

Key Issues Impacting Ports

Marine Terminal Management Training

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

Seaports
Deliver
Prosperity

American Association of Port Authorities
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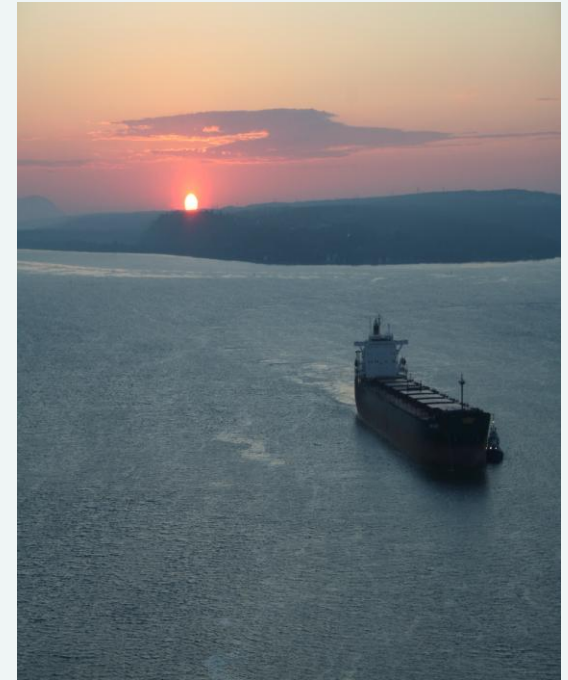
*Representing Seaports of the
Western Hemisphere for over 100 years!*

- **AAPA was established in 1912**
- Since that time AAPA has been providing a space for collaboration and exchange of best practices
- Fostering collaboration among members and allied groups. We deliver this through:
 - Education and Training, PPM
 - Networking and one on one interaction
 - Legislative and Policy support
 - Outreach



Committed to Keeping Seaports Navigable/Secure/Sustainable

- For centuries seaports have been an economic lifeline connecting us to the rest of the world
- Seaports help build and grow international trade; strengthening local and international economies
- Seaports provide high paying jobs and increase standard of living



Creating Awareness: We Have a Great Story to Tell

- Today, as we confront a host of international challenges – a tenuous economy, more trading opportunities, the panama canal expansion, population growth, trade growth – there is a clear and critical role for our ports
- **It is critical that we communicate the value of our industry**
- Ports are dynamic, vibrant centers of trade and commerce
- While we face competing interests the message is clear: **Seaports Deliver Prosperity**. It is hard to argue with an industry that is a proven economic driver.

What's on the Horizon...

