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Water Resources People and Issues

An Interview With

William R. Gianelli

U.S. Army Corps of Engineers

Office of the Chief of Engineers

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W A T E R R E S O U R C E S
P E O P L E A N D I S S U E S

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WILLIAM R. GIANELLI

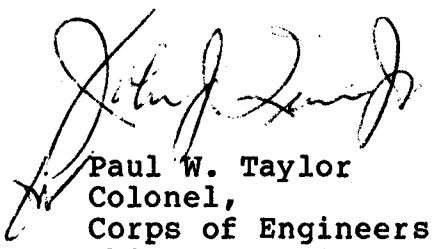
Assistant Secretary of the Army (Civil Works)

This edited manuscript is the product of a tape-recorded interview conducted by Dr. Martin Reuss of the Historical Division, Office of the Chief of Engineers, with William R. Gianelli in the Pentagon on June 20, 1984, and at Mr. Gianelli's home in Pebble Beach, California, on August 9, 1984.

FOREWORD

At a time when serious questions are being raised about the manner in which the nation utilizes its water resources, it is important to gain the insights of past leaders in the field of water resources development. This volume is the first in a new publication series, Water Resources: People and Issues, that will include interviews with individuals both inside and outside the Corps of Engineers.

William R. Gianelli's tenure as Assistant Secretary of the Army (Civil Works) was an important period in which the Corps of Engineers was challenged to rethink many of its policies and procedures. As a result of Mr. Gianelli's actions, our organization responds more quickly to public needs in carrying out its regulatory responsibilities. I recommend this interview to thoughtful officers and civilian members of the Engineer family.



Paul W. Taylor
Colonel,
Corps of Engineers
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THE INTERVIEWER

Dr. Martin Reuss is a historian in the Historical Division, Office of the Chief of Engineers, specializing in water resources development. He holds a Ph.D. from Duke University and is the author of Shaping Environmental Awareness: The United States Army Corps of Engineers Environmental Advisory Board, 1970-1980.

PREFACE

William R. Gianelli joined the Department of the Army as Assistant Secretary for Civil Works in 1981 after 40 years of experience in government and in the private sector. Because virtually all of this experience was in water resources development and management, Secretary Gianelli brought with him a clear vision of the appropriate role of government in this area. In his view, the situation in 1981 called for major changes in two areas of the Corps of Engineers' water resources activities. These were reform of the financial terms under which federal water resources development were undertaken and reform of the process by which the Corps of Engineers carried out its regulatory responsibilities.

In both areas Bill Gianelli boldly proceeded to carry out his vision in spite of many objections and reservations. Because of his unquestioned commitment to responsible water development, he was able to bring proponents of the status quo and other nay-sayers to a committed, if not enthusiastic, support for new ways of doing business. Consequently, fundamental and far-reaching redefinitions of the federal role in water resources development and in the regulation of dredge-and-fill material in the nation's waters have been achieved. Moreover, Bill Gianelli's unquestioned reputation as the administration's foremost authority on water development made him the administration's focus for water issues. As a result, the role of the Army and the Office of the Assistant Secretary for Civil Works, in particular, in federal water resources development and management was enhanced and became more fully appreciated by the water community.

While the accomplishments of Secretary Gianelli in the water program are significant without question, their implications go beyond the programs directly affected. The principles of responsive government, timely decision-making, cost-effective use of resources, and the impact one man with vision, competence, and motivation can have are equally applicable to other areas of government. Accordingly, it is important that his thoughts be widely circulated; they contain valuable insights concerning effective and efficient government.

Robert K. Dawson
Acting Assistant Secretary of the Army
(Civil Works)

WILLIAM R. GIANELLI

When William R. Gianelli became Assistant Secretary of the Army (Civil Works) in April 1981, he brought with him 35 years' experience in the field of water resources development. He graduated from the University of California, Berkeley, in 1941 with a BS in civil engineering and a reserve commission in the U. S. Army Corps of Engineers. On active duty during World War II, Gianelli rose to the rank of major in positions from platoon leader to battalion executive officer. He served with Engineer troops engaged in building airfields, water supply facilities, and other construction projects at installations in Hawaii, Saipan, Okinawa, and Korea.

In January 1946 Gianelli began ten years' service in the State Engineer's Office of his native California. Next he served in the California State Department of Water Resources (1956-1960) and was the senior partner in the firm of Gianelli and Murray, consulting civil engineers (1960-1967).

When Roanld Reagan became governor of California in January 1967, he appointed Gianelli to head the State Department of Water Resources. In that position Gianelli supervised the completion of the first phase of the California State Water Project, at the time the largest non-federal water conservation and conveyance system of its type ever built. The first phase involved constructing facilities at a cost of $1.5 billion. The direct beneficiaries provided a large portion of the project's cost.

Gianelli left government service in 1973 to return to consulting as a specialist in water supply and water rights issues. In that year the American Public Works Association named him one of the top ten Public Works Men of the Year and Engineering-News Record magazine named him Construction Man of the Year. He served under presidential appointment on the National Commission on Water Quality (1973-1976) and was chairman and a member of the board of directors of the Monterey Peninsula Water Management District (1978-1980).

In April 1981 President Reagan selected his former state water resources chief as Assistant Secretary of the Army (Civil Works). In that position Gianelli oversaw the civil works program of the U.S. Army Corps of Engineers, chaired the board of directors of the Panama Canal Commission, and administered the Arlington and Soldiers' Home National Cemeteries.

In three years as Assistant Secretary, Gianelli was responsible for major reforms in the Corps of Engineers' regulatory program that cut the average processing time for permits in half. He challenged the Corps to rethink its cost-sharing and project-financing policies. Under his direction the federal government obtained voluntary commitments to a higher level of non-federal funding for water projects, an important step in a period of fiscal restraint and shifting national priorities. The changes he introduced in the Corps' repayment policies accelerated the recovery of federal investments. In his role as overseer of Arlington National Cemetery, Gianelli was instrumental in obtaining congressional approval of funding for a permanent visitors' center. His efforts also culminated in the interment of a Vietnam War unknown soldier at the cemetery on Memorial Day 1984.

In a relatively short time, William R. Gianelli left an indelible mark on the civil works programs and policies of the U.S. Army Corps of Engineers. In May 1984 he resigned as Assistant Secretary of the Army (Civil Works) and returned to California. Gianelli works part time as a consultant and, under special legislation enacted by Congress in June 1984, continues to serve as chairman of the board of directors of the Panama Canal Commission.

PART I

Q: Mr. Gianelli, the first question I want to ask you is when you came to the job as the Assistant Secretary of the Army, Civil Works, did you have any definite ideas about what you wanted to do in that office?

A: Yes. I had a couple of very definite things in mind. One of them was to bring about regulatory reform because I had known about the Section 404 program and all of the problems in connection with it. I felt that there needed to be a major reform of Section 404, particularly the processing of applications for permits, the amount of time it took, whether or not an applicant, for example, would get an opportunity to get a fair shake, and whether some of the single-purpose agencies had an undue advantage. I wanted to try and correct things like that so that it would be a more efficient program and so that the government could make a decision much more promptly than it had in the past. So that was one of the major goals that I had in mind.

The other one was, of course, due to my long familiarity with the nation's water programs: that something had to be done with respect to federal water development if we were going to build needed federal water projects.

The problem as I saw it was that some additional means had to be found for financing federal water projects. Due to the pressures on the budget--particularly in the defense area and the social programs--we couldn't expect a large amount of federal money to be allocated on the same basis that it had in the past to finance federal water projects.

Having had a considerable amount of experience in the financing area in California with respect to the financing of the California State Water Project, which was a $2.5-billion water project, I felt that I could bring to the job some new ideas and hopefully talk to the Congress about some new formula for developing federal water projects, particularly the financing and the repayment of those projects.

So I would say overall, from the standpoint of goals as related to the Corps of Engineers' programs, these were two areas where I came into the job with some very strong feelings that something needed to be done.

Q: Now, at this time, Mr. Gianelli, did you have any particular perceptions of the Corps of Engineers?

A: Oh, yes. I was very familiar with the Corps of Engineers from, you might say, a different perspective. First of all, I was a reserve officer in World War II and was called to active duty as a young second lieutenant for the Corps of Engineers in the summer of 1941, immediately after I graduated from college. And for almost the next five years during World War II, I was a Corps officer, attaining the rank of major by the time that World War II ended.

And during all of my service during World War II, I served with the Army Engineer Construction troops, primarily in the Pacific Theater of operations. So I was very familiar with the Corps as a member of the Corps of Engineers during World War II and as an officer of the Corps.

Following that, my entire career has been in water resource development, and as such, primarily in my activities as an official of the state of California, I had occasion to work very closely with the Corps Division and the Corps Districts in California.

So I was very familiar with the Corps' operations and very familiar with Corps projects and very familiar with how the Corps of Engineers operated in the civil works area, by virtue of my experience in California.

Q: Familiarity sometimes can breed contempt.

A: Right.

Q: Can you tell me a bit more what you thought about the Corps of Engineers as an agency--positively, negatively, and so forth and so on.

A: Well, I had views--for example, during World War II in the combat area--that I thought the Corps did an outstanding job, and I always looked upon my own career and my service in World War II as a Corps officer as one of the outstanding events of my life. As a result I have a very high respect for the Corps, being part of it in a combat situation.

Following that, as a civilian primarily employed for the most part with the state of California and then later as an individual consultant, I had a very high regard for the Corps in terms of their technical capabilities and in terms of their ability to get something done: i.e., their

ability to design and their ability to construct water projects.

I had some problem with the Corps' planning effort, which I think was reinforced after I came into the job. I had some reservations about how the Corps carried out its planning operations, but overall I had a very positive--and I still have a very positive feeling with respect to the Corps' ability to get a job done. For example, in times of emergencies, there is no finer organization in the world than the Corps of Engineers to take care of problems that come up as a result of natural disasters and things of that nature.

Q: Well, when you look back over your time as the Assistant Secretary, and you look at the perceptions you came into the office with about the Corps, and then as you left the office, do you have any significant changes in those perceptions?

A: Yes. One of the things that I became aware of very early in my position as Assistant Secretary was that the Corps, over the years, had been very used to considering itself almost as an arm of the Congress. In other words, what I found was that Corps officials were very conscious of their relationship with the Congress and actually, it seemed to me, did more toward working with the Congress sometimes, almost, than they did working with the executive branch of government.

One of the things that I tried very hard to correct was to have the Corps recognize that it really is a part of the executive branch of government and, as such, has certain responsibilities as part of the Department of Army; and at certain times those activities may not be in consonance with the views of the Congress.

So I would say that one of the things or one of the perceptions which I had when I left my position as Assistant Secretary was recognition of the problem of the Corps in having to work directly with the Congress on one hand, particularly in connection with all of the things that the District Engineers and Division Engineers came up against in the field, versus being part of the administration team. That particularly is apparent with respect to the funding of water projects.

Congress, of course, each member of Congress--and I am certainly not being critical, I think it is a very natural thing--is very interested in getting all kinds of water projects for his area. And the Corps, I felt, always tried very hard to accommodate the members of

Congress in the planning for water projects in their areas.

From an administration standpoint, where there were severe restraints on the budget, it was necessary for this office--the Assistant Secretary of the Army, Civil Works--as part of the administration team and as a presidential appointee, to be aware of the financial problems of the administration and the need to balance the budget. Therefore, I often found that we were not able to comply with a lot of the things on which the Congress wanted us to spend money. So I became much more aware, after I was in the job and at the time I left, of that kind of problem than I was before I assumed the position.

Q: To what extent, if any, did you review the working policies of your predecessor when you came into the job? Did you feel that that had a bearing on your job, or were you starting off with a clean slate?

A: Well, I didn't know Mr. Blumenfeld, who was my immediate predecessor. However, I met him on a number of occasions subsequently. I did not have a chance to talk with him before I actually came into the job; but later on I had an opportunity to talk with him about a number of issues and found that we agreed on a great number of things.

I am not quite certain of all the things with which he was involved. Mr. Blumenfeld was not an engineer and, therefore, probably didn't come from the same perspective that I did. I suspect that one of the things the Corps probably experienced was that they found I would get into much more detail on their work than my predecessors, largely because of my familiarity with the subject.

That might have added to the discomfort that the Corps might have felt with my being in this job, because I had so much background knowledge with respect to water projects.

I found myself questioning many of the Corps' projects and asking for details, which my predecessors may not have done. In some instances I actually gave the Corps some rather positive directions with respect to a number of its projects.

Q: Let me get philosophical for a second. Let's not talk specifically about the Reagan administration, but let's talk about administration X and how water resources ought to be administered in any administration. Do you have some specific ideas about that?

A: Yes. Again, I don't view myself really as a political animal. I have served the President in a capacity in California as one of his appointees, but basically I have been a professional engineer throughout my career and have not been a politician.

And so, therefore, I have in my tenure as an Assistant Secretary, I would honestly say, tried to administer the activities of the Assistant Secretary's office as I thought was appropriate, not giving consideration to politics. And I think that I was able to do that, and I have a good feeling about that. The things that I was trying to do in my position as Assistant Secretary were things that were important for the betterment of the program and were not in any way connected with political expediency.

Q: You, of course, were a member of the President's Council on Water Resources and worked with the Department of Interior and so forth. How well did that Council work?

A: Well, I ended up being a little bit unhappy with the Cabinet-Council arrangement, and let me indicate why. The primary interface that we had with the Cabinet-Council was as a member of the Cabinet-Council on Natural Resources and Environment. And that Cabinet-Council was headed by the Secretary of the Interior.

The Secretary of the Army or the Secretary of Defense was not officially a part of that Cabinet-Council. But largely, probably as a result of my knowledge in the field and my prior acquaintance with Jim Watt, I was asked to be a part of those Council deliberations whenever it involved the subject of water. And as a matter of fact, Secretary Watt, very early in this administration, asked me to head a sub-Cabinet group of Assistant Secretaries concerned with problems in water resources development. And I did that. I acted as the head of a task force of Assistant Secretaries who looked at problems referred to it by the Cabinet-Council and made recommendations to the Cabinet-Council.

But one of the things I found was that after, for example, we were able to get concurrence of the Cabinet-Council on such things as cost sharing, the Department of Interior had different views which Jim Watt reflected independently as a Cabinet officer. And I guess I felt at the end of the Cabinet-Council deliberations, particularly on cost sharing, after about two years that the Secretary of Interior could independently reflect different views on water policy, notwithstanding actions

of the Cabinet-Council.

This troubled me. And so I guess, in summary, I am troubled by the Cabinet-Council arrangement because it seems to me that the Corps of Engineers, which has the major water program of the federal government, is somewhat at a disadvantage as opposed to the Department of Interior, which had a much smaller program but had a Cabinet member; whereas the Corps of Engineers had only sub-Cabinet representation by the Assistant Secretary of the Army.

So I guess,in the last analysis, I did not feel too good about the Cabinet-Council arrangement on water policy and the ability of the Assistant Secretary of the Army to be on a par with the Secretary of a large department.

Q: Can you outline more specifically what the major areas of disagreement were between you and the Department of the Interior?

A: Well, one of the things that came about was that I was able to get the Cabinet-Council to support a formula with respect to cost sharing for federal water projects for different purposes. And I felt very strongly that this was necessary in order that everyone be treated the same.

For example, the Corps has a large number of flood control projects in the United States and a large number of them on the drawing boards. I believed it was important to have some guidelines to give to the Corps in the field with respect to cost sharing--say, on flood control.

The Bureau of Reclamation projects are somewhat different. For the most part, they are very large projects. They involve primarily irrigation, whereas the Corps' projects might incidentally involve irrigation. And so the primary difference came, I would say, when the Bureau of Reclamation, through the Secretary of Interior, wanted to develop cost-sharing formulas on a case-by-case basis.

My concern on a case-by-case basis was that you had to be consistent; with the large number of projects that the Corps has, I viewed consistency as very important, because you certainly can't have one area of the country paying one amount for a flood control project and another area of the country paying a different amount.

In other words, I felt that while federal government has a certain financial responsibility with respect to flood

control projects, that responsibility has to be orchestrated on an equal basis throughout the country. So I would say the primary difference that finally evolved between the Secretary of Interior or the Department of Interior and the Department of Army, as represented by the Assistant Secretary, was the need to have a consistent formula provided throughout all the Corps areas, throughout the 50 states, as opposed to the Bureau's desire to proceed on a case-by-case basis in their areas of responsibility, which were the 17 western states.

Q: You would be in a position to know what, if any, specific ideas President Reagan has on water policies. Do you--can you explain to us what his views were? Were his views basically the same as yours?

A: Well, when I--let me give you an example. For example, when Reagan became Governor of California, as a result of the election in November 1966, I didn't know him. I had never met him. One of his key Cabinet officers at that time was the Director of Water Resources for the state of California. The state was just beginning this mammoth $2.5-billion project that had been approved by the legislature and by the voters several years before.

Just before Christmas in 1966, I got a call from the Governor-designee, Reagan, introducing himself and saying that I had been highly recommended to head the Department of Water Resources, and would I accept an appointment as its director. He volunteered that he was not a water expert. We talked for a short time about the issues, after which I agreed to be his Director of Water Resources.

During my whole tenure as Director of Water Resources, which lasted almost seven years and allowed us to complete this major project to deliver water from the northern to the southern part of the state; the Governor was very supportive of what I wanted to do; and basically his only instruction to me was to carry out the mandates of the legislature and the people to build this project in an efficient and cost-effective manner. The project was in great financial trouble at that time because there were inadequate funds provided to complete it.

During our tenure, none of the disputes or contractor claims were ever settled in the Governor's office. Any inquiries that the Governor received with respect to the water program, he referred to me as the Director of Water Resources, and we worked them out.

However, he did support my effort to get additional funding from the legislature and supported me when I was criticized by people around the state on the job that was being done. So I would say that the Governor during that period got considerable exposure to water development, and I found his ideas pretty well coincided with mine. When I came into the Assistant Secretary position, I knew pretty well what the President's views were with respect to water policy.

Q: Did you have an opportunity to speak to the President about water resource policy after you took the job?

A: No, not directly. I spoke to a number of his staff and, of course, worked closely in the early days with White House staff and other departments.

Q: Let me ask you a series of questions dealing with the relationship between this office--OASACW--and other parts of the Department of Defense and the federal government. What kind of a relationship developed during your tenure between this office and the Secretary of the Army? Did you see the Secretary of the Army much? Was he interested in the program? And what was the communication?

A: Yes. Let me just say, from a personal standpoint, I felt I had a very good relationship with Secretary Marsh. I was the senior assistant of the four Assistant Secretaries of the Army; and whenever the Secretary and the Under Secretary were absent, I acted as Secretary of the Army.

I also made a great effort to attend things which weren't directly related to the Corps' civil works programs. For example, the Army Policy Council. I was a member of that. I attended a lot of Army functions in my role as one of the four Assistant Secretaries of the Army.

So I felt very comfortable, I felt very good about my relationship with the Secretary and my relationships with the Army. And even though my day-to-day exposures were not many, for example, with the Army Chief of Staff, we did interface, because I had additional responsibilities other than the Corps in my job.

One of these other responsibilities was Chairman of the Panama Canal Commission. As such, I worked very closely with the Southern Command in Panama, and that brought me into another kind of relationship with the Department of Army and the Department of Defense.

A third area of my responsibility was Arlington Cemetery. Again, this function heavily involved the Secretary of the Army. For example, our office advised the Secretaries on such things as the identification of a Vietnam unknown, determination of burial eligibility, and other problems of Arlington.

So I would say that I had an excellent relationship with the Secretary. I would also say that in the areas of my responsibility, which were the three--the civil works program, the Panama Canal, and Arlington--the Secretary left them very much up to me. In other words, he relied upon me to run those programs.

The only time he really became involved in our activities was when, for example, there was a particularly controversial subject. I tried to keep him advised on any controversy, so that when he had inquiries from members of Congress, he could be pretty well informed on the subject. And on a number of occasions, when I made decisions that were not popular with a member of Congress, the Secretary of the Army would get a call and be asked to intervene in the matter.

But let me say, the Secretary was always very good in that area; and while we had quite a number of meetings with members of Congress, he pretty well delegated to me the responsibility for running the Corps' civil works program, and only got into it when brought in either by me or by some member of Congress. That was also true with respect to the Panama Canal Commission and Arlington Cemetery.

Q: So you can't recall any instances where the Secretary of the Army actually said to you, "No, we are not going to do it this way," or something like that?

A: No, I don't. I don't recall a single situation. There were times when I think the Secretary said, "You know, I think we ought to try and see what we can work out here," but I don't ever remember a mandate he gave me that I didn't pretty well agree with.

And let me say the same thing is true with the Secretary of Defense. My primary dialogue with the Secretary of Defense came in connection with my chairmanship of the Panama Canal Commission. Because under the law, he is a member of that commission and that delegation comes down through the Secretary of the Army to me.

The Secretary of Defense has a great interest in the activities of the Panama Canal Commission, and I will

relate to you later how that is still being carried on, even though I have officially left the position of Assistant Secretary.

I have known the Secretary of Defense for 30 years and worked with him in California. He was a Cabinet officer for Reagan during part of the time that I was also a Cabinet officer. So I felt very comfortable with him on a personal basis.

Q: Let's go outside of DOD for a moment. How about OMB--your relationship with the people in the Water Resources Branch or with Mr. Stockman.

A: Well, most of my dealings with OMB were at a lower level than Mr. Stockman. In fact, I think I only remember a few meetings that involved Mr. Stockman.

Quite a bit of the policy activity was carried on with one of Mr. Stockman's assistants--one of his appointees, Mr. Khedouri, who had, in his area of responsibility, things such as the water resource programs of the Corps and the Bureau of Reclamation, and the Soil Conservation Service.

And then below him, I dealt very directly with Don Cluff, who headed the division that dealt with the water programs of the Bureau of Reclamation, the Soil Conservation Service, and the Corps of Engineers. So most of my activities with OMB were with him. Sometimes with Mr. Crabill, who is one level above Mr. Cluff. The rank in OMB starts out with Stockman, Khedouri, Crabill, and then Cluff. Cluff has a number of people below him we sometimes worked with also. So most of the contacts were made and most of the activity was carried on at the Cluff level, with Cluff and his assistants; although on occasion we got involved with Mr. Crabill and, from a policy standpoint, every once in a while with Mr. Khedouri.

Q: Was it a good relationship?

A: I would say the relationships from Crabill down were good--were very good. I would say that relationships above Crabill were pluses and minuses. I think there were some negatives as well as some positives.

Q: Were you--some policies that you were in favor of--were they overruled by OMB?

A: Well, one of the prime complaints, if you want to call it that, that I had with OMB is that they are in a key

position, not only in terms of budget but in terms of legislation.

And I really believed that, for example, in some areas of legislation which involved, say, the Corps programs, we should have been more a part of formulating those programs in the beginning rather than coming on later. An example, just to pick out a case in point, is the subject of cost sharing for navigational projects. The subject is highly controversial, and I really believed that it would have been beneficial to the administration if they could have really turned the Assistant Secretary of the Army's office and the Corps loose on working directly with the Congress on formulas to revise cost-sharing programs for navigational projects.

However, the upper levels at OMB held that subject pretty close to themselves; and I really felt that some of those legislative directions and implementations should have been worked out more, I guess, together than I felt they were.

Q: What was OMB's reasoning for that?

A: Well, I'm never quite sure. Of course, OMB has a very broad responsibility in terms of the federal budget that goes far beyond the Corps of Engineers' program. And I think there, of course, is a need for them to keep in perspective, say, the water resource programs as contrasted with a number of the other programs. Neither I nor the Corps would have knowledge of all of the pressures on OMB for other programs and the other demands for federal funds.

