American Association of Port Authorities
Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

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Testimony of Warren D. McCrimmon

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Subcommittee on Energy and Water Development

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Mr. Chairman, Ranking Member and members, I am Warren McCrimmon, Seaport Director of the Toledo-Lucas County Port Authority in Ohio. I am here today as the Chairman of the U.S. Delegation of the American Association of Port Authorities. The Association represents public port authorities throughout the Western Hemisphere in the U.S., Canada, the Caribbean and Latin America. We have 97 member coastal and inland waterways ports here in the U.S.

Mr. Chairman, on behalf of the Association (or as we call it, AAPA), I want to thank you and the Subcommittee for giving me the opportunity today to discuss with you and my fellow panelists the importance of identifying the future need for waterside infrastructure and related maintenance. U.S ports are challenged on all four coasts to meet the increasing demands of world trade.

Before getting into the specifics of future needs and project delivery processes, I'd like to take a minute to set the stage by looking at the economic impact of U.S. ports and the importance of continued federal and non-federal investment. Public ports generate significant local, regional and national economic growth, including creation of jobs. As I'm sure you are aware, ports handle 99 percent of the nation's overseas trade by volume.

The total direct and indirect annual impact of the U.S. port industry includes:

- 4.9 million jobs, accounting for $44 billion in personal income;
- over $2 trillion in international trade value and over $18 billion in industry fees and taxes;
- more than 2.5 billion tons of imported and exported goods equaling 99 percent of U.S. overseas trade.

Mr. Chairman, we are cognizant of and appreciate the bipartisan support of the Subcommittee in insisting that the Corps of Engineers use responsible and accountable financial management practices. We applaud the Subcommittee's past efforts to that effect and in furthering the concept of orderly future year financial planning. Projecting both future needs for capital improvements and associated maintenance and identifying resource requirements isn't an option in the ports' business model, but a necessity to grow and prosper in meeting the nation's waterborne commerce requirements.

As governmental entities, public port authorities must also plan for future requirements, request and defend the need for appropriations from city or county governments, or state legislatures and be accountable to the state, the board of commissioners and to the communities in which we operate. Without a comparable federal process, there is no assurance or predictability that the federal share of new channel construction will be available at the point in time that the project is needed and the local share is available. The result is an inefficient project implementation process often at a much higher cost. The real loss, however, is the loss of benefits to the regions and the nation in jobs, income and tax revenues.

In addressing the demand side – the demand for future deepening projects – I'd first like to dispel a common misconception that there is a so-called "race to the bottom," with ports deepening channels just to match the depths of other ports. The evidence is to the contrary. We're still building yesterday's projects. We have not kept up with standard depths in other parts of the world. Looking at the major world ports in Europe and the Pacific Rim, Rotterdam is at 74 feet and Singapore is at 72 feet and many others are naturally deep water ports. The Panama Canal is expanding to a new lock depth of 60 feet and both Mexico and Canada have aggressive port development plans. This has driven the demand for larger, wider and deeper ships to capture economies of scale and lower the overall cost of goods shipped. We, unfortunately, are not realizing the full economic benefits, as many ships lighter or reduce their loads to make calls at U.S. ports.

Because of the 50 foot and less depth restriction on the East Coast, a ship lightering industry is flourishing in the Caribbean, in the Bahamas, Jamaica and Puerto Rico to transfer cargoes from large to smaller ships, adding both delay and cost in the process.

Today, with about 85 U.S. deep water ports, there are only ten major deepening projects underway at Miami, Oakland, Los Angeles, New York, Brunswick, Jacksonville, Tampa, Columbia River and Houston. The deepest are at 50 feet. There has not been a new project authorization since 2000 and only two have been proposed over the past six years: Corpus Christi and the next deepening increment at Miami, both to 50 feet. The common depth of 50 feet accommodates ships that call at multiple ports on a single trip, which is the norm, but as I stated earlier, does not allow the efficiencies and reduced costs to be realized from a larger dimension world fleet. The first port of call in a ship rotation is not always known in advance.

I'd also like to point out that with the existing cost-sharing formula, which dates back 20 years to the 1986 Water Resources Development Act, ports typically are the major

investor and provide over 60 percent of the cost of new deepening projects over 45 feet. AAPA recommends a revision of the formula to reflect current conditions. When all development costs are factored in to include required landside infrastructure, berthing area deepening and associated wharf costs, ports pay up to 80 percent of the costs necessary to fully realize the benefits of a deepening project. Large deepening projects cost in the hundreds of millions of dollars and represent a tremendous local, state and regional investment responsibility that in itself moderates the demand to deepen. Project sponsor funding should not be placed at risk due to lack of future planning for funding the federal share.

New deepening projects are further restricted by constraints imposed by expansion potential on the landside. Available port real estate and infrastructure, highway capacity, rail availability and proximity to projected future markets are significant challenges to overcome in consideration of a deeper federal channel. Gentrification or demand by local developers for port property has in a number of instances actually reduced the ports' footprint and ability to grow. Port security costs are largely borne by the ports and compete against other needed investments like deepening. And, where ports have to step in and pay maintenance dredging costs that are the responsibility of the federal government, that, too, reduces the port's ability to apply revenue to future needs.

From time-to-time there is discussion of the need for national port planning to concentrate both funding and commerce into just a few large ports. That would be a devastating blow to the nation's economy. It ignores the shippers' needs to reach targeted markets as efficiently and cheaply as possible, the intermodal infrastructure already in place and the impossibility of accommodating the huge and growing volume of cargo in just a few locations, not to mention the negative impact on jobs, income and community development on all four coasts and at the inland waterway ports.

As a starting point, we believe a more rational approach involves having the Corps in its budget development process consult with ports on future needs, as well as for the budget year under consideration. We were encouraged last year to see the Corps, at our request, include language in its budget development guidance to field offices to consult with project sponsors. The information on future port needs, when collected on a national basis, would provide a reasonable picture of where world market forces and growth pressure would trigger consideration of the large non-federal investments necessary to pursue a new deepening project. This information would be subjected to scrutiny by federal navigation experts, the Administration and the Congress. The feasibility report, authorization and appropriation processes provide additional checks on the federal interest in participating in the projects. In addition, state and local investors weigh in as well, providing further discipline in the process.