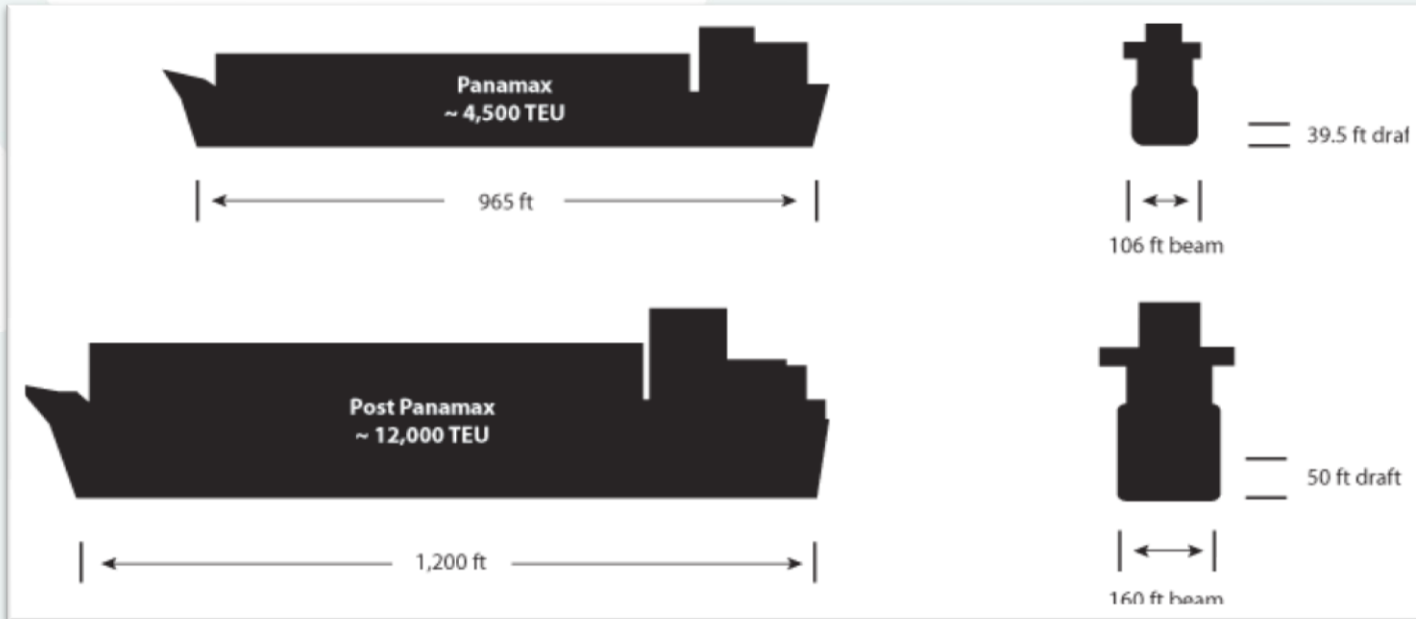
- Ports in Western Hemisphere pushing ahead with capital expansion programs
- Expansion creates jobs and new business opportunities
- New demand for goods in China and other countries
- New trade agreements with Colombia, Panama, and South Korea



What's on the Horizon Continued...

- Surge in demand for coal, grain, other commodities
- Panama making significant investments in the Canal Expansion
- Canada investing in infrastructure through the Gateways Initiatives
- Brazil is emerging as a strong economy, weakness of dollar has increased demand for imports. The country is expected to invest \$12.44 billion in its public and private ports through 2020
- We are seeing huge investments in Mexico's ports system to handle the growing demand for trade

Ports in the Western Hemisphere Must Prepare for Larger Vessels



- With ships getting increasingly larger, ports of the Western Hemisphere faced with assessing if they have adequate channel capacity
- Some ports are ready/ many are not. For some, investments are required for deepening the channels to remain competitive.

Impact of the Canal on the Western Hemisphere

The expansion of the Panama Canal will double the capacity of the existing canal in 2014. Panamax ships are currently able to transport 4,000 TEU's through the canal. Post Panamax ships that will be able to use the expanded canal will be able to transport up to 12,400 TEU's.

- Besides affecting trade in the US, the expansion will have a significant impact on North and Northeastern ports of Brazil as minerals and agricultural goods may be exported less expensively in larger Post Panamax ships through the Panama Canal.
- Furthermore, transshipment business in the Caribbean will most likely be affected as well.

In the United States an Increase in Exports

“We will double our exports over the next five years, an increase that will support two million jobs in America.”