As a result, I believe one of their prime reasons for not delegating was the need for them to keep budgetary control over whatever was being proposed in the way of federal programs. I suspect that was the underlying reason why perhaps we weren't turned loose a little bit more toward developing formulas and working more closely with the Congress to solve the problem of cost sharing for navigational projects.

Q: Let's turn our attention for the moment to the relationship between your office and the Corps of Engineers. And, of course, right now what I am interested in is a general portrait by you. We will get into specifics later.

Let me take the bull by the horns and suggest that people feel that you got more involved in the bowels of the organization, so to speak, than your predecessors did.

What do you think should be the proper relationship between OASACW and the Corps of Engineers? And maybe we should divide it up and talk about OCE and then talk about the field.

A: Okay. Well, I--this comes back to an earlier comment I made which is that I think the Corps has a difficult problem as a result of their close relationship with members of Congress in the field, and that gets reflected up through OCE. It is an important relationship because the members of Congress look upon water projects as something positive for their areas; and they look upon the Corps, which has the expertise, to develop projects that will solve water problems for their particular area.

The Corps has a strong desire to maintain good relationships with the members of Congress and, as a result, tries to accommodate, I think, wherever possible, members in solving a water problem. From ASA's viewpoint, it may be that those projects which the Corps tries to develop for the benefit of a particular congressman or senator or for a particular area do not fit in with the administration's policies as reflected by ASA.

For example, I have always believed the Corps doesn't worry too much about the cost of a project. In other words, they go to Congress for the appropriations and Congress appropriates the money. And I think the Corps, for example, in making recommendations for the development of a water project to solve a problem, will develop what it believes to be the best engineering solution, which may end up costing a lot more than alternatives that might do the job.

One of the difficulties arises--and I think the Corps gets caught in the middle here--on the one hand of developing a project, the best project from an engineering standpoint, to solve a problem in a particular congressional district. On the other hand, there may be a lesser project, lesser in terms of scope and lesser in terms of cost, that might solve the problem from the vantage point of the administration and available funds.

This has created a problem on some occasions between ASA and the Corps. To use an example, I guess Mount St. Helens is probably one of the best examples. We finally asked the Corps, instead of making a specific recommendation on how to solve the problems brought about by Mount St. Helens, to give this office a number of alternatives from which we would make the selection of which project ought to go ahead. That created some real

problems because of the Corps' dialogue in the field, since it had developed a rapport with the local people on what it thought ought to be done. It turned out from the standpoint of ASA that something different should be done. This created some real problems between ASA and members of Congress who had been convinced that the Corps' solution to the problem should have been followed rather than what we decreed should be done.

Q: As a result of experiences such as that, did you try to sort of put a cap on the contact between Division and District commanders and congressmen?

A: No. No. I think it is important that they have a good relationship. But what we tried to do was to make certain that the Corps understood what we were trying to do--for example, from ASA's standpoint. And the second thing, and I think we were moderately successful but not completely, was to have the Corps' field people inform ASA on their various dealings with members of Congress. For example, if a member of Congress called about a particular problem--and they frequently did call a District Engineer or a Division Engineer, and that's appropriate for their area--but to let ASA know whatever dialogue took place so that when we got a question from the Hill with respect to the same problem, we would at least have been informed as to what dialogue had previously taken place between the Corps at the field level and the members of Congress.

I believe we made substantial progress in that area because now ASA is better informed from the field in its contacts with members of Congress. That is extremely important.

Q: I am going to get back to this a bit later; but the general thrust of your comment, it seems to me, impresses me right now as suggesting that you wanted to get some of the political considerations, political philosophy of this administration injected into the planning process earlier.

A: Let me talk about planning--not so much political considerations as economic and financial considerations--because if there is any part of the Corps' program that I have been more critical of than others, it is the planning process. Let me explain why.

Take a look, for example, at the Corps' planning program that would generally lead to water projects. Early in our administration, we examined some 500 planning reports that the Corps prepared, looking toward the solution of a

problem by the development of a project. Over half of those studies developed into a report which showed no feasible project could be constructed. The Corps spent, as I recall, some $100 million on those project reports, which, it seemed to me, the Corps could have screened out at a much earlier date and saved the federal government large amounts of unnecessary expenditures.

That was the reason I asked the Corps to split its feasibility reports into two phases. The first I called a reconnaissance level report, which would be done at 100-percent federal cost in one year at about 20 percent of the cost of the full feasibility study. Then, if the Corps found that there was a project that looked like it might be feasible, to have the local project beneficiaries pay half of the remaining cost of preparing the feasibility report, while the federal government would pay the other half.

I further went on to say that of the one-half that would be borne by nonfederal interests, half of that could be an in-kind service. For example, if it were a state, the state has expertise in terms of information--basic data that it could supply to the Corps. I believed that any financial contribution from the local people in the planning process would do a lot toward screening out infeasible projects, because my experience in California told me that the minute project beneficiaries had to put up any money at all, they would look more carefully at whether they really needed a study. A review of the Corps' efforts in the past made it very clear that because the local people were not putting up any money, the Corps was spending substantial federal funds developing reports on projects which would never be built.

One of the things that I tried to do, and I think had some support in the Congress, was to have the Corps' planning process screen out infeasible projects at a much earlier date before so much time and effort and money had been spent unnecessarily. That, to me, is not politicizing the Corps. That is just good sense, good water resource planning; and it is the way good water projects ought to proceed, in my judgment. So when you asked the question--commented that I was attempting to politicize the process--I don't view it that way at all.

What I think I was trying to do was to make more sense out of the Corps' program, recognizing the constraints on the federal budget. I really tried to give the Corps direction which would assist in making the water projects more responsive and more meaningful.

Q: Well, let's pursue this for a moment since we are talking about planning.

A: Sure.

Q: One person in the Corps paraphrased a comment of yours. I don't remember where he heard it, but he said that you had said once that the goal of a planning process ought to lead to project construction. That is, plans that do not lead to work are basically a waste. Can you elaborate on that a bit?

A: Yes. I think--and I am not singling out Corps planners because I think this is true with planners in many organizations, and I know it is true in large water organizations--a lot of the planners like to plan for the sake of planning and to develop projects which will never be feasible to be implemented.

It seems to me that the planning process ought to develop programs in ways in which those programs can be implemented. If you are going to study a project which has no chance of going ahead, it seems to me the earlier you can determine that and cut off the effort, the more time, effort, and money will be saved by whoever is paying for the planning.

In the case of the federal government, it would save the federal government a considerable amount of money if you could determine infeasibility at a much earlier date. And so, yes, I believe that the planning for projects should lead to implementation. It should not be merely a planning effort which is discarded because it cannot be implemented.

Q: Of course, planning depends on authorizations and appropriations. If you are developing an early plan of feasibility study, and the project is either not authorized or else there is no appropriation passed, it is difficult to--well, I mean, how does the Corps take into account that kind of . . .

A: Well, I am not making the point with respect to the other activities of Congress. I am talking about a project that doesn't muster up and have a positive benefit-cost ratio. If you are only going to construct feasible projects as demonstrated by the benefit-cost ratio, then that ought to be determined at as early a date as possible, and efforts shouldn't be spent on projects where the benefits don't exceed the costs.

Q: Are you in a way faulting the Corps' economic analysis too, then, or are you just suggesting that they go beyond a reasonable point in developing the studies?

A: Well, I am not so much questioning the Corps' economic analysis, but what I am saying is that there ought to be a greater effort made earlier to determine how far to go in that planning process, particularly in the feasibility report. And if you can determine, say, through this reconnaissance effort which I asked the Corps to institute, that a project is not feasible, then that effort should be terminated.

Q: How do you feel about nonstructural solutions?

A: Oh, I think very often nonstructural solutions do have a place. On the other hand, I think you have to be careful that nonstructural solutions do not increase or take any more property off the local tax rolls than absolutely necessary. Often nonstructural solutions involve the acquisition of large amounts of land taken off the local tax roll, which presents some real problems to local government. Whereas, for example, a structural solution might result in much less property having to be taken off the tax roll.

Let me go on to say that land acquisition is not the only consideration. You have environmental considerations. So you have to balance all the issues. I believe that there are places for nonstructural solutions, but I think that you have to be extremely careful because so many of them involve such large acquisitions of property.

Q: Let's turn our attention for a moment from planning to one of the important thrusts of your tenure in office, and that is cost sharing.

A: Yes.

Q: You indicated in an earlier interview with John Greenwood that you wanted to do something to make nonfederal interests bear a greater share of the water resource costs. How successful do you think you were?

A: I would say only moderately successful. Maybe a better word would be minimally successful. I believe there are probably several reasons for that.

First of all, I think Congress, particularly certain members of Congress, like very much to demonstrate to their constituency their ability to get large amounts of federal money to build projects in their area. And it is

much more popular for a congressman, if a federal project has to be built to solve a problem in his area, to get all the money from the federal government than it is to tell the local people, "You are going to have to pay for part of it."

So my perception is that there was considerable resistance from some members of Congress who like the system the way it is, even though the present system and the stalemate in water project authorizations and funding have resulted in very few new projects being started in the last few years. My perception is that Congress has had a hard time biting the bullet, so to speak, to require nonfederal interests to pay a larger share of the cost of the projects, even though those nonfederal interests will be the primary beneficiaries.

The other thing that I think had a bearing on it--I have never felt that the Corps, including OCE, the Divisions, and the Districts, was very enthusiastic about going out to nonfederal sponsors and asking them to put up the money. This is a natural thing. I am not being unduly critical, but I have believed that while we tried to orchestrate what we wanted done from the standpoint of cost sharing at the ASA level, there has not been great enthusiasm in the Corps, particularly in OCE, to pick up that effort and to try to promote it with the field. Instead the Corps passively acceded to whatever we asked be done, but used very little in the way of initiative to further the effort.

That's been borne out by the fact that where we went out and developed some projects--I think we developed about 16 over the course of my tenure--Corps projects where the local people were willing to contribute more than the historical formula, most all of those had to be orchestrated from the office of ASA, rather than having the field use some initiative with respect to augmenting or facilitating those efforts.

Let me quickly say that I suspect part of the field's reluctance has been some uncertainty as to how far they could go with respect to some of these things. We tried, particularly in my last year, to correct that by being more positive with the field in terms of instructions, so that they could go ahead and make some overtures to the local people and bring in to ASA projects which they thought would pass muster under our cost-sharing goals, rather than having everything orchestrated solely from ASA.

Q: Well, let me ask you a question I am sure must have been

asked of you several times while you were in this office, particularly relating to flood control. How do you reconcile one situation where you have a relatively poor community that is going to be threatened by floods and devastated, and the cost sharing that would be imposed upon them, with another community that is rather well to do and presumably could afford to bear a greater financial contribution?

A: Well, that point has been raised a number of times and I always answer it this way--that the whole theory of feasible federal water projects is based upon a favorable benefit-cost ratio. In other words, the benefits should always exceed the cost.

As a result, the criteria which determine what is a feasible federal project are discriminatory already; because if, for example, you have an agricultural area that gets flooded very badly, and the benefits of providing that agricultural area with flood control don't exceed the costs, then the project is not feasible. So you are, in effect, discriminating against the poor areas or those that don't have the benefits already in your benefit-cost analysis by which you determine a federal project is feasible.

And so where you have limited funds, my perception is that the federal government can't take care of everybody's problem everywhere in the United States. There is just not enough money in the federal treasury to do it, and Congress and administrations before have indicated no willingness to try and do that. So you--what do you do? You try and spend federal money on those projects that are the most--that have the most benefits that come from the costs that you put in them. So you develop a benefit-cost ratio, and you say the best projects are those where the benefits are the highest because you benefit a larger number of people, at least in terms of the Corps' dollar evaluation.

So all that cost sharing proposes is extending that idea and basically trying to spread out what limited federal funds are available to the better projects. the better projects are those that have the highest benefit-cost ratio.

Q: Well, I can think of two possible answers from people who might oppose that position. One is that perhaps there is something wrong with the way in which the Corps develops its benefit-cost ratio. That perhaps there is a better way of going about it. And the other one is related, and that is simply that we are not just talking about

property values and so forth and so on. We are talking about lives of people and how does that figure into . . .

A: Well, presumably the Corps, when it makes its benefit-cost evaluation, takes into account those things.

But again, let me just say that if you look at the number of Corps projects that are either under construction, have been authorized, or are under study, you can add up to some $36-billion worth of projects. Those projects aren't going ahead for lack of funding. So what is the sense of developing another theory which would act to put more projects on the board, when you cannot construct projects under the present rules. How then do you allocate the limited federal funds to water projects? It seems to me that one of the logical ways, and this has already been started over the years by the benefit-cost evaluation, is to take the limited federal funds and use them for those projects where the benefits are going to be the greatest and where there is a federal responsibility.

Accordingly, my answer to the question--how do you take care of the poor areas or how do you take care of the poor areas if the benefit-cost ratios don't exceed one to one now? The answer is, you can't. This may result in certain inequities, but the system is the best one we have. You have to have some screening device because you can't take care of everybody's problems all of the time. That is the dilemma that the federal government faces.

Q: What about a situation where you might have a community that has spent a substantial amount of money on flood control, and it has not been--it has not been successful, and therefore they appeal to the federal government for the funding to do a much more massive kind of a project, probably. Do you think the amount of money that the community has already invested in flood control ought to be considered in terms of federal investment?

A: Yes. As a matter of fact, one of the inequities of the present system for flood control is the way it has been administered in recent years under the law. When a federal project involves levees, then the nonfederal interests have to put up the costs of land, easements, and rights of way and the relocation of utilities.

On the other hand, if a flood control project involves the construction of a reservoir, then the federal government pays the entire cost. That to me is inequitable. That's why in the cost-sharing formulas

that I have been advancing for flood control, I talk about 35-percent nonfederal contributions, whether it is a reservoir or whether it is a levee project. At least everybody then would be getting a fair shake, as opposed to the present system where nonfederal interests on levee projects have to contribute substantially, whereas in reservoir projects nonfederal interests pay nothing.

Q: But the reservoirs might offer significantly additional protection to . . .

A: Well, you know, the engineers design projects to provide certain levels of protection, whether it is a levee or whether it is a reservoir--whether it is 100-year protection, 200-year, or whatever it is. So you build a reservoir to give yourself a certain degree of protection, whether it is 100-year or 200-year, and you design a levee project for exactly the same thing. So I don't--I don't see the argument there.

Q: Well, what I am suggesting is that, okay, if you have to build a reservoir to achieve that same amount of protection, the reservoir is probably going to cost more; and therefore the argument might be that in that case, you have to get more federal investment. Because . . .

A: Well, I don't think that argument makes sense. But there may be a further involvement when you have reservoirs. Very often the reservoirs are multipurpose; and if they are multipurpose features, then the other purposes should pay an appropriate allocated cost of that particular reservoir. It shouldn't all go to flood control, because very often now you build a flood control project that has other substantial benefits. The other beneficiaries--for example, hydropower, municipal purposes--should pay their own way, certainly.

Q: Let's talk about another aspect of cost sharing and that is deep port dredging. What was your position as Assistant Secretary on the question of deepening some of the major ports?

A: Well. I--here again--if you take a look at all the reports which the Corps prepared on the deepening of harbors--I can't remember the amount, but they run up to many billions of dollars--where every port envisages itself as developing, say, as a major coal export facility. That was popular about three years ago when there were big plans for coal. However, those plans have been somewhat dampened. At any rate, under the historical formula where the federal government paid the entire cost of deepening deep water channels, the project

beneficiaries should now pay a share of the cost of deepening, just as is being proposed in the case of flood control.

This is one of the areas where I have had a problem with OMB. OMB has only allowed us to talk about recovering 100 percent of the costs, whereas now the federal government recovers zero. My feeling was that there is still a federal interest in deepening channels, for example, and that there ought to be some middle ground between zero and 100 percent. The zero being the present system, and the 100 percent being what OMB has been advocating the last three years since I have been here.

I think there ought to be a middle ground; and when I commented earlier about my problems with OMB, I really felt that our office should be the lead agency in this area, working with the Department of Transportation. We should have been given the task of trying to work out an acceptable formula with the ports, in the case of deep water ports, and with the users of the inland waterway system. I would have hoped we could have developed a compromise which would move in the direction of nonfederal participation. There has been a complete stalemate in that area, which I don't think serves the interests of the country well. Some of those ports need to be deepened, and I think one way to screen out the better of them is again through a financial contribution.

I have an underlying theory on water projects, that the minute you ask people to contribute, you have an automatic screening device which is far better than any analysis that could be made by the technicians.

Q: Well, let's talk about another area then of cost sharing, and that is the area of recreation. Also, I think we get into the questions of water supply here. There is a letter that Don Cluff, chief of the Water Resources Branch of OMB, sent you on 3 March 1982, and I will read part of it just to remind you of what it says.

It says, "Unless further actions refine the administration's position on cost sharing, nonfederal interests should bear 100 percent of the costs of vendables such as recreation and water supply. Also projects recommended by agency heads are required to have the highest possible net national economic development--NED--benefits, or be specifically exempted from meeting this criterion by the Secretary. Rationale for the waiver and submission of the NED (plan) to OMB at the time of the review are required." Did you concur with this position?

A: I think there were some modifications of administration position following that communication from Cluff. Let me elaborate on those.

Well, first of all, recreation, I think, from the standpoint of the administration, is not a high priority item. In other words, I think the administration's position was that we should not now be spending federal money for recreation projects that were historically funded for the most part with federal money. The way the proposal was finally modified was that there were certain commitments that had been made to completed Corps projects for certain recreation facilities. We were able to work out some arrangements with OMB so that we--the federal government--kept certain of its commitments on recreation development on completed Corps projects.

What we did was to go back and have the Corps look at those parts of recreation facilities which were important from the standpoint of the health and the welfare and the safety of the people who would use a reservoir facility. For example, supposing that it was necessary to build certain minimal sanitary facilities. We were able to get the position at OMB modified on some completed Corps projects to allow us to go ahead at full federal expense to provide certain minimal facilities.

We were also able to secure OMB's approval for a development of recreation at a multipurpose Corps project where there was substantial nonfederal participation in that recreation, on a 50-50 formula as I recall. Again, the justification of the federal interest being the welfare and the safety of the public who would use a particular multipurpose facility.

Still another thing which we have done is to develop criteria for the kinds of recreation facilities which we felt were appropriate for federal assistance. I believe the Corps in the past has gone a little bit too far in the kinds of recreation facilities that were being prepared. For example, providing tennis courts, baseball diamonds, and other similar facilities that we thought should have been provided by the nonfederal interests, as opposed to sanitary facilities required for sanitary purposes.

As a result, we are still able to provide some recreational facilities at federal expense, notwithstanding the fact that it is not a high priority item. I think the feeling is that limited federal funds should be used for higher purposes--for example, flood control, navigation, and other such purposes. I generally agree

with that philosophy.

Q: Would you explain one point to me in this letter? Because I frankly don't understand it. How does one devote the highest possible NED? Is that not eventually a kind of subjective decision?

A: No, I think what he is saying is that you develop the project that has the most favorable benefit-cost ratio, and that if you want to develop a project that has a lesser benefit-cost ratio than the one with the highest, then you have to get an exception from the OMB and develop the rationale why you should go ahead. And let me give you an example of that. We had this come up.

You may have the highest NED, for example, on a project involving flood control that would only provide, say, 25-year protection. And my own feeling is that the Corps, if it is going to build a flood control project, should have a minimum level of protection, like 100-year protection. We had this happen, as a matter of fact, just before I left my position.

We were successful in at least two cases in getting a waiver on that maximum NED plan because it didn't make sense to provide a--to spend federal money for a flood control project that wouldn't provide a reasonable amount of protection.

Q: Okay. Another area which you got involved in that sort of bears on cost sharing is the area of mitigation.

A: Yes.

Q: And there was an issue involving contiguous versus non-contiguous lands and so forth.

A: Yes.

Q: Before we get into that, maybe you could explain your philosophy about mitigation to me, about the acquisition of lands to mitigate wildlife loss.

A: Well, let me say that, first of all, it has always been my feeling that appropriate mitigation is a project cost and should be paid for like other project costs. For example, if it is a--just to pick a point--supposing you have a multipurpose reservoir project for hydropower, flood control, and for municipal purposes; then it is my view that, to the extent the project needs to provide certain mitigation, then that mitigation ought to be a project cost and it ought to be paid for by the various

beneficiaries of that project.

Now, the thing I do feel quite strongly about is that if mitigation is required because of a reservoir project, then it is my view that you ought to mitigate as close as possible to that project and not thousands of miles away. The second thing is that, if possible, mitigation ought to be provided on land already acquired rather than proposing acquisition of more land off the tax roll.

So if it involves management of land, then the first thing you ought to do would be to look at whether or not you can manage the lands that you are acquiring for other purposes, for mitigation also. Or perhaps to better manage federal lands, say, that may be in the area for other purposes.

The other thing I have always believed is that, for example, in terms of fisheries, if you built a reservoir project and it destroys a certain kind of fishery--say a stream trout fishery--but at the same time, you create a large reservoir fishery of another species that you didn't have, there ought to be some way to balance out the enhancement that you have provided versus the benefits foregone.

I believe there has been a tendency to say that the way we take care of mitigation problems is to go out and acquire large blocks of land and do certain things on those new lands. My feeling is that there ought to be a look taken at other things you can do that don't necessarily involve the acquisition of large amounts of land to be removed from the tax roll solely for mitigation purposes.

Q: Were you able to discuss this with people like Mr. Arnett and people at the Fish and Wildlife Service and so forth? Did you ever have a colloquy about this?

A: Yes. Mr. Arnett and I worked very closely in California in a similar relationship where I was Director of Water Resources and he was Director of Fish and Game. I don't expect that he agrees 100 percent with my theory on mitigation versus his, but I think we agree on a number of things--particularly the need for better management.

Q: Are you familiar with what is called HEP--Habitat Evaluation Procedures--that I guess were mainly established by the Fish and Wildlife Service to evaluate the impact of a particular project by the Fish and Wildlife Service?

A: I am generally familiar, yes.

Q: Did you find it to be a satisfactory way to . . .

A: Well, I think their evaluation probably is about as good as you can get. You know that evaluation of fishery resources and wildlife resources is not an exact science. I believe we might question what the fishery and wildlife people conclude with respect to the amount of fish that are lost or the amount of wildlife habitat that would be lost, say, as a result of the construction of a certain project. So it is not surprising that there is probably not complete agreement between the project builders and the single-purpose fishery and wildlife people, in terms of their evaluation process. Certainly, their technology has come a long way and probably is about as good as is available at the present time.

I think the more difficult problem comes in after you identify it; what do you do about it?

Q: Did you ever--were you ever concerned about the kind of criticism that was generated at the local level by Fish and Wildlife officials at the Corps, you know, rather than coming up through channels in Fish and Wildlife? It would be criticism at the local level, that they would get out in the public arena.

A: Oh, yes. Very much so. In fact, this gets into the area also on regulatory reform, Section 404. Just to elaborate on the problem, the Corps, in administering the 404 program, has to take into consideration the views of the U.S. Fish and Wildlife Service, with respect to the effect of granting an individual permit. Also, to a lesser extent, the views of NOAA, who have responsibilities in ocean waters, and EPA.

I view these agencies to be single-purpose agencies. Their whole reason for existence is to protect and enhance, say, in the case of the U.S. Fish and Wildlife Service, the fishery and wildlife resources of the country. That is admirable, and I think it is an important function; yet, on the other hand, the Corps has the difficult job of balancing the environmental concerns with economic concerns and making decisions in the public interest.

