



Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

AMERICAN ASSOCIATION OF PORT AUTHORITIES

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Before
The United States House of Representatives
Transportation and Infrastructure Committee
Water Resources and Environment Subcommittee
Hearing: *“The Economic Importance of Seaports:*
Is the United States Prepared for 21st Century Trade Realities?”

October 26, 2011

Thank you, Chairman Gibbs, for this opportunity to testify today on the topic of the economic importance of seaports to trade and whether the United States is prepared for the future. This discussion is especially important as Congress debates how to create jobs under the umbrella of controlling government spending over the next decade.

I am here today on behalf of the American Association of Port Authorities where I serve as Chairman of the Board. AAPA promotes the common interests of the port community and provides leadership on trade, transportation, environmental and other issues related to port development and operations. Founded in 1912, AAPA has nearly 100 years of involvement in port infrastructure and its importance in trade.

Since the birth of our nation, U.S. seaports and waterways that connect them have served as a vital economic lifeline by bringing goods and services to people around the world and by delivering prosperity to our nation. U.S. seaports are responsible for moving more than 99 percent of our country's overseas cargo. Today, international trade accounts for more than a quarter of America's Gross Domestic Product.

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 through seaports, 15,000 U.S. jobs are created. Seaports facilitate trade and commerce, create jobs, help secure our borders, support our military and serve as stewards of valuable coastal environmental resources.

Ports are dynamic, vibrant centers of trade and commerce, but what is most important to understand is that seaports rely on partnerships. Seaports invest more than \$2.5 billion every year to maintain and improve their infrastructure. In recent years, however, this commitment has not been adequately matched by the federal government. Federal funding for dredging federal navigation channels has slowed and decreased, especially for new construction. Further, maintenance dredging is sorely underfunded, despite a more than \$6 billion and growing surplus in the Harbor Maintenance Trust Fund. Landside improvements have also been too low a priority, with little of the highway funds going to freight transportation projects. The only bright light has been the newly created TIGER grants, although not enough of this funding benefited ports. Virginia Port Authority received a TIGER grant for its heartland project.

As we look to the future, we do know that there are challenges and opportunities. As we recover from this economic downturn, we must make investments today to address the trade realities of the future. Here are some the challenges and we have to ask: are we ready?

- The Panama Canal expansion is due to be completed in 2014 and is expected to influence trade patterns. VPA and other ports have been making investments, but federal funding has been slow to match these investments.
- Ship sizes continue to get larger, requiring on-going modernization of ports and federal navigation channels, even for ports that will not require 50 feet of depth.
- Canada and Mexico are making investments which could result in losses of maritime jobs in the U.S. as cargo enters the U.S. through these countries. We have already seen this job loss on the West Coast.
- The U.S. seeks to double exports; however countries like Brazil and Chile, who we compete against the U.S. in terms of agricultural exports, are making investments that could make their exports more competitive.
- New trade agreements with Korea, Panama and Colombia have been approved, with other trade agreements under negotiations which should result in increased exports and imports through ports.

- In addition to these near-term challenges, we know that the U.S. population is forecast to grow by 100 million – a 30 percent increase – before the middle of the 21st century. And many of the goods used by this population will flow through seaports.

So are we ready? While ports are planning for the future, the federal government has not kept pace with the industry or our international competitors. 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 have been neglected for too long. Many of our land and water connections are insufficient and outdated, affecting the ports' ability to move cargo efficiently into and out of the U.S. This hurts U.S. business, hurts U.S. workers and hurts our national economy.

Port projects take decades to plan and build and we cannot wait. Federal investments in seaports are an essential and effective utilization of limited resources, paying dividends through increased trade and commerce, long-term job creation, secure borders, military support, environmental stewardship, and more than \$200 billion in federal, state and local tax revenue. Earlier this month, the President's Council on Jobs and Competitiveness made an urgent plea for improvements in the nation's transportation infrastructure, including landside and waterside access to seaports. We cannot wait.

So what must we do? First, attached to this Testimony, you will find AAPA's letter to the Joint Select Committee on Deficit Reduction, which outlines AAPA's recommendations. The federal government must make funding for dredging a higher priority; Congress must pass a Surface Transportation bill that results in more funding for port, freight and landside infrastructure, including the TIGER program; and Congress must not cut or eliminate the Port Security Grant Program or environmental programs that benefit ports.

