

FEDERAL INVOLVEMENT IN PORT AND HARBOR DEVELOPMENT

Although previous sections of this study have touched upon the subject of port and harbor development, some additional observations need to be made. Federal policies affecting port and harbor development have evolved in a very fragmentary manner. The United States Constitution mandates in Article I, section 9, that the federal government must not discriminate in its treatment of ports: "No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another: nor shall vessels bound to, or from, one State, be obliged to enter, clear, or pay duties in another." This statement reflected the prevailing belief that the regulatory power of the federal government should be strictly limited. Subsequent congressional legislation similarly mirrored this view.

Since the beginning of the 19th century, most politicians have agreed that harbor improvements are necessary for national defense. As we have noted, the first federal waterways appropriations were for lighthouses, piers, jetties, and a few canals that seemed necessary for military purposes. After 1824 and the passage of the General Survey Act, the federal government did an increasing amount of harbor maintenance. As early as the late 1820s, the Corps of Engineers was using crude dredges to keep certain Great Lakes and eastern ports clear of sediment accumulation and floating debris. In 1837, a general financial panic and increasing sectional rivalry resulted in decreased congressional enthusiasm for internal improvements. The following year Congress repealed the General Survey Act. Except for one year, Congress suspended harbor appropriations from 1838 to 1852, when the last significant pre-Civil War rivers and harbors bill was passed.

In 1887, Congress established the Interstate Commerce Commission. Although the commission's establishment resulted mainly from concern with railroad management, it was also a consequence of Congress's belief that a national transportation policy was needed. The act creating the commission declared it to be federal policy "to provide for fair and impartial regulation of all modes of transportation . . . to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail as well as other means." Nevertheless, the 1887 act exempted inland waterway transport services from federal regulation. The idea of creating a Department of Transportation to coordinate all forms of transportation appealed to many congressmen. Between 1874 and 1966, there were over thirty legislative proposals to create such a department.

It was not until the 20th century that port maintenance and construction became a major burden. At the turn of the century, there was renewed federal interest in developing the inland waterway system. The Inland Waterways Commission espoused, as part of that development, the comprehensive planning of port facilities at inland and deepwater ports. In the 1919 Rivers and Harbors Act, Congress declared it to be federal policy "that water terminals are essential at all cities and towns located upon harbors or navigable waterways and that at least one public terminal should exist, constructed, owned, and regulated by the municipality, or other public agency of the State and open to use of all on equal terms." The act authorized the Secretary of War to withhold work on harbor improvements whenever he judged that inadequate water terminals existed or unless he received adequate assurances that such facilities would be built. In the 1920 Federal Transportation Act, Congress charged the Secretary of War to assist states in developing water terminals, to gather statistics on inland waterways traffic, and "to investigate any other matter that may tend to promote and encourage inland water transportation." The Merchant Marine Act, passed the same year, charged the four-year old U.S. Shipping Board to work with the Corps in investigating and planning water terminal facilities.

By 1932, the federal government had spent approximately \$166 million for the construction of water terminals. States, municipalities, and other governmental entities had spent \$810 million for terminal construction and incidental dredging. During the New Deal, the federal government spent considerably more money on terminal facilities, partly to provide work relief. Between 1932 and 1937, various federal relief organizations provided a total of some \$70.5 million for terminal facilities. As mentioned in an earlier section, the Inland Waterways Corporation had loaned over a million dollars to support water terminal construction. Clearly, by 1937, if all expenditures on terminal facilities were ascertained, the total would run over a billion dollars.

Even though there was significant expansion of port facilities between World Wars I and II, most water terminals lost money, according to the Federal Coordinator of Transportation in 1939. Certainly their chief justification was their contribution to the general rise of commerce in the local area. Ports did--and still do--rely heavily on state and local subsidies, direct or indirect, to stay in the black. Over the long run, federal contributions to port facility construction have been marginal. Corps of Engineers navigation improvements and Coast Guard maintenance are still the major indirect federal subsidies. From the end of World War II to 1965, when the Economic Development Administration was created, there was no direct assistance with capitalization of terminal facilities. In the 1960s and 1970s, the Economic Development Administration did give some grants and loans to ports. The amount given, however, consisted of less than 7 percent of total U.S. port financing for port facility improvements from 1965 through 1972.

