Testimony of

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Before the

National Surface Transportation Policy and Revenue Study Commission

March 19, 2007

Room 2167, Rayburn House Office Building
Washington, D.C.

Good morning. My name is Jean Godwin, and I am Executive Vice President and General Counsel for the American Association of Port Authorities. AAPA represents more than 160 public port authorities in the United States, Canada, Latin America and the Caribbean. Our members are agencies of state, local or regional governments. My testimony today reflects the views of our U.S. port members.

Public port authorities are dependent on the nation's surface transportation infrastructure for the landside movement of goods and military cargo and the facilitation of cruise passengers. Faced with unprecedented projected growth in international trade, a robust cruise industry and the needs of the U.S. military, public port authorities will become increasingly dependent on the nation's surface transportation infrastructure and policies that help facilitate the movement of people and goods to and through U.S. ports and harbors.

ROLE OF PORTS IN THE UNITED STATES

Public port authorities play a critical role in the nation's economy. Public port authorities are responsible for the facilitation of commerce through our nation's ports and harbors, which amounts to more than 99 percent of U.S. overseas trade by weight and 61 percent of U.S. overseas trade by value. Waterborne commerce generated nearly $21.4 billion in Customs duties in 2006, representing 70 percent of all Customs duties collected.

The majority of cargo moving through ports moves in 20- or 40-foot containers, which are stacked on oceangoing vessels for sea transit and loaded onto rail cars or transported by truck on land. Cargo may also arrive as bulk, such as grains, or in pallets referred to as breakbulk.

There are 49 ports in the United States that serve the passenger cruise industry. Located primarily on the East Coast, West Coast and Gulf Coast of the United States, these ports serve the more than 11.2 million cruise passengers in North America, all of whom need to landside access to the ship's home port. The cruise industry generated $16.2 billion in direct spending in the United States in 2005.

Ports also play a crucial role in our national defense. Strategic ports – those used by the military for the deployment of troops and equipment – played a critical role in Operation Iraqi Freedom. In the first six months of 2004, 210 vessels carried more than 1.85 million tons of cargo, facilitating the deployment or redeployment of approximately 240,000 troops. The military is increasingly relying on commercial transportation for the movement of goods, which means it is also dependent on the public infrastructure.

PROJECTED GROWTH FOR CARGO, CRUISE

The United States is facing unprecedented growth in overseas trade and a growing cruise industry. Containerized cargo volumes are forecasted to double from the year 2005 by the year 2020, straining a system that is already at capacity in many instances. The costs of congestion are significant, as transportation will require more time and more fuel.

There is also an environmental impact to congestion; ships that wait for access to berths and trucks that idle at port gates generate air emissions that can be harmful to communities. Diesel engines contribute oxides of nitrogen and fine particulates to the air, and engines that run while waiting to reach their destination generate more emissions than are necessary for the movement of goods.

In addition to the projected growth of cargo, the number of cruise passengers is also expected to double by 2020 to 20 million.

FREIGHT INFRASTRUCTURE NEEDS

We appreciate the efforts of the U.S. Department of Transportation to develop the Draft Framework for a National Freight Policy and to launch its Congestion Initiative. The Framework identifies key objectives with which we wholeheartedly agree. It recognizes that we have a shared responsibility—federal, state, local and private sector and that we can't just continue to build our way out of problems.

That is why the Framework's objective of improving operations of existing facilities is so important. Several examples relevant to ports include PIERPASS, extended gate hours, and chassis pools. Ports are also using information technology to improve efficiency, reducing free time, and taking other measures to maximize the use of existing facilities.

We do need to add physical capacity, however. Ports are doing their share, investing more than $2.1 billion annually in capital improvement projects on their terminals. It is important that this Commission, which has been charged with making policy and financing recommendations for future surface transportation legislation, recognize the importance of addressing goods movement and port access.

