



Dear members of President-Elect Trump’s transition team and political appointees:

Throughout this great nation’s history, U.S. seaports have served a vital role in our economic prosperity, international competitiveness and Americans’ overall standard of living. Seaports are economic engines serving as freight gateways to the global marketplace for American farmers, manufacturers and consumers, as well as support our military and national security. Seaport cargo activity accounts for over 25 percent of U.S. GDP and supports more than 23 million American jobs.

As you set your plans in place to “Make America Great Again,” there is an opportunity to invest in these national transportation assets and make seaport infrastructure world class again to help U.S. companies compete in the world market. Your incoming Administration and Congress have the ability to make investments today to build America’s 21st century seaport infrastructure, and through tax reform you can also fix inequities that harm the U.S. seaport system.

As the recognized voice in Washington on seaport issues, the American Association of Port Authorities (AAPA) looks forward to your leadership in making seaport-related infrastructure a key component in your infrastructure investment plans. Below are recommendations from our U.S. members on ways to rebuild seaport-related infrastructure and make policy reforms that would benefit the entire country.

Federal investments in seaports pay back large dividends to our country as they can result in economic growth, job creation and enhance efficiency and sustainability. The following includes additional background and recommendations on enhancing the seaport-federal partnership to build the 21st century seaports system that addresses our country’s needs for both today and in the future.

We look forward to working with the Trump Administration toward developing a 21st Century infrastructure investment strategy. If we can provide additional information, please feel free to contact us.

Sincerely,

A handwritten signature in black ink that reads "Kurt Nagle". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kurt Nagle
President/CEO
American Association of Port Authorities

Key Actions for 2017 and Beyond: Building America's 21st Century Seaport Infrastructure to Ensure a Strong Economy for Americans and the Nation

- ✓ **Eliminate Bottlenecks and Expand Capacity Through Landside Investments**
Multimodal freight movement investments must be a key priority to improve landside connections to seaports and enhance our global competitiveness. Increase investments in Department of Transportation programs that target seaport infrastructure, including TIGER, FAST Act freight programs, the StrongPorts and Marine Highway Programs.
- ✓ **Modernize and Fully Maintain Federal Navigation Channels Through Waterside Investments**
Key programs are the Corps of Engineers Coastal Navigation program that manages the maintenance and modernization of federal navigation channels – our water highways to the world market. The NOAA's navigation charts and real time data that ensure safe vessel passage are also underfunded.
- ✓ **Secure America's Ports and Borders**
Safe, secure and efficient movement of freight through seaports are fundamental to the twin goals of protecting our borders and moving goods efficiently. Adequate staffing and resources for Customs and Border Patrol (CBP) and the U.S. Coast Guard are critical, as is making port authority projects a high priority for FEMA's Port Security grants.
- ✓ **Enhance the Environment and Build Resilience**
Federal investments help ports reduce the environmental impacts of freight transportation, including those to nearby communities. These investments can help make ports resilient to natural disasters and other potential hazards to avoid a long-term disruption of our nation's freight transportation system.

Importance of Federal Coordination and Greater Federal Investments

U.S. seaports activity generates over \$320 billion a year in federal, state and local tax revenue. Seaport infrastructure investment involves vital private and public partnerships at the local, state and federal levels. Local port authorities and their private sector partners are doing their part, with plans to invest over \$155 billion in infrastructure over the next five years. It's vital that the federal government more fully upholds its end of the partnership as well to meet the needs of the 21st century.

On policy issues and federal programs, seaports are one of the few entities that work heavily with both the U.S. Army Corps of Engineers and U.S. Department of Transportation (DOT), however, ports also have important issues and programs within the Department of Homeland Security, Environmental Protection Agency, Department of Commerce, Federal Maritime Commission and the Department of Energy. A coordinated federal government is imperative to the success of building out a 21st century multimodal freight network that meets the growing demands of American businesses, communities and the global supply chain. This is especially important for seaports because port issues, needs and interests crisscross several jurisdictions within the federal government. Our ports and our issues are multidimensional and the work and expertise within these agencies is reflective of that.

Nations around the world have recognized the need to make significant investments in their multimodal freight networks to accommodate increasing trade volumes, larger vessels, and dynamic shifts in trade in order to be globally competitive. It is imperative for the U.S. to develop and fund a strong national freight strategy if we are to enhance our competitiveness in the global economy.

