



100 Years Standing Up for American Enterprise
U.S. CHAMBER OF COMMERCE

Statement of the U.S. Chamber of Commerce

**ON: Water Resources Development Act: Growing the Economy
and Protecting Public Safety**

TO: U.S. Senate Committee on Environment and Public Works

DATE: September 20, 2012

The Chamber's mission is to advance human progress through an economic,
political and social system based on individual freedom,
incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business--manufacturing, retailing, services, construction, wholesaling, and finance--is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 115 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

**Testimony of Janet F. Kavinoky
Executive Director, Transportation Infrastructure
Vice President, Americans for Transportation Mobility Coalition
U.S. Chamber of Commerce**

Senate Committee on Environment and Public Works

**Hearing on:
“Water Resources Development Act: Growing the Economy and Protecting Public Safety”**

September 20, 2012

Introduction

Chairman Boxer, Ranking Member Inhofe, and distinguished members of the Senate Committee on Environment and Public Works, thank you very much for the opportunity to testify about the economic and job benefits of water resources infrastructure. The Chamber appreciates the long tradition of leadership and dedication this committee has shown on water resources issues, and the spirit of bipartisanship that has guided the committee to tackle challenging infrastructure legislation including the Moving Ahead for Progress in the 21st Century (MAP-21) Act.

My name is Janet Kavinoky, and I am the Executive Director of Transportation Infrastructure at the U.S. Chamber of Commerce and the Vice President of the Americans for Transportation Mobility (ATM) Coalition. The Chamber is the world’s largest business federation representing the interests of more than 3 million businesses and organizations of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The ATM Coalition is a nationwide group representing business, labor, highway and public transportation interests and concerned citizens that advocate for improved and increased investment in the nation’s aging and overburdened highway and public transportation system.

The Chamber strongly believes that the nation’s infrastructure—transportation, energy, broadband, and water systems—forms the physical platform of our economy. Previous generations have made critical investments in these systems to boost the economic health and global competitiveness of the United States and improve Americans’ overall quality of life. Some of the nation’s infrastructure—in particular elements on the nation’s inland waterways—is outdated, overwhelmed, and, in some places, literally falling apart. Other elements need continued investment for expansion and upgrades to meet increased demand. For example, the lock system on the Upper Mississippi River cannot accommodate modern barge practices, which use 1,200-foot barge tows. Many of the locks are only 600-feet long, forcing barges to use a time-consuming and dangerous double-locking procedure.¹

The lack of attention to these issues has real ramifications for America’s competitiveness and economic health. Just last week, the American Society of Civil Engineers released a report quantifying the economic effects of underinvestment in the future: “U.S. ports and waterways

¹ Transportation Policy Priorities, National Grain and Feed Association, Sept 2009.
<http://www.ngfa.org/files/misc/TransportationSept2009.pdf>

need \$30 billion over the next two decades to make way for bigger ships and efficiently handle exports and imports to stay competitive. If the investment isn't made, we could see 'export losses of \$270 billion by 2020 and a \$697 billion drop in gross domestic product.'"²

Today, I am here to make the case for improving and increasing investment in the nation's water resources infrastructure through a Water Resources Development Act (WRDA). The Chamber's primary interest in a WRDA bill is ensuring that it adequately supports the Army Corps of Engineers' (Corps) navigation mission, which is critical to ensure the viability of the marine transportation system. Businesses believe that investment in a world-class, 21st century water resources infrastructure needs to happen now and be guided by robust, thoughtful, and comprehensive plans for construction, maintenance and operations, and financing.

However, before addressing navigation in this testimony, I want to note that the Chamber recognizes that a WRDA bill provides critical economic and environmental benefits to the nation beyond navigation. For example, flood risk management is another essential mission of the Corps. According to a 2009 Corps report, nearly 94 million acres of land in the United States are at risk for flooding. Since 1936, the Corps has completed over 400 major lake and reservoir projects, emplaced over 8,500 miles of levees and dikes, and implemented hundreds of smaller local flood damage reduction projects. These projects have prevented an estimated \$706 billion in river and coastal flood damage, most of that within the last 25 years. The cumulative cost for building and maintaining these projects to date is more than \$120 billion.³

Marine Transportation and the U.S. Economy

The U.S. Marine Transportation System (MTS), consisting of ports, coastal and inland waterways, the Great Lakes, and the St. Lawrence Seaway, is an integral part of the global supply chain and the broader transportation network. In addition to supporting the nation's economic activities, the MTS provides passenger transportation through ferries, water taxis, and cruise ships and supports national security objectives and recreational activities.⁴ It is an integral, energy-efficient, and environmentally sustainable part of the national, multi-modal freight network and the global supply chain.

