



# America's Ports Today

## Gateways to the World

*America's ports are our gateways to the world and a critical component in our nation's economic health and national defense. Yet vital port needs are being overlooked and underfunded. America must change direction now to ensure that our port system can support the country's future.*

## Ports Deliver the Goods



## Over \$2 trillion in international trade value and over \$18 billion in industry fees and taxes

Whether products are arriving at our shores or departing for foreign sale, trade relies on an efficiently operating U.S. port system. And without exception, ports are critical to every state in the U.S. On average, each of our 50 states relies on 13 to 15 ports to handle its imports and exports, which add up to over \$5.5 billion worth of goods moving in and out of U.S. ports *every day*.

Responsible for moving more than 99 percent of the country's overseas cargo, U.S. ports and waterways handle more than 2.5 billion tons of domestic and international trade annually, and that volume is projected to double within the next 15 years. In fact, international trade in goods and services accounts for nearly 30 percent of the U.S. Gross Domestic Product (GDP) – as compared to only 9 percent in 1960, for instance – and is predicted to reach fully one-third of the GDP by 2020.

## ✓ **EXPORTS**

With 96 percent of the world's population and 67 percent of its purchasing power outside the United States, the export of U.S. goods to other countries is a proverbial path paved with gold for the growing number of American companies tapping into opportunities to expand their sales to international markets. Agriculture is an excellent example. The U.S. agriculture industry exports nearly a quarter of its annual production, amounting to \$62.4 billion in 2005. One in every three acres is planted for export. Manufacturing exports have also increased 82 percent since the end of the last multilateral trade round nearly a decade ago. Ninety-seven percent of all exporters are small businesses.

## ✓ **IMPORTS**

Importers report similar successes as they access affordable, quality goods from abroad to provide a wide variety of reasonably priced products precisely when today's convenience- and price-conscious consumers want them. In fact, it's common for domestic manufacturers to import some product parts to keep product prices low and U.S. companies competitive with foreign manufacturers. By relying on the efficient, quick transport of these goods, companies avoid the high costs of warehousing large inventories of products.

In the last 20 years, inventory cost as a percentage of U.S. economic activity has dropped from 25 percent to just 14 percent, with consumers as the ultimate beneficiaries of the savings. Due to improved efficiencies in shipping, the average cost of transporting all of America's containerized imports each year is only \$133 total per U.S. household.

## **Over \$35.7 billion in cruise industry revenues**

Along with meeting the demands of skyrocketing trade, ports are also busy with a sustained surge in cruise travel. The Cruise Lines International Association estimates that cruise passenger embarkations at U.S. ports totaled 9 million in 2006, an increase of 4 percent from 2005. The cruise industry's impact now extends well beyond its traditional South Florida base, with cruises departing or calling on 43 ports in North America. There is also a positive economic impact in all 50 states since over 79 percent of cruise industry expenditures are made with U.S. businesses, including airlines, travel agents, food and beverage, and ship maintenance and refurbishing.



## National Defense

The U.S. military depends on numerous ports that have agreements with the federal government to serve as bases of operation and to deploy troops and equipment during national emergencies. Today this role may be even more evident and important than ever, with the current climate of persistent threats around the globe coupled with the closure in recent years of U.S. military ports.



The value of U.S. ports was demonstrated in the military operational deployments for Operation Iraqi Freedom. The transportation of combat units requires significant staging areas (for vehicles and aircraft), reliable rail and truck access, and labor skilled in handling non-containerized military equipment. Each strategic port has individual capabilities that provide the Department of Defense with facilities and services that are critical in maintaining the military's operational flexibility and to meet a wide range of possible national security missions and timelines. Recent history also proves that these same capabilities and commitment to preparedness can also be applied to domestic emergency relief activities after a natural disaster.

## Jobs, Business Growth and Prosperity



Port-related jobs employ 8.4 million workers who earned and spent \$314.5 billion in 2006. In fact, every state in the Union depends upon international trade for jobs. Looking at just the export side of the equation, the Office of the United States Trade Representative reports that manufactured goods for export generated more than 700,000 jobs in California in 2002, while nearly one-quarter of all manufacturing jobs in Massachusetts and nearly 20 percent in Michigan were supported by exports. Additionally, the U.S.T.R. notes that more than 5.1 million Americans have "insourced" jobs, drawing paychecks from U.S. subsidiaries of overseas-based companies (as of 2004). With ports nationwide processing more than 44 million import, export and domestic containers a year, clearly the economic impact to each locality is enormous.