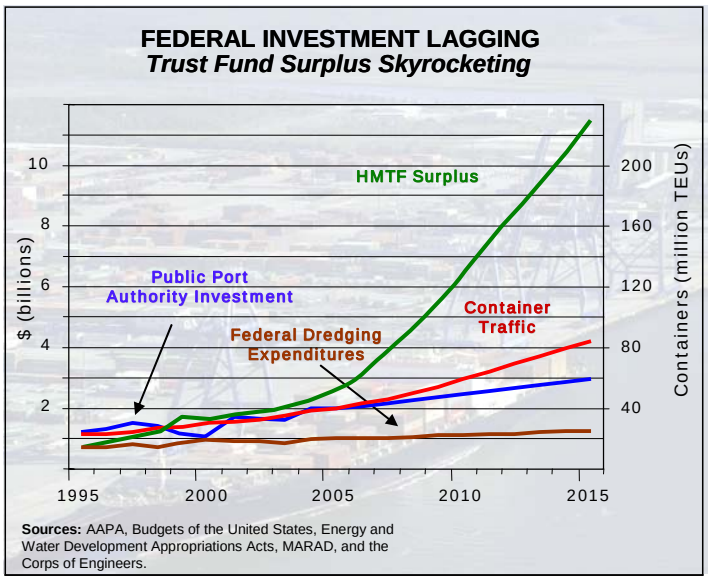
I'd next like to turn to the need for future planning for maintenance dredging. The delay in addressing maintenance dredging needs is the single biggest issue facing most ports today and into the foreseeable future, in spite of the fact that the dredging costs have been pre-paid by port users. Ports are expected by users to provide the needed depth, and in turn, the ports rely on the federal government to maintain the federal channel portion of

the ports' waterside infrastructure. A reliable and realistic future budget forecast of maintenance dredging is, on a year-to-year basis, as important as forecasting future deepening needs. Negotiating ship calls, terminal leases, employment levels and the ability to accommodate demand for port services are all dependent on the port's ability to provide a dependable level of service. Imagine trying to run an international business without being able to forecast the resources available and level of service to be provided. We simply do not know from year-to-year whether the Corps will have sufficient funds to perform required dredging; or, whether it will even budget for the work. We view a good five to ten year plan as a necessity.

For example, in the case of my port, Toledo-Lucas County, regarding channel maintenance, we are concerned with overall project dimensions, not just depth. The typical Channel depth at Toledo Harbor is 27 to 29 feet and the standard width is 500 feet. The width has been reduced to 100 feet at some portions of the Channel creating potential hazards to navigation and impeding the ability of ships to pass within the Channel. Essentially, we have lost a lot of the efficiency and economy of using water transport while the highways, rail and border crossings to our largest trading partner, Canada, are congested. Because of the unique nature of port to port movements on the Great Lakes, it's also important for us to know the dimensions of other ports around the Lakes and be able to reasonably predict future conditions in developing our business plans. Light loading at any one port in the Great Lakes will typically have negative impacts on at least two ports because most Lakes trading takes place within several ports, as opposed to salt water ports where typical trade is international and only a single port is impacted.

Nationally, we estimate that maintenance dredging funding requirements for federal channels based on Corps expression of capability are about $1.1 to 1.3 billion a year. The just released Administration budget request only includes $735 million, which means that nearly a third of the required dredging will not be performed. This is in spite of the fact that the Harbor Maintenance Trust Fund, dedicated by law to fund maintenance dredging, takes in about $1.3 billion annually and has a surplus balance approaching $4 billion.

The funds collected by law for the express purpose of dredging the nation's ports and harbors needs to be used for that purpose or the tax should be repealed. We need to either gain the benefit of having a direct offset for dredging costs or take away the disincentives created by the tax. In short, we need to put the trust back in Trust Fund or make the tax go away. The following chart depicts the growth in the fund surplus and port and federal expenditures as well as the growth in container cargo.



AAPA recently surveyed member ports on maintenance needs. I'd like to relate just a few of their responses to illustrate the negative effects of failing to project and fund those maintenance projects.

I mentioned needs in my port of Toledo-Lucas County. In Toledo, we are constantly fearful of the Port being closed or crippled, as one bad storm in Lake Erie could close the shipping channel. The Corps is currently 3 to 4 million cubic yards short of what it should have dredged and every year the dredging program does not meet the volume required to even equal what is being deposited into the ship channel. The Port of Toledo is expanding its tonnage throughput and the diversity of its cargoes to a significant measure annually and the prospects for continued growth are apparent. With this growth comes an increase in local employment and in the economic spin-offs benefiting the region. Midwest steel manufacturers depend upon their raw materials coming to them economically via Toledo. Midwest machinery manufacturers depend upon raw steel getting to them via Toledo. Local farmers depend upon the fertilizers continuing to come in, and this is a growing business. Regional power plants depend upon receiving raw materials for scrubbing operations that limit emissions into the environment. Major grain handlers depend upon the Port to export their products, as do Midwest coal mines. The auto industry depends upon the many different metals that come in through Toledo in ever increasing volumes. Toledo has been identified as a key Great Lakes port for the future handling of containers originating from and bound for the Midwest, and the Port is already a major petroleum products handler to and from the Midwest.

The annual shortfall in dollars for Corps dredging within Toledo Harbor is estimated at initially $10 million annually to address the existing backlog plus needed maintenance, and then $6 million annually to perform required maintenance dredging to dredge the channel to standard. With the doubling of the number of international ships using the Port this past season and anticipating there will not be a fall-off in the port's growth, it is increasingly important to assure international shipping lines that the port has plenty of width and depth at all points in the channel. A single grounding incident can damage a

port's reputation for years, driving international ships to avoid the port where the grounding occurred. We need the Corps to plan with us and other ports and recognize the needs in future forecasts and budgeting for maintenance dredging.

On the East Coast, the federal navigation channels in the Port of Boston are in urgent need of maintenance dredging. The 40 foot Main Ship Channel into the Port of Boston has shoaled in, to the extent that -35 feet MLLW is now the controlling depth. As a result, the deepest draft vessel that can be brought in without any regard to tides is 33 feet. (This does not take into account strong westerly winds that can further reduce available water depths by as much as 2 feet.) In 2005, there were more than 600 movements in Boston Harbor by "tide-restricted" vessels (i.e., vessels with drafts of 34 feet or greater). This results in a significant and negative economic impact to the region, and it raises significant operational, safety, economic and environmental concerns. Vessels will need to lighter their cargo in the outer harbor, thereby increasing costs to consumers and the chances for an oil spill in these harbor areas. In the worst case, these severely shoaled channels could result in ship grounding, with potentially devastating environmental consequences.

The Port of Boston provides significant economic benefits to the Commonwealth's residents and businesses, and to the nation. The Port is credited with generating 34,000 jobs and a $2.4 billion annual economic impact. This significant economic benefit could be jeopardized by the current severe state of shoaling in their channels, since the economic viability of the port rests in large part on the depths of its navigation channels. If deep draft vessels cannot safely and efficiently transit the harbor to access their channels, significant economic and potential environmental impacts result. Also, waterborne transportation of cargo is the most environmentally sound transportation alternative available. If cargo cannot reach its destination by water, it will be diverted to the highways, resulting in increased air emissions, traffic and further deterioration of highways and bridges.

In South Carolina, the Charleston District of the U.S. Army Corps of Engineers currently collects about $40 million annually in harbor maintenance taxes, and gets back only about $9-$12 million a year for maintenance work for navigation channels critical to the ports of Charleston and Georgetown.

Georgetown and the businesses located there are particularly hard hit. The authorized depth along the 14 mile navigation channel into Georgetown is 27 feet but the channel is currently only 25 feet or less in many areas in the main channel leading to the state pier berth (and has been consistently under-maintained for many years).

The Port of Georgetown also has seven different active steel importers who bring in approximately 90,000 tons annually. This tonnage accounts for about 60 jobs relating to stevedores, port employees, and local trucking companies. The vessels discharging this cargo must light-load prior to coming to Georgetown even with a 27 foot draft. When the draft falls under 27 feet, these vessels will not come in and the cargo is delivered to other neighboring ports, which causes a significant increase in trucking costs to the customer.

Many times, the increased cost exceeds the profit margin and the business is simply a loss.

