

# PROJECT 11 USER FEE OVERVIEW

Special Meeting

Port Commission of the Port of Houston Authority

**Tuesday, May 21, 2024**

# USER FEE PURPOSE & GOALS

Purpose:

**Port Houston is implementing a User Fee based on Federal Law\* to finance the local share of construction costs for Project 11.**

Goals:

**Port Houston's Goals when creating the User Fee:**

- Simple and transparent
- Fair and objective
- Legally compliant

\*Federal law authority: 33 U.S. Code Section 2236 - Port or harbor dues; Separate process from Project 11 authorization

# USER FEE OVERVIEW

- **What:**  
Each vessel is assessed a user fee for each HSC transit.
- **Why:**  
Recovery for local share of construction costs.  
All Project 11 local costs have been paid by Port Houston so far.
- **Duration:**  
Fee ends when all local costs have been recovered - estimated 30 years.
- **Timing:**  
To be implemented in mid-2025, when Project 11 Bay reach is complete.



# USER FEE COST BASIS





# USER FEE MECHANISMS

# ORIGIN & SUBJECT VESSELS

Origin:

**Fee is similar to 2020 user fee industry proposal and uses elements of the Houston Pilots tariff.**

Subject vessels:

- All deep draft navigation vessels with design draft >20 feet would be charged a user fee
- All vessels with design draft  $\leq$  20 feet are exempt. This includes the vast majority of barges

Exempted regardless of draft:

- Harbor tugs, dredging vessels, and governmental vessels

## User Fee Formula

User Fee = Vessels Units x Unit Rate x Annual Escalator

Vessel Units = (LOA x Beam) / 100

### Unit Rate

- Higher unit rate for larger vessels, so larger vessels pay proportionally-higher user fees

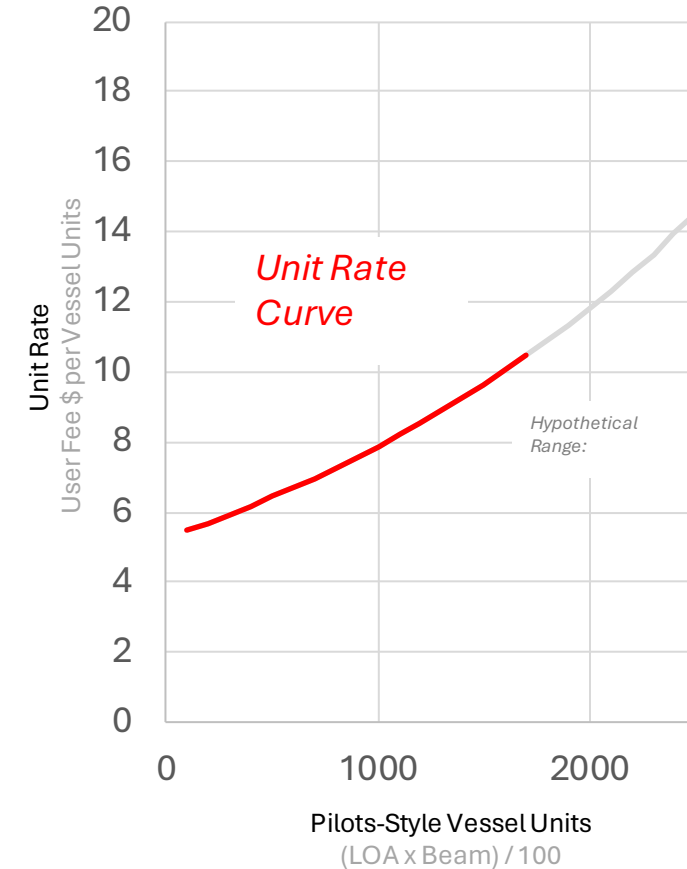
### Annual Escalator

- Escalates 3% per year over the life of the fee
- This will spread inflation-adjusted burden of recover more fairly over time.