SAFETEA-LU, enacted into law in 2005, contained a number of provisions that will promote investment in infrastructure improvements to address congestion and improve goods movement in the United States. For example, AAPA supported lowering the threshold amount and expanding eligibility for the TIFIA program (Transportation Infrastructure Finance and Innovation Act) in order to facilitate the use of this program by ports for infrastructure improvement projects. The bill also created a freight cooperative research program, made improvements to state infrastructure banks and amended IRS statues to allow tax-exempt financing of privately owned or operated highway projects and rail-truck transfer facilities.

While the passage of SAFETEA-LU was a significant positive step for the nation's surface transportation policy, there are remaining policy proposals that the federal government should enact in order to ease the movement of freight in and out of U.S. ports.

Intermodal Connectors

Although included in the Administration's draft proposal as well as in both House and Senate bills, SAFETEA-LU did not include language to provide dedicated funding to intermodal freight connectors (the access roads to freight terminals). These are considered either the "last mile" or the "first mile" of the transportation infrastructure, connecting the rest of the surface transportation system to marine terminals where containerized cargo is loaded and received. An extensive report to Congress by the Federal Highway Administration in December, 2000 showed that intermodal connectors on the National Highway System (1,222 out of 161,000 total NHS miles) were generally in worse condition and received less funding than other NHS miles (when a handful of large projects were deleted from the mix). Connectors to ports, as opposed to other freight terminals, were found to be in the worst condition and received the smallest level of funding. Unfortunately, the situation has not improved since then and these projects still have difficulty in competing for funding.

Intermodal connectors are critical to reducing congestion on interstate highways and other roads. In order to ensure that intermodal connectors are built and maintained in a timely manner, it is important to create a federal program that dedicates funding in each state to the purpose of intermodal connectors. No matter how much money ports invest or how productive ports make their marine terminal facilities, our transportation system cannot operate to maximum efficiency unless cargo can move quickly, and cost effectively, in and out of ports.

Projects of National and Regional Significance

Freight has always been somewhat of an invisible constituency for lawmakers, as freight projects do not necessarily benefit a single community. The emphasis on local decision-making, begun in ISTEA, has long favored passenger needs. As a result, freight projects, particularly those of regional or national significance, have difficulty obtaining appropriate funding priority—a problem that was identified as an issue of concern in the 1994 report of the National Commission on Intermodal Transportation and has been reiterated continuously since then. There is clearly a vital role for the federal government in freight projects that cross multiple jurisdictions and that meet regional and national needs.

SAFETEA-LU took an important step toward addressing this problem by creating a program for projects of national and regional significance. Unfortunately, every dollar appropriated for this program was earmarked and there is no funding to be controlled or distributed at the federal level. We hope that this Commission will restate the need to address this issue and recommend a dedicated program, with funding, controlled at the federal level.

State Freight Coordinators

Although SAFETEA-LU provides $3.5 million over 4 years for freight planning and capacity building to enhance freight planning to better target investment and to strengthen decision-making capacity of state and local agencies, excluded from the final version of SAFETEA-LU was the requirement that each State Department of Transportation appoint a freight coordinator to oversee the infrastructure needs of the freight community in their state. While dedicated funding for intermodal connectors would ensure improvements at some of the most critical points for cargo movement, it would not address the larger needs of the freight community.

In order to ensure that each state is considering the needs of the freight community, states should be required to appoint a freight coordinator. Many State Departments of Transportation, with the support and encouragement of the American Association of State Highway and Transportation Officials (AASHTO), are voluntarily appointing freight coordinators, but federal law should require such appointments so that no state may give lower priority to the movement of freight.

Rail Tax Provision

The American Association of Railroads, AAPA, and others have endorsed a legislative proposal that would allow up to a 25 percent tax credit on rail infrastructure investments designed to increase capacity. Railroads have increased their capital expenditures in the past five years and are poised to make additional investments. However, there are still many rail projects that would help facilitate the movement of cargo through the country, thereby easing pressure on the entire rail system. Providing a modest tax credit for infrastructure investment would spur much-needed additional investment in the rail system.