A number of other long-term customers at Georgetown are also having to light-load vessels due to decreased channel depths.

The Port of Georgetown also has significant amounts of new business expected to begin in 2007 and 2008 which will depend on a minimum draft of 27 feet.

In the Gulf, the Port of Brownsville, Texas, is not able to operate efficiently due to lack of channel maintenance and resultant inadequate channel depths. Carriers have had to bring in lighter loads in more ships into Brownsville or ship the steel into other nearby ports, at an additional cost of up to $135,000 for a single ship call due to extra steaming, extra unloading time, extra chartered days, additional broker fees, etc. or more likely go to Altamira, Mexico (with inferior rail connections). The Port of Brownsville has offered concessions to keep the business, such as slashing its fees, but fears that it might eventually lose the business completely, and most likely to a Mexican port (a loss to the U.S. economy).

The Port of Brownsville recently commissioned John Martin of Martin and Associates to perform a study to assess the economic cost to the users of the Brownsville Navigation District of not maintaining the current dimensions of the Waterway. The study analyzed the difference between the total voyage costs of shipping the cargo at the 42-foot channel depth, and the total costs of shipping the cargo at various restricted channel depths. It found that, in total, the economic benefit of maintaining the channel at 42 feet versus 39 feet is $2.7 million annually. The economic benefit of maintaining the channel at its authorized depth of 42 feet versus 35 feet is $19.4 million annually.

On the West Coast, funding shortfalls for both maintenance and deepening are hampering port operations at Long Beach. Long Beach is California's largest liquid bulk port, handling very large crude and refined product vessels for the nation's largest market of those products. The federal navigation channel has been authorized for -76 feet to accommodate the large liquid bulk carriers.

However, due to delays in permitting and funding, portions of the main channel dredging that serve the port's largest crude berth have been repeatedly postponed. Consequently, fully laden vessels must be lightered offshore in an expensive and more environmentally risky manner.

And, as the Subcommittee is aware, the Corps is also responsible for navigation needs in the U.S. Territories. In the U.S. Virgin Islands over the past thirty (30) years the U.S. Army Corps of Engineers has not undertaken any dredging projects within the harbors of the Virgin Islands. The harbors of concern are Charlotte Amalie, including Crown Bay (Gregorie Channel), on the island of St. Thomas and Frederiksted, Christiansted and Limetree Bay harbors on the island of St. Croix.

These harbors throughout the Virgin Islands serve the islands in terms of cargo importation and cruise ships to which the islands' economy is dependent. Both Christiansted and Charlotte Amalie, including Gregorie Channel, have Congressional designation as far back as 1950.

The VIPA has paid for all dredging of the harbor areas, whether to extend port terminals or for maintenance purposes, without any financial assistance from the territorial or federal government. These territorial needs should also be recognized in a comprehensive assessment of future year needs.

In summary, Mr. Chairman, the American Association of Port Authorities appreciates the oversight and direction provided to the Corps of Engineers by this Subcommittee. We particularly want to emphasize the need to develop reasonable, realistic and comprehensive planning to identify and meet needs in future years. We believe all concerned should have access to the full range of out year needs in developing the Corps' Civil Works Program. The Association and its member ports see a high value in participating fully in that process and believe that full consultation with project sponsors during the budget development process will result in a clearer picture of both new construction and maintenance needs, and in what timeframe those requirements must be met.

Mr. Chairman, again thanks for this dialogue opportunity and I'd be glad to respond to any questions.

# # #

Attachment

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Port Specific Examples 2007
Navigation Channel Maintenance

In January 2007, AAPA member ports in the U.S. were asked to respond to the following questions about their federal funding needs for maintenance dredging. Below are the questions and the answers AAPA received.

1. What are your port's dredging needs in FY'08 by the U.S. Army Corps of Engineers and what examples can you cite that show how important it is to meet these needs for your port's continued operations?

2. What were the actual dollar shortfalls in the Corps' budget in FY'06 and FY'07 (estimated) to maintain your port, harbor and/or channel at its operationally-required depth and width? In other words, what was your port's Corps of Engineers funding in FY'06 and FY'07 vs. what your port actually needed to meet the operational needs of the ships that called or will call? (Note: In some cases, authorized depths are actually greater than operationally-required depths.)

Alabama State Port Authority

FY'08 O&M dredging needs include routine maintenance of the Bay, River and Theodore channels, utilizing both pipeline and hopper dredges removing approximately 6-7 million cubic yards of maintenance material. Lack of maintenance in these major channel sections will result in reduction of depths and corresponding vessel draft reduction by approximately 2 feet.

Funding was adequate as a result of supplemental appropriations received for Hurricane Katrina damage, although sections of the project were shoaled in for much of the year due to the vast amount of shoaling and the shortage of dredge capability.

FY07 - Actual funding amounts are uncertain due to the ongoing Continuing Resolution; however, the indications are that funding will not be sufficient to perform all the maintenance needed. The Corps struggles to meet all maintenance requirements, particularly considering the increases in fuel prices and subsequent impact to dredging costs. The Corps' response to funding shortfalls is to direct available resources to the most immediate critical dredging needs. This leaves shortfalls in long term maintenance

items such as disposal area maintenance, advance maintenance and dredge material management plans, etc. This results in immediate dredging needs being met early in the FY, with little or no resources being expended on proven long term cost savings initiatives. For FY'07 the Corps plans to perform only the most basic dredging and dredge related operations, and, even with that, it is anticipated that shortfalls will occur in basic dredging funding before the end of the FY, resulting in reduced channel depths.

Port of Brownsville

The port's dredging needs in FY'08 are approximately $6.6 million – this much is needed in FY'07 and probably at least that much in FY'08 to get our entire 17-mile channel back to its required depth.

Due to the inadequate channel depths, APM has had to bring in lighter loads in more ships into Brownsville or ship the steel into other nearby ports, such as Corpus Christi (at an additional cost of $135,000 for a single ship call due to extra steaming, extra unloading time, extra chartered days, additional broker fee, etc.) or Altamira, Mexico (with inferior rail connections). The Port of Brownsville has offered concessions to keep the business, slashing its fees, but fears that it might eventually lose the business completely, and most likely to a Mexican port (a loss to the U.S. economy).

The Port of Brownsville recently commissioned John Martin of Martin and Associates to perform a study to assess the economic cost to the users of the Brownsville Navigation District of not maintaining the current dimensions of the Waterway. The study analyzed the difference between the total voyage costs of shipping the cargo at the 42-foot channel depth, and the total costs of shipping the cargo at various restricted channel depths. It found that, in total, the economic benefit of maintaining the channel at 42 feet versus 39 feet is $2.7 million annually. The economic benefit of maintaining the channel at 42 feet versus 35 feet is $19.4 million annually.

Port of Corpus Christi

The projected FY'08 maintenance dredging needs for the 45' deep Corpus Christi Ship Channel system include nearly 2 million cubic yards of material in 15 miles of channel reach. This includes the over 7 mile long inner harbor reach, where the majority of industry resides and where the fully authorized channel depth is utilized. Additional dredging is required to support the Port's shallow draft canal system and industrial park. Federal funding needed for dredging for FY'08 is estimated at $13 million.

