

Minutes  
Inland Waterways Users Board  
Meeting No. 59  
November 18, 2008  
Chicago, Illinois

[Note: The following minutes of Inland Waterways Users Board meeting No. 59 were approved and adopted at Inland Waterways Users Board meeting No. 60 held on February 20, 2009 in Vicksburg, Mississippi.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 18<sup>th</sup> day of November, 2008, at the Chicago Marriott O'Hare Hotel, Chicago, Illinois, Mr. Royce Wilken, Chairman of the Inland Waterways Users Board presiding. Inland Waterways Users Board (Board) members present:

- MR. JERRY GROSSNICKLE, Bernert Barge Lines;
- MR. RICK CALHOUN, Cargill Marine and Terminal;
- MR. GERALD JENKINS, Ursa Farmers Cooperative;
- MR. STEPHEN D. LITTLE, Crouse Corporation;
- MR. DANIEL T. MARTIN, Ingram Barge Co.;
- MR. W. DEANE ORR, SearchLight Safety Services, LLC.;
- MR. TIM PARKER, Parker Towing Co.;
- MR. WILLIAM M. WOODRUFF, Kirby Corporation;
- MR. ROYCE C. WILKEN, American River Transportation Company

Also attending was MS. SUSAN DIEHL, of the Holcim (US) Inc. who was substituting for Board member MR. JEFF BREHMER who was unable to attend the meeting.

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

- Mr. JOHN PAUL 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. ROBERT GOODWIN, 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 BO TEMPLE, Executive Director, Inland Waterways Users Board and Deputy Commanding General for Civil Works and Emergency Operations;

Mr. MARK POINTON, Executive Secretary, Inland Waterways Users Board;

MR. KENNETH E. LICHTMAN, Executive Assistant, Inland Waterways Users Board.

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

MR. DAVID GRIER, Institute for Water Resources;

MS. MARY ANNE SCHMID, Headquarters, Programs Integration Division, U.S. Army Corps of Engineers.

Program speakers in order of appearance were as follows:

MR. DAVID GRIER, Institute for Water Resources;

MS. MARY ANNE SCHMID, Headquarters, Programs Integration Division, U.S. Army Corps of Engineers.

MR. GARY LOEW, Headquarters, Chief, Programs Integration Division, U.S. Army Corps of Engineers;

MR. LARRY BIBELHAUSER, Louisville 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 given at the meeting.

MR. POINTON: Take your seats, please.

I would like to welcome you to Chicago, Illinois, for the 59th meeting of the Inland Waterways Users Board.

My name is Mark Pointon. I am the Executive Secretary and the designated Federal Officer for this Board.

Before we start the meeting, we're 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 the Congress to make recommendations on funding levels and priorities for modernization of the inland waterway system.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act of 1972.

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

This is a Sunshine in Government meeting, so it's open to the public.

The proceedings are being recorded and a transcript will be available shortly after the meeting.

Board members, you were provided a copy of the book, "*Good to Great*", and also a copy of the Marine Transportation System National Strategy for your benefit.

There are copies of the Board's annual report on the table, the registration table out front, for anybody who hasn't seen that yet. It's been available for several months at this point.

I would like to call on General Peabody to provide some opening comments from the Lakes and Rivers Division of the Corps of Engineers.

Thank you, sir.

GENERAL PEABODY: Thank you. Can everybody hear me?

Good morning. Mr. Wilken, General Temple, Secretary Woodley, members of the Board, welcome to the Great Lakes and Ohio River Division.

Thanks for coming today, and especially thanks for allowing me and other members of the Corps to attend your meeting.

I had dinner last night with the Commander of the District here, Colonel Vince Quarles. Now, Vince was my XO when I was a brigade commander during the attack phase into Iraq, a little over -- almost six years ago now, and so we're pretty close. We're battle buddies.

Now, when we were battle buddies, that meant our wives, who had the harder job, which was not knowing what was going on and praying for us back at Fort Stewart, Georgia, were battle buddies, as well. And shortly before we deployed, they had their first daughter, Alecia. She was born.

Well, it's been about five years since we've seen Alecia, and she's six years old now; and if you ever want a lesson in humility, talk to a six year old. That's what I got last night. I was just introduced as "General Peabody."

Well, Alecia is very close to her mother and had been talking to her mother for some time about the Peabodys coming over, and we're pretty close to them, and so she was getting pretty excited, apparently. But Alassa, Colonel Quarles' wife, kept talking about "Miss Kelly," "Miss Kelly this," "Miss Kelly that."

Then last night, when she finally decided to open up a little bit and talk to me, she addressed me as "Mr. Kelly."

(Laughter.)

GENERAL PEABODY: Well, I will respond to that, as long as I'm here in Chicago, I suppose. If you all want to use that phrase, you can.

I just wanted to, first of all, again thank you all for coming, but make a couple of remarks about my perspective as the still relatively new Great Lakes and Ohio River Division Commander.

This Board has properly challenged the Corps, in my view, to improve our effectiveness and our efficiency in delivering the projects that you use for the conduct of your business, which is so important to the economic health and vitality of this nation.

I have tried to get out and around to as much of the projects as I could in the last three months or so, and I've seen probably about a quarter of them in the Ohio River system, to include many of our dams; but in terms of the locks and dams, I've been to all the projects that are now famously a part of the so-called, "Good, Bad and Ugly" study. I've been to every single one of them.

Here is my very simple perspective. We are in a position today -- I don't want to go through the history of how we got here -- but here's where we are: We are simply managing a continuing crisis, and the crisis is deepening with every day. The chances that we will face catastrophic failure increase every day. It's difficult to quantify exactly what those chances are with any great precision; but the fact that it will happen someday, unless we do something to reverse course, is inevitable, in my view.

About three weeks ago, an example of this came pretty clear. Allegheny Lock and Dam 6, which is, of course, on the Allegheny River, not a portion of the river that's navigable, but which is used for hydro power, during part of our routine maintenance or inspections that we execute, periodic inspections that we execute every five years, was discovered to have a rather significant scour hole underneath a portion of the dam apron, 120 feet wide by 30 feet deep and 40 to 45 feet underneath, back into the depth of the apron. Huge.

This year our O and M budget for the entire system, both the Ohio River and the Great Lakes, is estimated to be about \$80 million. We still don't know, because we're under continuing resolution, what the exact figures are going to be.

On Friday, I will go out and I will see this lock and dam, which we just executed a contract for the emergency repair, that's going to cost us \$4 million. That's 5 percent of our O and M budget for this year, approximately, for emergency repairs, for one project, that is not even used by the navigation industry.

I am appealing to members of this Board to find a way forward to get out of the crisis. Our job is to manage the system so that we have acceptable risk.

Ladies and gentlemen, I would offer you the risk is beyond acceptable, in my judgment, and the judgment of practically any engineer who is intimately familiar with the system will, I think, tell you the same thing.

We will be at a decision point in the FY 10 budget, and I can tell you that I believe my responsibility is to manage the system as best we can, but we can't keep going as we've been.

Therefore, I will be recommending to my superiors at the headquarters that some of our projects come to orderly closure, because we can't continue to dole out the inadequate funding to old projects that we have under construction right now.

Now, inevitably, somebody will disagree with whatever recommendations we make. Those recommendations may or may not be approved. We may or may not get funding under a new administration. Those are variables that I cannot predict and I would not deign to go into.

But I do know that, unless we get the funding that we need to efficiently fund all of the projects we currently have under construction, that I do not feel that I can, in good conscience, not recommend we go forward with orderly closure on some of those projects.

With that happy note, I will turn it back over to the Board. Again, thank you very much for coming. I apologize that I have to start on such a somber note, but I think it is important that this extremely important body understands the perspective of one of the Division Commanders, who is charged with operating the system that you are so dependent upon.

Thank you for your time. I look forward to hearing the discussions this morning.

Thank you, sir.

CHAIRMAN WILKEN: Thank you, General Peabody.

It's my honor to introduce a new attendee to the panel. Major General Bo Temple is at his first meeting and has some prepared remarks.

GENERAL TEMPLE: Well, thank you, Chairman Wilken and members of the Board, ladies and gentlemen. Welcome to the Inland Waterways Users Board meeting, and I'm delighted to be here as the new Executive Director of the Board.

I'm in my first week on the job as the Deputy Commanding General for Civil Works and Emergency Operations for the Corps, so this is a wonderful opportunity for me to get reacquainted with our civil works and, most importantly, navigation mission that accounts for about 40 percent of our annual appropriation, and I say "reacquainted," because although my previous job was director of the military and international program, prior to that it was the North Atlantic Division Commander, and like John Peabody, had both a military and civil works mission.

So civil works is not a stranger to me, but I notice some things have changed in the last 3 1/2 years since I last delved into it in any depth; and so I look forward to this meeting and others to help me get reacquainted in that regard.

As my first order of business here, let me thank Mark Pointon, of the headquarters, who is the Executive Secretary for the Board; Ken Lichtman, of the Institute of Water Resources and all the folks from the Great Lakes and Ohio River Division and Chicago District who worked so hard to pull this meeting together and to support it in such a fine fashion.

And let me also, on behalf of the Corps of Engineers, extend a sincere thank you and well done to Chairman Wilken, Vice Chairman Grossnickle, whose terms expire shortly, and Jeff Brehmer, also leaving the Board.

And let me welcome our Federal observers, Mr. Alan Bunn, from NOAA.

Are you here, Alan?

MR. BUNN: (Indicating.)

GENERAL TEMPLE: Good to see you. Thank you.

Mr. Nicholas Marathon, Agricultural Marketing Service, Department of Agriculture.

MR. MARATHON: Thank you, General.

GENERAL TEMPLE: Thank you.

Mr. Robert Goodwin, Maritime Administration, Department of Transportation.

MR. GOODWIN: Thank you.

GENERAL TEMPLE: Thank you.

And the Honorable John Paul Woodley, Jr., the Assistant Secretary of the Army for Civil Works.

SECRETARY WOODLEY: Thank you.

GENERAL TEMPLE: And after I finish my remarks, I'll invite each of them to make any remarks that they care to contribute to this meeting.

As is customary, I'll now present a quick update on happenings since our last meeting.

In terms of appropriations, as was predicted at our last meeting, September 30th came and went without an energy and water development appropriations bill for Fiscal Year 09.

So instead we're operating under continuing resolution, as John Peabody pointed out earlier, and that only allows us to spend the same level of expenditure rate as Fiscal Year 08. It extends until the first week of March of '09, to give the new administration time to put its mark on the budget, when we hope we'll have a bill by then.

There's also a talk of a second stimulus, economic stimulus package or bill in Congress, possibly something this year, by this Congress. By "this year," I mean this calendar year.

Unlike the previous bill, which sent tax rebate checks to citizens, this one would focus on infrastructure, as we understand it, and related job creation measures.

The intent would be for the projects to start soon. So the Corps of Engineers has heard that all funds would be expected to be put to work within two years, at the outside; so it is incumbent on all of us to be ready soonest to take advantage of this opportunity, should it present itself.

We don't know whether the Corps projects will be fully included in this package, nor exactly what amount will be involved here, but we will continue to work with you and our many other partners in Congress to ensure that some Corps effort is included in this second stimulus package if, indeed, it occurs.

With that said, we do know that the Corps has many worthwhile infrastructure projects, including inland navigation, that would be an investment in the nation's future and could be contracted to initiate work on these very quickly.

At the Congress's request, the Corps has provided a statement of its general capability, and this capability is actually quite substantial, as General Peabody pointed out, because we have a rather large backlog of maintenance, repair and rehabilitation projects alone; and so the capability that we initially identified totally across our entire program was on the order of about \$7 billion.

So we'll just have to see what transpires with respect to this second economic stimulus package.

Now, with respect to the status of the Inland Waterways Trust Fund, Gary Loew provided a detailed report at the Walla Walla meeting in July, and is with us today here again, to provide us an update a little later in this meeting.

Final figures from Fiscal Year 08 showed that the fund took in \$92.4 million, \$87.6 million from taxes and \$4.8 million in interest, and spent \$171 million, a deficit of \$78.6 million.

We began Fiscal Year 08 with a balance of \$209.4 million, and that has gone down to \$130.8 million as of the 1st of October of this year.

Of that, Treasury reports that \$102.9 million has already been obligated, leaving only \$27.9 million for new obligations.

Now, as I said, Gary will talk to us a little bit later about a three-phase plan to move us all collectively together forward, which has the following elements or phases.

A project management team collaborating with industry to take a look at best practices and amending, changing or improving our practices in the prosecution of civil works requirements.

Secondly, establishing the groundwork for a forward-looking strategy of a 20-plus-year capital investment plan; and then, thirdly, to reexamine and review what we've got on our plate now and the way ahead.

So kind of in conclusion here, what I would say is, no matter what the way ahead is for us, the many national water transportation interests, both public and private, must work collaboratively to convince our citizens, state and local governments and the Congress of the importance of prudent investments in our national infrastructure. The public safety and the national economy are at stake.

So on that note, let me invite our Federal observers to make any comments that they may wish to at this time. I'll turn it over to Chairman Wilken.

CHAIRMAN WILKEN: Mr. Bunn, any comments?

MR. BUNN: Yes. We certainly appreciate NOAA being able to attend and thank you so very much for the opportunity to participate.

As everybody knows, we had an extremely busy hurricane season this year. The Gulf of Mexico had a number of ports, harbors, coastal waterways and especially the Gulf Intracoastal Waterway, which received extensive damage.

Thanks to the cooperative efforts of a Gulf of Mexico hurricane task force, which is made up of Corps of Engineers reps, NOAA, Coast Guard, a lot of maritime industry folks and Gulf Intracoastal Canal Association members, we actually were able to activate a plan that we had in

place for hurricane response, implemented that plan and began the response efforts, which, in the course of the hurricane season thus far, has covered from Key West to Brownsville, Texas.