Generating Economic Growth and Jobs through Goods Movement

On a typical day, about 43 million tons of commodities, manufactured goods and other cargo valued at \$29 billion, move nearly 12 billion ton-miles on the nation's interconnected transportation network, including sea and air ports, roads, rails, inland and coastal waterways and pipelines. Businesses consider their supply chain from an initial point of origin to the final destination with frequent junctures in between—not via a single mode or as a single node. To

² "America's Ailing Ports Invisible Amid the Country's Failing Infrastructure," WashingtonPost.com, Sept 13, 2012. http://www.washingtonpost.com/local/trafficandcommuting/americas-ailing-ports-invisible-amid-the-countrys-failing-infrastructure/2012/09/13/ef1be512-fdcb-11e1-8adc-499661afe377_story.html

³ Flood Risk Management, Value to the Nation, U.S. Army Corps of Engineers, 2009. http://www.iwr.usace.army.mil/docs/VTN/VTNFloodRiskMgmtBro_lores.pdf

⁴ Marine Transportation Policy Statement, U.S. Chamber of Commerce, 2009. http://www.uschamber.com/sites/default/files/lra/files/USCC%20Water%20Transportation%20Policy%20Statement%20FINAL_with%20Intro.pdf

remain economically competitive both domestically and internationally, many U.S. businesses have developed complex logistics systems to minimize inventory waste and ensure maximum efficiency of their supply chains, including working with the strengths and working around the deficiencies of the U.S. transportation network. There is a clear economic cost when this transportation network fails to support the needs of businesses. According to the Chamber's Transportation Performance Index, systems that do not provide infrastructure when and where it is needed are unreliable, unpredictable, create safety challenges, and are not poised for future growth—costing the U.S. economy nearly \$2 trillion over 2008-2009.⁵

The business community depends on the U.S. Marine Transportation System to move goods to domestic and international markets. The MTS itself is an important part of the nation's economic strength, supporting growth and jobs all across America. Waterborne cargo and associated activities contribute more than \$649 billion annually to U.S. Gross Domestic Product, sustaining more than 13 million jobs, according to the Committee on Marine Transportation System.⁶

The U.S. Army Corps' of Engineers Waterborne Commerce Statistics Center states that in the United States, over 890 million short tons of cargo were moved in domestic waterborne commerce, and over 1.4 billion short tons were moved in foreign waterborne commerce, for a total of just over 2.3 billion short tons of waterborne commerce in 2010.⁷

Of the 1.4 billion short tons moved in all foreign waterborne commerce, over 550 million short tons were exports and almost 1 billion short tons were inbound from foreign markets to the United States.⁸

Markets outside the United States represent 73 percent of the world's purchasing power, 87 percent of its economic growth, and 95 percent of its consumers. You may recall that when President Obama delivered his State of the Union address in January 2010, the Chamber welcomed his call to double U.S. exports within five years. The rationale is clear: the United States cannot rely on domestic consumption (private or public or both) to generate more demand for the goods and services produced in the country. Already, many Americans are making a living selling to markets abroad. According to the U.S. Department of the Treasury, more than 50 million Americans work for companies that engage in international trade. According to the Department of Commerce, one in four manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas, according to the American Farm Bureau. To be competitive, the United States must make infrastructure investment part of its growth strategy.

⁵ Transportation Performance Index – 2011 Update, U.S. Chamber of Commerce, 2011.

<http://www.uschamber.com/reports/transportation-performance-index-2011-update>

⁶ Committee on Marine Transportation System, 2012. <http://www.cmmts.gov/Background/Index.aspx>

⁷ Part 5 – National Summaries, Waterborne Commerce of the United States, U.S. Army Corps of Engineers, 2011.

<http://www.ndc.iwr.usace.army.mil/wcsc/pdf/wcusnatl10.pdf>

⁸ Part 5 – National Summaries, Waterborne Commerce of the United States, U.S. Army Corps of Engineers, 2011.

<http://www.ndc.iwr.usace.army.mil/wcsc/pdf/wcusnatl10.pdf> (Table 2-1)

Importance of Inland Waterways

The inland waterways system helps make U.S. producers competitive by supporting low-cost transportation of commodities bound for growing foreign markets. In 2012, over 566 million tons of freight valued at more than \$180 billion traveled on the inland waterways.⁹ The inland waterways system is the primary artery for more than half of the nation's grain and oilseed exports, for about 20 percent of the coal for electricity generation plants, and for about 22 percent of the domestic petroleum and petroleum products, according to the Army Corps. Exports dependent on waterborne commerce include: coal, chemicals and related products, forest products (wood and chips), iron ore and scrap, paper products, and food and farm products including grain, oilseeds, vegetable products, processed grain and animal feed.¹⁰

Nucor Corporation, one of the nation's largest steel manufacturers and recyclers, employs 21,000 individuals nationwide. Nucor has placed a priority on expanding steel exports, and because 60 percent of Nucor's steel mills, including Nucor Memphis, have access to deep water, Nucor is well positioned to achieve its export goals. In the first quarter of 2010, Nucor's exports reached 500,000 tons—double the amount of exports from one year earlier. Exports currently represent 11 percent of the company's total production. Water access is critically important to Nucor because it minimizes the cost of transporting raw materials, such as industrial grade scrap typically moved on barges along the inland waterways system. Nucor Steel Memphis is a 500,000 square foot facility located on Pidgeon Industrial Harbor in Memphis, TN. Nucor acquired the shuttered Memphis facility in 2002 and reopened it in 2008 to produce steel bar products, such as special bar quality (SBQ) bars. Nucor has invested more than \$300 million in the Memphis facility to date, more than doubling its workforce to now employ 302 people.

