The Cost of Doing Nothing: Why Investing in Our Nation's Infrastructure Cannot Wait

American Association of Port Authorities (AAPA)
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Chairman DeFazio and Ranking Member Graves, thank you for allowing the American Association of Port Authorities (AAPA) to submit testimony to this timely hearing. AAPA looks forward to working with you both throughout the 116th Congress.

It is a critical time for making needed federal investments in the nation's port-related infrastructure. Rising freight volumes on all three coasts and the Great Lakes means we must upgrade our waterside and landside infrastructure to accommodate larger ships and the accompanying freight volume and passenger surges. AAPA members have identified $66 billion in landside, waterside and inside the gate funding needs over the next ten years. We are submitting an overview and breakdown of these needs for the record. AAPA is also submitting the FAST Act Reauthorization Platform for the record.

Nowhere is there such a stark example of our country's infrastructure needs and the failure to keep pace with our growing economy than with freight- and port-related infrastructure investments.

To put our national *state of freight* into perspective, it's been more than 60 years since President Eisenhower proposed and began building out the Interstate Highway System in 1956. But until the FAST Act, freight had not been fully considered or realized as a national policy priority.

However, during the same 60-year period, there have been eight evolutions of the containership, starting with vessel capacities of 500 twenty-foot equivalent units (TEUs), evolving to ships with capacities of 18,000 TEUs and beyond, which are as high as a New York skyscraper and as wide as a 10-lane freeway. This means that that shipping industry has reinvested in their ships eight times, while our country has relied upon essentially the same infrastructure to accommodate and facilitate an astronomical growth in freight volumes. While the ports and private sector have been and continue to modernize and invest, it has been the federal investment in infrastructure and modernization that's been lacking to fully connect and upgrade the connecting port infrastructure to the surface transportation network.

Maritime cargo volumes have also seen marked increases over the past six decades and have continuously impacted our freight infrastructure. Total U.S. waterborne tonnage roughly doubled between 1956 and 2017, but this is due almost entirely to U.S. foreign trade growth which has seen nearly a 500 percent increase during that time frame, based on U.S. Army Corps of Engineers data.

In the last 17 years alone, container volumes have increased by 71 percent, passengers through our cruise port terminals increased by 98 percent, and total foreign trade in short tons increased by 37 percent.

Ports are national resources and we must invest in them as a nation. Communities adjacent to ports and inland states rely on us for jobs and to connect them to the global economy, as well as to the occasional vacation aboard a cruise ship.

The infrastructure investments we make at ports, be it highway connectors or rail access projects, directly impact our partners in the rail and trucking industry. Just as important, targeted investments at maritime facilities provide a level of certainty and efficiency to a growing and interconnected supply chain.

Ports are the initiators and facilitators of the supply chain. Mega shipping alliances, operating mega-large vessels, have a cascading effect when their ships arrive at U.S. ports. This includes the need for larger cranes to load- and off-load containers, additional port-related labor, more chassis on which to move the containers in, out and around the terminals, and adjusting truck gate times to address the changing work load.

In 2015, America's seaports took a big step forward after passage of the FAST Act. With the creation of two funding programs; *Projects of Highway and Freight Significance* (discretionary) and *National Highway Freight Program* (formula), the FAST Act provided a total of $11 billion in dedicated freight funding over five years. However, of that total, only $1.13 billion is multimodal eligible, far below what is needed to build out a 21st century multimodal freight network. Only $200 million of multimodal eligibility remain for the INFRA program.

Last year, in *The State of Freight III* report, AAPA members identified more than $20 billion in multimodal funding needs for public port authorities <u>alone</u> over the next decade. A top priority for the port industry continues to be multimodal funding.

The immediate challenges confronting the freight programs are funding levels and project eligibility. The current freight programs are funded out of the Highway Trust Fund, which means that eligible projects are primarily highway focused. Highways are important to our freight network, but ports are multimodal facilitators, meaning trains, trucks, ships and barges all need access to them.

To build off the work in the FAST Act, AAPA recommends that all freight program funding should be 100 percent multimodal. A first step in accomplishing this would be to lift the multimodal cap on the INFRA grants and the formula program.

As Congress begins the process of reauthorizing the FAST Act, MARAD has several freight infrastructure programs that are important tools to be included and leveraged within the national freight portfolio. Specifically, the *America's Marine Highway* and the *Port Infrastructure Development* programs are currently authorized initiatives that will need to be revised, updated and refocused to meet the evolving supply chain needs of the multimodal freight network. AAPA is very supportive and appreciative of the recently passed FY 19 THUD appropriations bill which included $292.7 million in the Port Infrastructure Development account. AAPA looks forward to continuing to work with both the authorizing and appropriations committees during the reauthorization process and during future appropriation cycles on this program.

As stated in the previous paragraph, AAPA strongly supports Senate Commerce, Science and Transportation Committee Chairman Roger Wicker's PORTS Act, which updates MARAD's *Port Infrastructure Development Program* to provide resources to ports for first- and last-mile multimodal projects that connect ports to the surface transportation network. We would also like to work with the committee in updating *America's Marine Highway Program* so that it can meet the needs of ports and shippers and continue to be a viable supply chain tool. AAPA recommends that Congress include these programs as a maritime supply chain title in the next reauthorization bill.