In that response effort, we were able to utilize our survey resources. We were able to test out some new automated underwater vehicles within NOAA that we brought to bear to the survey effort, and we were able to get those ports and waterways, through that cooperative effort, open and commerce going again quite orderly.

One additional thing. With the help of the Gulf Intracoastal Canal Association down there, we have a railroad bridge at the Gulf Intracoastal Waterway cut that goes under the causeway going over to Galveston. There's a railroad bridge there that, unfortunately, is extremely narrow, and the Coast Guard has identified that as an extremely hazardous location.

Since the hurricane, the currents which were already causing problems and some collisions with that railroad bridge by barge traffic, those currents have been accentuated, they have changed and been modified, and so the Gulf Intracoastal Canal Association and the maritime industry inland folks asked if there was any way NOAA and the Corps, the Coast Guard could help out with a possible current meter of some kind.

We were able to pull a backup unit within NOAA and put it on the scene, and it's being utilized, and the Corps of Engineers has a more permanent unit that will backfill behind ours when we have to pull it.

So that instrument is giving out real-time data that is, hopefully, helping out in this interim until we can get some dredging and some other work done at that location.

But, again, I just want to stress the cooperative effort of our different agencies that many of you are all members of and appreciate the efforts from each of the members that came to bear on those responses.

Thank you.

CHAIRMAN WILKEN: Thank you. Mr. Bunn.

Mr. Marathon, your statement.

MR. MARATHON: Yes. Thank you.

As always, I appreciate the opportunity to be part of this Board.

As representative of the USDA's Agricultural Marketing Service, we appreciate the importance of a reliable waterway system to U.S. agriculture. Moving grain and oil seeds economically and efficiently is vital to the continued success of U.S. agriculture.

So, again, I appreciate being here today. It's an educational process for me that I pass on to back in the office; and, again, thank you.

CHAIRMAN WILKEN: Thank you. Mr. Goodwin. MARAD.

MR. GOODWIN: Yes, sir. Thank you for the opportunity to be here today.

You have on the table in front of you a national strategy for maritime transportation system, and this is an excellent overview of where we are right now, and I would encourage you to run through that when you have a chance.

I'd like to talk about that in combination with another initiative that we have in the Department of Transportation called America's Maritime Highway. Both of these work together to recognize the fact that the transportation system in the United States is, indeed, a system.

Too often in the past we've looked at landside transportation, marine transportation and rail transportation in isolation.

The Department of Transportation recognizes that if we're going to be able to move ahead into the future and move the commodities that we're going to have to have to support our economy in the future, all our modes of transportation are going to have to work together, as a system.

So this is one of the emphasises -- emphasize -- I'm not sure what the proper word would be -- that the Department of Transportation has, and we really recognize that the marine system is one of the keys to moving ahead in the future.

Marine transportation has a capacity and the capability of moving even more cargo in the future.

Land side transportation, rail and truck, are both running into congested areas, they're running into bottlenecks; and the intent behind this strategy is to try to move some of those cargoes from the land side to the water side to better use or better utilize a more efficient national transportation system.

So we're anxious to continue working with this Board and modernizing our navigation system.

Thank you.

CHAIRMAN WILKEN: Thank you, Bob.

Secretary Woodley, would you like to make some comments, please.

SECRETARY WOODLEY: Yes, Royce. Thank you so much.

I have a lot of mixed feelings addressing the Board today, because it is the last time that I'll meet with you in this capacity, of my capacity as Assistant Secretary of the Army; and so I

want to say that this has been a tremendous opportunity for me to meet with the Board, and in every meeting that I have attended, I have just learned an enormous amount from the people that attend, the people who volunteer their time to advise the Secretary and the Congress on the needs of this transportation system and whose time is exceptionally valuable time, let me say, because we sometimes don't recognize that and express the appropriate degree of appreciation for the value of the time that is volunteered by the members of this Board for the sake of representing the inland waterway users, and the seriousness and wisdom that you bring to it has been an inspiration to me.

I can tell you that I will -- I don't -- I don't know, I have not heard what our views will be with respect to the new administration coming forward on infrastructure matters. There are some reasons for us to have some optimism. There are some reasons for us to have not so much optimism; so they remain to be seen. They may be, to some degree, unformed; and so the opportunity may exist for us, operating in our private capacities, to form them and to inform those views; and so I want to encourage you to work toward doing that.

I have found one thing that the issues that we deal with in this context and, in general, in the context of the Civil Works Program, are very rarely of a partisan nature; and so the fact that we are making a change in the partisan makeup of our administration should not necessarily reflect a major change in point of view or any kind of implication as to what the views will be.

I think that we need to find out who is going to be informing those views in the new administration and work very closely, work very carefully and very personally to inform them of the needs of this system and the critical juncture that it has reached as of the year 2009.

And so that is something that I will pledge to do my part in, as I leave the government and go into the private capacity; and because I think that the message that we have to tell, the message we have for the nation, of the benefits of this system, which are largely invisible to the people, and the risk that is now being run of, you know, not merely failing to maximize those benefits, but actually putting them into very considerable peril in some instances, is something that needs to be widely understood and broadly explained to the people at every level of government and in every community, because I think there's no community in the country that's not touched by the activities of this Board and the benefits of our inland waterway system, as a whole.

So I want to, I guess, just finish by saying that I feel a profound feeling of gratitude for all the members of this Board, the staff and former members that have sat with me, some of whom we're fortunate to have with us today in the audience, still keeping up with the activities of the Board and following them very closely.

So I thank you for everything you've done and wish you every success going forward and in working with and advising the new Secretary and the incoming Congress.

CHAIRMAN WILKEN: Thank you, Secretary Woodley.

Major General Temple, thank you for your attendance, and I'd like everyone here to know that Secretary Woodley, for those of you that don't know, has only missed one -- one meeting, sir?

SECRETARY WOODLEY: Yes.

CHAIRMAN WILKEN: -- in the four years plus that you've been attending?

SECRETARY WOODLEY: Yes, sir.

CHAIRMAN WILKEN: And your service to this Board and to the government of the United States of America is greatly appreciated.

I'd like everybody to give Secretary Woodley a hand for that.

(Applause.)

SECRETARY WOODLEY: Thank you.

CHAIRMAN WILKEN: It will be a hard act to follow.

We had a little dinner last night, and I learned exactly where Fort Hamilton was under the Verrazano-Narrows Bridge, and which was quite interesting to listen to the discussion around the table, and I'd echo one thing that you heard both Secretary Woodley and General Temple discuss, and that was that we are all in this together and we all need to be working together to improve this system, our infrastructure in this system.

How we get there and how we proceed, you've seen some light shed on that, with the comments from General Temple.

I might share with the balance of everyone here that we have an opportunity to clarify questions, and these questions that we have should provide us with a basis to proceed ahead; but until those questions are answered and we have a clear understanding in our minds as to what has transpired, we'll need that to form a strong foundation to move together, ahead together with the Corps, with a strategy, with a model, with a plan.

So I would request that everyone keep that in perspective and keep that in mind today. It will be a very productive session today.

Before I forget, I'd like to thank the three observers -- four observers, really, sir, considering yourself -- for coming.

I'd also like to thank a lot of folks in the audience that I see here that have taken time out of their busy schedules in the days to attend today.

I know there's a snow storm east of town. Hopefully, no one had to travel through it; but it looks like we have a pretty good turnout today.

So without further delay, I'd like to recognize the minutes of Meeting number -- I believe it's 58 -- the Walla Walla meeting -- and I'm entertaining a motion on those minutes.

Does anyone have any comments or a motion?

Mr. Orr.

MR. ORR: I move that we accept the minutes.

CHAIRMAN WILKEN: Mr. Orr moves to accept the minutes.

MR. CALHOUN: Second.

CHAIRMAN WILKEN: Any comments, questions?

(No response.)

CHAIRMAN WILKEN: Do I have a second?

MR. CALHOUN: Second.

CHAIRMAN WILKEN: Second, Mr. Calhoun.

All in favor of approving the minutes of the Walla Walla No. 58 meeting signify by raising your hand.

(Hands.)

CHAIRMAN WILKEN: Okay. Thank you.

Against.

(No response.)

CHAIRMAN WILKEN: Zero. Thank you.

We'll now move on to David Grier's short presentation. You heard some of it, I think, with General Temple; but, David, do you have any updated numbers for us?

MR. GRIER: Just very briefly. Thank you, Mr. Chairman.

Tab 3 of your notebooks have an update of the status of the Inland Waterways Trust Fund, and if anyone -- I have some extra copies here, if anyone needs one for your notebooks, and I'll just go through this very quickly.

As the Chairman noted, General Temple did already sort of cover some of the key numbers from that analysis; but just to reiterate, we came into 2007, Fiscal Year 2007 with a balance of about \$268 million. Interest and revenues amounted to a little over \$100 million in '07. Transfers to the Corps were about \$160 million, leaving us with a balance of about \$209 million at the end of '07 and coming into '08.

In the course of '08, revenues were just about \$88 million, interest of nearly \$5 million, for total receipts of \$92.4 million, which is a decline of about 9 percent of the total receipts in '07.

Transfers to the Corps actually increased \$171 million, as shown by the Treasury statements, leaving a balance of \$131 million on paper.

Now, of that balance, \$103 million is considered as transfer authority already committed to the Corps and not available for new obligations; so that leaves, out of that \$131 million, actually only \$28 million available that's not somehow already encumbered as a commitment for operations; and Mary Anne Schmid, next to me, may have some updates on the more recent revenue since the end of September to add to that.

Just as a footnote, in terms of the receipts to the system, they are a result of the traffic on the system; and we did show total traffic tonnage, based on preliminary statistics from waterborne commerce, declined by about 7 percent in '08, which would be somewhat consistent with the decline in the receipts that we were showing, and that was primarily led by a decline in the farm products shipments, and somewhat for petroleum, although we did show a little bit of an increase in coal tonnage moved, and on the next page there are some graphs from our waterborne commerce folks that indicate the trends, by year, for total traffic for coal and for farm products, which sort of track what the data is indicating.

So with that, that concludes the status report on the Trust Fund, if there's any questions.

CHAIRMAN WILKEN: Any questions for Mr. Grier regarding any of his presentation or the numbers?

Mr. Woodruff.

MR. WOODRUFF: If this is something that's going to be addressed later, I'll be happy to defer the question.

But I'm curious, in light of the Trust Fund and the amounts appropriated under the continuing resolution, how that translates into what projects we are putting money into and where we're spending our money right now when -- for the rest of this year, in terms of our construction and rehabilitation projects.

MR. GRIER: Yes, sir. That does present a very serious limitation on what can be made available for the ongoing construction contracts; and I believe Mary Anne is going to talk about that a little bit and Gary Loew is going to provide more extensive details on that.

MR. WOODRUFF: Okay.

CHAIRMAN WILKEN: Any further comments or questions for Mr. Grier?

(No response.)

CHAIRMAN WILKEN: Okay. Mary Anne Schmid, please, give your report.

MS. SCHMID: Thank you, Mr. Chairman.

I'm Mary Anne Schmid, from the Programs Integration Division at Corps headquarters, and I'm here to present some appropriation data. It's under Tab 4 of the notebook. However, you will probably notice that the charts have not been updated from the last meeting, because we are operating under a continuing resolution, as was noted by General Temple.

The resolution was signed the 30th of September, and it was supposed to remain in effect until the 6th of March, unless an appropriations bill is passed at that time -- before that time.

I'll point out that Section 128 of the resolution exempts major rehab projects from cost sharing with the Trust Fund during the CRA period. We don't know if that would continue, if we receive an appropriation bill.

We are allotting funds right now on a monthly basis to ensure that we don't overdraw the fund. A total of \$5.846 million has been deposited into the fund so far this fiscal year.

As you've heard before, we receive deposits twice a month, and this just reflects through the first deposit in November.

That concludes my presentation. I think Gary will probably cover more detail on the projects. We've allotted about \$21 million so far, and that's supposed to take us through December, and they're applying it to projects -- the continuing budgeted projects.

CHAIRMAN WILKEN: Thank you.

Any comments or questions for Ms. Schmid?

(No response.)

CHAIRMAN WILKEN: Seeing none, we'll move on to our next presentation.

Mr. Gary Loew will be presenting "Good-to-Great" Overview.

Note, Gary, if you're -- you're prepared, notice everyone has the book, as well.

So, Gary.

MR. LOEW: Thank you, Mr. Chairman, and thank you all for inviting me to address you once more.

Before I start off, one thing I neglected to mention about last night is that Mark Pointon, your Executive Secretary, has been promoted.

He's been promoted inside my office and will be moving over and working much more closely with Jim Walker, on the total financing of our navigation system, coastal and inland; but nonetheless we've prevailed on him to continue to serve the Board, as Executive Secretary, at least until we can train a replacement for him.

Now, to go on, move forward, I'd like to talk first a little bit about "*Good to Great*" and refer back to what happened when General Van Antwerp first came into the Corps of Engineers as the new Chief. I'll keep this brief. I'll make a real quick point here; but he encouraged all of us senior civilians to read the book you have in front of us -- you know what it is when a Chief of Engineers encourages you to do something -- and he began to speak about the need to move the Corps of Engineers from good to great.

And the essence of that is that if you are going to become a great organization -- and in the book, Jim Collins defines "great" as, "An organization, I think, that has had at least 15 percent return on investment for at least 10 or 15 years," that is, he's got a metric that he uses to define that.

And one of the points that we discussed at some length with the Chief, as we talked about how we might move forward, as an organization, to be better, was that by Collins' metric, you're not good for a year or maybe for four years under a single Chief, it means you're good for a long time.

So we had to look at how we could move forward into the future, across Secretaries, across Chiefs of Engineers, across directors of civil works, if you will; because we've had strategic plans -- the Army requires them and, actually, the President requires them through the President's management agenda; so we have a Civil Works strategic plan.

But in our self-analysis, what we felt where we were weak was actually in firm implementation of the strategic plan that we have.