Companies in the agriculture sector, like Cargill, and farmers across the country, depend on the inland waterways system to move their goods to domestic and international markets. In any given year, one billion bushels of grain (or 60 percent of the bulk agricultural exports) move to world ports via the Upper Mississippi and the Illinois Rivers, according to the National Corn Growers Association. On the Columbia River, foreign outbound commerce exceeds inbound commerce (exports/imports) by a ratio of 7:1.¹¹ The Columbia and Snake River System in the Northwest is the number one U.S. wheat export gateway and the number one U.S. barley export gateway, according to the Pacific Northwest Waterways Association. The Oregon wheat industry depends largely on the Columbia and Snake River System to carry its product to market. Over 85 percent of Oregon wheat is exported, largely to Pacific Rim countries.

Producers are not the only source of economic activity and jobs that arise from the inland waterways system. According to the Corps' 2011 publication, *The U.S. Waterway System – Transportation Facts*, waterborne commerce is moved by the nation's fleet of over 40,000 commercial vessels, including large container ships, tugboats and barges, and other vessels.

⁹ Waterways: Working for America, National Waterways Foundation, 2012.

http://www.nationalwaterwaysfoundation.org/study/NWF_117900_2011WorkingForAmericaBrochure_FINAL_forWeb.pdf

¹⁰ Part 5 – National Summaries, Waterborne Commerce of the United States, U.S. Army Corps of Engineers, 2011. <http://www.ndc.iwr.usace.army.mil/wcsc/pdf/wcusnatl10.pdf>

¹¹ Part 5 – National Summaries, Waterborne Commerce of the United States, U.S. Army Corps of Engineers, 2011. <http://www.ndc.iwr.usace.army.mil/wcsc/pdf/wcusnatl10.pdf> (Table 3-16)

There were over 1,200 domestic vessels constructed in 2008, employing thousands of workers in shipyards and related industries. Here are two examples:

Ingram Barge Company, based in Nashville, TN, is the nation's largest inland marine transportation company and has operations throughout most of the nation's inland waterways system—from New Orleans, LA up the Mississippi River through St. Louis and into Minneapolis, and up the Ohio River through places like Louisville, KY to Pittsburgh, and many other points in between. Ingram operates a fleet of over 140 towboats and 4,700 barges—which constitutes approximately 22 percent of the nation's inland barge fleet. Ingram provides reliable, cost-effective, and environmentally efficient transportation services to a wide range of industries and sectors, including utilities, agriculture, steel, and chemicals. Millions of tons of cargo moved annually by Ingram Barge for its customers end up in foreign markets, including grain, export coal, and other commodities. Ingram employs over 2,300 workers in well-paying jobs with highly competitive benefits. Furthermore, throughout the current economic downturn, Ingram hired new employees and continued to buy new barges from its builders, thereby maintaining existing American jobs.

The youngest multi-faceted inland tank barge and towing vessel fleet in the United States is operated by Blessey Marine Services, based in Harahan, LA. The company's primary cargoes include residual fuels, asphalt, lubricating oils, petroleum feedstocks, refined petroleum products, petrochemicals and alcohols. Predominantly a "Unit Tow" company, Blessey Marine safely transports its customers' liquid products up and down the Mississippi River and all of its navigable tributaries and canals. Blessey has approximately 500 vessel employees on nearly 60 boats. Employees' annual salaries range from \$35,000 to \$130,000. Employees work a maximum of 20 days on with at least 10 days off a month and receive full benefits.

Inland Waterways Provide Valuable Transportation Capacity

What would be the impact on the transportation system as a whole if waterways were not a viable mode? A recent study by the Texas Transportation Institute, whose work on road congestion is cited frequently in national debates over surface transportation investment, summarized the importance of inland waterways, an often-overlooked form of transportation when it comes to discussions of U.S. freight transportation policy.