In both FY'06 and projected FY'07 there were/are shortfalls between the final budget and the needs expressed to adequately maintain the channel system. In FY'06 the Corps expressed a capability and need for over $13 million for the operation and maintenance of the federal channel system and only $3.51 million was budgeted. For FY'06, draft restrictions were imposed for much of the year. Fortunately, in part due to the ability of

funds able to be carried over from FY'05, a portion of the reach that contained the draft-restricting shoal was dredged by late FY'06. For FY'07, the Corps expressed a capability and need of $14.73 million to operate and maintain the channel system, including $4.5 million to demolish and remove a navigation hazard; however, only $7 million will be budgeted.

In addition, the Port is seeking authorization for its Channel Improvement Project to deepen and widen the present channel system to 52' deep and to extend the channel to accommodate the Port's La Quinta Container Terminal. Should the project be authorized in FY'07, construction general funding of $40 million would be required in FY'08 for the first construction contract.

Port of Everett

For FY'06, $1.4 million was funded versus $1.5 million listed as capability by the Corps. The Corps capability figures represent an estimate of the maximum amount of work on a project, assuming an unlimited supply of resources -- financial, manpower, equipment, and construction materials. This amounted to a shortfall of $100,000.

For FY'07, $895,000 was funded versus the listed capability of $1.5 million. This amounts to a shortfall of $605,000.

Port Everglades, FL

In FY'08, Congress will need to appropriate $1.05M to the Army Corps of Engineers to complete an ongoing Feasibility Study to deepen and widen the Port Everglades entrance channel, turning basin, and Intracoastal Waterway. To date, approximately $4M of federal and port funding has been spent on the study.

Shipping lines utilizing Port Everglades are modernizing their fleet of vessels to include broader beamed and deeper draft vessels. As a result, the existing navigational channel and Port waterways are becoming limited for vessel transit. The current Feasibility Study conducted by the U.S. Army Corps of Engineers and Port Everglades has determined that deeper and wider channels are required at Port Everglades to serve these vessels and allow for the continued flow of trade and commerce. The Feasibility Study has recommended many navigational improvements throughout Port Everglades. These improvements include the widening and deepening of the Outer and Inner Entrance Channels, the Main Turning Basin, the Southport Access Channel (including the Turning Notch), a possible new turning facility at the intersection of the Dania Cut-off Canal and the Intracoastal Waterway, as well as improvements to the Dania Cut-off Canal. The results will provide navigational improvements within the Port Everglades harbor by increasing the capabilities for larger class vessels to utilize Port facilities, thus increasing the trade and commerce capabilities of Broward County and all of South Florida. The U.S. Army Corps of Engineers anticipates completion of its Environmental Impact

Statement Report (EIS) draft in 2007 and authorization in 2008, which will outline the benefits of the project and associated costs. Upon approval of the EIS, efforts to obtain the required funding and implementation of the project will proceed.

The Port provides an economic regional impact of more than 15,500 direct jobs and generates $2.8 billion in business activity and $865 million in personal income annually in Broward County. Statewide, Port Everglades provides 15,700 direct jobs, $3.2 billion in business activity, and $979 million in personal income. Federal taxes on business activity through Port Everglades related to the State of Florida amount to $45.7 million. In addition, more than $15 billion of waterborne commerce moves through Port Everglades annually.

Port Freeport, TX

Port Freeport anticipates a need in excess of $11 million for maintenance dredging in FY'08 given the shoaling of certain areas of the channel and given the fact that there are areas that have not been dredged to authorized or pilot-required depths. Over the past 6 or 7 years, the port area has not gotten nearly enough funding for operations and maintenance, and the port has to fight to get enough to allow the Corps to let contracts. The result of the lack of dredging to proper depths is users like Dow moving its facilities to the Middle East and the possibility of loss of business to deeper ports...in Mexico and Canada.

In FY'07, the allocation was more than $2.4 million less than we needed. The Corps couldn't find a dredging company that would give it a quote that would meet that funding level. Only one bid was received and the port had to fight again to get additional funds and get the dredging contract re-bid. In FY'06, the allocation was $3.249 million.

The Corps has been requesting funds in the $500,000 range for Port Freeport Dredged Material Management for years and has never received the first dime! Maintenance dredging funding in FY'06 was short about $1.2 million, and the Corps had to reduce the allowable overdredge and authorized width in order to award the contract.

Port of Green Bay

Most important is Green Bay's lack of sufficient dredging. Dredging in the Green Bay Harbor is an annual maintenance requirement that the U.S. Army Corps of Engineers (Corps) is increasingly falling behind on due to a lack of financial resources. Over the past 5 years, a range of 80,000 to 115,000 cubic yards/year of sediment have been removed from the Green Bay Harbor, which historically has had an average of 150,000 to 200,000 cubic yards/year removed.

The Green Bay Harbor has a Congressionally authorized channel width of 500 feet from Grassy Island lakeward to the entrance light. In several locations, the width is less than

100 feet. Ships are refusing to enter Green Bay or are bringing in substantially less cargo for fear of grounding. For example, Anamax Corporation has ceased exporting 5-7 ships/year of tallow to Europe. Last year 23 international vessels, with cargo destined for Green Bay and the Fox Valley, were required to off-load 50% of their cargo in Menominee, Michigan, before continuing on to Green Bay. The channel condition has contributed to lost business development opportunities including importing wind turbine generation equipment, plate and coiled steel, gypsum, fertilizer and kalonite clay.

One company that has been affected is KK Integrated Logistics in Green Bay, a company that employs 200 people and provides stevedoring, warehousing, and trucking services and provides a local economic impact of more than $1 million annually (payroll plus subcontract trucking). KK Integrated Logistics imports forest products for use in construction in the Green Bay area. Because of the lack of maintenance dredging in the Port of Green Bay, it has had to off-load a large portion of these cargos 60 miles away in Menominee, Michigan, and send the materials by truck into Green Bay, at an increased cost of more than $100,000 annually. The total cost to the business each year needs to be measured in lost opportunity--if the Fox River were truly a 26 foot river, KK could increase its business dramatically.

The Corps indicated that there are four (4) critical areas of concern in the Green Bay Harbor. The minimal cost of dredging only the most critical areas of concern is estimated at $10M. The cost of removing the total 1M cubic yards of backlog dredged material is estimated at $50M. Sufficient maintenance dredging is of the utmost importance to the future of the Green Bay Harbor.

Port of Houston Authority

The Port's dredging needs for FY'08 are estimated to be $33.6 million to $50.676 million for construction general (CG), and $22.236 million to $27.2 million for operations and maintenance (O&M), depending on if the final appropriation for FY'07 for the Houston Ship Channel reflects the President's budget for FY'07 or the final FY'06 appropriation amount. The largest container facility in the U.S. Gulf of Mexico, the Port of Houston Authority's Barbours Cut Container Terminal, was draft-restricted as recently as last year (2006). It is vital to keep the Houston Ship Channel at its operational depth to maintain the flow of commerce through the largest foreign tonnage port in the nation. The projects for FY'08 include deferred construction and projects that will give greater capacity for dredge material placement. These are necessary to continue the maintenance of the channel.

