

**Report of the President
National Waterways Conference, Inc.
Annual Meeting, September 6-8, 2006
Benson Hotel, Portland, Oregon**

The months since our last Annual Meeting have brought us an extraordinary year for a number of reasons. The Nation is still coping with the aftermath of the devastating storms on the Gulf coast. This event brought the subject of flood protection, or lack thereof, to the minds of millions of everyday citizens from all around the country.

Congress is finally poised to pass a Water Resources Development Act. It has taken the combined efforts of the members of the National Waterways Conference, working in conjunction with the many groups we have recruited to expand the reach of the NWC-directed National Waterways Alliance, to get the legislation through the Senate. We continue to work to bring about sound policies in a WRDA.

Funding still remains a concern, particularly with the differing views of the House of Representatives and the Senate over Corps funding and the continual efforts of the Office of Management and Budget to slash Corps resources.

Overlaying all of our efforts has been the never-ending attacks of the “ultra-greenies” who have used half-truths and less-than-correct information in their attempts to alter how the Corps program is administered and funded.

As the premiere holistic waterways organization in the Nation, the National Waterways Conference remains squarely in the middle of all these efforts. We are uniquely positioned to “connect the dots” between stakeholders of all of the missions of the Corps. We serve as an educational resource to our own members and are acknowledged by Congressional staffers to provide honest and trust-worthy assessments of the issues of the day. When needed, because we have built up “the largest, most diverse coalition Congress has seen”, we can draw upon our broad resources to bring legislative remedies to the attention of Congress and the Administration.

Legislation:

Water Resources Development Act: NWC, working through the National Waterways Alliance (NWA), was instrumental in obtaining the signatures of 81 Senators via three letters that were sent to Sen. Bill Frist, the majority leader, asking that the Water Resources Development Act be brought to the Senate floor for quick action. We followed that up with a letter from the NWA asking for quick action as well as a “Ring for WRDA” day which stressed the Capitol Hill phone service, particularly to Sen. Bill Frist’s personal office and the Office of the Majority Leader.

On several occasions, NWC was invited to meet one-on-one with Congressional staffers to outline the evolution of certain provisions in WRDA, as well as current policies of the Corps of Engineers. Growing out of these discussions, NWC created a comprehensive educational guide, the “Keys to Corps Reform.” Many Congressional staffers credited it as their “blue print” for understanding the legislative implications of proposed provisions versus current practices. We also created several bullet-point documents on specific issues as well as comparison charts of pertinent bill provisions.

Once it appeared that Senate action would be forthcoming, NWC led the effort for the National Waterways Alliance in gathering signatures on a letter supporting sound

polices over those promoted by the ultra-green movement as represented by the Feingold-McCain amendments. The actions of the National Waterways Alliance, as led by NWC, were repeatedly mentioned in Senate debate and a copy of one of the letters was submitted for the record and can be found in the *Congressional Record*. The Senate passed WRDA on July 27 by a voice vote. While the independent review provision sponsored by Sens. Feingold and McCain did pass, the amendment that would have allowed a Water Resources Coordinating Committee to prioritize projects was defeated.

The authorizing staffs of the House and Senate are now working to conference the bill. All indications are that it should be finished by the end of September. In an effort to derail the most egregious sections of the Senate bill, NWC, through the NWA, gathered the largest group of signatures to date on a letter opposing Section 2006 and the Feingold-McCain independent review provision and supporting the House provisions. It has been sent to potential conferees. In addition, NWC will be sending a letter to conferees outlining an additional two concerns: 1) the ability of any governor or agency head to request independent reviews; and 2) the precedent-setting linkage of environmental restoration project progress with navigation project progress as envisioned in the Upper Mississippi project.

NWC is also working in conjunction with the Marine Transportation System National Advisory Council to promote the concept that the Committee on the Marine Transportation System should review any OMB policy that can affect the Nation's ability to have a reliable transportation system, including those policies on WRDA.