And so over the last year, really under the Chief's guidance and under General Riley's guidance and, of course, General Temple, in his former job as military programs, we've looked at greatly strengthening -- first of all, simplifying our goals and objectives so that we have a clear understanding of what we do; establishing clear accountability for each goal and each objective,

and metrics on how we move forward, and the accountability is accountability of senior civilians, like myself, basically, or in some cases, the senior military in charge of a single goal.

So the point is that the strategic plan is what we look to carry us through into the future, over years. We don't see this as a short-term investment in our time. We see it as a long-term investment to continue to strive to do better, as an organization; and sort of in that spirit, I think that we've done a lot of introspection, I think, under this Board's guidance, as to what happened in the past, how we have spent the money that was in the Trust Fund, and we are to the situation where we are now, which, by the way, was inevitable; only what we chose to do with the money wasn't inevitable. But getting to where we are now, to where we have revenues of about \$85 million a year into the Trust Fund, was inevitable.

And so we really need to focus, as we go forward, long term, in the same way that we're seeking to be better, as a Corps of Engineers, in how we manage things. I think we, the Corps, and the industry need to begin to focus on how we manage better jointly in the future, and particularly with regard to what that future program is and how we allocate the available funds.

So I thought we'd start off by maybe with just this little introduction to say that this isn't a small thing, it isn't a temporary thing for us, in the Corps of Engineers. We're seeking to be better in all ways, and then to carry that through into the future; and we do have some really significant successes, and I'll mention just two that are working right now, with regard to when we're funded properly and given the right kind of challenges, as to how much we can improve.

First is in military programs. As you will recall, of our total staff of about 33,000, about 10,000 of those are devoted to military programs.

Under General Temple's leadership, they have tripled their workload in the last four years, roughly, over this four years' period of time, from a program with about \$6 billion a year to a program of maybe \$18 billion a year, executing year after year, delivering quality products, same staff, same staff; and they've done it by different kinds of acquisition plans and certainly a lot of attention to execution management.

And then switching over to the civil works side, in addition to our regular appropriations, over the last four years we've received another \$17 billion on top.

So keep in mind our regular appropriation is about \$5 billion, \$5.5 billion a year. We've received an additional \$17 billion. Now, \$14 billion of that has gone right down into New Orleans, and we are on target to execute that \$14 billion over a four-year time period, which will finish in 2011, and completely rebuild the perimeter protection for New Orleans down there, which is an incredibly massive project.

So these things can be done, if the money comes in the right form and at the right time and we really focus on execution. And so we do have these opportunities for -- I mean, I think we do have a foundation on which to look forward to say if we can get the management of the Trust Fund and the Trust Fund projects lined up right and funded properly, we can do much better, or at least different, I would say, than we have in the past.

So with that introduction, Mark, if you will move forward to the next slide. I'm going to talk a little bit about where we are.

Some of what General Temple, Mary Anne and David spoke to, I'll show you the same information, but in maybe an easier-to-read format, and then we'll move on.

First is where we are, only a slide or two on this. Mark, next one, please.

This shows the Trust Fund. This is a different form of a graph you have all seen. And what it shows is, if you look at the blue line, if you look at the green line, that is -- thank you -- if you look at the green line, that is, basically, the revenue stream, as zero dollars.

The blue line shows how much money we allocated each year. So if you see the line dip below green, then you saw that we allocated less than the revenue; and then the curve on top starts to grow, because that's the surplus end of the fund.

So if you follow those curves forward, you see that we ended up with about a \$400 million surplus in the fund out through about 2002, '3, '4; and then we started to spend it down. And note that the serious spending took place there over just about four years, from around 2005 forward -- I'm sorry -- about 2004 forward. You can see that we used on the order of \$100 million a year there above revenues; and so that's what's caused the Trust Fund to be spent down to where we are today, where annual revenues are going to be about \$85 million a year, as we can see it.

Next slide.

Now, we went back and took a look at what we accomplished here, and over that period of, roughly, from 2002 forward to the present, and there's a little point to this analysis, because, you know, one of the questions has been, "How did we use this money? What was it spent for and what was accomplished?"

And what I'd like to point out is that there was quite a bit accomplished and quite a bit that's underway, and I'm not going to go through the list, you can all see it there; but what I will point out is, Ohio River, Mississippi River, four projects; Kanawha 2, three projects; Ohio River, four projects; Tennessee River, two projects; Monongahela River, one project.

So what you can take from that is that the money was spread among a number of projects, a combination of both rehabilitation projects and expansion projects, and it wasn't focused on a few; and that may be one of the lessons that we want to take forward into the future.

This graph -- you've all seen this before, but it bears repeating, because it is showing that, in spite of the spending, we're not making much ground in terms of navigation system availability. We are losing ground in both scheduled maintenance, unscheduled maintenance, and in the blue at the top are mechanical breakdowns, which are starting to increase. And you

heard General Peabody at the outset of the meeting speak to his concerns about the fact that maybe his system is becoming unmanageable.

Now, I take that very personally, because I'm responsible for providing the revenues that they need to maintain the system and, clearly, I'm not doing that well, and so with your support, we all have to look forward to see either how can we work more efficiently or how can we use the revenues better or how can we get more revenues.

Okay. Mark, next one.

This shows cash flow analysis, and the only thing I'll point to on this slide, if you look at the second down, "Revenues," we're now down to roughly \$85 million a year. It goes down a little bit from the \$92 million that Mary Anne spoke to, because with no surplus in the Trust Fund anymore, we're not collecting interest anymore; so, basically, the only revenues into the Trust Fund now are the revenues received from the fuel tax. And so you will see the spending out of the Trust Fund bump up and down over that \$85 million, depending on what we use it for each year; but that's about our limit right now.

You'll also notice that we keep a reserve at the bottom. The reserve is to cover contingencies, should we have a waterways project that encounters a problem, similar to the Allegheny Dam that General Peabody mentioned, so we keep about \$5 million in reserve; and then we also have to keep a reserve because the revenues tend to be low in the first couple months of the year; and as Mary Anne pointed out when she was going through her presentation, we are working with Treasury to extract the monies monthly, as they are available, so we are into just-in-time funding; but even just in time, we're maintaining a little contingency in there.

So, anyway, all that evens out as you go forward past '9 and '10; but \$85 million a year is about what we think we can count on right now.

So where does that leave us?

Just in terms of management, we are providing just-in-time funds. We have over the last six to eight months worked with Treasury to make sure that the funds are deposited quickly and that they become available to us directly after they're deposited. So we've made that part of the system as efficient as possible.

We are down to -- particularly in terms of rehabilitation projects -- I would say we're not doing what needs to be done in all cases. We are addressing only our very high-risk, high-consequence situations, and I'll explain a little more detail about that in another chart that's coming up.

And then, in terms of our expansion projects, we are pursuing high-payoff work, including near-term completions.

Now, basically, what that means is, that other slide that I showed earlier showed a number of projects underway. We're looking either to stop those that can be stopped where they

are, and completing the ones that can be completed. We have a couple of completions coming up, and I'll mention those.

So we're basically trying to get our portfolio of projects down to a smaller number that we can fund as efficiently as possible with the funds available.

So if we sort of look on a programmatic basis -- this isn't a project basis -- keep in mind General Peabody and his district commanders are worried about projects, right, and I'm sitting here looking at the overall program, and there's a couple things we can tell you.

Of course, our revenues -- that is, our work allowances equal our revenues. Work allowances are what we pass to the districts.

In Fiscal Year 09, we considered the situation so dire that we discussed it with our House and Senate subcommittee chairs and staffs, feeling that if we had to fund rehab work in the past out of the Trust Fund account, we would have a very, very serious problem and we'd be shutting down ongoing contracts in ways that were uncomfortable and costly; and so they heard us on that, and this is the one area -- now, by law, all of our expansion projects have to be funded 50/50 out of the Trust Fund, but the rehabilitation projects are funded 50/50 only if they're mentioned annually in legislation; and while that had been a practice up till Fiscal Year 09, in Fiscal Year 09, they agreed to fund the rehab projects totally out of the general revenues, not cost shared with the Trust Fund. So they gave us quite a bit of break there, and I'll show you what those projects are in a future slide.

But it is instructive to read the House and Senate reports. They both commented that this was a one-time thing, as far as they were concerned, and they wouldn't guarantee that they would do this in Fiscal Year 10 or future years; so that becomes an uncertainty for us.

And as General Peabody said, again, we're now into being very, very meticulous and thorough about how we manage risk and how we apply the funds project by project.

Now, two slides here to show both the ongoing expansion and replacement projects and the next slide will show the rehabilitation projects; and the object of this slide is to show our funding commitments in Fiscal Year 09 and Fiscal Year 10.

So on this slide, the good news is that you can see, with just a small amount of funding in Fiscal Year 09, we are completing Marmet and McAlpine. So those two replacement projects disappear off of our funding horizon, and then we're left with the others you see there, Chick locks; Kentucky locks; Lock Dam 2, 3 and 4 on the Monongahela, and Olmsted.

You can also see that Olmsted is -- that contract itself requires a substantial portion of the revenues that are available for the expansion projects. So that's not every dollar that will be spent in Fiscal Year 09, but it shows you the commitments in '09 and '10 just for those existing contracts.

Next slide.

Here, moving over to the rehab projects, these are Fiscal Year 2009 projects that we're funding. Again, these are funded entirely out of the general revenues; but you can see what a problem we would have had with the contracts on the prior slide, if we'd have had to fund these rehab projects out of the Trust Fund.

Now, Lockport, down at the bottom, we'll mention, has never been funded out of the Trust Fund, so that's always come out of general revenues; but you can see Emsworth and Markland are substantial projects there.

So as we look forward into the future, we have some things that we know and we have some things that we can control and we have some unknowns, and I'll mention those unknowns which are listed here as uncertainties.

First of all, as General Peabody so dramatically pointed out when he spoke this morning, we could have a failure; and so all the planning we do, as far as how are you going to use the funds, could be changed if we have a substantial failure; and it's noteworthy that the Allegheny Dam that he mentioned came about as a routine inspection, I think it was a regular five-year inspection, and all of a sudden they found a big hole under the left side of the dam, moving over into the hydro power project.

And so these are old projects. These problems happen on an accelerating basis once they do start to happen, and so that's something that the districts are watching closely and trying to stay alert for.

Several of you mentioned the possibility of economic stimulus legislation. General Temple spoke of our capability which, when invited, we gave that information to the Congress. There are different bills and approaches working now, and I can't tell you, I'm clueless as to how that might come out.

Originally, they were hoping for a stimulus package during the session of Congress that's going on now. That looks unlikely. It appears that the current administration doesn't want to sign a really large package, which could get loaded up with stuff. So it appears that they're still working on something there. Maybe it would be a smaller, limited package, and it does appear that the new administration intends to seek a stimulus package when they come into the office, so that wouldn't be until maybe the January/February time frame.

In that new package, the amounts that I've seen range from \$60 billion to \$125 billion, with the infrastructure portion of that project being in the neighborhood of \$25 billion. But that would be Energy, EPA projects, Transportation projects and all.

So we would like to think that we would get some share of that. I can tell you that the numbers bounce around quite a bit.

One thing I would mention is that the staffs have been clear to us, in terms of were we to receive that money, they would expect us to focus on projects that intensively use labor, they would favor projects where the money can be obligated and put to use very quickly, and they

fully expect us to see that the funds are used across all of our business lines and probably spread around the nation.

And in the bills that we've seen so far, they've been very careful to not earmark anything inside; so there's only been very, very general language associated with it.

So, I mean, that's really about all I know. There is possibility, there's possibility; and with that is the possibility that some money would be available for some inland waterways projects.

The cautionary treatment of ten. This is something that I can tell you that USACE will work with the new Administration and the Congress to encourage them to continue to give us a break on the rehab project. That just, again, looks essential to us in Fiscal Year 10.

And then, you know, I've listed as other uncertainties, can we reach agreement within the Administration and within industry of other ways to provide additional revenues into the inland waterways system.

So we want to move forward. I think there is light at the end of the tunnel. We have a path forward. I'll talk about that next.

So our Chairman, Mr. Wilken, mentioned this when he spoke at the beginning. We have talked to the Board about a path forward. We did it in Walla Walla and we're continuing to move forward as we can on that.

You know, one part of that path is just-in-time funding; that is, make sure we use the funds as efficiently as we can.

A second part of that, a second leg of that stool, if you will, is continued improvement in project management.

I am aware, the Corps of Engineers is very aware of the industry's concern about how funds have been used in the past and how projects, other projects, have been managed efficiently in the past or not, and we fully intend to work with you to address that to your satisfaction as we move forward, so that we can have a joint way to partner forward in the future about how to use funds and to provide, I guess, as strong of proof as possible that funds received will be used efficiently. That is certainly our goal. As I've mentioned, we've done it elsewhere, and so it's a matter of, again, planning the funding efficiently, I guess; and so we'll continue to work with you all on that.

As part of that, our next step is to create a project management team that will begin addressing these issues. With luck, in the future, you won't be seeing me anymore up here, but you will be seeing your own program manager up here, working with you to walk through those issues and address them on your schedule and the issues that you believe need to be addressed.

And, then, of course, the last part is the long-term capital plan.

In my view, that is a major failure. When we started drawing down that Trust Fund in the past, we should have thought more clearly about how those funds were going to be used and the rate that they were going to be used on the different projects; and I separate in my own thinking what I would call the mega projects from all of the rehabs; that is, all those projects that were \$10 million, \$20 million, \$30 million were funded and completed fairly efficiently.

It's those projects that are in the \$400 million, \$700 million, billion-dollar range that we really didn't think through and, of course, just the size of those projects means if you're going to waste money, you're going to waste a lot of it.

Okay. Next slide.

I mentioned that we were beginning to treat risk in a more orderly manner; and this is a matrix that shows you how we are, as we look at projects that are in need of maintenance dollars, rehab projects, we need to find or we needed to find and develop a way where we were assessing the projects and lining them up across districts and across river basins so that when the projects eventually work their way through the divisions and up to headquarters, we have a way of comparing the projects on the same scale.