The port's needed vs. actual Corps of Engineers funding for fiscal years 2005, 2006 and 2007 (estimate) were:

Year	CG Capability	CG Funded	O&M Capability	O&M Funded
FY2005	$29 million	$29.5 million*	$31.476 million	$16.0 million

FY2006	$45.1 million	$26.0 million	$23.38 million**	$17.964 million
FY2007	$58.0 million	$26 to $43 million***	$19.8 million	$13 to $18 million***
FY2008	$33.6 to $50.7 million		$22.2 to $27.2 million	

*includes reprogramming of $7.5 million to the project. After savings and slippage the actual allocated is $27.045 million.
**original request by Corps was $16.561 million and was increased midway through the year.
***FY2007 appropriations has not passed, these are estimates using the President's budget numbers vs. carryover from the FY2006 numbers.

Jacksonville Port Authority

JAXPORT has two important dredging projects. A 5.3 mile section of Jacksonville's federal channel, currently at a depth of 38 feet, has received federal authorization to be deepened to 40 feet (plus one foot of overdredge); however, the federal share of funding has not yet been made available for this project. We do anticipate funding to be made available and are working closely with our elected representatives on this issue. Separately, a General Re-evaluation Report (GRR) is now underway to determine the potential of a new project to deepen the entire federal channel to 45 feet or more. Federal funding also will be a vital part of this project, which is important as a new customer at JAXPORT initiates direct container ship service between Jacksonville and ports throughout Asia beginning in 2008. Many shipping lines currently utilizing the Port of Jacksonville, particularly container and bulk fuel carriers, also are eager for harbor deepening to proceed so they may deploy vessels requiring this deeper water.

Port of Kalama

In addition to annual maintenance dredging, we ports on the Lower Columbia River section need an additional $25 million in 2008 and $25 million in 2009 to complete the deepening of the Columbia River project, which is less than half complete.

Port of Lake Charles

The Calcasieu River Waterway (Lake Charles, Louisiana, and vicinity) is the 12th largest port district in the nation. More than 58,000,000 tons of cargo were handled by facilities on this channel in 2005 (the latest figures available). As a port of national significance, it warrants priority funding for required periodic maintenance dredging to ensure

Congressionally authorized ship channel dimensions are maintained. On average, $17,000,000 is required annually to maintain the nation's longest dredged approach channel and waterway to authorized dimensions of 400' wide shoreward and 800' wide offshore, with 40' minimum depth.

Because of inadequate funding in FY'06 and the constraints of the proposed continuing resolution that will fund the Corps for FY'07, the channel's dredging needs are far greater than normal. A total of $18,400,000 is needed to restore the channel to project dimensions. In addition, $20,000,000 is needed for foreshore protection that will retard shoaling and provide necessary disposal sites for dredged material.

Historically, less than half the amount needed to maintain the channel at project dimensions has been appropriated. The Calcasieu River Waterway ship channel is routinely dredged to less than authorized project width and needed dredging is frequently postponed. Currently, an 11 mile reach of the channel is 350' wide rather than the authorized width of 400'.

The amounts above do not include funds to do smarter things with dredged material: reclaim property lost to hurricanes and through subsidence and restore coastal wetlands. This innovative use of dredge material will provide both hurricane protection and reverse coastal restoration. To do so will cost considerably more than currently allowed under "the federal standard."

Historically, the channel's dredging needs are under funded. The Corps New Orleans District usually requests $15-20 million for Calcasieu O&M and receives $10-15 million. In 2005, Calcasieu O&M was $13.6M, later supplemented by $25M more in hurricane relief. In 2006, the Corps only received $8.9M for Calcasieu O&M but was able to carry over some of the hurricane supplemental appropriation. However, the shortfall in FY'06 funding will impact FY'07 funding because of the Continuing Resolution that will apparently fund the Corps for the remainder of 2007.

Inadequate funding of the Calcasieu Ship Channel is a detriment to the region and the nation. An economic impact study of the port was last completed in 1999. It showed that port facilities move 10 million tons of cargo annually and private facilities move over 45 million tons of cargo annually. The port generates $18.3 billion in annual spending. The port creates $633 million in income and 13,200 jobs. The port generates $68 million in state taxes and $63 million in local taxes. A nine-day closure of the channel in the summer of 2006 cost the nation $1 billion in increased gasoline and natural gas prices.

A January 2007 draft report by the Corps of Engineers shows that a one foot reduction in vessel operating draft costs Calcasieu Channel users $5.4 million per year. Poor channel maintenance in the past has caused users representing 52% of the channels deep draft vessel traffic to voluntarily reduce their operating draft by one foot, incurring losses of about $2.8 million per year based on the Corps' preliminary report. When the three LNG facilities (one existing, one under construction and one approved by FERC) are operating

at full capacity, that same study reports a loss of one foot in operating draft will cost channel users $24.1 million per year.

The Calcasieu River Waterway (Lake Charles, Louisiana and vicinity) enabled transit of over 58,000,000 tons of cargo in 2005. Significant forecasted increases are on the near-term horizon. The Waterway continues to support and lead the nation in liquefied natural gas (LNG) imports. Expansion of Trunkline LNG and FERC-approved construction of a new two-berth Sempra Energy, Cameron LNG, LLC terminal and contemplated construction of a third LNG Cheniere Creole Trail terminal near Cameron, Louisiana, will make the waterway a leader in imported LNG. Expansion of major refineries operated by CITGO and ConocoPhillips will increase the channel's importance to the nation. It is anticipated that ship traffic on the channel will increase 70% by 2010.

Chemical and other manufacturing, shipyard activity and intermodal cargo handling by other waterway reliant industries such as PPG, W.R. Grace, Alcoa, Firestone, Lyondell, Westlake Styrene, Omega Protein, Global Industries, Bollinger Calcasieu LLC, Texas Butylene, Venco, Dunham Price, Port Aggregates, and the Lake Charles Harbor & Terminal District depend on an adequately maintained Calcasieu River Waterway.

The waterway also serves military-essential mobilization activities, the commercial fishing industry, outer continental shelf offshore oil and gas production, and essential oil spill response readiness capabilities of the Marine Spill Response Corporation. Critical U.S. Department of Agriculture food programs rely on services of the Lake Charles Harbor & Terminal District and the waterway's efficacy. The federal Strategic Petroleum Reserve (SPR) facility is adjacent to the waterway. Recreational facilities (casino vessels), which rely on the safety of the adjacent waterway, will soon entertain over seven million patrons annually.

Crude oil imports through the Waterway are primarily from the western hemisphere and are not subject to the variables impacting crude oil from the Middle East. Ensuring a fully funded and maintained waterway for these imports and other purposes of national importance is essential.

Port of Long Beach

Long Beach is also California's largest liquid bulk Port, handling very large crude and refined product vessels for the nation's largest market of those products. The federal navigation channel has been authorized for -76 feet to accommodate the large liquid bulk carriers.

However, due to delays in permitting and funding, portions of the main channel dredging that serve our largest crude berth have been repeatedly postponed. Consequently, fully laden vessels must be lightered offshore in an expensive and more environmentally risky manner.

The U.S. Army Corps is working with the port on the main channel project. The project has received support from the senate in the amount of $5M but more than $6M is needed to complete the work and is being requested in the upcoming FY 2008 budget.