As the acknowledged "expert" on WRDA, the National Waterways Conference has been called upon for numerous press interviews, including media services such as the National Journal and National Public Radio. We have regularly taken on the attacks of the "ultra-greenies" through news articles, information to Congress, and press releases – including efforts to derail authorization of the needed locks on the Upper Mississippi system.

Response to Hurricanes Katrina and Rita: Immediately after these events at the end of last summer, NWC issued a press release about the fact that flood control projects are subject to cost-benefit ratios that, by their very nature, do not allow for 100% flood protection. That release was picked up by a large number of media outlets (and prompted the LaCrosse Tribune to write an editorial).

We continued to track the funding for the much needed response measures. In November, on behalf of the National Waterways Alliance, we alerted the House and Senate leadership to the fact that the Corps was forced to transfer funds from ongoing civil works projects to meet relief needs due to a lack of funding in ongoing Emergency Supplemental appropriations bills. Those needs were met in the next supplemental.

We also sent a letter to President Bush in February 2006 requesting his support for authorization of the needed projects for flood protection in the Gulf, as well as requesting that he ensure that the Water & Power branch of OMB consistently carry out his policies and directives.

FY 2007 Appropriations: The President's FY 2007 budget proposal was a meager \$4.733 billion. The House increased the amount to \$4.983 billion and the Senate to \$5.139 billion. The FY2006 budget was \$5.329 billion. NWC had promoted a budget closer to the \$9 billion recognized as "adequate" by the House Transportation and Infrastructure Committee.

When the President's FY 2007 budget was released in February 2006, it contained several policies that the members of the National Waterways Conference believed untenable. Among them was a proposal to divide the Operations and Maintenance budget into 21 regions with each region receiving a lump-sum to be divided in unspecified amounts. NWC was the only association that was able to offer members the "behind the scenes" proposed funding amounts per project that would make up the totals within those regions.

The Board of Directors of NWC made the decision to send a letter to the Chairmen and ranking members of the House and Senate appropriations subcommittees recommending a rejection of regionalization. In his remarks during Subcommittee mark-up of the FY 2007 Energy & Water bill, Sen. Pete Domenici specifically referenced the arguments used by NWC to explain that the Senate would reject the regionalization approach. The House, while allowing for a limited regionalization approach, has indicated that amounts intended to be appropriated for each project will be finalized immediately prior to final passage of a bill.

NWC also communicated concern over two other proposals within the President's budget – the transfer of major rehabilitation projects into the O&M budget from the construction budget and the inclusion of costs for Endangered Species Act compliance onto existing projects. Both proposals were rejected by the House and Senate.

The House and Senate Energy and Water appropriations subcommittees differ remarkably in their philosophies on the use of appropriated funds. The Senate, as outlined the speech by Roger Cockrell of the subcommittee staff at the NWC Budget Summit, supports funding multiple projects with the meager funds available instead of fully-funding contracts, which limits the number of projects. In addition, the Senate believes in the use of reprogramming, although on a limited scale. Those differing philosophies, as well as the considerable thought chasms on funding the Energy Department, have led insiders to doubt that the FY 2007 Energy and Water Appropriations bill will be concluded before the end of the fiscal year. Instead, we expect that Congress will roll the bill into a continuing resolution, perhaps until February, when in all likelihood, an Omnibus spending bill will be finalized.

As an outgrowth of the perennially low-ball Corps budgets proposed by the Natural Resources branch of the Office of Management and Budget, NWC is exploring avenues that could lead to the transfer of that function to another section of OMB more suited to understand the impact of the Corps program on the everyday lives of the Nation's citizens.

Other Responsibilities and Opportunities:

MTSNAC: I serve as the Chairman of the Waterways Committee, one of four committees established by the Marine Transportation System National Advisory Council and also serve on the Intermodal Committee. That 30-member group, appointed by the Secretary of Transportation, advises the Secretary in her role as chairman of the Committee on the Marine Transportation System (CMTS). The CMTS is made up of 10 cabinet members and 7 other agency heads.

MTSNAC meets three to four times per year. One of the most poignant meetings was held in New Orleans in March. Nine resolutions were passed at that meeting. Two were directly related to New Orleans – one supporting expedited construction and full

capability funding for the Inner Harbor Canal lock and one commending the Port of New Orleans leadership and the Coast Guard for their responses to Hurricane Katrina.