— President Barack Obama

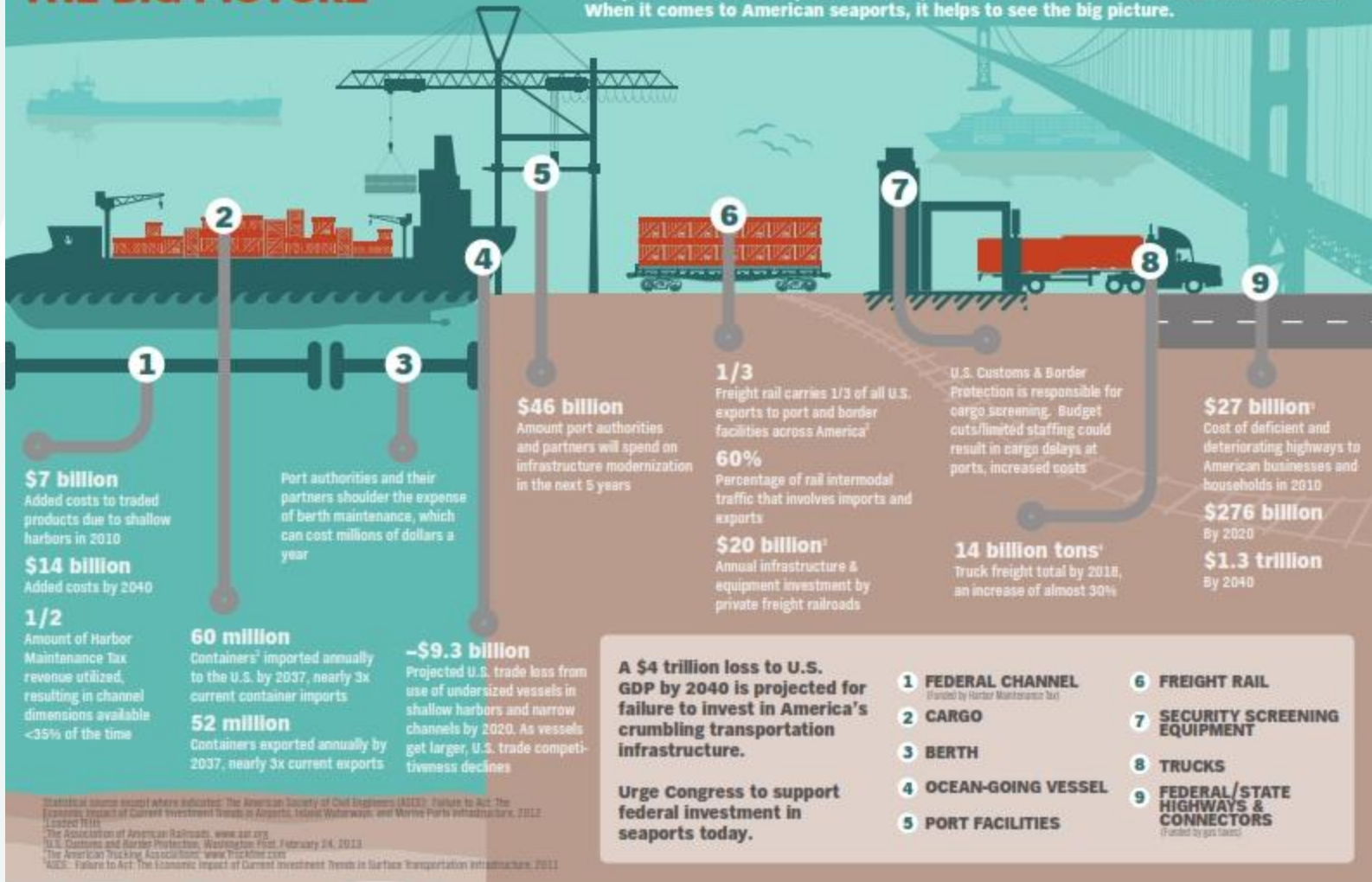
- Every \$1 billion in exports creates 15,000 jobs
- AAPA and the Department of Commerce signed a Memorandum of Intent titled “Partnership with America’s Seaports to Further the National Export Initiative”
- While we have definitely seen an increase in exports, we would like to see more emphasis on the infrastructure to sustain this growth.

The Role of Seaports

- Ports in the Western Hemisphere are investing billions of dollars every year to modernize and expand their infrastructure
- Seaports, however are partnerships. Public sector/government investment is critical to maintaining/updating connecting infrastructure but these investments lag
- Modern, navigable seaports are vital to international commerce, economic prosperity and must be a priority, even in these times of fiscal restraint and other challenges
- Investing in transportation infrastructure pays dividends in the long term
- The next slide illustrates the “Big Picture” and the complexity of America’s seaports

ENDANGERED SEAPORTS: THE BIG PICTURE

A \$46 billion investment gap by 2040 threatens U.S. seaports – critical economic lifelines that rely on connecting transportation infrastructure to deliver prosperity for millions of Americans. With America's trade volume expected to quadruple after 2030, and port connections in poor condition, now is the time to invest in vital infrastructure. When it comes to American seaports, it helps to see the big picture.

