognize Colonel Lee. Colonel.

COLONEL LEE: Thank you. Good morning to everyone. And I just want to welcome you here to Baton Rouge. I am the Commander of the New Orleans District, Colonel Al Lee. And it is my privilege to be here today to address you, just give you a little welcoming comments and talk a little bit about some of the things that I have seen in my seven months on being on board in working with some of the team members that are associated with the inland waterways.

And, of course, this is your 57th meeting and as always I want to welcome you to the state capital. We hope yesterday that you had a good tour of Port Allen and Bayou Sorrel. Those locks are kind of indicative of what you will see across our area of responsibility as far as some of the needs and issues associated with our control structures and locks. I had an opportunity last week to visit out at the Lake Charles area, the Calcasieu River, Port Morgan or Morgan City, those type areas along the GIWW and some of the other inland waterways. And to just see the conditions of some of our locks and saltwater barriers and interface with the port officials, some of the inland waterway users and to just really try to get an understanding -- a better understanding of the status of our structures, facilities and how we can better meet the needs of the inland waterway users.

And so I would like to, first of all, acknowledge a few of our attendees. We have the Assistant Secretary of the Army for Civil Works, the Honorable John Paul Woodley, the longest serving Assistant Secretary of the Army for Civil Works. We also have the Executive Director of the Board, Director of Civil Works, Major General Don Riley. We also have the Inland Waterways Users Board, the Chairman, Mr. Royce Wilken. And also William "Norb" Whitlock, the Chairman Emeritus, and also the other board members. I also would like to welcome the federal observers, representatives from other federal agencies and, of course, members of the public.

And, you know, in my trips out on the GIWW, I actually was able to do a little duck hunting when duck hunting season came out. Came down the Wax Outlet -- Wax Lake Outlet when teal

season opened up. And one of the first things I met at the GIWW was a barge coming across. So it is a reminder of the busyness of those waterways that transit from the east part of Texas all of the way across to Florida. And it really is the life blood, it is kind of the capillaries of the entire system.

And, you know, there is a lot of talk about the Mississippi River and Calcasieu River and the amount of commerce that is on those rivers, but those other inland waterways are just as essential. We had a beneficial use summit in the district a couple of weeks ago with DNR and we had three of our ports there, one from Lake Charles, from Morgan City and also from Port Fourchon come in and talk about some of their needs. And it was interesting to me to hear the needs and the opportunities that these small ports have in the growth of the oil and gas industry that's occurring.

And I'm sure a lot of you are aware of that. But there is a lot of demand that's increasing throughout Louisiana and this impacts the inland waterways and also impacts the major waterways on the Mississippi and the Calcasieu River. And, you know, one of the things that we have a responsibility to do is keep those waterways opened so that we can move commerce. And, you know, I have got a lot of education on that since I came on board as the District Commander working with some of the team members here and it is a team effort. We have some responsibilities but it takes the engagement of the inland waterway users and the different associations assorted with that in communicating and hearing their ideas and engaging them on how we can keep this system reliable with the funding that we have currently that's appropriated for us to keep our operations and maintenance accounts going.

So, again, thank you for allowing me to speak to you this morning. And I know today you are here to ultimately recommend to Congress and the Secretary of the Army how to spend the Inland Waterways Trust Fund account and how that should be setup. So I look forward to hearing those discussions today and have a great meeting. Thank you.

MR. WILKEN: Thank you, Colonel Lee. And, hopefully, you got your limit on your duck hunting down there on the GIWW.

Without further delay, it is my privilege to recognize Major General Don T. Riley. General.

MAJOR GENERAL RILEY: Thanks, Mr. Chairman. And thanks to the Board for all of your great work and service. And, Chairman Wilken, for hosting dinner last night, an enjoyable time and a good discussion around the table. I am afraid that I woke up this morning dreaming that it was snowing golf balls.

The Board is a great team, part of the Corps, we think, and is making a big difference to the Nation, so we appreciate all of your work and sacrifice. I know that you don't get paid to do this sort of thing but we appreciate what you do and the time that you take away from your jobs to help advise the Chief and the Secretary and myself.

As you know, this is my last official board meeting as the Director of Civil Works. I will be moving next week to be the Deputy Chief of Engineers. Until, though, until the Chief assigns my

replacement, I will help Mr. Stockton out, the new Director of Civil Works until such time. So you may see me again at another board meeting.

Let me also thank the New Orleans District, Colonel Lee and your great team for hosting this. You always, always do a great job at hosting events like these. Unfortunately because of your position, you probably have more events than any other district because there are more visitors than any other district because of the important work that you got going on here. And what a great team that you have. I mean you have people that are out there working magic on the river all of the time and keeping our waterways open so we thank you for that.

Also, let me welcome our federal observers and I will also give them a chance to say a few words if they would like. First, Alan Bunn from NOAA. Alan, it is good to have you back again and joining us. And Jim Murphy from MARAD and also Nick Marathon from Department of Agriculture. So I will start with Alan if you would like to say a few words.

MR. BUNN: Thank you, General. I appreciate you hosting us. Thanks to the Colonel for having us. NOAA, of course, has been a partner with the folks here, the Inland Waterways Users Board for quite some time and I am excited to see that on the agenda, in fact, we have a discussion later about the status of the Real Time Current Velocity Program. I think that it was actually one of the board meetings approximately 18 months or so ago where a few of us kind of got together at the social afterwards and we were talking about NOAA's Physical Oceanographic Real Time System (PORTS), our current meters, tide gauges and weather stations that tie in for safe navigation. And some of the engineers said, yeah, we have got a current meter too, we need to see about trying to do some work with. Someone from the Coast Guard was there as well said, well, we can tie that in, also and use our automated information system to make this program where we would be extremely helpful at some of the locks and dams where we have those strange currents operating.

Anyway, I think the Inland Waterways Users Board is a wonderful opportunity for us to get together with different organizations and come up with some results that I know that we will hear more about later.

MAJOR GENERAL RILEY: Thanks, Alan. Jim.

MR. MURPHY: Thank you, Mr. Chairman. Thank you, General. Thank you, Mr. Secretary. Mr. Sean Connaughton, our Maritime Administrator certainly appreciates the opportunity to participate and help out in anything that we can do to help with collaboration between the industry and the Corps and keeping the focus on increasing the amount of freight that's moved on the waterways in this country. Thank you.

MAJOR GENERAL RILEY: Thank you, Jim. And Nick.

MR. MARATHON: Thank you, General. As always, the USDA appreciates the opportunity to be part of these meetings. By attending these meetings, the USDA gets considerable insight and useful information on the inland waterways. The waterways are especially important for agriculture to get grain from the producers to a foreign destination. So we appreciate the importance of agriculture. And thanks for having us at the meeting. Thanks.

MAJOR GENERAL RILEY: Thank you. And our Senior Federal Observer, Secretary Woodley, I would like to thank you as well for all that you have done for the Board and certainly as Secretary. He is not only the longest serving Secretary but he has also set an amazing record at attendance at this board because he recognizes the importance of the work that you all do. So, Mr. Secretary.

MR. WOODLEY. Thank you, Don. And I want to say again in public what a great privilege it's been to work with you as Director of Civil Works and congratulations on moving to the greater and broader responsibilities of Deputy Chief of Engineers and Deputy Commander of the U.S. Army Corps of Engineers. That is an even bigger job than the one that you have got and the one that you have got is one of the biggest jobs in the Army. So that's -- we are very excited about you getting that responsibility and look forward to continuing to work with you in that capacity.

The Board is, as you mentioned, is something that I have recognized as a very important part of the structure advisory to Congress and to the Secretary on these important issues on the inland waterways. Since we met, last week, we have -- the President has announced his proposals for a budget for the year 2009. And I have to say that we -- you know, that it was something that I was -- although, I understand the reasons for it and the need for frugality in the federal budget, and I support that fully, I was a little disappointed because it broke this President's consistent pattern of increasing every year the investment that we were making in the federal budget in the Corps of Engineers Civil Works Program. Whereas, we had gotten in prior budgets we have been able to justify and support some very substantial increases and this budget we were asked to be more frugal in '09 than before and reduced our request by about 170 million dollars.

Still, we have in the course of that taken the approach that we had in prior felt -- that I felt that in prior years we had -- we had accepted too much in the way of risks in budgeting and planning for operation and maintenance of all of our facilities and, particularly, including the inland waterways. And so in spite of the fact that our overall budget was a reduced amount, the amount that we budgeted for the operation and maintenance of Corps facilities actually increased not by very much but it increased and that was on top of a very substantial increase in fiscal year '08. That is -- so I am pleased about that.

But the thing that you have to see is that since we reduced overall increased there, it had to come from somewhere and it came from our construction, our investment in new construction is proposed to be reduced in fiscal year '08. And we will just have to see what the actual amount is based on what our appropriations committees put in place for us. But, you know, at the same time we are also asking for an enormous amount of funding for the -- to complete the works associated with the Metropolitan New Orleans area. And we feel that's a very, very important national priority and so we are asking for a very substantial amount to bring those works up to what they call the 100 year level, the 1 percent chance of occurrence in any given year. And that will -- we are going to do that by the year 2011 and to do that we are undertaking an enormous effort, it is one of the largest civil works or public works projects of any kind ever undertaken.

And so that's, you know, that is being funded. Though, if you look at the way we are funding it, it is being funded as an emergency measure and it is not competing within our budget structure against the other priorities that we have. The other priorities are being competed in accordance with our performance metrics generally speaking using cost benefit ratios, cost benefit analysis as the primary basis for making those competitions. And then, of course, for making those decisions. And, of course, taking into account other factors of public safety and other programmatic things.

I have to point out -- I probably should point out that a lot of the funding is related -- on the construction side is related dam safety and stability. We are not compromising on our allocations for dam safety and stability. We feel like we have a very robust system for determining the prioritization and those dams that are really in need of attention immediately and we are giving them full funding for that -- for that to solve those stability issues so that we can -- we can ensure public safety in the first place; and, secondly, ensure that the facilities themselves perform up to their requirement. Some of those are on the inland waterways and I know that you have been briefed on some of them and are familiar with it but the more of them are in the flood control arena. There are various flood control reservoirs that across the country that are in need of corrective work to deal with stability and seepage issues or in some cases, particularly in California, to deal with seismic issues.

So that was, you know, that's the background on our FY '09 submission and how we put it together and I see we are going to have an opportunity to discuss that in much greater detail later on in the agenda whereas it the pertains particularly to the Inland Waterway System, I wanted to put that whole work on the Inland Waterway System in context of the overall budget.

Thank you very much for the opportunity to be with you today.

MAJOR GENERAL RILEY: Thank you, Mr. Chairman. That's all.

MR. WILKEN: Thank you, Mr. Secretary. I would like to thank again the New Orleans District for the host -- hosting our event, our tours yesterday. For those of you who don't know, we visited the Port Allen lock and the Bayou Sorrel -- I think that is pronounced correctly -- lock. Sorrel. Thank you. And it continues to underscore at least with the members on the board that I spoke with that we have some fine, fine folks in the field that are operating these locks -- locks and dams and they did a great job yesterday. So thank you very much for that. The weather couldn't have been more ideal than 75 and sunshine. So whoever is responsible for that, thank you as well.

The Board charter is primarily set to prioritize lock and dam projects that are covered under the Waterway Trust Fund. We appreciate that relationship that we have had with the government in terms of not only listening to what our prioritization thoughts are but also the request or the recommendations that we make towards how we arrive at those projects. And for the years that I have been involved in this, it's been more than just sit down and prioritize, it's also been able to comment on the projects and the process. And we are in interesting times right now as the Trust Fund begins to -- begins to fall that we'll have to rely on that communication even more. And we believe that there is a grand opportunity here to be able to communicate together and to understand the process better. And part of that process, as we know, is the Comparative Analysis Report that I

think that the General has promised us to deliver on that here by our next meeting. We look forward to seeing that. We think that's a key component in our ability to analyze and continuing on the assessment of the Trust Fund. So thank you for listening to us in that respect and we believe that these trying times or these interesting times will only get better from here.

Moving on, I would like to also let everyone in the audience know that sitting next to me is probably one of the most honest, candid, great Americans that I have had an opportunity to meet. At no time have I ever seen this man lose his composure. He's always been a stalwart in our meetings, he's always had a very open mind. And when he says something, he is very detailed oriented. I don't know if you have seen take his cards out. The only way that he can improve on that is by using different color ink for different color subjects. But I am sure in his new job he will get into that. We do wish you the best, General, and I think that you are truly a great American and God speed. So without further delay, I would like to thank you personally and have everybody in the audience recognize a job well done.

