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HQ, USACE
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Washington, DC 20314
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OPERATION ORDER 2012-15 (Designation of the National Deep Draft Navigation Planning Center of Expertise (DDNPCX) as a Mandatory Center for the Production of All Deep Draft Navigation Related Economic Analyses)

References:

- a. CECW-P MEMORANDUM, Subject: Planning Centers of Expertise, dated August 25 2003.
- b. CECW-CP MEMORANDUM, Subject: Planning Centers of Expertise - Mission, Roles and Responsibilities Statements and Small Boat Harbor Designation, dated June 23, 2008.
- c. Water Resources Development Act of 2007, Section 2033e.
- d. ASA (CW) Memorandum, Subject Support to Planning Centers of Expertise, dated 12 March, 2009.

Time Zone Used Throughout the Operation: ROMEO (Eastern Standard Time)

1. **Situation.**

a. **Purpose.** Economic analyses for deep draft navigation and small boat harbors are critical components of navigation studies, essential components of the budget process, and an invaluable tool in post-authorization decision making. This Order requires that all economic analyses for deep draft harbors, including small boat harbors, be conducted by the DDNPCX. This will include both pre-authorization analyses (e.g., reconnaissance and feasibility studies) and post-authorization analyses (e.g., limited and general re-evaluation studies, dredged material management plans (DMMPs), and economic updates).

b. **Background.**

(1) In 2000 and 2002, outside reviewers (AIG and GAO) found manipulated data and a number of material errors in the economic analysis for several studies and concluded that the economic analyses did not provide a reliable basis for

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deciding whether to proceed with the projects. These findings were greatly publicized, the credibility of the agency was challenged and as a result, the Water Resources Development Act of 2007 included provisions, among others, for Independent External Peer Review. However the underlying production and quality issues associated with navigation studies remain.

(2) Economic analysis for navigation is a core competency (hedgehog) and these economic analyses are becoming increasingly complex and controversial and subject to criticism. The Panama Canal Expansion, scheduled for 2014, is driving actions of ports with respect to their desires to deepen and widen their harbors. Key expectations from the Administration, Congress, and stakeholders include: valid and defensible reasoning behind economic analysis and high quality engineering products that work. Non-Federal sponsors want timely products; no "redo" and controversy from economics; and a defensible economic analysis that ensures consistency, quality and cost effective results. Over the last two years, external interest groups have been pressing for a full service deep draft center of planning expertise to efficiently conduct the studies to address the increasingly larger vessels and the goal for the nation to remain competitive in global markets.

(3) Attrition and downsizing have also had a noticeable effect on the ability of Corps districts to perform all of the technical and economic studies necessary to formulate a project. Therefore, the predominant practice is to acquire private sector assistance in performing the economic analyses which has led to numerous quality and production issues that lead to significant resource expenditure on "re-dos."

2. **Mission.** USACE will establish and operate the Mandatory Center for the Production of All Deep Draft Navigation within the Deep Draft Navigation Planning Center of Expertise (DDNPCX) in South

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Atlantic Division not later than March 2012 in order to integrate national resources, accomplish economic analyses and support authorization recommendations for deep draft navigation and small boat harbor economic products.

3. **Execution.**

a. **Commanders Intent.**

(1) **Purpose.** Mandatory use of an economics production center within the DDNPCX that is capable of performing economic analyses and participating with PDTs, with a dedicated cadre of subject matter experts operating virtually, will provide the most technically competent, efficient and cost effective project delivery system. We will leverage the talent across the Corps to ensure efficiency and consistency in all the deep draft navigation and small boat harbor economics.

(2) **Key Tasks.**

(a) South Atlantic Division commands the DDNPCX with a fully operational date of March 2012.

(b) The DDNPCX prepares primary deep draft and small boat harbor navigation economic products including: economic analyses for pre-and post-authorization studies and projects; periodic economic analysis updates as required to support budgeting for both design and construction activities for authorized projects; and economic analyses to support effective operations and maintenance (O&M) decisions and budgets.

(3) **End State.** All USACE deep draft navigation economic analyses are conducted in accordance with Corps policy and

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technical requirements. USACE delivers high quality engineering products, valid and defensible reasoning behind economic analysis and cost effective solutions.

b. Concept of Operation.