For example, just to pose an exaggerated situation, suppose the Fish and Wildlife people say a particular project shouldn't be built because it is going to do a certain kind of damage to the fishery or the wildlife of the area. But suppose the Corps, as it gets all of its

input from various agencies and makes its own evaluation, says, "Sure it will damage the fishery to a very minimal extent, but the benefits of this project," for example, for flood control, "far outweigh the damage it is going to do to the fish and the wildlife." So therefore, the Corps determines that a permit should be granted for a local flood control project. Now, very often the fishery people, to get support for their position, will go out and get support of the local community from people who are concerned solely about the fishery. And it makes the Corps' job more difficult.

Getting back again to the 404 program, I think the Corps has to get the advice from the fishery people, for example, on the effect of a particular project on the fishery; but that can't necessarily control the Corps' decision because the Corps has a broader interest, a broader public interest, to look at than solely the matter of protecting the fishery in the given instance.

Let me give you an example of that. The city of Chesapeake in Virginia had a need to construct a flood control project because a number of years ago, under excessive rainfall conditions, many of its residents were flooded. As a result the town of Chesapeake wanted to spend its own money cleaning out an existing ditch so the water would drain from the area that had been flooded and thereby provide flood control protection. The fishery people and EPA said that you would destroy a wetland area if you cleaned out this channel and put the spoil on the banks. These agencies threatened to override the Corps' decision, which was to allow the flood control project to go ahead.

Members of Congress got involved in the act and were infuriated that the Fish and Wildlife people and EPA had been successful in holding up the construction of that flood control project by virtue of their ability to escalate decisions of a District Engineer to successively higher levels, thus delaying the time protection could be afforded to the area.

We finally got the problem worked out, but there is a case in point. In other words, I am not critical of Fish and Wildlife or EPA for advancing their point; but once they advance their point and the Corps takes it into consideration, then the Corps' decision should stand. The Corps' evaluation of that case was that the public interest provided such great flood control benefit to such a large group of people that it more than offset the 17 acres of wetlands that would be lost by cleaning out this channel and placing the spoil on the banks.

Q: Mr. Gianelli, one of the areas in which you were active from the very beginning was the area of new starts for the Corps of Engineers. Can you explain to me exactly what you had in mind; did you have in mind specific projects or just the idea of identifying projects that met the maximum standards of NED and so forth?

A: No. Let me say that one of the things that I had hoped was that I could get a chance to take whatever moneys might be available to the Corps for water projects and spread these moneys out over a larger number of projects, using innovative ways to secure nonfederal financing and cost sharing.

What I asked the Corps to do early on was to identify some of its better projects, where we could then go out and talk to the project beneficiaries about contributing more and particularly, also, maybe getting involved with what I called the up-front financing of some of these projects. My theory being that if we could demonstrate both to OMB and to the Congress that we could do that, then my hope was that the Corps could take whatever moneys were available to it and build many more projects than under the historical system.

The primary reason for my new-start effort was to demonstrate my conviction that there were people out there in the field, nonfederal sponsors, who would be willing, in order to get a project under way, to assist in financing and to guarantee a higher repayment than historically had been the case.

I didn't have any specific projects in mind when I started out, but I did have a particular theory that I wanted to demonstrate would work. As I anticipated, there are federal project beneficiaries who would be willing to share in the financing and provide additional repayments so that the projects could be expedited.

Q: Do you feel your expectations were met? I mean, in terms of identifying local sponsors?

A: Yes, in part, because we were able to identify a total of about sixteen projects, where we talked to the project beneficiaries, and we took that initiative from here. I brought back to Washington as a special assistant to me in this area, Mr. Robert Eiland, who had worked with me in California and who was familiar with these new ways of financing. I asked him to be the person that went out with the Corps and tried to put some of these proposals together. He was successful in doing that on some sixteen water projects; and we were able to get OMB's approval to

include in the President's budget the federal share of these projects, with the locals being agreeable to doing more than they would have done normally.

So I was successful, I believe, in demonstrating that it could be done. Where I was not successful was in having Congress allow us to go ahead to implement these proposals. And that was, I would say looking back upon my tenure, one of my biggest disappointments. Congress either didn't recognize or has not been willing thus far to recognize the need to move in a new direction and to go along with us in some of our efforts as a way of expediting project construction.

As a matter of fact, Congress prohibited our going ahead on these new starts until the policy committees of Congress took a look at what we were trying to do and agreed with our approaches, notwithstanding the fact that OMB had approved them and they were in the President's budget. In this year Congress deadlocked again, and neither the omnibus bills nor new starts were allowed to proceed.

Q: Let's turn our attention, then, to the subject of regulatory reform. Let's start at the top with the Task Force on Regulatory Reform. You are a member of the Task Force.

A: In fact, I was chairman of the Task Force.

Q: Did the Task Force work well together?

A: Yes. I think it was an excellent Task Force. You may recall that the Vice President's office was given the responsibility by the President of instituting regulatory reform in a large and quite a broad number of areas. And one of the areas that was identified, as a result primarily of complaints that the incoming administration received from people in the field, was the Corps' 404 program, which was simply not working. Number one, and the main point, was that the decisions were just not being rendered promptly. And further, that applicants were being required to do much more than could be reasonably expected in order to get a project under way.

And so the Vice President's office created a Task Force that made OMB and the Assistant Secretary of the Army's office responsible for heading the regulatory reform effort, and asked me to chair that effort. Participation included all of the agencies that were involved in the 404 process: for example, EPA, Interior, Commerce, and a few other less important agencies. The Soil Conservation

Service was also involved because of the projects of the Department of Agriculture and the interest of the Forest Service.

We were given certain mandates, among which was to modify the administrative processes so that the decisions could be reached in 60 days. Some decisions had taken months and even several years. Our first effort, then, was to work with some of the agencies with which the Department of Army and ASA had memoranda of understanding in connection with processing applications for 404 permits. Again, primarily, they were the Department of Interior, EPA, the Department of Commerce, and the Department of Agriculture. We were successful in revising the memoranda of understanding that dealt with the 404 process for those agencies.

The principal change that we made was to shorten the process. Under the historical process, the District Engineer would make the original decision on a 404 permit. However, if any of the other federal agencies didn't like that decision, they could appeal it successively up to the Division Engineer, to the Chief of Engineers, to the office of the Assistant Secretary of the Army for Civil Works, and finally to the Secretary of the Army.

Just that elevation process could take a year and a half or two years--just the time of referring it upward. It didn't seem to us that time was necessary; so what we did in the MOUs was to work out a process where instead of having all those successive levels, the decision would be made by the District Engineer. Then if one of the other agencies didn't like that decision, it would have to be appealed by the Assistant Secretary level of that agency to the office of the Assistant Secretary of the Army for Civil Works. The office of the Assistant Secretary would make the decision on whether it should be elevated and to what level. However, there would be only one elevation.

In other words, supposing the appeal was made to the Assistant Secretary and he said: "Okay, we will review it. We will let the Chief of Engineers review the decision." That would be it. Or perhaps after we had listened to the environmental agencies, we could say, "No, the District Engineer's decision will stand." That had the effect of very drastically reducing the number of elevations, first of all, because they had to go up to the Assistant Secretary level before an appeal could be made; and then it reduced the time that the District Engineer's decision would become final, because the most there could be was one elevation.

Q: Would it also have the effect of injecting again the politics at an earlier period? In other words, wouldn't the opponents say that since it is going to be elevated up to the office of a political appointee, decisions are no longer going to be made on the basis of specific regulations or even of engineering data, but on the basis of philosophy?

A: No. I don't think so. I don't think it will politicize it at all, certainly no more than the prior process. Very few decisions, if any, are made by a political appointee, say, by the Assistant Secretary himself. Most of the time, the question is whether or not there is new evidence which would require the Division Engineer or the Chief of Engineers to look at the decision of the District Engineer.

So we have still kept the decision in almost all cases at the Corps level, but maybe at only one level of the Corps. So I don't think it politicized the process at all. I think we did expedite the process materially; and our whole effort was to give the District Engineer more authority on the decisions and make it difficult for people to overrule his decision, because we felt that he was the person that had a better grasp of the facts in all of the public interest that might be involved.

Q: Did you also limit the grounds for appeal? In other words, that the grounds for appeal would only be procedural rather than general environmental considerations.

A: Well, generally that's right. And we said, for example, that we didn't think it was appropriate for the Fish and Wildlife Service to make an appeal on the basis of the project's economics. In other words, their appeal should be limited to their areas of responsibility. For instance, if the project and applicant were going to do damage to the fishery, then we felt the comments from the U.S. Fish and Wildlife Service should be limited to the effect on the fishery. The comments shouldn't have anything to do with whether it was a good flood control project or a bad flood control project. Flood control is the prerogative of the Corps. So yes, we did limit and restrict the agencies who appealed the District's decisions to only their areas of expertise. And this, I think, was a great improvement.

Q: And the agencies--you signed MOUs with the agency heads so there was obviously an understanding that this was the best way to go about it.

A: Well, I think there was a recognition that the present system needed to be revised; and I think at that time we entered into the MOUs, the agency heads of those other agencies were satisfied that they would get a chance, if they really were unhappy with the decision, to ask for an elevation.

Q: Now, you are no doubt familiar with this Baltimore Sun article, front page, that suggests that there was a substantial amount of disagreement between you and Mr. Arnett over some permit decisions.

A: This goes to what I think has happened in the 404 program, which I reflected in my presentations to the Congress. Many people now view the 404 program as a wetlands protection measure, and I don't view it that way at all, nor did the Congress intend it to be when it enacted the Clean Water Act. If you go back and look at the origin of 404, its purpose was to protect the quality of the nation's waters. It didn't have anything to do with the wetlands.

Subsequent court decisions and administrative actions of prior administrations have focused largely on wetlands. However, you can destroy wetlands by a large variety of means other than a dredge-and-fill operation. You can destroy them by draining, clearing, and erosion, for example, all without a permit.

Part of the problem we had as we went through our regulatory reform was that people viewed it as an attack on the wetlands, and I didn't view it that way at all. It is not a wetlands protection measure per se, in my judgment, because it doesn't protect wetlands from the major causes of destruction. I believe that one of our problems, in regulatory reform, has been the perception that we are destroying the wetlands by the process that we have worked out. And I don't think that is true at all.

Q: Can you have good water quality without protecting wetlands?

A: Yes. It is stretching things pretty far to say that there is a relationship between wetlands protection and water quality in most cases. This is not to say whether or not wetlands should be protected. Some no doubt should be. However, Congress needs to bite the bullet and do it out in the open; Section 404 will not do it.

Q: Of course, the definition of what is a wetland was a

judicial decision that expanded the Corps' responsibility so much and that, I guess, was . . .

A: Well, this is what I said to Congress; the Corps is charged with balancing environmental concerns and developmental concerns. They will look at the presentations that have been made by the Fish and Wildlife Service and by EPA and by NOAA in regard to a wetland, and then make a decision on an individual basis, based upon public interest considerations. The Corps has denied some applications where they believed there was some relationship to water quality that could be demonstrated, and the public interest required denial.

I believe the primary problem we have had on our regulatory reform is the perception that 404 is a wetlands protection measure, and it is no such thing. That is one of the things that I have said to Congress. If Congress wants to protect the wetlands, then maybe what they ought to do is pass a law that protects wetlands from all damage or all destruction. Then they ought to assign this responsibility to EPA or to the Fish and Wildlife Service. But it shouldn't be a Corps responsibility.

I question whether--if Congress reviewed the situation--whether they wouldn't come to the same conclusion I have--that 404 related to water quality, because it was part of the Clean Water Act, and was not a wetland protection measure, except in those cases where it could be demonstrated that the destroying of the wetland does have some effect on water quality.

Q: Do you think that the nation is suffering from too much wetlands loss? Of course, the environmentalists point out--and I think you got this article in the Baltimore Sun--point out that about a half a million acres will be lost each year.

A: Yes. But again, the inference is that it is being lost because of the Corps' 404 program, which is incorrect. We had the Corps take a look at the acreage that the Corps grants under 404 permits, and it is insignificant compared to the total acreage of the wetlands that is lost from other causes. For example, large amounts of wetlands are lost along the coastal areas, as in Louisiana, by erosion each year. Large numbers of wetlands are lost by draining the land, and that is not related to the 404 program.

So, again, the perception that all of the loss of wetlands is tied into the Corps' 404 program is

completely erroneous in my judgment, and I think we were able to demonstrate that. Nevertheless, there are still people who say that it's a wetlands protection measure; and therefore you are destroying our wetlands in your modification of the regulatory reform program.

Q: Well, it seems, in a sense, the issue is how much faith can these other agencies have and the American public have in the Corps? Because if you are suggesting that the Fish and Wildlife Service ought to confine their views to their particular responsibility, and the same with the National Marine Fisheries, EPA and so forth, and then those views are sent to the Corps and the Corps is the one that does the balancing act . . .

A: Which is exactly my view of what ought to happen.

Q: Then that suggests something--an attitude-- that probably is not shared by a fair number of people, who think of the Corps as specifically a construction agency that cannot be viewed as an agency that is going to view sympathetically environmental considerations.

A: Well, I don't think the record of the Corps verifies that at all. I think the Corps has been very sensitive to environmental concerns, and I think, if anything, the Corps may have given over-consideration to some of the environmental aspects, say, of an application for a 404 permit versus some of the benefits that would accrue. Any criticism that the Corps has not done a good job balancing, I think, is incorrect. In my view, the Corps has done an excellent job; I am sure, though, that some of the single-purpose environmental agencies will not view it that way, because they think the Corps ought to uphold the single-purpose views.

But again, they are single-purpose agencies. They don't have the responsibility to balance all the issues Congress gave the Corps. I believe that's why Congress gave the program to the Corps, because of its feeling that the Corps would do a better job balancing the issues. If you turned the 404 program over to the U.S. Fish and Wildlife Service, I suspect that there would be a great outcry to the Congress, because I don't think the Service has the ability to balance the issues like the Corps.

Q: How about the idea of the states taking over the 404 program? The general permit program. Are you in favor of having the states take over as many of these 404 responsibilities as possible?

A: Yes, I am.. I think that the more the states assume, the better it would be, because they are in an even better position to balance some of the issues closer to them; and they have a better ability to develop a feel for local interests. Yes, I would be in favor of states where they have a capability to do the kind of job that the Corps does in terms of balancing the issues.

Q: Well, that would involve the development, presumably, of a new office, and hiring people, and so forth.

A: Well, not necessarily. Some of the states have departments of environment or departments of development, or whatever they call them, where they could expand their activities to include the 404 program. I don't think many of them would have to establish new entities; instead, they could very well integrate the 404 program with some of the functions of those existing agencies. Many of the states have agencies that deal with water quality, and those agencies already do a lot of work in this area.

Q: Virginia, for instance, has a Water Quality Commission, I think it is called, which has very restricted powers in dealing with water quality. If they took over the 404 program as it is presently defined by the judiciary with all these navigable or potentially navigable areas, then there would be a substantial increase of their functions and probably of their expertise, wouldn't you think?

A: Well, it is pretty hard to generalize, because I think the states are so variable in terms of their capabilities. Some of the larger states could absorb a function, you know, with very little effort and probably without any great expense. For some of the smaller states, it might be much more of a problem. It is pretty hard to generalize.

Q: Let me go back to a presidential document, Executive Order 12291, issued 17 February 1981. This was one of the first ones that President Reagan issued. It deals with regulatory reform, and it says, among other things, "Regulatory action shall not be undertaken unless the potential benefits to society for the regulations outweigh the potential cost to society." And "regulatory objectives shall be chosen to maximize the net benefits to society."

It sounds nice, but how do you come up with a decision about the potential benefits to society versus the potential costs? Are we talking--was the President talking basically about your B-C ratio again?

A: No. This statement was not intended for regulatory reform efforts like ours and does not fit the 404 program. It would seem to apply more to somebody who is starting to promulgate a new regulation. However, the principle could certainly be applied to 404 and some tough questions asked on whether we get enough benefit in water quality improvement for the long delays, uncertainties, and public discontent we found in the program.

Basically we had a more direct mandate with respect to the 404 program when we received the specific instructions from the Vice President. So I believe we have to look more to what we received from the Vice President, as related to the 404 program.

Q: Another one of the statements is "Except as provided in Section 8 of this order, agencies shall prepare regulatory impact analyses of major rules, and transmit them along with all notices of proposed rulemaking, all final rules, to the Director as follows." The Corps has prepared these regulatory impact analyses on the proposed revisions to 404?

A: Again, I don't believe this applies to what we were doing on revising the 404 program.

Q: Before I go on to another subject, are there any other concerns or views you wanted to raise dealing with regulatory reform? I know it is a controversial issue.

A: Well, yes. It is sort of interesting--we have had our memoranda of agreement in place now for about two years, and my own feeling is that they are working pretty well. But there are a number of other actions that have to be taken. The Corps' regulations have to be revised, the regulations of other agencies also have to be revised, and definitions of jurisdiction have to be agreed to by EPA and the Corps, to name a few.

So there is still a lot of work to be done to complete the regulatory reform effort. That has been sort of frustrating because it seems to me that it has taken us far too long to complete the revision of the 404 program. This is due to the large number of regulations and the large number of other agencies who have to do their thing, in order to make the regulatory reform effort complete. It has been troubling to me that at every step of the way special interests have been able to slow down the process of regulatory reform, and I have been concerned about it. Recently the agencies that entered into the memoranda of agreement, because of pressure from

some of their single-purpose constituency, would like to change what we have already put in place. As a result, I don't believe the single-purpose agencies now view with complete satisfaction the way the system has been working since we provided for expedited action. For example, it has been clear to me that the U.S. Fish and Wildlife Service, prior to our reform effort, thought that it was a co-decisionmaker in the 404 process.

I have detected from the single-purpose agencies that they believe they may have lost a little of their clout, and I think it is true. However, I think it was necessary that it happen. I don't view that as negative. I view it as positive, and it demonstrates to me that previously they had undue influence on the Corps' decision.

Let me illustrate the point. There are some cases where a threat of elevation by a single-purpose environmental agency would cause an applicant to make unjustified concessions just to expedite the process. I believe our effort has stopped some of that from happening. In other words, I don't believe that the single-purpose agencies under the prior process should be allowed to blackmail an applicant who, because of time constraints, agreed to something that wasn't appropriate, just to prevent these agencies from elevating and delaying issuance of a permit for a matter of years.

As a result, I feel good about our regulatory reform effort. It has been a major effort of this office. Bob Dawson, my deputy, has headed it. We brought in various people from the field. We made Morgan Rees a special assistant in this area. Overall, I am very proud of our record with respect to regulatory reform.

Q: Do you feel that the reform effort has sort of petered out at all or . . . ?

A: I feel that it has lost some of its initial momentum, and it is harder now to complete all aspects of the reform effort than it would have been two years ago.

Q: Has there also been increased political sensitivity, particularly now in an election year?

A: I think that's probably inherent in a lot of things, and I think it is probably inherent in this process, too.

Q: Let me turn our attention for a moment to the area of environmental impact statements. I think fairly early, actually, in your administration you criticized the cost of environmental impact statements, and I think you also

criticized the length of time it took to prepare them. Could you elaborate on that a bit and tell me how successful you were in changing this?

A: Well, of course, the whole subject of environmental impact statements goes far beyond the Corps. It goes to agencies like the Council of Environmental Quality that have a large input and a large say as to the contents of the environmental impact statements.

I do worry sometimes about the degree of detail that some environmental impact statements become involved in, where there isn't a particular environmental problem. In other words, it has always seemed to me that if there is a specific environmental problem, that the environmental impact statement ought to try to address that very seriously in whatever detail is necessary. On the other hand, if there isn't, there should not be a great effort made to try and look at things which are not going to be important.

Q: You say apparent environmental impact, and I guess that's an important point because, well, take an obvious area--archeology. A lot of your archeological investigation--it is not going to be apparent at the beginning that there is anything six feet underground. How do you reconcile that to what you just said?

A: Well, all right, that is a good case in point. Suppose the Corps wants to build a reservoir which may inundate quite a large area. There are archeological consultants available who have expertise in areas in which there might be archeological finds. The advice of those people should be solicited before the Corps goes out and spends a large amount of money without some indication that important archeological finds are in the area.

So that's what I have in mind--that for example the Corps not, say, on its own, go out looking for all of these kinds of things, but rely on expertise that might be available that could zero in on a particular area, for example, that might be explored at whatever depth they think is appropriate. And I think that would be a good kind of example.

Q: Of course, archeologists are rather self-interested individuals, as most people are who get involved in consultant work. It would be to the archeologist's advantage to say, "Well, it's a possibility and maybe we should do it," and so forth and so on. I don't know--how would you get around that?

A: Well, you know, I believe any professional as time goes on is going to be evaluated on the basis of his record. If you have an archeologist who has struck out, in effect, after he has made many recommendations for detailed explorations without any finds, then I believe people will tend to discredit his abilities and look to others whose recommendations have resulted in substantial finds.

The same thing might be true with respect to fisheries and endangered species. It's a matter of judgment and of the importance of a particular application. If, for example, you are going to build a Westway project in New York, which involves several hundreds of millions of dollars, obviously it warrants spending more time and effort than should be spent on an application that proposes to fill in a small area to build a garage.

Q: Let's talk for a moment about relations with environmental groups. Did you have the opportunity to meet with the heads of some of the major environmental organizations in town?

A: Yes. In fact, I guess overall I felt pretty good about my relationship with the environmental organizations. The first thing we did was to--and we did this on a number of occasions--invite representatives of the various environmental organizations to meetings on matters of interest--organizations such as the Environmental Defense Fund, the Sierra Club, the National Wildlife Federation, the National Resources Defense Council, and others. I believe we were successful in establishing an important dialogue. Also, I was invited to address the annual meeting of the Environmental Defense Fund Associates in New York by Dr. Janet Brown, the Executive Director of the Environmental Defense Fund. And she said, "You know, I think you would help our attendance if you came, and people would like to hear your views," and I said great. I talked about regulatory reform and had a good dialogue with those present. After I returned to Washington I received a nice letter from her, in which she cited me as an example of a public official who was open in terms of things that he did and who wasn't reluctant to dialogue with the environmentalists.

Also we had strong support from the National Wildlife Federation and the other environmental organizations on our cost-sharing effort. So while I don't expect these environmental organizations to view me as one of their people, I think we developed a rapport and a relationship which involved mutual respect.

Q: Did you in any formal fashion solicit the views of the environmental organizations? The private environmental organizations on the 404 program, regulatory reform . . .

A: Well, yes. We had a number of direct dialogues with these organizations, and they did provide substantial input to our efforts. And, of course, these entities commented formally just like all the other interested parties in a very open reform process.

Q: Well, let's turn then to your relations with Congress, and here I am going to talk about people, names.

A: All right.

Q: Several of the important people involved in water resource development are Mr. Bevill, Mr. Whitten, and Mr. Roe. What kind of working relationship did you have with Mr. Bevill?

A: Well, let me say I never had a very close relationship with Mr. Bevill. We talked on a number of occasions, and I always felt he was a little resistant to our efforts on additional cost sharing and new starts. In fact, the appropriation committees did not go along with the new starts that we developed.

I am not sure Mr. Bevill is very enthusiastic about any change in the system which would have the effect of impinging upon the ability of the appropriation committee to get those projects that they want built versus what we might come up with on our new starts with additional cost sharing. I believe Mr. Bevill had certain projects in his own district which we had some problems supporting, and I think that may have caused a little strain.

Q: Did this involve the Tennessee-Tombigbee?

A: No. I think we were completely together on the Tennessee-Tombigbee Project itself. I believe our views as to the elaborateness and extent of the recreation and visitor facilities might have differed substantially with those of Mr. Bevill. So I viewed it as an honest difference because of our--coming from a different perspective. Obviously he wanted a facility in his area, say, a visitor facility or a recreation facility, that would please his constituents. However, we felt that there had to be constraints and that certain of those things should be funded by nonfederal interests if they were to be built. So that put a little strain, I would say, in the relationship.

