James H. I. Weakley
President, Lake Carriers' Association
Vice President, Great Lakes Maritime Task Force

Great Lakes Dredging Crisis

Ohio Coalition of Shallow Draft Harbors
August 5, 2009 · Port Clinton, OH
OVERVIEW

• Show You:

⇒ Why water levels matter!

⇒ How bad it is.

⇒ The Money $.

⇒ Some organizations working to help you!

⇒ How it can be fixed.
MARINE TRANSPORTATION

NATIONAL ECONOMIC IMPACT:

➢ $ 1,000,000,000,000,000.

➢ $ 1 TRILLION DOLLARS!
Value of the Great Lakes Navigation System to the American Economy

The Great Lakes Navigation System’s Transportation Rate Savings $3.6 Billion / Year

More competitive American steel, lower cost energy, and lower cost concrete for construction and highways.

Transportation Rate Savings = Saving over moving goods by the next least costly means of transportation - Rail or Truck (TRS = Total Alternate Mode Cost - Total Water Cost).

Transposition Cost Saving = Additional cost incurred by shippers due to shoaling (light loading).
STEEL MAJOR EMPLOYER

OHIO IS TOP STATE FOR STEEL PRODUCTION & FINISHING

- 25,000 jobs — $1.37 billion in wages
  Directly tied to steel production and finishing.

- 110,000 jobs — $5 billion in wages
  Indirectly tied to steel production and finishing.

ECONOMIC IMPACT OF STEEL:
Ohio: $8.8 Billion • U.S.: $350 Billion
GREAT LAKES NAVIGATION SYSTEM'S VALUE TO AMERICAN ECONOMY

138,000 Steel Industry
54,400 Mining Jobs
44,000 Maritime Jobs
*Ports, Shippers, Longshoremen, etc.*

173.0 MILLION TONS SHIPPED ANNUALLY ON THE GREAT LAKES

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Tons</th>
</tr>
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<tbody>
<tr>
<td>Iron Ore</td>
<td>58.8</td>
</tr>
<tr>
<td>Coal</td>
<td>44.9</td>
</tr>
<tr>
<td>Limestone</td>
<td>30.9</td>
</tr>
<tr>
<td>Cement</td>
<td>7.2</td>
</tr>
<tr>
<td>Grain</td>
<td>6.7</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>5.1</td>
</tr>
<tr>
<td>Other</td>
<td>19.4</td>
</tr>
</tbody>
</table>
WATERBORNE TRANSPORTATION IS ...

**Safer**  **More Fuel-Efficient**  **Fewer Emissions**

THAN RAIL OR TRUCK TRANSPORTATION

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1. Source: USDOT Maritime Administration and Minnesota Department of Transportation

2. Assumes US DOE Fuel and Energy Emission Coefficient of 22.38 lbs of CO₂ per gallon (No.1,2,4 Fuel Oils and Diesel) for GL Carrier

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Miles 1 Ton of Cargo Carried
Per Gallon of Fuel¹

Tons of CO₂ Produced to Transport
1,000 Tons of Cargo 1,000 Miles²

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Great Lakes Carrier

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1. Source: USDOT Maritime Administration and Minnesota Department of Transportation

2. Assumes US DOE Fuel and Energy Emission Coefficient of 22.38 lbs of CO₂ per gallon (No.1,2,4 Fuel Oils and Diesel) for GL Carrier
LAND-BASED MODES OF TRANSPORTATION DON'T STACK UP TO SHIPS!

70,000 Net Tons

1 Vessel
47 Barges
700 Railroad Cars
2,800 25-Ton Trucks
EVEN 1 INCH HURTS

When inadequate dredging forces the 63 U.S.-Flag Lakers enrolled in Lake Carriers’ Association to reduce their draft by just 1 inch, the fleet forfeits more than 8,000 tons of cargo each trip.

8,000 TONS IS ENOUGH …

IRON ORE … to produce steel for … 6,000 Automobiles

COAL … to provide ………….. 3 Hours of Electricity for Greater Detroit

LIMESTONE … to build ………….. 24 Homes

Let’s do the math … just one of the 13 1,000-foot vessels:

8,000 LOST TONS/TRIP X 50 TRIPS/YEAR = 400,000 LOST TONS/YEAR

Our region and our national economy cannot afford this inefficiency!
PROBLEM IS SYSTEM-WIDE

Lost Inches, Lost Efficiencies
# Impact of Dredging Crisis on Per-Trip Carrying Capacity

