

PORTS DIGGING DEEPER

ON JAN. 3, The Journal of Commerce published a commentary by Asaf Ashar (“Paying for Benefits,” page 23) that included several misleading statements and outright errors regarding financing of deep-draft channel-deepening projects in the U.S.

These include the statement, “Currently, financing channel deepening is based on a formula mostly covered by the federal government,” and another in reference to the Georgia Ports Authority’s Savannah harbor deepening project, “70 percent of it (is) covered by the federal government.”

Prior to 1986, the U.S. Treasury funded all improvement and maintenance of federal navigation channels. However, the cost-sharing formula established in the Water Resources Development Act of 1986 requires project costs to be shared, based on channel depth. That cost-sharing formula is set nominally at 50-50 during construction for projects exceeding 45 feet in depth. An additional 10 percent of project cost must be repaid to the federal government for up to 30 years.

The non-federal sponsor also is responsible for lands, easements, rights-of-way and utility relocations, with these costs credited against the 10 percent repayment obligation. Projects in excess of 45 feet have an operation and maintenance cost-share of 50 percent of the maintenance increment over 45 feet.

It’s important to note the cost-share figures alone do not reflect the significant expenses incurred by the non-federal sponsor for additional infrastructure and facility modifications required for a deepened channel. These costs run into many millions of dollars for taller cranes, additional terminal space, vehicle lanes, bulkhead modification, environmental mitigation and deepening of berthing areas, to cite a few. When all capital and long-term maintenance costs are tallied for both land- and water-side, the federal government becomes a minority investor in the overall project to benefit from

a deeper federal navigation channel.

The Jan. 3 commentary also states, “The federal government finances channel deepening through the Harbor Maintenance Tax.” In fact, since 1986, this tax (as its name implies) has paid for cyclic harbor maintenance dredging, not channel-deepening projects. That tax is paid by importers and domestic shippers who directly benefit from the maintenance.

It should be noted, although shippers pay \$1.3 billion to \$1.6 billion each year in HMT specifically for keeping channels dredged to their authorized and required depths, much of those funds simply accumulate in the Harbor Maintenance Trust Fund. This surplus currently measures at \$5.6 billion, while critical dredging needs are unmet. The American Association of Port Authorities has long advocated those funds be made available each year to meet maintenance dredging needs.

The commentary’s description of the U.S. Army Corps of Engineers’ benefit analysis is also incomplete and confusing. The criterion used to recommend channel depth is that the benefits minus the costs of deepening be maximized. This depth criterion is referred to as the National Economic Development Plan. It actually ensures taxpayers get the most for the least cost.

Contrary to the commentary, this rigorous cost-benefit analysis precludes double counting of benefits between ports such as Charleston, S.C., and Savannah, Ga. To the extent that vessels call at only one of the two ports, benefits are allocated to the port of call. A far greater challenge to capturing the benefits of deeper channels arises when ships call at more than one port in a range of ports. In such cases, benefits could accrue to deepening both ports.

The commentary also erroneously states the Port of Charleston has a 48-foot channel depth. The current depth is 45 feet.

Another misstatement references a so-called race to the bottom. In truth, the demand for deepening projects is dampened by the enormous costs non-federal proponents must bear and by the uncertain availability of federal funding.

For example, between 2000 and 2007, when Congress last passed water resources bills, only three deepening projects were authorized — in Corpus Christi, Texas; Miami; and New Iberia, La. Only Corpus Christi is under construction. Other deepening projects planned or under way were authorized prior to 2000.

The concluding reference to “the Oberstar era is over” appears to be unrelated to the topic. Mr. Oberstar had nothing to do with the current formula for financing port deepening projects, which dates to the Reagan administration’s “user pays” policy.

Pursuant to the Commerce Clause of the U.S. Constitution, Congress has reserved jurisdiction over navigable waters for the federal government. Despite the centuries-long partnership with local ports and its role since 1986 as a minority investor, the federal government’s investment in channel deepening and navigation maintenance projects hasn’t kept pace with the nation’s needs because of chronic underfunding of the Corps of Engineers budget.

For years, budget targets assigned to the corps’ Civil Works program by the Office of Management and Budget and congressional appropriations have been inadequate for the Corps of Engineers to meet the needs of shippers and consumers who rely on seaborne trade. Changes in ship draft and the projected increases in trade result in an ongoing need to improve projects and provide significantly more federal funding for America’s water transportation system. **JOC**

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