

Silt Clogs U.S. Ports as Taxes Go to Clearing California Marina

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By Carol Wolf

June 1 (Bloomberg) -- Hundreds of millions of dollars in taxes collected annually from shippers like Exxon Mobil Corp. and Cargill Inc. to pay for U.S. port maintenance are going to dredge recreational waterways or not being spent at all.

The Harbor Maintenance Trust Fund's surplus has grown to about \$6.3 billion, at a time when President Barack Obama and Congress are scraping for money for infrastructure improvements. Congress hasn't appropriated all of the money collected for the fund each year since at least 2000.

About half the tax receipts have been spent for other purposes and the surplus has been used to help offset the U.S. budget deficit, said Kurt Nagle, president of the American Association of Port Authorities, based in Alexandria, Virginia.

"Congress is playing an accounting shell game and the effects on the industry are extremely dramatic and getting more so," Nagle said.

Trust-fund money has gone toward projects in waterways used primarily for pleasure boating and fishing, including the Cape Cod Canal in Massachusetts, according to a January report by the Congressional Research Service, and Marina Del Rey near Los Angeles. Meanwhile, about a third of ships using U.S. ports can't carry their maximum loads because channels aren't properly dredged, according to the study.

"This is a 100 percent user-paid system intended for port dredging, but the reality is that money has already been spent on other federal government expenditures," Nagle said.

Cost to Shippers

When dredging isn't done, silt makes channels narrower and more shallow, forcing cargo handlers to use smaller ships or load fewer products, Nagle said.

Rick Calhoun, president of Cargill Marine and Terminal Inc., likened the situation to airlines being given one runway to land at each airport or being required to leave 10 percent of their seats empty. "Time in the shipping business is money," he said. "Any time you restrict the quantity you can load on a given vessel -- or anytime you do

something that has a potential to slow the speed of the vessel -- it costs someone money in the supply chain.”

No ports on the East Coast, Gulf Coast or the Great Lakes are dredged to their required dimensions even though the cargo tax brings in enough money to meet all U.S. dredging needs if appropriated, Nagle said.

The tax, of \$1.25 per \$1,000 of cargo value, is collected from importers and domestic shippers by the Bureau of Customs and Border Protection. About \$1.31 billion in tax receipts will be collected this year, according to the association.

Port of Houston

Recreational boaters such as those in Marina Del Rey don't pay into the trust fund. The \$1.41 million earmark, to dredge a channel, was inserted by California Senators Barbara Boxer and Dianne Feinstein and former Representative Jane Harman, all Democrats.

Tom Mentzer, spokesman for Feinstein, and Andy Stone, a Boxer spokesman, didn't immediately return requests for comment. Harman didn't immediately respond to an e-mail requesting comment.

At the Port of Houston, the second largest U.S. port by tonnage, lack of dredging cost shippers, cargo carriers and other businesses \$52.7 million in 2008 and 2009, according to a report published in December by the Texas Transportation Institute in College Station, Texas.

If an additional foot of draft, or channel depth, is lost, the cost is estimated to increase to \$372.8 million a year, affecting as many as 792 non-container vessel calls to port.

New Orleans

The Port of Houston is important to the energy and petrochemical markets because it's used to transport commodities to refineries. Exxon Mobil, the largest U.S. oil company, was one of the companies affected by lack of dredging, according to the report.

“Harbor dredging is an issue that affects all users of waterways,” Kevin Allexon, a spokesman for Exxon, said in an e-mail. He declined to comment further.

The Port of New Orleans was \$35 million short of the federal money it needs for dredging this year before the Mississippi River flooded, Chris Bonura, a port spokesman,

said. The flooding will deposit large amounts of silt at the river's mouth, further reducing the port's dimensions. Half of U.S. grain exports move through the port, he said.

For the soybean industry, every 1-foot loss of draft, the depth of the boat from its deepest point to the waterline, costs shippers and cargo haulers about \$1 million per barge, said Mike Steenhoek, executive director of the Soy Transportation Coalition, based in Ankeny, Iowa. About 6,600 barges of soybeans were shipped in the U.S. during 2010, he said.

'Now It's Critical'

Silt building up in the Port of San Francisco is keeping some customers' vessels from reaching BAE Systems Ship Repair, a unit of London-based BAE Systems that repairs oil tankers, cruise ships and container vessels, said Hugh Vanderspek, the general manager.

"We were able to get along up until now by bringing ships in during high tide, etc. but now it has gotten critical," Vanderspek said. "We're been working closely with the Port of San Francisco and the Army Corps of Engineers but it appears that the challenge is one of funding." The channel was last dredged in 1997, he said.

Legislative Proposals

The Harbor Maintenance Trust Fund was created by Congress in 1986. The legislation dedicated the funds to harbor dredging while not mandating that all of the money be spent.

At least one bill has been introduced attempting to change the terms of the trust fund every year since 2009, although none have gone beyond the committee level.

Representative John Mica, a Florida Republican who chairs the House Transportation and Infrastructure Committee, plans to include provisions in a surface transportation bill that would require all trust-fund taxes to be spent on harbor dredging, Justin Harclerode, a spokesman for the committee, said.

Boxer, who chairs the Senate Environment and Public Works Committee, has said she'll include language to better fund dredging in a water resources bill this summer.

Obama has set a goal of doubling U.S. exports to about \$3.1 trillion by 2015. U.S. goods exports last year rose by the most since 1988 on demand from China, Brazil and other emerging markets, driving profits at manufacturers such as Peoria, Illinois-based Caterpillar Inc.

“That goal will be difficult, if not impossible to meet, if we don’t make the needed investments in dredging and infrastructure to allow the system to function at its true potential,” Cargill’s Calhoun said.

“Hopefully the government and people in Washington will see the wisdom to make sure the Corps gets enough money to do this work,” Calhoun said. “We make our money moving goods up and down the river, not having them sit.”

--With assistance by Rachel Layne in Boston, Mark Drajem in Washington, Vivien Lou Chen in San Francisco.

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