Port Manatee

In the Corps FY'06 Budget and as authorized by Congress, there was zero for new construction and $1.5 million for maintenance dredging. In FY'07, there was still zero. The Port actually requested $12 million for new construction and $3.5 million for maintenance. The lack of funding has hindered closure of the Manatee Harbor Dredging Project, which should have been completed in CY 03 or early CY 04.

Up until FY' 06 the Manatee Dredging Project had been federally funded, however, because of the Corps' own delays on this continuing contract, appropriations were reprogrammed. It is our understanding that of the approximate $24 million that was reprogrammed, the Corps has worked to restore some of the reprogrammed funds whereby up to $5 or $6 million dollars still remains reprogrammed for other activities.

For FY'07 the funding requirements as currently viewed are for new construction, $16 million and for maintenance, $4 million.

The project co-sponsor, Manatee County Port Authority, has been detrimentally affected. Since the Corps dredging on this phase also included deferred maintenance dredging in addition to new construction, the pilots continue to impose water draft constraints that have been in place since January of 2002. These constraints are costing the sponsor an estimated $12 million per year. In addition, the Port has new berths constructed to tie in with the new construction dredging that have been online since 2003 but cannot be used. These two berths represent a port investment of $20 million dollars.

Finally, the federal government and the sponsor have invested $60 million in the dredging from which benefits and return on investment cannot be derived. This is the waste of federal and sponsor funds invested from which benefits are not being generated and for all practical purposes could be wasted unless it is cured by federal appropriations.

Maryland Port Administration

Maintenance dredging is critical to the Port of Baltimore, since the deeper laden ships using the northern or C&D Canal route into Baltimore sail with 33' drafts, putting them within 2' of the authorized channel depth of 35'. For the southern route up the Chesapeake Bay, some of the deeper laden ships sail with drafts of 47.5', putting them within 2.5' of the authorized channel depth of 50'. Full authorized depth is needed in both channel systems to maintain current ship usage patterns.

Northern, C&D Canal route maintenance dredging (Philadelphia District COE) is fully funded for $12M in 2008, unless some of the O&M funds are diverted to bridge maintenance, which could cost up to $4.0M.

For the southern Chesapeake Bay route into Baltimore, the Corps (Baltimore District COE) is funded for $16.7 to perform about 2.5 million cubic yards (mcy) of dredging in 2008. Another $3.0M ($20M total) is needed to dredge an additional .5 mcy in order to clear up the most critically needed maintenance dredging; a total of $25M to $28M would be needed to dredge a total of 4 mcy to 5 mcy, if all maintenance backlogs were cleared up in this channel system in 2008.

Funding shortfall for the C&D O&M program is $4.0M, in order to avoid diversion of maintenance dredging funds into bridge maintenance. Another $3.0M is needed for the southern route into Baltimore to enable dredging of the most critically needed maintenance dredging, bringing the funding shortfall to $7.0M, and if all maintenance backlogs were addressed, another $5.0M to $8.0M would be needed, bringing the total funding short fall to $12M to $15M.

Massachusetts Port Authority

The federal navigation channels in the Port of Boston are in urgent need of maintenance dredging. Although the Inner Harbor Maintenance Dredging Project has been fully permitted, it has not yet been bid due to a lack of sufficient federal funding. Once the FY'07 budget is finalized, the first phase of the project will be put out to bid. Dredging is expected to begin in the spring of 2007. The port will need total federal funding of $10 million for FY'08 - $8 million to continue the Phase I maintenance dredging and $2 million to start the Phase II maintenance dredging.

The 40-foot Main Ship Channel into the Port of Boston has shoaled in to the extent that -35 feet MLLW is now the controlling depth. As a result, the deepest draft vessel that can be brought in without any regard to tides is 33 feet. (This does not take into account strong westerly winds that can further reduce available water depths by as much as 2 feet.) In 2005, there were more than 600 movements in Boston Harbor by “tide-restricted” vessels (i.e., vessels with drafts of 34 feet or greater). This results in a significant and negative economic impact to the region, and it raises significant operational, safety, economic and environmental concerns. Vessels will need to lighter their cargo in the outer harbor, thereby increasing costs to consumers and the chances for an oil spill in these harbor areas. In the worst case, these severely shoaled channels could result in a ship grounding, with potentially devastating environmental consequences

The Port of Boston provides significant economic benefits to the Commonwealth’s residents and businesses. The Port is credited with generating 34,000 jobs and a $2.4 billion annual economic impact. This significant economic benefit could be jeopardized by the current severe state of shoaling in our channels, since the economic viability of any port rests in large part on the depths of its navigation channels. If deep draft vessels

cannot safely and efficiently transit the harbor to access their channels, significant economic and potential environmental impacts result. Also, waterborne transportation of cargo is the most environmentally sound transportation alternative available. If cargo cannot reach its destination by water, it will be diverted to the highways, resulting in increased air emissions, traffic and deterioration of highways and bridges.

In FY'06, the port needed $10 million for the federal costs. However, it only received $6.6 million, a $3.4 million shortfall. Since the FY'07 federal funds have not yet been appropriated to allow the dredging to continue uninterrupted, the project has not yet been bid and the FY'06 funds have not yet been spent. For FY'07, the port needed $7 million, and the President's budget carried $0, a $7 million shortfall.

Port of Miami

For FY'08, the Port needs federal funding to initiate the Pre-Engineering Construction and Design (PED) for our Phase III deepening project. The Record of Decision (ROD) was executed by the Assistant Secretary of the Army (ASA) in May 2006 based on an approved General Reevaluation Report (GRR). The extensive economic study details the nation's benefit for this 50' deepening project. In anticipation of this project, the port has heavily invested in infrastructure and security projects for our future. In 2005, the port received two super post-Panamax gantry cranes to handle cargo retrieval of equivalent sized ships. The Port also recently completed an additional 1,145 feet of gantry dock to accommodate post-Panamax vessels. These investments are all part of the port's preparation for the future 50' deepening project. The POM is the second largest economic engine in Miami-Dade County, contributing approximately $16 billion to the economy, and 120,000 direct/indirect jobs. With its 52' draft, Freeport Bahamas (just a short 65 miles from Miami) is the deepest port south of Norfolk, Virginia with 99% of its cargo being unloaded/reloaded. As a result, Freeport is positioned to take business away from the U.S., including the POM. With the capital expense already initiated at Miami and its proximity to Freeport, Miami needs $2M in FY'08 for the Phase III deepening project and the initiation of PED.

The POM's dredging needs were met for FY06 and FY07. The Corps completed the maintenance dredging project in FY'06 at a cost of approximately $1.5 million. Additionally, the Corps completed the Phase II deepening (depth of 42') project in FY'07.

The Port of New Orleans

Maintenance dredging of the Lower Mississippi River for the Port of New Orleans and other Louisiana ports varies between $30 million to $60 million per year, with the average usually falling around $45 million. The cost to the Corps to dredge the New Orleans Harbor is about $2 million per year.

In FY'06 and '07, the Corps was able to complete dredging operations for the Mississippi River, but had to defer jetty and dyke repair at the mouth of the river that would have cost $10 million to $15 million. It's important to keep those jetties and dykes in good working order because continued deferral of maintenance could lead to greater shoaling and increased maintenance dredging costs. The slow pace of funding has also affected access to the Port's Inner Harbor, which uses the Mississippi River Gulf Outlet (MRGO) and the Inner Harbor Navigational Canal (IHNC) as its main channels.