Okay. We are next moving to the approval of the minutes of the board meeting of the Quincy meeting number 56.

MR. WOODRUFF: Move to accept.

MR. WILKEN: Matt Woodruff moves to accept. Any second?

MR. MARTIN: Second.

MR. WILKEN: Mr. Martin, thank you. All in favor. (All responded affirmatively.) Opposed. (No response.) Unanimous, thank you. We would now like to recognize Mr. Lichtman.

MR. LICHTMAN: Thank you, Mr. Chairman, General Riley, Secretary Woodley, distinguished board members, Colonel Lee, federal observers and guests.

I would like to give the Board a report on the status of the Inland Waterways Trust Fund through January 31, 2008. This status report is provided in tab 3 of your information notebook. The Trust Fund began fiscal year 2007 on October 1, 2006 with a balance of 267.7 million dollars. Reported revenues for fiscal year 2007, the period from October 1, 2006 to September 30, 2007 were 91.1 million dollars, while interest earned during fiscal year 2007 totaled 10.4 million dollars. Total receipts in the trust fund during fiscal year 2007 were 101.5 million dollars. Reported transfers to the Corps during fiscal year 2007 were 159.8 million dollars leaving a fiscal year year-end balance of 209.4 million dollars as of September 30, 2007.

This balance includes amounts appropriated in fiscal year 2007 but not yet expended. For the four-month period of fiscal year 2008, which began on October 1, 2007 through January 31, 2008, Trust Fund revenues and interest earned totaled 27.1 million dollars, including 24.5 million dollars in receipts and 2.6 million dollars in interest earned. The October 1, 2007 to January 31, 2008 four-month figure of 27.1 million dollars in revenues and interest earned represent a 10.6 percent increase over the amount reported for the corresponding four-month period from October 1, 2006 to January 31, 2007. Revenues during the four-month period from October 1, 2007 to

January 31, 2008 totaled 24.5 million dollars, an increase of 2.8 million dollars or 12.9 percent when compared to the 21.7 million dollars in revenues for the period from October 1, 2006 to January 31, 2007.

Reported transfers to the Corps during the four-month period from October 1, 2007 through January 31, 2008 totaled 64.5 million dollars. This leaves a balance of 172 million dollars as of January 31, 2008, a decline of 73.4 million dollars from the balance reported as of January 31, 2007.

Treasury reports that the balance of 172 million dollars includes 58.2 million dollars in transfer authority for the Corps to cover outstanding contract obligations. This leaves an effective balance of 113.8 million dollars as of the end of January 2008 available for new obligations.

Mr. Chairman, this concludes my prepared remarks concerning the status of the Inland Waterways Trust Fund.

MR. WILKEN: Thank you, Ken. Ms. Schmid. Sorry, Ken. Next.

MR. LICHTMAN: Thank you. I would like to now turn to the Inland Waterways Trust Fund Analysis, a copy of which is provided in tab 3 of your information notebook. The Trust Fund Analysis has been updated to reflect fiscal year 2008 appropriations and the President's fiscal year 2009 budget request. The budget notes that an increase in revenues for the Trust Fund will be needed in order to support the funding level being requested. Table 1A on page 6 of the analysis lists the projects included in the fiscal year 2009 budget request. Table 1B on page 7 of the analysis shows the cash flow impact to the Trust Fund for the fiscal year 2009 program which begins on October 1, 2008 without any increase in revenues. The Trust Fund would go into deficit in fiscal year 2009 and the deficits would increase in the years following. The Corps would not be allowed to fund contracts that could not be supported from the Trust Fund so at least seven new construction contracts proposed for fiscal year 2009 would not be initiated.

Table 1C on page 8 of the analysis shows the revenue requirements that would be needed to support continued construction for the projects listed in Table 1A but without any other future projects. Table 2A on page 9 adds authorized and other candidate future projects to the list in Table 1A along with optimal start years. Table 2B on page 10 shows the impact to the Trust Fund balance of all of these projects without any increase in revenues.

Table 3A on page 11 shows all of these projects along with the possible start years if Trust Fund revenues were increased to 200 million dollars annually. Ongoing construction projects could be completed along optimum schedules. Critical major rehabilitations at Lower Monumental, O'Brien, Smithland, John Day, J.T. Myers and LaGrange could be initiated between 2009 and 2013. Authorized projects not yet started including Myers, Greenup, Bayou Sorrel, lock modernization on the Upper Mississippi River and Illinois Waterway, deepening on the McClelland-Kerr Arkansas River and channel modifications along the Texas reach of the Gulf Intracoastal Waterway could all be initiated between 2013 and 2016. Other channel work in Texas and a number of other major rehabilitations along the Ohio River could proceed between 2016 and 2021 as well as modernization of the upper Ohio projects at Emsworth, Dashields and Montgomery.

Mr. Chairman, this concludes my prepared concerning the Inland Waterway Trust Fund Analysis.

MR. WILKEN: Do we have any questions on either one of the reports that Ken has had? Mr. Woodruff.

MR. WOODRUFF: You have to forgive me because I am a financial professional, I am not a CPA so I might not use the right terminology in framing my questions. But in looking at the status report and the assessment in the status report, we see that there are beginning balances reflected for various years. And the assessment, I think what we see are ending balances for various years but it would be my assumption that the ending balance for one year should be the beginning balance of the next. So you should be able to look on a year-by-year basis and see the same numbers on one report as you do the other and that doesn't seem to be the case. And so I am assuming that there are some accruals or other adjustments that are being made to the numbers to reflect perhaps work in progress or accruals for contracts that are outstanding or things of that sort. We are getting to a point where how much money is in the Trust Fund is a critical issue for a variety of reasons. And it would be very helpful for me to understand and to see reflected on here where those accruals are, what accounts are being debited and credited so that I can match one report to the other report and the numbers are the same. Because, you know, it seems that one of the basic foundations of the accounting system, as I understand it, is that the numbers be consistently reported. And it doesn't appear to me that we are consistently reporting the numbers of these two reports. And I am somewhat confused.

MR. WILKEN: Ken, I am assuming that you are reporting for David who is not here.

MR. LICHTMAN: Yes, sir, I am.

MR. WILKEN: And for those of you who don't know, Ken -- this isn't his main forte. But we should note that and probably get back with David. So, one, we have got it on the record; and, two, that we may want to be able to get some clarity. So that I have written it done as an action item follow-up, if you would too as well, I would appreciate it.

MR. LICHTMAN: Yes, sir.

MR. WILKEN: Any other questions from the group?

MR. LITTLE: Mr. Chairman.

MR. WILKEN: Mr. Little.

MR. LITTLE: One other question for Ken for the record maybe. As I look at the very first chart, the actual transfers to the Corps to date has been 64 and a half million dollars so the current balance, as we know it is, 172, correct?

MR. LICHTMAN: Yes, sir.

MR. LITTLE: And then the outstanding transfer authority reported by the Treasury not available for new obligations is 58.2. So that is the number, we assume, will be spent for the rest of the fiscal year, correct? I think that's correct. And I guess my question is, maybe for the record, does that number typically track what is actually spent? I know the authority not available for new obligations is 58.2, but is that also typically what actually -- we actually see happen for the rest of the fiscal year?

MAJOR GENERAL RILEY: I am not sure if I can answer that question.

MR. LITTLE: We know that the 64 and a half million has been spent. We think that 58.2 million will be sent.

MAJOR GENERAL RILEY: That's obligated already.

MR. LITTLE: Obligated so will actually be spent.

MAJOR GENERAL RILEY: Correct.

MR. POINTON: What I think that number reflects is when you look at what the particular cost share of the projects are authorized and the appropriations after that particular year, if that nets out the actual transfers to try to somehow dedicate those resources that we know we can't use it for any new obligations because they have already been obligated and will be expended at some point in the future.

I think that what you and I are saying is the same thing.

MR. LITTLE: That's right. And this becomes an important number for our review because that nets out to 113.8 million dollars. And as I read the last line of that page, this becomes important because for the purpose of this new appropriation authority for budget scoring so this is a critical number. Thank you.

MR. WILKEN: Any further questions on either subject? Seeing none. Okay, Mary Anne, I think we are ready for you now. Ms. Schmid.

MS. SCHMID: Thank you, Mr. Chairman. First, I would like to thank the New Orleans District for a very fine tour yesterday and also the good weather. I am Mary Anne Schmid from the Headquarters, Corps of Engineers, Program Integration Division and I'm here to present appropriation data for the Inland Waterways Trust Fund projects. You can turn to tab 4 in your notebooks. The first page is the program and funding timetable. It illustrates the fact that the Civil Works Program concurrently works issues related to three fiscal years during any given year. The column of plus signs in the center of the chart indicates where we are today, March of '08 that we are doing, execution of the '08, defense of the '09 and beginning to develop FY '10.

The next section of tab 4 presents project information beginning with studies potentially leading to Inland Waterways Trust Fund projects and continues down through PED potentially leading to the projects. We received our FY '08 appropriation in the Omnibus bill this year and

those amounts are in the allocation for FY '08 column. The House and Senate recommendations for '08 are contained in the next column so you can do a little comparison.

The President's FY '09 budget was released in February and those figures are contained in the next column. You will notice that the last column for FY '09 capability is blank for the studies on PED projects. Our system is currently opened for updating. It's been opened for a couple of weeks so I decided not to include those numbers in this presentation.

Moving on to page 3. You will find the same data described before for the construction projects which are underway and cost shared. I did include the latest capability numbers for these projects from a report from our P2 system. I felt like most of these were probably up to date but, of course, I would provide new numbers in July which they should be a little more firm.

You will notice that the next section is entitled Major Rehabilitation Projects and that these projects are funded in the construction account, again, this year. The Administration prefers to budget them in O&M so you must flip over to page 6 and you can see the FY '09 budget and capability numbers for those projects.

One thing that I would like to point out on page 3 under major rehabs, the Emsworth Lock and Dam Program Project. Of the 42.312 million that was allocated this year, 38,834,000 will be Inland Waterway Trust Fund dollars. This project was named in the '08 act language. And at that point, cost sharing is implemented for project costs this year. This means we catch up with the 50/50 cost sharing of project costs through FY '07 which have been charged to the construction account. I believe a catch up amount is approximately 17.678 million.

The remainder of this tab includes data for users for expenses non-IWTF construction projects and operation and maintenance.

That concludes my presentation. Are there any questions?

MR. WILKEN: Any questions from the group?

MR. LITTLE: Yes.

MR. WILKEN: Mr. Little.

MR. LITTLE: Going back to the Emsworth question. So if I understand this correctly, the money spent on Emsworth in previous years has not been coming from the Trust Fund?

MS. SCHMID: That's correct.

MR. LITTLE: But from the construction account.

MS. SCHMID: Yes.

MR. LITTLE: Was that from the Dam Safety Program or do you know?

MS. SCHMID: I am not sure. I don't have all of the details. I looked into it briefly before I left. There is probably a little bit of that. But it starts with the feasibility portion, those are considered project costs and on through construction. And so if a part of that was in the dam safety, then yes that piece would be cost shared if that is where the project began and we did feasibility in dam safety.

MR. LITTLE: And I don't know very much about the Dam Safety Program. And that is d-a-m, not d-a-m-n, I realize. But that may be something that we want to look at or address. Certainly, I would like to know more about that. It started off in that account and was funded out of that account. That seems like the appropriate place for it. And now somehow its found its way over into the Trust Fund at the tune of 38 million dollars or so.

MR. WILKEN: 17.

MR. LITTLE: 17. And that is a pretty good drop in the bucket and I would like to know more about that.

MR. WILKEN: I agree. Who makes the decision in terms of moving those contracts over? Moving that over from the Dam Safety Account to the Trust Fund.

MS. SCHMID: I can't answer that question. Probably -- I am not as familiar with that as I should be.

MAJOR GENERAL RILEY: It is clearly in line with a policy decision. Probably would be at my level. It doesn't need to go to the Secretary, I don't think, unless there is an ultimate question of waiver that we would take it to the Secretary. But probably within my authority.

MS. SCHMID: And I can say that the Dam Safety Account is part of the construction funding account, it is not a separate account. It is part after the 3122 appropriations.

MR. WILKEN: Any further questions? Norb.

MR. WHITLOCK: I guess the question is with the Dam Safety Account. I know that you have several projects being funded under dam safety, major projects like Wolf Creek, I assume that's under the Dam Safety Program of the project funding. But it really begs the question, if you have a -- if you have a project where the dam is -- there is a different safety concern as opposed to just rehabilitation, should it be funded out of the dam safety category as opposed to, say, project or inland waterway appropriations? Is there a justification where you have failure in projects to correct the failure issues, should it be funded out of a dam safety account as opposed to normal CG appropriations?