<table>
<thead>
<tr>
<th>Major Great Lakes Vessel Classes</th>
<th>Vessel Length (feet)</th>
<th>Per-Trip Carrying Capacity (net tons)</th>
<th>Capacity Per Foot Of Draft (net tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,000</td>
<td>69,664</td>
<td>3,204</td>
</tr>
<tr>
<td></td>
<td>806</td>
<td>34,720</td>
<td>1,752</td>
</tr>
<tr>
<td></td>
<td>767</td>
<td>28,336</td>
<td>1,524</td>
</tr>
<tr>
<td></td>
<td>730</td>
<td>27,558</td>
<td>1,380</td>
</tr>
<tr>
<td></td>
<td>635</td>
<td>22,064</td>
<td>1,284</td>
</tr>
<tr>
<td></td>
<td>501</td>
<td>13,776</td>
<td>852</td>
</tr>
</tbody>
</table>
GREAT LAKES DREDGING NEEDS

- 18 Million Cubic Yards of Dredging Backlog
- $230 Million Needed to Eliminate Backlog
- Must Dredge 3.3 Million Cubic Yards Annually to Keep Up with Shoaling
GREAT LAKES DREDGING CRISIS

Government Formulas Weighed Against Lakes System Approach Versus Individual Port

Less Than 1 Million Tons, No Dredging Dollars

24 Ports Under 1 Million Tons

Less Than 10 Million Tons, No Dredging?
GREAT LAKES O&M FUNDING

Actual Funding

Optimum Funding

FY08 Omnibus

138.4 Appropriated

106.6 Proposed

89.2 Proposed 09

Fiscal Year


$ Millions

0.00 50.00 100.00 150.00 200.00 250.00

Actual Funding
Optimum Funding
FY08 Omnibus
FINANCIAL ANALYSIS

• Who’s Money Is It?
  – Taxpayer’s?
  – Industry’s?

• Total Amount Invested

• Total Return on Investment
  – Normalize Units for Comparison (Per Ton)

• Return for Each Investor
SOURCES OF FUNDS

• Taxpayers – General Treasury

• Inland Waterways Trust Fund
  – Pays 50% of Construction on Inland Rivers

• Harbor Maintenance Trust Fund
  – Pays 100% of Operations & Maintenance at Coastal Port (Great Lakes, East, West, Gulf)
USACE EXPENSES & REVENUES

- **General Investigations (GI)**
  General Treasury (GT) – Rivers and “Coastal”

- **Operations & Maintenance (O&M)**
  GT – Rivers
  HMTF – “Coastal” – Includes Great Lakes

- **Construction & General**
  GT – 50% Inland Rivers Trust Fund & 50% GT
  GT – Coastal & Great Lakes
Corps’ Civil Works Appropriations
Constant (FY 96) $ Billions

$ Billion


- Red: Total
- Yellow: Operations & Maint.
- Green: Construction
Great Lakes shortchanged

OHIO RIVER
$409,547
82%

GREAT LAKES
$90,323
18%

USACOE
Great Lakes & Ohio Rivers Division
FY 05 Conference Report Funding (CG)
Great Lakes $\text{shortchanged}$

- **Illinois Waterway**
  - $0.82$
  - 5%

- **Ohio River**
  - $1.10$
  - 6%

- **Mississippi River**
  - $0.39$
  - 2%

- **Great Lakes**
  - $0.52$
  - 3%

- **Missouri River**
  - $14.82$
  - 84%

USACOE (O&M)
Funding Per Ton Moved
FY02 Tonnages / FY05 Funding
USACE FY 06/07 BUDGET

➤ Operations & Maintenance
  Great Lakes  –  $ 74,066,000
  Ohio River   –  $261,185,000

➤ Construction & General
  Great Lakes  –  $ 28,000,000
  Ohio River   –  $334,945,000
FY08 BUDGET TURNS A CORNER

- Administration Proposed $106.6 Million for Great Lakes Dredging

- Great Lakes Delegation Added $31.8 Million to Bring Total to $138.4 Million ($74 Million in FY 06/07)

- Increase of 30% Over Proposed Budget ($104 Million)

- Highest Yearly Total in Recent Memory
Averages 1995-2009
President's Proposed Budget
Nav Only in $ Millions

<table>
<thead>
<tr>
<th>Total Funding</th>
<th>Ohio River</th>
<th>Great Lakes</th>
</tr>
</thead>
<tbody>
<tr>
<td>OM</td>
<td>$141.00</td>
<td>$82.00</td>
</tr>
<tr>
<td>CG</td>
<td>$179.30</td>
<td>$6.10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$320.30</strong></td>
<td><strong>$88.10</strong></td>
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</table>