But on Tennessee-Tombigbee, itself, there was no argument. The administration has actively supported the finishing of Tennessee-Tombigbee and funding for it; and certainly on the big issues like that, there is no problem.

Q: Where were the problems?

A: Oh, I think I just indicated that to you--primarily it is in connection with some of the small projects that involved improvements in his area, such as the elaborateness of visitor facilities or recreation facilities. Then also I suspect that our efforts at cost sharing were viewed skeptically.

Q: On Mr. Whitten, he is, of course, chairman of the House Appropriations Committee and I guess the dean of the House in terms of tenure in office. He has an enormous amount of influence. And he also has an enormous amount of interest in the Yazoo Basin in Mississippi--that area.

A: Well, let me say I had very little contact with Mr. Whitten, and, as I recall, the primary exchanges we have had were at Bevill's hearings, when he has appeared and generally offered his views on things in general. He has been, of course, very supportive of water development in the past. I don't recall any serious problems with Mr. Whitten.

Q: How about Mr. Roe?

A: I think the relationship with Bob Roe has been much closer than, for example, with Mr. Bevill, very largely because Mr. Roe is head of the Policy Subcommittee which is concerned with the Corps activities. I felt very good about my relationship with Bob Roe, and I think we see eye to eye on a great many things. I doubt he is willing to go as far as we wanted to go on cost sharing and up-front financing, but I think he recognizes the need for those things and moves, you know, in accordance with his own views on it. I appeared before him a great number of times on a variety of subjects.

Q: Let's turn to the Senate side. Senators Abdnor and Stafford. Could you give me a thumbnail sketch of your relationships with those two?

A: Yes. Senator Abdnor, of course, being the chairman of the Policy Subcommittee, and I had a very close relationship. I would say a very good relationship with both him and his staff, similar to that of Congressman Roe. Probably

not quite as close as the relationship with Congressman Roe, but almost. However, I felt very good about it; and I think he must have felt partly good about it because he put quite a statement into the record on the Senate floor when I left, complimenting me on the work that we had done. Congressman Roe was also quite complimentary upon my departure from Washington. I believe those statements reflected their views on our relationship, which were very positive.

Senator Abdnor has not had the same degree of experience in the water field and on the Corps' programs as Congressman Roe.

Q: How about Senator Stafford?

A: Senator Stafford--much less contact with, but a good relationship. Again, Senator Stafford was supportive of some of the things we were trying to do, and I would invite you to the statement that he put in the record too on my leaving, which indicated a concurrence and an appreciation of some of the things we have been trying to--that I have been trying to do as Assistant Secretary. So the relationship with Stafford was good.

Q: Two other senators who take an active interest in water resources, Senators Stennis and Hatfield.

A: Senator Stennis, I'd say minimal exposure, but good relationship. When I first came in, he was one of the first people that I dialogued with, and his great concern was Tennessee-Tombigbee. And so I think there was no problem there, because the administration was fully supportive of Tennessee-Tombigbee.

Senator Hatfield, the relations have been rocky; and let me say about that, I have an acquaintance with the senator that goes back to when he was Governor of Oregon. I knew him fairly well up there, and he knew me because of the problems of the two states that we worked on together. I believe he was Governor of Oregon at the time that President Reagan was Governor of California. He has a major concern which gets reflected in some of the problems of his area. One of them was deep water port navigation and the additional locks at Bonneville. Also, the senator has been very active, and we have dialogued, about Mount St. Helens.

Again, I have been disappointed that his committee has not been willing to go along with some of our new starts. Both he and Congressman Bevill have been waiting for the policy committees to give their stamp of approval on what

we have been trying to do, or to come up with their own cost-sharing formulas.

So, again, I feel good about my relationship with Senator Hatfield. I think we had a couple of spirited discussions initially, but I think the problems were worked out satisfactorily.

Q: Let me just drop one more name. Senator Moynihan.

A: Yes. I enjoyed Senator Moynihan very much. He was always, in a very gentlemanly way, needling me extensively when I came before his committee. He was very active on Senator Abdnor's committee. His needling took the form of pointing out I was a westerner, and he thought that the west had gotten too much of the federal share on water projects. He had some very competent staff members that, particularly in the early years of our administration, we worked very closely with. His staff agreed with many of the things that we were trying to do, and I believe the senator does also.

Q: On the 15th of December 1981, then Congressman Toby Moffitt, Chairman of the Environment, Energy, and Natural Resources Subcommittee of the Committee on Government Operations, wrote you a letter in which he talks about 42 projects that are between 21- and 25-percent complete. He says that "at today's interest rates, all but a comparative few of these projects would have negative or modest benefit-cost ratios." And, of course, requests that you take a look at them. What was the subsequent outcome of this letter, do you recall?

A: Yes. I think it resulted in an appearance that I made before his committee. His interest related to specific projects. The difficulty that I had with the points he was raising was that some related to projects that were either substantially under way or almost completed. I didn't feel that it was appropriate to go back and try to re-evaluate those projects because of, say, changed interest rates or whatever, when they were so far along in terms of being completed. I'm afraid he was reflecting the views of some of the opponents of certain projects.

Q: Environmental groups?

A: Primarily environmental groups, yes. But not always environmental groups. I believe one of the projects on his list was a reservoir project where substantial agricultural land would be flooded out. He seemed to be reflecting the views of those who would lose valuable

agricultural land by virtue of being in the reservoir area.

His questions were asked in sort of an oversight capacity; and I don't think they resulted in any major change, as I recall, in direction.

Q: Did you ask OCE to investigate all of these . . . ?

A: I don't know if we asked for all of them, but we asked about certain ones that we felt were appropriate. We asked OCE for some information on them. But I think that with others that were so far along, we pointed out the inappropriateness of trying to go back and evaluate or undo them at that late date.

Q: Let's turn our attention, then, to some of the projects that were fairly visible at one time or another during the time you were in office. Just begin with the letter A--Atchafalaya. Of course, this is a project that goes back some time, but the report came to your office--I think it was some time . . .

A: I think it was probably about the middle of my tenure.

Q: As you know, but just for the record, the report comes out of a long planning process that at one time or another involved private environmental groups, the federal Fish and Wildlife Service here, the state Department of Public Works in Louisiana, and so forth. The plan was viewed as a compromise among all these various construction and environmental agencies, and finally was accepted by the Governor of Louisiana, a Republican governor, Governor Treen.

Yet, when it got to your office it stayed there for a long time. And as a matter of fact, it has still not been--it has still not come out of this office. Can you explain the reasons why in light of the amount of interest in the report and support from the state of Louisiana?

A: Yes. Let me--I think there are two kinds of problems connected with the Atchafalaya. One of them is that all of the groups that did work on developing a compromise were not concerned about the cost and were free to recommend large expenditures of federal money. In other words, the people that worked out the compromises were not concerned about any limitation on availability of federal dollars, number one.

The second part of the problem--and this is still

unresolved, as far as I know--is a dispute between the local people around Morgan City as to whether or not the Avoca levees will be extended to provide flood control and possibly result in damage to the shrimp fishery in some of the waters in the adjacent areas. And with all due respect to the governor and with all due respect to the local politicians and the Congress, as far as I know none of them have really taken a strong stand with respect to that controversy. On the one hand, the people in Morgan City desire flood control, as opposed to some of the environmental groups and the fishery interests, who are very desirous of protecting the shrimp industry. A large portion of the project will depend upon what finally is done with respect to that levee extension, which is still under considerable controversy. Certainly one of the concerns that I have had is that before you can really plan that project in its entirety, you have got to decide whether the project is going to go ahead on the basis of its original design, which provided for that levee extension, or whether it is going to be eliminated.

Going back to the first part of the problem, the project's total cost, as I recall, involves a federal expenditure in excess of a billion dollars. Whether or not such a large federal expenditure can be justified is still a question.

It seems to me that those two problems have to be addressed and resolved before that project is going to be able to move ahead in part or in full.

Q: Well, now this extension you are talking about is the Avoca Island?

A: Yes.

Q: And as I recall, in the report that came to your office, the Chief [of Engineers] made a recommendation for further study of the Avoca Island extension, but the plan as drawn up by these various groups and approved by the Chief of Engineers suggested that what had already been agreed upon be built independently and would not be dependent upon the extension.

A: I don't think that's true. I think a lot of what has to be constructed down there in the lower end depends upon whether or not you are going to extend that Avoca Island levee. So I think there is not, maybe, agreement on the assumption you are just making.

The other thing, of course, as I say, is the large cost, the large federal nonreimburseable cost that would go

into that project; and much of it is for enhancement purposes, for recreation and fish and wildlife. Again, at the appropriate time, a decision will have to be made by the Congress and the administration on whether or not funds should be spent for those purposes as opposed to other perhaps higher uses elsewhere in the United States.

Q: Well, is there any question about the local contribution? I mean, it is substantial. So that really is not the issue.

A: Well, I believe the amount of local contribution is still an issue. While the state of Louisiana has agreed to do certain things, it's true, the last effort that was put forth by the governor went to Secretary of Interior Clark and proposed using some Interior funds for lands which might be acquired as part of the project, solely for wildlife and fishery enhancement.

Q: Could you be more specific about what you believe are the appropriate times for the administration to reach a decision and for Congress to reach a decision?

A: Well, I view the Avoca Island thing as almost a decision precedent, which is necessary to define specifically what the project is and what it is going to do. Fish and Wildlife are looking again at it. The Corps is looking again at it. I don't have any timetable on when that thing is going to come to any conclusion which may be acceptable to all of the parties of interest there, particularly the flood control interests versus the fishery interest in Louisiana.

And then, after that is resolved, it has got to be a matter of priority. The Corps has got many billions of dollars of authorized projects. There is also a further complication relating to authorizations. The project as set forth in the Corps' report involves parts of a project that are already authorized, parts of it involve a project which the Chief could authorize under his authority, and part requires authorization from the U.S. Congress. One of the problems that we had on detail was that Governor Treen wanted us to spend some money on parts of the project which Congress still has not authorized. I believe that is why he went to Interior.

So there will have to be those parts of the puzzle fitted together ultimately, but again, I come back to--I don't think that could be done until the problem is worked out on the Avoca Island levee, which is one of the major features of the problem.

Q: Okay. I think you have some very definite views about the Red River project that the Corps is involved in. Could you . . . ?

A: Well, I think the principal problem on the Red River project, which would establish a shallow navigation channel from Shreveport down to the Gulf, that needs to be looked at is whether the benefits of that project will exceed the costs.

Another problem on this project is the considerable amount of erosion that has taken place along the natural channel. The Corps has spent large sums of money trying to prevent extreme erosion in that reach of the Red River channel. I am quite concerned about what is going to happen when that project is complete, with respect to the erosion problem.

Q: So you are really questioning whether the project should be built at all?

A: Well, the first lock is essentially constructed.

Q: Yes.

A: The lock is completed and the second one is under way, since Congress has appropriated the necessary moneys and has required the Corps to proceed. It still doesn't mean that the project is going to be successful unless its problems are addressed. Of course, the Corps will do what the Congress demands be done and will use whatever funds are made available.

Q: So, to pursue it just for a moment, you are questioning two things about what the Corps has done: the geotechnical analysis regarding erosion, and also the cost-benefit--the economic--analysis about the potential benefits at the end. Would that be a fair statement?

A: I think that's a fair statement. Yes.

Q: Oregon Inlet.

A: Oregon Inlet. Yes.

Q: Do you want to tackle it?

A: Yes. Oregon Inlet as I viewed it when I first became involved represents a very difficult problem on the east coast. The problem is that you are trying to maintain a navigational channel into a development which has partially already taken place. In other words, there has

been substantial public moneys used to develop a fishery port, I guess you would call it, with processing facilities in Oregon Inlet. And that has envisioned the need to keep a channel open so that the fishery boats could use the facilities that have been constructed in Oregon Inlet.

Unfortunately, Oregon Inlet is located in an area where there is considerable shoaling and sand movement every year, and an area which is extremely susceptible to storms and movement of materials as a result of those storms. As a result, the Corps has had a very difficult time keeping the existing channel open. It has spent large amounts of money trying to accomplish that. In fact, the Corps has spent in the last two years, double or triple the amount that has been spent in prior years, using every conceivable way to keep those channels open, using both side-caster dredges and hopper dredges.

The problem has been that when that area shoals up, you can only get very shallow draft dredges in there, like a side-caster, to open it up. You haven't been able to get the bigger dredges in. It has been very difficult. Then after the Corps gets the channel opened, it has been very difficult to maintain.

The Corps developed a jetty plan involving the construction of two jetties. The jetties would be located, in part, on land that is under the control of the Department of Interior. That department has very strenuously objected to the jetty plan.

Q: On what basis?

A: On the basis that--well, two bases. On the basis that they, number one, don't have the authority to give the Corps the necessary land without legislation. Incidentally that problem is being addressed by legislation. Secondly, Interior claims it would cause untold damage to the refuge and other lands that are under their control. The present posture is, as I recall, that the project will have to be authorized by the Congress; and the Corps' report, as I recall, has just recently been finalized. We made certain recommendations to the Office of Management and Budget, where it is pending.

In the meantime, legislation has been introduced to allow Interior to give the Corps the necessary lands for the jetty, and I believe there will probably be efforts from the local people to secure the necessary authorization.

Q: Isn't there a touch of irony in this whole situation in the sense that if the Corps proves it can be successful in dredging, then it undermines the Corps' justification, it undermines the Corps' jetty plan. If you can clear the channel through dredging, you don't need a jetty.

A: That's the controversy. The Interior people have said, "Look, we think the Corps can keep the channel open, if they bring a hopper dredge in there; open it once and it will stay open." But the Corps did that last year and two years ago, and it hasn't stayed open. The Corps, I believe, now feels that while the channel opening with hopper dredges might have given temporary relief at a cost of several millions of dollars, it does not meet the objective of keeping the channel open.

The Corps, even with the increased effort and the money that was spent on trying to keep the channel open, believes the only long-term solution involves the construction of jetties. So I don't think there is any irony. I think it is a conclusion the Corps has reached, which I think Interior still doesn't buy; but here again, you know, this goes to one of the things that I said earlier. I don't think that Interior has the expertise to evaluate what is necessary to keep a channel open, as opposed to the Corps' expertise in this area. I don't think Interior ought to be telling the Corps and I don't think the public ought to be listening to the U.S. Fish and Wildlife Service as to what is the best way to keep that channel open. I think that is an area of Corps expertise and Corps responsibility, and, by golly, that's where it ought to rest.

Q: Okay, continuing on with this list of projects, Yatesville. There were some questions there of land acquisition and . . .

A: Well, let's see. Yatesville, I believe, is a dam that was criticized, as I recall, by a lot of people who argued that it would take out of production valuable agricultural land and that the construction of the dam would be more detrimental than beneficial insofar as overall benefits are concerned. As I recall, this was a project of particular interest to Congressman Perkins, who has been very adamant in having that project go ahead.

The project, in addition to the problems that surfaced with respect to its benefits and its costs, as I recall, had a significant pollution problem in the upper reaches of the tributaries to the reservoir. I believe the Corps felt it might cause some difficult water quality problems

in any lake which was created there. I believe the Corps is still continuing to study that problem and is reluctant to see that project go ahead until the pollution problem can be solved.

Congressman Perkins has been successful in getting money into the appropriation act, which requires the Corps to make certain expenditures in respect to the project. It has been controversial. Certain moneys have been spent on land acquisition, and I think certain other moneys have been dictated to be spent last year, which the Corps is spending. But as far as I know, the Corps has not finally reached closure on the potential pollution problem.

Q: Just one more project--Westway.

A: Yes.

Q: To what extent did your office get involved with this project? Of course, there was a lot of controversy down at the District level.

A: Yes, it involved a Section 404 permit.

Q: The Chief of Engineers, himself, got involved in it, developing a . . .

A: Yes. We got involved to the extent of asking the Chief of Engineers to review a decision of the District Engineer which would have required two years more of fishery studies. That's been about the extent of our involvement as I recall.

It seemed to me that we ought to try and expedite a decision by the Corps on the Westway project so the project sponsors would know whether or not that project could go ahead. And so my main concern has been that the Corps, whatever its decision be, reach an expeditious decision, and that is why we asked the Chief to review the need for a two-year fishery study. The Chief concluded the environmental impact report could be completed without an additional two-year fishery study, but suggested that the Corps go ahead and complete this last winter's study, which now has been completed.

When I left my position, the Corps had not reached a decision on the results of the fishery studies that were made this year and its input into the environmental impact statement. My main concern has been the length of time it has taken to get a decision in that case, part of which is the Corps' fault and part of which is not. Part

of it involves things mandated by the court over which the Corps had no control.

Q: I said the last one, but maybe we ought to add one more right here; and that is Mount St. Helens.

A: Well, yes. I would hope you would ask about Mount St. Helens, because I think of all the projects that I have been involved in while in Washington, that's been the toughest and the most persistent. It probably is the single project that I have spent the most time on personally.

Basically, our administration came in early in 1981, the first year after the eruption of Mount St. Helens; and the Corps, when we came in, had spent pretty close to a quarter of a billion dollars cleaning up the Columbia River channel and building a number of settling basins, etc., to try and neutralize or partly control the problems caused by the eruption. When I arrived, there was a great push on behalf of the local people to have the Corps spend additional large amounts of money on Mount St. Helens' problems. The President himself got involved because the Governor of Washington made an appeal to him to expedite certain work.

I, working with the White House, felt that the problem was going to be with us for a long time, and that the Corps should look at the long-range solution to Mount St. Helens, rather than pouring in these very large amounts of money solely on an annual basis without any firm idea of long-term solutions. The President directed the Corps to develop a long-range plan to address the problems of Mount St. Helens, at Spirit Lake, and the sediment deposition downstream. He gave the Corps 18 months to develop this plan. The Corps prepared a plan and submitted a report in the time requested by the President. Some of the local interests and their representatives in Congress were unhappy that more funds were not provided to carry on more construction immediately.

The Corps came up with a report which, first of all, addressed the Spirit Lake problem. However, before we had a chance to address the Spirit Lake problem, the USGS came up with a report which indicated that Spirit Lake might fill more rapidly than originally planned, and therefore a potential crisis situation existed with respect to whether or not Spirit Lake would overtop and cause a tremendous amount of damage downstream. The Corps presented some alternatives to take care of that immediate problem right away before the long-term

solution could be put in effect. And as a result of an emergency effort in the fall of 1982, the Corps installed a large temporary pumping installation in a matter of 30 or 45 days, the purpose of which was to keep the level of Spirit Lake down so that it wouldn't overtop. The pumping was effective in keeping the water at a safe level.

In the meantime, OMB has approved the Corps' going ahead with the construction of a permanent outlet to Spirit Lake, to be completed in the spring of 1985.

The Corps is addressing the sedimentation problem which probably will involve the construction of a structure at the Green Valley site. The Corps is carrying out further studies to indicate the extent to which a structure at the Green Valley site could be staged, and how much each stage would cost. This report will be due in the fall of 1984 and will also indicate the extent to which there should be nonfederal participation in that sedimentation structure.

I believe we are headed toward a good solution--as good a solution as can be developed with respect to the whole Mount St. Helens problem, but it has been a very difficult one because of the uncertainty of the problem. Also, there has been a lot of criticism, because the Corps hasn't expended more money there. Our office has resisted efforts to have the Corps do work which we think is not going to contribute to the long-range solution. I believe the fact that we have been able to provide flood control and maintain navigation attests to the validity of our actions thus far the last three years.

Q: The Corps has been criticized because people have expressed concerns about the possibility that an earthquake or an eruption would spoil the tunnel again.

A: Well, you know, you can always hypothesize all kinds of conditions, and no one knows what mother nature is going to do at Mount St. Helens. We have to assume that there probably will be continual eruptions of steam and maybe a little material from Mount St. Helens, but nothing like what was experienced in 1980.

Even if there is a problem with a tunnel at Spirit Lake, the Corps has demonstrated it can put in emergency facilities to pump that lake down very rapidly. So that at the very worst, if the tunnel were blocked, you could reinstall the pumping installation. So I don't think failure of the Spirit Lake tunnel is one which changes the course that the Corps is following.

Q: Mr. Gianelli, one of the things that you got involved with basically had to do with a problem of definitions, and I am talking in particular about the definitions having to do with such things as standard project flood, maximum probable flood. Some of these questions came up, particularly relating to the Tug Fork Project. Could you explain a little bit about what the problems were there?

A: Tug Fork, if you are talking about the Tug Fork Project, presented some very unusual problems. First of all, the difficulty that you have in the Tug Fork area is that you have a very narrow canyon at the bottom of which are located towns and residences and a small amount of industry and business. You also have a highly variable flood situation. The difficulty is to provide a degree of flood protection in such a confined area that makes sense. The Corps has developed a number of plans for treating the whole area.

The Tug Fork Project was authorized in a rather unusual fashion. It did not have a detailed Corps report, and there was no limit put on the amount of funds that might be spent to provide flood control in that area. The problem we had was to address the most urgent problem to provide the most protection for the most people. The Corps developed a plan which involved flood-proofing and relocations, as well as some very massive structures.

The result of all of the dialogue that has taken place on Tug Fork has been an effort to construct certain structural features which will give the maximum protection to the maximum number of people. The Corps is proceeding on that basis. There are still unresolved problems of whether you build a new community for the relocated homes, and the extent to which you ought to spend money flood-proofing individual houses where the cost of flood-proofing might result in more than the property is worth.

Tug Fork is a difficult area to cope with. It is an area that is subject to highly erratic and big floods, but there are a lot of areas in the country that are similarly situated, and sometimes there is--it is just almost impossible to guarantee everybody that lives in such a confined area protection from any kind of flow that might occur. So I guess my view has been to try and do those things which make sense at reasonable cost and provide a maximum degree of flood protection to as many people as possible, and I think that's what the Corps has been doing.

The question you raised with respect to the definition of probable maximum floods is something which both the Army and the Bureau of Reclamation are looking at in conjunction with the National Academy of Sciences. One of my concerns has been that when we talk about maximum probable floods, we are unable to define exactly what protection that involves. And it has always seemed to me that we ought to talk about providing flood protection for floods that occur once in 100 years or once in 200 years, rather than some hypothetical value which is not possible to define with any degree of consistency throughout the country.

The problem of how much flood control should be provided at federal expense will be a continuing and controversial one, but I am hopeful that the National Academy of Sciences will be of assistance on standards which could be applied by all federal agencies.

Q: Did you have some feeling that if the Corps built a particular project--take the Tug Fork again--to standard project dimensions, the degree of protection afforded would be somewhat illusory?

A: Well, standard project flood is an evasive thing. I have never been able to get a specific answer to how much protection can be afforded a community. I guess I have been hopeful we would be able to develop better criteria, which would be more easily explainable to the general public. If you could say to them, you are protected against a flood that would occur only once in 200 years--that is something that they can understand. If you say you are going to be protected from a probable maximum flood but you are unable to define that, that may mean different things to different people in different areas.

Q: The Corps sometimes talks about protecting a particular area against catastrophic floods. Is there again the problem of what you mean by catastrophe?

A: Yes, I think there is. Again, rather than saying that, I think it is more meaningful to everybody if we could say that you will be protected from a certain frequency of flooding. I don't think you can ever guarantee everybody under all situations that they will be protected from any flood. We do not live in a risk-free society. I don't think we can afford to live in a completely risk-free society; so you do what makes sense, what is reasonable, and what you can afford.

Q: Would you be in favor, then, of a situation in which you build a flood control structure to somewhat lower

standards · than what the Corps has normally done, with the idea that in fact you are going to be imposing a limit on economic development in that area? In other words, you are saying, well--this is going to increase more and more if you keep on building in that area later and therefore, you know, don't. Basically you are telling people not to build too much in that area.