And it's fairly simple here. On the top you can see on one axis we're looking at what's the condition of the project? How bad is it? What's the probability of failure or serious problem? And then on the vertical axis you can see the other side as well. Suppose it does. What's the consequence? What's the economic impact of that? Who does it impact?

And so we have been doing this on the Ohio River and we're expanding it to our other divisions that so, as the projects come in, we are assured that we are using our precious dollars for, basically, only those projects that occur in the top left-hand corner of that matrix there.

What are our next steps? One that we talked about and that we have moved forward on in the Corps of Engineers, because it's fundamental to those other pieces, we have put together a program management team, charter it to begin to look at our project and program management practices, begin to develop that capital plan, and once the capital plan is agreed to, then begin to look at what sources of revenue and how quickly can it be funded.

This is our team. You can see that we have selected Jeanine Hoey. She is in the room today.

Jeanine, would you please stand up so that everyone can see you.

Jeanine is our team leader here. She will be reporting to this Board in the future, so she will really be the person that we will be looking to carry out our plan as we move forward into the future.

A number of other names on that slide, you'll all recognize Jim Walker, Jeff McKee, Mark, Mary Anne. They're all people -- of course Bill Harder, in LRD. These are all people

whom you're familiar with. You can see that we've added one from every other division that has an inland waterway project, and we will be looking forward to putting together -- to adding industry members to that team and working out a schedule forward.

Now, the last thing that I thought that I would offer, as we were preparing for this meeting in Washington, and also talking with LRD quite a bit, the question is, what does all this mean? How do we get there? We really need a schedule.

So what you see up here is a notional schedule, and I just want to really emphasize that. This isn't our schedule, this is just a notional schedule that I asked the staff to work up so that we could say, "Well, how long is it going to take us to work forward until we think that we and industry have worked through these issues and actually have a capital plan and are beginning to do the hard work at stake, what revenues would it take?"

And I asked them to organize it in terms of Board meetings. We have three meetings a year, so these would be about four-month increments here; and I offer it to the Board to really think about how you all want to move forward, particularly the members who are going to be on the Board for the next couple of years; and believe me, I expect this to be extensively modified as the team begins to work on it and as they begin to communicate with the Board. But, again, it's notional.

What it shows you is, if you walk through it, that we formed the team, we began to develop criteria about how we would select projects; again, run those through the Board, get agreement on those, and then we begin to apply the process to select the projects out and develop the capital plan and -- go ahead to the next slide, Mark.

And then once we pick out the first four or five projects, then we go back and redo cost and schedule analysis of those, because one of the things we talked about, before we make any decisions about capital spending in the future, we need to have much better cost and schedule estimates than generally appear in feasibility reports that are outdated; and then eventually we move forward with investment strategy.

Well, what you see there is it takes us from this meeting, 59, through another five meetings. I would like to hope we could speed up on that, because we also sort of have to think in terms of legislative years, too; that is, when is it possible.

But what this sort of indicates, even if you couldn't pick it up four months or eight months, we're still all the way through Fiscal Year 09, as a legislative opportunity.

So I wouldn't see an agreement this year, and we would be into '10 and maybe through '10, depending on how long it takes us to work through these issues in the future.

So I sort of offer that to the Board, Mr. Chairman, sort of long-term thinking about how do we want to plan together our strategy for moving into the future.

So we've got the beginnings of a team. We still need a couple of industry representatives. We've work toward both much more detail than we've offered you in the past on the program and project management changes that we need to make, that still needs to be fleshed out and fleshed out, again, under the guidance of the senior leadership of the Corps of Engineers and this Board, and so that works in parallel, along with the beginnings of the capital plan, and then we take a look at the revenue and see what we can afford to do.

And that concludes my presentation, sir.

Again, thank you for the opportunity to discuss this; and, again, I think, due to the real hard work that this Board has in front of it, in looking how we move forward in the future; and I invite any questions that anybody might have at this time, or break, if I've taken too long.

CHAIRMAN WILKEN: Why don't we take a -- if it's okay with the Board, why don't we take just a quick break and we'll digest what we just heard and then come back in 15 minutes or so. Okay? Thank you.

(Whereupon a recess was had, after which the meeting resumed as follows:)

CHAIRMAN WILKEN: If I could invite everyone back to take their seats.

MR. POINTON: If anybody has not filled out one of our registration forms, that's our official record of participation in the record. So please fill that out before you leave today. Thank you so much.

CHAIRMAN WILKEN: Okay. I think we have everyone back at the table.

Okay. Gary, were there any further comments before we get into maybe some Q and A here a little bit about your presentation?

MR. LOEW: Nope. I'm ready to go into discussion. Thank you.

CHAIRMAN WILKEN: Okay. There's a couple of agenda items that I notice that we briefly skipped over, the one at 10:15, on the Inland Navigation Construction Case Studies Follow-Up. We'll probably entertain and ask you to entertain and field some questions in that respect; as well as probably dig a little bit more into this what we call a white paper, the "Vision for the Future, Future Dialog"; okay?

MR. LOEW: Sure.

CHAIRMAN WILKEN: I'll open it up for questions. Anybody on the Board that would like to start off?

Mr. Martin.

MR. MARTIN: Gary, good morning.

MR.. LOEW: Good morning.

MR. MARTIN: It's good to hear your presentation; and regarding the program management team, it's kind of hard. It's the first we've seen anything on a PowerPoint slide talk a little bit about structure and what might take place over the next couple of years; but it's a little bit difficult to understand what we might see, as a result.

In other words, one of the things that has gotten us to where we are today is, back in the WRDA of the mid-'80s, projects that were executed, were completed and delivered roughly on time in about seven years, roughly on budget and, of course, we see a tremendous amount of cost overruns with the other projects that are currently underway, and still projects that were expected to take seven or eight years are still seven or eight years from completion right now, considerably over budget, Olmsted being the most significant one that we've all talked about.

I guess I wonder under this new program management team that Ms. Hoey will be heading up, what might our expectation be in terms of how are projects going to be delivered more cost - effectively and on time?

Is there any improvement from what the time line that we are currently working under we should see under this new team concept?

MR. LOEW: An interesting question, and not one that I think I can answer right now, except in the most general sense.

As we discussed, I think there are several things that we, the Corps of Engineers, need to do to make it more clear, before we start a project, how much it's going to cost and how long it's going to take; and that means a much better cost estimate and schedule estimate prior to the decision to start construction.

In many cases, my view, we morphed into a real estate procurement, design, moved forward into construction without thinking through, "Are we going to be able to efficiently fund it?" And, in fact, we typically update the cost and schedule; that is, that feasibility cost and schedule estimate at the end of what's called planning, engineering and design, or the PED stage, and when those new estimates came in at the end of the PED stage, they were not factored into the decision to move forward, at least in terms of how they were going to be done efficiently.

So, anyway, No. 1 is to make sure that we have really good cost and schedule estimates before the decision to go forward, because many of those feasibility estimates are old and they don't have the same level of engineering done on them that we do on most projects before we start.

So that's one improvement we need to make.

Another improvement has to do with simply how we manage execution. In military programs I mentioned, and then civil works, we have tightened up how we manage execution.

We have instituted a new software package. We are going over execution at the headquarters level project by project, monthly.

Quarterly, my boss, Steve Stockton, and now General Temple, will look at that execution schedule project by project, and we are back with Commanders if we're falling behind on those.

I think, again, part of that, my personal view is, reporting back to the Board; that is, I think that all of these projects that you're seeing on charts, the Board needs to take ownership of those and measure execution, just like we are; that is, we need to report back to you all.

Not everything comes out exactly the way you planned. You can find out things, you can learn things during site investigations or during construction that require more money or changes or design changes; and so those become -- my view, again -- changes to your capital plan; so I think we need to do better reporting.

I'd mentioned earlier that we are in the process of really upgrading the skills that our project managers have now, in terms of managing, having a good risk management plan and managing costs and schedules; so there's a whole bunch of project management features; and, again, having good estimates before you make that decision to go forward; and then once you go forward, holding everybody to them.

So, for instance, in military programs, as an example, they have a set amount of money for a project, and as costs were escalating, we were finding too many projects were coming in over the bid price; but they got a set amount of money, and that was slowing everything down. Projects had to be rescoped and rebid.

And so what they started doing is actually scoping projects to a percentage, say, 85, 90 percent of the money available to make sure that they could hit those costs and schedules.

So, again, I think there are things we, in the Corps of Engineers, can do to more tightly manage our projects to be sure that, once we've started one, we hit those markers and bring it in on cost and schedule.

But the reason I can't answer your question beyond that is that the long-term idea is that we would make the money available that projects need in order to be constructed efficiently.

And so in all of these big projects, that are a couple of very large contracts, that can run in the hundreds of millions of dollars range; and those are the ones where, if we make the districts plan to say you're only going to get \$50 million a year, you're only going to get \$40 million a year, they develop a completely different construction strategy and sequence than would probably happen if you told the contractor, "We've got \$300 million. Now you figure out how to get it done as cheaply as possible and give me a bid."

And so the financial planning is a huge part of that; and that's why -- I mean, I just can't overemphasize how huge that is in the future planning, and that's why we need to deal with that revenue problem out into the future.

MR. MARTIN: But with the existing projects, would there be a benefit from this new program in bringing faster delivery, in your judgment, and at a lower cost than what the current projections are?

Is there any expectation that we, as the Board, should have regarding the existing projects?

MR. LOEW: I think that the Board, if that's of concern to the Board, that's one of the problems that we ought to lay on the program management team and say, start with existing projects and see what opportunities there are. I couldn't agree more.

MR. MARTIN: It certainly makes sense to make sure that you have good estimates going forward on new projects; but, again, what we look at right now is a situation -- I don't remember. It was somewhere 50-some million a year towards Olmsted, which is more than half of the revenue that comes from the industry, of course, and it is just a concern that we've gotten ourselves into that kind of a situation, where one project, that still has whatever it is, seven or eight years to go --

MR. LOEW: Right.

MR. MARTIN: -- and quite a bit of money, at a pace of almost \$60 million a year, we wonder what can be done to bring greater accountability for that kind of cost discrepancy from estimates.

MR. LOEW: Sure; and, again, I think -- I couldn't agree more -- and I think that there's a couple of ways to think about it.

One is, if we had a big influx of money, like a stimulus bill, is that where we would want to put it, as a lump; and if we did, could we finish it quicker.

Or the other thing that we have already begun to look at is simply the functionality of Olmsted; that is, don't look at total completion, look at what do we need to get complete in order to get the functionality of the program, focus on just that much of it; and then, of course, as you suggest, maybe there's other ways to do it more efficiently.

So absolutely, I'd agree. We are stuck where we are and we ought to start with what we have there.

CHAIRMAN WILKEN: Mr. Calhoun.

MR. CALHOUN: Gary, if we collectively are fortunate enough to participate in the economic stimulus package and funds do become available for our industry, and that happens shortly after the 1st of the year, and yet this project team that you laid out is going to take five or six meetings to really get up and running, which comes out to be 1 1/2, 2 years, shouldn't we find a way, if we think that is the solution, to accelerate that process; because, otherwise, it seems to me we find ourselves -- hopefully, we find ourselves with money to spend and yet, as a process,

that this Board collectively has not been overwhelmingly in love with the results we've seen the past few years.

So is there any reason this has to take as long as you outline here this morning?

MR. LOEW: No. Again, that was very notional; but its first application would be if we had stimulus money.

Sure. We would have to do exactly that and say -- let's just say we got \$100 million or some number like that. We would have to decide where is the smartest way to spend those funds and, somehow, we would have to do that consistent with the long-term thinking, even though the long-term capital plan doesn't exist.

But that's an example, I guess, also, of something we would want to coordinate with you, and it would be between meeting schedules, and so we would have to work that out as we go.

CHAIRMAN WILKEN: Mr. Woodruff.

MR. WOODRUFF: One thing that I heard earlier that deeply troubled me with respect to the possible stimulus bill was the indication, I believe, received from staff, that they would like to see this money spread widely and thinly; and it seems to me that the way we got into this problem in the first place was by spending money widely and thinly and that without having some discipline, and the commitment, as a nation, to invest in the projects that need to be built, put the money into those projects that will provide for efficient construction and get them complete, we'll never see any benefits from any of this, other than just pouring money down the drain; and I would hope that we, as a Board, that the Corps, as an organization, could work together to try to impress upon the people who say widely and thinly, that that's really just a recipe for disaster and that we need to spend it smartly, in such a manner that we achieve the economic development that we're trying to achieve; but, also, that we have something to show for it when we're finished that will provide benefits to the nation, in terms of economic prosperity and the benefits we all know these projects are going to furnish; and so I think that is a critical issue for us.

CHAIRMAN WILKEN: Mr. Orr.

MR. ORR: Yes.

Gary, I just want to take you back one question here, if I can, buddy.

When Mr. Calhoun asked you if you thought you could maybe expedite this thing and get this up and running a little bit quicker, I don't know if I missed something there or what, but it sounded like if they come with a stimulus bill and there's a lot of money to spend, then we can get organized quicker; but if there is no stimulus bill and there's no money to spend, then it's going to take much longer to get organized.

I would say that the money doesn't play a role. You know, the process to get organized is separate from the money you're going to be spending. So if we could do it with a stimulus, let's do it either way.

You know what I mean?

MR. LOEW: Sure.

MR. ORR: We haven't spent 10 minutes talking about how we're going to put more money in the trust fund, except for the stimulus bill.

We want to be able to trust you. We want to be able to do the things you said in Walla Walla: "Let's move forward as a group. Let's do this. Let's do that," and there's some question about how we can do that.

Now, there's several months that have gone by, and we don't have several months to waste here, you know? But several months have gone by, and we're not a whole lot further ahead than what we were -- we're talking about the same things as we were talking about in Walla Walla clear back in the summer.