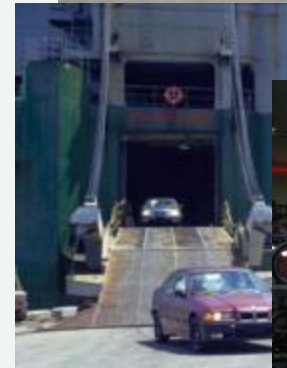
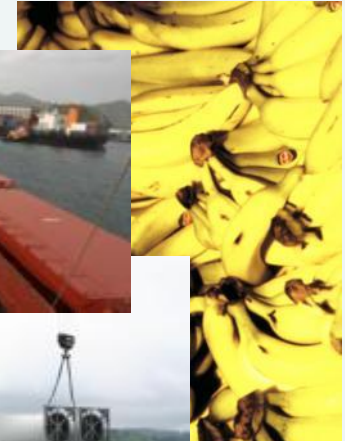
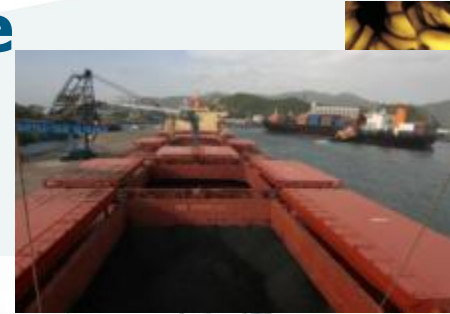


Investment is Critical

- Ports and their private sector partners are investing more than \$46 billion in infrastructure improvements
- Government entities are not upholding their end of the bargain (for example in U.S. there is a \$46 billion funding gap)
- There is a funding shortage and budget constraints around the globe. Public funding is declining
- Governments/private sector are getting creative about financing options. We can't depend on the same models we have used in the past.
- Investment in infrastructure pays dividends in the long term and is a worthy investment
- Partnerships among seaports, governments, investors, terminal operators will be more important in the future

Seaport Activity can be a Key Economic Driver in the if Investments are Made

- Cargo moving through ports generates 13 million jobs
- Over one quarter of U.S. Gross Domestic Product accounted for by international trade
- 99% of overseas trade goes through America's seaports
- Port activity generates over \$200 billion in federal, state and local tax revenues
- According to the ASCE: Failure to Act report, if investments are not made in infrastructure the losses will profoundly impact the economy, output, and the ability to create and sustain new jobs



Challenges in the U.S. to Meeting Trade Demands

Existing transportation programs do not adequately address goods movement!

- AAPA policy focuses heavily on improving port infrastructure and connections through greater investment in:
 - ✓ Federal navigation channels and marine highways
 - ✓ Port, road and rail infrastructure
- Without these investments we cannot accommodate trade growth, population growth, increasing vessel size, etc.

Landside Access

- Landside connections to seaports, including connector roads, rail, and highway corridors, must not hinder the efficient flow of goods through the supply chain.
- The most recent authorization of surface transportation programs, known as MAP-21, establishes a framework for moving forward with a National Freight Policy and supporting programs, but more must be done.

MAP-21 and a National Freight Plan

We are pleased that MAP-21:

- expands the eligibility for freight projects;
- sets up a framework for freight planning;
- requires the development of a strategic plan;
- emphasizes the use of a measurement tool for performance and conditions of the national freight network; and
- sets up a freight task force.

