Port-Related Infrastructure Investments Can Reap Dividends

By Kurt Nagle

IT SEEMS THE UNITED STATES WILLINGLY ALLOWS INFRASTRUCTURE TO CRUMBLE AS OTHER COUNTRIES – PARTICULARLY THE BRICS – BOLSTER THE PHYSICAL SUPPORT SYSTEMS THAT FOSTER ECONOMIC GROWTH. THE AMERICAN ASSOCIATION OF PORT AUTHORITIES IS CONCERNED OVER THE STATE OF AMERICA'S AGED TRANSPORTATION INFRASTRUCTURE SO IT'S URGING INVESTMENTS IN BOTH LANDSIDE AND WATERSIDE CONNECTIONS WITH PORTS.

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THE BURNING QUESTION ON the mind of many US lawmakers, administration officials and others is how best to stimulate the economy and spur job creation. The answer lies in focusing scarce federal resources in areas that will have the greatest impact on economic growth, immediate and long-term job creation, national security, and our current and future competitiveness in the global economy. Enhancements in seaport-related infrastructure should be a high priority among the limited investment options.

For centuries, US seaports – and the connecting waterways – have served as a vital economic lifeline, bringing goods and services to people around the world and delivering prosperity to our nation. They facilitate trade and commerce, create jobs, secure our borders, support our military and serve as stewards of valuable coastal environmental resources.

Seaports are the primary gateway for overseas trade. They're essential to economic security. As such, federal funding for infrastructure in and around ports pays dividends. Deep-draft coastal and Great Lakes ports are the nexus of critical transportation infrastructure that connects America's exporters with markets overseas, and they provide access for imports of raw materials, components and consumer goods that are a key part of US manufacturing and help define our standard of living.

Investments in America's port infrastructure and the intermodal connections that serve seaports – both land and waterside – foster prosperity and provide an opportunity to bolster the country's economic and employment recovery.

ECONOMIC IMPACT: HUGE

Currently, international trade accounts for more than a quarter of America's GDP (gross domestic product). Oceangoing vessels that load and unload cargo at US seaports move 99.4 percent of the nation's overseas trade by volume and 65.5 percent by value. Further, customs collections from seaport cargo provide tens of billions of dollars a year to the federal government, including $23.2 billion in fiscal year (FY) 2007, $24.1 billion in FY 2008, $20.3 billion in FY 2009 and $22.5 billion in FY 2010.

The latest economic impacts analyses conducted in 2007 indicated that US seaport activities generated $3.15 trillion in annual economic output, with $3.8 billion worth of goods moving in and out of seaports every day. Impact extends far beyond seaport communities. On average, any given state uses the services of 15 different ports around the country to handle its imports and exports. Also, seaports are a proven job creator.

In addition to handling international trade, US seaports – and the waterways that serve them – represent important transportation modes for the movement of domestic freight. Greater utilization of America's coastal and inland water routes for freight transportation complements other surface transportation modes – providing a safe and secure alternative for cargo while offering significant energy savings and traffic congestion relief.

VIEW FROM WATERSIDE

As US investment in its waterways infrastructure is trending downward, countries like India, Brazil and the United Kingdom commit the equivalent of billions of US dollars to port and channel modernization. The expansion of the Panama Canal slated for completion in 2014 – the first major expansion in more than a century – is driving ports around the world to deepen navigation channels and improve harbor facilities. Look at what's happening:

- India plans to invest $60 billion – including both public and private funds – to create seven new major ports by 2020. Expect this to have a substantial impact: It will handle the anticipated rapid expansion of merchandise exports, forecasted to triple by 2017.
- Brazil expects tonnage at its coastal ports to more than double (to 1.7 billion tons) by 2022. In response, the nation is committing $17 billion to port improvements (including $14 billion from the private sector).
- In Great Britain, DP World (the world's fourth-largest marine terminal operator) plans to spend $2.5 billion on London's Deep-Water Gateway, the country's first such development in the last 20 years.

Meanwhile, in the United States, public funding for new navigation channel improvements has all but dried up. Lawmakers focus on reducing the deficit and eliminating appropriation "earmarks" that have traditionally funded federal navigation deepening projects. At the same time, funding for projects already approved and underway is slow, incremental and insufficient.

Insufficient appropriations make it impossible to maintain most federal navigation channels at their authorized and

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Seaports = Job Creation

From a jobs standpoint, America's seaports support the employment of 13.3 million U.S. workers, and seaport-related jobs account for $649 billion in annual personal income. For every $1 billion in exports shipped though seaports, 15,000 U.S. jobs are created. With ambitious greening initiatives nationwide, seaports have begun generating jobs outside of their traditional sectors, such as opportunities in the environmental sciences.

An Urgent Need

Politicians must fully consider the needs of freight transportation infrastructure – including infrastructure in and around America's ports – to help reduce congestion, improve the environment, facilitate goods movement, enhance our international competitiveness, and create jobs.