And I agree with what General Peabody said. I think he is dead on target. Lock 3 on the Mon River could cave in any given moment.

It just so happened that Lock 6 on the Allegheny let go and you found a little hole underneath the dam and all that. We have the same thing at Lock 3. The apron fell apart, separated and it scoured -- it took all the underpinning from there; and the underground surveys, you can swim along and look up underneath there with a flashlight and see the oak timbers that the dam sits on; and, I mean, it's not a little crack. This thing is big, like it's five feet tall.

So we need some help and we need it now.

The locks on the upper Mississippi River are in no better shape, they just got a lot less publicity years ago; but they're all in bad shape.

So we need to get organized up -- my opinion -- we need to get organized up as quickly as we can, just as though there was a stimulus bill, and we need to get this thing pulled together, get this trust built and formulate a plan that this Board is comfortable with so that we can begin to move forward, more efficiently, with the reporting -- you know, have Jeanine come in and report -- or somebody else you select here -- I don't care who it is -- but somebody's got to come in here and say, "At this project, we're going to spend this much money doing these things." Then they have to come four months later and say, "We spent the money and we got this much done, and in the next four months, we plan to do this and it's going to cost this much."

And there's got to be some checks and balances in there. Some of the questions we gave to you, we worked hard on those questions. Should we have an engineering group help and be looking at these things, because that would help to kind of keep us on track? Maybe in the

beginning it's a little stronger than what it would be five years from now, once the trust and once we have a lot of these completed and everything seems to be more efficient and all that, and the new management techniques are in place and your project managers are better skill sets and, you know, ready to watch the money get spent a little quicker and all that. I think all that would work.

But, first off, we have to build trust. That's an issue. Then we've got to come with a way to get this done, and we don't have two years to do this.

If I got a phone call right after this meeting that said, "Lock 3 caved in on the Mon. The dam fell through itself and the pool is draining," I wouldn't be a bit surprised.

I agree with what General Peabody said. So if there was funding issues, there was a lot of different things that came about, we're all aware of all that; but we've got to find some way to get this relationship repaired and get moving.

CHAIRMAN WILKEN: Any comments?

MR. JENKINS: Royce.

CHAIRMAN WILKEN: Gerry.

MR. JENKINS: I have one supporting example to show what Dean was talking about.

I think communications is a proper management, and that's always a difficult thing to do; but we have a situation at Lock 20, where you're looking at a budget, you know, the O and M budget is going down and declining all the time, and yet the decision was made to actually cut that end of the lock and Dam 20 off.

Now, I'm sure that had to cost millions of dollars, and you have to wonder why they would make that decision, you know, based on a time of depleting money, so to speak; but I guess it all goes back to communications and proper management.

Just an example of the kind to give you is that I would have a question, as a Board member, if there was a better way to find out why they spent those extra million dollars in difficult times, is just a -- it's a matter of communications.

MR. LOEW: Sure. I agree.

CHAIRMAN WILKEN: Gary, on a follow-up to Mr. Martin's question, is there a hard dollar cost savings to implement the new model versus continuing on with business as normal, as we have experienced it over the last several years? I mean, all the overruns, all the allocations, all those are either ongoing projects or even new projects. Those are existing situations that occur whether there is new project or old project.

Is there a cost savings amount that you can tie to a 90 percent or an on-time, on-budget project, that we can sink our teeth into on what the benefits of the reorganization and moving out on a new plan, what those cost savings and what that target and that goal is?

MR. LOEW: I'm not quite sure how to answer that.

First, I'll offer an analogy and then maybe see if that applies.

When I was in Texas, in the Southwestern Division, we had 26 hydro power plants, four of which were in dire need of rehabilitation, upgrading; and just like the waterways projects, our statistics were decreasing. So our plant availability decreased from 98 percent to 90 percent. It was 83 percent when I left.

It was a very simple matter of generators or turbines going out of service and us not having the money to replace them.

We formed a team that went far beyond what they were originally asked to do, but it included our Northwestern Division, our power design center, our people from Southwestern Division that owned the projects, including some from Mississippi Valley Division, and then, also, power industry representatives; and the basic question was: What does it take to rehab all 26 plants? Because we were focusing on the immediate ones, trying to get money turbine by turbine, project by project, and not looking at what would take place out into the future.

So it took them about a year. They put together one of the finest pieces of O and M planning work that I've seen. I mean, I think it was a real world-class job.

And the outcome was really interesting.

If you looked at it in terms of financial planning, starting at \$8 million a year and working up to a maximum of \$50 million a year over about a 5-year period, in 25 years, we could repair and modernize all 26 plants.

And so keep in mind the maximum was about \$50 million a year, and that was only over a three- or four-year, generally between \$30 million and \$50 million a year.

The other finding was that we can take money out of the plan, we can reduce our planning costs. If we are able to know the schedule, which was going to start planning project by project, we can take money out of our procurements if we know when we're going to buy turbines, for instance. We can buy them for two or three plants out. We can go ahead and commit with industry, order them. We can get a lot of savings. We get savings on the back end, because we'll be buying the same turbines, the same generators.

The total savings over that lifetime was on the order of \$200 or \$300 million.

So, in fact, then I brought it up to headquarters and said, "You know, you guys have got to fund this. This is stupid to not fund it," and my predecessors were not able to come up with the money, just like we're not able to come up with the money for the inland waterways projects.

So I think there's really two kinds of savings to shorten up and maybe get an answer to that's getting too long, which is, one, I think that, project by project, we can build them more efficiently; but I also think the existence of a capital plan would allow us to plan our construction into the out years, long-term acquisition plans that could also have benefits, as well.

The reason I'm hesitant to answer -- and I guess we could try to put numbers on it, if we picked a project suite, I guess; that is, some existing -- some defined suite of projects and then try to estimate what would happen if you did it slow or fast; but it is dependent on efficient funding.

CHAIRMAN WILKEN: You're right on target in anticipating my next question, and that was, you have prioritization of project suites that come from this group.

Can we take the model that you're talking about and apply those to those prioritizations, the top priorities, by 5, 10 projects or whatever suite those fall in order, and apply the model to it and project out a cost savings, with that cost savings -- and this somewhat relates to the questions we asked previously as to trying to figure out where the money -- where our Trust Fund balance was spent; and if there are any areas that we could have saved, to create that foundation, if you will, to move ahead and create a different model and create a more cost-efficient, a more productive delivery model; okay?

And so this group has provided the prioritization; and if we can take the model that you're proposing, apply it to that, and then run some sensitivities to that to determine what those cost savings could be. That's very important for this group, and it is part of the reason why we're probably going to continue to ask some more questions regarding the case studies --

MR. LOEW: Sure.

CHAIRMAN WILKEN: -- okay -- to develop that understanding, which yields -- to me - - which yields reliability, which yields the trust in the numbers that you've provided us, to be able to know where we came from, what errors we made and where we're headed with the new model. So --

MR. LOEW: Well, I'm going to answer you two ways and then I'm going to throw a lifeline out here to Jim and Jeff, who actually have to do this work.

If we were to make some assumptions, that is, what could we do with the current rate of funding, and apply it to a set group of projects, like let's say the next four or five that are either ongoing or to be completed, and have that as a Case 1, and then apply most efficient funding to that as Case 2, we could probably do a subtraction and come up with some sort of answer like that; but I guess I'm talking to my -- yeah, they're both nodding up and down.

CHAIRMAN WILKEN: Be careful what you nod about.

I would say that it sounds, through your past experiences, that you've provided some look-backs on projects, in Texas, as an example. That's a great experience to draw from.

Well, if you've looked back on projects -- and I know I've been involved in look-back projects and where we could have done better and where we'll do better next time --

MR. LOEW: Sure.

CHAIRMAN WILKEN: -- we can surely apply that rationale to the existing prioritization of projects, with the model we have, put our sensitivities in there and determine whether or not and how much of a cost savings we're really talking about here.

MR. LOEW: We can take a stab at that.

CHAIRMAN WILKEN: Okay. Thank you.

MR. LITTLE: Mr. Chairman.

CHAIRMAN WILKEN: Mr. Little.

MR. LITTLE: Gary, thank you for being here and presenting the path forward as you have.

Now, I know we have talked about a white paper as outlining the path forward. Will you be presenting us with a white paper with more specificity than what we've seen today, or where does that stand in this process as we go forward?

MR. LOEW: Actually, I am apparently delinquent on that. I completely misunderstood that you all were expecting that, and so we will prepare one.

MR. LITTLE: Okay. And ballpark, do you have any idea of the time line, what we're looking at there?

MR. LOEW: What I'd like to do there is discuss that with staff and get back to you with an estimate.

MR. LITTLE: Fair enough.

Because --

MR. LOEW: But just -- it would be less than two months. I mean, it would be a month, two months, something like that.

MR. LITTLE: Okay. Fair enough.

Because as we try to develop a path forward that we proceed on together and try to solve this problem -- and it's in everyone's best interests to do that -- I think it's important, from the industry's standpoint, that we know what the game plan is going forward, if there are lessons to be learned, that you all have looked at projects and what you would do differently.

As we started down this process with the Corps, you know, we met in headquarters in June of '07, and the industry suggested it might be instructive to do a comparative study, which the Corps undertook and completed and 13 months later you presented it to the Board, and we began to look at that in Walla Walla, and I think you said you thought that was a constructive process; and that we've had some follow-up questions to that, which I think some of them were lacking in as much transparency and as much detail as I would have liked to have seen, so we've expressed that to you and we've had further responses.

I think it's important that we get good, complete, fairly prompt responses to our questions, which not only gives us more information going forward, which I think is in everyone's best interests, but it also develops a little more trust and confidence in one another going forward.

So I think that's part of the thinking and asking today, "Where is the white paper," because before we sign up to start down this path, we would kind of like to know what we're getting into; and as long as we've got some good rapport and transformation -- transfer of information from one another and we feel like we're getting good, complete responses to our questions, it helps us to move along that path; and to the extent that we may not feel like we are, and it hinders that effort; and it may just be some miscommunication along the way, as well.

So we need the white paper. We need complete answers to questions, and maybe the questions are not complete enough, the questions may not be perfect; but we need to fully respect the fact that we've got ongoing questions that we need to get answers to.

MR. LOEW: Sure. I appreciate that, and I would encourage the Board, the -- a word that keeps popping up here over and over again -- two words that keep popping up -- are "transparency" and "trust," and that seems to be a one-way discussion, and what I would encourage the Board, is, you know, we certainly take these things that you're asking for seriously. We answer them in good faith, as we understand the questions and as we understand the requirements.

I apologize. I did not appreciate there was a desire for a white paper. I will do that. I know we did talk about it. I just didn't know we agreed to do it; and so we will take care of that.

Same with the questions. And, by all means, as I have discussed with Chairman Wilken, if there's answers that don't get at the point you're all trying to make, just get back to us. He did. We responded again; and so it is certainly our intention. But it takes two-way communication here. So please, please stay with us on this.

MR. LITTLE: All right.

Thank you.

CHAIRMAN WILKEN: Speaking of which, there was some clarifications from the two of the three questions that I asked Gary to readdress.

Are there any questions from the group at all pertaining to the numbers that he supplied with us?

MR. LITTLE: These were the questions -- Question 1 and 2, and I think we're still waiting for a response to Question 3; is that --

CHAIRMAN WILKEN: Yes, sir.

MR. LITTLE: Well, I'll ask Gary.

On Question 1, on the second response, I think it says, "Assuming each project" -- this is a question -- "Assuming each project had received unconstrained funding and was completed on time, what is your estimate of final completion costs for each project?"

So for Olmsted, for instance, if Olmsted had been completed on time, that would have been about in the year 2000? Is that a fair estimate of what the on-time completion date would have been?

MR. LOEW: I'm going to reach for my lifeline here.

Jeff Walker was the primary person who put these answers together, collected the input from the division.

So, Jeff, could you come up.

THE COURT REPORTER: Mr. Chairman.

CHAIRMAN WILKEN: Hold on one second.

THE COURT REPORTER: I don't know who they are.

MR. POINTON: Can you please identify yourselves and speak into the mic.

Thank you.

CHAIRMAN WILKEN: Larry Bibelhauser,

B-I-B-E-L-H-A-U-S-E-R, Project Manager.

MR. BIBELHAUSER: Larry Bibelhauser, Olmsted project manager.

The feasibility did have a relatively short construction period, similar to what the gentleman over here talked about, the seven or eight years.

When we actually got authorization and construction funds to go to construction, and we developed a more detailed construction schedule, and with the time line that we -- when we did make the first construction contract award was like '93, instead of it being 7 years, it was going to be more like 12 years; so the time line ended up being a completion in 2006, once we got our authorization and the funding stream started; so that it would have been 2006.

I think you're taking -- it seems to me you're taking -- we got authorized in '86. You're saying from authorization to 2000 would have been 14 years. Then we didn't get -- we got authorization, but not funding, until '92, to go to construction in the '93 time frame. So it would have been 2005.

MR. LITTLE: Okay. And the --

CHAIRMAN WILKEN: Thank you.

MR. LITTLE: -- preconstruction engineering design work, which I think, Gary, you're saying is really a better number, a better estimate, was based on the 1988 estimates of dollars of - I think we say here -- you say in your response \$816 million and 12 years to complete.

MR. MC KEE: Yes. This is Jeffrey McKee from Corps headquarters.

Yes. As a result of the GDM, General Design Memorandum prepared, the schedule increased and the cost increases went from \$775 million to \$816 million, and that was at, I believe, 1988 price levels.

MR. LITTLE: Okay.

MR. MC KEE: And the schedule, as Larry had already previously indicated, did increase to the 12 years, as a result of that additional design being performed.

MR. LITTLE: All right.

I understand.

And I guess my question is -- so in answer to our questions, would the answer be that the completion date on time would have been 2006, then?

MR. BIBELHAUSER: Yes. In 2006.

