

2010 WCI Waterways Seminar
***“The Importance of Surface Transportation
Reauthorization to Navigation”***

February 23, 2010

Kurt J. Nagle
President & CEO
American Association of Port Authorities



Seaports
Deliver
Prosperity

American Association of Port Authorities
703.684.5700 • www.aapa-ports.org

- Thank you. I'm pleased to have the opportunity to share with you AAPA's position on the importance of efficient and competitive intermodal infrastructure to our nation's inland and coastal navigation system. Enhancing these freight connections is vital to America's immediate and long-term economic prosperity, and should be a priority in the next surface transportation bill authorization.

AAPA Overview



Committed to keeping seaports navigable/secure/sustainable

- *AAPA a hemispheric alliance of 160 port authorities; 86 in U.S.*
- *Association promotes info sharing/education & training*
- *Advocacy & representation in Washington*

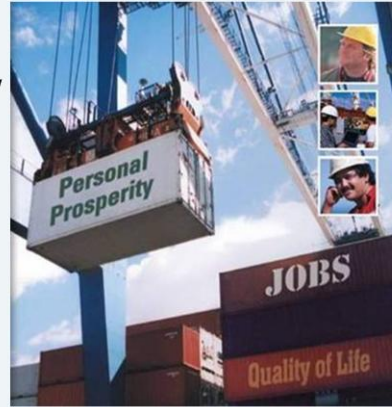



- Just as a brief overview, AAPA is trade association representing 160 of the leading public port authorities in the United States, Canada, Latin America and the Caribbean. Here in the U.S., we represent 86 of the country's largest public port authorities.
- AAPA also represents more than 300 individuals, businesses and related organizations that support the port industry.
- In addition to advocating on issues related to seaport development and port operations, AAPA also:
 - facilitates relationship building and information exchanges between members and nations;
 - provides education and training programs, seminars and workshops;
 - and works to inform the public, media, and policymakers about the essential role ports play within the global transportation system.
 - To that end, we've initiated an expanded seaport industry Awareness Initiative with the theme, "Seaports Deliver Prosperity."
- AAPA is committed to helping its member ports be competitive. navigable, secure and sustainable.

Seaports Deliver Prosperity

For centuries, seaports have served as a vital economic lifeline

- *In 2007, U.S. seaports generated \$3.2 trillion of business activity and supported 13.3 million high-paying jobs*
- *International trade now generates about 1/4 of U.S. GDP*
- *Seaports spend over \$2 billion/year on infrastructure, but federal investment needed in port-related infrastructure*



- Throughout civilization, seaports have served as a vital economic lifeline for the movement of goods and services to people around the world.
- Of the nearly \$3.2 trillion of total economic output attributed to U.S. maritime activities in 2007, \$73.5 billion was revenue from businesses dependent on seaports. U.S. seaports also supported some 13.3 million family-wage jobs.
- While airports are great at moving low volumes of very high value cargo, seaports are responsible for handling the vast majority of overseas goods—more than 99% of it—including food, clothing, medicine, fuel, building materials, electronics, toys and military freight. U.S. ports also enable some 10 million Americans a year to take cruise vacations.
- Port authorities and their business partners are investing more than \$2 billion a year in marine terminal capital improvements that are helping them handle freight and cruise passengers more efficiently. But much more is needed to ensure efficient freight mobility on land and water.

Seaports are a Vital Freight Moving Asset

Modern, safe, navigable shipping channels crucial to international trade & national economic prosperity

- *Larger vessels need deeper, wider channels*
- *Make full use of HMT to maintain federal channels at required depths & widths*
- *More federal investment needed to help keep U.S. competitive globally*



- On the waterside, with ships getting increasingly larger, dredging the deep-draft navigation channels is more crucial than ever, both to maintain the existing channel depths and widths, and to expand them. This is important to inland waterways users too since more than half of the country's grain and oilseed exports move on the inland waterways for transport to ports for loading onto deep-sea vessels.
- Yet, the U.S. government doesn't fully utilize the federal Harbor Maintenance Tax for its intended purpose—to pay for navigation dredging. Since its inception in 1986, this tax has too often been used for other programs while serious dredging needs have been neglected.
- To provide incentives for removing cargo from America's most congested roadways and putting it on the water, AAPA advocates eliminating the domestic portion of the Harbor Maintenance Tax. Doing so will make shipping domestic freight by water more affordable, promoting the more environmentally friendly short-sea shipping option while helping alleviate highway traffic congestion on some of America's busiest highways.
- AAPA believes that these investments aren't only critical from an efficiency, safety and environmental standpoint, they will create jobs and help construction and engineering businesses, small and large, immediately. This is also the position of the 17-member Freight Stakeholders Coalition, which AAPA co-chairs.