"A Modal Comparison of Domestic Freight Transportation Effects on the General Public: 2001-2009," prepared in February 2012¹² uses data from 2009 (the most recent year data is available across modes) and found that the tonnage moved in the inland river system would amount to an addition of nearly 25 percent more tonnage on the railroad system, with the primary burden on Eastern U.S. railroads. The amount of cargo currently transported on rivers, if put on roads, would increase the percent of combination trucks in the Average Daily Annual Traffic on rural interstates from 17 percent to 27 percent, and cause the Weighted Average Daily Combination Trucks per Lane on segments of interstate between urban areas to rise by 84 percent on a nationwide basis. The impact in the vicinity of the waterways considered would be much more

¹² A Modal Comparison of Domestic Freight Transportation Effects on the General Public: 201-2009, Texas Transportation Institute and Center for Ports and Waterways, 2012.
<http://www.nationalwaterwaysfoundation.org/study/FinalReportTTI.pdf>

severe than the national average, especially during the heavier truck travel periods. Were it not for the availability of inland waterway transportation, there would be noticeable impacts on road and rail congestion, pavement condition, safety, emissions, and energy usage—a barge can move one ton of freight on one gallon of fuel 616 miles, compared to 469 miles per gallon by rail.¹³

Inland Waterways Challenges

Unreliability and outdated infrastructure, especially on the inland waterways system, increases the costs of transporting commodities, threatening U.S. competitiveness. The National Grain and Feed Association states, “Improving inland waterway capacity has major national implications for...the fundamental ability of U.S. agriculture to compete in an increasingly competitive global marketplace.” It also affects every single American by increasing the prices of food on the table from corn muffins to chicken to cereal.

Unreliable and outdated infrastructure on the inland waterways system could also raise the price of electricity. If low-sulfur coal from Wyoming cannot get to power plants across the continental United States in a cost competitive manner, not only are jobs in Wyoming at risk, but the electric bills of families could increase.

If you happen to be from the great state of Pennsylvania, where U.S. coal powering approximately half of the country’s electrical power grid comprises 76 percent of the total commerce flowing through the Port of Pittsburgh annually, and through which 25 percent of steel used in the United States moves, consider this example cited in a paper titled “Resilience of Coal Transport on the Three Rivers Waterway System” from the Naval Postgraduate School:

“Coal can move by three different modes of transport. To move a ton of coal one mile by barge would cost \$.005, by railway \$.05, and by truck \$.10....The most notable results from our study show that one attack [disruption] at a critical location along the [Monongahela River and the Ohio River] could double the cost of flow. Four simultaneous attacks [disruptions] would increase the cost of the system 50 times that of normal operations, creating a significant economic impact.” Although this study addressed “attacks” it stands to reason that other disruptions such as a lock failure would have a similar impact on the transit of commerce throughout the system.¹⁴

The condition and configuration of the locks on the inland waterways system may also mean that every dollar of federal highway investment buys less, which could undermine the good work by this committee to reform federal highway programs to make every federal dollar stretch farther. Take this example from Warren Paving. The industrial lock in New Orleans lets all cargo bound for East Coast and Gulf Ports exit the Mississippi River. This lock is so small that only four barges can go through at once. Because Warren Paving always brings eight barge tows to Gulfport, the two must be broken apart, and an assist boat must be hired to push half the barges through the lock. Then the eight barges are put back together before proceeding. It is a major

¹³ Association of American Railroads, 2012. <http://www.aar.org/Environment.aspx>

¹⁴ “Resilience of Coal Transport on the Three Rivers Waterway System,” Naval Postgraduate School, November 2011. <http://nedditrov.org/uploads/classes/201104NFG/student-projects/EngelandClement-ThreeRiversBarges-ExecutiveSummary.pdf>

expense. Ninety-four percent of the locks on the Mississippi River are 50 years old or more. It is not uncommon for a tow to sit two or three days waiting to get through some of the locks. When transportation costs account for 75-80 percent of the aggregate costs in that region, a 2-3 day delay is significant.¹⁵

Importance of Port Infrastructure

The U.S. port industry includes some \$3.95 trillion in international trade for an all-encompassing range of goods and services, with nearly 1.4 billion tons, valued at \$1.4 trillion, in waterborne imports and exports alone. The federal government should assist state and local governments and the private sector as they anticipate and build for changing ships and technologies, economic growth, and trends in global trade.

Ports across the country are engines for the nation's economy as well as their local economies, and both landside and waterside infrastructure pay dividends.

About 45 percent of containerized exports move via U.S. ports on the West Coast, the same ports that also handle about 45 percent of containerized imports. However, many East and Gulf Coast ports are unprepared, both landside and waterside, to compete with U.S. West Coast, Caribbean, Canadian, and in the future Mexican ports that currently can or in the near future will be able to handle the larger sized vessels soon to be deployed through both the Suez Canal and the expanded Panama Canal. The capital infrastructure investments required to handle larger vessels and increased cargo volumes will include increased channel depths, greater crane outreach capability, and more intermodal (truck and rail) capacity. During a presentation this summer to the American Association of Port Authorities, Martin Associates stated, "Investment in port infrastructure will be critical to compete with Caribbean transshipment hubs for development of logistics centers and off-shore distribution activity...In addition to deepwater ports' needs, inland ports will require investment."¹⁶

Ports not only have a positive impact on the national economy, but also lead to economic development and job creation at the state and local levels. These benefits should not be overlooked as Congress and stakeholders build the case for action on a WRDA bill. Here are several examples.