MR. LITTLE: Okay. I didn't see that in the response; but I just wanted to be clear on that. So --

MR. BIBELHAUSER: Okay.

MR. LOEW: We could amend that response to be more clear about that.

MR. LITTLE: Yeah.

And as we look at these numbers, we see reference to the index.

What is that; the CWCCIS Index?

MR. LOEW: Right.

MR. LITTLE: And so the question is, from, you know, the 20,000-foot view, is if a project is authorized and the estimate is \$816 million in '88-'89 dollars, and the completion date is estimated to be 12 years, then what would the cost have been for that project 12 years after, or whenever you want to start construction?

MR. BIBELHAUSER: And I don't have the case study in front of me; but there's a chart in the case study that escalates the \$775 to 2006 --

MR. MC KEE: 2007.

MR. BIBELHAUSER: -- 2007 dollars; and in the case of Olmsted, that ends up being about \$1.1 billion.

And then the thing goes on to tell you that the current estimate, and you subtract the two, and it's about \$775 million above, using your original number.

But that's also got time growth in it. It's got serious escalation costs, because of what's happened to the economy and so forth; so that's in that case study already.

MR. LITTLE: Okay.

CHAIRMAN WILKEN: Any further questions?

(No response.)

MR. ORR: We do.

CHAIRMAN WILKEN: Mr. Orr.

MR. ORR: Gary, when do you think we could expect the answer to Question 3?

MR. LOEW: I think we said the 25th, the 25th.

MR. ORR: Thanks.

MR. LOEW: You're welcome.

CHAIRMAN WILKEN: Any further questions for Gary?

(No response.)

CHAIRMAN WILKEN: Mr. Grossnickle.

VICE CHAIRMAN GROSSNICKLE: Royce, are we discussing the answers to our questions we submitted to Gary?

CHAIRMAN WILKEN: Yes.

VICE CHAIRMAN GROSSNICKLE: Okay.

One of the things that I noted is that we've actually made some -- we've got a concrete proposal for a project delivery model involved with a risk assessment, and that's that new center of -- risk assessment center of expertise in Walla Walla; and I was wondering whether that center has applied its expertise to all of the projects that are now on our list for preferred projects.

MR. LOEW: We do have a cost engineer from that center on our program management team to make sure that we do that in the future.

In terms of those that are ongoing, I'm not sure at what point we have picked up their -- the -- any project that we start now, that's more than \$20 million, automatically applies the -- actually, automatically consults with the cost center of expertise now.

VICE CHAIRMAN GROSSNICKLE: In your answer, you mentioned it was \$40 million.

MR. LOEW: Then I was wrong. \$40 million.

VICE CHAIRMAN GROSSNICKLE: That would leave out Walla Walla's own project of Lower Monumental.

I was just wondering if that had gone through the risk assessment procedures.

MR. LOEW: I'm not aware. I could find out.

But, again, that's a good example of where we would invite the Board's input, if you think our own rules can be improved.

CHAIRMAN WILKEN: Can that risk analysis be conducted on existing projects, on a go-forth basis?

MR. LOEW: Yes, it could.

CHAIRMAN WILKEN: I would recommend that if we're going to review the suite of five projects, or whatever on the project before, we probably need to get some response on that.

Any further questions? Susan.

MS. DIEHL: Hi, Gary.

I took note of your overview, which really went to the book "*Good to Great*" and how the mandate really of your group is to say, "How can we be sustainable and durable with processes that kind of transcend whatever our leadership is?"

And I think, in saying that, you also referenced having an ongoing ROI of 15 percent, if you truly are going to be a great organization that's going to serve the country in the best way.

Another feature or two other features of Jim Collins' work is, No. 1, facing the brutal facts, which I think has been part of the process that we've gone through together over the, you know, last year, and we appreciate your transparency in bringing that information to the Board.

The second thing really is, how do we get a common metric or a common way of looking at things? Because I think the whole point is, if everyone is moving together and pushing on the flywheel, things will accelerate much more quickly than if we're doing things in a more confrontational way.

So in that spirit, I guess, as part of that white paper, it certainly would be good to see the mechanism by which that communication process will take place and the way that we would look at those ROIs, and I think, to the point of the risk assessment, how that gets incorporated as part of that risk assessment, because, clearly, you could -- you know, that's going to be one part of the axis, which is what is the payoff to society or what is the payoff to commerce in having that done?

So I really think it's critical that we actually do that on the ongoing projects, to General Peabody's remarks earlier, if we're going to be shutting down certain projects, I'm assuming we're doing it using a common process, that's going to look at how it falls off on that risk assessment.

So I think it's critical to do this on the ongoing projects; but more importantly, I think going forward means that setting up how those common metrics are set, so that when the Board considers or looks at these ongoing projects, we all have a common definition of what constitutes a project that we want to continue to invest money in and those which we don't, and really how we're going to assess and look at that, kind of with a common approach.

So that's just more of a comment, not a question.

MR. LOEW: We appreciate that. We'll include it.

As you were talking and -- and going back to the issue over the questions -- believe me, the first white paper you get will be a draft, so we will welcome the comments on it.

CHAIRMAN WILKEN: And, I'm sorry, that was Susan Diehl that raised that point.

Susan, are you recommending to do a risk analysis on any project, no matter what dollar amount? Is that what I'm hearing you say, both ongoing and as well as new projects?

MS. DIEHL: I would say that I think that if we're looking at the wise and efficient spending, we already have an appropriations process that is not leading to great efficiency right now; that given a finite universe of dollars right now, I think it's important to make sure that any further investment is being done on projects that will yield a return, as defined by this Board, in terms of priorities.

MR. LOEW: Yes. I agree. I appreciate that, Susan, and I heard that same comment earlier, too, which is if we look out -- and, believe me, we've had the same thoughts -- if you look at Olmsted, for instance, which takes -- if you look at the -- the \$85 million a year right now, Olmsted is going to take that out through the next eight years, is that really the best use of that money? And we probably need to relook at that.

So we heard it and, I mean, I think it's a really good comment; that whatever that decision process be, we try to lay it out in the white paper.

And, certainly, the other thing I heard from Mr. Orr, that I think we need to look at speeding up the process, to say -- so this is going to you, Jeanine; but what can we do quickly to be prepared to make some decisions on stimulus money?

One comment on that stimulus bill, which I didn't make, we, the staff that we work with, has gone back and forth with us, and the No. 1 comment is that a bill like that usually comes with directions.

So, Matt, this is sort of going back to your comment. It tells us, "We want you to maximize the funding on labor. We want you to" -- or in this case, every version I've seen says, "You've got two years to spend it, and we want you to give priority to things that could spend it first."

So, No. 1, we simply follow the directions in the bill, whatever they are; but more particularly, that we have some opportunity to input; and one thing that we have informed the staff is that, because of the limitations in the Trust Fund, we could not do any inland waterways projects with stimulus money, if they had to be cost-shared.

And so the current drafts of the bills, in both the House and the Senate, have a provision that allows us to work on inland waterways projects without regard to the requirement to the Trust Fund.

And, again, I caution everybody. These are drafts. There are many, many steps between where we are today and any bill that might finally emerge; but that issue has come up, the committees are sensitive to it, and it's the kind of provision that they could include that wouldn't necessarily have the appearance of earmarking, which are the kinds of provisions that they do avoid.

CHAIRMAN WILKEN: Mr. Woodruff.

MR. WOODRUFF: A follow-up question, and maybe a little bit off the topic; but in terms of money available for working on our projects, one thing that I haven't seen or been able to find anything out about, there was a very substantial sum of money included in the omnibus bill for emergency, what we would normally call a hurricane supplemental, but for the hurricanes, the flooding and what have you.

Where is that money going and how much, if any of that is going to the inland waterways, and projects that, by restoring some of that flood damage, might also take care of needs we would otherwise be looking at in terms of rehabilitation and what have you on some of those projects?

MR. LOEW: Some of that money does go to inland waterways projects.

There are rules associated with the emergency supplementals that, in a nutshell, if one of those bills is moving its way through the Congress, it doesn't go through our normal budgeting process; and we are allowed only to identify projects that have been damaged and the amount of money necessary to repair them to the prestorm condition.

So under the rules of emergency supplementals -- and I shouldn't say "rules" -- it's the nature of the law that says, basically, we can repair projects that are damaged to their preproject state.

And so when a storm goes through, our districts make those estimates project by project and, when invited, we provide those estimates to the Congress; and so when they pass a bill, it's really quite specific. It's got all the projects and the damage repair estimates and that's generally what they appropriate.

MR. WOODRUFF: Okay. I'm talking about the one that's actually been appropriated, the money that was given, you know, several months ago.

MR. LOEW: For Gustav and Ike, primarily.

MR. WOODRUFF: For Gustav and Ike, and I understood that there was a component of that to deal with the Midwest flooding.

And is there a list of projects and dollars associated with that particular appropriation that has been made?

MR. LOEW: Yes, we have a list.

Basically, it is a compilation of all the damage estimates, project by project, that the districts have prepared; and we're not -- I need to be cautious here. The bill doesn't require us to expend exactly the estimated amount. The Congress recognizes that, generally, those estimates are often incomplete estimates made in some cases only a week or two -- like in this case -- after the storm; and so they appropriate the total amount of money. We are expected to spend it on those projects, but we are allowed to shuffle money among the projects, as the estimates are refined and we get closer to the construction.

MR. WOODRUFF: Is that list available, showing where you presently intend to spend those dollars?

MR. LOEW: Certainly. If you have any questions, I could answer them for you, project by project, yes.

We're very cautious about the list, and the reason is that, relating to what I just said, people take ownership of it; that is, they think that if a project is listed there at an amount, then that's the amount that's owed to the project.

And, in fact, the Congress generally doesn't share the list -- and we don't, either -- but, again, we can answer the questions project by project.

CHAIRMAN WILKEN: The stimulus bill you had mentioned earlier -- or the stimulus package, and you talk about the projects that were involved in that 25-plus billion dollar -- or hearsay -- what that amount would be.

How did your projects match up? Do you have any knowledge of how your projects match up with the other project requests that are out there relative to their thoroughness and that sort of thing?

MR. LOEW: The way a stimulus package like this works is, it's really constructed by the full appropriations committee, the party leaderships. Both parties will get together and define the general purposes of a stimulus bill.

That will be assigned to the full appropriations committee, which then goes to the subcommittees, such as our energy and water subcommittees, and the full appropriations committee will say to them, "Do you have work that fits the purpose of this bill?"

And then, of course, our committee will come to us; it will go to the Bureau of Reclamation; it will go to the -- I forget the name of the committee -- but they will go to EPA, they will go to all the organizations. They will go to Department of Transportation to say, "Do you have projects that will fit within this?"

And then, eventually, the committee will decide on the total amount of the bill, and they will sort of assign out ceilings to the various committees.

Now, so far, we have been, I think, competing well. I think everybody understands the importance of the waterways. They would like to take this opportunity to accomplish both things; that is, to stimulate the economy and to rehabilitate a lot of projects that the Corps of Engineers has; flood control projects, recreational projects, everything that we do.

So the only bill that's actually been written now is the House bill, and there is a draft of that. It provides \$5 billion in total new Corps of Engineers, of which \$2 billion is for construction, \$2.5 billion for maintenance and \$500 million for the Mississippi River and Tributaries appropriations.

CHAIRMAN WILKEN: If I'm understanding you, you're competing well against other projects.

By that you mean that your assessments and your projects are in order; they're ready for execution, with the capability that you have, so that competes well in the competition for stimulus funds?

Is that a fair statement?

MR. LOEW: No. I'm sorry if I implied that much detail has been done.

We've given them programmatic estimates of what we can do. It's not been developed into projects yet.

By "competing well," what I was thinking about when I said that was -- and this is only what I read in the papers -- of the stimulus package, the House bill had about \$25 billion set aside for infrastructure of all types.

CHAIRMAN WILKEN: Okay.

MR. LOEW: That would go from highways to everything else; and if we got 5 of that 25, then I think we were doing very well. Yes, sir.

CHAIRMAN WILKEN: Out of the divisions that you have requested potential projects or potential funding for the stimulus, have you incorporated all of those into your package or have you selectively picked projects from certain districts to input into that project -- into that package that you would submit? How are you arriving at that?

MR. LOEW: We have not asked the districts or the divisions for any input yet.

The way that we arrived at our capability was to look at all of our existing future work, subtract out everything that's already budgeted in either Fiscal Year 09 or Fiscal Year 10, so the stimulus would not duplicate anything that we expect to be funded for; and that's, basically, in our budget database, and that came out to -- in round numbers -- about \$2.8 billion, with a backlog, operations and maintenance, and then a larger number in new work.

CHAIRMAN WILKEN: Is there any possibly that you would miss something that's not in that database, that hasn't been identified from the field?

MR. LOEW: Oh, sure; yes. But, again, we receive any number of queries about -- I guess I would call them "what if" queries from the Congress. "If these were the rules, what could you do?" One of the queries was, "If you had to spend it all in 120 days, how much could you do?"

And so, again, we were responding on a programmatic basis, and none of the bills has gotten to the point where we feel like we're prepared to actually translate it into specific projects.

CHAIRMAN WILKEN: Okay. On another note, is there any way that we can go back over the years of the trust fund's existence and quantitate or come up with a number of what the Trust Fund has paid for on major rehabs today?

MR. LOEW: Yes. How far back would you like to go?

CHAIRMAN WILKEN: I'll get back to you on that.

MR. LOEW: Okay. We'll take that as a note.

CHAIRMAN WILKEN: Okay. Any further questions? Mr. Parker.

MR. PARKER: Yes.

Gary, continuing on the theme of a stimulus legislation, you were very careful to say speculation, no guarantees, and, obviously, you have some dialogue going on with the staffers on the Hill, apparently, right now.

Earlier, in your earlier comments, did you mention a substantially lower number than that --

I'm just looking through some of my notes about what the inland component might be.