Making Freight Transportation A Priority

Modern goods movement infrastructure is vital to international trade, America's economic prosperity

- *Investing in freight transportation infrastructure imperative for meeting nation's economic demands*
- *For the industry, AAPA supports a national freight policy & funding for intermodal connectors and projects/corridors of national/regional significance*



- Because of seaports, everyone from farmers to small business owners to large-scale manufacturers can compete in the global marketplace.
- Investing federal, state, local and private resources into infrastructure that serves ports – on both the land- and water-side – is imperative for meeting the nation's consumer and business demands.
- I encourage you to join AAPA in supporting a comprehensive national freight policy and increasing funding for projects and corridors of national and regional significance in the next surface transportation reauthorization.
- Our policy platform also supports intermodal freight connectors, public-private partnerships, rail expansion, and more freight expertise and funding at the state level. And, as I stated earlier, we encourage federal support for marine highways, including elimination of the HMT for U.S. port to port cargo moves, in order to provide a federal incentive for domestic short-sea shipping that would help alleviate highway congestion and improve environmental sustainability.
- The Inland Rivers Ports & Terminals recently came out with a policy position urging DOT to “consider the eligibility of inland river ports and non-structural navigation, asset modernization and ‘last mile’ intermodal freight connections into the Surface Transportation Act reauthorization.” IRPT further urges DOT “to consider the public socio-economic benefits of waterway transportation in the forms of reduced highway congestion and reduced pollution emissions in the evaluation of its priorities.”

AAPA's Surface Transportation Reauthorization Guiding Principles

Create a National Freight Program that . . .

- *Funds projects & corridors of national/regional significance*
- *Funds intermodal freight connector projects at state and national level*
- *Allows ports to apply directly for project funds*
- *Requires state/MPO level expertise on freight transportation & marine highway alternatives*

Let's look more closely at AAPA's guiding principles for reauthorization of surface transportation legislation. To begin, we support creation of a comprehensive National Freight Program that:

- Includes funding for projects and corridors of national and regional economic significance based on a cost/benefit analysis which considers externalities (including environmental impacts) and encompasses all modes and existing corridors as well as new ones.
- Follows AASHTO's recommendation for 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.
- Makes port authorities eligible to apply directly for project funds through the above-mentioned federal and state freight programs.
- Includes funding for intermodal freight connectors (highway, maritime, rail) which are vital to port efficiency and cargo mobility.
- Includes investments in rail and the development of marine highways.
- And, requires expertise at the state/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's Surface Transportation Reauthorization Guiding Principles

Program Reform should . . .

- *Consolidate existing 108 programs, including one focused on freight transportation*
- *Establish multi-modal freight office in U.S. DOT*

Project Delivery should . . .

- *Address environmental review inefficiencies*
- *Address NEPA redundancies*
- *Delegate NEPA responsibilities to state agencies*

- 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 at the US Department of Transportation.
- AAPA supports improving project delivery by addressing environmental review inefficiencies and NEPA redundancies that cause project delays and cost overruns, including delegating NEPA responsibilities to appropriate state agencies.

AAPA's Surface Transportation Reauthorization Guiding Principles

Develop marine highways that alleviate highway congestion & improve environmental sustainability through . . .

- *HMT exemptions for port-to-port cargoes, including container-on-barge*
- *Federal funding support for short-sea shipping services*
- *Incentives for shippers (e.g., green tax credit)*
- *Development of expertise at state/MPO level on marine highway alternatives/benefits*

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

- Harbor Maintenance Tax exemptions for most U.S. port-to-port cargo, including container-on-barge;
- Federal funding support for short sea shipping services;
- Incentives for shippers using marine highways, such as green tax credits; and,
- Development of expertise at the state/MPO level on marine highway alternatives/benefits.