At the next meeting of MTSNAC, tentatively scheduled for Chicago in October, the Waterways Committee will be unveiling the educational PowerPoint presentation. The draft of that presentation will be presented to the membership of NWC for comment at the closing luncheon of the 2006 Annual Meeting.

As part of the effort to move the work of the CMTS forward, Ms. Helen Brohl came on board in mid-July as the new Executive Director. She will be coordinating four inter-agency action teams (IAT's). The Coast Guard leads the team on strategic direction. In late June, I participated as one of the industry representatives at the first strategy meeting. There, industry was united in voicing their opinion that a crisis already is looming which requires immediate action by the government, not more study.

The Corps of Engineers is in charge of the IAT on national needs assessment, and I will be serving as the industry liaison for MTSNAC to that team.

In my role as head of the Waterways Committee, I was recently honored to have the opportunity to meet with the Secretary of Transportation, Maria Cino, to discuss the direction of the Waterways Committee. I was also given purview to convey to her MTSNAC concerns on OMB's behind-the-scenes efforts to support damaging provisions in WRDA as well as the predisposition of the Water and Power branch of OMB to underfund the needs of the Corps of Engineers.

Transportation Research Board: I serve as a member of the Inland Waterways Committee and the Agricultural Transport Committee of TRB and attended both the meeting in Washington, DC in January and the Summer Ports and Waterways meeting in La Jolla, California. In addition to giving updates on legislation and MTSNAC at the two meetings, I also made a presentation on the importance of waterways, particularly the Upper Mississippi system, to agriculture.

House and Senate Waterways Caucuses: Neither group held educational meetings this year, although the contacts made through the Caucuses have contributed to the efforts of lawmakers to bring their colleagues together in supporting sound waterways policies, particularly on WRDA. Kim Sega has returned to Congr. Mike McIntyre's office where she will again be the "point" in the House, along with Jason Larrabee of Congr. John Doolittle's office. We anticipate that both the MTSNAC presentation on the global supply chain and the importance of the waterways system will be on their agenda at the start of the new Congress.

Meetings with Member Organizations of NWC and NWA- I am often asked to meet with member organizations or individuals when they visit Washington, DC, and do so regularly. In addition, I am often asked to attend meetings in different parts of the country as a speaker. During the past year, I spoke to a number of groups, including: Atlantic Intracoastal Waterway Association (Savannah); American Association of State Highway and Transportation Officials (DC); Upper Mississippi, Missouri and Illinois Rivers Association (Peoria); Tenn-Tombigbee Waterway Association (Tunica); Pacific Northwest Waterways Association (DC), and the Iowa Corn Growers Association (Des Moines). I was also invited to give a "membership pitch" to the Highway and Heavy Construction Division of the Associated General Contractors at a recent meeting they held in Washington, DC. I attended the Mississippi Valley Flood Control Association

meeting in St. Louis and a dinner hosted by CHS (formerly Cenex-Harvest States) in Arlington, Virginia.

NWC was listed as a sponsor of the Smart Rivers conference, ably hosted and led by Mr. Jim McCarville of the Port of Pittsburgh. This effort brings together the inland waterways and ports representatives of Europe with U.S. counterparts. I spoke in Pittsburgh, and will also be on the program at the upcoming meeting in Brussels, Belgium.

NWC is also a member of the low-use waterways coalition, headed up by the National Association of Manufacturers as well as Bunge Corporation. We continue to support their efforts as they require.

Meetings with the Corps of Engineers: This past year I spoke before members of the Planning Associates Program of the Corps and they attended our Congressional Reception during the Budget Summit. Each new class invariably cites the reception as the time when what they do “comes together” and the importance of their roles in the Corps is clarified. I also spoke to a meeting of the Operations Managers at Ft. Belvoir. The Corps also has a special program for “up and coming” civilian leaders that is conducted under the auspices of Georgetown University, and I again spoke to the new group at a luncheon meeting on Capitol Hill.