(1) In addition to the responsibilities assigned to all National Planning Center of Expertise (see Annex A), the DDNPCX will serve as the mandatory USACE center of expertise for deep draft navigation and small boat harbor economic products. The DDNPCX will develop and maintain certified national economic and transportation models essential to evaluating improvements in operations and capital investments in deep draft navigation.

(2) The DDNPCX will be an integrator of national deep draft navigation and small boat harbor economics resources, ensuring that the economics staffing needs of Project Delivery Teams (PDT) are met primarily through the identification, marshalling, and utilization of expertise throughout USACE to accomplish deep draft economics requirements and to support authorization recommendations.

(3) The PDTs will retain their plan formulation and overall study related responsibilities for the activities cited above. The overall organizational concept is that the DDNPCX will work as a virtual team member of the study PDT. See Annex B for the execution diagram of the DDNPCX.

c. Tasks to Subordinate Units.

(1) **All Divisions and MSCs.**

(a) MSC's will annually determine economic requirements and products for deep draft navigation and small boat

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harbor studies and/or projects and provide those requirements to the DDNPCX by 1 August.

(b) Ensure that MSC Senior Economist representative attends the DDNPCX navigation economics Senior Oversight Group when required by the Chief Economist.

(c) Ensure MSC representative participates in the Planning Advisory Board to facilitate the collaboration needed to meet desired end state.

(d) Commanders will include statements in their project documentation certifying that the DDNPCX assets have been appropriately used in the planning process.

(2) **SAD**.

(a) South Atlantic Division is responsible for the function of the National DDNPCX.

(b) The DDNPCX will prepare primary deep draft and small boat harbor navigation economic products including: economic analyses for pre-and post-authorization studies and projects; periodic economic analysis updates as required to support budgeting for both design and construction activities for authorized projects; and economic analyses to support effective operations and maintenance (O&M) decisions and budgets for operating projects across the Corps.

(c) The DDNPCX will collaborate with other Corps offices, Centers and laboratories with expertise and or mission related responsibilities in deep draft and small boat harbor navigation economic products as determined by the Planning Advisory Board and/or Economics Senior Oversight Group.

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(d) The DDNPCX with approval from the USACE Chief Economist and the Economics COP will establish protocols based on training and experience for the assignment and recruitment and hiring of economists that would be engaged in deep draft navigation efforts in support of the DDNPCX. Based on these protocols, economists from across the Corps will operate as virtual members of the DDNPCX, developing economic products consistent with review and oversight protocols established by the DDNPCX.

(e) The DDNPCX will maintain the unique and specialized skills, technical ability and expertise, experience, equipment, and capacity required to perform its technical economic responsibilities for deep draft navigation in a responsive, cost-effective manner.

(3) **HQUSACE Civil Works, Planning and Policy Division.**

(a) The USACE Chief of Planning and Policy is responsible for all DDNPCX oversight.

d. **Coordinating Instructions.**

(1) Collaboration with stakeholders to include industry, academia, Government and other Federal agencies, national and international navigation organizations will assist in gauging performance in delivering deep draft products and services as well providing a conduit for technology transfer and a means to receive and disseminate information on technical, trade, safety and other issues.

(2) For ongoing studies, if the economic work is underway (20% or more), then the current PDT should continue but with DQC oversight by the DDNPCX for economic work in addition to their ongoing ATR & IEPR roles.

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(3) For work that has not started or is less than 20% accomplished, the DDNPCX will assume the production role.

(4) In accordance with EC 1165-2-209 or its successor, all work products and reports, evaluations, and assessments shall undergo necessary and appropriate District Quality Control/Quality Assurance (DQC) and the home district shall manage DQC. The DDNPCX be responsible for DQC on all economics products and will report its findings to the PDT in accordance with the project's quality control plan. To insure independence of DQC, the quality check will be performed by qualified personnel identified by the Director or Technical Director of the DDNPCX. These personnel will not have been responsible for the completion of the work or the management and review of contracts for the work.

