

Written Testimony for the Record  
American Association of Port Authorities (AAPA)

House Committee on Ways and Means Hearing on

**Our Nation's Crumbling Infrastructure and the Need for Immediate Action**

Wednesday, March 6, 2019

10:30 AM

Room 1100, Longworth House Office Building

Chairman Neal and Ranking Member Brady, thank you for holding this important hearing on "Our Nation's Crumbling Infrastructure and the Need for Immediate Action." How we fund our infrastructure is a conversation that Congress, and the Administration, must have. AAPA looks forward to being engaged in this conversation, especially from a freight perspective. Thank you both, and in particular Congressman Blumenauer, for your leadership on this issue.

AAPA is the unified and collective voice of the seaport industry in the Americas. AAPA empowers port authorities, maritime industry partners and service providers to serve their global customers and create economic and social value for their communities. Our activities, resources and partnerships connect, inform and unify seaport leaders and maritime professionals in all segments of the industry around the Western hemisphere. This testimony is on behalf of our U.S. members. AAPA is also the chair of the Freight Stakeholders Coalition, which is a unique coalition of 19 national stakeholders comprised of system users, planners and builders, which has provided comments on policy and funding on the Transportation Reauthorization Bill since 1992.

In 2015, America's seaports took a big step forward after passage of the FAST Act. With the creation of two funding programs, Projects of Highway and Freight Significance (discretionary) and National Highway Freight Program (formula), the FAST Act provided a total of \$11 billion in dedicated freight funding over five years. However, of that total, only \$1.13 billion is multimodal eligible, far below what is needed to build out a 21<sup>st</sup> century multimodal freight network. Only \$200 million of multimodal eligibility remains for the INFRA program, out of roughly \$2 billion that remains in the INFRA program.

Now that we have the structure of a freight program in place at USDOT, the onus is on Congress to enact a multimodal funding source to build out the nation’s 21<sup>st</sup> century freight network.

It is a critical time for making needed federal investments in the nation’s port-related infrastructure. Rising freight volumes on all three coasts and the Great Lakes means we must upgrade our waterside and landside infrastructure to accommodate larger ships and the accompanying freight volume and passenger surges.

Long-term, sustainable multimodal funding is critical, and we encourage you to start looking at solutions. AAPA has endorsed the concept of a one percent waybill fee as an equitable approach to provide immediate and long-term funding for multimodal freight infrastructure challenges. Additionally, AAPA supports a gas tax increase as well as a Vehicle Miles Traveled (VMT) program. With all increased funding, AAPA recommends that any new funding be fully multimodal eligible.

AAPA also supports the following infrastructure funding and financing approaches:

- Provide 100 percent financing for RIF loans.
- Increase consideration of port projects within the TIFIA program.
- Make the Short Line Tax Credit (45G) permanent.
- Continue the tax exemption for private activity bonds and expand the use for freight activities as in the Move America Act introduced by Rep. Blumenauer.
- Increase the gas tax and index it to meet the infrastructure funding level needs of the United States and dedicate any increase in the diesel tax to freight programs.
- Conduct an audit to ensure all maritime and freight fees/taxes are being collected and fully utilized for their intended purposes. This includes CBP fees for freight supported services and facilities.

Another supply chain challenge is proper maintenance of federal navigation channels. AAPA has a legislative proposal to achieve full use of Harbor Maintenance Tax revenues, based on a fair and equitable funding framework that is based on an industry agreement developed last year. Included for the record is AAPA’s HMT agreement framework.

Nowhere is there such a stark example of our country’s infrastructure needs and the failure to keep pace with our growing economy than with freight- and port-related

infrastructure investments. But until the FAST Act, freight had not been fully considered or realized as a national policy priority.

To put our national *state of freight* into perspective, it’s been more than 60 years since President Eisenhower proposed and began building out the Interstate Highway System in 1956. During the same 60-year period, there have been eight evolutions of the containership, starting with vessel capacities of 500 twenty-foot equivalent units (TEUs), evolving to ships with capacities of 18,000 TEUs and beyond, which are as high as a New York skyscraper and as wide as a 10-lane freeway. This means that that the shipping industry has reinvested in its ships eight times, while our country has relied upon essentially the same infrastructure to accommodate and facilitate an astronomical growth in freight volumes.

Maritime cargo volumes have also seen marked increases over the past six decades and have continuously impacted our freight infrastructure. Total U.S. waterborne tonnage roughly doubled between 1956 and 2017, but this is due almost entirely to U.S. foreign trade growth which has seen nearly a 500 percent increase during that timeframe, based on U.S. Army Corps of Engineers data. In the last 17 years alone, container volumes have increased by 71 percent, passengers through our cruise port terminals increased by 98 percent, and total foreign trade in short tons increased by 37 percent.

The federal government must lead long-term efforts designed to further America's competitive advantage by advancing projects of regional and national significance as well as first- and last-mile projects that reduce congestion, enhance goods movement, improve the environment and create jobs. If we are committed to the modernization of our nation’s freight transportation system, it must accommodate projected growth in manufacturing and trade in years ahead or risk the U.S. being surpassed by foreign competitors.

One of the biggest challenges our industry sees today – and looking toward the future – is the state of port-related infrastructure, and how we as a nation make the necessary investments in that critical infrastructure. There are sizable investment needs at port facilities and the connecting infrastructure on the land- and waterside.

This demand on our infrastructure is only going to increase. Today, international trade through seaports accounts for over a quarter of the U.S. economy – and is projected to

reach 60 percent by 2030. At the center of trade and transportation are America’s seaports, which generate nearly 31 million jobs, and provide more than \$378 billion in tax revenues.

AAPA is happy to see that Congress and the Administration recognize the value of improving our freight network. Whether we will be successful will very much depend on the Ways and Means Committee finding increased, sustainable funding sources for the Highway Trust Fund and other mechanisms to fund multimodal freight improvements.

AAPA believes a strong case is being made for direct funding toward our freight network and that freight starts and ends with our seaports. We look forward to working with the Committee as you move a sustainable funding package for the Highway Trust Fund and for our freight network forward this summer.