Eliminate Bottlenecks and Expand Capacity Through Landside Investments

U.S. Department of Transportation (DOT)

Freight and specifically ports took a big step forward with the passage of the FAST Act. The top priority for the port industry is multimodal investments. The FAST Act created two funding programs; *Projects of Highway and Freight Significance* (discretionary funding) and *National Highway Freight Program* (formula state funding) totaling \$11 billion over five years. However, of this total only \$1.13 billion is multimodal eligible.

AAPA's two reports, the *State of Freight* and the soon to be released *The State of Freight II -Implementing the FAST Act and Beyond* highlight the multimodal freight surface transportation needs and challenges. As an example of the growing multimodal need, the absolute floor for multimodal projects outlined in AAPA and AASHTO's *State of Freight II* report is \$20 billion. Additionally, last year's *State of Freight Report* identified a need of \$28.9 billion for 125 projects; including 46 intermodal projects totaling \$7.5 billion, alone, but many more of the projects identified by ports had a multimodal component to them. Below are several federal multimodal programs that could benefit from additional investment levels to meet the infrastructure needs of the 21st century.

TIGER Grants

Recommendation: The TIGER program has been an important program for seaports and its value would be increased through additional funding. This is the first federal program that funded port facility improvements as well as connecting infrastructure. **AAPA recommends that the new Administration and Congress significantly increase funding for the TIGER program or a similar multimodal discretionary grant program to \$1.25 billion annually**, over double the current level of funding.

FAST Act

Recommendation: The FAST Act provided a great start with \$11 billion for freight mobility over five years. Providing additional investments to plan and build multimodal freight projects can accelerate that progress and generate U.S. jobs.

Discussion should also take place regarding creating a sustainable freight trust fund that can address the growing multimodal demand for multimodal projects. Sustainable multimodal funding that can directly fund the freight programs created by the FAST Act should also be explored.

Maritime Administration

Recommendation: The Maritime Administration's (MARAD) StrongPorts Program helps ports with planning and coordination of their infrastructure improvements. Funding, however, has been sorely lacking, with some coming from the TIGER program in the past. Ports are currently one of the only modes lacking a planning grant program, and this grant program would enable stakeholders to coordinate market development with infrastructure investment plans. This program should be coordinated through the Office of Multimodal Freight Transportation. **AAPA calls for strong funding to support a robust StrongPorts program to help ports plan for the 21st century needs.**

Recommendation: The Marine Highway System is also administered out of MARAD and could also benefit from significant increased investments for authorized Marine Highway Projects. This program aims to move

more cargo from the roads to our water highways resulting in less road congestion and wear and tear and fewer air emissions from the transport of this cargo. A marine highway project can be rolled into a state's planning transportation portfolio and used as a tool to provide transportation alternatives alongside congested landside transportation corridors. A stronger Marine Highway System will build on our growing freight network, enhance performance and provide additional options for shippers and communities while utilizing under used natural assets. This, too, should be coordinated through the Office of Multimodal Freight Transportation.

Office of Multimodal Freight Transportation

Recommendation: Establish a properly funded and staffed Office of Multimodal Freight Transportation within the U.S. DOT Office of the Secretary to address the multimodal domestic and international freight planning needs across the various modal administrations at the Department. Given the multimodal nature of freight, the Secretary's office is an ideal place for reestablishing this office and with the National Multimodal Freight Network (NMFN) being finalized by USDOT, this would be an excellent office to set the course for the Administration's multimodal infrastructure and freight agenda. We would also recommend that FASTLANE grants be administered through the multimodal office.

Modernize and Fully Maintain Federal Navigation Channels Through Waterside Investments

U.S. Army Corps of Engineers (Corps)

Article 1, Section 8 of the United States Constitution notes that Congress by statute has reserved jurisdiction over navigable waters for the federal government, Authority to construct and maintain navigation projects on behalf of the United States was granted to the Corps of Engineers in 1824, and they have been the federal leader ever since. Well-maintained and modern federal channels are critical to our ability to compete internationally and accommodate the larger vessels being used in global trade.