I was honored to be asked to participate as one of four industry representatives on a recent Lean Six Sigma effort by the Corps to streamline the planning process. While I was unable to attend every meeting, the insight gained through that exercise has certainly contributed to informing others of the magnitude of the current Corps requirements for project approval, and certainly proved helpful in the recent WRDA debate.

After various changes of command for Corps districts and divisions, the Corps holds training conferences on various aspects of the Civil Works program for the new leaders. This year 17 new district commanders and 8-10 deputy commanders will be attending, and there may be two new division commanders also. I’ve been asked to speak to them on behalf of the waterways industry.

Outside Groups: I served on a panel of speakers at the last Short Sea Shipping Conference in Orlando, Florida and was able to bring the displeasure industry proponents have expressed over a recent GAO report to the attention of GAO and DOT representatives.

Internal Operations:

Membership: We are quite pleased that five new members have been added to the rolls of NWC members: Manson Construction-a Seattle-based dredging company; Augusta Barge of Augusta, Arkansas (and Bobby Brannon is with us here in Portland), Iowa Corn Growers Association (Warren Kemper and his wife Shirley as well as Mindy Pohlberg, their Legislative Director are with us in Portland); Fordice Construction of Vicksburg, Mississippi and the National Marine Manufacturers Association, which has sent Dylan Jones to this meeting. Each of these brings a particular thrill to me because each stressed that the reason they sought membership was because they believed NWC has the ability to bring them added value. You will note that the Iowa Corn Growers and NMMA are both quite powerful in their own right. I will also add that Fordice Construction is

headed by Dan Fordice, the head of the Highway and Heavy Construction division of the Associated General Contractors, who quite graciously offered me the opportunity, as I mentioned before, to “pitch” NWC to those attending a recent meeting in DC. We are still awaiting checks from two others – Port Manatee in Florida, compliments of Grady Bryant and the Virginia Port Authority.

That means that we have increased the membership of NWC by 24 members since 2003.

Staff: As you know, Alison Heath made the decision to leave us in mid-June to concentrate on her “specialty” – meeting planning. Last summer we were blessed to have Lisa Miller as our intern, and I had told her then that we’d hire her back in a heartbeat. It was “kismet” that she became available. She recently graduated from Washington & Lee University with degrees in geology and journalism/mass media communications. You can see some of her talent reflected our membership brochure. We are very much looking forward to using her talents to fullest extent possible with grassroots educational tools, issue development, membership and communications.

Website: In conjunction with the capable leadership of Kim Robinson of the Upper Mississippi, Illinois and Missouri Rivers Association, head of our website committee, and those members Lorraine Hyde of Kinder-Morgan, Terah Huckabee of Parker Towing, and PJ Donovan of West Virginia Public Ports Authority, we are in the midst of redesigning our website. We interviewed one designer yesterday and will interview another in the coming weeks.

Finances: We again ended our fiscal year with a surplus. We are mindful that we have not raised dues in the past 8 years, contrary to the philosophy of most other organizations. In conjunction with the counsel of our Chairman, I have appointed Howard Hawthorne as Budget Committee Chair to explore that and other issues.

With Alison’s departure, we are reviewing the set-up of our financial accounts and with your input, and that from other similar organizations, we hope to find an avenue that will allow us to streamline and integrate our financial records with our membership records, which would greatly ease our administrative burden. In addition, we recently transferred all employee payment responsibilities to ADP, which allow for direct deposit as well as freeing us from the responsibility of making tax payment and filing the appropriate IRS forms required each quarter and at year end.

Office: While we enjoy the environment in Arlington, Virginia, we are moving toward a goal of relocating the office within the next two years to one closer to Capitol Hill and with available meeting facilities.

In closing, with the pending passage of the Water Resources Development Act, I’m very much looking forward to a “lull” in which to concentrate on bringing the importance of our waterways system to the forefront of decision-makers and everyday citizens. In conjunction with you, our members, I believe we have a unique opportunity to “wake up” the American public of the true value of our waterways system and it will be a pleasure working with you towards that goal.

Worth Hager