A recent study by Business and Economic Research Center at Middle Tennessee State University assessed the contributions of the proposed \$35 million investment in the Ports at Cates Landing in Northwest Tennessee along the Mississippi River to the economy of the three-county region and its surround areas. The study found that the proposed investment over the 50-year life of the port will generate \$60.4 million in transportation cost savings and have substantial beneficial regional economic impacts including an increase in local government revenues and per capita income, a reduction in unemployment and poverty rates and reverse the declining population trend by creating employment opportunities in the region.

¹⁵ E-mail from Steven Warren, Warren Paving, to Jay Hansen, National Asphalt Pavement Association, 09/14/2012

¹⁶ The Dynamics of the US Container Market and Shifting Trade Patterns – Implications for Future Investment to Promote US Export Activity and Economic Growth, Martin Associates, 2012. <http://aapa.files.cms-plus.com/SeminarPresentations/2012Seminars/12MEDC/Martin.pdf>

In the city of Long Beach, California, the Port of Long Beach operations supports 30,000 jobs—one in eight jobs in the city. Statewide, the number of jobs Port operations supports grows to 371,000 jobs. Nearly \$1.9 billion a year is spent in the city of Long Beach for Port industry services (services purchased primarily by foreign and domestic shippers and steamship companies). The Port of Long Beach operations generates about \$5.6 billion a year in state and local tax revenues.

The Tulsa Port of Catoosa is one of the largest, most inland river-ports in the United States. Located at the head of navigation for the McClellan-Kerr Arkansas River Navigation System in Northeast Oklahoma, the Tulsa Port of Catoosa customers send and receive over 2.2 million tons of cargo each year by barge, rail, and truck. Within the Port complex, there are 63 industrial facilities that employ approximately 4,000 people involved in manufacturing, distribution, and processing of products ranging from agricultural commodities to manufactured consumer goods.

In 2008, activity at the Port of New York and New Jersey handled 60.9 million tons of bulk cargo, supported 164,930 direct jobs and 269,990 total jobs in the region and generated over \$11.2 billion in personal income, nearly \$36.1 billion in business income, and over \$5 billion in federal, state and local tax revenues. In comparison, the New York-New Jersey Port Industry in 1993, as measured for a slightly smaller region, supported 166,500 jobs and generated \$6.2 billion in personal income.

The Port of Baltimore generates more than 50,000 jobs, with 16,500 directly linked to Port-specific tasks.

According to a 2004 study conducted by Martin Associates, maritime activity within the Port of New Orleans is responsible for 160,498 jobs, \$8 billion in earnings, \$17 billion in spending and \$800 million in tax revenue statewide.

Port Infrastructure Challenges

The most pressing port infrastructure challenges are a direct result of the expansion of the Panama Canal. The Panama Canal expansion is scheduled to be completed in 2014 and will double its existing capacity. The new locks will be able to pass vessels large enough to carry three times the volume of cargo carried by vessels today. The availability of larger, more efficient vessels passing through the new locks on the Panama Canal is expected to have at least three major market effects. First, there is significant freight shipped to the eastern half of the United States over the intermodal land bridge formed by the rail connections to West Coast ports. The potential for reduced cost with a water route through the Panama Canal may cause freight traffic to shift from West Coast to East Coast ports. Second, to take full advantage of the very largest vessels able to fit through the expanded canal, but may be too large to call at most U.S. ports, a transshipment service in the Caribbean or a large U.S. port may develop. The largest vessels would unload containers at the transshipment hub for reloading on to smaller feeder vessels for delivery to ports with less channel capacity. Finally, on the export side, the ability to employ large bulk vessels is expected to significantly lower the delivery cost of U.S. agricultural exports to Asia and other foreign markets. This could have a significant impact on

both the total quantity of U.S. agricultural exports and commodities moving down the Mississippi River for export at New Orleans.¹⁷

As a nation, if we fail to adequately address the demand for expansion in port capacity, landside port and terminal investment, distribution centers and rail and highway networks, the ports outside the U.S. will be viewed as far more cost-effective and efficient destinations. With the Panama Canal expansion, there is a tremendous opportunity, to enhance the competitive advantage of US exports through Eastern and Gulf ports to Asian markets. However this market demand could easily be exploited by other North American ports currently making substantial investments.

