



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

AMERICAN ASSOCIATION OF PORT AUTHORITIES

1010 Duke Street • Alexandria, VA 22314

Phone: (703) 684-5700 • Fax: (703) 684-6321

Testimony of Kurt J. Nagle

**President and CEO of the
American Association of Port Authorities**

**Before
The United States House of Representatives
Appropriations Committee
Energy and Water Development, and Related Agencies Subcommittee**

***Budget Hearing - U.S. Army Corps of Engineers –
Assistant Secretary, Chief of Engineers
Wednesday, March 7, 2012, 2:00 P.M., 2362-B Rayburn***

March 7, 2012

Thank you, Chairman Frelinghuysen, for this opportunity to present written testimony today on the topic of the Corps of Engineers budget for Fiscal Year 2013. This is especially important as Congress debates how to create jobs and spur the economy under the umbrella of controlling government spending over the next decade.

We write today on behalf of the American Association of Port Authorities where I serve as President and CEO. 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 a century 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 and seaport activities 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 and 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 \$8 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.

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 that cause us to ask: Are we ready?

- 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.
- Can Likewise, Panama is investing to meet these new realities, with the Panama Canal expansion due to be completed in 2014. Seaports have been making investments in the billions, but federal funding has been slow to match these investments.
- The U.S. seeks to double exports; however countries like Brazil and Chile, who 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? The work of this subcommittee will play a large part in responding to that question. 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, particularly the capacity of the federal channels which affects 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. We must realize greater transportation savings to move in a positive economic direction. That means dredging to maintain existing federal channels and dredging to deepen to more effective channel dimensions where it makes economic sense.

Port deepening 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. The federal government must make funding for dredging a higher priority.

The President's budget request of \$4.7 billion falls far short of meeting the nation's water resources development needs. When the federal channel deepening project currently under construction for New York/New Jersey completes, it appears that the Corps may be out of the navigation channel construction business. Of equal concern, the President's request regarding the uses and draw from the Harbor Maintenance Trust Fund (HMTF) of \$848 million includes only about half of the required funding for navigation channel maintenance, in spite of adequate annual tax collections from channel users. AAPA strongly believes the HMTF should be fully utilized for its intended purpose of maintaining federal navigation channels.

Developing and maintaining federal navigation channels is the most federal of all the Corps' missions. Predating the nation itself, the Continental Army was tasked by General Washington to clear waterways for navigation. The mission was memorialized in the Commerce Clause of the Constitution (Section 1, Article 8). Maintaining our federal channels to their authorized and required dimensions is a critical part of maximizing the contributions the Corps and seaports make to our national economy.

In addition, this is a critical component of the nation's economic security and competitiveness in world trade. Currently, only two of the nation's top seaports are dredged to their authorized dimensions, and those two, Los Angeles, California, and Long Beach, California, are naturally deep ports with relatively low rates of sedimentation. Lack of adequate maintenance dredging is a critically unmet need that affects all four coasts. The problem has become acute on the Great Lakes, and on the East and Gulf Coasts. We have been advised by the Corps that the annual tax collection of about \$1.5 billion is sufficient to meet those needs.

We believe there is a pressing need for legislation to fully use the HMTF annual revenue and preserve and assure that the funds are made available annually for the intended purpose -- maintenance of our nation's federal channels. We encourage you to convince the leadership that a permanent HMT solution, with long-term funding must be found. We agree that stripping funding from other parts of the Corps budget is not the solution. Fully utilizing HMT revenues for their legislated purposes would create sizable benefits in terms of America's international competitiveness, as well as restore trust that taxes or fees created by Congress to fund specific programs are in fact used for those purposes. In addition, fully apportioning HMT collections for the legislated and intended purposes will reaffirm Congress' original intent when it established the tax a quarter century ago and will send a strong signal that this Congress intends to recognize and reaffirm the commitment that taxes or fees collected for a specific purpose will in fact be directed toward that program and not redirected to other budget areas.

Modernization and deepening of federal channels is another critical issue for our nation to be prepared for the 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 less than half of what we have seen historically. This decrease comes despite the challenges noted above, the need to be able to handle the current and future World fleet, the expansion of the Panama Canal, 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. Often a container port 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 about 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 resources to maintain 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 effective federal project development processes, investments and funding.

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. We are in a critical time for our nation. We face enormous challenges, and ports are making the necessary investments to build and maintain a world-class maritime transportation system which support U.S. jobs, our global competitiveness, and our economy. We need our federal partner to make that commitment, too. We urge your subcommittee to serve as advocates for waterside port infrastructure so that we can meet the challenges of today and tomorrow.