

# Trusting To The Future

**Through its Harbor Maintenance Tax (HMT) the US government rakes in \$1.4Bn a year, yet spent only \$700M on dredging in 2007 – so now a coalition of waterway users is fighting for fairness as the dredging shortfall reaches crisis proportions**

In a special session at the Western Dredging Association's recent congress in St Louis, *Dredging Contractors of America* technical director Barry Holliday spelled out just how bad the situation is becoming.

The 59 major US dredging projects listed by the US Army Corps of Engineers (USACE) had their target depths over one-half the channel width for only 38% of the time – "It's clear that the dredging budget is too small and I hope all of you find this as troubling as I do," he said, pointing out that 99% of US foreign trade is through its ports and the Department of Transportation's own estimate is that world trade will double in the next 20 years.

"When you dredge less, you *will* impact ports," Holliday continued. "It means more lightering of oil, light loading and channels not at their project depth. And that generates challenges for the US to compete in world markets."

## WHERE'S THE CASH?

Because of its HMT – first authorised under the 1986 Water Resources Development Act as a 0.125% *ad*

*valorem* tax levied on cargo imported or domestically moved through federally maintained channels and harbours – the US should have adequate funds to pay for USACE operations and maintenance dredging.

The tax is collected by the *Bureau of Customs and Border Protection* and directed to its Harbor Maintenance Trust Fund (HMTF) – but the cash isn't immediately eligible for dredging: it can only be spent if the funding is actually appropriated by Congress.

"The problem with the Trust Fund is that far more money has been collected from shippers than has actually been spent on dredging projects," Holliday continued. "In 2000, \$631.2M was spent, while four years later in 2006 it was \$697.2M – we're not even keeping up with inflation!

"In 2009," he added, "the budget is only \$729M. That means not a single project in the US will be dredged to its full depth.

"The under-spending problem is so acute that the HMTF now has a surplus of over \$4.7Bn," Holliday revealed. "Those funds that are collected but not spent on dredging are being held 'on the books' for the apparent sole purpose of reducing the size of the federal debt and deficit. Where's the money going? Ask 10 people and you'll get 10 different answers – all of them wrong," he insisted.

The under-spending comes at a time when there's a desperate need for additional federal deepening projects and sustained maintenance dredging – "Ships are getting bigger, reaching 10,000teu to 15,000teu," said Holliday. "Add the Panama Canal expansion to that equation and the

pressures on ports are tremendous."

But, as he pointed out, some regions in the US have maintenance dredging backlogs totalling \$hundreds of millions –



## Great Lakes Under Threat

**No-one has been more supportive of the Fairness Coalition than Lake Carriers' Association president Jim Weakley...**

"Federal ports and harbours can't be fully maintained with existing USACE funding levels," Weakley told the *Water Resources and Environment Subcommittee* of the House Transportation and Infrastructure Committee.

"It's resulted in a dredging crisis in many

parts of the country," Weakley noted, adding that domestic and international trade would benefit if the \$4.7Bn HMTF surplus was spent on dredging, but undredged or under-dredged ports and waterways are damaging efficiency.

"Dredging can literally make or break the maritime industry – an industry that's the grease that lubricates trade," he concluded.

**More info at [www.lcaships.com](http://www.lcaships.com)**

**Crisis situation  
– the DCA's  
Barry Holliday**



**The unused HMTF surplus now far outweighs the annual dredging budget that so many US ports urgently need**

“...backlogs that impact both commercial efficiencies and military readiness. One recent publication summarised the situation with the headline, *Waterway Dredging Runs Aground.*”

### PROPOSED SOLUTION

As mentioned earlier, there’s now a national *Fairness Coalition* of 160 shipping companies, shippers, labour organisations, dredging contractors, ports and other waterway users.

“They’ve come together in an effort to address the inherent unfairness of a system that collects revenues, but doesn’t use them for their intended purpose,” said Holliday.

“Under the banner *Realize America’s Maritime Promise* (RAMP),” he

continued, “the Coalition proposes an approach similar to that taken recently with the Highway Trust Fund and the Airport and Airway Trust Fund, where Congress legislatively enacted ‘firewalls’ around them, guaranteeing minimum levels of spending that could only be used to support eligible projects.

“The Coalition also proposes to follow precedents set in those two fund initiatives by including a funding mechanism to ensure revenues into the HMTF are expended on an ongoing basis – an approach that will ensure cash from the tax is used for the intended purpose of dredging and not merely for deficit reduction,” Holliday said.

### FINALLY...

“The HMTF Fairness Coalition has a simple mission statement: ‘Monies collected under the HMT should be used for their intended purpose – maintenance dredging of our nation’s ports and harbours – and not simply to mask the federal debt and deficit’. The need is particularly acute now, at a time when the volume of trade is exploding and so many federal dredging needs are going unmet.”

In conclusion, Holliday said: “The bottom line is to restore America’s navigation infrastructure and restore *trust* in the Harbor Maintenance Trust Fund. And to do that, the Fairness Coalition needs as much support as it can get.”

**More info at [www.ramphmtf.org](http://www.ramphmtf.org) or contact Barry Holliday +1 (202) 415-1332**

## Fairness Coalition FAQs

### How much money are we talking about?

In FY07 over \$1.4Bn was received in payments and interest. The FY08 president’s budget requested \$730M of coastal navigation O&M work that would be reimbursed from the HMTF.

### Why not reduce the tax?

It’s not that we’re collecting more than needed to maintain navigation channels, it’s that the revenues are not being spent to provide adequate channel availability.

### What are the results of current funding levels?

The channel availability trend is bad and getting worse. The 59 busiest projects in the nation had half their channel width available 38% of the time in FY05, 35% in FY06 and 32% of the time in FY07.

### What are the impacts?

Projects were designed, constructed and should be maintained for optimum ship use. When channel use is restricted, ships must light-load, experience delays and not achieve maximum benefits, which increases the transportation costs of US exports and imports.

### Can USACE execute this programme?

Yes. Many projects have reduced the scope of dredging to match the funds available. In many instances the projects will return to maintaining full depth, width and justified advanced maintenance to improve channel availability.

### Does the dredging industry have the capability to respond?

Yes. In the short term there is dredging equipment that has been idled from lack of work or that’s operating in other areas that can be readily returned to service. With a reliable increased funding stream, industry will respond with investments in new and more efficient equipment – something current funding levels have not supported.

### Are the HMTF funding revenues going to be consistently available?

The HMTF is an *ad valorem* tax based on the value of the cargo being imported and domestically moved. This amount has seen steady growth, averaging 12.6% per year over the last five years.



Photos: iStockphoto