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

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U.S. House Committee on Transportation and Infrastructure
Subcommittee on Highways and Transit

Hearing on
"Improving and Reforming the Nation's Surface Transportation Programs"

Thank you for the opportunity to submit this written testimony for the hearing record. Founded in 1912, AAPA is an alliance of the leading public ports in the Western Hemisphere. Our testimony today reflects the views of our U.S. members.

Seaport Access is Undeniably in the Federal Interest

From the earliest days of our nation, there has been a clear and consistent federal role and national interest in developing and maintaining landside and waterside connections to America's seaports. This vital transportation infrastructure literally connects American farmers, manufacturers and consumers to the world marketplace. Particularly in these challenging economic times, it is crucial that basic, core federal missions, that directly impact America's economic vitality, jobs, and global competitiveness, be recognized and prioritized.

Investments in America's port infrastructure and intermodal connections – both land and waterside – are strongly in the federal interest and provide an opportunity to bolster the country's economic and employment recovery and help sustain long term prosperity.

More than a quarter of the U.S. GDP is accounted for by international trade. 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.

Ports are doing their share by investing more than $2 billion annually in capital improvement projects on their terminals. Despite these substantial investments by ports, inadequate infrastructure connecting ports to landside transportation networks and water-side shipping lanes often creates bottlenecks in and around seaports resulting in congestion, productivity losses, and a global economic disadvantage for America.

These congestion issues and productivity losses have the potential to stymie our ability to compete. The pending Free Trade Agreements with South Korea, Colombia and Panama provide a huge opportunity for increasing exports and improving the economy. However, when transportation costs rise due to inadequate infrastructure, our exports become less competitive.

As this Committee considers and identifies core federal missions, we urge you to elevate freight mobility issues and intermodal connectivity to a high priority in this authorization bill.

AAPA has detailed policy recommendations for reauthorization. In my testimony I will highlight a few areas and request that our policy paper be included in the record.

National Freight Policy

In this reauthorization, it is critical that Congress place an emphasis on alleviating freight congestion and provide a mechanism for planning future investments. AAPA urges the implementation of a national freight policy which coordinates with state freight transportation agencies to ensure that implementation and national freight connectivity and capacity goals are met. AAPA strongly recommends that a formula-driven state administered freight program complimented by a federal merit-based investment component to address projects and corridors of national and regional economic significance be included in reauthorization legislation. This merit-based concept was first introduced as part of SAFETEA-LU and was known as the "Projects of National and Regional Significance Program." The program was entirely earmarked and was never implemented as intended. Port Authorities should be eligible to apply directly for project funds through the aforementioned federal and state freight programs.

Port-Related Infrastructure

AAPA strongly recommends that a National Infrastructure Investments (NII) style program be authorized and that a minimum of 25 percent of the available funding be dedicated to port-related infrastructure needs. AAPA supports the NII which has provided discretionary grants for port infrastructure projects. This type of program is the only direct and merit-based federal funding source for port-related infrastructure. Efficient seaports are truly in the federal interest and are critical to U.S. export expansion, international commerce and the global competitiveness of the U.S. economy. Port infrastructure projects, including those that improve landside connections to seaports, are prime candidates for programs like the NII. Federal investments in port-related infrastructure create jobs, spur U.S. exports, enhance the environment, and improve American quality of life.

Funding for Intermodal Freight Connectors

Funding for National Highway System intermodal freight connectors is vital to port efficiency and cargo mobility. The deficiencies of these roads and bridges that connect seaports to the Interstate System and main-line rail networks have not been adequately addressed in the traditional planning and funding processes of States and MPOs.

Roads and rail converge in port areas, often at the same grade, causing congestion and delays as cars and trucks wait for freight trains to clear intersections. As a result, delayed idling vehicles exacerbate negative air quality impacts on the surrounding communities. Many of these roads are in disrepair, have inadequate turning radii, and are generally not fit for the volume of freight traffic they must endure. For these reasons, connector roads and highway access infrastructure around ports are often the weak link in the goods movement network and must be addressed through programs specifically directed at these issues.

NHS freight connectors were determined to be in the worst condition of any roads on the National Highway System and yet are among the most important to our economy, national defense and global competitiveness. As you discuss how to reorganize the existing programs to meet vital infrastructure needs in the federal interest, AAPA strongly recommends that a more targeted way to maintain and improve capacity along these vital connections be included.