**Taxpayer Funded***

<table>
<thead>
<tr>
<th>Total Funding</th>
<th>Ohio River</th>
<th>Great Lakes</th>
</tr>
</thead>
<tbody>
<tr>
<td>OM</td>
<td>$141.00</td>
<td></td>
</tr>
<tr>
<td>CG</td>
<td>$89.65</td>
<td>$6.10</td>
</tr>
<tr>
<td><strong>Total Cost to Taxpayers</strong></td>
<td><strong>$230.65</strong></td>
<td><strong>$6.10</strong></td>
</tr>
</tbody>
</table>

*IWTF pays 50% of CG on Rivers and HMTF pays 100% of OM at "Coastal Ports."

The rest is Taxpayer (General Treasury Funded).
<table>
<thead>
<tr>
<th></th>
<th>Ohio River</th>
<th>Great Lakes</th>
<th>Difference</th>
<th>Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average Tons (millions)</strong></td>
<td>274.1</td>
<td>176.5</td>
<td>97.60</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>CG &amp; OM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total / Ton</td>
<td>$ 1.17</td>
<td>$ 0.50</td>
<td>$ 0.67</td>
<td>2.3</td>
</tr>
<tr>
<td>Taxpayer / Ton</td>
<td>$ 0.84</td>
<td>$ 0.03</td>
<td>$ 0.81</td>
<td>24.3</td>
</tr>
<tr>
<td><strong>CG</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total / Ton</td>
<td>$ 0.65</td>
<td>$ 0.03</td>
<td>$ 0.62</td>
<td>18.9</td>
</tr>
<tr>
<td>Taxpayer / Ton</td>
<td>$ 0.33</td>
<td>$ 0.03</td>
<td>$ 0.29</td>
<td>9.5</td>
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<tr>
<td><strong>OM</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total / Ton</td>
<td>$ 0.51</td>
<td>$ 0.46</td>
<td>$ 0.05</td>
<td>1.1</td>
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<tr>
<td>Taxpayer / Ton</td>
<td>$ 0.51</td>
<td>-</td>
<td>$ 0.51</td>
<td>N/A</td>
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</table>
Averages 1995-2009  
President's Proposed Budget  
Navigation Only

<table>
<thead>
<tr>
<th></th>
<th>Ohio River</th>
<th>Great Lakes</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRANSPORATION RATE SAVINGS <em>(Benefit)</em></td>
<td>$3.5 Billion</td>
<td>$3.6 Billion</td>
</tr>
<tr>
<td>AVERAGE TONS</td>
<td>274.1 Million</td>
<td>176.5 Million</td>
</tr>
<tr>
<td>INVESTMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total / Ton</td>
<td>$1.17</td>
<td>$0.50</td>
</tr>
<tr>
<td>Taxpayer / Ton</td>
<td>$0.84</td>
<td>$0.03</td>
</tr>
<tr>
<td>RETURN BENEFIT/COST -- PER DOLLAR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on Investment</td>
<td>$10.93</td>
<td>$40.86</td>
</tr>
<tr>
<td>Return on Taxpayer Investment</td>
<td>$15.17</td>
<td>$590.16</td>
</tr>
</tbody>
</table>
Ohio River
ROTI – 15
ROI - $11

Great Lakes
ROTI $590
ROI - $41
With roots that trace back to 1880, **Lake Carriers’ Association** is one of the oldest trade associations in the country. LCA represents 18 American corporations that operate 65 U.S.-Flag vessels on the Great Lakes. These vessels carry the raw materials that drive our country’s economy: iron ore for the steel industry, limestone and cement for the construction industry, coal for power generation and steel production, .... These vessels can transport more than 115 million tons of cargo a year when high water levels offset the lack of dredging at ports and waterways.

**Great Lakes Maritime Task Force** is the largest labor/management coalition ever to represent Great Lakes shipping. Its membership includes vessel operators, shipboard and longshore unions, port authorities, cargo shippers, terminal operators, shipyards, .... Its goals include restoring adequate funding for dredging of Great Lakes deep-draft ports and waterways, construction of a second Poe-sized lock at Sault Ste. Marie, Michigan; protecting the Jones Act and other U.S. maritime cabotage laws and regulations; maximizing the Lakes overseas trade; and opposing exports and increased diversions of Great Lakes water.
GLMTF

- Founded in 1992 in Toledo, Ohio.
- 22 charter members; now 80 plus.
- First major Labor/Management coalition to represent Great Lakes maritime industry.
- Represents shipowners, maritime unions, shippers, port authorities, dredgers....
Realize America’s Maritime Promise

Harbor Maintenance Trust Fund Fairness Coalition
Harbor Maintenance Trust Fund

What is the Harbor Maintenance Trust Fund (HMTF)?