MAJOR GENERAL RILEY: We have a pretty clear threshold on what meets the dam safety criteria or not. What we ought to do is get that out to you for review. And if you want further, we can have a discussion at the next meeting. But we can get you the policy in question and specifically answer the question on Emsworth as well as it relates to dam safety policy.

MR. WILKEN: Would we look to Mary Anne for that then for that clarification?

MS. SCHMID: Yes, we will get the information for the record.

MR. LITTLE: And, Mr. Chairman, it seems like I also heard somewhere in our discussions that there are serious seepage problems in other dams as well, so maybe as part of that response we can also identify other Emsworths out there that we may be aware of.

MR. WILKEN: Mr. Parker.

MR. PARKER: Thank you, Mr. Chairman. Just for my own edification, the Dam Safety Program is funded out of the Trust Fund or is it not?

MS. SCHMID: No.

MR. PARKER: It is a separate funding. I guess what I am getting is this whole question of dams and multiple beneficiaries and stakeholders involved there, the real philosophical issue involved, I guess anytime we talk about dams and I guess that is why I want to make I sure that I am clear on that point.

MS. SCHMID: Right.

MR. PARKER: Thank you.

MR. WILKEN: Mary Anne, I think with the explanation or the documentation that you would send us regarding the dam safety criteria would help significantly.

MS. SCHMID: Yes, sir.

MR. WILKEN: Mr. Orr.

MR. ORR: Thank you, Mr. Chairman. We were in Washington a couple of weeks ago and this issue came up. And we were told at that time that it could even go back to be retroactively transferred over, the total is somewhere around 80 million dollars which, you know, that's -- so when you are working through the process consider that question, if you would.

MS. SCHMID: Yes, I will. Thank you.

MR. WILKEN: Any further questions on that? Jumping back only because I am Chairman, Ken. I did think of one thing that I forgot to ask you. And that is on revenue streams on the accounts and the analysis and the presentation that you made, anything from the Treasury Department reconciled against those balances whether it be how current those revenue streams were, are they quarterly or how far back have they been reconciled?

MR. LICHTMAN: I will have to get back to the Board with that. I will confer with Mr. Grier and find out the reconciliation process and the status of the reconciliation.

MR. WILKEN: Okay. I might point out in the upcoming report that's one of the issues -- one of the recommendations of the Board that has made to the fund and that is to have a more current reconciliation reporting from the Treasury in terms of revenue streams coming into the Trust Fund. Any other questions? Mr. Whitlock.

MR. WHITLOCK: I would like to go back to the budget, if you will, the '09 budget request. And if I add the numbers up, it looks like there is about 236 million in CG and about 19 million in major rehab, is that about right?

MS. SCHMID: Yes.

MR. WHITLOCK: 255 million total?

MS. SCHMID: Yes.

MR. WHITLOCK: So if I take half of that that, say 127 million, is that -- does that -- and we go back to the first page that Steve was talking about where it says that we have 123, I think that it was; is that right? 113 million. Is the 113 million is what you are estimating is available for expenditures in FY '09?

MS. SCHMID: I believe that 113 million would be what's available for obligation.

MR. WHITLOCK: For FY '09?

MS. SCHMID: For FY '09.

MR. WHITLOCK: For FY '09. And you have a budget here that would require 120 -- in effect 127 million from the Trust Fund.

MS. SCHMID: Yes, yes.

MR. WHITLOCK: Okay. I was just trying to make sure that I understand.

MS. SCHMID: I also should point out that when you are looking at the FY '09 budget, you will notice that Illinois Waterway Lockport, Lock and Dam Static Instability Correction is also included in that total and it currently is not being cost shared because it is in the same situation as Emsworth. And if it is named next year, then we would have cost sharing with that one. But, of course, we will be going back and looking at this as suggested by the Board. So the figures are probably a little bit misleading.

MAJOR GENERAL RILEY: Let me just clarify, Mary Anne. The 113.8 it says that it is available for obligations FY '08.

MS. SCHMID: FY08. That is what I was thinking but I don't have my book opened, so yes.

MR. WHITLOCK: '08?

MS. SCHMID: '08.

MR. WHITLOCK: Let me back up. We are in FY '08 right now. And we have spent 64 million year-to-date and we have 58.2 million that are already obligated on contracts.

MAJOR GENERAL RILEY: Okay. So the district has another, a next phase of a contract they can come in and look at obligating part of that available 113.8.

MR. WHITLOCK: Okay.

MR. WILKEN: Any further questions? Mr. Brehmer.

MR. BREHMER: For clarification, you said that the Lockport estimates are being encumbered if you will in that number?

MS. SCHMID: I do have it. I do have it included in the table because it is budgeted in '09 and could possibly be cost shared so I included it on the table. If it is not named next year, then you would subtract 28 million from this table.

MR. WILKEN: That would be a clarification, that's on the table in tab 3.

MS. SCHMID: Sorry, yes.

MR. WILKEN: And, of course, it is scored or it's detailed on page 3 in tab 4.

MS. SCHMID: Right. So 14.3 million of that would potentially be inland waterway if it were cost shared.

MR. WILKEN: And that's in the table?

MS. SCHMID: Yes, because you can see that I divide them at the bottom. Subtotal construction and subtotal IWTF.

MR. BREHMER: So just to make sure that I understood this then. We are making decisions today such as postponing, starting new work based on encumbering funds for another project that is today not named or not in the budget; is that correct?

MS. SCHMID: I don't know that I would say that that's correct, that wouldn't be what we would base our decision on. Basing our new awards would be on what the balance in the Trust Fund is, not necessarily what's in the budget. The budget figure is higher than the funds we will have available.

MAJOR GENERAL RILEY: Let's try to clarify that. So what page is Lockport on?

MS. SCHMID: Page 3.

MR. WILKEN: Tab 4.

MS. SCHMID: It is called Illinois Waterway Lockport.

MAJOR GENERAL RILEY: So you have taken that major rehab. But you are showing that as not use of the Trust Fund or you are showing that?

MS. SCHMID: On this table for the '09 budget, I am showing it as part of the inland waterways cost shared because it is possible.

MAJOR GENERAL RILEY: It is possible.

MS. SCHMID: Is how it is budgeted as well. If you look at the '09 budget, I believe that they have it budgeted in IWTF and in construction.

MAJOR GENERAL RILEY: So it is a conservative approach here, I guess.

MR. BREHMER: I guess in my mind when I was thinking through this is that we are looking at the Trust Fund balance and we are not willing to continue to move forward on projects based on estimated revenues but we are willing to not move forward on projects based on estimated expenditures. It seems ultra conservative in both directions.

MAJOR GENERAL RILEY: I think in this case since it is in FY '08, it is 100 percent federal. So it is no effect this year and we will just have to wait to see what the appropriations states for '09. So no effect at this point, although -- and decisions because of that balance of 113.8, we have that available. So as new obligations come in, we can obligate against that.

MR. BREHMER: But that number has been taken out to get to the 113.

MAJOR GENERAL RILEY: Right. So it is not a limit yet but it can.

MR. WILKEN: Of that 28.6, how far along is the project on the, on the Illinois Waterway?

MS. SCHMID: The catch up amount is in the area of 12 million.

MR. WILKEN: So they've already spent 12?

MS. SCHMID: Yes. So essentially next year it would be quite a bit Inland Waterway Trust Fund out of the 28, if it were named.

MR. WOODRUFF: Mr. Chairman, just a comment on the Lockport project because I think this is an example that is very instructive, perhaps to the Board, in terms of what should or should not be an Inland Waterway Trust Fund project. The Illinois Waterway is a waterway that has a navigation and other functions specifically sanitary functions, drainage of wastewater from the Chicago area. And 100 years ago, it was devised to keep the wastewater from Chicago from going back into Lake Michigan. And the design of the Lockport structure that we are worrying about now for dam safety reasons would never have been built the way it was built if we were purely looking at navigation. It was built the way that it was built to facilitate the drainage of wastewater from Chicago. And so I think that it would be horribly inappropriate to think that the Inland Waterway Trust Fund would be used to correct a situation that has provided absolutely no benefit for navigation throughout its 100 years of existence. We would have built it completely different if we were going to simply have structures locks and dams to facilitate navigation from the Mississippi River to Chicago. We wouldn't have that dam that we are currently worried about today.

MR. WILKEN: Any further comments on this? That's a point well made, Matt, in terms of how we determine the use and usages of the river.

MR. WOODRUFF: There are many beneficiaries of the rivers besides ourselves.

MR. WILKEN: Jeff, does that answer -- does that muddy it any more or does that clarify it for you?

MR. BREHMER: As I said, it just seems that it is affecting our construction today based on something that is not a foregone conclusion and it concerns me.

MR. WILKEN: Any further comments or questions? Seeing none. Thank you, Mary Anne.

MS. SCHMID: Thank you.

MR. WILKEN: We'll move right into -- if you look on your schedule, we are at the 9:45 mark. It is a possibility we will just move right through the break depending on how robust our discussion is on this next Annual Board Report Investment Recommendations.

You all have had an opportunity to look at the preliminary draft of the Board report. We would like to block and tackle through some of those things. And if there are any comments, please feel free to speak your peace now.

You will notice that in my opening remarks, we had -- I talked about interesting times. I think if you look at the recommendations on this report, you will see that some of those are -- take on quite a bit different recommendations that we have had in the past. So I am opened from the Board's perspective to any comments or any points that you would like to make pertaining to the report as well as the prioritization. Mr. Little.

MR. LITTLE: I guess I will lead off then, Mr. Chairman. First, I would like to thank the Chairman for his leadership in putting together this draft report for the Board. His thoughtful and counsel on how to put these thoughts together. You've given us great leadership on the Board and I appreciate that. I applaud you for that.

We find ourselves today with a question of whether the program we have in place has been executed in the most efficient manner. And that question must be addressed and that question must be answered prior to considering any increases in taxes. As we have stated before, and certainly I have, we have fully and efficiently paid our taxes and we want to make sure that the program that we have in place is fully and efficiently operating. Certainly, a flaw -- a major flaw in the current system we have is the appropriation process. That is no doubt a big factor in the inefficiency of the program that we have in place now. And this Board asks the Secretary, and I applaud the Secretary for responding a year ago. And we asked to meet and address this issue. Fairly promptly after we sent the letter to the Secretary about this time last year, when we had a stakeholders meeting in June of last year and began to scratch the surface of this and began to ask some of these questions.

And growing out of that meeting, if we didn't agree on anything else, I think we agreed that we would all benefit from doing a comparative analysis of the projects that were delivered on time ad close to budget versus the ones that did not, with the idea to identify those areas that needed improvement so that going forward we had a more efficient model to deliver these projects. That was a sound approach. It makes sense to do that. It makes sense to operate your business that way.

Unfortunately, we are still waiting for that comparative analysis almost a year later. I think most businesses probably would be doing that comparative analysis anyway without being asked but it is crucial that we have that. And it makes just no sense at all to talk about increasing any one's taxes until we take a look at the system that we have.

Even though there are great inefficiencies in the appropriation process, by no means is that likely to be the only factor in an inefficient model. I can think back just a couple of months ago in a Corps presentation on Olmsted in which the pie chart was shown on the reasons for the increase in the Olmsted project. And about 28 percent of that increase cost was attributable to inefficient funding. So that's a sizable factor.

That leaves 72 percent of the increase that's attributable to something else. I don't know exactly how to drill down as to what the little pieces of that are, but that is certainly an area that needs to be addressed as well. So we find ourselves at this cross roads today and we have got a system that is very important to the country, very important to all of us. I know that everyone shares the same mission to try to fix it and these are big problems and big issues. And the prudent thing to do in my opinion is to fix this short term with a 75/25 percent cost share that will allow us time to work together to sort through these issues and to address this model and make the fixes we need to make long term for everyone's best interest and not be rushed into an immediate policy change that could have long lasting negative repercussions to the entire system.

Thank you, Mr. Chairman.

MR. WILKEN: Thank you, Mr. Little. Any other comments? And I might say that as I read last year's report versus this draft of this year's, there was a common theme that I've heard several of the members make and many of those have been involved in this process their whole careers and the fact remains is that we have ridden the appropriation's horse and we all understand the model. But that's not all of the pieces, and I think that's what Mr. Little's point that he was making in that we need to be able to understand and look at the whole process of this operation whether it is project delivery, construction, analysis, funding, everything. And as we get into these critical time periods, this is what we are saying and we need this report sooner rather than later in order to make these critical, critical decisions.