Having additional maritime freight supply chain resources and updating the existing authorizations will leverage existing resources and programs, providing a more comprehensive approach to building out a 21st century freight network.

An example of refreshing prior authorizations from the last reauthorization bill would be the inclusion and consolidation of the *Federal Railroad Administration* (FRA) grant programs into the *CRISI* program in the FAST Act. In this program, multimodal and port rail access are eligible projects. In AAPA's *The State of Freight III – Rail Access and Port Multimodal Funding Needs Report*, a third of ports identified pressing rail project needs that will cost more than $50 million over the next decade. In fact, rail access is so important to the port and supply chain industry that within this same time frame, 77 percent of ports said they are planning on-dock, near-dock or rail access projects.

Additionally, AAPA strongly supports the multimodal USDOT grant programs such as BUILD, CRISI and INFRA grants. But the BUILD program, and its TIGER predecessor, has been more than just a discretionary program to the port industry. It was the first program that ports were eligible for and is multimodal. It also brought ports into the surface transportation fold, which meant that whether ports received a TIGER/BUILD grant or not, they were encouraged to coordinate a project with their state and local MPO before submitting it. That meant ports were becoming part of the planning process and freight was beginning to get a seat at the table.

Further, international trade through seaports accounts for over a quarter of the U.S. GDP. At the center of trade and transportation are America's seaports, which handle approximately $6 billion worth of import and export goods daily, generate over 23 million jobs, and provide more than $320 billion annually in federal, state and local tax revenues. Seaports also are projected to handle nearly 12 million cruise passengers from around the country and around the world.

While highly supportive of the BUILD program, AAPA is concerned that port states are penalized by the 10 percent maximum per state called for in previous appropriation bills, as well as the set asides for metropolitan and rural areas. Because seaports have such a national and international reach – ports are national infrastructure resources that support metropolitan and rural supply chains – that any port project award should not count against a state, rural or metropolitan cap.

Long-term, sustainable multimodal funding is critical, and we encourage you to start looking at solutions. AAPA has endorsed the concept of a one-percent waybill fee as an equitable approach to provide immediate and long-term funding for multimodal freight infrastructure challenges. Additionally, AAPA supports a gas tax increase as well as a Vehicle Miles Traveled (VMT) program. With all increased funding, AAPA recommends that any new funding be multimodal eligible. AAPA also strongly supports Chairman Peter DeFazio's Penny for Progress legislation and looks forward to working with him to get it enacted.

The Build America Transportation Investment Center, or BATIC, which was codified in the FAST Act, can also be a tool for ports to explore ways to access private capital in public-private partnership. The *Rail Rehabilitation Innovation Financing* (RRIF) program has been in existence since 2002, and only late last year did a port (Port of Everett) receive a RRIF loan. One recommendation to make RRIF more accessible to ports is to provide 100 percent financing. AAPA members responded that there were potentially 75 BUILD/TIGER projects that would become RRIF-financed projects if the financing fee was removed.

On the operational front, the federal government has a vital role to play with freight flow performance. For our ports to perform efficiently, CBP must be adequately funded and staffed. In 2015, the last time CBP was funded to hire additional staff, only 20 of 2,000 staff were assigned to seaports. As an industry, with growing volumes in freight and passengers, we would like to see, at a minimum, annual hiring of CBP staff to 500 annually, over and above attrition. This may sound like an appropriations or Homeland Security issue, but it is a supply chain problem.

Another supply chain challenge is proper maintenance of federal navigation channels. AAPA has a legislative proposal to make full use of Harbor Maintenance Tax (HMT) revenues, based on a fair and equitable funding framework that was agreed to last year by the nation's public ports. The current system to maintain federal navigation channels to our nation's ports is broken and must be fixed. A comprehensive solution must provide both full use of the annual HMT revenues, as well as address tax fairness and cargo diversion problems.

Last year, after years of debate, AAPA identified a comprehensive proposal to fix the HMT problems. It calls for guaranteeing full use of the annual revenues of the HMT and outlines a funding structure for HMT spending that ports agreed would be fair and equitable. It makes maintenance the highest priority, provides protections to address small port and regional port needs, provides increasing equity to large HMT donors that subsidize the system, and acknowledges Congress's priority to provide support to energy transfer ports. AAPA urges this HMT solution be enacted.

Finally, in response to the Administrations infrastructure investment program, AAPA identified $66 billion in maritime infrastructure needs, $34 billion on the waterside and $32 billion on the landside of ports. The waterside includes full use of HMT revenues over the next ten years, estimated at $18.6 billion – use the $9 billion HMT paid, but unappropriated funds to maintain Federal navigation channels, $3.1 billion for Congressionally authorized navigation channel improvements passed in recent WRDA's and an additional $3.1 billion for projects currently under study to receive authorization during this 10-year period. The landside includes $29 billion for vital road and rail connectors to ports and $3.2 to improve port facility infrastructure.

AAPA looks forward to working with you throughout the 116th Congress.