As the agency responsible for federal navigation channel maintenance and improvements, the Corps of Engineers has an essential role in safe and efficient movement of maritime freight. The Corps' Coastal Navigation Program has broad bipartisan support, evidenced by the Water Resources Development Act of 2016 legislation that passed the House 399-25 and the Senate 95-3. However, funding and efficiency challenges remain.

Recommendation: We urge your Administration to make harbor maintenance tax (HMT) spending a priority and continue the goal towards full use and tax fairness. Properly maintaining our water highways is critical to our ability to compete internationally and provide safe and efficient passage of vessels. Most of the federal spending on our nation's federal navigation channels are devoted to maintaining their authorized depths and widths, something that we have failed to accomplish due to lack of spending. However, our nation's maintenance problems are not due to inadequate revenues being available as harbor maintenance is fully funded by shippers who pay the Harbor Maintenance Tax (HMT). The HMT is collected on imports and domestic cargo, raising almost \$1.7 billion per year, which is sufficient for full channel maintenance. Currently, the Corps is only appropriated 69 percent of the HMT revenues, with the remaining being placed in the HMT Trust Fund. This chronic underspending has resulted in an unused surplus of over \$9 billion, at the same time there are critical maintenance needs not being addressed. This is blatantly unfair to the tax payers and the system.

In 2013, AAPA developed a set of Water Resources Guiding Principles that included many HMT reforms needed in the system to ensure we are building a strong and fair system for the future. Federal channel maintenance, tax fairness and providing more HMT donor equity are important principles. The Water Resources Reform and Development Act (WRRDA) of 2014 included some of these reforms by setting a goal of full use of the HMT by 2025 and establishing provisions related to donor equity and tax fairness.

Your Administration can continue this progress through your proposed budgets and following the requirements set forth in WRRDA 2014 and WRDA 2016. Specifically, **your 2018 budget should call for increased funding for HMT maintenance spending to continue progress towards full use and provide \$50 million for Donor and Energy Transfer Ports.** Past Administrations have failed to request adequate funds for these programs and historically propose a decrease from the prior year's congressionally approved budget.

Longer term, there is strong support for mandatory full use of the HMT, including many in Congress. The industry calls for automatic full use, but this concept is challenged by budget rules that require significant offsets. This problem could be solved today by making mandatory full use and tax fairness a high priority. The HMT should not be used to off-set other federal spending but should be spent as authorized by Congress. Automatic spending would provide a sustainable source of funds to fully maintain our nation's federal navigation channels, and take it out of budget politics. **The permanent solution for the full annual HMT revenues could be achieved as part of tax reform or other legislation.**

Recommendation: Increasing Federal investment in navigation channel improvements, deepening and widening, and improving efficiencies in the study and construction process must be a higher priority to ensure our ports can compete on the international market. Current funding levels would require almost 20 years to complete the eight channel improvements authorized in WRRDA 2014. This is unacceptable as future U.S. economic growth will heavily depend on global trade with 95 percent of the world's population and 80 percent of consumption outside the U.S.

The Corps must continue its progress to complete projects in a timely manner to meet the demands of the world market. They have made good progress recently and more can and must be done to modernize ports quickly. Maritime jobs can easily move to Canada or Mexico if our waterways are not modernized in an efficient and lower cost way and well maintained.

National Oceanic and Atmospheric Administration (NOAA)

NOAA provides key information for safe and efficient waterborne freight movement by providing real-time information on tide and currents, charting information on navigational channels and the weather information.

Recommendation: The Physical Oceanic Real-Time System (PORTS) has been implemented at dozens of U.S. ports to give real-time information on tide and currents which help mariners navigate safely. The federal government currently only budgets for installation of the system, expecting local stakeholders to pay for operation and maintenance. At times, the systems needed to shut down temporarily due to a lack of local funding. The PORTS program is authorized to pay for installation and maintenance and **we encourage you to provide operations and maintenance funding in your NOAA budgets.**

Secure America's Ports and Borders

Department of Homeland Security

Seaports have a close working relationship with the Department of Homeland Security to ensure the cargo and people that flow over our international water borders are not a threat to our homeland. Ports work hand in hand with the U.S. Coast Guard, which is responsible for port facility security, as well as CBP, which handles cargo and cruise passenger inspections. Seaports also receive assistance from the Port Security Grant Program that provides much needed investments to harden ports throughout the U.S. Below are some specific policy and funding recommendations for your Administration.