When congestion reached a peak in Long Beach in 2004, for example, some cargo was diverted to Lorenzo Cardenas and Manzanillo in Mexico.¹⁸ Mexico is proposing extensive investment in a multi-billion dollar deep water mega-container port able to handle the next generation of vessels, with planned capacity to rival the U.S. Port of Los Angeles and Port of Long Beach combined. The U.S. West Coast ports have become understandably concerned about the diversion of traffic to Mexico as well as those in Canada, citing the Port of Prince Rupert in British Columbia, which began operations in 2007, as potential market diversion. The Port of Prince Rupert boasts an ice-free, 115-foot deep harbor and is about 1,000 nautical miles closer to Asian ports (two-days shipment time) than U.S. ports in Southern California. The Port of Prince Rupert is planning to quadruple its capacity to approximately 2 million TEUs with its Phase 2 Expansion project over the next couple years. Likewise, China continues to propose port-related infrastructure investments outside the United States in ports, such as a deepwater bulk port in Brazil, and overland infrastructure, such as proposed a rail connector linking Colombian coal fields on the Atlantic side of the country to a Pacific port. These investments would improve the competitive position of Brazil as an ore and soybean exporter and Colombia as a coal exporter.¹⁹

In addition to the challenges posed by shifting trading patterns as a result of the expansion of the Panama Canal and competition from Canada and Mexico, American ports must consider the capital costs of port maintenance, including harbor dredging. Bill Johnson, Director of the Port of Miami, said during his 2012 State of the Port Address, "...If the past is any indication, market dynamics will continue to change—everything from trade patterns to new technologies. We need to anticipate change...stay ahead of the curve..."²⁰ Putting his money where his mouth was, Director Johnson has been a tireless advocate for a project called "Deep Dredge", which would make the Port of Miami the only port south of Norfolk, VA with a 50 foot depth—capable of handling ships coming through the newly expanded Panama Canal. The project agreement

¹⁷ Press Release, U.S. Army Corps of Engineers, 2012.

<http://www.usace.army.mil/Media/NewsReleases/NewsReleaseArticleView/tabid/231/Article/2000/us-army-corps-of-engineers-releases-the-us-port-and-inland-waterways-modernizat.aspx>

¹⁸ "Delays at U.S. Ports May Push Nippon, Maersk to Canada, Mexico," Bloomberg, January 13, 2005.

http://www.bloomberg.com/apps/news?pid=newsarchive&sid=afStcc_IQGQY

¹⁹ Press Release, U.S. Army Corps of Engineers, 2012.

<http://www.usace.army.mil/Media/NewsReleases/NewsReleaseArticleView/tabid/231/Article/2000/us-army-corps-of-engineers-releases-the-us-port-and-inland-waterways-modernizat.aspx>

²⁰ 2012 State of the Port Remarks, Bill Johnson, Director of the Port of Miami, 2012.

<http://www.miamidade.gov/portofmiami/library/2012-state-of-the-port-remarks.pdf>

between the Port of Miami and the Corps signed August 21, 2012, will allow “Deep Dredge” to go out to bid. As a result, the Port of Miami expects to create 30,000 new permanent jobs.²¹

Although not related to WRDA, it is important to highlight the need for intermodal connections, last mile investment and congestion management—the landside challenges for ports. This committee should be commended for its leadership in authoring and shepherding through Congress, against significant obstacles, MAP-21, a two-year reauthorization of the highway, transit and safety program. This much heralded transportation reauthorization legislation was a tremendous accomplishment and restored the integrity of essential federal transportation programs. MAP-21 included common sense landmark reforms to cut red tape, streamline the bureaucratic project approval process, consolidate or eliminate nearly two-thirds of federal programs, and ensure that States have more flexibility to direct limited resources to high-priority needs. MAP-21 will greatly improve the business of transportation investment and provide needed certainty for the construction industry nationwide. However, it is imperative that this Committee and the other Committees with jurisdiction over surface transportation policy, immediately begin work on identifying a sustainable revenue source to adequately address the funding shortfalls of the Highway Trust Fund.

The Middle Harbor rehabilitation and modernization project at the Port of Long Beach will create 14,000 permanent jobs and double capacity. The Orient Overseas Container Line (OOCL) has already signed a 40 year lease for the new container terminal—the most technologically advanced and environmentally friendly one at the port. But once the boxes come off of the ships, how will they move? This is why transportation policy needs to be inclusive of all modes of transportation—so that goods can get from origin to destination smoothly and without bottlenecks.²²

Looking to the Future of the Marine Transportation System (MTS)

The challenges facing the marine transportation system are well documented and yet the will to rectify them remains elusive. Inadequate investment and insufficient improvements to the MTS threaten its ability to support domestic economic development, interstate commerce, international trade, and future growth. The lack of a coordinated strategy, a backlog of needs, a lack of predictable investment levels and deteriorating project delivery performance creates uncertainty about the marine transportation system’s overall ability to reliably, safely and efficiently transport goods to international and domestic markets, which translates to under utilization.

Despite the recent economic downturn, the growth in international trade is still expected to overwhelm U.S. intermodal freight capacity over the next 30 years; domestic freight volume is forecast to double and international freight volume entering U.S. ports may quadruple, according to the American Association of State Highway and Transportation Officials (AASHTO).

²¹Press Release, PortMiami, 2012. http://www.miamidade.gov/portofmiami/press_releases/2012-army-corp-engineers-deep-dredge-partnership-agreement.asp

²²Port of Long Beach, 2012. <http://www.polb.com/about/projects/middleharbor.asp>

According to the Army Corps' Waterborne Commerce Statistics Center, waterborne exports increased from approximately 442 million short tons in 1990 to over 550 million short tons in 2008. Waterborne imports increased from approximately 600 million short tons in 1990 to almost one billion short tons in 2008.