Had the IHNC lock replacement project been completed, the Port wouldn't be in such a bind right now with the imminent closure of the MRGO. The MRGO shoaled from 36 feet to 21 feet after Hurricane Katrina. It will not be redredged, and the Port is currently seeking $150 million in funding to move container facilities and cold storage facilities that can no longer be accessed by deep draft vessels. The lock project, when it is complete, will provide another suitable route for deep draft vessels without the time delays caused by the current antiquated lock. The lock project also plays an important role in our nation's inland waterway system. The completion of this project is critical for the continued success of the Gulf Intracoastal Waterway, because the IHNC lock represents a huge bottleneck for barges transiting that route.

The Port Authority of New York and New Jersey

With regard to dredging, the ongoing NY & NJ Harbor Deepening Project will improve transportation efficiency and will benefit the markets served by the Port, as well as the nation's defense capability. The Port and private industry have been engaged in a $2 billion redevelopment program that includes waterway, terminal, and access improvements to meet this anticipated growth. The harbor deepening program at the Port of NY/NJ is one of the largest Corps projects in the nation. It is essential to complete the 50 foot channel deepening in order to accommodate the vessels of the future and encourage continued private industry investment. These investments by the federal government, the Port Authority and private companies have resulted in 230,000 jobs in the region and almost an additional 200,000 jobs nationwide. A total of $130 million is needed in construction funds due to the significant number of contracts to be awarded over the next several fiscal years. This level of activity must be maintained through FY'10 in order to complete the 50' deepening project on schedule. Project slippage will have serious negative impacts on Port commerce as well as the region's economy.

In FY'06 & FY'07, the President's Budget and the required budget for construction were sufficient. However, operation and maintenance funds are always much less than required. Maintenance projects are critical to the commerce, navigation and security of the Port and the nation. Billions of dollars are being spent to deepen the Port's channels. The return on this investment will be lost if these channels are not maintained as needed by today's deeper draft vessels. Additionally, the risk of groundings will increase. Past and current budgets enable only partial maintenance of the channels, leaving significant areas at shallow and potentially unsafe depths. The Port is the nation's busiest petroleum port, and the Arthur Kill (under NY & NJ Channels) is critical to that trade. Maintenance

of the channel is needed to support the industry, which serves the greater New York Metropolitan area and much of the Northeast. Maintenance also protects and perpetuates the federal infrastructure investment. The port identified several critical projects with pressing dredging safety concerns. In FY'07, the shortfall between the Administration's budget and the funding required for O&M was $21.4 million. In FY'08, we require approximately $46 million, a similar number to what we required in FY'07.

North Carolina State Ports Authority

With regard to dredging, in FY'08, the North Carolina State Ports Authority needs construction general funding for completion of the Wilmington Harbor Deepening Project, general investigation funding for regional sand management and for port expansion reconnaissance studies for the new North Carolina International Port, and operation and maintenance funding for upkeep of existing authorized project dimensions at the Ports of Morehead City and Wilmington.

The Wilmington Harbor Deepening Project is basically one dredging contract away from completion. Over the last several years, the U.S. Army Corps of Engineers Wilmington District, in close coordination with the Cape Fear River Pilots and the North Carolina State Ports Authority, has been maximizing successive annual reduced federal funding levels. The Port of Wilmington has been working with less than half of its authorized turning basin length, while awaiting funding that would allow completion to full project dimensions. The reduced turning basin dimensions were to be an interim situation agreed to by the Pilots and the Ports Authority, and now present potential ship safety and operational concerns that threaten to jeopardize current customers' business and new business opportunities.

The Wilmington Harbor Deepening Project mandates an updated Dredge Material Management Plan that delineates the dredge material management capabilities and capacities for maintenance dredging in operational out-years to include beneficial use of dredge material along adjacent ocean shorelines. The high quantity and quality of – and demand for – beach compatible sand found at the mouth of the Cape Fear River and in the Beaufort Harbor require the Corps to develop Regional Sand Management and Dredge Material Management Plans for the Port of Wilmington and the Port of Morehead City. The beneficial use of dredge material and the benefits gained from the navigational projects' maintenance materials require an approach above and beyond the current Corps' least-cost placement policy. The North Carolina State Ports Authority, with its site-specific dredge material management challenges, requires additional Corps funding to ensure a regional and holistic approach to dredge material management while delivering full authorized project dimensions that facilitate North Carolina's significant participation in our nation's prominence in international maritime trade, as well as maintaining our nation's military preparedness.

Capability	Authorized	Pres. Budget FY07	~

FY 06			
Morehead City	$4.5M	$3.6M	$0.9M
Wilmington	$15.6M	$11.8M	$3.8M
FY07			
Morehead City	$6.7M	$5.2M	$1.5M
Wilmington	$14.4M	$9.4M	$5M

Port of Shreveport-Bossier

The port's dredging needs include the Red River Waterway System as a whole. The total minimum operations and maintenance (O&M) required is $12M; dredging needs are $ 3.2 million; L&D operations and other O&M are $8.8 million.

South Carolina State Ports Authority

In South Carolina, the Charleston District of the U.S. Army Corps of Engineers currently collects about $40 million annually in harbor maintenance taxes, and gets back only about $9-$12 million a year for maintenance work for navigation channels critical to the ports of Charleston and Georgetown.

Georgetown and the businesses located there are particularly hard hit. The authorized depth along the 14 mile navigation channel into Georgetown is 27 feet, but the channel is currently only 25 feet or less in many areas in the main channel leading to the state pier berth (and has been consistently under-maintained for many years).

ISG/Mittal Steel Group, which employs 375 people locally, currently moves 300,000 tons of cargo through the port but could move 500,000 tons if the channel were dredged to its authorized level. As a result of the channel depth, ISG still must "light-load" vessels, or use smaller vessels, which has a direct effect on its raw material cost. According to ISG, the cost difference between handling a 25k metric ton handymax ship and 30k metric ton handymax ship is $3 per metric ton, or about $15,000/ship because of insufficient draft. The company handles about 12 ships/year now (for a total economic impact of $180,000/year), vs. 30 ships/year as recently as 2001 (for a total economic impact of $450,000). Having to use smaller ships and pay the HMT on imports of raw materials is a contributing factor to their loss in sales and ship traffic, because it puts them at a competitive disadvantage in the world market. Their customers have to absorb those fees in the prices they charge for their steel.

Holcim Cement moves 150,000 net tons annually through Georgetown and employs 4 people at the terminal. Holcim serves the ever fast growing construction industry in the greater Myrtle Beach and surrounding area. It provides some 150 truck driver jobs and numerous construction jobs are dependent on its concrete for construction projects. This

company desperately needs a channel maintained at 27 feet again to remain competitive in the market.

MMA (Martin Marietta Aggregate) currently moves 300,000 tons annually through port authority facilities and plans to move 500,000 tons in 2007 through Georgetown. The company brings in aggregate (rock) from the Bahamas to support the concrete industry in the Myrtle Beach/Conway area. At a 27 foot draft, MMA already had to light-load their vessel to discharge only 28,000 tons. With the channel at only 25 feet, the company can only load 24,000 tons, significantly driving up its operating cost, and driving up construction costs and affecting jobs in South Carolina.