Also, in this report, you will find that we have expressed a concern as to whether or not we have been operating in an environment of appropriations and environment that has created a project management culture to deal within that environment. Several of the members have had gone on the record in the past as stating that we're -- unfortunately, we are a result of our own process in that we need to be thinking either outside of the box or, once again, we need to get our hands around this whole model to better understand how we can project deliver. We can deliver projects on budget, on time.

Further, I believe that that we had talked about the Treasury Department and the revenue streams. And, Kenneth, this is one of the things that I spoke with you and I would like to follow-up on that to ensure that we are getting a proper control on the revenue streams that are flowing into that Trust Fund. It appears like there is a little bit of a short circuit or a gap relative to -- relative to the stream that can flow again.

There is a concern in the industries that -- within the industry that there might have been a miscalculation and additional funds that the Treasury did find here a year ago. Now the concern becomes is how far back can we reconcile and we have been told basically that we can't go back too far. So the concern is then have we been missing any further funds that have not gotten tagged or, not earmarked, but have not been accounted for in the proper funds on collection.

I believe that our primary recommendation coming out of this report, and Mr. Little referenced it earlier, is a short-term gap until we can get our hands around project management and understand it better as a Board is to go to a 75/25. The 75 share, 25 share to the industry in the short run to try and understand and develop that model better. And then if that -- if, in fact, that model can be created then what are the ramifications of that and conduct a peer-review of that particular model. We recognize that. But I believe that that's -- we believe that that's the direction we would like to go in the short run.

As business people, we tend to operate in an environment of a short run or a medium run and long term. We do continual look backs on major projects and that is part of our thought processes. As a Board, we are not -- we don't believe that we are seeing -- it may be being done but we are not seeing it from our perspective so we are very interested in understanding that process a little bit better as well.

So any other comments regarding the report? Mr. Woodruff.

MR. WOODRUFF: Just to follow on to some of the things that have been mentioned already. The need, perhaps, to look beyond what we are accustomed to looking at in terms of the rationales for our inland waterway system. I've read reports that deal with the increased need to move freight in our nation in the years to come and the tremendous increase of freight movements.

We're also trying to get our arms around serious energy problems in our nation and we are looking at the environment and the effects of human activity on the environment. And we are also looking at the cost of our highway system and whether we can afford to increase capacity to that system, yet, we have a waterway system that offers capacity. It offers the ability to move freight for less fuel with fewer emissions than any other service mode of transportation. And as the nation is looking for trade offs for how do we improve our air, how do we limit our use of fossil fuels, the answer sitting before us -- and one of those answers is the use of our inland waterway system. And I think that's something that perhaps with MARAD's help and they have been instrumental in putting forward some new research in cooperation with the industry to help highlight some of these issues. We don't want to simply look at this system in terms of how much revenue does our fuel tax generate but how much does our nation benefit from having a system of inland waterways. And what is the right investment for the nation to make as a whole in inland waterways to achieve the many public purposes that we are trying to achieve. And I would hate to see our nation shortchanged merely because one particular industry can't afford to carry the cost of providing all of those national benefits.

MR. WILKEN: Well said. Anyone else? Mr. Orr.

MR. ORR: Thank you, Mr. Chairman. I just kind of want to reel us back a little bit. The primary goal of this group is simply to advise Congress on what the priorities are and so forth in our view and where to spend the Trust Fund. I mean, that's really kind of what we are about.

But in accomplishing that, we find ourselves in a position where we need to deal with some administrative things and find solutions and just be generally good businessmen and ladies and try to pull this together and keep it moving forward.

I find myself in a questioning mode because it doesn't seem -- it doesn't seem like as though the overarching question of where is the next revenue source for the Trust Fund going to come from? And it may not be this Board's position. And, Royce, that would be your call on how far we get involved in that process. But we don't have what could be the proposed recommendation coming out of OMB or, you know, the President's budget and so forth, we don't have that yet. So we really can't react to something that we don't have. But the repair of how these projects get delivered, the schedule, the timing, the detail of each of each one and so forth, there is many, many, many steps in the process to build a lock and dam. Some of this doesn't have anything to do with the lock walls or the mooring cells. You know, a lot of it has to do with, you know, where is everybody going to stay, how are we going to administrate this, where is the operations office going to be and all of those kind of things. I think we need to in the future be down in the weeds a little further than we ever have been before and make sure that those dollars are just as green as the ones that we are buying concrete with, you know, they are still the same American greenback. So I think as Americans and as board members, that needs to be part of the ongoing process. And I really feel like as though when we find out what is going to be proposed, we need to be in a

position to almost immediately diagnose that thing, come out with a very detailed response and come back with -- you know, if it isn't perfect, what we think would be perfect or at least the best quote, unquote, solution for the country. And a lot of these ties back to what Mark just said. This is really about America here. We are trying to provide a service in a way to move freight and so forth at a reasonable cost and a good environmental intention for the country. So we can't let this thing fall down.

And, you know, as we sit here next year, there is not going to be much money left here to spend. We cannot get in a spend as you go mode. Take in 95 million and match it up against something that Congress and the House will give you and then move forward in some small way, that's not going to get the job done. So we have to have a solution, you know. And I am very concerned because I hear everybody talking about, you know, making sure this project gets delivered in a more efficient way. But I don't hear anybody addressing or beginning to address -- and I am not aware of any group that's formulating a response or anything like that on a national level. I mean, I have been to Washington five times since the President's budget and I haven't heard a word of that. They are just -- everybody wants to get -- those who are constructing the projects to do it in a more efficient way but nobody is taking that next step in saying, you know, that particular group is not going to probably get fixed before this Trust Fund is at zero zero.

So we have got to try to put some kind of a thought or some kind of a plan in effect. Again, if that's what this Board is about, Royce. I mean, I wasn't around for WRDA '86 I don't know what, you know, all went on there. But I know that our mission here is just to prioritize projects and spend money. But it seems like we have a new role and that is maybe oversight of how the money actually comes to us so we can spend it.

Otherwise, I almost want to say it is going to be a lot easier but you and I both know it is going to be more difficult if you only have 200 million dollars to spend. It is going to be a tough game.

MR. WILKEN: Well, Deane, there is no question and I think your point is that the stakeholders and the reason that they are here at this table is because they have got skin in the game. And if you have got skin in the game and maybe even more so than any other model that's out there in the United States, then we deserve a right -- we deserve or we should be obligated to understand the model of making sure that that model isn't broke. And before we move any further we need to, one, have this Comparative Analysis Report, we need to be able to analyze the project delivery process, and I think that's what I am hearing you say. And before we would even consider any future tax and make no doubt -- make no question about it, it is a tax we are talking about here. And if we have got skin in this game, then “d-a-m-n” or “d-a-m”. If we have got skin in the dams, then we need to make sure that we understand what the whole process is before we move to that next step. And I would caution everybody here that don't get ahead in the process, is that we are methodically stepping through this and that will be the direction that this board and this industry will go on.

MR. ORR: You may find yourself in a position where you have to work with those who are constructing these dams and be satisfied that there is a plan in place over a given scope of time and then move forward with the next logical revenue stream.

MR. WILKEN: There is no question. And I might point this out. We are blessed with one of the best engineering companies in the world and it is the U.S. Army Corps of Engineers. These people have built infrastructure in Iraq, they have removed debris from the World Trade Center, they have designed windows that kept bomb blasts out of the Pentagon. These are -- they manage more public lands that are -- that are enjoyed by Americans than the national parks. We have got a heck of an organization. So what we need to be able to do is understand this process and this project delivery. Vet all of our differences, make sure that we move together in execution. It can be done. There is no question in my mind. The military approach and the military model, we can make this happen. It is just that we need -- everybody needs to understand what the project process is.

Any other comments?

MR. WOODRUFF: Just to follow on with what you said, Mr. Chairman. I think one of the historical reasons that the Corps of Engineers and the Civil Works Program resides within the United States Army is that the Corps of Engineers provides a repository of engineering expertise and ability to the nation in times of national emergency that we have a cadre of people available to our nation when the nation needs them. And that -- providing that capability comes at some expense.

And so we -- as we look at the efficiency questions and the cost questions, I suppose one question that comes to my mind is how much of the costs of doing the projects the way we are doing them comes from this idea that we have to have a certain number of engineers and we have to have a certain staffing level not to get the job done today and to build this lock or build this dam but to also provide the nation with the reserve capacity of engineering talent that it needs for a national emergency.

Again, that is a general public benefit provided by the existence of the Army Corps of Engineers and in my mind is one which is a legitimate expense that the public at large should pick up from having the benefits of the Corps. And, certainly, as we are looking at what the appropriate cost share is to the extent that the cost of these projects is larger because we have this extra capacity within the Corps for very valid and important reasons, as you've just identified, that's something we should take into account.

MR. WILKEN: Agree. Well said. Anyone else?

I was not the main drafter or I supplied some drafts of this, but everybody collaborated on this. And I would like to thank Dan Martin especially for additional work that Dan did on this in helping me wordsmith it a little bit into a document. So everyone here has had an opportunity to put their two cents worth in sort of speak. Is there anything that you would like to discuss in terms of prioritization of projects or should the Board leave those as existing as we are today and then move on with our step-by-step approach in terms of understanding the model?

Any feeling or any thought process there? Okay. Seeing none, we'll leave that set. Any further thoughts pertaining to this?

MR. ORR: It almost looks like the projects have benefited the most states are the Capstone Projects and I guess that was one of the criteria?

MR. WILKEN: Yes.

MR. ORR: And what else?

MR. WILKEN: Well, I am sure there is probably a risk analysis. There has been some risk analysis done on that as well.

MR. ORR: So it is based on need?

MR. WILKEN: Yes. In the environment that we are involved in, and it's been pointed out to me on several occasions, there is also a political component and a policy component where everyone wants to have the project in their area or somewhere in their venue whether you are a policy maker or a stakeholder. So I am sure that those issues also arise, we will have to learn how to deal with those not only presently but in the future I am sure.

MR. ORR: I would have to say that from all that I could glean from every report that was published in the last couple of years, I think that you are dead on target and that is why I didn't recommend any changes. I am from Pittsburgh, I would like to see two, three and four be at the top but the bottom line is I could not honestly say that with a good heart.

MR. WILKEN: You know, it is interesting that four years on this Board has allowed me the opportunity to visit many and multiple different types of projects. And I think we all agreed in that it is unfortunate that after four years you exit but you have -- start to begin a very good feel for the prioritization and what areas are in need of mortar and concrete and rehab and replacement and what aren't. And so it is just these tours serve a great purpose, I think, for this Board. And I would encourage that in the future to continue to do those. Those would be all -- do a great service to the Board and enable to better understand what is out there. And it is a huge system and in four years for us it is pretty difficult to get it all under our belt in two meetings or three meetings a year.

Any further comments or questions? Seeing none, how are we doing on time? 10:30. Any further comments? What do you we say we take a 15 minute break? If there are any comments that you come in out of the coffee hour, we can cover those before we jump in. We will reconvene here at 10:45. Thank you.

(Recess taken.)

MR. WILKEN: Okay. It is 10:45. We are going to reconvene. If you remember, we were discussing the Board Annual Report and Investment Recommendations. Is there anything further that any of you -- anything that the Board would wish to discuss at this time?

MR. GROSSNICKLE: Mr. Chairman.

MR. WILKEN: Yes, Vice Chairman Grossnickle.

MR. GROSSNICKLE: I just noticed that a technical adjustment may need to be made. Page 7 lists #6 project under the priority PED projects as "Lower Monumental", that's on the Snake system. That study has been completed. There is money in the President's proposed budget for the inclusion of Lo Mo to do the next stage. And so I would propose that we move this project from PED to the next one up which, it would be construction of major rehabilitation projects.

MR. WILKEN: Okay. Members of the Board, any discussion on that? That's basic formality. Okay. And then we will make sure that's up in the report, if you will, please. Is there anything else, Jerry?

MR. GROSSNICKLE: Well, secondarily, I happen to notice -- perhaps this is a wordsmithing issue -- if John Day Lock and Dam were to fail for any particular reason, any reason at all, the whole system including the Snake River System would cease functioning. The Snake River System as shown by the states directly impacted by the Lower Monumental project show the -- obviously, Oregon, Washington, it would also show Montana, Idaho, North Dakota, those states would also be impacted by a failure of John Day. So I simply would request we move to include -- John Day to include those.

MR. WILKEN: Is that just a mere formality of doing that? That's not driven by any sort of risk analysis or anything?

MR. GROSSNICKLE: Thank you very much.

MR. WILKEN: Thank you, Jerry. Anybody else? Mr. Parker.