Every \$1 billion in exports alone creates an estimated 15,000 new jobs, with the number swelling to 30,000-45,000 when taking into account jobs to support the new products and personnel (such as new construction and restaurants). American workers producing for export earn 13 to 18 percent higher wages and receive 11 percent higher benefits than employees in nonexporting companies.

U.S. companies engaged in trade are 20 percent more productive and 9 percent more likely to stay financially solvent. Small businesses, which the U.S. Small Business Administration says are the engine of America's economic growth, account for 97 percent of U.S. companies that export. The Small Business Administration reports that the country's 24 million small businesses, which represent 99.7 percent of all employers, are engaging in international trade in record numbers.

*To keep “delivering the goods,” ports need federal support in the following areas:*

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## Port Security

Port security must continue to be a top priority as the nation hardens its homeland security. Protecting this vital part of our transportation infrastructure is critical to economic growth and vitality as ports continue to serve the growing import and export markets. The National Strategy for Maritime Security, signed by President Bush in December 2004, states that “the United States has a vital national interest in maritime security” and that it is a shared responsibility between the public and private sectors.

For their part, port authorities have made security a top priority, spending hundreds of millions of dollars since the 9/11 tragedies to tighten security. The 2006 SAFE Port Act authorizes \$400 million in annual security grants to ports.

The Department of Homeland Security’s (DHS) Port Security Grant program provides important financial assistance to ports to make improvements to their facilities. Since 9/11, Congress has appropriated more than \$1.6 billion in grants for enhancements to port facilities, such as lighting, fencing, security cameras, guard gates, access control systems and interoperable communications. This vital program provides funding for infrastructure improvements, operations and maintenance, while ports continue to provide funding for personnel and shortfalls in funding.

While all port facilities must meet minimum standards for security outlined in the Maritime Transportation Security Act, we must continue to make progress to fund additional improvements and to improve this baseline system. One of the biggest challenges will be funding the new Transportation Worker Identification Credential program.

The Port Security Grant program historically has been underfunded, although the program finally received full funding in the fiscal 2008 Appropriations bill. We must continue to strive for this \$400 million annual appropriations goal, as authorized in the SAFE Port Act, to assist in strengthening port security.

**SUMMARY: Annual federal funding of \$400 million is needed to help port facilities comply with security mandates. Compared to the billions of federal homeland security dollars allocated to airports, first responders, and science and technology, this is a modest investment in the nation’s infrastructure – and one that is vital to the immediate security of our homeland.**



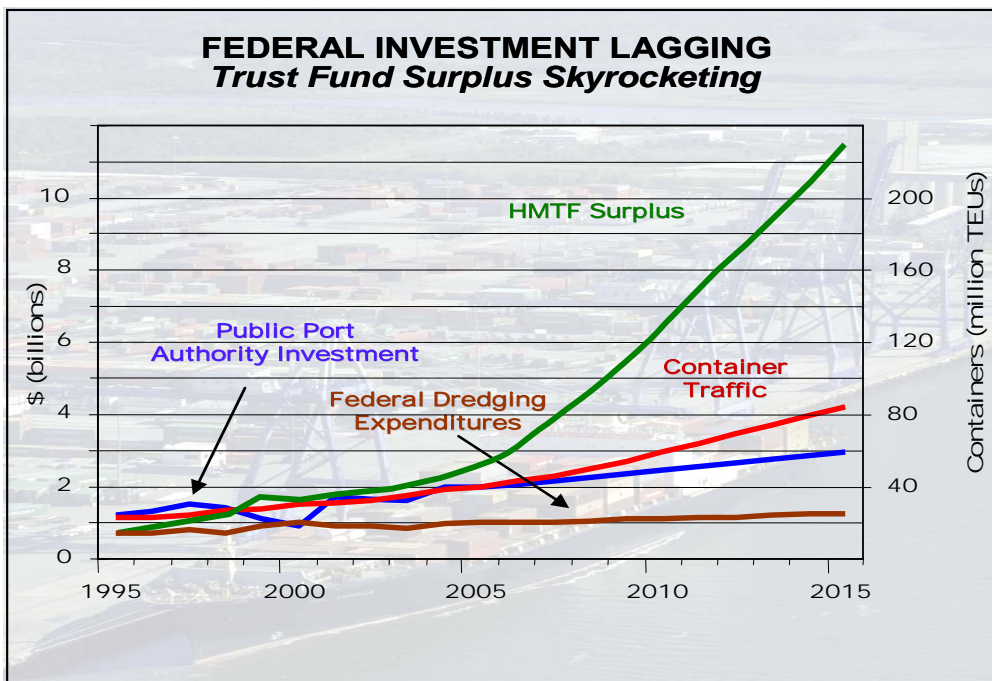
# Maintenance of America's Water Highways