Port Security Grant Program

Since 9/11, the Port Security Grant Program has been and continues to be an important component in helping seaports harden security and protect these vital transportation hubs and maritime borders. As security threats have shifted, the port security grant program has evolved into areas such as cyber security. **AAPA encourages increasing the Port Security Grant Program funding levels, but also urges that grant funding be directed to ports and not diluted to other law enforcement entities with very low commercial seaport threats.** Threats against our nation's seaports are always emerging, and port security grants are in continual demand.

Recommendation: At a minimum, AAPA would like to see funding for the Port Security Grant Program at \$100 million, although this level is 75 percent lower than the \$400 million called for in past authorization legislation, which AAPA strongly supports. Additionally, **funding to local law enforcement needs to illustrate a stronger connection with the port complex to ensure the funding is being used for its intended purposes.**

AAPA also urges the new Administration to continue to maintain management and control of the Port Security Grant Program at the federal level and reject the previous Administration's proposal to merge all homeland security grants and hand them over to the states.

Customs and Border Protection (CBP) Staffing

Increased dedicated CBP staffing at our nation's seaports must be a top priority. CBP is a vital partner of seaports and is the first step in our freight network for imports and the first wall for the security of our community and supply chain. The dwindling resources for CBP maritime staffing is both troubling and dangerous. Our nation's seaports handle more than 11 million containers of all sizes and over 11 million international passengers each year, and this volume is expected to grow. In FY 2015, when CBP was funded to hire 2,000 new staff, fewer than 20 officers were assigned to seaports. We cannot let this disproportionate approach to homeland security continue.

CBP is also a critical component in port efficiency and performance. Currently, CBP estimates that it is 500 officers short in the maritime environment. They have relied on the 559 program in which seaports would pay for additional resources to address efficiency changes like longer gate hours or growing cargo volumes. This program is not a sustainable long-term solution as it sets up an uneven playing field in which some ports have their needs met with federal resources, while other ports must pay for CBP services. Additionally, it relies on overtime rather than hiring new officers, which limits its ability to grow and be sustainable.

Recommendation: Your Administration should provide 500 additional CBP maritime staff to seaports to meet trade needs and ensure the cargo is safe and moves efficiently. While CBP maritime staffing is an immediate priority, long-term CBP hiring practices and retention will be an ongoing issue. CBP has continued to encounter challenges in fulfilling and maintaining its staffing levels, even with the resources that Congress has provided. Some regional CBP port directors and port authorities have identified new labor pools, such as veterans that CBP should utilize. AAPA encourages CBP to work with local labor pools to fill maritime CBP staffing gaps.

Operations and Equipment Guidelines Between Ports and CBP

CBP and ports are partners in security and efficiency. Neither can be accomplished if the relationship is predicated on a constant state of negotiation. Increasingly, ports are reporting overly complicated and sometimes contentious negotiations with local CBP on funding operational responsibilities and equipment. CBP responsibilities for federal mandates must be clarified and consistent if we are to maintain a high level of national security. This has been especially a problem at ports where new cruise facilities must be able to be designed and built in a cost-efficient manner.

Mandated in the Security and Accountability for Every (SAFE) Port Act of 2006, the 22 largest container ports by volume must have Radiation Portal Monitors (RPMs), and this has been expanded to all container ports ensuring all containers entering the U.S. are screened for radiation. RPMs are detection devices that provide CBP with a passive, non-intrusive process to screen trucks and other movements of freight for the presence of nuclear and radiological materials in containerized cargo shipped into this country. We are quickly approaching the end of the first generation of RPMs life expectancy.

Recommendation: RPM detection is a federally mandated program. **CBP should request and receive adequate federal funding to purchase, install and maintain all RPM equipment at ports throughout the United States, including port expansion based on rising freight volumes.**

The current RPM program requires a thorough assessment. CBP funding surrounding the performance and future implementation of this technology should ultimately be increased to cover necessary costs to include manpower as well.

Additionally, the Administration and CBP should publish guidelines on what are acceptable CBP requests, port paid for purchases and services, and it should include cost constraints similar to government paid activities. Currently there is little cost control or visibility on the costs CBP is asking the industry to pay for, and many of these demands result in overbuilding and a lack of visibility regarding how the costs were calculated. This is especially true for information technology costs and cruise facility requirements. AAPA is happy to provide follow-up material and examples on this issue provided from ports across the country.