Financing

Revenue bonds--AAPA has supported the transportation revenue bond concept supported by AASHTO and proposed in the Built America Bonds legislation introduced in 2004 by Senators Jim Talent (R-MO) and Ron Wyden (D-OR). We encourage the Commission to give serious consideration to this concept and to include it in its financing recommendations.

New User Fees--Assessing any national tax or fee on international commerce presents a complex set of legal, commercial and competitive challenges that are difficult to overcome. The port industry’s experience with national taxes/user fees, particularly the Harbor Maintenance Tax (HMT), has not been an altogether positive one. Since enacted in 1986, the HMT has been subject to legal challenge both under the U.S. Constitution and under international treaties (the tax on exports has already been repealed as unconstitutional), surpluses have built up in the trust fund, and AAPA has had to fight numerous proposals to expand the use of the fund beyond its original intended purpose.

AAPA does support local or project specific user fees or congestion pricing where appropriate. When a project, such as the Alameda Corridor, can justify user fees, the option should be available.

Short Sea Shipping

There is growing attention being paid to the use of the waterways for domestic freight movements and specifically the use of waterways as a long term enhancement of the surface transportation system. Heavy, dry and liquid bulk cargoes on barges and other vessels are familiar sights in coastal waters but there are also containers--import cargo being transshipped on a second, domestic leg by feeder barge or even up the Mississippi on converted off-shore vessels. A few major steamship lines today are planning new feeder service using container ships in coastwise service.

New vessels have been designed to serve as high speed ferries for trucks on long hauls and their models can be found in Europe. Here in the United States such ferries will be increasingly attractive as hours of service restrictions, driver availability, interstate congestion and other factors cause trucking companies to consider ways to rationalize their operations. These are developments in the industry that are happening now and will be developing in the next few years. Today trucking is making heavy use of railroads for intermodal service and given limits on rail capacity expansion—such as discussed in the I-95 Corridor Coalition's mid-Atlantic region report—intermodal water service is where capacity can be exploited.

This Commission should lay the groundwork for new policy development that would foster the integration of the marine highway with the land highway. It is not just about the modal connections, it is also about whether federal policy encourages the development of the marine system element, whether in terminal development or vessel construction. On the water, vessels are part of the infrastructure to allow trucks, cars and containers to move from port to port. The Commission should consider ways to encourage private sector investments in the marine highway, including the waiver of the Harbor Maintenance Tax as it is applied to intermodal cargo in domestic moves and incentives for investment in port terminals and vessels that would be used specifically for coastwise or domestic marine highway service.

Waterside Access to Ports

Changes in ship depth and the projected increases in cargo trade result in an on-going need to develop and provide significantly more federal funding for America's water transportation system. Waterside access is also a critical issue for ports. Funding for maintaining federal navigation channels is prepaid and should be adequately funded through the Army Corps of Engineers budget. Shippers have contributed billions of tax dollars into the Harbor Maintenance Trust Fund specifically for the purpose of keeping channels dredged to authorized depths. Unfortunately, much of this funding sits idle and a growing surplus, currently over $3 billion, has accumulated while dredging needs continue to be unmet. Expenditures for maintenance dredging in FY 2006, for example, were about $350 million less than the amount needed although enough revenue was generated to fully cover the needs. Funds should be made available each year to fully meet maintenance needs.

In addition, federal investment in deepening projects has not kept pace with the nation's needs due to chronic underfunding of the U.S. Army Corps of Engineers budget. For years, budget targets assigned to the Corps Civil Works program by the Office of Management and Budget have been inadequate for the Corps to meet the needs of shippers and consumers who rely on seaborne trade.

Conclusion

AAPA members are a vital linkage in the movement of goods throughout the nation. Waterborne commerce is the most cost-effective way to transport cargo. However, ports can only work as well as the water and landside infrastructure that connects them to the rest of the world.

Thank you for the opportunity to testify today, and I can answer any questions that you might have.