The marine transportation system must be prepared to meet future demand for safe, reliable, and efficient domestic and international freight movement. Growth is coming, but the marine transportation system is not ready. Without action to address the challenges described below, the ability of the system to support domestic economic development, interstate commerce, international trade, and future growth will be compromised.

Absence of a Consistent and Coordinated Federal Strategy

As a nation, there is no coordinated strategy to manage the assets of the marine transportation system. The nation's ports make improvements and investments independent of one another. States and communities create laws and implement regulations independently that can hamper interstate or international commerce. There are 18 different federal agencies and numerous congressional committees that have jurisdiction over the marine transportation system.

Aging Infrastructure Affects System Capacity and Reliability

The aging marine transportation infrastructure, specifically, locks and dams, is affecting system capacity and reliability—of the 257 locks on the more than 12,000 miles of inland waterways operated by the U.S. Army Corps of Engineers, nearly 50 percent are functionally obsolete. By 2020, that number will increase to 80 percent. This ultimately results in more frequent closures for repairs, decreased performance of existing infrastructure, and costly delays. For example, on the Upper Mississippi and Illinois Rivers, the failure to build seven 1,200 foot locks by 2020 will result in \$562 million in lost farm income and a widening of the U.S. trade deficit by an additional \$245 million, according to the National Corn Growers Association.

Another example, more than 10 percent of the maintenance budget for Blessey Marine Services, Inc. is for repairs attributable to “groundings” (i.e. running into things under the water) mostly in the intracoastal waterway because of poor maintenance throughout the system. This translates to nearly \$3 million a year—which does not include the downtime of the vessels and manpower and hours spent planning on how to avoid groundings. In the last 5 years, that amounts to \$15 million Blessey could have used to build new boats and/or hire more employees.

Interrelated Funding and Project Delivery Issues

Lack of adequate, reliable funding is one of several reasons that the Army Corps' project delivery performance has deteriorated as the backlog of critical navigation projects continues to grow and repair costs increase.

The revenue in the Inland Waterways Trust Fund (IWTF), which is responsible for sharing the cost of some of these projects, is unable to meet these needs. According to the Army Corps'

2011 U.S. Waterways System-Transportation Facts,²³ the IWTF earned \$84 million in Fiscal Year 2011: \$83.9 million paid by the barge and towing industry and \$0.052 million from accrued interest. The IWTF disbursed \$97.2 million for construction projects, maintaining a balance of \$45.3 million. However, \$13.4 million of the balance was set aside for prior year commitments, leaving only \$31.9 million available for new construction obligations. In addition, according to the Corps, the IWTF's "purchasing power" has been declining since the diesel fuel tax paid by the barge and towing industry peaked at 20 cents in 1995. With revenues directly tied to fuel consumption and not indexed to inflation, in order for the IWTF to have an equivalent 1995 purchasing power today, the barge and towing industry would have to pay a tax of approximately 29-31 cents.²⁴

The Panama Canal expansion combined with projected growth in international trade makes maintaining and improving our harbor and channel depths and widths even more critical. According to the Panama Canal Authority, 64 percent of Canal cargo traffic originates or is destined for the United States. There are four major U.S. harbor deepening challenges:

- **Process:** It is often a difficult process with a lengthy timeframe for a U.S. harbor to identify a need for improvement to clearing environmental and other hurdles to obtain appropriate authorization to perform improvement work.
- **Funding Source:** As most improvement operations require significant federal funds, the uncertainties in the federal appropriation process inhibit non-federal funding, which is usually used to match federal dollars.
- **Cost:** The cost of harbor improvements such as dredging escalate as projects languish partially finished, labor and material costs increase, and a lack of sustained funding creates spasmodic construction timetables.
- **Handling Facilities and Space:** In addition to deepening, harbors require expanded cargo handling facilities and improved intermodal connections to handle the increased freight volume and size of larger cargo ships.

Unlike the IWTF, the balance in the Harbor Maintenance Trust Fund (HMTF) continues to grow as the nation's dredging needs go unmet. According to the Army Corps', the Fiscal Year 2009 HMTF equity grew 10% from Fiscal Year 2008 to \$5.11 billion. As an example, maintenance of the port facility at Pidgeon Harbor is critical to the success of Nucor Memphis. Unfortunately, the harbor has been regularly impeded due to silting, which blocks harbor access. Nucor Steel Memphis has actually had to turn down export orders because of silting in the harbor.