Enhance the Environment and Build Resilience and Sustainability

America's seaports share a commitment to sustainability, clean energy and the health of coastal ecosystems. AAPA-member seaports are working on many projects and initiatives designed to protect the environment, including reducing diesel emissions, sustainable sediment practices, and implementing bio filtration systems to reduce pollutants from storm water runoff. Seaports are also key transportation hubs for cleaner energy like exports of natural gas and also assisting in the R&D and transportation of renewable energy products such as solar and wind power to meet the U.S. consumer desires for these products.

Seaports' coastal locations also make many vulnerable to damage from natural disasters and other potential hazards. Government programs that can address these threats are helpful for ports to plan and build more resiliency in these vital transportation assets and mitigate these risks.

Environmental Protection Agency

Ports work with the Environmental Protection Agency (EPA) on addressing ways to incentivize environmental improvements at ports. Grant programs such as the Diesel Emission Reduction Act (DERA) have a record of success in replacing older equipment with newer lower emission equipment that is often made by U.S. manufacturers.

Recommendation: Continue to fund the Environmental Protection Agency's Diesel Emissions Reduction Act (DERA) program which is currently authorized at \$100 million annually, but funded at less. DERA programs help fund diesel emissions reduction programs, including those at ports. This program has been especially helpful in decreasing port-related diesel emission pollution in near-port communities. As this is a voluntary program, the federal grants have incentivized ports to make investments in these reduction strategies as well. Ports have used the funds to provide grants to buy newer-cleaner burning trucks, locomotives and vessels, as well as cleaner fueled yard equipment.

Department of Energy

Energy is important for the sustainability of seaports and resilience of the U.S. supply chain. As environmental leaders in the maritime sector, seaports employ alternative fuels such as electricity, fuel cells, solar power, wind energy and liquid natural gas (LNG). While this can result in significant improvement in air quality and less reliance on traditional energy, there is concern regarding the infrastructure needed to sustain these alternatives once the technology is employed. During a man-made or natural emergency, it is important to make restoration of power to a port and resiliency of port operations a high priority.

Ports have a budding partnership with the Department of Energy (DOE) in deploying technology that addresses emerging port issues, challenges and opportunities, whether it be integrating fuel cell technology, 21st century truck programs that provide technological options for mitigating challenges for the truck fleets of the future to reduce emissions, or electrification and connection to the grid that enable ports to be better community partners as well as with micro-grid technology that allows ports to operate through man made or natural emergencies. These technologies and approaches have served and can increasingly benefit a ports role within an energy economy and community.

Recommendation: Create a 21st Century Port Portfolio within DOE that allows ports and DOE to partner on new technologies that reduce emissions, connect ports to the grid, provide electrification opportunities for port operations and provide support and expertise for new clean energy terminal design and build out. The portfolio approach would allow ports to partner on the technology that makes the most sense for their business lines, environmental impacts and/or community needs. Ports can be excellent testbeds for emerging technologies and a port portfolio would provide an opportunity to test technologies before taking them to larger markets.

Planning for Natural Disasters and Coastal Erosion

During the wake of hurricanes Sandy and Katrina, our country witnessed the devastation extreme weather occurrences can have on coastlines. Ports find themselves on the frontline of such extreme weather

occurrences, and when rebuilding or expanding port infrastructure, increasingly it is with an eye towards a higher building code and standard to withstand future weather impacts.

Recommendation: Federal agency programs that address extreme storm events and coastal erosion, including EPA, DHS, DOT, DOE, the Corps and NOAA should include assistance to seaports to help predict, plan and adopt mitigation strategies.

Conclusion

Nations around the world have recognized the need to invest significantly in their freight networks to accommodate increasing trade volumes, larger vessels, and dynamic shifts in trade in order to be globally competitive. It is imperative to develop and fund a strong and secure national freight strategy to enhance America's international competitiveness. It starts with a coordinated Office of Multimodal Freight Transportation within the U.S. DOT Office of the Secretary and continues with sustainable landside and waterside investments.

America's seaports are vital components of our transportation infrastructure. Investments in seaports pays enormous dividends in terms of economic growth, American jobs and sizable tax revenues.