Furthermore, the grants and loans, amounting to about \$100 million, were largely dispersed to only five ports--Panama City, Lake Charles, San Diego, Oakland, and Seattle.

During the period from 1946 to 1980, public seaports invested over \$5 billion in constructing or modernizing terminal facilities. They expect, according to a Maritime Administration (MARAD) study, to invest another \$5 billion by 1990. Inland ports anticipate spending about \$4.8 billion during this decade, making the total investment by local port entities during the 1980-1990 period about \$9.8 billion. According to MARAD, U.S. ports have been spending about \$200 million annually, or some 6 percent of their available operating funds, to satisfy federal environmental, security, and employee health and safety standards. Through the mid-1970s, seaport agencies concentrated their capital outlays on conventional, break-bulk general cargo facilities. This was particularly true of the South Atlantic, Gulf, and Great Lakes ports. Modern container terminals have, however, been built on the North Atlantic and Pacific coasts, as well as in Hawaii, Puerto Rico, and Alaska.

According to a 1980 MARAD study, there are presently 189 major U.S. seaports, with 1,456 terminals and 2,939 deep-draft berths. There are 95 major inland river ports with 1,198 terminals and 1,894 barge-berthing facilities. The ports are located on the great inland river system (primarily, the Mississippi basin, Gulf Intracoastal Waterway, Alabama River system, and the Columbia-Snake rivers system) covering 26 navigable rivers in 17 states. An estimated 49 percent of these berthing facilities are publicly owned and 51 percent are in private hands. In the public sector, 25 percent are controlled by state governments, and the remainder are run by local governments or their legal instrumentalities. A 1974 MARAD study indicated that the federal government's holdings in terminals, mainly military facilities, amount to 43, or about 1.75 percent of the total.

The burden of harbor maintenance has been borne almost entirely by the federal government. There are exceptions, of course. Port agencies are responsible for dredging berths or minor terminal channels, but the federal government has done almost all of the navigational work--over 99 percent, according to the best estimates of both the Hoover Commission in 1954 and the Maritime Administration in 1974. This federal work has become increasingly expensive, not simply because of dollar inflation, but also because of technological innovation. Bigger ships require deeper channels. In 1900, most ships required a channel depth of 30 feet or less. Today, port officials need at least a 45-foot depth to accommodate most vessels; the largest vessels require even more. Some supertankers require 90 feet. Containerization, too, has

required deepening of port channels on a large scale. In the late 1970s, the Corps of Engineers had about 380 million cubic yards dredged annually.

More and deeper dredging is not the only cost. The problem of dredge disposal has become serious, especially when the material to be disposed is polluted. In the last few years, some forms of cost-sharing have emerged. Ports may bear the cost for disposing polluted dredge material. Since 1981, the Corps has specified that local port interests must provide dredged material retention levees for new construction projects (Congress can delete this requirement on a case-by-case basis).

Surprisingly little is known on how federal navigation improvements benefit commerce and the local and regional economies. Estimates vary widely. We do know, however, how much the Corps spends for navigation projects. In 1973, to take one example, the cost relating to ocean port operations amounted to approximately \$141 million, consisting of almost \$60 million for 23 new construction projects and \$81 million for 998 maintenance projects. Dredging entails the biggest expense covered by these funds. The increasing cost of these activities has aroused concern among federal officials. In a 1982 report to Congress, Secretary of Transportation Drew Lewis noted that "the traditional Federal system of navigation maintenance and development has not been adequately funded for several years and cannot be depended upon to meet future port development needs." While the administration seeks greater nonfederal contributions for harbor maintenance and improvement, port agencies are expressing the need for more and more financial aid. The idea of cost-sharing or user-fees has been actively discussed both by Congress and port officials. According to Secretary Lewis, port officials are divided about the kind and degree of cost-sharing, but there is universal agreement among port officials that they want a basic port system, with depths up to 45 feet, provided and maintained by the federal government as at present. The dispute centers on what to do when channel depths greater than 45 feet are required.