America's deep-draft navigational system is at a crossroads, with a future that could be bright or bleak. Our waterways' ability to support the nation's continuing growth in trade hinges on much-needed federal attention to unmet funding needs that are derailing critical channel maintenance and deep-draft construction projects of the water highways into our ports.

Supporting the nation's trade growth depends to a large degree on the federal government meeting its responsibility to maintain adequate depths in shipping channels. A dedicated tax for maintenance dredging, established in 1986, brings in more than sufficient revenue but about half of the \$1.3 billion collected annually is not used despite needs. The Harbor Maintenance Trust Fund surplus will grow to over \$7 billion by 2010. Future growth also depends on the authorization of new projects in a biennial Water Resources Development Act. There were no WRDA bills between 2000 and 2007, so needed projects weren't authorized and the cost for implementing them rose. The funding for both maintenance dredging and new project construction in Energy and Water Development Appropriations bills is a third area that requires attention to help accommodate future growth. The Congress has failed to enact E&WD bills for two of the past three years, which froze spending at fiscal 2006 levels for fiscal 2007 and the first quarter of fiscal 2008. The Congress and the Administration must attend to these bills with the urgency needed to maintain and improve our navigation channels – the highways to ports.

Because most ports do not have naturally deep harbors, they must be regularly dredged to allow ships to move safely through federal navigation channels. Also, as modern vessels increase in size, navigation channel depths must increase accordingly. Each year several hundred million cubic yards of sand, gravel and silt must be removed from waterways and harbors to maintain navigability – enough for a four-lane highway four feet deep stretching between New York and Los Angeles.

*Increasingly, America's waterways are facing imminent crisis due to inadequate federal funding for the U.S. Army Corps of Engineers to perform channel maintenance dredging.*



Funding for the Corps' Civil Works program has decreased by 50 percent in the last 30 years, with many necessary dredging projects falling victim to the cuts. A recent Corps of Engineers Study reports that almost 30 percent of the 95,550 vessel calls at U.S. ports are constrained due to inadequate channel depths. If left unchanged, America's waterways will be unable to support the nation's growth in trade.

**SUMMARY:** For the U.S. to reap the economic benefits of increased trade, it is imperative that the Administration and Congress authorize the Water Resources Development Act and dedicate the Harbor Maintenance Trust Fund to provide for vital improvements to America's deep-draft navigation system.

## Alleviation of Freight Congestion

As important as it is for ships to have easy access into ports through well maintained, navigable channels, the goods the ships deliver must flow just as smoothly out of the ports toward their final destinations. Yet increasingly, ports are finding that the weakest link in their logistics chain is at their back doors, where congested roadways or inadequate rail connections to marine terminals are causing delays and raising transportation costs.



To move water-borne cargo quickly to inland destinations, trucks and railroads need clear access into and out of ports. But for the last several decades, federal and state investments in transportation infrastructure to enhance freight movement have taken a back seat to passenger transit. The result is that cargo movement is hampered at the very time that fast, efficient move-

ment is essential to keep up with escalating international trade. Problems as seemingly minor as lack of left turn signals for trucks leaving marine terminals, or at-grade rail crossings on local streets, can tie up traffic and create serious freight transportation bottlenecks. Some ports are looking to the water to move freight shorter distances. This short-sea shipping alternative, used routinely in Europe, also helps eliminate road congestion.