Waterside Access

Federal navigation channels not being maintained at authorized dimensions

- More than 90 percent of the nation's busiest seaports require regular maintenance dredging to move the 99.4 percent of America's overseas cargo.
- Without routine dredging, ships are limited from entering certain waterways or cannot sail with full cargo loads, which ultimately increases costs to consumers
- The federal government does not fully utilize the Harbor Maintenance Tax (HMT) for its intended purpose and critical dredging needs have been neglected.
- Only about half of user fees are being spent resulting in increased costs for waterborne transportation, higher prices to consumers and reduced competitiveness of U.S. exports in the global marketplace
- Congress should guarantee full use of the HMT, which would help resolve the earmark issue

Water Connections cannot be ignored – Passage of WRDA critical

- For ports, both landside and waterside connections are equally important.
- Passage of a Water Resources Development Act by the end of the year is critical for seaports.
- Major issues we believe need to be addressed in WRDA:
 - **Fix the HMT** issue to ensure that tax revenues are fully utilized and provides more equity
 - Policy changes to **accelerate the project study/delivery process**, similar to streamlining included in MAP-21 for landside projects. Enabling more flexibility for funding projects, including allowing local sponsors to advance funds, do preliminary studies, etc.
 - Provide a **mechanism** in the earmark moratorium environment to **identify and move forward with needed channel improvement projects**.

Security: Safe and secure seaport facilities are fundamental to protecting our borders and moving goods

Safety and security continue to evolve around the globe. Some issues we are watching:

- 100% Scanning – Initiative in the U.S. that if implemented could dramatically impact trade.
- Supply Chain Security – a framework for minimum mandatory supply chain security standards that is recognized and accepted worldwide is necessary to begin process of ensuring goods moving through the supply chain are not compromised.

Port Security

- Ensure ports continue to be eligible for grants to avoid vulnerability of terrorist attacks
- Grant funding for Port Security should be a separate line item and controlled at federal level
- Port Security funding should be at the authorized level of \$400 million.



Environment: Seaports are working to identify solutions that enhance our coastal resources and reduce environmental impact

- Enhancing the coastal environment
- Managing environmental impact
- Engaging stakeholders and communities
- A couple interesting international environmental initiatives:
 - **Green Marine** – Is a Canadian-U.S. initiative that is getting widespread support . The cornerstone of the Green Marine initiative is its far-reaching environmental program, which makes it possible for any marine company operating in Canada or the U.S. to voluntarily improve its environmental performance by undertaking concrete and measurable actions.
 - **Eco Port** - The "EcoPort" status is obtained by any port within the broad ESPO membership upon completion of a Self Diagnosis Method (SDM) checklist. Additional credit is provided to ports that are certified with PIERS, the only port-sector specific environmental management standard, and ISO 14001. A joint AAPA –ESPO Eco Port program is underway.

Diesel Emissions Reduction Act

- Diesel Emissions Reduction Act funds grants to reduce air emissions from older diesel engines in targeted sectors and public fleets
- Ports/marine received approximately 20% of the \$156 million in nationally competitive grant funds from the American Recovery and Reinvestment Act
- DERA was reauthorized in late 2010 at \$100 million/year for 5 years. Final FY '12 amount was \$30 million
- AAPA urges Congress to maintain funding for DERA in FY 2014. President's proposed \$15 million for FY '13 but eliminated competitive grants and refocused DERA to use rebates and revolving loans
- FY '14 has not been released

What Can We Do?

We must emphasize the value of seaports...

- Need for big picture messages and more global understanding of seaports as vital part of the economy
- AAPA's "Seaports Deliver Prosperity" hemispheric campaign lends credibility, cachet to individual port efforts

Seaports
Deliver
Prosperity

Our Message:

Federal investments in seaports are an essential, effective utilization of limited resources, paying dividends through increased trade and commerce, long-term job creation, secure borders, military support and environmental stewardship.



SECURITY

Secure seaports keep people, goods, equipment and infrastructure safe



IMPORTS

In 2011, imported industrial supplies & materials increased by 21 percent, excluding crude oil

SEAPORTS



EXPORTS

U.S. exports supported an estimated 9.2 million jobs in 2010



ENVIRONMENT

Seaports help protect habitat and reduce air emissions to ensure the health of coastal communities and ecosystems

We must educate....

- A better public understanding of seaports = more support = more infrastructure investment, trade and local collaboration
- Improvements to infrastructure in and connections to seaports are an essential/effective utilization of limited resources
- Landside and waterside access must be a higher priority as it pays dividends in terms of jobs, economic growth, international competitiveness and tax revenues