### Result:

- Average fee: \$4,725 per vessel transit in year one (excluding admin. costs)
- Estimated annual collections: \$36.8 million in year one

User Fee Unit Rate Curve



## User Fee Locations

### Fee On Entry:

- User Fee is assessed when deep draft vessels enter the Houston Ship Channel at Buoy 18 (near Texas City “Y”)

### No Fee For Intra-Port Shifts:

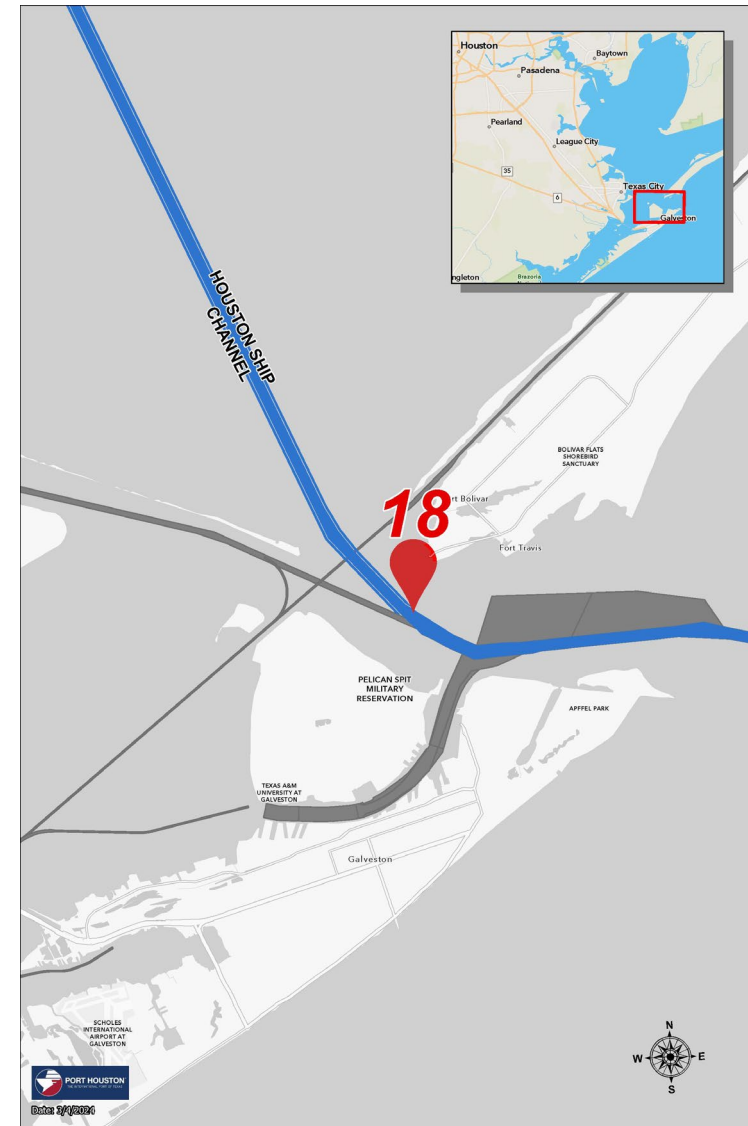
- Unlimited movements within HSC without incurring additional user fee

### No Fee for Exit:

- Vessels can exit the HSC without incurring additional user fee

### Special Consideration:

- Port Authority is researching a modified fee structure for vessels that leave and re-enter the HSC without calling at other ports i.e., vessels that exit the HSC, wait offshore, then reenter the HSC.





# NEXT STEPS

# PROCESS FOR IMPLEMENTATION

Third party consultant is studying offshore waiting/ "vessel reentry".

Will announce a policy on "reentering" vessels based on the findings.

RFI (Request for Information) out for third parties who could administer the user fee.

Third party administrator would provide transparent collections, reporting, etc.

All terminal owners/operators are free to rebate the fee for vessels calling their terminals.

Port Authority will conduct a separate meeting to take comments on rebate policies at later date.

Later this year: Preparation of formal written proposal, Federal Register publication, public comments and hearing, legal challenge period, adoption.

Collections commence in mid-2025 (timing not final)



THANK YOU