You mentioned a House Bill of, you know, \$5 billion total split between maintenance; and then I thought you mentioned a substantially lower number. Maybe I misunderstood you.

MR. LOEW: No, you didn't.

But I need to be extremely cautious here, especially since we're being recorded.

What I can tell you is, amongst all of those drafts, there was one draft that came out that broke the total amount -- and in this case the total amount they were working with was \$2 billion, and it had the \$2 billion broken out into about eight or nine different categories.

For instance, one of the categories was low-use commercial harbors, and another one of the categories was repair of Corps of Engineers recreation facilities at Corps lakes.

So, anyway, it had about eight or nine, and the funds were split out among all those different categories, and there was a category that was inland waterways and another category that was coastal waterways, and there were numbers associated with those.

And so if you imagine taking the \$2 billion and splitting it around among eight or nine categories, then what was available for navigation and waterways was only a portion of that.

MR. PARKER: It was short three zeros, as I remember. what you commented on.

MR. LOEW: Again, that was just one draft. That draft is gone, and --

MR. PARKER: Okay. I understand.

A follow-up question that, in your dialogue with the staffers on the Hill, and your comment about their propensity to want to specifically earmark, and as the whole broad and thin discussion we had, were those funds likely to flow through the Trust Fund or be earmarked as independent to specific projects?

MR. LOEW: They would be appropriated out of the general fund, completely separate from the Trust Fund, entirely separate from the trust fund; and again, in practice, they will avoid any kind of earmarking.

So I think what you would expect to see would be something like the draft House bill that exists: So much for construction, so much for maintenance, so much for M R and T, and instruction on how fast it had to be spent.

There may be some guidance on -- give preference to activities that maximize labor quickly, and, again, they would look forward to a provision that would exclude inland waterways projects from the requirement to cost share with the Trust Fund. But it would be a fairly generic piece of legislation, I would think, as it pertains to the Corps.

CHAIRMAN WILKEN: Further questions?

Mr. Martin.

MR. MARTIN: One of the questions, Gary, that we submitted prior to Walla Walla was regarding the cost-benefit analysis, Olmsted versus major rehabilitation to Locks 52 and 53; and no doubt, back at the inception of the project, there was a cost-benefit done, as you indicated, in that it certainly favored Olmsted.

But I guess I still want to -- and maybe this is a wild thought; but I do want to really make sure I understand what the answer is.

Is there any value in putting where we are today, in terms of completion of Olmsted, how much more money has to be spent to deliver that project versus how much money would have to be put towards 52 and 53? Because right now we're -- whatever it is -- eight years or so away from deriving any benefits from the Olmsted project.

Is there any value in putting a cost-benefit analysis on those two different options?

MR. LOEW: Yeah. I guess I would answer it this way: There are projects in eight river basins competing for the money, and so I don't know that a 52/53 comparison with Olmsted is the only comparison that would need to be made.

But I did hear the Board's comments, that we need to take a look at that overall commitment to Olmsted and compare it with competing requirements, as we make the decisions on how to -- as we make the decisions on how to move forward, past 09 and 10, or if we were to get stimulus again, the Board's comments were, "Speed that up. Take a look," so even if we can't do a full-blown comparison, maybe we can get some kind of criteria that we can use to take a look at all those competing projects.

So, again, I'm going to leave that to Jeanine and her team to figure out a way to answer your question. I think it's a very reasonable question.

CHAIRMAN WILKEN: Further questions for Gary before we move on?

(No response.)

CHAIRMAN WILKEN: Seeing none, thank you, Gary.

MR. LOEW: Thank you.

CHAIRMAN WILKEN: Next we'll recognize Mr. Larry Bibelhauser, and he'll give us a status of the Olmsted lock and dam project.

Larry.

MR. BIBELHAUSER: Thank you.

Let me make a couple of clarifications, I guess.

In our previous question that Steve asked, the report does say "January, 2005," for Steve, as far as completion. I think I said "2006" earlier; and the inflated cost of the \$775 million to the October, 2007, is \$1.255 billion, is what that original cost would inflate to.

MR. LITTLE: Right.

And before we lose that point, let me clarify my question, and that is, if the completion date was at the end of '04, January '05, then the question is, really, what would it have cost to have completed that project by the end of '04, not what is that cost in '07 dollars?

MR. BIBELHAUSER: I haven't really gone back and tried to go back to that.

MR. LITTLE: Yes. That's, basically, the question.

If Olmsted had been authorized and completed on time, and if the on-time date is at the end of '04, then the question is, what was that cost?

MR. BIBELHAUSER: Granted, there's a lot of time extensions and costs that would -- and inflationary costs and stuff that hit us in '04, and how fast it's gone up. We would have avoided several years of stretching out the dam contract and so forth. So there's significant -- there would have been a significant savings.

MR. LITTLE: And that is my question.

MR. BIBELHAUSER: And the -- and just in this case study, there's 200-and-some-odd-million dollars that we had estimated in there that we would have saved by doing it faster, quicker, whatever. I'm thinking -- I can't remember exactly the number; but I'm thinking it's somewhere around \$250 million or something.

Yes, it would have been significant dollars had we done it expeditiously or other than we have done it.

The gentleman over here asked about 52 and 53, and before we decided on -- selected to go to a new site for Olmsted, it was looked at as to what we could do with 52 and 53, and could you rehabilitate.

They're in such dire condition that we felt that was the right thing to do was to rebuild. To try to make 52 and 53 last 50 years was much more costly than -- and plus, then, you have the operation costs of two facilities versus one. So there was the benefit-cost ratios, and all those things were done to justify during the feasibility that one dam was the right way to go; and I guess I'll leave it at that for now.

My presentation -- hopefully, all the hard questions were left with Gary and this will be a little easier than what we've been doing.

We're going to -- I'm just going to mostly here give you all an update of what we've done over the last year down there.

As I've explained many times, we are doing this with a bunch of precast pieces, and in the picture here we've got our precast guard well under construction. The gantry crane is in place. Skidways were being built down the hill, and the rebar yard's back in the top of the picture, the

concrete plant's up here in the corner; so we have our infrastructure really set up and ready to start going.

Wrong way. There is the picture of them erecting the 5,000-ton gantry crane in the precast yard. That's in place and operational now.

The skidway, the part that's in the dry, is completed. This picture is the part that's starting into the wet. The rest of those pilings will be cut off. These large rails will continue on down into the water so that that catamaran barge can pull up over the top of that. I don't think that's going to get finished before the river comes up too high yet this year, so we'll get back on that next year and finish that up.

Actually, up in the precast yard, we are starting to put up the falsework for the forms, to build the various shells.

We've talked about all these shells in the past, the big, large shells. This happens to be a stilling basin shell here. This is the falsework that will support the forms so that we can cast that up there and then pick that up with that gantry crane and take it down to the river.

This is the falsework for one of the pier shells. The pier shells shown over here, it's a very large piece of -- narrow piece of concrete, so you get the -- you'll have the shell sitting up on the top of this. This gives you the shape of the OG section of the dam. There's part of the formwork actually that makes these hollow pieces that go in here; and so the forming of those shells is underway.

We have our ringer crane, a 660-ton ringer crane. We just got that operational. We've had the crane itself on-site for a while. We've been waiting quite a while on the manufacturer of this -- the large barge that it sits on -- it's 100 by 200 -- to support that crane.

So that's a valuable piece of equipment for helping us set the various concrete mats that we have to set, as well as finish erecting the catamaran barge.

The catamaran barge, of course, was fabricated and delivered in December of last year. That's it coming under the bridge at Cairo; but we had to take it apart down in Mississippi to be able to get it up the river and under the bridges.

So it's been sitting there; and so now that we have the other crane, we'll be able to erect that here shortly. Maybe through the winter we'll get it all put back together -- get that one put back together so it's useable for setting the shells.

Last low-water season we put all this downstream rock in all the way across, from the lock, all the way across to the Kentucky bank. This summer we've been grading the portion under the tainter gates. We are currently out there placing the drainage stone and various stones that go underneath the dam for the foundation.

This piece of equipment has been very valuable, and it was one of the things that I had worried about is how we were going to get all this stuff, with not being in a cofferdam, bring it to the right elevation, to the tolerances that we needed.

This piece of equipment has been – has proved out in the last few weeks of how it was able to be accomplished. This excavator, as it sits on the barge, is spudded down and it's like playing a video game. These people can set that thing. It controls it to exactly the elevations they want and it's graded, and you actually have some sort of a visual of what you're doing, although it is somewhat of a video-type game; but the next -- every day they go out and they actually make measurements, update those screens so that they know where to cut, where to fill and where to place stuff.

So this has been a really good piece of technology that's evolved since we started the progress of building the dam.

To preserve that foundation that we started this summer, we're going to do similar to what they do on the lower Miss, with their grout mats. We're actually forming grout mats, but we're going to set that over the top of the stone so that it doesn't wash away over the winter.

We'll be placing those, hopefully, starting next week over through the tainter gate portion of the dam, so that next summer, when the river gets low, we'll come out there in July -- in mid June, late July, and we'll start doing the found -- actually, driving piling. We'll drive the cutoff walls and the pilings for the tainter gate portion of the dam starting next low-water season.

And in the meantime, we'll continue to fabricate the shells up there so that -- and we can start placing those shells in there.

We are on operational schedule still, to be operational in 2016. There have been some people saying, can we speed this up or so forth, and we have. I am looking at various ways to speed the process up. We have locked ourself in a little bit, because of the size of the precast yard, as to how much speeding up we can do to make it go faster; but then you get into the limits of the Trust Fund and how much money.

I'm kind of dammed if I do and dammed if I don't. If I speed it up, it takes more Trust Fund money. If I don't, then "Why aren't you getting done faster?" So I'm kind of caught in a dilemma right now of what's the right thing to do.

But I have to stay within the money that's available and provided to me for the -- and we're working the next two-year schedule based on what's in the '09 budget and what's projected for me for the '10 budget.

As far as the cost of the dam contract, with this being a cost reimbursable contract, it's not like a firm, fixed-price contract. His estimate to complete the job changes monthly, depending on the price of diesel fuel, the price of steel. So he gives us three estimates every month of what the job is going to cost for him to get done, and we go with one, they call it the most likely. So the most likely estimate right now is 1 billion and 58 million dollars.

We have currently funded \$326 million of that contract.

And as Mary Anne has stated earlier, the -- the funds for this year are coming on a monthly basis, so so far in FY 09, I've obligated \$12 million, half of that being IWTF money, to the contract. There will be some more -- I'll get my monthly number, my allocation, by the 25th, to add more money to the contract at the end of this month; and so my contractor has been giving a projection of how much money to expect every month, and we work to that available funds.

And that's my quick and dirty progress report.

CHAIRMAN WILKEN: Question. How many people are employed in that project right now?

MR. BIBELHAUSER: As far as contract -- total contractor workforce?

CHAIRMAN WILKEN: Contractors, workers, everybody included.

MR. BIBELHAUSER: 250 or so.

CHAIRMAN WILKEN: And drawing from an area of how far, 100 miles or --

MR. BIBELHAUSER: Well, I'm not sure right now. I mean, we get Kentucky people, Illinois people, Missouri people.

CHAIRMAN WILKEN: Whoever the contractors have?

MR. BIBELHAUSER: I mean, some of the contractor's staff, they came from Boise, Idaho.

So his primary key people are from as far away as Boise; but the majority of the labor force is from those three states.

CHAIRMAN WILKEN: Okay. And this is a question directed more towards maybe Gary, your area of expertise.

Gary, are you still here?

UNIDENTIFIED SPEAKER: He checked out.

CHAIRMAN WILKEN: Well, for the record, I'm interested in whether or not any of the funding for this Olmsted project that's ongoing was entered into the stimulus package, and we can do a follow-up on that and ask him.

MR. BIBELHAUSER: But, I mean, as far as you're trying to determine the influences of the money and where it all goes or whatever, I mean, a lot of the fabrication is being done in Mississippi, in various other places, with these subcontracts for fabricating this equipment.

So it's gone -- one of the pieces of equipment was made out in the state of Washington, some of it was built in Washington.

So it's covering a lot of geographic area, because of where we're buying various materials from.

CHAIRMAN WILKEN: Larry, the billion dollars that you showed up there, is that over the next seven, eight years or is that just -- you know, where you said the contractor gives you three bids on a --

MR. BIBELHAUSER: That's the -- I mean, that's from him starting in 2004 --

CHAIRMAN WILKEN: Until completion.

MR. BIBELHAUSER: -- to his completion date that he has right now in his contract.

CHAIRMAN WILKEN: Okay.

MR. BIBELHAUSER: And there was a question, and we've talked about project managers doing risk and this, that and the other.

These numbers have risk in them. That is one of the things that we require on this cost reimbursement contract. We have a team of Corps people and contractor people that have evaluated and came up with about 60 different risk elements in this contract. We've looked at them and we've done that red/yellow/green chart, like Gary threw up, and applied which ones were the most likely to happen, which ones are not going to happen.

We've done things to mitigate some of those, so we don't think they will happen at all; and that number has about \$200 million worth of risk in it. That may not happen, guys; but it may happen. I don't know what fuel's going to do. I don't know what the steel price is going to do; but to give you all a fair estimate, we've used -- and Walla Walla has looked at those numbers and how we've done that process; so the center of expertise has evaluated those. So there's contingencies in that number. So I'm hoping I never hit that billion dollar number; but I don't know what the economy is going to do.

SECRETARY WOODLEY: May I ask a question.

MR. BIBELHAUSER: Yes sir.

SECRETARY WOODLEY: And maybe you should tell everybody what your confidence level that you're using on the risk now.

MR. BIBELHAUSER: We got that 80 percent that Walla Walla uses and, in fact, I had proposed a lower number, and Walla Walla twisted my arm and told me to make it a little higher so we would have that 80 percent level.

I was using a number that was about 50 percent, and so I'm at 80.

Yes, Susan.