AAPA's Surface Transportation Reauthorization Guiding Principles

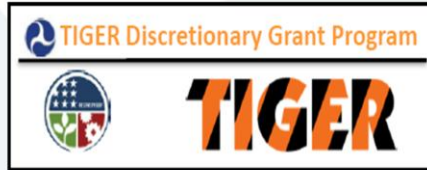
Funding freight infrastructure investments will be challenging

- *Combination of funding mechanisms likely required*
- *If freight trust fund created, must be fully spent on freight mobility*
- *Shouldn't disadvantage U.S. exports or U.S. ports' competitiveness*

- AAPA believes that a combination of funding mechanisms will likely be necessary to address freight mobility needs in the U.S.
- If it becomes necessary to create a trust fund for freight mobility, AAPA believes the money collected should be fully spent on freight mobility.
- Furthermore, we believe any funding mechanism created under the new surface transportation reauthorization should not disadvantage U.S. exports or reduce the ability of U.S. seaports to be competitive.

In Addition to Reauthorization.....

More 'TIGER'-like federal funding programs needed



- *\$1.5B in FY 2010 'TIGER' (Transportation Investment Generating Economic Recovery) stimulus awards announced last week*
- *\$600 million more in FY 2010 DOT transportation infrastructure grants to be awarded separately*
- *'Jobs' bill pending*
- *FY 2011 DOT budget request includes additional infrastructure funding (NIIFF) that could benefit freight*

- On Feb. 17, DOT released the list of projects chosen to receive funding through the \$1.5 billion discretionary grant program known as TIGER.
- Freight rail, road and bridge repair and community livability were the primary sectors awarded funding. Of the 51 projects funded, only 7 were directly connected to port-related infrastructure, with grant funding for these projects totaling \$120.4 million (8% of total).
- While pleased that some ports were awarded funding, AAPA was disappointed that a greater number of critically needed port-related infrastructure projects weren't funded.
- Three major freight rail initiatives (National Gateway Corridor, Crescent Corridor and Chicago's CREATE) received significant funding, as did a problematic at-grade rail crossing in California's Alameda Corridor East.
- Overall, freight mobility projects directly and indirectly benefiting goods movement to, from and through ports received roughly \$487 million, or 32.5% of the total TIGER funding.
- The fact that a significant number of freight projects on the application list that weren't funded (applications totaled nearly \$60 billion) - including many that could facilitate cargo movement through seaports - indicates the need for additional TIGER grants.
- AAPA will advocate that additional TIGER-like grants be provided in the "Jobs" bill currently being considered in Congress and that projects benefitting ports be funded through an additional \$600 million in DOT transportation infrastructure grants, which will be awarded under a separate process **sometime before the end of FY 2012**.
- For FY 2011, the Obama Administration's budget request includes a \$4 billion National Infrastructure Innovation and Finance Fund (NIIFF), \$2.6 billion of which would be handed out in grants or loans. AAPA's concern is that freight projects would compete against aviation, transit and high-speed passenger rail, for example.
- The substantial need identified by the TIGER application process further highlights the importance of moving forward as quickly as possible with a comprehensive surface transportation reauthorization.

Inland Ports Connect With Seaports

Example: Big Pasco Industrial Center, Pasco, Wash.

- *Multimodal rail/barge port links to Port of Portland*
- *BNSF intermodal rail hub links to ports of Seattle & Tacoma*
- *600-acre industrial center features manufacturing, packing, assembly & distribution plants*
- *To add BNSF east spur & second multi-use track to meet increased demand for rail-served property, port got \$882k in federal DOT funds; seeking add'l \$918k*
- *Federal funding would supplement \$5.4M in state funds from 2005*



Although AAPA focuses primarily on coastal ports and waterways, users of America's shallow-draft navigation system are important partners. Similar to the deep-draft waterways, efficient land and waterside transportation infrastructure is key to your ability to deliver the goods and the prosperity those goods provide.

- A good inland example of this is at the Port of Pasco, where the port has submitted its Big Pasco Industrial Center Intermodal Rail Hub Development (Phase 5) project for funding in the next surface transportation reauthorization. The ports' 600-acre facility along the Columbia River in southeast Washington State is home to manufacturing, warehousing, fruit and vegetable packing, assembly and distribution plants.
- The Port of Pasco's intermodal terminal includes a Customs-bonded, multimodal rail/barge facility that connects with the deep-draft containerport in Portland, Oregon; rail service to the seaports in Seattle and Tacoma; and availability of additional or higher-capacity cranes located adjacent to the Pasco container terminal during periods of peak loads.
- To help pay for construction of an east exit spur to the BNSF Walla Walla line for more efficient freight movement into and out of Big Pasco and for a second multi-use track along north Big Pasco to meet increased demand for rail-served property, the port requested \$1.8 million in appropriations from DOT's Surface Transportation Program, in which they recently got \$882,000. Port of Pasco staff are on Capitol Hill today seeking the \$918,000 balance.
- Federal funding will supplement the \$5.4 million in state funding that was provided for the project by the Washington State legislature in August 2005.