- An ad valorem tax equal to .125% on the declared value of imported or domestic commercial cargo and on passenger vessel tickets.

- The Harbor Maintenance Trust Fund was authorized in the Water Resources Development Act of 1986, P.L. 99-662, as a tax on channel users to pay for operations and maintenance costs on commercial waterways.

- This tax is collected by Customs on behalf of the Corps of Engineers.

- Last year this tax generated $1.416 billion, yet only $751 million was used for its intended purpose. The remaining $665 million was deposited into the General Treasury to offset the deficit.
Harbor Maintenance Trust Fund

• The HMTF has been mislabeled over the years because the tax collected goes into the General Treasury. It is NOT dedicated or credited to maintenance dredging activities as it was intended.

• The tax collections are accounted for in an HMTF “account,” and a certain amount of that is applied to the Corps’ budget every year—typically around $700 to $800 million—no matter how much tax is collected. The HMTF currently has a “balance” of over $5 billion, and collections range from $1.3 to $1.5 billion per year.

• Monies collected under the Harbor Maintenance Tax should be used for their intended purpose—maintenance dredging of our nation’s ports and harbors.

• The Corps’ budget has remained stagnant while dredging costs continue to increase.
“TRUST” IN TRUST FUND?

**Inland River Trust Fund**
- Rapidly Depleting Surplus (50% of CG on Rivers)
- Will Soon Be Exhausted
- Lock User Fee (Now Is Fuel Tax) or GT or HMT?

**Harbor Maintenance Trust Fund**
- Value Based Tax Paid by Shippers
- Takes in $1.4 Billion a Year
- Spends $700 Million a Year
- $5 Billion Surplus in the “Trust Fund”
- Restoring America’s Maritime Promise - RAMP
  - HMTF Coalition
TRUST GAP

Harbor Maintenance Trust Fund
Expenditures and Balance, 1992-2007

Projected for 2007 Based on Conf Rpt.
Despite the economic slowdown, container traffic growth within the next 5 years will push many ports to their full capacity limits.....

Taxed for $1.4 billion last year, YET....

FY 2009 Budget is only $729 million!

"In FY 2006, the 59 largest U.S. PORTS had only 50% of channel width, 35% of the time, and in FY 2007, it was only 32% of the time!"

10,000 to 15,000 TEU Mega Ships are being built now

Realize America’s Maritime Promise
## COMPARISON OF HMTF REVENUES TO EXPENDITURES

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>EXPENDITURES (millions)</th>
<th>REVENUES (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000</td>
<td>$631.2</td>
<td>$760.6</td>
</tr>
<tr>
<td>FY 2001</td>
<td>$669.4</td>
<td>$810.8</td>
</tr>
<tr>
<td>FY 2002</td>
<td>$645.2</td>
<td>$710.8</td>
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<tr>
<td>FY 2003</td>
<td>$685.1</td>
<td>$804.5</td>
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<tr>
<td>FY 2004</td>
<td>$681.4</td>
<td>$922.4</td>
</tr>
<tr>
<td>FY 2005</td>
<td>$708.8</td>
<td>$1,123.0</td>
</tr>
<tr>
<td>FY 2006</td>
<td>$697.2</td>
<td>$1,275.0</td>
</tr>
<tr>
<td>FY 2007</td>
<td>$751.0</td>
<td>$1,416.0</td>
</tr>
</tbody>
</table>
Harbor Maintenance Trust Fund

Legislative Proposals:

- Inland Waterways – to supplement bankrupt fund.
- Freight Corridors – to fund other modes
- Environmental Mitigation & Wetland Restoration
- Construction – to fund breakwalls & CDFs
- Research
OUR GOAL

• Simple – Seek Legislation that will result in full access to annual revenues from Harbor Maintenance Trust Fund Tax, to be used for their intended purpose- operation and maintenance of Federal ports and harbors.

WWW.RAMPHMTF.ORG
Solution

- HMTF Fence
- Similar to HWTF and ATF
- Commercial and Recreational “Coastal” Harbors eligible
- Use marine fuel tax or new user fee for recreational harbors?

WWW.RAMPHMTF.ORG