MR. PARKER: Thank you, Mr. Chairman. I think we heard the Board loud and clear this morning that this is not the time to be placing additional taxes on the industry. And although we don't have the specifics of the Administration's proposal yet, I think that there is enough detail that's come out that a lot people are going to look at that. And one of the groups that was retained to look at that is world class consultants Informa Economics who have come out with a report for the Waterway Council. And, particularly, the Summary Judgment points that out the highly discriminatory nature impact on Midwestern agriculture, a lot of users. But I don't know whether it is appropriate that this should be referenced, attached. But I think most of the members have seen this report but I think that it is certainly well worth reading and it particularly highlights who some of the big losers and some of the entities and geographical areas that are discriminating against it in that lockage fee. So I will just leave that to your judgment. If we cite that, reference that or what we would do. I think that it is good reading.

MR. WILKEN: Okay. Thank you, Mr. Parker.

Mr. Whitlock.

MR. WHITLOCK: Just along those same lines. Another point that you may want to cover is that from the discriminatory nature of a lockage fee. Sandor Toth with River Transport News did

an analysis of all of the barge moves based on the 2005 data, 870,000 barge moves. His analysis concludes that 50 percent of those barge moves do not pass through any locks at all. He further concludes that of those -- of those that do use the locks, 50 percent -- I mean, 40 percent of the remaining would pay 50 percent of the fee and the remaining 10 percent of the barge moves would pay 50 percent of the costs which further goes to the discriminatory effect it has on movements to the extremities of the system. So I don't know if you want to include something like that. It's pretty graphic and a lot shorter version than what has been put together.

MR. WILKEN: Yes, I've already been warned that four pages is plenty long. If we add another 40, we are probably have to boil that down, but thank you. Any other comments regarding that? Mr. Martin.

MR. MARTIN: Yes. I wanted to -- certainly, the lock fee has gotten a lot of attention and while we haven't seen the specifics we have been able to identify that it's a -- that it is going to be a huge disproportionate hurt. But this morning Mr. Little went through the list of things that we would like to recommend and what would be contained in the annual report. And I did just want to amplify the issue of the recommended new 75/25 split from the 50/50. And I think it is important to say that the 50/50 when it was started was not based on any great science. The inland towing industry is the only beneficiary paying for any of these projects and a great deal of other beneficiaries who really aren't paying for anything. So in this era, our industry is through the 20 cent tax gallon that we are generating -- if I may use rough numbers -- about 90 million dollars a year. And we have been able to get better appropriations in last few years.

So we have really been contributing on a revenue basis about a little less than 25 percent of what the total spend has been. So I think it's important to kind of take that and put that into the perspective of does it make sense for us to do something different than the 50/50 that has been in place for many years.

MR. WILKEN: Any further comments on that?

MR. BREHMER: Mr. Chairman. In conjunction with Mr. Martin, Mr. Chairman, I was looking at Appendix C which is a history and it starts off with the inland waterways fuel tax was established to support inland waterway infrastructure and development and rehabilitation. And I think that from a historical standpoint, we may want to clarify that. It was initiated for new construction. And in 1996, major rehabilitation was added to the scope of the Trust Fund activities. So as Mr. Martin said, there wasn't a lot of science to the 50/50. There was a change in the scope of the Trust Fund as well, it was made in '96. And so to re-look at that today, I think it is certainly appropriate based on what we have seen over the period of time.

MR. WILKEN: Does anybody have any history there? Who voted, was it this board that votes to add in major rehab?

MR. BREHMER: I would defer to Mr. Whitlock on that answer.

MR. WILKEN: I was just curious as to how that worked. Are you going to take credit for that, Norb? No, I am teasing a little bit but I am not. I am just wondering how that process occurred where it went from construction only to major rehab and construction.

MR. WHITLOCK: Major rehab, I think, was included in 1996 as part of the -- part of the authorizing appropriations act at that time. And then the definition was worked out between the Board and the Corps at the point but they went back to the committees that defined what major rehab was.

MR. WILKEN: Okay.

MR. WHITLOCK: I mean, the Board was involved in the definition of major rehab.

MR. WILKEN: Did it originally start out as construction only and then was added then or was it?

MR. WHITLOCK: I am deferring to Mark.

MR. POINTON: I believe that it actually included modernization and rehabilitation. I think that it was in 1992 the Board met with the Corps headquarters senior leadership and developed the definition to solidify what was included within rehab. The cost sharing for the rehab on the navigation side.

MR. BREHMER: My point I think it would be helpful to clarify that history because now the Board is recommending another change so it shows that the Board has on occasion recommended modifications to the overall scope of the Trust Fund.

MR. WILKEN: So noted. Okay. Any further discussion on this particular point? Okay. Mr. Woodruff.

MR. WOODRUFF: Mr. Chairman, over the course of the break, I had occasion to speak to a few people regarding some of my earlier comments regarding the benefits of inland waterway transportation. And we recognize that perhaps that that was not suitably addressed in the report. I'm not suggesting that we add a whole lot to the report but the environmental, fuel efficiency, congestion, and another very important benefit of the inland waterway system is the public safety aspect of just how much safer the general public is when cargo moves by barge as opposed by competing modes.

That to help put things in the context so that the reader of this report understands why it should be important to the nation to incentivize waterway transportation instead of disincentivizing through additional taxes. I was speaking to Mr. Murphy from MARAD at the break and his agency is looking for ways to move more cargo to the water to get it off of the other modes. And that certainly a laudable purpose and we are here discussing a proposal that may seem like it is the right thing to do to move us along but may actually have the effect of disincentivizing cargo moving to water by making this mode more costly in comparison to other modes. And, thus, we will forego a variety of benefits.

There is a recently released study by the Texas Transportation Institute that was co-funded by the National Waterways Foundation and the Maritime Administration that details some of the benefits of the waterways. And my suggestion would be that perhaps we encapsulate in a paragraph or so some of the findings. There is very significant findings in that report to help add some context as to why it is important that we have a first class system of waterways in this nation. And so I would suggest that we consider for inclusion in the report a brief mention of some of those findings.

MR. WILKEN: So noted. Any further discussion on that? Mr. Grossnickle.

MR. GROSSNICKLE: I thought that it was a very good point, Matt. But one thing that I would like to add is we could amplify the environmental effects of barging considerably. I was just thinking about our own system on the Columbian Snake River -- rivers, we have got a situation where we move fish, believe it or not, by barge. The environmental impact of that is very significant to the northwest. We move about -- well, anywhere from 15 million to 25 million fish every year down by barge. That's picked up nowhere. I think that's an environmental impact that we ought to put in a footnote.

MR. WILKEN: Are you moving these to market or what are you doing with these things? Moving around the dam. Does that pay? Do you pay by ton or?

MR. GROSSNICKLE: The fish pay no cargo fee whatsoever. They are transported for free.

MR. WILKEN: I am not to going say it. That's very interesting.

MR. GROSSNICKLE: We would not have a healthy salmon run in the northwest if we did not do that.

MR. WILKEN: If you did not do that. Okay. Very good.

MR. LITTLE: I think just and add on, Mr. Chairman. I think the transport of animals or fish, I guess a fish is an animal, it does also point out sometimes the discrepancy that we get when our only score card is tons. From time to time we have these national defense issues and other things like that tons sometimes could be a very misleading yardstick. I think that they are important and probably the number one thing but they shouldn't always be the exclusive score card that we use.

MR. WILKEN: Okay. Further discussion? We probably need to move on.

MR. BREHMER: Mr. Chairman, I would like to make a motion that we approve the report and its prioritization of projects subject to being -- and any changes that have been discussed here today as well as the comments that have been forwarded to yourself along with any editorial wordsmithing items and spell checking.

MR. WILKEN: Okay. Motion by Mr. Brehmer. Second the motion.

MR. GROSSNICKLE: Second.

MR. WILKEN: Mr. Grossnickel seconded. All in favor. (All responded affirmatively.) Opposed. (No response.) Thank you.

Okay. We are going to move on to the next areas. These will be presentations. Specifically, we are going to be presented by Mr. Webb today. And his topic is Status of Corps Efforts to Improve Navigation Safety. Thank you, Mr. Webb.

MR. WEBB: Thank you. I am Dennis Webb, I am Chief of the Navigation Branch at ERDC in Vicksburg. I would like to thank the Board for the opportunity to update you on our Real Time Current Velocity System. I am actually pinch hitting for a co-worker Michael Winkler who is the true expert on RTCV. Michael sends his regrets to the Board, he was unable to attend this meeting and make the presentation himself.

RTCV has been around now for a couple of years. It involves a large number of partners. It includes the Corps, headquarters, ERDC, our office, MVD, LRD, a whole array of districts within those divisions.

Also, heavily involved the towing industry, in particular, Ingram Towing and Kirby. USGS has been involved. The Coast Guard has been heavily involved and will continue to be more heavily involved as we branch off into the CRIS system, which I will speak about briefly after this. Our equipment supplier provided the ADCP equipment and AIS software and contractor Maxscience.

This is the, I guess, the update portion is where we stand now on RTCV. Earlier this year, General Riley told us to install nine of these systems at various locks and dams. Lock and Dam #3 on the Upper Mississippi. 22 and 25, Dresden, McAlpine Lock and Dam. I believe that McAlpine is scheduled to be the first of these locks to have the RTCV system installed. Smithland, Emsworth, Montgomery and Racine Lock and Dam.

RTCV deployment. What you see on the bullnose, this is taken at Tom Bevill Lock and Dam, is an acoustic doppler current profile or ADCP. They have been around for a few years. I am used to seeing them with the three red dots pointed down and it is mounted on the side of the survey boat. It's primarily initially used to take hydrographic surveys and it uses -- uses sound waves to record the current direction and magnitude as it passes through the water.

Michael had the idea to mount it horizontally and see if we could record the same information. As you can see, where it is mounted has been hit a number of times. We try to locate these things to where it will be -- try not to get them hit but also yet provide the adequate coverage. It is an I-beam bolted to the bullnose. And the ADCP will be lowered to a depth of 12 feet. That puts them below the bottom of the barge should they get hit, the I-beam will be destroyed but the ADCP unit should be fine. And its got stainless steel cables tied to it so that if it does come loose,

we can still pull it and retrieve it. And also at the 12-foot depth is optimum because the ADCP waves diverge and that gives us a wider area of coverage.

There is a close-up view of the ADCP unit before it was lowered. After we got the ADCP unit working to provide real time currents somebody said, hey, how about wind. No problem. So we have added a wind meter to the RTCV system. Now it provides real time current and wind data.

The ADCP and the anemometer output to this control station which is mounted near them on the bullnose. This transmits back to the lock master's office to the work station. I would like to point out I have gone through this installation with Michael, it's really very well thought out. There is a number of checks and safety checks on the data that we are getting from our instrumentations.

One is something called a check sum. You get data back, it is actually two pieces of data and you compare them and if the check sum adds up, you know that the data wasn't corrupted during transmission. The worse thing than sending out no data is sending out bad data. And there are -- Michael has got a number of checks in this. And if the data is dubious, we don't send it out. And a notice is sent to the lock master in his office and also e-mails are sent to Michael and Danny Marshall.

AIS Translator Program. I don't know that much about it but the automated information system. It takes the data from the ADCP unit and the wind meter and puts them in AIS string which is then broadcast. And this is what the tow boat captain sees on his electronic chart as he approaches the lock.

I think if they have got the right equipment, they can get this information as far away as about 20 miles. They can certainly get the information well before they get to their lock approach. And the ADCPs can take a lot of data. It was decided to take data at three points. Anything more than that, it can provide a lot of clutter on the chart. But right here, here and here. You have a directional arrow showing the direction of the current. And now you have text telling the tow boat captain how strong that current is in miles per hour. The edge of the bullnose is where the anemometer is and there is a display there and you can see a little arrowhead showing the direction of the wind. And somewhere in there is also a display of the magnitude and the wind speed is also displayed over here.

It provides a lot of useful information. Certainly, it is going to help safety by having the tow boat captain know what to expect as he approaches the lock. We hope that it actually will increase the speed of the lockage since he will not have the indecision and have to take a lot more time not being sure of what the conditions are.

AIS is the Automatic Identification System, it is a VHF radio transmission. It can go ship-to-ship, ship-to-shore and shore-to-ship communication of a lot of information. Vessel identity, vessel position, destination, cargo, speed, your heading. They can also have the barge configuration that you are presently pushing. Special notation if your cargo happens to be dangerous. Anyway, it constantly transmits and receives all of this vessel navigation information.

AIS transmits the RTCV data and you have to have -- it needs the AIS to deliver the message. So all of the communication between the ADCP and the wind meter and then back to the ship to the towboat is via AIS.