Change will come when all those who care raise their voice in unison. Investments in freight transportation infrastructure pay dividends for the nation.

required dimensions. The US Army Corps of Engineers has been commissioned with the responsibility of improving and maintaining the nation's water access to ports. But while this charge comes from the US government, the federal government is less than supportive. It spends only about half of the tax that it collects specifically directed toward deep-draft channel maintenance. The rest – more than $6 billion since 1986 – has essentially been "disappeared" into the US Treasury while serious dredging needs remain neglected.

This is unfortunate at a crucial juncture. Projects to maintain these critical waterways would create jobs immediately and would provide transportation savings to benefit US businesses. With decreases in the cost of freight transportation, these sectors can enhance their global competitiveness and create more jobs. The American Association of Port Authorities (AAPA) has continually and strongly urged Congress to take action to ensure that 100-percent of the annual amount collected from the Harbor Maintenance Tax (HMT) is utilized to maintain federal navigation channels.

VIEW FROM THE LAND

In addition to navigable waterways, American businesses benefit from reliable, uncongested roads, rails, bridges and tunnels. These present a competitive advantage in the global economy by providing businesses the ability to deliver products at lower costs while reaching larger markets. And the role of international trade is only projected to increase.

As recently as 2005, the World Economic Forum ranked the United States as number-one in infrastructure economic competitiveness. Now, the US is ranked 15th. This drop down the charts should come as no surprise, considering that the United States spends only 1.7 percent of its domestic product on transportation infrastructure. Compare this to

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Infrastructure – What Lies Ahead?

In July, the American Association of Port Authorities and the U.S. Department of Commerce's International Trade Administration entered into a Memorandum of Intent to support President Obama's 2010 "State of the Union" goal of doubling US exports in five years. Creating and enhancing opportunities for US manufacturers to export their goods overseas is key to this important goal. Getting there requires enhancements to America's transportation infrastructure. For American businesses to compete internationally, they must have an efficient, cost-effective transportation system to move their goods.

In addition to funding, another major challenge of infrastructure planning is time. The US population is forecasted to grow by 100 million before the middle of the 21st century. Considering that, from conception to completion, it can take two decades or more to build a bridge, deepen a navigation channel or improve an existing highway. These are the proposed projects that need to be designed for future usage and users. We're no longer just talking about today.

To develop and implement policies and programs that will stimulate trade and business development, grow jobs, and sustain and improve America's critical gateways for global trade, the maritime and transportation communities need as many voices as possible repeating the same messages. These voices must be raised individually and together to urge federal lawmakers to adequately fund freight movement programs and reform policies to raise the priority of freight and seaport-related infrastructure. By raising the priority of seaports and their connecting infrastructure, America can achieve modern, navigable ports with efficient intermodal connections, while creating greater trade and job opportunities for both today and the future.

– Kurt Nagle, president and chief executive officer of the American Association of Port Authorities

About AAPA

Founded in 1912, the American Association of Port Authorities (AAPA) represents 150 of the leading seaport authorities in the United States, Canada, Latin America and the Caribbean and more than 250 sustaining and associate members, firms and individuals with an interest in seaports. Understanding the import that seaports have to the global economy, AAPA - and its members - seek to keep these navigable, secure and sustainable.

Canada, which spends four percent. Then look at China. It spends nine percent.

This is troubling information for the United States. Even as the global recession has forced cutbacks in government spending, other countries continue to invest significantly more than the United States in expanding and updating transportation networks. For example, China has invested $3.3 trillion since 2000 and recently announced another $105.2 billion for 23 new infrastructure projects. Brazil has invested $240 billion since 2008, with another $340 billion committed for the next three years. Consequently, China is now home to six of the world's 10 busiest ports. The United States isn't home to one. Now turn to Brazil. Its Acu Superport is larger than Manhattan Island – and it boasts state-of-the-art highway, pipeline and conveyor-belt capacity to ease the transfer of raw materials onto ships heading to China.

That's not the only bad news. According to the National Surface Transportation Policy and Revenue Commission, US freight movements are increasingly choked by a lack of capacity, and the current system of funding improvements won't even sustain what we've already built. Inadequate infrastructure hurts the economy – and the businesses, workers, farmers and consumers that drive it.

The federal government has a unique constitutional responsibility to maintain and improve the infrastructure that enables the flow of commerce, and much of that infrastructure in and around seaports has been neglected – and for too long. Federal surface transportation programs have largely ignored freight mobility and the importance of intermodal connectors that provide the link between the federal highway system and intermodal marine terminals that move goods from land to water.

To get our nation's economy back on track, we must develop a national infrastructure strategy for the future. Washington must finally pass a reauthorized multiyear transportation bill and target federal dollars toward economically strategic freight transportation infrastructure of national and regional significance. ●

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