Investments in Freight Rail

Investments in freight rail will make the system safer and more efficient, improve environmental sustainability and encourage competitive rail access to seaports. The federal surface transportation program should provide tax credit incentives for main-line and short-line railroads to invest in port access. Legislation should also include a grant program with a cost-share (federal/railroad) for projects with both public and private benefits. In addition, the national freight program should define freight corridors of national significance that are eligible for rail investment. To execute these investments effectively, additional expertise on rail access issues within state departments of transportation and MPOs is imperative.

Development of Marine Highways

The improvement and new development of marine highways will alleviate highway congestion and improve environmental sustainability. A number of steps will be required to effectively catalyze the development of a system of marine highways. Harbor Maintenance Tax exemptions for certain U.S. port-to-port cargo must be enacted by Congress to eliminate a current federal "disincentive" to short sea shipping. Federal funding support for establishing short sea shipping services and incentives for shippers using "greener" modes of transportation would serve as public and private sector economic incentives to help jump-start marine highways. Establishing a new program similar to the ferry boat discretionary program and encouraging more utilization of current federal programs – such as the Congestion Mitigation and Air Quality (CMAQ) Improvement Program – to fund projects for short sea shipping services, would also have a catalyzing effect. Marine highway development could also benefit from a reassessment of federal shipbuilding programs with a focus on how they could support marine highway development. An understanding and expertise at the state/MPO level on marine highway alternatives and benefits is necessary to executing programs and projects in this area.

Program Reform and Project Delivery

With regard to program reform, AAPA supports a performance-based approach which consolidates the existing 108 surface transportation programs into 10 programs (one of which should focus on freight transportation) as recommended by the National Surface Transportation Policy and Revenue Study Commission and AASHTO. AAPA also supports establishment of a multi-modal freight office that reports to the Office of the Secretary at the United States Department of Transportation.

AAPA supports improving project delivery by addressing environmental review inefficiencies and National Environmental Policy Act (NEPA) redundancies that cause project delays and cost overruns, including delegating NEPA responsibilities to appropriate state agencies.

Funding Mechanisms

AAPA believes that a combination of funding mechanisms will be necessary to address freight mobility needs in the U.S. These funding mechanisms should not disadvantage U.S. exports nor hinder ports in their ability to remain competitive.

Supported funding mechanisms include:

- A share of revenue from customs duties devoted to funding freight mobility infrastructure improvements
- An increase in the gas tax and a future indexing mechanism as recommended by the National Surface Transportation Policy and Revenue Study Commission with a percentage of the new proceeds dedicated to funding freight mobility infrastructure improvements
- An increase in the diesel tax, and a future indexing mechanism with a majority of the new proceeds dedicated to freight mobility infrastructure improvements
- A portion of any carbon tax or climate change program revenues be made eligible for investments made by freight transportation to reduce its carbon footprint
- Public-Private Partnerships (PPP) where each sector pays in proportion to the benefits they derive from the capacity generated by the infrastructure

AAPA believes that if a freight trust fund is created under this surface transportation authorization, it should be fully spent on freight transportation and not used for deficit reduction. Appropriate projects that are freight-related should still be eligible to compete for other federal funding sources.

Conclusion

Improving the freight transportation system, particularly port-related infrastructure, helps strengthen our nation's international competitiveness and our ability to accommodate trade growth. As Congress looks to spend limited dollars on priorities that are in the federal interest and provide America with sizable returns, we believe that targeting investments toward the freight transportation system will pay dividends in short and long term economic prosperity.

Thank you for the opportunity to include this testimony as part of the written record of this hearing.

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Government Relations Priorities

Surface Transportation Authorization

For centuries, seaports have served as a vital economic lifeline by bringing goods and services to people and enhancing overall quality of life. Each year seaports throughout the Western Hemisphere generate trillions of dollars of economic activity, support the employment of millions of people, and import and export more than 7.8 billion tons of cargo, including food, clothing, medicine, fuel, building materials, consumer electronics, and toys. The volume of cargo shipped by water is projected to dramatically increase over the coming decades, and the number of passengers traveling through our seaports continues to grow. Seaports facilitate the export of American-made goods, which are increasing, and essential to the recovery of our economy. To meet these demands, the American Association of Port Authorities (AAPA) and its members look forward to partnering with the Administration and Congress to strengthen the infrastructure that will create jobs, alleviate congestion, reduce pollution and deliver prosperity.