The Coast Guard is issuing a rule, it was announced in October 31, 2005, it is applicable to all U.S. navigable waterways that any commercial self-propelled vessel greater than 65 feet, towing vessels greater than 26 feet and 600 horsepower, vessels carrying more than 50 passengers, high speed vessels carrying more than 12 passengers, certain dredges, floating plants, and any vessel moving dangerous cargo are all going to be required to be equipped with AIS. I think this should take effect towards the end of this year but I may be wrong. Anyway, it will be a timeline for implementation of this and there is a waiver provision.

The AIS benefit to the Corps. AIS is under the domain of the U.S. Coast Guard. We feel that it is going to improve safety at our projects. Improve reliability. Certainly improve lock and traffic management strategies. We have got real time operational data to the vessel, electronic chart update. It can send, you know, new buoy locations. The lock conditions if they are available, what the queue is. We discussed real time current, wind. It can pass river stages and water releases onto the tow boat captain and various navigation safety information.

AIS is only part of the total river information system services which includes electronic ship reporting, notices to mariners, VTS, calamity abatement service, dangerous goods monitoring, channel management, lock and bridge management, tourism services, transportation logistics services and statistic services. Once all of the vessels are equipped with AIS which can transmit vessel to vessel, they are going to be able to see better where the other traffic in the river is.

Here is one vessel and there is another vessel. They can see each other around that bend easily and know, not just depend on radio communication or radar but they can coordinate their ideal meeting location much easier. You also know how fast the other vessel is approaching. They can pass meteorological and hydrological reporting can be transmitted to the electronic chart based from AIS, very useful information.

Lock order message. Used by the St. Lawrence Seaway since 2002, it improves lock efficiency, mitigates racing to the lock first, wait time. And this way, you know, it is not just the tow boats or the ships that see this information, it is also available for the lock master. So if he knows he doesn't have anybody coming to use his lock for a while, that will be an ideal time to perform some maintenance to allow this to be more efficient in the way we operate our locks. Or let's say it is a fairly remote lock that is not used very often, you may not even always have to have a lock master stationed there. You may, you know, he may be stationed someplace else and then he is notified that traffic is, you know, an hour away that needs to be locked through, he can get in his car and drive to the lock and let them through. By knowing when -- by the captain knowing, you know, when his time to go through the lock is, he can adjust his tow speed and slow down rather than rushing to get there quickly and have to wait. You can drive at a more optimal speed and save on his fuel.

This is a traditional radar display which does not show anything behind this island. This is a radar overlay on top of an electronic chart. When you add AIS to this, you got his radar, his chart

and the AIS from this vessel to this vessel allows them both to see each other knowing that they will be occupying the same waterway fairly soon.

This is the coverage presently on the coast for AIS. There is not as much inland and this is what the Coast Guard has now. It is reporting sites where they have AIS. And also, we have plotted on here, that's the -- those are the AIS and those are the locks and dams, I believe. That text is awfully small, I can't read it with my eyes.

Anyway, the Coast Guard doesn't have complete coverage on AIS for our inland waterway system. We are presently working on a memorandum of agreement with them to allow them to put AIS on Corps properties including locks and dams and various other structures. So the net result we hope to get complete coverage on the inland waterways.

Now I am going to speak a little bit about CRIS which is in its infancy. CRIS is the Coastal and River Information System. RTCV will tie into CRIS when CRIS comes to fruition. This will -- CRIS will allow us to pull data from all inland waterway traffic equipped with AIS which will be nearly all of them based on the Coast Guard mandate. We can get, you know, what the cargo is, what their destination is, where the point of origin was, barge configuration. And this can be reported to IWR. And rather than having to go through all of this data that's manually recorded and issuing their reports, you know, months after the fact, they can just about hopefully have real time information on the economical usage of our waterways and locks and dams.

Michael has included a little bit about Port Vision. This is used primarily on the coast right now but it is a program service which you can log into and you can type in various harbors and you can in real time from your office on your computer screen see all vessels in that harbor. You can click on them, you can get their name, their size, various information and hopefully this will be available for inland waterways soon. This is the type of display that you will get.

Michael usually loads this up and runs it live as a demo. I don't know how to do that. But it allows you to look at the overall use of the waterway and perhaps better plan your channel management. You can use it for your locking.

Do you have any questions? Like I said, I am far from the expert on RTCV. I can handle some of them. Difficult questions, I would refer to Michael and I have left his contact information on the slide. Are there any questions?

MR. WILKEN: Mr. Webb.

MR. WEBB: Yes.

MR. WILKEN: It appears to me that the technology is, of course, ever growing and gaining speed and momentum and getting into our industry. And the units and the systems that you have displayed up here are underscoring that fact and that there is better ability to gather information. Any dialogue with NOAA and the Coast Guard and yourselves regarding the implementation of virtual buoys for our professional mariners?

MR. WEBB: I don't know as far as dialogue between us and NOAA. I know that they are both aware of them and they have been discussed. As a matter of fact, the last day of the Inland Waterways Users Board Conference, they were discussed a good bit with the mariners. It is something that we are both aware of. I don't know if they ever had any formal sit downs and discussions. There is a lot of applications for this. I know NOAA is aware of RTCV and they are involved. Hopefully, we are going to be able to install one of these systems to tie in with them in the Galveston Causeway approach which is one of the most struck fender systems in the country to provide the mariner with wind data and current data.

MR. WILKEN: Alan, any comment on that?

MR. BUNN: Yes. We actually had a forced demonstration project to a degree on testing our ENCs and, therefore, the buoys when Katrina and Rita reeked havoc with us in the Gulf Coast. The buoys were gone. The Coast Guard was, you know, having a difficult time getting their gear and equipment down and getting started. NOAA had navigational response teams there 24 to 36 hours after the fact with trailerable vessels, side scan sonar and mutli-beam. Again, without any buoys it was pretty difficult. But with the electronic navigational charts that we had, we knew where those buoys were 48 hours earlier.

And once we had a path cleared for vessels, of course, emergency vessels in some cases, barge traffic to bring in fuel, we had the potential of a hospital ship coming in to one of the ports for both housing and medical care. And, yes, they were going to have to basically use ENCs and determine where those buoys were without them being there. So it's there.

There is a lot of confusion on whether or not other vessels that may be in the area in the case of fog, a lot of the pilots are wanting to go ahead and use electronic navigational charts in all when they can't even see the buoys and navigate and do their work. Unfortunately, with smaller wooden vessels, shrimp boats and things of that nature, you just don't know for sure. You know, that would be something the Coast Guard with restrictions and all on who is on the waterway, it could be implemented. But discussion is there but I think that it is probably for safety reasons quite a ways off.

MR. WILKEN: Sure. And I don't know whether this is the correct venue or not to encourage that. But I guess the feeling and the knowledge that's passed on to me with the professional mariners that work for me that I highly respect their opinions are is that that is the next major breakthrough for them from a safety aspect and far outweighs running in fog. And you're exactly right, the regulatory folks can take care of that, that issue pretty quick. But the virtual buoy systems that are out there privately that if we could somehow incorporate that into our systems. And who knows, maybe eventually get rid of buoy tenders and the buoy tender would look like a nice little Criscraft or something that would be scanning the river, going down the river or even technology could even move further than that by allowing tow boats to return back sounding information back through the system to be able to give the most current updated, updated information along with those flow meters and wind speeds, you know, those are all components in that mariner's tool box that he constantly evaluates in order to navigate safely.

MR. BUNN: Right. There is one other project ongoing. We recognize Raymond Butler with the Gulf Intracoastal Canal Association. He's been instrumental in bringing together the Corps of Engineers, NOAA, Coast Guard and industry in a Gulf joint hurricane task force group, Gulf of Mexico wide. And I know with members of the various Harbor Safety Committees that interact with us all, we are beginning to look at a number of the major ports and waterways and have pilots in the industry identify for us those high priority buoys, markers and whatnot that will be the first ones that have to be put into place as soon as possible. The others -- yes, with the ENCs, they feel like they can get by without that. So we are doing a prioritization of replacement of buoys and whatnot. Not exactly what you are speaking to as far as the virtual buoy system.

MR. WILKEN: Sure.

MR. BUNN: But in reality is being utilized similarly.

MR. WILKEN: And I guess that it is my understanding for those that don't know that it is really the domain of NOAA, the Coast Guard and the Corps in certain geographic regions whether it be coastal, inland or port. So that would definitely fall under those three, under those three areas just a matter of collaboration. Thank you.

Any further questions for Mr. Webb? You got off easy.

MR. WEBB: Thank you.

MR. WILKEN: Thank you, again. Okay. Next we will have the update on the status of the Mississippi Valley Division Projects. And Mr. Jones.

MR. JONES: Thank you. Mr. Chairman, General Riley, Mr. Woodley, members of the board, audience. I appreciate this opportunity to be here. I will say primarily somewhat on Colonel Lee's benefit, his staff has done an excellent job on this issue all of these that I am going to bring up are here in the New Orleans District. But early on I agreed to be the one that came to the podium, I guess, to make just a few brief remarks about some of our projects. I think the agenda says IHNC Lock Replacement, that's really not the issue that I will speak to. And I think when you see -- I get through talking the issue that I am here for, you will see the district has taken an excellent job to put a collaborative approach to solving a system type thing. We actually have three projects here that is kind of interrelated on a major concern to the navigation industry.

So moving right along. IHNC Replacement, as most of you know, we were enjoined in court to complete or revise our EIS, that's underway. That's something that should be completed in FY '09, I think December of '08 is the time frame.

More significant issue than with IHNC has to do with the closure of the MR-GO. This is a chart that shows but this is -- any of you that is not familiar, this is the MR-GO and its route to the Gulf. It’s actually a deep draft channel that provided access to what I call the backside of New Orleans or the eastside of New Orleans, container facilities, freezer facilities. They had after Katrina, Congress basically directed us to study, consider deauthorizing, that study has been

complete. I guess we will have a map up here and we will also talk about the project named the Baptiste Collette. And there is the little red dot shows IHNC.

The issue with IHNC is with the MR-GO, we will have problems with IHNC, navigation shallow draft navigation had an alternate route that they could pursue or follow which followed the Mississippi River over 100 miles all of the way down to Venice. And then they went to the east followed through Baptiste Collette and made their way across the MR-GO and followed the MR-GO back up all of the way to where it re-intersected with the GIWW and then they could proceed the west.

So when we realized or accepted the closure of the MR-GO, we eventually expect it to be a rock closure built across the outer end of the MR-GO above where the shallow draft navigation had their route through there so it will block the route. So in preparation for that, Colonel Lee and his staff addressed what they could do to make the IHNC lock as reliable as possible within the time frame that we had. So we got with the navigation industry, primarily GICA and others and came up with this schedule of doing a dewatering, repairing as many things as we can. They know a lot of things that they know have to repaired, there will be others that we will find out when we dewater, I am sure. But their schedule you can see, first of all, they have a lot of activities already ongoing, procuring parts, refurbishing strut arms, those types of things. They are scheduled for dewatering right now is set stop logs on 1 August. Dewatering takes the next couple of days and then be out of service for roughly 60 days and going back in service the end of September.

Baptiste Collette dredging, the other piece of this puzzle that provides access because I think our last survey, it showed up to some of it in 6 and 7 foot so it was not capable of supporting shallow draft navigation. It is actually an authorized 16-foot project. It's primary purpose, I would say, is not for shallow draft traffic, barge type traffic, it is more to support the industry, petrochemicals and such like that or oil rigs and supply vessels that operate and gave them in a shorter route to the east. Many of them operate out of the Venice area here. And rather than going all of the way down the Southwest Pass, they are able to take this shorter route to Baptiste Collette.

So we actually wasn't able to locate, even though it wasn't appropriated, they found within our budget and re-assessed and came up with money to do the dredging of Baptiste Collette, that contract has already been awarded to Mike Hooks. Should start in mid April and be finished by June so when the dewatering occurs the first of August, the channel will be there for use to take this alternative route.

I just wanted to give you the quick and brief on it. There is plenty there. If you have questions, I will definitely yield to the back of the room. It represents almost all of these issues. But like I said, he brought in a varied wide range of New Orleans District navigation group to deal with this issue and come up with what we feel like we have come up with an acceptable plan at least for the time being on this upcoming dewatering project.

Any questions?

MR. BUTLER: Please tell them when that picture was taken.

MR. JONES: It says -- I don't know. It is 1964 and it came off of your website. You tell me.

MR. BUTLER: April of 1923.

MR. JONES: Yes, at the opening.

MR. WILKEN: Steve, the dredging at Baptiste Collette seems to be after the dewatering and closure. Is it going to be completed before? I guess that's right. August 1 is when you were going to get ready to go.

MR. JONES: Yes. The dredging will be complete by the end of June. The dewatering occurs in August.

MR. WILKEN: Okay. Got it. Thank you. Any questions for Steve regarding this map?