International Paper Company moves 60,000 tons annually to its mill in Georgetown, which has 750 employees and is only ¼ mile from the Port of Georgetown. The mill has break-bulk tonnage destined for the Far East region, but due to the size of the vessels loading the cargo and the reduced draft in Georgetown due to lack of dredging, the mill is railing this tonnage to Wilmington, NC, over 250 miles of track to be loaded on a ship for export. This represents a loss of cargo annually to Georgetown and increased costs to International Paper as a result of shipping through a more distant port.

The Port of Georgetown also has seven different active steel importers who bring in approximately 90,000 tons annually. This tonnage accounts for about 60 jobs relating to stevedores, port employees, and local trucking companies. The vessels discharging this cargo must light-load prior to coming to Georgetown even with a 27' draft. When the draft falls under the 27 feet, these vessels will not come in and the cargo is delivered to other neighboring ports, which causes a significant increase in trucking costs to the customer. Many times, the increased cost exceeds the profit margin and the business is simply loss.

A number of other long-term customers at Georgetown are also having to light-load vessels due to decreased channel depths.

The Port of Georgetown also has significant amounts of new business expected to begin in 2007 and 2008 which will depend on a minimum draft of 27 feet.

Tampa Port Authority

The port's FY'08 request for dredging will be approximately $8.0 million.

In 2006 the Port received all the dredging funding requested and needed. For '07, it anticipates receiving the full amount requested ($4.15 million). However, owing to unforeseen shoaling, it now appears that the port's need in '07 will be about $ 4.0 million greater than the actual amount received.

Toledo-Lucas County Port Authority

In Toledo, port officials are constantly fearful of the Port being closed or crippled, as one good storm in Lake Erie could close the shipping channel. The Corps is currently 3 to 4 million cubic yards short of having dredged compared to what it should have dredged and every year the dredging program does not meet the volume required to even equal what is being deposited into the ship channel. The Port of Toledo is expanding its tonnage throughput and the diversity of its cargoes to a significant measure annually and the prospects for continued growth are apparent. With this growth comes an increase in local employment and in the economic spinoffs benefiting the region. Midwest steel manufacturers depend upon their raw materials coming to them economically via Toledo. Midwest machinery manufacturers depend upon raw steel getting to them via Toledo. Local farmers depend upon the fertilizers continuing to come in, and this is a growing business. Regional power plants depend upon receiving raw materials for scrubbing operations that limit emissions into the environment. Major grain handlers depend upon the Port to export their products, as do Midwest coal mines. The auto industry depends upon the many different metals that come in through Toledo in ever increasing volumes. Toledo has been identified as a key Great Lakes port for the future handling of containers originating from and bound for the Midwest, and the Port is already a major petroleum products handler to and from the Midwest.

The annual shortfall in dollars for Corps dredging within Toledo Harbor is estimated at initially $10 million annually to address the existing backlog plus needed maintenance and then $3 million annually to perform required maintenance dredging to dredge the channel to standard. With the doubling of the number of international ships using the Port this past season and anticipating there will not be a fall off in the port's growth, it is increasingly important to assure international shipping lines that the port has plenty of width and depth at all points in the channel. A single grounding incident can damage a port's reputation for years, driving international ships to avoid the port where the grounding occurred.

Port of Vancouver, USA

Dredging needs in FY'08:

Columbia River Channel Deepening – $25 million requested for FY'08

a. Increased capacity to handle cargoes, particularly wheat – nearly 70% of Port of Vancouver USA tonnage – estimated at $600.000 additional outbound cargo per ship could be accommodated by a deeper channel
b. Assumption of maintenance for new turning basin planned adjacent to Port's Columbia Gateway development – necessary to relieve congestion and insure navigation safety

Virgin Islands Port Authority

Probably over the past thirty (30) years the U.S. Army Corps of Engineers has not undertaken any dredging projects within the harbors of the Virgin Islands. The harbors of concern are Charlotte Amalie, including Crown Bay (Gregorie Channel) on the island of St. Thomas and Frederiksted, Christiansted and Limetree Bay harbors on the island of St. Croix.

These harbors throughout the Virgin Islands serve the islands in terms of cargo importation and cruise ships to which the islands economy is dependent to a significant extent. Both Christiansted and Charlotte Amalie including Gregorie Channel have Congressional designation as far back as 1950.

The VIPA has paid for all dredging of the harbor areas, whether to extend port terminals or for maintenance purposes, without any financial assistance from the Territorial or federal Government.

There is a lack of availability of dredging equipment in the Virgin Islands or in neighboring Caribbean islands, mobilization cost is high as well as mitigation since the marine resources and water quality are of higher quality within all of the harbor areas.

The VIPA is presently in the process facilitated by AAPA of requesting financial assistance/consideration from the Army Corps of Engineers as we are not included in their FY budget. The projected estimated amount for consideration is $10 million.

Virginia Port Authority

FY08 Norfolk Harbor dredging fund requirements:

Required for O&M for CIDMMA:	$ 1,700,000
Required for Craney Island Dredge Material Management Area:	$16,688,000

The Port of Virginia, the U.S. Navy and the U.S. Coast Guard are heavily dependent on the proper maintenance of navigation channels in Norfolk Harbor (Hampton Roads). Fortunately, the USACE has a cost effective dredge disposal site, Craney Island Dredge Material Management Area (CIDMMA) that makes dredging in Norfolk Harbor one of the lowest cost dredging areas in the country. However, even with CIDMMA, the USACE still must perform maintenance and conduct routine operations at CIDMMA as well as maintenance work on the Norfolk Channels.

The Port of Virginia is the second largest port on the East Coast. The Port of Virginia serves the nation, with over 55% of the cargo that moves over the docks in Hampton Roads entering or leaving the state. The Virginia Port Authority has a $667.5 million annual regional state impact through port-related jobs and their resulting income. Cargo moving through the port, and all of the jobs related to this cargo, generate 165,000 jobs in Virginia that in turn generate $4.9 billion in personal income.

Closing the port would restrict movement of key military vessels located in this harbor that transport troops and supplies to points throughout the world. Hampton Roads is home to the largest Naval Base in the world, Naval Station Norfolk, home of the Atlantic Fleet. In addition to being the world's largest Naval Station, it is also the largest military station in the world. Naval Station is homeport to aircraft carriers, cruisers, destroyers, large amphibious ships, submarines, and a variety of supply and logistics ships. Port Services at this facility control more than 3,100 ships' movements annually as they arrive and depart their berths. Port facilities extend more than four miles along the waterfront and include some seven miles of pier and wharf space. Naval Station Norfolk has 78 ships and 133 aircraft home ported here. When they are not at sea, they are alongside one of the 14 piers or inside one of the 15 aircraft hangars for repair, refit, and training.

FY06/07 Norfolk Harbor dredging fund requirements:

	FY06	FY07
Required for O&M for CIDMMA:	$14,672,000	$17,266,000
Received / Budgeted:	$13,205,000	$ 0
Norfolk Harbor Deepening:	$6,295,000	$ 3,400,000
Received / Budgeted:	$3,221,000	$ 0
Shortfall:	$4,541,000	$20,666,000

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