A: Well, I think the government has already established some guidelines before you can get flood insurance. There is some sort of a criterion that has already been provided there which relates to a 100-year flood. There is a recognition that, for example, the one-in-a-hundred-year flood may not be too unreasonable because, if you are ready to give flood control insurance with that level of protection, what that says to me is that there may be some risks beyond that; but that's one measure of an element of reasonableness.

Q: Another definition that you have is of a maximum credible earthquake.

A: Yes.

Q: Can you explain?

A: Well, earthquake is the same thing as flood. I mean, I think it is almost impossible to design something that you can guarantee to protect against any kind of a catastrophe which mother nature might create. Again, you have got to use what looks like reasonable criteria, based upon the experiences of the past; and if mother nature deals you a more severe blow, then maybe you won't be protected. At least you will have an element of protection for things that have occurred in the past.

Let me tell you--there is one other thing that needs to be considered in this matter of risk factor, and that is the potential for loss of life. For example, I think you ought to provide a higher degree of flood protection when you are constructing a dam and a reservoir above a populated area versus one that, if it failed, would merely flood agricultural land. I am hopeful that out of the study under way now, using the National Academy of Sciences, whatever they come up with as a suggested criterion for providing for flood control as a federal responsibility, that they do differentiate between those areas of large population which would be flooded, versus agricultural areas.

Q: Do you think the Corps has gotten involved too much in building dams in largely rural areas? That perhaps . . .

A: Well, I wouldn't say that. I think if we stay with the benefit-cost criterion, it seems to me that acts as a guide to the Corps on which projects are feasible from an economic standpoint. If you abandon the benefit-cost criterion and say we have got to protect this area no matter what the costs are, then it seems to me you do have a problem of priorities.

Q: One of the things that we sort of passed over before, and we didn't really get into when we talked about the planning process, was the principles and guidelines that were promulgated while you were in office, that replaced the earlier principles and standards.

A: Yes.

Q: Can you explain briefly, if possible, what the major advantages of the principles and guidelines are over the earlier principles and standards?

A: Well, this is one the Cabinet-Council did deal with, and I headed a task force on it. I think it was resolved pretty well with all agencies in agreement. The principal reason for the change was to simplify the planning process and to expedite it. The biggest change was to provide that projects be studied for the best NED plan.

Under the old principles and standards, if you came up with a plan which, from an environmental standpoint, was viewed as being the most attractive, there was no way to fund and to justify those things under the rules of the game that the federal government has to operate. So I think it wasn't that the new principles and guidelines wanted to ignore the environment. That wasn't the point at all. The point was that it just avoided having the Corps take all the time to prepare an environmental plan that never could be implemented; and so the rules, the new guidelines were developed with the idea of having the Corps take into account environmental concerns as it developed a plan to solve a particular problem, rather than a hypothetical plan which couldn't be implemented. The Water Resources Council was also eliminated in the process, which heretofore had been a major bottleneck in the processing of reports.

Q: Essentially, as I understand it then, in the planning process it was decided rather early in the procedure that, for instance, a nonstructural flood control solution was going to be inappropriate for this project. Rather than pursuing that at all, you just dropped it and

proceeded with the concrete--the structural solution. And, of course, that was determined by the B-C ratio. How about rather subjective environmental considerations or aesthetic considerations, things of that sort, which are probably not easily quantifiable but which, in fact, might be the preference of the local citizenry?

A: Well, of course, part of the idea of the new principles and guidelines was that there would be a much higher degree of local participation in the development of the plan in the first place. In other words, there would be a higher degree of identification of a problem and a working with them much more closely than perhaps the federal agencies had in the past.

Q: I want to turn our attention for a few moments here to the review process within the Corps, and I want to talk particularly about the Board of Engineers for Rivers and Harbors and also tangentially about the Mississippi River Commission. Turn to the Board for a moment:

I understand you were concerned about the Board considering certain things earlier in the planning process than otherwise had been done before. That, in fact--and I don't have it with me--you wrote a letter suggesting that certain political considerations be addressed earlier in the Board's review rather than just a strictly engineering and environmental analysis, which the Board had done before. Maybe you can clarify this for me.

A: Yes, let me first talk a little bit about the Corps' organizational structure and the problem that I see exists with its organization. The Corps, in recent years, apparently adopted the plan of decentralization of its activities extensively. And I have no quarrel with that. But it seems to me that one of the things that has happened is that the Chief of Engineers' office has lost control, in fact, of what comes up through the Districts and through the Divisions. In other words, it seems to me that one of the important functions of the Chief's office, in addition to review, is to insure that there is some sort of a consistency or standardization among the Districts and among the Division planning efforts.

In other words, you have to be careful when you decentralize that you don't at the same time fail to give adequate guidelines of how plans are to be developed; let me give you an example. We have felt--and I think it has come down from OMB, and I think you alluded to it earlier, and I made a comment about it too--that there should be a de-emphasis on recreational plans,

particularly single-purpose recreational projects. That message should have been relayed from the Chief's office to the Divisions and the Districts. As a result, the Districts should not now spend a lot of time and effort on developing single-purpose recreational projects. They are not a priority item for this administration because of fund limitations.

The same thing is true with respect to the Board for Rivers and Harbors. It needs to know, in fact, part of the rules of the game fairly early, so in their review process they can reflect the same kinds of things. In other words, they should not spend a lot of time on or should not approve a project which they know will never be able to get by OMB, in the light of the rules that are given to us of late by OMB in terms of project formulation.

The same thing is true with respect to mitigation. We have got instructions from OMB--I think there is a memorandum on this that came down from OMB--that before you propose the acquisition of large new blocks of land for mitigation purposes, you look at several other things, for example, better management of the lands that are under federal control and use of other project lands for mitigation purposes; look at some offsets or enhancements provided.

So what we are saying is, with those kinds of instructions and guidelines from OMB, the word ought to get all the way down to the Districts. OCE and the Board for Rivers and Harbors should reflect that in their review process, too, so that the reports don't come all the way up the line knowing in advance we are not going to be able to get OMB's approval to forward it to the Congress.

Q: Of course, as I am sure you know, when the Board was originally created back in 1902, the whole idea was that the Board be an independent board that would objectively analyze Corps projects and come up with a recommendation based on the best engineering and economic data. And you know, in other words, the reason for the development of the Board was to get the Corps out of the political arena. Do you think that what you are doing is basically reversing things and, if so, is new legislation necessary?

A: Well, I don't view some of the things I have talked about as political decisions. I view them as management decisions based upon today's realities. In other words, if there is a limited amount of money and management says

we ought to give priority to certain types of uses over others, I don't view that as being a political decision. I view that as being a management decision which ought to be reflected by the organization from top to bottom. Now, a political decision, in my judgment, is a decision about whether a project goes or it doesn't go on the basis of political considerations; and I don't view what I have been talking about as a political decision at all. I believe it is a management decision.

Q: Another agency that is involved in the review process within the Corps is the Mississippi River Commission. This has become a somewhat controversial commission in the sense that people argue about whether in fact it needs to exist at all nowadays. Could I get your views on that?

A: Well, I--of course, the Mississippi River Commission has a long history, as I am sure you know, and a lot of reasons for it. The problems of the Mississippi River are so large and so complicated that I suspect originally it was believed that you needed a special commission to deal with those problems. The Commission was created before you had some of the other organizational structures that are now in place.

Looking at it from a management standpoint, I don't know whether you really still need a Mississippi River Commission. It seems to me those functions of the Mississippi River are no different than the problems of the Columbia River Basin and other big basins, except of course that they are much larger and encompass a much larger area of the United States than any other river basin.

I think maybe their usefulness and their need may not be as great now, certainly as they were originally; and I think it does put another layer in the bureaucracy. In other words, you already have in place the Districts that deal with the problems. You have the Divisions, which deal with the problems of several Districts. And, of course, the Commission encompasses several Divisions or parts of several Divisions. But I would think that this function could be coordinated and carried on by something within the Chief's office rather than by a separate Mississippi River Basin Commission.

The problem, it seems to me, with a separate commission is that it has a tendency to go around the other institutional arrangements that are in place for other areas, and I don't know if that is particularly desirable. I guess politically it has been good for the

area because a great number of the key legislators have come from that area, and they can very well look out for the needs of the Mississippi area drainage basin. But whether that Commission is still necessary may be questioned. I have a feeling that the need may not be as great now as it was originally, and that it does create some problems within the Corps' internal organization structure.

Q: You know, the MRC was created originally to dilute the power of the Corps down there.

A: They've been very successful at getting federal water projects. If you take a look at the dollars the Corps has spent nationwide, my guess is that the Mississippi River Basin has received a disproportionate share.

Q: Of course, they would argue that also the amount of local investment has been greater down there--I mean, historically, going back to the 19th century.

A: If you take New Orleans, for example. I don't know what would happen in New Orleans if the Corps, under the auspices of the Commission, hadn't come in and done all the work they have done down there. I doubt if that area could have survived without the federal assistance provided.

As an aside, in today's atmosphere, just on the subject of wetlands that we talked about earlier, I wonder if you would have had the extent of development in the Louisiana area now, given the environmental laws that are now in place. It would be a very interesting thing to speculate on, I suspect.

PART II

Q: Mr. Gianelli, one of the studies that was done, or at least completed, while you were Assistant Secretary was the National Waterways Study, done by the Institute for Water Resources. As you recall, this was a study that was authorized by Congress; it was designed to show what the future of America's waterway system was going to be until the end of the century, and what needed to be done to rehabilitate the system. When the study came to your office, as I recall, you put it on hold for a while; evidently you had some question about what to do with it. And I am wondering if you could elaborate on that a bit.

A: I'm a little hazy on this. As I remember, the study started quite a bit in advance of my arrival on the scene in Washington. It is my recollection that when the report came across my desk, a question arose as to the economics and the usefulness of the study. Another question related to the assumptions made in the projections used in the study.

Q: Do you have any recollection about any of the specific assumptions that you questioned or people questioned?

A: No, I can't recall.

Q: Okay. Another project, if you want to use that expression, that was authorized by Congress--ordered by Congress, really--was the idea of the minimum dredge fleet.

A: Oh, yes. I am familiar with that.

Q: And I want your impression of whether you, first of all, support it. Whether you think it is a good idea. Whether you think that having a minimum dredge fleet perhaps has put the Corps in a difficult position in terms of gearing up for wartime.

A: Well, I think--here again, this was a subject where legislation or direction was given by Congress before I arrived. But I am well familiar with the study, and I remember some of the dialogue that took place with respect to it.

I guess I have some mixed feelings about the study. Apparently the driving force behind the legislation was

the private sector dredgers, who believed that if the Corps was not doing so much in the way of dredging, there would be more available for the private sector. Apparently the private sector had constructed a number of dredges in certain areas which were underutilized because the Corps had so many of its own dredges that it was operating.

But again, I have--as I say, I have mixed feelings. I think there is a need for the Corps to have some capability. Exactly what that capability is, and what it should be, is certainly arguable and, I would say, quite controversial. The matter of eliminating, for example, the dredges on the Great Lakes has been one of great controversy. But here again, the Corps, working with the private sector, determined that the private sector dredges would be available in the Great Lakes area to take care of any problems there, and that therefore it wasn't necessary for the Corps to have any dredgers in that area.

Again, as I say, I think the Corps needs to have some capability. Exactly what it ought to be I don't have any strong views on. And certainly the Corps has been trying to work with the private sector, so that, in case of emergency, the private sector fleet would automatically be made available to the Corps for that emergency work. If that all takes place and works out satisfactorily, that might be a partial answer then for the Corps having to maintain such a large fleet. Again, I believe there is some need for the Corps to have some basic capability in this area.

Q: Would you be in favor of using private sector vessels in a war zone?

A: Well, it isn't a matter of whether I would be in favor of it. I think it is probably a matter of whether the private sector would be willing to take that risk without some sort of guarantee. I believe that would be the issue. The issue would be whether or not you could get private sector dredges to operate, for example, under a condition of war. I don't know.

Q: Okay, let me turn to a completely different subject. And that's the subject of hydropower. I guess the easiest way to ask the question is just to ask, first of all, what do you think the Corps' role should be in hydropower development?

A: Well, first of all, I think you have to break hydropower down into several component parts. For example, if

hydropower is a part--a minor part, say--of a multi-purpose Corps project, where the major purpose is flood control or navigation, then it seems to me hydropower should be constructed at the same time by the Corps.

That doesn't mean that the Corps shouldn't try to work out an arrangement for some financial participation from, say, a power company who might be interested in the output. In that case, the Corps probably ought to go ahead and construct the power facilities; and some arrangement ought to be worked out, if possible, with the private sector to have them assist in the financing of the multipurpose project and to take over the power output.

In those cases where there is single-purpose hydropower, then I doubt very much whether the Corps should construct such a facility. In other words, if you are talking about a dam and reservoir that would be operated solely for hydropower, then it seems to me that it should be a nonfederal effort. I believe you have to look at the hydropower development in terms of what kind of hydropower you are talking about. Is it combined with another use, or is it a single-purpose use?

Q: Isn't it rather unlikely that you would have a project that would be solely hydropower without some kind of other benefits?

A: Oh, I don't think so. There might be a very minor amount of recreation--if it involved a reservoir pool. Very often power plants are constructed along a river, a so-called run-of-the-river plant, where it merely uses the flow that comes down that river. There are also several that are single-purpose hydropower reservoir projects which wouldn't have any appreciable multipurpose usage connected with them.

Q: Do you think that it would be possible for nonfederal entities to build a massive power project like we have had on the Columbia River for instance?

A: Well, yes. I believe so. The state of California, and this is my favorite subject, built a hydropower project at Oroville Dam. It is a multipurpose project, and it entered into a contract with the private power utilities in the state to purchase all of the power. The state took that contract and converted it into a quarter-billion-dollar revenue bond issue, which financed half the cost of the dam and reservoir. So, yes. I think it is absolutely feasible.

Q: Of course, California is a large state with a large population, and it might be more easily done in California than, say, in North Dakota or South Dakota.

A: No, I don't think the size of the state is the only criterion. The real criterion is whether or not there is a need for the power, and there is some power entity which would utilize all the power. For example, you could take Montana Power in the state of Montana. Montana is a very small state, but Montana Power Company is a large electrical power utility operating in that state, and certainly they would have a capability to build a very large plant.

Q: Okay. Let's go from the sublime to the pedestrian for a moment. When you were Assistant Secretary, you articulated some distinct views and, I suppose to some Corps employees, distasteful views, dealing with Corps conference schedules, travel and so . . .

A: Oh, yes. One of my pet peeves.

Q: Can you elaborate on that?

A: Well, yes. One of the problems, I think, with federal government agencies--and I don't think the Corps is necessarily alone on it--is that they are so far removed from the taxpayer that they don't stop and think about what things cost and who is paying the bill. It has troubled me a very great deal when the Corps schedules conferences around the United States where Corps employees have to come long distances and spend a day or two traveling for the purpose of attending a conference. It may be important for some participation, but my experience is that the Corps has an excess of employees attending conferences. Let me give you an example of something that has happened in the last couple of weeks.

I just received a brochure from the American Society of Civil Engineers, of which I am a member, announcing a dredging conference in Florida some time this fall. The dredging conference is sponsored by ASCE, the Corps of Engineers, and a couple of other agencies. But anyway, looking through that three- or four-day conference schedule, there were 112 presentations scheduled by Corps employees.

Q: Different employees? 112 different employees?

A: I don't know if they are all different, but I suspect that probably there will be between 75 and 100 different employees traveling from all over the United States to

participate in this conference. It seems to me that some responsible Corps official ought to sit down and figure out whether or not something like that is really worthwhile, and whether or not it warrants that large a number of Corps people participating in the conference. In addition, I suspect there are more Corps employees attending who will not be presenting papers.

That's of course one type of situation. Another one involves conferences in which the Corps is not making a presentation, but in which they like to participate. I have the same criticism there. That the Corps very often sends, in my judgment, large numbers of employees to listen to presentations that are made by others, when it seems to me the Corps could very well send maybe a couple of people. Somebody could tape it, if necessary, and then a summary of that conference could be put out by the Corps' public relations officer or whatever, so that it could be disseminated widely among the Corps employees who might be interested.

It costs large amounts of money for people to sit in and attend conferences all over the United States. I suspect some of the other federal agencies are just as guilty, although I haven't had exposure to them to that same extent. Yes, I have been and I still am very critical of the large number of Corps employees that attend meetings and conferences. I believe the number is grossly in excess of what really is necessary.

Q: To be a gadfly for a moment, I suppose that many of the engineers, the professionals in the Corps would argue that attendance at not all but some of these conferences is part of being a professional. That you can't do the work without exchanging information and participating and frankly making yourself visible among your professional colleagues. Given that, do you still believe that Corps involvement is top heavy?

A: Well, I believe it is very excessive, and I feel very strongly about that. Take the case I just cited--and I think if you go back and look at a number of other cases, you will find similar situations. For example, if you are a professional engineer in the private sector, you have to screen very carefully what things you attend because it costs you money to go to those things, as well as not being productive during this period. The Corps doesn't worry because it is not paying for it. The Corps employees, I think, go because they like to go or feel it is of some value. But I doubt very much whether anybody ever sits down and figures out whether the exact benefits obtained by that participation would be worth the cost of

sending that person from wherever they have to come to attend it.

Let me say that I am not necessarily picking on the Corps. In my old Department of Water Resources in California, I had them adopt some very stringent rules concerning participation in conferences and attendance, because again the taxpayers are footing the bill; and it seems to me that federal employees, as well as state employees, have a responsibility to report to the citizenry about the desirability of attending.

Let me make one other point, too, in this regard. There is nothing that makes private citizens so unhappy as going to a meeting and finding a bunch of people who are being paid by the taxpayer sitting in at that meeting. I am not saying one or two, but I am saying ten, fifteen, or twenty. And that really gives the organization a bad name in terms of its public image, because the public understands that it is paying the bill. There is a very careful balance that has to be kept in this regard.

Q: One of the first meetings you attended when you became Assistant Secretary was a meeting of the Environmental Advisory Board that the Corps has. Can you, in a nutshell, give me your impression of the Environmental Advisory Board, its use, its effectiveness, and whether the Corps should retain it.

A: I talked to General Bratton at some length, as I recall, after I attended the first meeting, about that subject generally, concerning boards and commissions. It was my suggestion that perhaps it would be well to broaden the scope of that Environmental Board to include people of other disciplines, for example, to include folks like economists. As a matter of fact, I believe General Bratton has moved to broaden the scope of that board, and I think he feels that it does perform some service to him. It is largely an entity which serves the Chief of Engineers of the Corps. It doesn't serve the Assistant Secretary's office. And, apparently, there has been some feeling in the past that it provides some value, and I wouldn't argue with that.

One of the problems I think you have--and the same thing would be true, for example, if you had a board composed of all economists or if you had a board composed of all engineers--is that there needs to be an interchange among some of the key disciplines to bring balance into whatever comes out of such a group. For example, if you had strictly wild-eyed environmentalists on a board, then it seems to me the results that the Corps might obtain

wouldn't be as useful as they might be otherwise, because the board might propose solutions which are not implementable. Whereas, if you have a broader sector of maybe an economist, engineer, environmentalist, or whatever, then it seems to me the positions that the board may arrive at originally will have the benefit of the dialogue that might take place among all the disciplines.

Again, I believe the Chief of Engineers has felt that the board provides some service to him.

Q: Are you suggesting that the board should not strictly reflect the traditional environmentalist point of view then? It ought to be more responsive to the economics of a particular project?

A: Well, again, if I were the Chief, it seems to me I would view such a board as one which might give advice in a number of areas.

Q: What was your impression of the board meeting you attended?

A: Well, I didn't attend the whole meeting. I just attended a part of one. And I don't even recall, as a matter of fact, what the principal topic was at that time.

Q: Well, let's see. I think it was held in Washington, in Arlington as I recall. I attended that meeting myself.

A: Yes, it was at the Marriott Hotel.

Q: That's right. And you had representatives from the EPA and the Fish and Wildlife Service and a number of services there. I forget--I think the subject was mitigation. Okay. I want to ask you a number of questions . . .

A: Well, one of the things that has been suggested, I think, is that a mitigation bank be established. And that every project would provide certain benefits, if you want to call it that, or certain monies or whatever to that environmental or to that mitigation bank.

My feeling is--and I think OMB sort of reinforced this--for example, take a reservoir. A reservoir is constructed. It may cause certain in-stream values to be lost or whatever. I'm not quite sure. Maybe certain wildlife. And I think it--certainly it has always been my feeling that you ought to try and mitigate in an area where the damage has occurred.

In other words, it didn't seem appropriate to me to provide a mitigation bank, for example, in the state of California and contribute to mitigation damage, say, in the state of New York. It seems to me that if there is damage in the state of New York, by virtue of a Corps project, then the mitigation should take place as close to the area where the damage occurs as possible. That's one theory that I feel fairly strong about.

Another one is that, say in a reservoir project, the Fish and Wildlife people fail to include positive values that might occur as a result of constructing a project. Let me give you an example of that. Supposing a reservoir inundates a certain number of miles of stream in which there had been trout. Okay, on the other hand, the creating of a reservoir there might create, for example, a great bass fishery.

So it has always seemed to me that as the Corps gets criticized for creating problems by virtue of constructing a project, it never gets credit for some of the good things that those projects do. And so I have always felt that when you say to the Corps, "Certain damages occurred here as a result of the loss of the trout fishery," you ought to, on the other side of the ledger, say to the Corps, "but you have created a reservoir here which has a great striped bass fishery, and so therefore we will provide mitigation to the extent that one doesn't take care of the other." I think you have to be a little careful how you apply that, but the main point I want to make is that it seems to me that as you consider mitigation, it is necessary to consider enhancement. And I have a feeling that the single-purpose environmental agencies at times don't look at the good that is created by Corps projects. They always look at the bad, and they want the bad mitigated. And I don't think that's quite fair.

There are a couple of other points, too, that it seems to me are important. Very often, I think, the single-purpose environmental agencies will ask the federal government to acquire large additional land areas in order to mitigate. While that may be advisable in some areas, it seems to me that the first thing that should be considered, rather than to suggest that the federal government take more private property off the tax rolls, would be to see if you could better manage whatever federal properties might be in the area.

For example, often when you acquire land for a reservoir, you acquire it along ownership boundaries, instead of

just around the edge of the reservoir. So, before going out and acquiring large acres of additional federal lands for mitigation, they ought to consider better management of the lands that are available.

I just wanted to add those points because I think mitigation is important. However, I believe people have taken advantage of the Corps and tried to get it to provide much more than is fair, particularly in the way of acquiring large amounts of additional land to be taken off the private tax roll.

Q: Do you think--do you attribute something a bit underhanded to these single-purpose agencies when they try to get the Corps to pay more money for this kind of mitigation activity? Or do you think perhaps these agencies basically have bad planning, or the prognostications are too cautious? In other words, you know, you talk about the lake being converted to a bass lake from a fishing stream; but it will take a few years presumably for it to turn into that bass lake, and maybe the people in, say, Fish and Wildlife are simply erring on the side of caution and are not making any assumptions about what is going to happen to that project. Do you think there is anything like . . .

A: Well, I think the--I think one of the problems is that some of the single-purpose environmental agencies tend to look at every project as being bad. I think that is unfortunate because, looking at the many projects which the Corps has built around the United States--and elsewhere, too, as a matter of fact--a lot of them are providing great environmental benefits. For example, I think the recreation that is provided around Corps lakes and the scenic values are tremendous. Yet, the Corps never gets credit for that in terms of the single-purpose agencies which are always trying to get them to do more.