MR. WOODRUFF: One question that I have. In our last meeting, we talked about the fact that we have this alternative route around -- via the MR-GO for this dewatering. Yet, we know based on history that there will be another significant dewatering required as we stay on this every 10-year basis before we will have a new lock we will be looking at another sustained closure. Do we have any progress to date on identifying a long-term alternative to get around the inner harbor when that lock is unavailable after we put the rock down across the MR-GO?

MR. JONES: We have been assessing that to some extent. You know the discussion has been ongoing. I would not say we made a lot of progress in that regard. Yet there was one that you are probably aware of there was a concession about possible going through Brenton Sound and the Coast Guard said no that's not feasible, as you would probably indicate too. So we are still looking at that. That is about all that I can say.

Another thing was said is really the likelihood of having to dewater in ten years. We have had our other districts look. We have Rock Island and some other districts that do a lot of gate replacements and stuff in the wet. So we will be working with the New Orleans District or they are already analyzing will it be possible to place new gates, do any other critical repairs possibly without dewatering. So it is not a given that you will dewater in ten years. Of course, it is also not a given when we will have the new lock in place.

MR. WOODRUFF: Is it possible when we do this dewatering this summer that we might put some things into the lock into the construction that would make it easier to do work in the wet in the future?

MR. JONES: That's one of the things they are assessing. There are discussions going on within the Corps keeping in mind is there a way we can facilitate a later non-dewatering by doing something during this dewatering. The answer is yes.

MR. WILKEN: The property, we can probably go back a couple of pictures where the new wall was put on the left descending bank after the flood, was that -- that's all Corps owned on the top of that picture there? All of the way out to the point where the scrap yard is?

MR. JONES: In this picture that you are referring to?

MR. WILKEN: Right. Look at the top picture on the right. Actually, it is on the left. But if you have got your pointer out there, you can probably –

MR. JONES: I am not really following you and I would need to defer to one of the either -- do you follow his question?

AUDIENCE MEMBER: What was the question?

MAJOR GENERAL RILEY: It is where we put the new T wall on the inner harbor. That's your question?

MR. WILKEN: And then all of the way out to where the scrapper is and he is vacating that area, is that all going to be owned then by the government?

MAJOR GENERAL RILEY: I don't know any further out passed.

AUDIENCE MEMBER: Are you asking if that is owned by the Corps?

MR. WILKEN: Correct.

AUDIENCE MEMBER: That, as I understand, that's the port.

MR. WILKEN: The port.

MR. JONES: The Port of New Orleans.

MR. WILKEN: Do we know if there are any plans for that property or that any area, any development plans?

AUDIENCE MEMBER: The property area where the wall was repaired that was a -- one of the jobs that was under the IHNC Lock Replacement, that was a remediation job in that general area.

MR. JONES: Do you want us to try to get back to you or have a separate?

MR. WILKEN: No. I think that I can dig into it. Thank you.

MR. JONES: Any other questions?

MR. WILKEN: Okay. Next on the agenda is Mr. Davinroy. He is going to talk to us about the impact of the Mississippi River Regulating Works.

MR. DAVINROY: Mr. Chairman, General Riley, Mr. Woodley. First of all, I want to thank WCI for giving me the opportunity to talk to you. I gave this talk about a month ago and they said well, we have got to get you in front of the Board. And I said well, do you want me to change any of the graphics? And they said no, leave everything just like you had it. So when you see some of the stuff that's the way WCI wanted it.

My five-year-old daughter Alli helped with the graphics. And this is a self-portrait of Alli and she drew her heart right in the middle of her body there. And I asked, Alli, I said why is your heart so big and right in the middle? And she goes, well, Dad, that's where it feels like it is in the middle.

So now you are wondering, what does this have to do with what I am going to talk about? The Middle Mississippi River is what I consider the heart of the Inland Waterway System, in particular, the Mississippi River. A lot of commerce comes in and out of this area. That particular stretch of river that I am talking about between Cairo mile 0 and just around the Missouri River on mile 195 is vital to our Inland Waterway System.

And in the past, it has become a bottleneck at times and that is a big impact in the navigation industry. St. Louis is the third busiest port in the Inland Waterway System, 110 million tons per year. To give you a perspective, you go above that, you get into the upper river, you are talking 30 million tons, a lot of cargo.

What is so vital about this? Well, there are some engineering challenges I need to explain you about, about this particular stretch of the river. You got the Missouri River coming in, of course, from the west, you got the Ohio, you have got the upper river and the Illinois and then you got the lower river. The big engineering challenge is that, number one, we don't have the water that our brothers and sisters to the south have. Once you get down to the lower river, you have a much bigger channel. Believe it or not, there is actually more engineering done in that Middle Mississippi River than just about anywhere else in the country and that is because of the water issue. The other thing is, as you know, the Missouri River has been cut off dramatically over the last few decades. And, personally, I think that it may get worse as water gets more and more important to this country. The other thing about the Missouri is it dumps all of the sediment into the Middle Miss and that's about 95 percent of the sediment load.

The Ohio, of course, has no impact, the water doesn't run upstream, I wish it would but it goes down south. And then the upper river, you know, they have the advantage of the lock and dam systems. So very unique engineering challenge exists on the Middle Mississippi River.

My Deputy District Engineer said, Rob, make sure that you show the Board navigation out there. So I wanted to show you a couple of pieces of traffic out here. Here is one guy who came up last year. Here is another guy. You know, we are not biased at all. Any navigation is important to us. Check out his steering mechanism there, it is a bicycle handbar. He's got a couple of extra ones underneath there, so.

Until the late 1970's, the standard barge was 26 by 175 by 12. And then late 70's until today, you have got the jumbo barge is basically the standard barge. You are talking about a 35 by 200 by 12, 13 and sometimes 14 feet. And the other thing that has happened is the tows have gotten bigger over time.

Prior to 1980, a 35 fully loaded barge tow configuration was pretty standard. And then we went to 42. And now recently within the 90's and up until now, we have 46 as the standard. And I polled many pilots about this and they said they attribute it to a couple of things. But most importantly they said that in the Middle Miss where we have we a lot of problems in the bends, the weirs have really helped their situation where they have been able to make these tows bigger.

And I want to start off by talking about the weirs because it is going to lead to my sad song and dance I am going to save until the end of the talk. Our district, we have not had a lot of money thrown our way for the Middle Mississippi River over the last 20 or 30 years. Most of our work has been concentrated on two things; number one, make the river safer and reducing dredging. And it's been primarily focused on the bends. For some of you that don't -- aren't familiar with problems in the bends is that before these structures were put in place, we had a lot of accidents in these bends. You get a point bar that would encroach out into the channel, you see that little red point there for the buoy, that would get so narrow and so treacherous that tows would have to do a series of flanking mechanisms or maneuvers to get through there and sometimes it would take them hours to get through there. And, you know, because they are behind schedule sometimes, they would get maybe a little bit aggressive and they would crash in the outside of the bank into the revetment or they would ground on the inside point bar. So there were some safety issues associated with these bends. In particular, we had two oil spills occur between 1990 and 2007 attributed to collisions -- or I am sorry, allisions in bends.

So how do we treat this problem, historically we dredged. And that's a great, great solution temporarily but it's a cost to all of us. So back in the early 90's we developed the bendway weirs concept and implemented them throughout the Middle Mississippi River at a snail's place -- a snail's pace, I may say, because literally our budget was, I would say, crumbs. I mean we got money here and there. I am going to talk about a little bit later but we got the job done. We are done with addressing the bends.

Here is the big success story about the bends. If you look at the accidents over time in the Middle Mississippi River, the accidents had been dramatically reduced because of these weirs. And this is something that you can't equate a dollar amount to. But it is just as important, if not more important, than dredging. From a taxpayer's perspective, we don't do any dredging in the bends any more. We have had a few instances where we had to go in but primarily we basically reduced dredging in the bends.

Now here is the bad news. We still dredge in the Middle Mississippi River to the tune of about 5 million cubic yards a year or about 12 million dollars in today's cost. Why are we still dredging? Well, because our budget was so limited, we didn't really build any dikes, we built bendway weirs. We couldn't address some of the other problems because of the budget.

Now, there are some very traditional easy ways to solve dredging and to make it go away forever. And it has always been demonstrated on the Missouri. This is actually the Mississippi, this is in our neck of the woods. This is an area we call the Pro Temp Reach. If you are not familiar with it, it is just a few miles south of St. Louis. And to give you a perspective of what we did, in 1880 the river was as wide as from the pink line all of the way out to the right side. And then the early engineers in 1899, they built a series of large pile dikes. Then 1940's, they extended those pile dikes. All along we were dredging in here. Recently, I say recently, not real recently but back in the late 60's, 1969, the Corps extended the structures even further. And by the time we were done, we got a 96 percent reduction in dredging. Basically, we are not dredging any more in this area and now we do not dredge, but it is a deep and wide channel so there is two-way traffic occurring in here.

Now, we have partners to contend with, as you know. And this is one of our partners, her name is Joyce Collins, she is from the U.S. Fish and Wildlife Service. If I run through and say, Joyce, I can make this dredging go away but I will take the traditional engineering approach and constrict the river, this is what Joyce would do. And her answer would be.

So how do we solve this problem? Well, here is the traditional approach. This is what we call far field sediment management. We start from the bank and we come out toward the channel and we construct dikes. They work great. We accrete sediment. Win, win situation. However, Joyce is going to let us do that.

So we've proven that we have done this in the past. But we have a new method to do this. And I say new, it's actually been around since 1993, that is when the first ones were put in but these are called blunt nose chevrons. And instead of managing sediment over here, you are managing sediment now closer to the channel. Basically achieving the same thing. You are deepening the channel but you have got all kind of extra environmental benefits from these structures.

Here is an example of some we built in 2002 up in our pools at Bolter's Bar. And you are looking actually the bottom of the screen is upstream and the top is downstream. And here is the dredging, the dredging and disposing. The green is the dredging and the brown is the disposal. Basically, it was a parking lot in here every year. Dredge came in every year to the tune of about a half of a million dollars per year annually.

Put the chevrons in 2002 at a cost of 1.5 million dollars. And within three years, we had recovered our cost because we had no dredging after construction and no dredging now. So this is a direct easy benefit that we can accumulate by building these type of structures. But the biggest thing for a person like Joyce is that they create a lot of habitat. There is a lot of critters that come into these areas, a lot of fish we monitor before and after.

But another important thing is access. Navigation -- well I am sorry -- recreational access to the side channel is very important so you have that with these chevrons. Here is another group of chevrons that we just built in the St. Louis Harbor recently, I will talk about these a little bit later. But, again, this is near field management of sediment. This is actually the navigation channel right here on this side of the screen and here are the chevrons.

So we have a plan and we've had a plan for a number of years but we ain't got no money. Talk a little bit about CG. This particular stretch is considered 0 to 195 but we also have to keep in mind that we also had operation and maintenance of this reach and the upper pool reaches and I want to say something about the upper pools. Back when the lock and dams were finished back in the 40's and 50's, the late 40's, I think there was a mistake made because basically the Corps declared that that would be an operation and maintenance mode and we still have a lot of work to do up there. There is still a lot of dredging in that neck of the woods. So this type of application needs to be applied there. So I guess my spiel to you there is since we can't get any CG dollars for the pools, we are going to need some operation and maintenance funding.

What I would like to do is kind of give you a perspective of what we contend with as far as sediment. I am going to give you a little bit of an underwater ride through the harbor. Some of the people in this room have already seen this, but I know some of you gentlemen and ladies haven't seen it. So if you bear with me here, I am just going to run a little bit of a movie here and we are going to go underneath the water and give you sort of a fish view of what the river looks like.

So we are starting at the St. Louis Harbor. And what you are going to see here -- why do I see it on my screen but not on the projector?

So what you are looking at there. You are looking at underwater topography. These are sediment waves. The darker blues are the deeper water. The lighter shades are the shallower water. Look in the center of the picture there and you can see the impact of a passing barge on the plume and the sediment. This stuff is amazing technology to me because we can actually see what's going on underneath the river. A couple of things I want to point out to you. Is if you are looking at this Missouri, St. Louis is on your left, Illinois is on your right and navigation channel is actually on the Illinois side. The wrong side of the river but we deal with that, we manage that. If you look at mile 179 right there, you see those little horseshoe shaped patterns there, those are actually scour holes around bridge piers.

I am going to slide up a little bit up through the harbor and I want to show you a couple of things what is amazing about this technology. We are going to slide up into the area by the chevrons I just talked about before. And, in particular, I want to show you that -- let me go down just a little bit. You see all of this green area right here, this is actually sediment that has come in from the Missouri River upstream and that caused big time dredging problems for us in the past. And you can see what it is doing, it is coming in around our last structure and just spieling out in the navigation channel. So this technology is amazing to me. You can see it a lot better when you look at this.

