Comments on: "User Charges for Port Cost Recovery: the US Harbor Maintenance Tax Controversy" (IJME, 2002, **4**,149-163)

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I above-mentioned paper discusses the general system of channel's cost recovery in the US along with a proposed scheme of user fees, illustrated by the case of New York. The author presents a concise review of the US situation. However, the discussion of the general system and, especially the case of New York seems to me lacking and, perhaps, misleading.

I agree with the author's observation that the current system, based on *ad valorem* taxing of imports, is inadequate. No doubt, the US needs to overhaul its policy regarding the cost recovering of maritime channel. I hope that the political process would be an educated one, based on careful examination and determination of 4 sequential questions: (a) *self-sustained system vs. public good* – should channels be financed by users (e.g., through a trust fund, like US highways) or by the general coffer; (b) *local vs. national* –should channels be financed locally (e.g., state, county, city) or nationally, by the Federal government; (c) *cost allocation among beneficiaries* – assuming the decision in "(a)" is user fees, how should the fees be distributed between ships, ports and shippers; and (d) *charging mechanism* – what should be the basis on which fees are calculated, marginal cost incurred due to each user (e.g., added depth) or total/average cost (e.g., total tonnage).

The last question "(d)" is where I differ with the author, who claims that his proposed charging mechanism, resulting in "a simple yet realistic user fee model...imposing relatively minor burden on port users"[1] could resolve the problem. Like him, I will use the case of the Port of New York & New Jersey (NY) for illustration. NY is accessed by a long and constrained channel, currently dredged to 45-ft. To retain its position as the prime US East Coast (USEC) port, NY needs to deepen its channel to 52-ft, which may cost somewhere between \$1.5 and \$2 billion. Recovering the capital cost and the respective maintenance cost of the deeper and more prone to deposition channel, would probably be 8-10 times the current cost of \$10 million per year, as indicated in Table 8. If local users have to shoulder this cost -- *regardless of the charging mechanism* – they would most likely opt not to use NY. They may chose serving the NY area from Norfolk, which enjoys a shorter and already deep channel, or even from the new green port in Quonset Point, RI, where the channel is exempted from Federal taxes. An even more dramatic impact could be that major shipping lines operating large containerships would realize that NY, the largest USEC port, is either physically constrained or very expensive to call, and entirely avoid calling directly to the USEC. Instead, they would use offshore, foreign transshipment

[1] The quotation is taken from the paper's abstract.

hubs (e.g., Freeport). This practice may be proven cheaper system-wise, if dredging costs are avoided. However, it is likely to raise a different and, perhaps, much more central issue – national pride.

Altogether, in contrast to the impression given in this paper, I would argue that selecting a cost recovery system for US maritime channels is a very difficult political issue that may have far-reaching implications for US ports, and cannot be resolved just by changing the charging mechanism.