My experience tells me that the single-purpose environmental agencies, like Fish and Wildlife Service, have a tough time getting funds to carry out what they would like to do in terms of enhancing what they view to be their areas of responsibility. And so I think they look at the Corps, and I suppose the same thing is true with the Bureau of Reclamation or a power company or whatever, as somebody who has a source of funds which can help them accomplish their objective. I think that's probably the real problem, if you shake it down. It's the concept that these single-purpose agencies can get more by beating the developing agencies, if you want to call them that, over the head and knowing that certain projects are needed and that they can sort of blackmail a

project into providing, for example, things that perhaps are not quite justified or warranted.

Q: How would you resolve the problem?

A: I would resolve it hopefully by providing a more balanced analysis of what is required in the way of mitigation, looking at some of the things I mentioned earlier: in other words, looking at some of the plus values that Corps projects might provide as well as just the negative values.

Q: So you are talking about a guidance that presumably would cover OMB, and it would apply to all federal agencies.

A: That's right. In fact, as I recall, I think OMB has issued some instructions on this along the lines of what we have been talking about--my recollection of it anyway. And I think that is appropriate. I don't see that there is anything wrong with that. I think honest mitigation should be provided for. But I think at the same time certainly you should give credit, and you should avoid taking large amounts of property off the tax rolls that might not be necessary if you can provide the mitigation some other way.

Q: Let's turn our attention to the Corps, and particularly to the Corps' leadership. First, let me ask you a general question. Can you characterize the senior civil works civilian staff and the senior civil works military staff? Do you see differences in the outlook of the military versus civilian? Who does the job better?

A: First of all, I have been very impressed with the military officers of the Corps. I think they are outstanding people, and by and large they do an excellent job. Comparing them with the Corps' Civil Service civilian staff, I think the Corps' military officers are more flexible and more willing to look at things from a variety of different ways than the Civil Service staff. This is not surprising and it is not unnatural. I think any time you have a civilian bureaucracy, there is a desire to protect one's own turf; and I think there is a concern that change presents uncertainties. Civilian personnel recognize that it may be a long-term career with them, and they may view suggestions for change as possibly threatening to their careers. I don't think the military component of the Corps looks at it that way, since they change assignments on a regular basis.

The Corps officers are going to be serving in the Army of the United States in some capacity, whether there is a

Corps civil works function or not; so they are not threatened in the same way that the Civil Service work force is. So again in making the comparison, I have felt that the Corps' military personnel are more flexible in trying to deal with changes that may be attempted in an organization. I want to be sure, however, that what I am saying is not interpreted as picking on the Corps' civilians. I am not at all. I think what I have said is true with any large Civil Service organization. It is interesting with the Corps though, because you have the military and the civilian force integrated. Normally you don't have that in most organizations; they are composed entirely of civilians.

But it makes an interesting comparison, and the comparison is the one I think I alluded to that the Corps officers have impressed me. I think they are more flexible. I think they are more willing to try something new because I don't think they view their current jobs as ones that are going to go on forever; and eventually they will be moving on to other assignments.

Q: So, in short, you consider the military officers in the Corps a distinct plus for the Corps of Engineers.

A: By all means. That is correct.

Q: One argument that might be made by people who would argue otherwise is that the civilian leadership comes to their jobs with a tremendous amount of experience, and that they may see some problems that the military wouldn't see, and therefore they may be more cautious than the military leadership. Would you agree with that?

A: Well, I think they are more cautious. I don't think there is any doubt about that. But, again, the situation is changing in the federal government, particularly in all of the federal water agencies--the situation being one that requires some changes in past practices if the programs are going to survive.

This gets back to the thing that we talked about before, and that's the subject of cost sharing and financing. In my view, the civil works program, as it has been known historically, is not going to survive if some way isn't found to take a little of the burden off the federal taxpayer or the general fund of the Treasury.

Q: Would you say that the civilian leadership in the Corps is dishonest?

A: Oh, no. Oh, no. Certainly not. I would say that they

are overly rigid, in my view, and narrow in terms of some of their thinking, but certainly not dishonest, no.

Q: Did you feel that they were loyal to you when you were Assistant Secretary? Were you satisfied with their follow-through, I suppose?

A: I don't think anybody was disloyal. We may have had differing views, but I don't see that as being disloyal. I think there was a reluctance--let's put it this way--on the part of a number of civilian personnel to pursue some of the objectives we were trying to accomplish. But again, I don't view that as being disloyal. It is a differing of views, and again, as I indicated earlier, I think it is natural that the Civil Service personnel have some turf to protect. As a result, I may have represented the unknown, which is what happens when you start talking about changes.

Q: Mr. Gianelli, you have been particularly critical of the Corps' planning process; what I would like to do is ask you a number of questions that mainly relate to the planning process, and a number of these questions are outgrowths of the first interview we had.

Let's first of all talk about the review process in the Corps of Engineers. You said something to the effect in the first interview that you felt more projects ought to be able to be lopped off at the District Engineer level and never go through this multiple review process that the Corps has. The question is, don't you believe, though, that the proper authority to make a final decision on a project is the Chief of Engineers?

A: No, I don't think so. If the money comes from the federal taxpayer and the federal budget, the Secretary of the Army has an overall responsibility in this area. And it seems to me that someone who is more familiar with the, you might say, objectives of a particular administration should be making some of the critical decisions, because of limited funds. Let me put it that way.

Now, I don't mean to say that they have got to make every one. For example, I think there are some delegations that can be made and have been made which allow the Chief and lower echelons to make decisions. But again let me point out that the Chief of Engineers is a career military man. He doesn't worry particularly about the goals of a particular administration in terms of balancing the budget and so forth. And it seems to me, when you are talking about projects to be pursued, those

critical decisions have to be made by people who are part of an administration and are responsible to that administration.

And I think they should preferably be made at the Secretarial level, delegated down--in this case in the civil works projects--to the Assistant Secretary. Because I think if the administration--any administration--makes enough bum decisions, then, of course, that will show up in the polls, and they will be replaced by people who have different priorities.

Again, I don't agree that all the critical decisions on programs should be made by the Chief.

Q: If I understand you correctly then, what you are saying is that the District Engineer ought to be basically representing the administration's position on some of these basic issues when it comes to . . .

A: Let's back down a little bit on the chain of command. I think this is one of the things we talked a little bit about before. I have felt all along that the Chief's office and even the Divisions have delegated perhaps too much authority to the Districts without an opportunity to review. And let me elaborate on that.

A District Engineer may see certain needs from his own perspective that may be absolutely justified. On the other hand, if there is some limitation in funds, for example, maybe his priorities and his projects can't be implemented. There might not be enough money to go around. So there has to be somebody who can take that District Engineer's request, for example, along with all the other District Engineers' requests; and the first screening level should be at the Division Engineer level; and then certainly the critical decisions need to be made, in my judgment, at the Chief's level, at the Corps' Washington office.

Because only there can all of the Corps' programs be put into perspective and be looked at in terms of need, given whatever constraints exist, particularly fiscal constraints. So I think that it's well for a District Engineer to make recommendations, but I think the actual decisions on what finally is done in that District, for example, need to be carried up the line into the Washington area.

I think that is inevitable. And that isn't a criticism of the District Engineer. It's a need to balance all of the needs throughout the country with the limited

financial resources and personnel that are available to carry out those things. So I don't view the District Engineer as working for the Assistant Secretary. I think that coming down through the Chief's office, the District Engineer has a certain kind of direction in terms of what an administration feels should be emphasized, for example, certain kinds of projects, just to take a case in point.

Q: Last time we talked together, I asked you a few questions about the Board of Engineers for Rivers and Harbors. I would like to pursue that line for a moment. Do you think the board is really capable of performing an independent review?

A: Well, it's tough for them to do that. They are an integral part of the Army, an integral part of the Corps of Engineers, and it seems to me it is very difficult to keep them in a posture where they have all of the expertise and they have the freedom to be completely objective without any influence at all. I think it is very difficult for them. I think it is an important role, but, in answer to your question, I think it is difficult for them to retain a completely independent posture.

Q: Should they? Let me ask you that.

A: Well, I think if they are going to perform a function--and I think they can perform a function--they should be as independent as possible. One of the suggestions we had with respect to the Board for Rivers and Harbors was that they be more familiar from a direct standpoint with some of the policies of an administration.

Just to give you an example, I think the administration through OMB had adopted a rather strong position with respect to recreation development. And it seemed to me that it would have been helpful for the Rivers and Harbors Board to know of that position, with respect to recreation development, before they passed on Corps projects where there might be recreation involved. In other words, I think they could provide an independent check and provide an independent view, recognizing what, for example, some of the policies of an administration might be--again using recreation as a case in point.

Q: Well, how do you reconcile that, then, with being an independent review board?

A: Well, I think the independent review, as I see it, is necessary to take a look at whatever the Corps sends up

and to see whether it makes sense from an economic standpoint, from a political standpoint, if you will, and certainly from an administration standpoint. So I think they can be independent, but still be cognizant of the objectives of a particular administration.

Q: So they won't necessarily then make the decision based on the best engineering or the best environmental consideration or the best financial package, if you will. The decision will be based at least partly, then, on administration policy.

A: I think it would be, partly, yes. I am not suggesting that they ought to, for example, recommend an infeasible project. I think it goes without saying that that's an important part.

But again, coming back to the case I cited--and again, I think the administration felt very strongly because of the limited funds--development, say, of projects solely for recreation should take a back seat, and perhaps not move at all. The Rivers and Harbors Board ought to know that, it seems to me, and certainly shouldn't keep sending up projects for recreation time after time, if, for example, we know in advance that they are not going to be able to pass muster.

Q: Well, if the board were more as you describe it or wish it, then what would be the function of OCE in reviewing the board's reports?

A: Well, I'm a little fuzzy on how OCE interfaces with the board, frankly. I never have completely understood how that works. The Chief, of course, gets his recommendations from the Rivers and Harbors Board, but he also gets them from his own staff, I assume. And I am not clear how the Chief, for example, in rendering a decision--if the Rivers and Harbors Board came out with one recommendation and his staff came out with another recommendation--would view the respected positions or the respected recommendations. I am just not sure how he would handle that.

But I guess the way I would look at it is the OCE would largely be responsible for, you might say, issuing the directions down to the Divisions and down to the field in terms of the kinds of things they ought to be doing. Then, the Rivers and Harbors Board would be the review at that level. In other words, I would view the task of the Office of the Chief of Engineers and his staff, OCE, to be one of direction. But, again, when the reports come back in, I am not quite clear as to how the Chief views

the two entities.

Q: Well, in your mind, if the board did act as you suggest it should, would there be any reason for a review process within OCE?

A: Well, I think OCE needs to be sure that its directions are being implemented, and that when things get done, for example, in the field, they are being done on a consistent policy throughout all of the Corps. I think that is one of the great needs, to make certain that every Division and every District operates on a consistent basis; and there is a great need that certainly would have to be filled by the Office of the Chief of Engineers.

So I view the OCE as more of an in-line staff operation from the Chief down to the Division, then to the Districts; and I view the Rivers and Harbors Board as solely a board which would review something before it becomes a finished product.

Q: You, of course, tried to work with Congress on developing some various cost-sharing programs, including programs for navigation projects. To what extent were you successful with cost sharing in navigation; and to the extent that you weren't, can you identify what the major problems were?

A: Yes. I think, looking at the whole subject of cost sharing, I would say the most frustrating area of cost sharing is in the navigation area--in both the deep draft and inland waterways systems. I felt that OMB put some unnecessary constraints on our office in terms of dealing with the subject of cost sharing for navigation and the inland system, both. For example, they took a very hard-nosed position with respect to cost sharing on deep water navigation, namely, all the cost had to be repaid. On the inland system, OMB wanted operation maintenance also to be taken over 100 percent by nonfederal interests, as well as all costs to be repaid 100 percent.

My view on the whole subject of navigation, both the inland system and the deep water ports, is that traditionally the federal government paid for the whole thing. Now, OMB seems to be going to the other extreme, deciding that the U.S. government shouldn't pay for any of it. I still feel that there is some area of federal responsibility in navigation projects, just as there is in flood control; and that we, ASA, working with the Corps, should have been afforded more flexibility in

working with the Congress on that particular issue.

I still believe that there is a middle ground that could be reached which would allow navigational projects to go ahead. But at the time I left, at least, that wasn't apparent--that progress would be made in that area.

Q: In response to another question I asked last time, you said that the Corps doesn't always worry much about the cost of a project, that they simply developed what they considered to be the best engineering solution and then let the costs work out for themselves or whatever. On what basis could the Corps recommend a project which was not in the NED plan based on the administration's guidance?

A: Well, of course, we hope to address the issue in part by having, under the new planning guidelines, the NED plan as the one that would be advanced. That would presumably take care of the matter, because you would plug into the economics the benefits as well as cost. You wouldn't just have the best engineering solution. Hopefully that would partly take care of that problem.

Another thing that I have been concerned about, and just to illustrate the point, the Corps has some tremendously large projects which haven't been authorized. For example, let me pick out one in California--the Santa Ana River Flood Control Project. That project is going to cost well over a billion dollars. From the very beginning, the Corps developed an all-river plan there for 500-year flood protection, as I recall, based upon certain assumptions that would take place in upstream development. It was my view that such a plan would never get off the ground because, first of all, it is too expensive; and I am not sure that the local people would be able to carry their end of it. It is partly a levee project for which the locals, even under the present rules, would have to pay land easements and rights of way and relocation of utilities, and that would be a pretty substantial amount.

So I felt that in developing the report--and I asked the Corps to do this--to come up with some alternatives and also some staging which would allow the policy-makers and the budget people some flexibility in dealing with a solution of the Santa Ana river flood control problem. The Corps did work out, then, a series of alternatives which, in effect, involved a staging of the overall project, and then attached different degrees of flood protection to those various stages.

To me, that's what the Corps should be doing. That, to me, gave them, the decision-makers, a chance to see what the alternatives would be, to see what the benefits would be, and to see what you could get by with in terms of cost and protection. Then, the policy-makers could make a decision based upon those alternatives. But when the Corps, as they did originally, only presented the all-river plan with no staging at all and at a cost of more than a billion dollars, the project could not move.

Q: Did the staging involve different stages of construction? In other words, would you perhaps build stage one, construct stage one first, and then stage two? Or could they be done together?

A: No, basically it was to build part of the project which would give you a lesser degree of flood protection at a much lesser cost, and then come along later when the need arose and add on other elements. Now, as I recall, and I think the discussion is still pending, part of the staging might involve some funds which couldn't be economically used for subsequent stages. If that is the case, then you have to rack up what the staging is going to cost and how long it may last, to see whether it is worthwhile foregoing some of the benefits that would be provided if you built it all at once.

Q: Well, yes, that's really what I was getting to in a sense--that the staging, while it might make it more feasible for the locals to get themselves involved, might in the end result in a higher cost for the project.

A: But the alternative very well may be that if you try to go the whole way at one time, you may find the cost so prohibitive that nothing is done. Then you have to ask yourself the question, "Is it better to do nothing or is it better to do something to give some additional protection, recognizing that you aren't giving as much as the ultimate desirable plan would provide."

Q: Would the protection be enough to warrant continued activity in the area? In other words, would it give a false sense of protection to the inhabitants, do you think?

A: Well, it would have to be made very clear what they were getting for whatever they were buying. Some of the alternative plans provided 100-year protection. We made it very clear that that's exactly what they were getting. They weren't getting 500-year protection. They were getting 100-year protection. Well, if that is all they can afford, the choice then should be largely local--if

they are putting up a fair amount of money--as to what do they want. Do they want to take the risk, or do they want to try and raise the additional money?

So, to me, that's the way a planning project should come forward. It should come forward with maybe the best engineering solution; but if that looks like it is going to be terribly costly, then it seems to me the decision-makers need to have some options available to them so that decisions can be made not merely on the basis of taking it all or nothing; but, maybe, is there something we can do to give some additional benefits at costs that can be afforded?

Q: You also mentioned in the first interview your consternation over these 500 reports that the Corps has--planning reports--most of which do not result in projects. Why do you feel that the Corps could have screened out these reports at an earlier date?

A: Well, one of the things I advocated, and I think Congress has picked up on it, was to break down the feasibility reports into two parts. And I think we covered this maybe in part of our earlier conversation. If you follow that procedure, then the Corps could prepare a reconnaissance report which would give some feeling for whether or not a project was feasible and whether there were project sponsors willing to contribute. That could be done at roughly a fourth or a fifth of the cost of the full feasibility report and within a shorter period of time.

So what I am saying is that if there is some way to break down these project reports, as we have asked the Corps to do, and if you had a repetition of the 500 reports, you could save, as I recall, probably $75 to $100 million of what otherwise would be the cost of preparing the full feasibility reports for those 500 projects.

Q: Do you think the reports would be better reports with the locals sharing in their cost?

A: Excuse me--I am not clear on your question.

Q: You suggested that the feasibility reports would involve cost sharing, too.

A: Yes.

Q: Do you think that the quality of the report would be better because of the cost sharing?

A: Well, I don't know about the quality of the report, but I know it would be more responsive. For example, if a project's sponsor or project beneficiary is going to have to pay for part of the feasibility cost, then he will be pretty sure that he's serious about what he wants. He is not merely trying to have a study made that is not going to go anywhere.

I don't know about the quality of the report, but I do feel that it would be much more responsive to the local interests if there was a degree of financial participation. That's what we are talking about in the second stage of the feasibility report, as opposed to the reconnaissance stage which we suggested would still be funded 100 percent by the federal government.

Q: You also suggested that the acid test of a good report is that it leads to a project. Do you feel that there might be some studies the Corps makes that are good studies simply because they provide information, statistics, and insights, even if the study does not lead to a project?

A: Well, you know, we talked a little earlier about the waterways study. Now, the waterways study was not designed to lead to a project. It was designed to provide an inventory of requirements. I assume that is basically what it was. So I don't have any problem with that kind of report. But I am talking about reports that relate to specific projects, as opposed to reports of a general nature which would be informative--again, using the waterway report as an example of what I would say is an informative report.

Q: Well, okay, let's get away from those kinds of studies on the national waterways and just talk about feasibility reports. Do you think that specifically there may be some validity in having feasibility reports that don't lead inevitably to projects; but because the survey has been done and a lot of information has been gathered about a particular proposed project, just the gathering of that information and statistics might have some value to the Corps and to the general public?

A: Well, of course, the theory of the reconnaissance level report is that you don't collect information that you don't need. The hypothesis you are making is that just because you collected a bunch of data you therefore ought to put it in a formal report; then my answer to that is you shouldn't have collected the data in the first place. So, no, I haven't been able to figure out what advantage there is to having everybody go to the trouble of putting out a feasibility report if we know it is not going

anywhere.

Q: Well, okay, if I may press it just for a moment.

A: That's all right.

Q: I am a historian so let me give you a historical example. Back in the 19th century the Corps was asked to survey various railroad routes to the Pacific. I think there were five railroad routes that were surveyed, and private interests, as it turned out, with a lot of government support, built railroads on two of those five routes. But wasn't the information the Corps gathered on those three other routes of some use?

A: Well, I don't know whether that's a very good example. You are talking about an overall report for transportation on the nation's railroads, and at that time the federal government, as I recall, deeded land to private railroads to help them get along, too. So I would assume there is an overriding national interest there, as much as there might have been in the waterways study, which would dictate a special consideration of that.

But I am talking about where you build a flood control, irrigation, or recreation project to serve Podunk Community. That's what I am talking about, and that's normally what your reports are all about. And I can't see any advantage in going to a feasibility study with respect to a report for Podunk Project if there is no chance of that project being built.

Q: Well, I guess what I am saying is, what if you genuinely aren't certain that the project will be built or could be built there? I mean, aren't there a substantial number of projects--proposals--where it is not clear that route X for a waterway or location Y for a reservoir is necessarily that much better than location A for a reservoir, and therefore you have got to do reports on both sites?

A: Well, that's the purpose of a reconnaissance level report, to do just exactly what you are saying--to look at possible alternatives in a general sort of a way and come up with what is the best solution for a full feasibility report. So it seems to me, and I might say that I have been involved with a lot of these things, I can't see any value to pursuing it to the degree you are talking about under the cases you cite.

Q: So you would say that the reconnaissance reports do

provide enough data to . . .

A: Tell you whether a project is good or bad or should be pursued. And particularly if you ask the project sponsors for the next stage to put up part of the funds to carry it to a full feasibility study.

Q: This really, I think, relates back to the answer you just gave me. You mentioned at one point in the last interview that you feel that planners like to plan for the sake of planning.

A: Yes. That's a general characterization, you understand. I am not accusing every planner. But I am saying that, generally speaking, I think this is a syndrome that goes through almost all the planning activities.

Q: Can you pinpoint any particularly egregious examples of this?

A: Well, I think the fact that you had to go back to these 500 reports that I was talking about, of which less than half were determined to have any feasibility at all, is perhaps a pretty good example of that.

Q: In those 500 reports, of course, some are still with us. I guess a fair number of them are.

A: Well, as a matter of fact, of those that were determined to be feasible, these reports, as I recall, were written between the period of 1973 and 1981. And I think you can count on one hand the number of projects that are proceeding, even with those that showed some feasibility. So just because you had a feasible project--the Corps had feasibility reports on those--it didn't mean those projects were going ahead.

Q: Well, one reason why the projects might not be going ahead, of course, is because Congress didn't appropriate the money.

A: Well, that's right. If you add up all of the Corps' potential projects, as I remember, the figure was some $36 billion worth of projects. There is no way in the world that you are going to get money from the general taxpayer, the general fund, to build the kind of projects that the Corps is talking about in this feasibility report category.

Q: Well, to what extent should the Corps take that kind of practical, political consideration into its planning process? In other words, the Corps says to the Congress,

"Okay, here are 400 projects, 500 projects, that to a greater or lesser extent, depending on benefit-costs and so forth and so on, are feasible projects."

A: You mean the benefit-cost ratio is greater than one to one.

Q: Exactly. Yes. So, "Congress, now you decide. You tell us what is supposed to be built and what shouldn't be built." Is there anything particularly wrong with that?

A: Yes, I think the Corps is abrogating its responsibility, and that is to provide the best technical expertise and the best recommendation possible. And when you present the Congress with, say, let's take half of those 500 reports, which is about what I think they determined to be feasible, then you would only have a handful of them that are going to be augmented.

It seems to me that there is something wrong in the system somewhere if you can't at least prioritize those projects that have the best chance of going ahead. And that's why I come back to the point that there is no greater way to determine whether a project is going to go ahead than by having the project beneficiaries willing to put up a little money. That's the best criterion that there is. You can run all of the benefit-cost ratios you want, but if there isn't the project beneficiary willing to assume some of the financial responsibilities with respect to that project, it is not worth a darn in my view.

Q: So, following your philosophy, too, you would require a substantial increase in cost sharing to get these projects done.

A: Well, wait a minute. Let's back up. We are talking about the reports now. What I have said before and what I have advocated is that the reconnaissance level study be conducted at about 20 percent of the cost of the full feasibility study. And then the remaining feasibility study would be 75 or 80 percent of the total cost remaining to be paid. And that 75 or 80 percent would be cost-shared by the nonfederal interest to the tune of 50 percent.

Then, I further said that if the local entity has some capabilities, like a state or organized district, to provide in-kind services, that could take up the 25 percent. So what we are really finally saying is that in some situations, the local interest could get a feasibility report by only putting up 25 percent of the

cost of that feasibility study, the federal government putting up 50 percent, and the locals putting up the rest by an in-kind service.

Q: I see.

A: So it's not that costs are going to be the same. It is just that you have somebody who thinks they may want to go ahead and build a project, be a financial participant. And again, I say, that's the best test of feasibility there is--the willingness of a project beneficiary to put up some money, particularly at that stage.

Q: This suggestion that the local interests do provide some degree of cost sharing, 20 percent or whatever, for feasibility reports--what kind of a response did you get from OCE on that?

