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**REMARKS TO THE**  
**AMERICAN ASSOCIATION OF PORT AUTHORITIES**  
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- I would like to thank the American Association of Port Authorities and President Kurt Nagle for inviting me to join you today.
- Ports play a critical role in the national transportation system, providing the access and connectivity to the global marketplace which enables American economic competitiveness and prosperity.

**ECONOMIC IMPACT OF U.S. PORTS**

- Direct and indirect Economic Impact of U.S. Public Ports:
  - 13.3 million jobs that pay 13 to 17 percent higher wages than non-trade jobs
  - \$649 billion in personal income.
- According to the U.S. Department of Transportation's June 2009 report, titled *"America's Container Ports: Freight Hubs That Connect Our Nation to Global Markets"* in 2008 U.S. container ports handled:
  - 28.2 million loaded TEUs annually
    - An increase of over 110 percent from 1995.
  - An average of 77,000 TEUs per day

- An increase of more than twice the average in 1995.
- In 2007, port activity contributed more than \$3.15 trillion to the Gross Domestic Product.

### **GROWING DEMANDS ON THE SYSTEM DUE TO TRADE**

- Since 1970, imports to the U.S. have more than tripled as a share of GDP, while exports have more than doubled, largely driven by increased trade with China.
  - Since 1981, total U.S.-China trade has grown from \$5.7 billion to its current levels over \$400 billion, 71 times the level recorded in 1981.
- The U.S. DOT estimates that by 2035, the volume of freight shipped on the U.S. intermodal transportation system will increase more than 48 percent.
- The current trend toward building bigger and bigger freight container vessels has ports across the country racing to accommodate these massive vessels and attract the intermodal logistics and goods movement jobs they will bring.
- Today, the world's largest container ship, the M/V Emma Mærsk, has a capacity of 15,200 TEUs. Meanwhile, South Korean shipbuilder STX has announced plans to construct a container ship with a capacity of 22,000 TEUs.

- As international trade has exploded in volume and in the value of goods, making efficient movement of goods on the nation's intermodal network even more important to the overall wellbeing and potential of the U.S. economy.

### **THE IMPACT OF CONGESTION AND UNDERINVESTMENT ON THE SURFACE TRANSPORTATION NETWORK**

- Since the Interstate Highway System was laid out in 1956, significant changes have occurred in the U.S.
  - Between 1950 and 2007, the U.S. population doubled from 150 million to 300 million, and GDP has exploded from \$345 billion to \$13 trillion.
  - Between 1955 and 2005, vehicle miles traveled grew by 500 percent.
- As a result of these changes, many segments of the network must now handle much greater volumes of traffic than originally projected and are rapidly approaching, or have exceeded intended capacity.
- Congestion has increasingly impaired the efficient movement of people and goods in the nation's metropolitan areas, many of which are home to the busiest ports.
  - The cost of congestion totaled \$87.2 billion in 2007, or \$757 per driver.
- This growing congestion has also undermined U.S. business competitiveness by increasing logistics costs.

- Truck transportation accounts for \$671 billion, or 77 percent, of transportation costs, and spending on trucking rose 6.1 percent from 2006 to 2007.
  - Overall, logistics costs accounted for 10.1 percent of the GDP in 2008, up from 8.8 percent in 2004, a \$412 billion increase in four short years.
- The Minnesota 2020 report, entitled “Moving Forward: The Benefits of Transportation Investment to Minnesota’s Economy” found that General Mills, which spends close to \$650 million a year trucking hundreds of millions of cases of food to market, estimates that every one mile per hour reduction in average speed of its shipments below posted limits adds \$2 million in higher annual costs.
  - UPS estimates that if each of their package delivery drivers incurred 5 minutes of delay due to congestion, it would cost the company \$100 million.
  - If nothing is done to address these challenges, the nation’s economic competitiveness will continue to be undermined and the conditions of the nation’s vast network of infrastructure assets will further deteriorate.