MS. DIEHL: Thanks for the report, I guess, relative to that number. Two questions.

No. 1, what is the percentage completed, the detailed engineering on the project, because that, of course, can drive a lot in terms of your cost reimbursable.

MR. BIBELHAUSER: Yes.

MS. DIEHL: And then the second question is, relative to that cost reimbursable contract you have with the general contractor, how much of that is tied to actual contracts that have been sublet out, Larry, again, leading to a degree of certainty on that number?

MR. BIBELHAUSER: Okay. The engineering part -- when we bid the job, the actual design of the dam was 100 percent. The technique of doing the in-the-wet was not detailed design. We tried to leave that up to him to use our conceptual ideas to do this with.

As we proceeded into this, in a partnership with them, they asked us to do some additional engineering on those conceptual things.

We have all the construction methodology detailed now, so the dam is detailed, and all's we do now from time to time is various engineering things during construction that pop up that aren't quite clear. So we're right there. Basically, it's done, designwise.

The contractor, as far as the equipment and stuff that has been -- he goes through a procurement process, similar to the Corps of Engineers. He is bound to follow the FAR regulations, just like the Corps does, when he bids things.

All of this equipment that I've shown you has all been firm, fixed-price subcontracts. None of his contracts -- subcontracts that he does are cost reimbursable. They are all firm, fixed price.

So the price for the rock, the price for the cement, the price for the steel, all of those are firm, fixed-price contracts.

The real variable that you don't have a fixed price on is, when you get it all on the site, you're paying the workforce time and material -- the time that they got there.

So they've got to assemble all this stuff. They've got to tie the rebar. They've got to place the concrete. They've got to set the shells. Those are not fixed costs. That is the cost reimbursable, that labor to do all that.

Does that answer your question, Susan?

MS. DIEHL: It does. Thanks, Larry.

MR. BIBELHAUSER: Okay. Anyone else?

MR. LITTLE: Larry, just one question, and I don't remember the number on the dam.

Was it exactly \$1 billion that you --

MR. BIBELHAUSER: Where our current estimate is?

MR. LITTLE: Yes, sir.

MR. BIBELHAUSER: It's 1 billion 58 million dollars, or something like that.

MR. LITTLE: Because I noticed in your presentation at Quincy, Illinois, about a year ago, and it was like \$1.1 something billion, and I just -- it's not a big difference, I just wanted -- it's not a big difference.

MR. BIBELHAUSER: Well, I think some of that is things have changed with his estimates over the time. Some of it deals with how productive he's been. Some of it has got -- those numbers I used in the case study were -- in '07 were a year and a half or a year later. He's made progress, and things -- some prices have gone up, too.

So, you know, that number -- next month I suspect that number will come down a little bit because the price of diesel fuel has come down. So six years worth of diesel fuel at one dollar less a gallon, I'll get a few million dollars worth -- come down a couple million dollars.

MR. LITTLE: Okay. Thank you.

CHAIRMAN WILKEN: Larry, you mentioned that a cost-benefit analysis was done originally with 52 and 53 versus Olmsted. The decision was made to build the one versus the two.

Has that been reevaluated at all recently, in terms of the situation today?

MR. BIBELHAUSER: Well, as far as going back and doing a detailed analysis like we did back then, no.

But if you're familiar with the conditions of it and see what our operations people spend to try to keep that place maintained, and at one of the locks, on the 600-foot, you don't even have an approach wall anymore.

It's hard to evaluate the condition of the foundation of the dam, just like some of these reports today about scouring under the dam and so forth.

We got those timber pilings down there, too; and that's why we lost the approach wall.

So it's -- and the steel -- Mr. Whitlock, I believe, designed those temporary cofferdams down there a few years ago that he designed for 15 years that are now 30 years old. So do I expect those to continue to stay there? Our guys do the best thing they can, but I don't think you can continue to band-aid those things together.

In my personal opinion, it's not the right thing to do, is to try to make those last 50 more years.

CHAIRMAN WILKEN: Okay. Any other questions for Larry?

(No response.)

CHAIRMAN WILKEN: Thank you, Larry.

Okay. We're getting towards the end of the meeting.

Does anyone feel free to step up to the podium for a public comment? Please announce your name, any affiliated organization, and feel free.

At this time any public comments? Yes.

Mr. Whitlock.

MR. WHITLOCK: Thank you, Mr. Chairman, General Temple.

Just a few comments I'd like to share with the Board members; and, really, it wasn't until a couple years ago we really started talking about the cost estimation on projects and trying to get our arms around that whole issue; and one of the things I've encouraged the Corps to do to -- I think it would be in the Corps' best interests to spend more time at these meetings educating Board members as to -- when you have a -- when you have a change in the cost estimate, what are the drivers in that cost estimate?

If you look back at the three-project case study, particularly Lower Mon and Olmsted, if I recall correctly, there was about 30 to 32 percent of the cost increase was due to the funding stream. But there's a lot additional cost increases due to changing conditions and other factors, just general cost increases.

So I think, from the Board here, the people -- many of the Board members don't have an in-depth knowledge of construction practices, construction details and what you encounter when you get into foundation conditions, a lot of times which is one of the big things that drives changing conditions.

So I think it would help the Board members better understand these projects and what the drivers are behind the cost.

And one of the comments I would make is, I'm deeply concerned about what appears to be a seven -- a seven Board time -- or seven Board meeting -- Board meeting time line to get to some strategy for developing a new process.

That seems to be entirely too long, from my perspective. We need to come to a process or a blueprint for moving forward in a much shorter time than a year and a half to two years.

Some of the other items -- I guess those are the main ones that I felt I needed to -- would like to share with the Board.

Thank you.

CHAIRMAN WILKEN: Thank you, Norb.

General Peabody, did you have a comment?

And then Mr. Mecklenborg, you're next.

GENERAL PEABODY: In my introductory comments, I just wanted to correct the record. I misspoke.

The \$80 million that I referred to for O and M is what we're operating under currently, under the continuing resolution.

So, actually, that estimate of what our annual O and M for the Great Lakes and Ohio River Division is unknown, but is probably going to be three to four times that amount. I just did want to correct our record, sir.

CHAIRMAN WILKEN: Thank you, General.

GENERAL PEABODY: Thank you.

Mr. Mecklenborg.

MR. MECKLENBORG: Thank you, Chairman Wilken.

I appreciate the opportunity to make just a few comments to the Board and General Temple. My name is Dan Mecklenborg. I'm Chairman of Waterways Council.

WCI exists largely in order to assist the Users Board in terms of funding for its priority projects. That's why it was created.

We stand arm in arm with the Users Board, in our desire to see inland navigation system modernization, and we also want to stand arm in arm with the Army Corps of Engineers.

In short, in the short run, we're viewing the stimulus as a significant opportunity for the Corps and WCI and the Users Board to present a unified front to Congress, and it sounds -- we're very encouraged with what we've heard here today and certainly appreciate the Corps' support for inland navigation in that stimulus bill. We think that's critical.

Any of the efforts that we're making to find a longer-term path forward are going to require us to have a bridge to the future. We've got, essentially, a Trust Fund that's depleted and, you know, before we can really find a path forward, we need to have a number of these questions that have been presented today answered and, in the meantime, we certainly don't want to see the projects grind to a halt.

We agree with the Corps of Engineers that we need a new project delivery system; but before we would encourage industry to support a process, such as is being proposed, we would need first to have kind of a general description of the process, and that's what is, I think, being asked for in the white paper. And that description would need to say, essentially, "Here are the expected benefits that industry can expect to, you know, achieve in terms of project cost reduction and in terms of project time line reduction, relative to the existing suite of projects that are, you know, currently being prosecuted by the Corps," and I think the suggestion to take the existing suite, look at what the anticipated cost is, look at the anticipated time lines and create that, side-by-side with the new project delivery system results and come up with time savings and cost savings, is an excellent suggestion; and once we're presented with a clear set of anticipated benefits from the new project delivery system, then industry would be in a position to evaluate whether to embrace changes in the funding structure.

You know, we've said this all along, in terms of conversations with the Corps and in conversations with members of Congress, that that's what our concern is.

Some ideas as to what a new funding structure might entail would include the following:

One is that with the new project delivery system providing this increased level of accuracy for estimation -- I think the estimate was something like a 90-percent confidence level - - you know, we might be able to put some type of capping system on the industry's cost share relative to projects based on their authorized amount.

We also in a new system might continue on, maybe back to the original intent of the '86 act, and exclude major rehab relative to cost sharing going forward.

We might also look at the benefits of the dam structures that exist out there and decide that, you know, from a navigational standpoint, other beneficiaries also benefit from those structures, and that they ought to be excluded from cost sharing going forward.

You know, the new system might have a more appropriate cost sharing formula in and of itself, based on changes since the 1986 act; and one of the things that, you know, I know we're focused on is the fact that other beneficiaries of our system, you know, have not up to this point been paying any contributions into the Trust Fund, and we think that that's something that needs to be reexamined.

You know, the system might also look at excluding future cost relative to the Olmsted project, based on the fact that the industry has paid its fair share relative to that project through the current time; and a new system might also add a -- you know, must also include a more predictable appropriations process, and that's an area where the Corps support relative to Congress is absolutely critical.

So I just wanted to make these comments relative to WCI, to encourage the process that's been laid out; but also to be clear, from our standpoint, you know, what we're essentially looking for as possible ideas going forward.

Thank you.

CHAIRMAN WILKEN: Thank you, Dan.

Any further comments, public comments before we move to adjourn?

Mr. Woodruff.

MR. WOODRUFF: May I make a comment from here or do I need to go to the podium?

CHAIRMAN WILKEN: No. You're fine. You can speak from there.

MR. WOODRUFF: You know, we spent a lot of time here as a group trying to maintain and improve the efficiency and capacity of the navigable waters or the -- of the inland navigable waters of our country; and one of the examples that was used is something that was perhaps going well was the way that the projects around New Orleans for flood risk management are proceeding; and as the representative on this Board of Gulf Coast navigation, I have a little bit different perspective that I'd like to share with the Board and some concerns that I'd like to raise.

And first of all, let me preface this by saying that, personally, and the company I work for -- and I don't think any of us question the nation's decisions insofar as flood risk management are concerned -- we all share the commitment to provide a level of protection appropriate to the areas of New Orleans that are undergoing these projects.

But we are very concerned about the very backseat role that the future of navigation is taking in the decisions that are being made there.

The report was made that the flood control measures are in line to be in place on time; and I'm assuming -- I keep looking at this book in front of me, that a good organization can do that. But, sadly, we're doing that at a great cost to the navigable capacity of the Intracoastal waterway, and it would seem to me that a great organization could provide flood risk management and maintain navigable capacity at the same time, and that's the challenge, I think, that we might still have an opportunity to meet.

I attended a meeting in Vicksburg last week, part of which was a run through the simulator there at ERDC, the proposed 150-foot flood gates, and I watched pilots, both from industry and even some of the Corps' own pilots, run their tows into this flood gate on the simulator, and we're being told that there's no alternative to the 150-foot flood gates.

And there was some question that maybe the tow sizes that we were using weren't realistic; that maybe we should be using smaller tow sizes.

And I commented that we're in the midst of replacing the Inner Harbor Navigation lock with a lock 110 feet by 1200 feet; and so that as that project comes on line, we could potentially see larger tows on the Gulf Intracoastal Waterway going east; and I don't recall the exact position that Ms. Aguilera holds, but I know that she's one of the senior people on this project; and she responded that the Inner Harbor lock replacement was not an authorized project; that she didn't think it was ever going to be built; and that she wasn't considering a new lock in any way in planning this flood gate structure.

That suggests that what this Board is doing isn't percolating down through the organization very well. That project has been authorized since, what, 1956? We're working very hard to get it constructed.

And the concern that I have is that we're building a bottleneck to navigation, but we haven't built it yet; and that we have an opportunity to try to make that structure more friendly for navigation, more safe for navigation.

We have an opinion from an Admiral of the Coast Guard that the structure, as proposed, is a hazard to navigation. I think this is something we need to address, as a nation. We have to protect the citizens of New Orleans. We have to provide an increased measure of flood risk management, but let's not do it by sacrificing navigation.

That's my comment.

CHAIRMAN WILKEN: Thank you.

Any further comments?

(No response.)

CHAIRMAN WILKEN: Seeing none, General Temple, some closing comments from you, sir?

GENERAL TEMPLE: All right. Well, again, thanks for letting me join you here today, and it's been very illuminating for me to listen to all this discussion.

I have a saying that folks that know me, that, you know, if all these problems were simple, they'd only pay us minimum wage, and we all know that there's, individually, not a single one of us is smart enough to figure out the answer to all these problems; but, collectively, we can come up with the right solutions.

And I think we can do that, as our boss, General Van Antwerp, would say, would be by the appropriate application of disciplined people, disciplined thought and disciplined action.

And I think we've got a good team, in terms of having the right disciplined people here to get this thing started, and we welcome the nomination of some members from our partners here on the Board and industry, to help us work our way through applying the appropriate disciplined thought to get after making appropriate changes to our processes so that we can take, in turn, disciplined action.

Now, I don't mean to imply that all these things need to occur in sequence. They need to occur in parallel, in order to get after the concerns that the Board has expressed, which is the need to be more expeditious and more balanced in our approach to our many requirements.

So what I would pledge to you is that if we work together on this, we'll move forward more quickly, in collaboration with all of our partners, to get after these issues.

Because, to me, as I said in my prepared remarks, collaboration with all partners in finding common ground is the key to unity, and I think the key to unity -- or, rather, the key to solving these problems, most particularly addressing the issue of systemic appropriations issues, will only be solved through unity.

So I look forward to continuing to work with you and we'll get after these issues and keep moving forward.

Thank you.

CHAIRMAN WILKEN: Thank you, General.

I now declare this meeting closed.

Thank you.

(Which were all the proceedings had in the above-entitled matter at 12:17 p.m.)