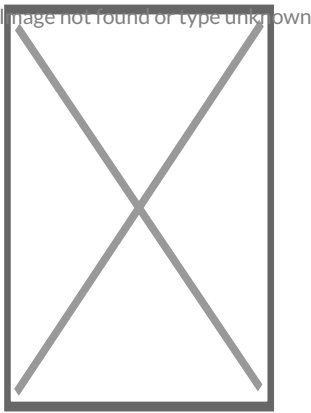


How Harbor Deepening Will Impact Maritime Businesses



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Last January, the U.S. Army Corps of Engineers kicked off the much-anticipated Savannah Harbor Expansion Project (SHEP), a nearly \$800 million project that will deepen the harbor and its associated shipping channel. The deepening will allow larger, more efficient cargo ships to navigate the East Coast's second busiest container harbor with greater ease, heavier cargoes and fewer tidal restraints.

The dredging of the harbor is scheduled to begin this month, more than three months ahead of schedule, and is the first step toward deepening the entire 40-mile shipping channel. Dredging will deepen the outer harbor, which runs 18.5 miles from Fort Pulaski to the Atlantic Ocean.

No doubt about it, the inner harbor deepening — from 42 to 47 feet — will bring many economic benefits to this area and to the maritime businesses that call Savannah home. According to the U.S. Army Corps of Engineers, the harbor deepening project will bring \$174 million in annual net benefits and allow for an additional 3,600 cargo containers in each transit — an increase of 78 percent. The project, described by Governor Deal as “vitally important for economic development and job creation,” will position our region to meet the demands of a global economy and shippers' use of larger container ships.

That being said, elevated container movement creates an increased risk in the maritime industry. Carriers, who have the obligation to safely deliver cargo, need to consider the additional risks and insure their businesses appropriately.

First of all, vessels themselves are costly. Maersk, the world's largest container ship operator, recently produced a number of vessels that cost upwards of \$165 million apiece. Each of those have a 20,000 container capacity that, when filled, can be worth \$800 million to \$1 billion in cargo.

On top of damage to vessels and cargo, maritime businesses also need to consider potential personal injury to crew members. Under U.S. maritime law, all seamen are entitled to medical treatment for any physical injury or sickness they suffer while they are working in the service of the vessel, in addition to having an independent cause of action for negligence under the Jones Act against the owner of the vessel. Treatment must last until the affected crewmember reaches their maximum medical improvement. The only exception is if the seamen acted with willful misconduct.

Cleanup from a spill — as well as the ensuing environmental concerns — are also a liability for maritime businesses. The costliest maritime accident in history was the Prestige oil spill off the coast of Galicia. Damaged by a storm, the oil tanker carrying 77,000 tons of fuel oil was refused harbor. It ultimately split in half and dumped 20 million gallons of oil in the sea. Total cost for cleanup alone was estimated to be around \$12 billion.

But perhaps more than all others, the greatest risk facing maritime industries today is cybersecurity, according to marine insurers. If a vessel — or a fleet of vessels — is disabled, it impacts the logistics systems, navigation systems and port tracking systems. Cargo can be misdelivered. Vessels can run aground or into another vessel.

The coastal region stands to benefit economically from the harbor deepening, but the risks should be considered as carefully as the rewards. In this dynamic, fast-changing and global market, maritime businesses have to be a jack of all trades. The legal and insurance liabilities facing maritime industries, while ever-present, are only exacerbated in light of the harbor deepening.

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Practice Areas

- Business & Corporate Law
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