But another exiting thing about it is that maybe a lot of industry people don't know this, but beyond this sediment being out there, there is a lot of rock. And if you go through up Mosenthein, this is the Old Reach River that the pilots used to go through, you will be able to see all kind of rock outcroppings. You will notice that this is sediment. This is sort of a horizontal configuration. Now all of a sudden, you start seeing stuff in the vertical configuration. That's all conglomerated limestone. And, in particular, not only do you have shelf limestone rock right here but you also have out in the middle of the channel pinnacle rock which is another thing that we have to deal with

downstream, there is a couple of spots downstream that when you take this pinnacle rock out of the river, we are going to have some problems down the road.

I also wanted to show you something about the chevrons because they've actually been in the paper rather recently. We have got some very positive press and some very negative press. In particular, there has been people accusing these structures of being, I quote, aimed cannons at the levees. And that is just not the case.

These structures are very low. They do not negatively affect flood profiles. They have absolutely no effect. They work in a moving bed. They respond. The river responds to them.

Now before I start talking to you about money I want to say something to you that maybe you are not aware of and that is we talked about MR-GO and building the structure down there. There is a rock crisis going on in this country right now because of Katrina. After Katrina hit, the rock prices went out the window. For this mass of rock right here, we got quality A stone to build our structures with, just as -- this is a little bit as a few years ago, this was about $5.00 a ton. Now that same money is going to give you about half of that. So it's only going to get worse. It is not just going to affect the Middle Miss, it is going to affect Vicksburg, New Orleans, anybody that needs to use rock, that is something that we are going to have to consider for the future.

Now, I didn't want to bore you with a bunch of figures and text and everything about cash flow and present worth analysis, but I do want to tell you that we did do some of that. And let me sing a little sad story to you. I won't sing, I will talk. And I want to tell you that the way that CG used to work is up until a few years ago a CG budget would come down from headquarters and then there would be a shark frenzy at the district. And basically we would be left with the crumbs. A few years ago, it was changed. The rules were changed and decisions in headquarters were made on how to distribute funding. About a year and a half ago, we got word from headquarters that we were going to get zero funding for our reg works project. And I called the person at headquarters and I said why? He said, well, you are competing with other projects now that you weren't before, other projects that had benefit cost ratios of whatnot.

So I went and looked at those projects and I'm here to tell you that this project has a benefit to cost ratio of 7. Okay. That's unprecedented. I challenge you to find any project in the Corps that has that high of a benefit cost ratio. We have done some more economics in our next submittal package, it is to be as high as 9. So I don't really buy the story that, you know, benefit cost ratio is the big thing. Because I saw some other projects that were getting funding that had benefit cost ratios less than one.

I think that it is probably what the General has described before is that, you know, there is a lot of political pressure going on. And, sir, you actually refer to it as a mud wrestling event, which I think is probably a perfect description of it. But my plea to you is that we'd have years to be able to get money to actually make this dredging problem go away.

And here is my benefits cost analysis for you, the green back. And if we dredge, we dredge 15 million dollars a year, okay. We have been doing that historically since I have reference of it. That is going to go out forever. Okay. All we need is 10 million dollars a year for 15 years to

make that stop. Plus, we have 2 million dollars a year for O&M and we need about 2 million more dollars for O&M to take care of the dredging of the Middle Miss and up in the pools. Very simple arithmetic. But how do we get those funds?

We have full capability to do that 10 million dollars a year. But, you know, it is all a matter of how to get the money. And I make a plea to you as the Board to tell you that we are here to help.

That's all that I got. Do you have any questions? Any questions?

MR. WILKEN: Any questions or comments for Mr. Davinroy?

MR. DAVINROY: Okay. Thanks.

MR. WILKEN: Thank you.

That concludes our presentations. Can we bring the lights up, please? Thank you.

That concludes our formal presentations. We are now entering into the public comment period. And I would like to introduce Raymond Butler with GICA and everyone gets a chance to take a look at Raymond here.

Before you get started, Raymond, I would like to personally thank yourself and GICA for sponsoring our social hour last night at 6:00 p.m. It was a long day on the trail and we had a lot of dust to knock off. And we appreciate you and the group down here sponsoring that. So thank you very much.

MR. BUTLER: Thank you, Royce, for asking us. It is an honor to be with you guys. Mr. Chairman, General Riley, Mr. Secretary and the Board, thank you guys for allowing me to make a few very brief comments.

I want to talk to you just a second about a gracefully aging lady otherwise known as the Inner Harbor Navigation Canal Lock. She is gracefully aging. Thanks to the help of some of our partners here in this room, and I would like to recognize a couple of guys who have had a really tough job the last several months. Vic Landry from the Corps of Engineers New Orleans has done an outstanding job with keeping this lock going. He and lock master Richard McKenzie has got one heck of a job and it is not going to get any easier. So, Vic, thanks very much for working with us and doing that super job that you do, keep the band-aids coming.

And I also want to recognize Greg Miller who has had a really tough job also dealing with the other half of this issue and that's the Mississippi River Gulf Outlet. Greg is known as Mr. Bulletproof. Thanks for being here Greg and sticking around.

Real quickly, I just want to share some thoughts with all of you about the convoluted issue around this lock. First of all, the lock is very unique. I would tell you that the Inner Harbor Navigation Canal Lock is unique among any other lock on the Inland Waterway System, certainly

on the Intracoastal Waterway. Our gracefully aging lady handles deep draft ships. She handles somewhere around between 16 and 18 million tons a year of inland barge traffic back and forth. She is designed differently than any other structure on the waterway, very deep. She is, you know, from the river into the canal and back and forth. She's just -- she's different. And for us to try to make comparisons with the other locks on the Intracoastal Waterway, I think we are leaving ourselves open for some problems.

The lock is 85 years old and growing. And just recently something that we may -- maybe will dawn on all of us here pretty quickly, the traffic through that lock is going to increase dramatically, already has. She used to carry about one ship a week; is that right, Vic? And today right now while we are sitting here, she is handling about 8 deep draft vessels. What did we say 8 a week or 8 a month, about 8 a month which will go to 16 -- 16 ships a month where she used to handle like four a month. That's a lot of opening and closing of that gate. That's a lot of tows waiting to get that deep draft vessel through the lock.

So we need to think about the delays, the tonnage that's now going through that lock and the mechanical wear and tear that's on that lock that wasn't there before. I think that may -- if we take a close look at that, that might help us some with the justification problems that we have had in the past. And hopefully, Larry, that will help us put a little ammunition in the gun to get some funding going for the lock.

But more to the direct issue we have today is the Mississippi River Gulf Outlet is, as Steve pointed out, has been our only way around the gracefully aging lady when she stumbles or when we have to dewater or when a Hurricane Katrina takes her out of service for 16 days. That's the only way we move traffic. It adds about 24 to 36 hours to the trip but we can still do it.

The other really important thing to realize about the lock is that -- let me just read off these names to you, Chevron Oil, Shell Oil, Citgo, Valero, Alcoa Aluminum, Solutia, Rhodia, Huntsman, ThyssenKrupp, Southern Companies and military jet fuel. Those are a few of the entities that are directly impacted by what happens or doesn't happen at the Inner Harbor Lock.

And another thing that I kind of realize just recently is most of the stuff that goes through that lock is liquid petroleum and petrochemicals. And when we stop the flow of those products, it hits the public a lot quicker. We feel the public impact of those things very, very quickly when they stop.

We have all learned a little bit about that in the past two or three hurricane seasons with Ivan, Katrina, Rita and some other things. When we stop those products from flowing after about three days, Chevron in Pascagoula starts choking. The fuel supply for the Florida panhandle is depending on the situation could have already been non-existent because of the hurricane evacuations and we are trying to fill them back up again. All of these folks that I mentioned to you have joined with us recently and tried to bring attention to the critical nature of this lock which makes it so unique when it stops functioning.

Well, back to the MR-GO and the problem here. We are still dealing with the gracefully aging lady and no way around her at the end of this year. That's no issue with that. We know that's

coming. But what I think we might want to consider is how do we deal with the fact that we don't have a way around any more and we have got an aging structure that is higher taxed, she is working a whole lot harder than she ever has worked. She is carrying lots of tons and they are very, very critical when they stop flowing.

My thought is that regardless of what we do with MR-GO and other things, we really need to stop now and take time to analyze how we will handle a loss of the lock. Once she stops beyond about four days we have a very, very major situation. And my guess is we will be talking with the White House about those issues depending on the circumstances that surround them.

It is just a super, super critical thing. I believe that it is worth our time now to sit down together with the Corps, the Coast Guard and all of our stakeholders and let's work through this scenario of how we manage a prolonged outage at the lock. And I was talking with Colonel Lee last night about this.

And I think we have a very willing partner in making that happen. I am really encouraged with the conversation that we had last evening that that will happen. We can get together and decide I don't know what the answer is, but at least by talking we will get the issues out on the table and we will be able to address them and have a plan ahead of time when this happens to us. So thank you very much for helping us with that, Colonel Lee.

The final thing that I would like to mention to you is the status of the replacement project. And after listening to this morning's discussion now I don't know where we are with that. The project cost is up to 800 million dollars. I got a feeling it is going to be a long time before we see that new lock down at New Orleans. I really do. There is just so many problems with it. Even if Senator Landrieu who is so energetic about appropriating funds for us, for this lock, I can assure you that she is on board. We visited with her about three weeks ago personally. She came in and sat down and talked with us about it. The first thing out of her mouth was we have got to do something about this. We have got to get it. I want to get the money going. I want to do whatever I can to get the project off of dead center and let's get this thing built.

Well, I am sitting here thinking this morning, gosh, despite her best intentions and maybe those of the Senate appropriation's committee that she sits on, we just don't have the money in the pot to match it if she were able to get it. The 75/25 will help us with that but we still got that big hurdle go get over.

The other one is despite how much she wants to help us and I believe that a lot of the Gulf Coast after our visit three weeks ago, we visited every Gulf Coast state Senator and a whole bunch of the Congressmen. I think they now appreciate the problem probably more so than they ever have and we may be able to get their support a lot easier for funding and moving ahead with the replacement project.

I am hopeful that -- well, I know that we are in better shape now than we ever have been in with that support. We have got to figure out how to get the money turned lose and get it going. And that's -- I guess the last point that I wanted to share with you was that that interest and that momentum I believe is there in the Senate and in Congress more than it ever has been. If we can

do the other part to address the local opposition it seems so strong down there against this project, I'm not sure how we do that. But I am certainly willing to go talk to whoever the groups are down there to try to reason with them and I believe that everybody has got a reasonable side somewhere.

Let's try to present the case to them because they stand to benefit from getting all of these barges that are being tripped multiple times through their backyard. If we can efficiently get them through there, they are going to be a whole lot better off. Their safety issues will increase, I am not sure they realize that. If we can do our part to get the injunction lifted, get the EIS addressed and try to move ahead so that we don't throw road blocks in the way of those in Congress that are ready to appropriate, maybe we can get this thing rolling.

And, finally, I just want to thank you guys for listening to us. I know the Corps has been under the gun a lot over here in New Orleans but I can tell you that from my standpoint, my personal view, working with the Corps and the Coast Guard after all of these hurricanes and working through the navigational issues that we have to deal with, the MR-GO, Port Allen Crane Salvage that was a real hot topic for a while. We have some good partners in the Corps and some very good people here in New Orleans, Galveston and Mobile across the Gulf and we are really privileged to be working with you guys and for y'all to invite us into your kitchen when we have trouble. Thanks for that. Royce, thank you for letting me talk.

MR. WILKEN: Thank you, again, Raymond, for your comments. Are there any further public comments at this time? Seeing none. Closing comments. Sir.

MAJOR GENERAL RILEY: I would just once again like to thank the Board members for their service to the nation and the great work that you do and the important work that you do. And we have got a list of tasks that are certainly coming out of this meeting. And, of course, the biggest commitment is to get our comparative assessment to you fairly quickly before the board -- next board meeting so that you can have time to digest it and hopefully comment on it before we go final and you get your comments. So thanks a lot for all that you do for us.

MR. WILKEN: Okay. Closing comments by myself. I would just once again like to thank General Riley for all of your efforts. Sir, you are a great American and I truly mean that. And, Secretary Woodley, thank you again, we truly enjoy your perspective. And boards members, I know the travel and everyone that traveled here out of their busy time schedule, thank you very much. And with that being said, we'll officially close this meeting. Thank you.

(Meeting recessed at 12:10 p.m.)