I will focus the rest of my testimony on the U.S. dredging program, since that is the primary jurisdiction of this Subcommittee. Federal investments are needed to both modernize and maintain federal navigational channels at ports. As you know, port users currently pay 100 percent of the cost to maintain our harbors through collection of the Harbor Maintenance Tax (HMT) and cost-share formulas. In fact, they pay almost double what is currently being spent. The most recent numbers from the Corps of Engineers show that while the President's FY 2012 budget calls for \$758 million for

harbor maintenance dredging, the trust fund revenues for FY 2011 were \$1.48 billion. This is truly unfair taxation, especially since few navigational channels are at their authorized depth and width. This injustice must be corrected. AAPA has and continues to strongly urge full utilization of the HMT. AAPA supports passage of the RAMP Act, H.R. 104, and its inclusion in the Surface Transportation bill and encourages you to help find the necessary funding to make full use a reality.

Recently, Chairman Mica announced that he has the House leaderships' approval to begin to work on finding funds to pass a broader Surface Transportation bill. This would be an excellent opportunity to solve the HMT problem as well. We commend you and your staff for drafting a Maritime title for the Surface bill. It includes several provisions that will aid in getting these projects done more quickly and equitability. But more needs to be done. We encourage you to convince the leadership that a permanent HMT solution, with long-term funding must be found.

Modernization and deepening of federal channels is another critical issue for our nation to be prepared for 21st century trade realities. There are two trends in this area which are cause for great concern. First, the funding level of the Corps of Engineers' new construction budget has decreased considerably, with the President's current request at a level that is half of what we have seen historically. This decrease comes despite the challenges noted above, such as the expansion of the Panama Canal, the need to be able to handle the current and future World fleet, our new trade agreements and America's international competitiveness. Our neighbors and competitors are not waiting. We must make this a higher priority to avoid negative consequences resulting in job loss, worsening road congestion, and less competitive exports.

Some may suggest that we should concentrate federal investment in just a few ports, but we must take a closer look at the diversity of port cargo and the impact of only deepening a few ports. A container port, normally doesn't handle significant bulk cargo, dangerous cargo or refrigerated cargo. Additionally, often smaller ports are located near key U.S. manufacturers to aid in their imports and exports. Each of our 50 states relies on 13-15 seaports to handle its imports and exports. Concentrating port activity to a smaller geographic area will result in increased transportation costs and more congestion on roads and rails. Total throughput should not be the only calculation in determining federal investment.

The second troubling trend that impacts our ability to be ready for the challenges of the future is the time it takes to complete new projects. Ports are growing increasingly wary of the time it takes to complete a project. The new norm is decades, with costs rising with each delay. There are a multitude of reasons for these delays, including a long, slow approval process, lack of funding which results in small amounts of funding for each project, and lack of expertise at the Corps. We must make port modernization a higher priority in our future funding. Maritime movement of cargo is the most cost-effective way to move cargo, and we should be encouraging this through adequate federal investments and funding.

Another area that would assist seaports in preparing for growth is to achieve a permanent waiver of the Alternative Minimum Tax. Currently, purchasers of bonds offered by public port authorities are subject to the tax and cause ports to have to heavily discount the bonds to be competitive in acquiring funds for infrastructure projects. This obviously increases costs and diverts funds that otherwise would be used for port infrastructure and new job creation. We ask the members of this committee to support efforts in the House by Congressman Neal and others to fix this problem.

As our nation recovers from its economic troubles, we know that cargo growth will expand as well. As our nation invests in infrastructure, we must ensure that ports and their needs are high on the list. This includes landside investments, TIGER investments, short sea shipping investments and dredging. We are at a critical time for this nation. We face enormous challenges and ports are making the necessary investments to build and maintain a world-class maritime transportation system, which supports U.S. jobs, our global competitiveness, and our economy. We need our federal partner to make that commitment, too. We urge your Committee to serve as advocates for port infrastructure so that we can meet the challenges for today and tomorrow.