#### **DETERIORATING CONDITIONS OF THE SURFACE TRANSPORTATION SYSTEM**

- According to the **2008 Conditions and Performance Report** (C&P Report):

- 43 percent of all vehicle miles traveled on the NHS are on roadways that are not rated as having “good” ride qualities;
  - Over 151,000 bridges – nearly one of every four bridges in the United States – are structurally deficient or functionally obsolete.
  - The nation’s roads and bridges will require an average of \$106 billion in annual capital investment over the next two decades to sustain current highway and bridge conditions and performance.
  - An average annual capital investment of \$175 billion would be necessary to make all cost-beneficial investments in roads and bridges and eliminate the current backlog of bridge deficiencies.
  - Today the public and private sectors spend just under \$80 billion per year on highway and bridge capital projects.
- Current U.S. spending on roads, bridges and rails is putting the country at a competitive disadvantage against rivals like China and India.
- **India** has plans to increase the infrastructure investment share of its GDP from 5 percent to 9 percent by 2012.
  - **China** already invests roughly 9 percent of its GDP on infrastructure while the United States currently invests roughly 1 percent.
  - The **European Union** is investing in the Trans-European Transport Network (TEN-T) plan, which calls for expanding the existing road network by 2,976 miles and rail by 7,750 miles by 2020. Under this plan the inland waterway system will amount to 6,975 miles, including 210 inland ports, another 294 seaports and some 366 airports.

- To address these massive, system-wide needs, it is essential that States, MPOs, Port Authorities, and local governments have a reliable and stable funding partner in the Federal government so they can make the long term planning and investments necessary for meeting the needs of the 21<sup>st</sup> century.

### **SURFACE TRANSPORTATION AUTHORIZATION ACT**

- **The Surface Transportation Authorization Act (STAA)** provides a total investment of \$450 billion over the next 6 years, and:
  - Provides \$337.4 billion for highway construction investment, including at least \$100 billion for Critical Asset Investment to begin to restore the National Highway System (NHS) (including the Interstate System) and the nation's bridges to a state of good repair;
  - **Programmatic Consolidation**—One of the important improvements in this regard comes from the consolidation of 108 existing surface transportation programs. This will allow us to redirect the focus of our surface transportation programs to the areas of national strategic interest, specifically:
    - Mobility and access for people and goods;
    - Keeping our system in a state of good repair;
    - Improving safety;
    - Enhancing quality of life and system sustainability.

- **Undersecretary of Intermodalism** –Elevates the Office of Intermodalism from its current location in RITA to its original home in the Secretary’s office and creates an Undersecretary for Intermodalism charged with developing and implementing a National Transportation Strategic Plan for addressing the long-term needs of the surface transportation network.
  - Directs the Office to coordinate between operating administrations, reduce modal stovepipes and barriers, encourage intermodal transportation policies and practices, and lead the development of a national strategic transportation plan.
  - The Under Secretary also has responsibility for administering the Metropolitan Mobility and Access and Projects of National Significance programs and the new National Infrastructure Bank.
- **Freight Improvement Program**– Provides state formula grant funding for freight and goods movement projects and for improving States’ ability to conduct freight planning. To support Freight Improvement, States will receive formula apportionments funded by contract authority derived from the Trust Fund.
- **Projects of National Significance** – Enhance US global competitiveness by improving goods’ movement and freight mobility to facilitate international trade and relieve congestion at major trade gateways and corridors by funding

large projects that don't fit into a State formula and have national economic benefits.

- **Metropolitan Mobility**—Establishes a mode-neutral program to provide congestion relief and expanded mobility and accessibility through Federal assistance to large metropolitan areas with substantial travel time delays.
  - **National Infrastructure Bank**—Recognizing the high cost of Projects of National Significance, STAA establishes a National Infrastructure Bank, which will provide grants, loans, loan guarantees, lines of credit, private activity bonds, tax-credit bonds, and other financial tools to States to finance the construction of these projects of national significance.
  - **Improving Project Delivery**—Creates offices within FHWA and FTA to improve the project delivery process by eliminating duplication in documentation and procedures and expedite the development of projects through the environmental review process, design, and construction.
- Most importantly, the investments made by this \$450 billion six-year authorization will create or sustain 6 million good paying job opportunities across the nation, and will build a surface transportation network to support long-term economic growth.

- To finance this \$450 billion investment, we must provide additional funding and revenues of approximately \$140 billion over the six-year authorization period from FY 2010 through FY 2015.
  - \$65.5 billion just to maintain the current year's surface transportation investment level (\$326 billion over six years), and
  - \$75 billion over six years to finance the additional investment called for in the Surface Transportation Authorization Act.
  