(5) Particular attention and protocols will be employed to assure the independence of ATR and IEPR reviews. The independence of the IEPR is established through the use of an Outside Eligible Organization (OEO) that will be responsible for selecting reviewers external to the Corps of Engineers and structuring the review such that good science, sound engineering, and public welfare are the most important factors producing a sound review. Similarly, as the RMO for ATR, the DDNPCX will identify a qualified team from outside of the home district that is not involved in the day-to-day production of the project/product. ATR teams will be comprised of senior USACE personnel who are recognized subject matter experts with the appropriate technical expertise and may be supplemented by outside experts as appropriate. To assure independence, the leader of the ATR team shall be from outside the home MSC.

(6) Each MSC with deep draft navigation and small boat harbor projects is responsible for working through its

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Planning Function to monitor the use of the DDNPCX within its division boundary.

(7) All navigation and small boat harbor economic activities supporting pre-authorization or post-authorization decision making will be performed by the DDNPCX.

(8) The DDNPCX will work in close cooperation with the Institute of Water Resources (IWR) to obtain the necessary data for navigation economic analyses.

(9) The Chief of Planning and Policy has designated the USACE Chief Economist to host virtual conference sessions as needed to assist the DDNPCX in identifying the appropriate economic capability and resources for each study.

(10) As determined by the Chief of Planning and Policy, the USACE Chief Economist, the Economics Team Leader from the HQUSACE Office of Water Project Review, and the senior economics representative from each of the MSC's will assist the DDNPCX in identifying the appropriate economic capability and resources for each study.

(11) The Planning Advisory Board (PAB) will assist the Chief of Planning in setting broad priority guidelines for the conduct of studies, R&D needs and the development and certification of necessary models.

4. Sustainment.

a. **Organization.** The DDNPCX's staff is expected to include deep draft and small boat harbor navigation expertise across USACE. The DDNPCX will maximize use of information technology to perform its function, and to optimize technology transfer throughout the Corps. See Annex B for conceptual organization of the DDNPCX's dedicated and virtual staff.

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b. **Resourcing**. The DDNPCX will be primarily resourced by project funds. Work tasks will be in accordance with scopes of work, budgets, and schedules provided for by the DDNPCX in project or program management plans. Funding for these tasks, minus the funding for participation on the economic production team if applicable, will be provided to the DDNPCX via Military Interdepartmental Purchase Request (MIPR) at the beginning of each fiscal year when carry-in funding is available or immediately upon receipt of initial funding allotment for each fiscal year, subject to national restrictions on the allocation of funding.

c. **Funding**. The funding stream developed by the DDNPCX indicates a forecast total income of \$1,722,000 in FY12, \$3,756,000 in FY 13, and \$3,066,000 in FY 14. The major sources of income are: review management of Review Plans, Agency Technical Review, Independent External Peer Review and model certifications; feasibility reports; and Dredged Material Management Plans. The funding forecast for technical services for in-house staff alone, based on projected workloads for feasibility level products and DMMPs, is projected to be approximately \$872K in FY12 with fourteen carry-over feasibility level products from FY11. For FY13 the funding forecast is expected to be around \$1.3M from nine additional feasibility level products, and \$1.5M in FY14 with an additional seven economic products.

d. **Travel Guidance**. The DDNPCX will maximize the use of virtual tools and meetings in order to reduce travel time and expenses.

5. **Command and Control**.

a. **Command**. The Command Council approved the DDNPCX concept on 26 January 2012. The SAD Commander is ultimately responsible for the function of the National DDNPCX, with the Director's position residing with the SAD Chief of Planning and Policy.

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The USACE Chief of Planning and Policy is responsible for all DDNPCX oversight.

b. **Control**. The DDNPCX Technical Deputy Director exercises day-to-day operational and managerial control over the DDNPCX and economic production teams (including virtual representatives), ensures policy compliance in all aspects of the DDNPCX, and oversees the DDNPCX Peer Review and Model Certification functions.

c. **Signal**.

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2) USACE Chief Economist, Dr. David Moser, David.A.Moser@usace.army.mil, 703-428-6289.

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ANNEXES

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Annex A: Roles and Responsibilities of the DDNPCX

Annex B: DDNPCX Economic Production Execution Diagram

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