A: Oh, considerable resistance, because, first of all, it is a difficult and unpleasant task to go out and ask people to do that. And secondly, once people are putting money into a study, they are going to demand a product for the money they put out. In the past, if the Corps runs out of money it goes back and gets Congress to give it some more to finish a particular feasibility study. In the future the Corps would have to be accountable to local interests.

Q: You also mentioned the 16 projects that were passed down while you were Assistant Secretary, where the locals were willing to contribute more than what had traditionally been asked of them; and you mentioned that these projects really were orchestrated from your office rather than from the field. Didn't you actually direct that these projects would be done under your centralized direction?

A: Well, here's--let me go back and reconstruct how we got into that--the whole aspect. First of all, we adopted some cost-sharing percentages. Rightly or wrongly, we said, "Let's see if we can't get this amount of participation by nonfederal interests," and it varied depending upon the particular use. And we said, "Let's--you the Corps give us a list of what you consider to be your most feasible projects or those that have the best chance of going ahead. Let's try it out on those projects."

So the Corps initially gave us those projects on which it had completed studies, which it felt were, you might say, in the upper percentages of having the best chance of going ahead. Then we, at our office, said, "Okay, let's take those projects and we will go out with the

Districts and talk to the potential project beneficiaries and see if they are willing to accept the percentages that we have said we feel are necessary to move these projects ahead from the administration's standpoint." And that's the way it worked. In other words, yes, I brought in a special assistant, a fellow who worked with me in California, a registered engineer, to help in this effort.

Q: What was his name?

A: His name was Robert Eiland. He had a lot of experience working with the financial people in California and some of the things we did, and I asked him if he would take that experience and try to apply it against these projects that the Corps had selected. And as I say, I think the number was 14 or 16 projects over the course of three years, where the project beneficiaries had indicated some willingness to proceed with a higher degree of cost sharing if these projects could move ahead.

Q: I see. In response to another question, you made the statement that you felt the Chief of Engineers had lost some of his control over the field, over the Divisions and Districts.

A: Yes.

Q: Did you--I didn't follow that up by asking you whether you had any specifics in mind. Let me follow it up now.

A: Well, I don't particularly want to get into specific projects, but there are a number of projects which I felt should have been screened out by the Chief's office or the OCE prior to going forward. And basically, it seemed to me that they needed to make certain that all the Divisions and all the Districts were operating in a consistent, uniform way, pretty much in accordance with the policies that would have been set down through the chain of command.

And some of the projects, it seemed to me, should never have reached the Secretary's office, should have been screened out by the Corps prior to the time they got there. They were screened out at the Secretary's level when it was found that the economics didn't prove out or that some assumptions had been used by the Districts in preparing them that were not consistent with those being used by the others.

So that's the feeling, and it partly ties into the dis-

cussion we had in the earlier interview on decentralization. I think decentralization is great; but there needs to be some control over that decentralization or you are going to be in a big, fat mess all the time, because you are going to have inconsistent policies being followed by a large number of Districts; and I think that is highly undesirable.

Q: Did some of these projects also have a fair amount of political pressures behind them?

A: I suspect that many of them might have, yes. I suspect that's so.

Q: Can you give me the names of a few?

A: No, I don't want to get into any specific projects, because I don't think that would provide any useful purpose. One indication would be to take a look at some of the projects that might have been added on by the Congress over the President's budget. Now that might give you some inkling of some of those projects. But not in all cases, certainly.

Q: Let me go backwards in time for a moment. You mentioned that you had some problems with the Corps' planning effort prior to taking the Assistant Secretary's position. You were somewhat familiar with the Corps' planning process. Can you elaborate for a second on what those problems were?

A: Yes, and again I don't want to get into specific projects, but I can give you the kinds of problems that existed. First of all, the planning process took an inordinately long period of time. In the case of the one project I have talked about, I think it took five or six years. Then, when the report was completed or just before the report was completed, it was indicated that it wouldn't be able to be finalized without an additional appropriation, because they needed some additional information.

So the net effect of the planning process, at least the one I am talking about, was that, first of all, it took too long. And secondly, they ran out of money. And then there was a delay caused by having to go back and get an appropriation for a subsequent year from the Congress to finish the report. And then lastly it came out, I would say, after much too long a period, in a way that wasn't particularly useful to the local interests.

Q: Let me throw something at you that actually has been

thrown at me by a few people in the Corps, and get a response from you. That you have some problems with planners, because planners give people hope, and hope leads to political pressure, and that you would rather not see projects developed in that kind of way. Is there anything to that kind of statement?

A: Well, I think that's accurate. I hate to see the Corps reduced to building projects that are solely politically popular or which are built because of political pressure, because I don't think that does the Corps' reputation any good. One of the things that I tried to do when I was Assistant Secretary, with, I'd say, only moderate success, was to try and have the good projects come to the top and have those projects go ahead.

Now, politically, that hasn't taken place, and I don't know whether it will. But it seems to me that the Corps' future in the civil works area needs a better base under it than merely a project which is forced upon it by Congress through legislation. I think that is unfortunate because then you are going to have some bad projects, and I think the Corps' reputation will not be served under that process.

Q: You mentioned Mount St. Helens as an example of a project where the Corps wanted something more expensive than what you came up with. Can you explain in a bit more detail what resulted from your intervention in that project? What specifically did you recommend should be done?

A: Well, let's back up to where I saw the thing headed from the very beginning, and that was with building a gigantic structure which may or may not ultimately be needed. And my problem was that Mount St. Helens was a unique thing because it was an act of God, I guess you would say. It presented the Corps and the people with a physical situation that hasn't existed anywhere in the world as far as we have been able to tell.

The eruption, in effect, blew off the top of a mountain and deposited that mountain in some of the valleys around it, one of them being in the Cowlitz watershed. The question became, after that happened, what was the best way to provide a control and protection to people downstream in particular as a result of this act of nature that was certainly unforeseen and could never have been anticipated.

The crux of the whole thing was the estimate of how much material would move and how fast. The Corps made some estimates which I believed were on the very high side;

and experience, if you could gain a little time, would give you a better handle on exactly what would happen up there in terms of how the problems would unfold.

What I've done there, if I have done anything, is to require a more thoughtful, orderly process for the solution to the Mount St. Helens problem. If I've done anything, I suspect that is what I have done.

Q: And you think that . . .

A: And in the process probably saved the government a large amount of money and saved an embarrassment, which might have subsequently resulted if the Corps had done the wrong thing.

Q: What do you think the Corps was going . . . ?

A: The Corps wanted to build a massive structure at one location, which may or may not ultimately be needed. In fact, I think the Corps' latest studies indicate that it may not be needed at all now, because the movement in the last four years since Mount St. Helens erupted has now turned out to be much less than the Corps originally anticipated, particularly in the first year. I am not saying that critically, because the Corps obviously was erring on the side of being conservative, but without regard to the cost. Now this again gets into the matter of trying to relate cost to solutions.

Q: Getting away from planning for a moment and into engineering, how would you characterize, generally speaking, the Corps' engineering efforts? Do you think the Corps does good engineering?

A: Yes, I think they do. If anything, they do too conservative engineering, but they certainly do competent engineering. But, again, maybe over-design, for example, in some instances. We are looking at that now in connection with dam safety. You may recall the study that is under way involving the Bureau of Reclamation and the Corps and the National Academy of Sciences on the criteria for flood control, for example.

Q: Well, then, how about the estimates that the Corps comes up with for its engineering work? I attend civil works staff meetings, and one thing that impresses and depresses me at the same time, if you will, is the fact that Corps estimates are habitually much higher than the estimates that the private sector is coming up with for the project.

It has been suggested that one reason the Corps estimates are high is because the Corps doesn't practice some of the cost-saving methods that you see in the private sector. That the private sector, because it is interested in gaining a profit, is looking for ways to save money, whereas perhaps the Corps isn't. Do you think there is any validity to this?

A: Well, I think you have got to split down--I think you have got two things mixed together in your comments, if I read you right. First is the Corps' original cost estimates--how good are they? Then, second is what does the cost of a project turn out to be as related to the cost estimates? So you really have two separate items.

I think the Corps by and large does a good job in terms of estimates of what a project will cost based upon its own design. The design may be a little overly conservative, but I think they do a good job on the estimates. By and large, at least with most of the jobs that I recall, the bids came in pretty close to the Corps' estimates. I think they have been pretty good. I think the thing perhaps you are alluding to is that the actual cost of the job may turn out more.

Q: Well, what I am talking about are situations where you have the solicitation of bids--of course, it is based on government estimate--and it could be for anything from a dredging operation to a particular stretch of levee, okay?

A: Yes.

Q: And it has not been uncommon--I can't recollect how it was two years ago. I've just become more sensitive to these things in the last two years. But in the last couple of years it has been not uncommon for your government estimate for a particular project to come in at least 40 percent above the low bid for the project.

A: Yes.

Q: And even 30 percent over the high bid in some cases.

A: Yes.

Q: You know--and it seems to me from the outside, not being an engineer or an economist--that there must be something wrong when you have such a lack of compatibility between the government estimate and . . .

A: Well, I think the Corps tends to be conservative in terms

of its estimates. I think that's true. But the other thing is we are operating now in some rather unusual times--at least I would categorize them in that way. What you have had, for example, going back about ten years, is, for at least more than half that period, an extremely high rate of inflation; so it is pretty hard to predict how much inflation you have to add to a project that is going to be constructed over a period of four or more years.

On the other hand, the last two years, what you've had is sort of an unemployment situation where contractors will really cut corners in order to get a bid. So I think there has been an explanation for some bids coming in the way they have. The situation is not stable enough to allow a good estimate to be made which carries construction over a several-year period.

Now, going back, say, 20 years or more, you could pretty well figure that you would have an escalation of 2 or 3 percent per year, or whatever it was, and plug that into your cost estimates and come out pretty good. But when they varied somewhere between 5 and 15 percent, that makes it pretty difficult; and where you are projecting over a four- or five-year construction period, it makes it pretty hard.

Q: You know, the whole problem leads to some substantial complications, it would seem to me. First of all, of course, you have an inflated budget being worked up by the Corps, based on these estimates coming in from the Districts. Secondly, you have money being returned to OCE because the money is not going to be spent, as it turns out, and the Corps has to decide how it is going to spend it. It could return it to the Treasury, of course, but it could ask, presumably, for the money to be applied to another project.

Now . . .

A: And that happens. For example, a case in point. The dredging, the annual dredging at Mount St. Helens, I think, was done from funds that were saved from the very thing you mentioned. So, yes, you are right; it is used then for other purposes, and presumably those other purposes will be screened out as to their desirability and necessity.

Q: Did your office approve those transfers of money?

A: Yes. Transfers over a certain amount came through our office for approval, yes.

Q: And so your office would be able to produce a running total of how much money was being transferred from . . .

A: Well, we rely on the Corps to keep a running total, but on an individual project basis, and the dredging is a good case in point, we certainly approved the use of funds which the Corps saved from some other construction project for that dredging on the Columbia River.

Q: Do you know whether, while you were Secretary, money was returned to the Treasury from the Corps?

A: I don't know. If it was, it wasn't very much, I assume, because the Corps has always seemed to me to be pressed because of inadequate funds.

Q: Excuse me, but, again from the outside, it would seem to me that since you would be very interested in getting as much bang for the buck as possible from the Corps of Engineers, your office would be necessarily monitoring how much money was being returned to OCE for redistribution and would possibly get on the District Engineers who perhaps in some cases habitually were coming up with government estimates that were very, very high over the private sector bid. I mean, it would seem to suggest prima facie that there is bad engineering going on out there, and so it comes as some surprise to me that maybe you weren't as cognizant of that as I would have thought you would be.

A: It is a good idea but it would require staff augmentation in the ASA office. The ASA staff doesn't have great numbers; in fact, we have fewer than ten professionals, and I didn't want to build up another bureaucracy. OMB suggested we should expand the staff. In fact, OMB indicated it would approve additional staffing for ASA if we wanted to exercise additional control over certain of the Corps' functions.

My decision was no, because I think we are better advised to require the Corps to do it, rather than try and, for example, have our own engineering staff perform a detailed review of the Corps' material that comes in. The Corps ought to do that, and I don't think that it warrants a duplicative staff in ASA. I think we ought to keep our staff as small as possible to carry out the responsibility that we have.

And it may be that you are right. It may be that we--that ASA has not given enough attention to the area of money management, which is what I guess you are really talking about.

Q: I'll tell you what I am talking about--not so much keeping other books, but simply getting down into the roots of the organization and finding out why you have Districts coming up with these high estimates on what I sense is a habitual basis.

A: Well, this is an important area; and maybe ASA, certainly working with OMB, who has a great interest in that also, ought to take a look at this thing and see whether or not we should do something like that. But if it looks like it is a problem that ought to be looked at, ASA should watch that very carefully because I think they are interested in the prudent expenditure of funds--particularly in these times of budget constraints.

Q: Let me turn our attention to a subject I think we touched upon last time but maybe not as much as we ought to have, and that is the question of the Corps' role in mobilization. To what extent should mobilization be used to justify the Corps' continued involvement in civil works?

A: Yes. That's a troublesome one. I think I mentioned earlier that I went through mobilization in World War II. I felt that the work we did with a Corps of Engineers construction battalion at that time was expedited considerably by the effort of the District Engineer in Honolulu, Hawaii, which was the first place we went right after U.S. involvement in World War II began--we arrived a month after Pearl Harbor.

And with Hawaii in the mess it was, if it hadn't been for the District Engineer doing what he did in the way of lining up equipment and supplies, our job over there, which was to take care of a lot of the damage and prepare for potential invasion, would have been much more difficult. I think it is a very important role.

Now, a problem arises if you try to have a large stand-by force that is justified by mobilization. What are you going to have them do for a good part of the time until there really is mobilization? You can do a lot of mobilization planning, but a couple of people could do that.

The real demand is when you have a crisis. So it has always been hard for me to see how you can justify maintaining a staff solely for mobilization purposes. I just think that you have to have them doing some meaningful work while they also have a mobilization assignment. I have believed that the existing Corps

organization could be rapidly expanded or diverted in the case of mobilization, to take care of the country's needs. That happened in World War II, and I am sure the Corps didn't have the widespread organization that it has now.

So, mobilization is important. The Corps needs to be prepared for it. But to create a body of personnel who have that as their only assignment--I have trouble with that concept.

Q: Well, I know that Senator Moss back in the mid-1960s suggested one alternative when he was coming up with a suggestion for a cabinet-level office of water resources. He suggested that he would reassign the Corps' civilian personnel--civil works civilian personnel--to this new Department of Natural Resources, but with the understanding--the stipulation--that the personnel, when war seemed imminent, would have some specific mobilization assignment to do, but under civilians rather than under military.

Do you think that that kind of . . . ?

A: Well, I think that's basically the situation now. The Corps has, for example, a large civil works force, which, if there was a war emergency, would be diverted to those emergency needs. That is exactly what would happen. So whether you need more or not is an arguable point. But I think it is important that the Corps be able to do just what we are talking about--be able to take their present forces, redistribute them in terms of a national emergency, and use them where they would be the most necessary or most useful.

Q: What's your conception of the Corps as a federal engineer?

A: Well, as I said before, I think the Corps has the most competent assemblage of technical experts in the engineering field of any organization. And I believe other federal agencies, when they need that kind of expertise, ought to call on the Corps. I think the Corps should do more in the way of acting as a federal engineer. We tried, for example, to enlarge the Corps' area of responsibility with EPA. And I still feel that the Corps could do a better job, for example, of managing the Superfund than EPA. EPA needs to tell the Corps which sites need to be taken care of, but once that determination is made, then the Corps could do the job and, I think, much more expeditiously than EPA.

That may be true in other areas, too. The energy area has a number of things which the Corps could do, in the nuclear and other areas. The Corps in the past has done that. They had a mission here, quite a number of years ago, I believe, on post offices. So I believe the Corps ought to be the federal engineer where it is appropriate for a federal agency to provide those kinds of services.

Q: Let me pursue this thing with the Superfund for a moment. As I recollect, the Superfund program was passed during the Carter administration and had some trouble getting off the ground; and it didn't really get off the ground even after the Reagan administration came into power for quite some time. Can you explain what the situation was with Superfund when you came into office, and what you contributed to getting the thing going?

A: Well, principally, that is an EPA problem. Superfund is administered by EPA. My perception of the difficulty in recent years is that EPA had not got its act together with respect to Superfund. There was money there. It had to be set aside. There were funds there that could be available for that clean-up purpose. However, they hadn't decided what the problem was specifically at each site, what had to be done to remedy it, and set some sort of a priority.

The Corps pointed out to EPA that there were certain bottlenecks that EPA experienced in terms of land acquisition, etc.; and we said: "The Corps has got expertise in this area. Why don't you just tell the Corps you want them to clean up the site and let them move ahead doing everything necessary to carry out the mission." And I don't think we really ever accomplished that. I think maybe EPA did a little bit more, but still my belief is that they haven't called on the Corps as much as they could to help administer that program for the benefit of everyone.

Q: Do you have any reasons, have any ideas why they haven't?

A: Well, there may be a couple of reasons. There is the desire of any agency which has a responsibility to carry out, to build a work force to carry it out rather than to rely on a sister federal agency.

The other one is that I think EPA was under great pressure from the private sector, which felt that they could do it all. The private sector could not do the kind of thing we are talking about that I believe the Corps should do. For example, the Corps could

standardize designs on clean-up and could expedite the work. Now, I am not arguing that the private sector shouldn't do much of the work, but I thought there was a larger role for the Corps to play than the one they have been playing in the Superfund clean-up program.

Q: To what extent were you involved in attempts to reorganize the Corps? Actually, I say attempts. There were some cases where the changes were actually made, of course. Now, let me divide it into two areas. First of all, going back to when you first came into your office, there were decisions about closing down some Districts and realignment--realignment both of District functions and specifically of regulatory functions. What was your feeling about all that? Did you feel the Corps had too many offices out there?

A: Well, let's break it down into two parts. Let's talk about the District offices, first of all. I think the Corps was under considerable pressure from OMB, in terms of reduction of personnel as a result of budgets going down, to utilize their personnel in a more efficient way. The Corps, itself, then determined--because I remember talking to General Bratton about this--that it could do that best by closing down certain offices or changing some of the functions, which it tried to do but politically could not accomplish.

I agreed with the Corps. I thought that the Corps was right. If you are going to be squeezed on forces, it is better to maintain a full capability here and not try to spread them out and not have the capability anywhere. So I agreed with what the Corps was trying to do, but it wasn't able to be accomplished.

With respect to regulatory reform, I think we felt that the regulatory reform effort throughout the Corps should be beefed up. In other words, that additional personnel and the level of those personnel should be higher than it was. We wanted the Corps--and they did, at our suggestion--to look at, for example, raising the regulatory personnel in the Districts and the Divisions to a higher level, so that they more nearly approached that of the engineers rather than a much lower level, so that you could attract even some engineers into those regulatory jobs.

So I think, in terms of regulatory reform, we did push the Corps pretty hard to look at upgrading their regulatory personnel and augmenting it to take care of what we perceived to be a pretty important problem.

Q: Aren't many of the people in the regulatory branches already engineers?

A: Some of them are. But a lot of them are not--at least, that was my understanding. There may be more of them now; but I think if you go back three years, you will find a lot of those who were heading the regulatory effort were not. It was difficult to keep good engineers in regulatory reform due to lower pay and classification.

Q: Do you think there is any way of getting around the kinds of congressional pressures you have to deal with when you are talking about closing down District or Division offices, mainly by reassignment of their functions?

A: There has got to be some way to get around that problem, because it doesn't make any sense to maintain a District office where it can't function properly. If you are going to strip it of some of its key personnel, then you might as well do away with the office and let that be handled by an adjacent area, for example.

Politically, I don't know how you do it. Every congressman who had a District office, or every senator, if you were going to take it and move it out of his state, will be heard on the issue. Hopefully, there will be enough statesmen around that ultimately they will see the merit of doing whatever is proposed in the way of consolidation or whatever, and will not resist us on that.

I think the only way, probably, to do it is to be careful that you take into account the political considerations. For example, if you are going to close down an office in one area, have some way of offsetting that somehow, so that it doesn't become completely negative throughout.

Q: Offsetting it presumably by giving that area another kind of office? I mean, it wouldn't have to be a Corps offset necessarily--is that what you are suggesting? It could be an offset from, say, a large Naval contractor or something like that.

A: It could be--yes. It could be anything along those lines. The military bases have the same problem. Every time you try to close down a military base, you have the same problem. So it is a problem that is not unique to the Corps' District offices; but it is a problem that, I think, runs through the federal government in many departments where they want to change their organizational structure.

Q: Talking to you about reorganization and so forth leads inevitably to discussing the Grace Commission report.

A: Yes.

Q: Let me ask you, first of all, do you know Peter Grace at all? Did you have any . . . ?

A: No. I don't know Peter Grace.

Q: Did he talk to you, or did any of his people talk to you?

A: I think I had one session with two of the people who were assigned to the Defense Department, who ultimately got to work on some of the Corps' material.

Q: They made several rather significant recommendations concerning the Corps of Engineers. And I would like to talk about a couple of them. First of all, they recommended that on the civil works side, the Corps contract out more AE&D work.

A: Well, let me--before you ask--comment on the Grace Report in general.

Q: Okay.

A: When Reagan became governor, he did a similar thing. He appointed what he called a Citizens Task Force to work with the various departments of state government for a period of time, and they were on leave from their industry. The department that I headed had about six of these businessmen, assigned for six months, who came and physically were present in our department for the entire period, talking to all of us, having numerous conferences, and so forth. They came up with some 85 recommendations, and we implemented about 75 of them. Their assignment was completed within about nine months of the time the administration took office.

We couldn't implement some of the recommendations because it took legislation or involved other parties. But I viewed their efforts very positively, and they really brought into state government the private sector viewpoint.

I don't view the Grace Commission effort quite the same way. My experience with the Grace Commission, in terms of, say, the civil works function of the Corps, consisted of one talk with them for maybe an hour. I made some suggestions to them, and there was no indication they followed up on any money-saving suggestions. They also

came up with some recommendations that, in my judgment, were impractical. And so, basically, I guess I have kind of a lukewarm feeling about the efforts of the Grace Commission, having seen essentially the same thing in California.

Q: I am glad you put that in. Well, of course, their recommendations caused some consternation within the Corps of Engineers, and as I was saying before, one of the recommendations was that the Corps contract out a lot more of its AE&D work. It looked to the military side and saw there was a substantial percentage of AE&D work that was contracted out, and the question was, why can't civil works people do the same amount of contract work. Do you have any response to that?

A: Well, I think--my own feeling on how you divide up the work is that you try to maintain a capability in the Corps, for example. In other words, you have to have enough work to keep a competent hydrologist or a seismologist, for example. Then you build a work force that has enough of those disciplines to take care of the problems that continually confront the Corps.

Then, if you have peak loads, my feeling is that you ought to handle those peaks with the private sector to the maximum extent possible. It is very disruptive and inefficient for an organization like the Corps to have to go through extremely high peaks and valleys of personnel. You just can't keep a competent work force if you have to do that.

The ideal thing would be to have a work force at what you might call an optimum minimum level, so that you aren't hiring and firing people every year; then, as you have additional needs for something very special, you bring in the outside sector.

Q: If I can be the gadfly for a moment, then what about the idea that you simply have a sufficient number of engineers to act as quality control managers and administrators, so to speak, but you still let the private sector do most of the work; and then the work would simply have to be approved, of course, through channels--through District, Division, and OCE. But it would be a small body of presumably top-level engineers, who would be saying, "Okay, this work coming in from Morrison Knudsen"--or something like that--"it's good work, you know, go to it." What about that idea?