- **Freight User Fees**— STAA will place an unprecedented focus on freight related projects. To address these needs, there has been a lot of discussion in the freight community about establishing a freight trust fund and freight-based user fees. To date, however, there has been a lack of consensus on the collection and administration of freight user fees.
  
- **ON TIME Act**—One idea that has been widely discussed is Congressman Ken Calvert of California legislation to establish and collect a fee based on the fair market value of goods imported into and exported out of the United States in commerce. H.R. 947, the Our Nation's Trade, Infrastructure, Mobility, and Efficiency Act of 2009 (ON TIME Act) would allow the revenues collected from the fee would be used to make grants to fund transportation projects in the corridors for which the fee is collected.

**\*\*\*Staff Notes Regarding the ON TIME Act:**

- Rep. Laura Richardson has been working on similar proposals.
  - A tax on freight exports, based on the value of the export, may violate the Constitutional prohibition on taxes on exports, similar to the case in which the Supreme Court found the Harbor Maintenance Tax as applied to exports to be unconstitutional.
- If we are going to generate the revenue we need to address the nation's current and future freight mobility and access needs, it is important that all freight stakeholders reach consensus on this issue. I welcome your thoughts and input on Mr. Calvert's legislation or any other proposal to generate freight-related revenue.
- The long term surface transportation authorization bill must be one part of an overall broader investment agenda for the nation's infrastructure.

**SHORT SEA TRANSPORTATION**

- We must also expand the use of all modes of the system in order to handle future freight demands. Short sea shipping offers a number of benefits, including:
- **Congestion Relief and Improved Freight Mobility:** Reduces freight volume on roadways to relieve some of the impacts of mounting congestion. Trucks currently handle more than 70 percent of freight by weight.
  - **Reduced Emissions:** Transferring freight to ships will reduce transportation-related emissions by reducing truck traffic.

- The City of Richmond, Virginia has used congestion mitigation funds from the Highway Trust Fund to provide financial assistance to start up a barge service between Hampton Roads and Richmond in order to get trucks off their highways. This project reportedly removes more than 4,000 trucks from I-64 each year.
  
- In December 2007, the President signed into law the Energy Independence and Security Act of 2007. This Act established a short sea transportation program within the Maritime Administration (MarAd). Under this Act MarAd must:
  - Designate short sea transportation routes as extensions of the surface transportation system to focus public and private efforts to relieve landside congestion.
  - Designate short sea transportation projects to relieve landside congestion by taking freight or passengers off our nation's highways.
  - Coordinate with state and local governments and the private sector on the development of landside infrastructure to support short sea transportation.
  
- More needs to be done to help expand short sea shipping in the United States:
  - **Harbor Maintenance Tax:** Short Sea Transportation movements need to be exempted from application of the Harbor Maintenance Tax to level

the playing field between shippers and their trucking and rail competitors.

A number of bills have been introduced in Congress and we need to make sure that they are included in a tax package and enacted into law.

- **Shipper Reluctance:** We must work to overcome the general reluctance among freight shippers to trying new, relatively unproven modes even if it is marginally cheaper or offers some other competitive advantage.

### **WATER RESOURCES DEVELOPMENT ACT**

- I have begun the WRDA process for 2010, fulfilling my commitment to returning this important bill to Regular Order under a Biennial process of consideration.
- This critical bill authorizes water resource projects that create jobs while providing important services such as flood control, navigation and ecosystem restoration.
- My Committee requested Member projects this winter and received approximately 2100 additional project requests from 354 Members.
- We are now in the process of reviewing these project requests to determine what is appropriate for inclusion in WRDA 2010, which I hope to introduce in late spring.

### **CONCLUSION**

- The strength and vitality of our nation's infrastructure are critical to the nation's economic competitiveness and quality of life.

- We cannot continue to kick the can down the road with these investments, or the financing to pay for them. That is not what brought us the world-class system we have today, and it is not carrying on the tradition of bold leadership that past generations of Americans have handed down for us to enjoy.
- We have an opportunity to address the long-term challenges of congestion, system preservation, and planning to meet future needs of the system and the nation.
- That is where I need your help. I need you to continue to get out there and make the case for passage of a long-term surface transportation authorization, and for investing in the nation's intermodal transportation network.
- These assets remain the backbone of the nation's economy and way of life. But if we fail to act, our nation, communities, and people will suffer.