Inland Ports Connect With Seaports

Example: International Port of Memphis

- *2nd largest shallow-draft port on Mississippi River; 4th largest in U.S.*
- *“Last mile” improvements needed for congested I-22 corridor connecting to Birmingham, Ala.*
- *A third Mississippi River bridge needed to handle glut of freight*
- *Port also wants to build container-on-barge terminal for cotton exports*
- *Navigation channel maintenance dredging “never quite adequate”*



- Another good example is at the International Port of Memphis, which is the second largest inland port on the shallow draft portion of the Mississippi River, and the 4th largest inland port in the U.S. It comprises 68 water-fronted facilities, 37 of which are terminals moving products such as grains, petroleum, asphalt, cement, steel, coal, fertilizers and aggregate.
- While the most paramount infrastructure needs are still repair and improvement to the existing upriver locks and dams, there are also many landside access corridors that need improvement. In Memphis, the last 10 to 15 miles on both ends of the I-22 corridor that runs to Birmingham, Ala., is heavily congested and makes port access difficult.
- Memphis also needs to build a third Mississippi River Bridge to improve freight movement into and out of the port. The existing two highways and two railroad bridges are at or above capacity and are generally snarled even before the harvest period.
- Container-on-barge is a growing mode of transport for both cotton exports and redistribution of empty containers. The port is looking to construct a container handling terminal in its newest industrial park that is near the CN/CSX intermodal terminal.
- And, like their deep-draft port counterparts, the amount of navigation channel and harbor maintenance dredging is never quite adequate. Low water periods seem to be lasting longer and causing more problems for inland ports than are caused by flooding.

Inland Ports Connect With Seaports

Example: Port of Pittsburgh

- *Encompasses nearly all 200 miles of commercially navigable waterways in SW Pennsylvania*
- *“Last mile” connection improvements, such as increasing bridge clearances for trucks, needed at most port-owned terminals*
- *Port requested, but didn’t get, \$35M TIGER grant for Waterway-Intelligent Transportation System (W-ITS) nationwide network*



- The Port of Pittsburgh is still another example of an inland port that relies on good intermodal connections to handle its freight.
- The port encompasses a 12-county area of Southwestern Pennsylvania, essentially all of the area’s 200 miles of commercially navigable waterways.
- It supports over 200 river facilities and barge industry service suppliers, including privately owned public river terminals, which in turn are served intermodally by four interstate highways and the CSX and Norfolk Southern railroads.
- The port needs “last mile” intermodal improvements at many of its more than 30 terminals. For example, at one facility, between 70 and 100 trucks a day must travel three-quarters of a mile through residential neighborhoods to go around a low bridge. Inadequate clearances for bridges and overpasses are common and hinder the efficient, cost-effective movement of freight.
- Another needed freight-handling improvement for Pittsburgh is a non-structural, wireless broadband network that incorporates an Automated Identification System to collect and transmit real-time vessel and cargo tracking data. The port requested, but didn’t receive, \$35 million in TIGER grant funding to build such a system at over 200 waterway locations nationwide.

Seaports Deliver Prosperity

- *Ports and waterways are our economic lifeline with the world*
- *They provide jobs, goods, product choices, security, environmental stewardship & more*
- *Port-related infrastructure investment will aid in our economic recovery and long-term prosperity*

American Association of Port Authorities

www.aapa-ports.org • 703-684-5700



Seaports
Deliver
Prosperity



- As a vital economic lifeline and a critical link to access to the global marketplace, taking concrete steps to invest in navigation and connecting surface infrastructure will have significant immediate, mid- and long-term positive effects on the nation's economic condition.
- Seaports and their inland navigation system partners play a major role in America's economic recovery and, on an ongoing basis, deliver prosperity.
- I encourage you to work with us to advocate for making freight a priority in the next surface transportation reauthorization and I invite you to check out our website at www.aapa-ports.org so you can learn more about what AAPA and our member ports are doing to push this agenda, and our economy, forward to deliver long-term prosperity to all.
- Thank you.