A: Well, I think that's going too far. If you are going to have a federal agency that has a capability to take on

different kinds of things, then you have to give that agency, it seems to me, the personnel and the expertise needed to carry out those things. Remember, also, the need to have a mobilization capability within the Corps.

Again, I believe that there is an appropriate role for the federal agencies, as well as state or local agencies, to have in connection with this kind of a function. It relates also to maintaining a capability to take care of emergencies or contingencies. Mount St. Helens is a good example. I think the Corps responded to that more quickly, probably, than anybody in terms of going up there and handling the problems that occurred. If you had had to staff up for that, it would have taken a long time, and you'd go out on competitive bidding. So I think there is a justification for a federal agency, and the Corps as we are now talking about, to have a continual capability in certain areas.

I think, really, a quality control plan would not go nearly far enough. At least, that's my judgment.

Q: Well, another suggestion that came out of the Grace Commission was that serious consideration be given to the consolidation of construction agencies. Do you have any response to that?

A: Well, when you say construction agencies, I don't know how far you go. If you are talking about water, I suppose you are talking about, really, three--Bureau of Reclamation, Soil Conservation Service, and the Corps.

Q: They may have thrown in TVA, too. I'm not certain.

A: Maybe TVA, too. Well, I guess my only response is that, while there certainly is some overlap--obviously there is--they have separate functions. For example, the Bureau of Reclamation operates only in the 17 western states. Its primary mission is irrigation. Okay. While the Corps does operate in the western states, it doesn't have, as I view it, a primary mission of irrigation. So irrigation takes a special kind of people to make various crop studies and water requirements and other related information.

I don't think that there is necessarily a duplication. So I don't know that you accomplish too much by trying to bring them all together, because then you would have to segregate them again, according to their areas of responsibility. Soil Conservation Service has concerned itself with small structures, working with the farmers very meticulously; so I don't think you save anything by

bringing the Soil Conservation Service engineers into the Corps, for example. I don't really think you save anything by putting together these various agencies--the consolidation of these organizations.

Q: I take it that you would not agree with those people, those critics, who say that the Corps of Engineers should get out of the civil works business.

A: No. I think there is a need for the Corps in that area, and I think it fills that need well and should continue to do so.

One of the other things the Grace Commission said that I don't agree with is that operation and maintenance should be turned over to the private sector; and I can't see that at all. Take, for example, the inland navigational system. I just can't envision anyone other than the Corps operating the nation's navigation systems. I think that was a misdirected recommendation. Certainly, as related to things like navigation that the corps does.

Q: I want to take a moment to talk about some of your non-Corps of Engineers activities as Assistant Secretary, but let me jump to another question and then come back. And the question is, can you explain why you left the office?

A: It was understood at the White House. I guess it was a combination of things. First of all, I never had any intention of staying longer than one term. And, secondly, I felt that in an approaching election year, I couldn't really accomplish much more by staying in the job. And I had a strong desire to return to California.

Q: Could you elaborate on what you mean by stating that with the election year coming, you wouldn't be able to . . . ?

A: Well, the Congress seemed to me to have a hard time dealing with some of the difficult problems, as did the administration in an election year. For example, in the areas of cost sharing, there was no great progress going to be made in that area because people didn't want to rock the boat. I thought I had given all the input I could give to the administration and to the Congress on that subject, and I didn't see any useful purpose in staying around any longer.

Q: Would you say that part of the problem was the Secretary of the Interior?

A: Well, I wasn't too happy with Interior on a couple of

occasions. But I wouldn't say that contributed to my decision to leave, no.

Q: In the Cabinet-Council, did not you and the Secretary or the Secretary's representative have some differences of opinion on cost sharing?

A: Yes. Particularly when Secretary Watt was there. I wasn't there long enough with Secretary Clark. But I think Secretary Watt and I did have some differences, largely by virtue of the different missions of our two organizations. Reclamation, in my judgment, has a different kind of project authorization procedure, for example. Each one of their projects is authorized on an individual basis. They go before different committees. And by and large they are very large projects, and each one of them is different, so they can orchestrate it without worrying too much about consistency.

I view the Corps' problem as different. I view the Corps as operating on a 50-state basis, and it is very important that the Corps deal uniformly with its constituency. For example, people who were desirous of flood control--the amount of federal contribution for flood control should be the same throughout the United States.

We had some differences of views in that regard; but again I don't view them as having been critical, and certainly they didn't play a significant part in terms of my decision to return to California.

Q: Well, I can understand your wanting to come back to Pebble Beach.

A: Yes. It was always my intention to do so.

Q: Mr. Gianelli, let's turn out attention for a moment to the non-Corps activities that you were involved with as Assistant Secretary of the Army for Civil Works. Two major non-Corps activities are the involvement in the Panama Canal and the administration of Arlington Cemetery. First of all, let me ask you how much time do you think is spent by the Secretary's office each year on Corps of Engineers work, Arlington, and the Panama Canal. Can you give me a rough kind of breakdown?

A: Yes, I have tried to do that and thought about that quite a bit. I'd say, if you took a time allocation, about 75 percent of my time would go to the Corps, about 20 percent to Panama, and maybe about 5 percent to Arlington, roughly. However, that changes from time to

time.

For example, the Panama Canal Commission required, when you went to Panama for a board meeting, a week at a time. But then there might not be anything for a couple of weeks or very little for the next two or three weeks after you got back. But I would say that's about a breakdown in terms of time and probably personnel, too, if you look at the personnel in the ASA's office.

Q: Do you have many people, or any people, who get involved in these three different areas--you know, just one person getting involved in three different areas?

A: Well, before I left, we took steps to reorganize part of the office. And I might indicate that to you. Before, we had a military assistant to the Panama Canal Commission chairman, who operated on a full-time basis on the Panama Canal activities, provided liaision in defense-related matters, and so forth. He also had a personal secretary. So those were two people.

The secretary of the commission has an office over in the Pennsylvania Building, in the District, and has, in addition to himself, about half a dozen people that work with him there. They primarily interface with the Congress and take care of the commission's activities that way. That office was responsible to me as the chairman of the commission, but it was separate from ASA. In other words, that's all they did.

Just before I left, it became apparent that we didn't need a military assistant on a full-time basis for Panama, so the office is now going through a reorganization. The full-time military assistant left for another assignment in September. In anticipation of that, we have taken the assistant executive officer of the ASA office and given him the responsibilities for Panama Canal and Arlington matters, in addition to backstopping the executive officer. These are both military colonels--one is a full colonel; the other is a lieutenant colonel. So from now on there will be a military person who does operate in the three areas, but his prime responsibility will be Panama. And then, beyond that, he will do Arlington. If he has any time left over, he will help out the executive officer.

Q: How about civilian personnel?

A: Civilian personnel, the female secretary, will be the same way. She will be allocated to the three functions basically, instead of solely with regard to the Panama

Canal. And that's about the only change, although the Panama Canal Commission office will stay the same over in the District.

Q: Okay, well, regarding the Panama Canal, what are the primary activities that you get involved with?

A: Well, let me also say as a further reasoning for the reorganization of the military assistants, I believe that it would be helpful to have a Corps officer as the person who would be involved with the Panama Canal affairs. That has not been the case in the past.

The Panama Canal Commission is a unique agency. It is a nine-person commission with five U.S. members and four Panamanians. I am the chairman of the commission, and the law provides that I can control the vote of the U.S. members if that were ever necessary. I have only done that once. My job as the chairman of the commission is to preside over the commission meetings where policy is established and budgets are considered. The chairmanship also requires considerable testifying on the Hill for the commission.

Q: May I ask what was the particular vote which you . . .

A: It had to do with a wage issue that was presented to the commission, as I recall.

Q: How many times a year did you go down to Panama?

A: About four or five times a year. While I was in the job of Assistant Secretary, I went down there 16 times over the approximately three-year period. The commission normally has four meetings a year, and three of the meetings are in Panama and one in the United States; but I found it necessary to go down there between meetings on occasion to take care of some element of business for the commission. For example, I accompanied the Secretary of Defense on one of his visits last year; I wanted to be sure he had an opportunity to view some of the canal operations.

Q: What kind of things are you talking about?

A: Well, some of the commission's activities interface with the military and the defense of the canal, and the defense generally. So it is necessary for me, as chairman of the commission, to keep in touch with the Southern Command, which operates out of Panama. Many of the personnel problems we have cover both military and commission personnel. Mr. Weinberger had not been to

Panama before, and I was anxious that he see the operation of the canal and some of its problems.

The commission will go out of business in the year 2000 when the whole facility is turned over to Panama. In addition to the full-time U.S. administrator, there is a Panamanian deputy administrator on the job. The two of them operate as the managers of the system on site, but the policy decisions are made by the full commission.

Q: Was there not a Panama Canal Commission before the treaty, too?

A: Yes, throughout recent years prior to the treat, there was the Panama Canal Company which was headed by a Corps of Engineers general acting as Governor of the Canal Zone. There was also a board of directors that served this Panama Canal Company. That all changed with the treaty. The treaty did away with all that, and you now have a commission, a nine-man commission, which will be in existence until the year 2000.

Q: And you are the chairman of the commission.

A: I'm the chairman.

Q: You still are chairman of the commission?

A: Well, yes. What happened was that when I indicated that I wanted to come back to California and resign my position as Assistant Secretary of the Army, the Secretary of Defense indicated that he would like very much for me to stay on as chairman of the Panama Canal Commission. I told him I would be willing to do that on a voluntary basis if the law could be changed that would authorize me to do that, since the present law assumes the Assistant Secretary of the Army for Civil Works would carry out that function. Legislation was introduced and was passed in June and signed by the President, allowing me, even though I retired from my position as Assistant Secretary, to carry on as chairman of the Panama Canal Commission at the pleasure of the Secretary of Defense.

Q: Does it specifically name you?

A: Yes. It names me. Now, when I leave, the function will undoubtedly go back to the ASA unless they change the law again. But a specific law was passed to allow me to continue as chairman of the Panama Canal Commission on a voluntary basis, without pay, so long as the Secretary of Defense wanted me to do so.

Q: Why do you think the Secretary was so keen on having you remain?

A: Well, I think he believes that the chairmanship of the commission is a very sensitive position. I had been down there for three years. Practically all of the members of the commission are recent appointees, except one who carried over. I believe he just felt that at this particular time, with the new president of Panama going to take office in October, it would be better to have an experienced person involved for the time being.

Q: Does that also mean that, in fact, you still have authority in OASACW--I mean, in terms of dealing with the people there who are working on Panama Canal matters?

A: Well, for example, the military assistant that I talked about will be responsible to me in terms of Panama Canal Commission activities. He will be responsible to ASA, whoever is there, for other functions that he performs. So there will still be an interplay, that's right.

Q: What is your feeling about the Panama Canal treaty?

A: Well, I think something had to be done down there at the time they signed the treaty. I am reading another book, incidentally, which gives the history of the negotiations, by former Ambassador to Panama William Jordan. I'm only part way through it. But it talks about all the negotiations, which I'm finding very enlightening. I guess my feeling was that something had to be done down there to change the relationship with Panama. Whether we had to go as far as we did or not, I think, is still a question, but I certainly don't think it is up to me to second-guess those people who were negotiating the treaties.

We are having some problems now that could have been avoided if the treaty had allowed more discretion to the commission. So there are some things, in hindsight, that would have been a lot easier if they had done them differently, certainly.

Q: Is the Panamanian government cooperating with American authorities in general?

A: Well, generally, but one of the things that I have perceived is that the economy down there is in very bad shape. Any time the government of Panama can get some additional outside financial help from anybody, they are going to try and do it. As a result, it seems to me they are making continual efforts to get the United States to

do more things down there which probably are not appropriate for the United States to do. For example, one of the arguments we are having right now is on widening the canal. The Panamanians think the U.S. government should provide funds for the enlargement. We don't think that's the case. It should be funded by those who will benefit from the work.

The other problem that concerns me somewhat is the lack of continuity in the Panamanian government. For example, they will have had four presidents there since I've been on the commission in the last three and a half years.

The other thing that I worry a little bit about is whether or not, when the Panamanians assume the responsibility for operating the canal in the year 2000, they will perform the necessary maintenance to keep the canal open and operating. The trans-isthmus railroad, which was turned over to Panama at the time of the treaty, is in very bad shape now due to lack of maintenance and attention.

Q: Are there some issues dealing with Panama that perhaps you want to put on the tape that I haven't asked you about?

A: Yes. There are two--two big issues that are going to have to be faced. One of them is whether or not the canal can be widened. There are certain stretches of the canal that are constrained now, primarily the Culebra Cut where only one ship can go through at a time. That widening will cost several hundred million dollars. The other issue is that the treaty required a study to be made before the year 2000 on whether or not it was feasible to build a sea-level canal. And that is going to be a controversial and complex issue and a difficult one. The State Department is heading a task force to look at that problem. The Corps has a member on that task force. He attends every meeting on this subject. They are developing the study plan right now. One of the things the task force is coming up with, in addition to studying the sea-level canal, is to look at other alternatives, like adding other locks or enlarging the present system.

Those are going to be two issues that will be in the forefront in the years immediately ahead, in addition, of course, to the continuing problems that the canal has in terms of its operation and maintenance.

Q: Well, generally speaking, what kind of problems are you talking about?

A: Well, those are the problems of a system more than seventy years old--keeping it operating. The problems of setting adequate tolls to make certain the canal operation is self-supporting.

Another argument before the Congress now is on accident claims; how claims to accidents are to be handled. The treaty provided that the claims on accidents outside the locks be handled differently than those inside the locks. P.L. 96-70, which implemented the treaty, provided that the Congress had to approve damage claims over $120,000 outside the locks. The Congress has received about a dozen of those claims in the last few years, and it hasn't been able to act on them. This inaction presents a difficult situation.

Another problem is the desire by some of the South American countries to keep the tolls at a very low rate and to give themselves some sort of a priority, because they say they have a vested interest in the canal and should be accorded special treatment. There is also agitation to make the Canal Commission operate independently as a corporate entity rather than being an appropriated U.S. federal fund agency. At present we have to secure approval of the Congress on appropriations, yet we have to operate within the tolls we collect.

You also have the continuing problem that the Panamanians don't recognize Public Law 96-70, which is the implementation law passed by the Congress following the treaty. These are just some of the problems.

Q: When was the last time tolls were raised?

A: We raised them a year ago in March. About a year and a half ago.

Q: Do you have any idea how many times the tolls have been raised since . . . ?

A: Not very many times. In fact, I think this was about the third toll increase. There was an increase when the treaty was passed, because with the advent of the treaty we are now paying Panama around $75 million a year, whereas before they were paid only one or two million dollars. So there had to be a big increase at the time the treaty was signed; but the one last year was the first one since that time.

We don't believe we are going to have to raise tolls

again next year so long as the traffic goes up. One of the things that happened to adversely affect the tolls was that the Panamanians in 1982 built a trans-isthmus oil pipeline, which eliminated about six ships a day that formerly transited the canal. That drop in traffic was a big drop in revenue for us. That is one of the reasons we had to raise tolls last year. Those big supertankers that came down from Alaska pumped oil across the isthmus in a pipeline instead of using ships. In addition, ocean traffic was generally down everywhere in the world.

Overall, I believe it makes sense to have the commission as part of the ASA's civil works activities, because there are interfaces with the Corps. It is an engineering job. The Corps did supervise the completion of the canal; and if any substantial new work is going to be carried on there, I would expect the Corps to have a major role in that.

Q: Let's turn our attention to Arlington Cemetery for a moment. Any particular problems associated with Arlington?

A: Yes. Arlington has a number of unique problems, and that's one area in my Washington assignment where I probably accomplished the most. I was able to get a commitment out of OMB to build a visitor facility at Arlington, which is very badly needed. In the budget that we worked out with OMB this year, $700,000 has been allocated for design; and OMB is committed in the next two years to provide $15-$20 million to complete the visitor facility. So I am very, very pleased about that. The other thing that we accomplished was the interment of a Vietnam unknown. I am pleased now that our efforts culminated in the interment of a Vietnam unknown, so that he could be honored as well as the unknowns from World Wars I and II and the Korean conflict. I feel good about having a major role in each one of those efforts.

There are other continual problems with Arlington Cemetery. For example, there is the matter of qualification for burial. Extremely sensitive. The law provides that certain criteria have to be met before you are eligible to be buried there, and there are provisions for exceptions to those rules. Decisions on exceptions have to be made by the Secretary of the Army or by the President. The requests are extremely sensitive sometimes because they may be from important political figures or other prominent Americans.

We have been able to administer that program and make recommendations both to the Secretary and to the

President on interment with a minimum of conflict. I believe we have kept it the way it was originally intended--as a shrine for those war dead who served their country.

Q: I would just like to ask you a couple of questions in closing. Were you always a Republican?

A: No. I've not always been a Republican. In fact, I was appointed by the then Governor Reagan in California when I was a registered Democrat. I was one of his first appointees and was his first appointee as a registered Democrat. I had not been active in politics, but I was registered as a Democrat at that time. I have since changed but did not do so until I left the Reagan administration in California, because I didn't want to be accused of changing my registration in order to court his favor. So I stayed a Democrat until I resigned as Director of Water Resources. Then I changed to a Republican about 11 years ago and have been one ever since.

Q: Would you--to what extent would you think of yourself as a political animal?

A: I really never have thought of myself as a political animal but rather as a professional engineer. That's partly responsible for the way I approached some of the problems that I believed the Corps had. I guess I wanted the Corps to be nonpolitical, and I wanted to have the Corps do things which were nonpolitical and based on merit. In retrospect, I guess that's a little naive. But I still harbor the desire to see the Corps have to react to political pressure as an exception rather than the rule.

I am told that I got much more involved with what the Corps was doing during my term than any of the other Assistant Secretaries have since the office was created, and I guess that reflects on the fact that I feel I am more of a professional than I am a political person.

Q: You might recall the last time I talked to you; we had this little dialogue at one point in which you were talking about the Board of Engineers for Rivers and Harbors and about their being more responsive to some of the administrative positions than they have been. And I said something to the effect, "Isn't that bad, though, injecting political questions into an independent review process?" And you said, well, you just thought that was good management. And so the question is, do you think that the Republican philosophy, at least as articulated

by Ronald Reagan and by the people whom Reagan has appointed, reflects better management?

A: Well, let me say this. When you talk about the Corps' civil works programs, I view, for example, the last administration of the Democrats as being more detrimental to the Corps' civil works programs than our efforts. For example, President Carter, as I recall, very prominently made it known that he wasn't enthusiastic about civil works projects and even had a hit list of federal water projects.

I have never been able to tell what the rationale was for developing that hit list, if he had one. We haven't approached the problems that way. The President believes there is a role for the federal government, say, in water resource development. And there is certainly a role for the Corps in the federal government. But that role has got to be an appropriate one. So I guess what we were trying to do was to build a base which would allow good Corps civil works projects in the future to go ahead unencumbered by the political pressure that I think has existed in the past. That was my goal, at least, because I could see from my exposure that the Corps was being required to do some things that didn't make much sense in terms of project feasibility or needed projects.

So I guess I had hoped to develop a system that would be more meritorious and more nonpolitical, which would allow projects to go ahead when they had merit, and which would provide funding other than solely from the federal government.

I have viewed what this administration has been trying to do as being more for good water projects but changing the way in which they were authorized and funded. We didn't have any kind of a hit list. But what we did try to say was, "Let's have the good projects go ahead and provide more of a system whereby meritorious works could proceed whether they were sponsored by an influential member of Congress or not." Hopefully, it would remove connotations of pork barrel. At the same time, the credibility of the Corps' programs, both within the government and more importantly with the taxpayers themselves, would be enhanced.

Q: Well, in closing then, let me give you the opportunity to make any other comments or observations you wanted to make that maybe I haven't elicited from you at this point.

A: No. The only point I want to leave, though, is that I

had a very high regard for the Corps when I came into the job, from my past exposures and from being a World War II Corps officer. I still have that high regard for the Corps. I think maybe many of your questions tended to focus on the negative and to create the impression that I am not a Corps supporter.

I guess my hope is or was to have the Corps operate in what I believe would be a highly professional manner, which would enhance its reputation throughout the nation as the government's engineer. So I hope that, in retrospect, anybody who views my time in Washington will see it as one in which I tried to make some changes but with the hope and expectation of enhancing the Corps as an entity, rather than tearing it down. I had no desire and still have no desire to dismantle the Corps. That is the furthest thing from my mind. But what I did have in mind was to try to make it operate in a way that I felt was more responsible and which would add to its credit in the future. If anything, I hope people can look back on some of the things that I tried to do as forerunners of the future and as attempts to move the Corps in that direction.

Q: Mr. Gianelli, your answer leads me to another question. And let me just make one observation before I ask you the question.

As you must know, or realize, the relationship between you and the Corps was not always smooth. There were times that the Corps, I suppose I can speak generically, was somewhat suspicious of your motives. At least reluctant sometimes to implement your decisions. And so the question is, now looking back, is there anything you think you could have done to smooth the relationship with the Corps: something that may have gotten what you wanted done quicker, but might not have ruffled the feathers of some of the people in the Corps as it did?

A: There is one thing that I did feel bad about and that was that I wasn't able to spend more time with the Districts in the field. I really felt that some of the things we were trying to do didn't get down to the District level in the way that I intended. I think it would have helped to have more sessions at the District level with District staff so that there was a chance for dialogue back and forth. I think that would have been more helpful. Unfortunately, there are only so many hours in the day. In retrospect, I would have tried, somehow or other, to reprogram myself and let some other things go at the Washington level in order to spend more time in the field, particularly with the Districts, because

that's where the people meet the public. And while OCE is important in terms of the scheme of things, as are the Divisions, the District Engineers are the fellows who are really on the firing line; and I think it would have been helpful to spend more time with them.

The other thing that I wanted to do, and I just got started at the end, was to make arrangements for communicating with the field directly. I found that if there was a particular subject of interest, I could bring in somebody who was an expert in that area and tape an informal dialogue for immediate distribution to the field. The feedback from those tapes was helpful in knowing how well our messages were getting down to the District level. I used this technique quite successfully in California. I did that once with the Corps, and it was in connection with a presentation I made to the Congress on regulatory reform. I don't know whether you ever saw it or not, but we found out that it had been taped by one of the public education TV channels. So we got the tape, and I spoke at the beginning and at the end of the tape to put it in perspective, and we sent it to the field. I got some very favorable responses.

Q: How about OCE? Is there anything that you think you could have or would have done differently?

A: I don't know whether there was anything more with respect to OCE specifically. There might have been some more informal sessions with key personnel on various subjects, again, to provide me with their input as well as to keep them better informed on what I was trying to do. In other words, more of a two-way dialogue. I always felt more resistance to change at the OCE level than at the District level.

Q: How much were you involved in the reorganization of OCE?

A: Practically not at all. It was submitted to me, and I asked General Bratton to hold it up for a while--which he did--because, you may recall, it came about at the time we were having a new Director of Civil Works. I asked the general to hold it up until we had a new director on board, which he did. The reorganization was his idea. We finally signed off on the arrangement, although I still have some mixed feelings about whether it was good or not. However, the Chief was anxious to bring it about; so when we were able to get the new Director of Civil Works aboard and he could feel comfortable with it, we approved implementation. But it was at the Chief's initiation.

Q: Why would you have to sign off on something like that? I mean, it is an internal Corps reorganization.

A: Well, the problem was, it changed some of the relationships that ASA had with the Corps' top people. I think the Chief did it probably as a matter of courtesy, and I think if he hadn't done it, it might have created some problems. I think in anything that affects the interrelationship of the office, it's good, certainly good management, to run it by the office of ASA, whether it is required or not.

Q: Okay, well, thank you very much for your time.

A: Well, I am delighted.

INDEX

☆U.S. GOVERNMENT PRINTING OFFICE: 1985 529 166 309