AAPA supports the creation of a national freight program that includes:

- Funding for projects and corridors of national and regional economic significance based on cost/benefit analysis which considers externalities (including environmental impact) and encompasses all modes and existing corridors as well as new ones
- The American Association of State & Highway Transportation Officials (AASHTO) recommended the State Freight Transportation Program and National Freight Corridors Investment Fund with the stipulation that port authorities are a key part in the planning process in both the federal and state programs
- Port Authorities should be eligible to apply directly for project funds through the aforementioned federal and state freight programs
- Funding for intermodal freight connectors (highway, maritime, rail) which are vital to port efficiency and cargo mobility
- Investments in rail and the development of marine highways (more specifics on these below)
- Expertise at the state/metropolitan planning organization (MPO) level on marine highway alternatives/benefits, as well as dedicated freight offices with coordinators, programs, and funds that support what is devolved down from the federal level

AAPA strongly recommends that a "TIGER-style" program be authorized and that a minimum of 25 percent of TIGER funding be dedicated to port-related infrastructure needs. AAPA has supported the "TIGER" program begun under the American Reinvestment and Recovery Act and continued through appropriations to provide discretionary grants utilizing U.S. general treasury funds for port infrastructure projects. This program is the only general federal funding source for port-related infrastructure. This infrastructure is critical to U.S. exports and the competitiveness of the U.S. economy.

With regard to program reform, AAPA supports a performance-based approach which consolidates the existing 108 surface transportation programs into 10 programs (one of which is freight transportation) as recommended by the National Surface Transportation Policy and Revenue Study Commission and AASHTO. AAPA also supports establishment of a multi-modal freight office that reports to the Office of the Secretary in the United States Department of Transportation.

AAPA supports improving project delivery by addressing environment review inefficiencies and National Environmental Policy (NEPA) redundancies that cause project delays and cost overruns, including delegating NEPA responsibilities to appropriate state agencies.

AAPA supports investments in freight rail that make the system safer and more efficient, improve environmental sustainability and encourage competitive rail access to ports. The federal surface transportation program should**:**

- Provide tax credit incentives for main line and short line railroads to invest in port access
- Include a grant program with cost-share (federal/railroad) for projects with both public and private benefits
- Define freight corridors of national significance that would be eligible for rail investment (Increase expertise in state departments of transportation and MPOs on rail access issues)

AAPA supports the development of marine highways that alleviate highway congestion and improve environmental sustainability through**:**

- Harbor Maintenance Tax exemptions for certain U.S. port-to-port cargo
- Federal funding support for short sea shipping services
- Establishment of a new program similar to the ferry boat discretionary program and encouraging more utilization of current federal programs – such as Congestion Mitigation and the Air Quality (CMAQ) Improvement Program to fund projects for short sea shipping services
- Incentives for shippers (e.g., green tax credit)
- Development of expertise at the state/MPO level on marine highway alternatives/benefits
- Reassessment of federal shipbuilding programs, exploring how they could support marine highway development

AAPA believes that a combination of funding mechanisms will be necessary to address freight mobility needs in the U.S. These funding mechanisms should not disadvantage U.S. ports in their ability to remain competitive. Supported funding mechanisms include:

- A share of revenue from customs duties devoted to funding freight mobility infrastructure improvements
- An increase in the gas tax and a future indexing mechanism as recommended by the National Surface Transportation Policy and Revenue Study Commission, with a percentage of the new proceeds dedicated to funding freight mobility infrastructure improvements
- An increase in the diesel tax, and a future indexing mechanism with a majority of the new proceeds dedicated to freight mobility infrastructure improvements
- A portion of any carbon tax or climate change program revenues be made eligible for investments made by freight transportation to reduce its carbon footprint
- Public-Private Partnerships (PPP) where each sector pays in proportion to the benefits they derive from the capacity generated by the infrastructure

AAPA believes that if a freight trust fund is created under this surface transportation authorization, it should be fully spent on freight transportation and not used for deficit reduction. Appropriate projects that are freight-related should still be eligible to compete for other federal funding sources.

If Congress adopts a port cargo fee to pay for freight projects, it must be levied over all types of cargo, including imports and exports, and should be structured as noted below. AAPA is strongly opposed to a fee based solely on containerized cargo, because it is inequitable. Freight projects benefit the movement of all types of cargo. If a broader port cargo fee is adopted by Congress, the structure of the fee should reflect the following recommendations**:**

1) for port authority cargo, all revenues collected should be returned to the port authority where the fee was collected to be used for projects directly benefiting freight mobility;

2) be levied over all types of cargo, including both imports and exports;

3) assessed at all international points of entry (air, land and sea);

4) provide ports the discretion to "opt-out" from the fee program, and

5) The fee should not negatively affect the nation's bulk or breakbulk export products (e.g., grain, coal, paper products), making these commodities uncompetitive in international markets.

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