**SUMMARY: The nation needs a cohesive freight policy, which includes use of short-sea shipping, to alleviate freight congestion. Policies must be revised and more funding support provided for intermodal connectors between surface transportation and ports in order to efficiently move the nation's ever-growing volumes of trade.**

## Sustainable Port Communities

While containerization has done much to improve the efficiency of ocean shipping, port communities still bear environmental and social costs of serving as gateways for the nation's international trade. To simultaneously handle trade growth while offsetting environmental impacts of their operations, port authorities make large investments in port and harbor infrastructure, as well as voluntary environmental efforts to reduce air emissions, solid waste and water pollution, and to build wetlands. Additionally, ports often serve as testing grounds for new technologies – or new applications of existing technologies – related to ballast water treatment and use of alternative fuels.



Public port authorities are creations of state and/or local governments, and dozens of federal, state and local agencies, constituent groups and the public routinely review, comment on and approve most aspects of port operations and development. Yet despite the importance of ports to the nation as a whole, there is a lack of federal leadership on policy issues affecting ports.

Important environmental and social concerns related to port activities, such as ballast water management, traffic congestion and air pollution, continue to stymie port projects because of inaction within the federal government. Leadership at the federal level is necessary to ensure that a patchwork of varying state and local laws do not proliferate, creating challenges for compliance and upsetting the competitive nature of the U.S. port industry.

**SUMMARY: The federal government must set public policy related to environmental concerns surrounding port development and operations. In particular, the nation needs to implement effective, credible and well-funded programs to control air emissions and ballast water discharges from ships.**

## Expansion of free and fair trade



In just three decades, international trade of goods and services has grown from 17 percent of the U.S. Gross Domestic Product to more than 29 percent today. Experience has shown that trade translates into greater national prosperity, more and better-paying jobs, thriving businesses, greater variety of consumer products and competitive product prices. American families benefit from trade and open markets every day. Trade delivers great choices of goods – food, cars, building products, and consumer goods.

The U.S. lags behind the rest of the world when it comes to free trade agreements. However, the U.S. is trying to catch up by pursuing multiple market-opening initiatives on a global, regional and bilateral basis, establishing models of success that can be used throughout all negotiations.

Since 1984, the U.S. Congress has approved free trade agreements with 17 countries (three of which are pending implementation) and Congress is currently reviewing three more (with Colombia, Panama and the Republic of Korea). Export growth to trade partners with these agreements in force has grown 40 percent faster than U.S. export growth to the world.

The benefits of these trade agreements can be seen by looking at the impact of the North American Free Trade Agreement, which was implemented in 1993. For agriculture, Canada and Mexico have increased their share of U.S. agricultural purchases by 50 percent since NAFTA took effect. These two countries now account for \$3 out of every \$10 of U.S. exports. For jobs, U.S. employment rose from 110.8 million in 1993 to 137.6 million in 2007, an increase of 27 million jobs, or 24 percent. The average unemployment rate was 5.1 percent in the period 1994-2007, compared to 7.1 percent during the period 1980-1993.

The U.S. government is pursuing numerous regional and bilateral free trade agreements because they promote and reinforce the powerful links among commerce, economic reform, development and investment, thereby strengthening security and the momentum for free and open societies. Additional free trade agreements will strengthen the U.S. economy as well as the economies of our trading partners, increase maritime commerce, and create U.S. jobs in ports and related industries. Sitting on the trade sidelines would hold back American businesses, workers and farmers as they find themselves shut out of the many preferential trade and investment agreements negotiated by our trading partners.

**SUMMARY: Expand free and fair trade opportunities through new agreements opening up new avenues for greater national prosperity.**

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The American Association of Port Authorities was founded in 1912 and today represents more than 160 of the leading public port authorities in the United States, Canada, Latin America and the Caribbean. In addition, the Association represents more than 300 sustaining and associate members, firms and individuals with an interest in the seaports of the Western Hemisphere. AAPA port members are public entities mandated by law to serve public purposes. Port authorities facilitate waterborne commerce and contribute to local, regional and national economic growth.



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

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