Chamber Policy Recommendations Related to the Marine Transportation System and WRDA

As this committee moves forward with a WRDA bill, the primary interest of the U.S. Chamber of Commerce is to ensure that the nation's MTS supports domestic economic development and U.S. global competitiveness by supporting and enhancing interstate commerce and international

²³ The U.S. Waterway System: Transportation Facts & Information, U.S. Army Corps of Engineers, 2011. <http://www.ndc.iwr.usace.army.mil/factcard/factcard11.pdf>

²⁴ Inland Marine Transportation System Capital Investment Strategy: USACE Overview, U.S. Army Corps of Engineers, 2011. <http://onlinepubs.trb.org/onlinepubs/mb/Spring2011/grier.pdf>

trade. The Chamber respectfully urges the committee to improve and increase investment in navigation infrastructure to ensure the optimized utilization of the marine transportation system for freight movement.

The objectives of any federal policies that apply to the MTS should be to:

- Drive economic growth;
- Meet future demand for safe, reliable, and efficient domestic and international freight movements;
- Integrate the MTS with the broader freight transportation network;
- Improve access to inland and coastal waterways and ports;
- Optimize utilization of harbors, ports, inland and coastal waterways, the Great Lakes, and the St. Lawrence Seaway for domestic and international freight movement; and
- Harmonize policies for freight movements with Canada and Mexico and support ongoing cooperation on national security, customs, and border issues.

The Chamber's "Marine Transportation Policy Statement," first presented to this committee in 2010, recommends actions in four general areas: improving federal coordination; establishing priorities to maintaining, modernizing, and expanding the system; increasing investment; and creating conditions for successful project delivery.²⁵ Many of the recommendations are pertinent to development of WRDA legislation, and the Chamber urges the Committee to keep the under consideration.

The United States does not have a coordinated strategy to manage the assets of the MTS. A WRDA bill must work to improve coordination within and between Congress and the executive branch in order to achieve systemic and cohesive priorities, policies, and programs so that the nation's ports make improvements and investments in coordination with one another. States and communities should be encouraged to work together to create laws and implement regulations so that interstate or international commerce is not hampered.

Any revenues derived from the users of the MTS should be fully and solely utilized for their intended purposes and held separately from general funds in the federal budget. Congress should ensure that the annual revenue deposited into the Harbor Maintenance Trust Fund (HMTF) be made available to the Army Corps for critical harbor and channel maintenance each budget and appropriations cycle. The Chamber supports ensuring full use of Harbor Maintenance Tax revenues by offsetting the taxes with collections so that all Harbor Maintenance Trust Fund revenue can be used for authorized maintenance projects. For the Inland Waterways Trust Fund (IWTF), Congress should work with stakeholder groups to establish a long-term revenue source that provides adequate and predictable annual funding for construction of new and major rehabilitation of existing critical inland waterway infrastructure.

Federal investments should not supplant state, local, and private sector resources, but be leveraged to draw additional resources. Congress should continue to provide incentives to attract private investment in coastal and inland ports' landside infrastructure; make more use of federal

²⁵ Marine Transportation Policy Statement, U.S. Chamber of Commerce, 2009.

http://www.uschamber.com/sites/default/files/lra/files/USCC%20Water%20Transportation%20Policy%20Statement%20FINAL_with%20Intro.pdf

credit models such as state revolving funds (SRFs), state infrastructure banks (SIBs), the Transportation Infrastructure Finance and Innovation Act program (TIFIA), and private activity bonds (PABs); and support pilot projects that provide private investment for inland waterways where feasible.

With respect to the U.S. Army Corps of Engineers, Congress should continue to allow the Army Corps to accept and expend funds from non-federal public entities to expedite the permitting process, allow the Army Corps to reprogram federal funds, and enter into continuing contracts for critical projects consistent with congressional and administrative prerogatives.

A WRDA bill should create the conditions for successful Army Corps project delivery. The Corps' project delivery performance has deteriorated due to the lack of adequate, reliable funding—creating conditions where the list of projects continues to grow and costs increase. Other reasons include inaccurate project cost estimates, significant changes in the scope of the project(s), and inefficient contracting approaches. The Corps should streamline the feasibility study process through a workable project peer review and refined mitigation requirements. Feasibility studies, including National Environment Policy Act (NEPA) compliance, should be completed within 24 months of initiation. Peer review should be concurrent with the Army Corps' analysis and happen prior to the issuance of a Chief's Report. Sustainable environmental approaches should be used to minimize mitigation needs and mitigation banking should be allowed to meet offset requirements. Furthermore federal agencies should promote streamlining the Corps project delivery requirements including permitting.

The Corps should improve the reliability of project cost estimates that are used in congressional authorization and appropriations processes and that form the basis of cost-sharing agreements. Project cost estimates should incorporate, to the greatest extent possible, state-of-the-art planning, design, construction, and project management techniques, particularly those best practices that exist in the private sector.

The Chamber also agrees with other water resources stakeholders that it is critical and urgent to address the speed, cost and project oversight of the Olmsted Locks and Dam Project in order to free up resources for other capital construction efforts along the inland waterways system.

The Chamber is among 200 organizations that endorsed the Inland Waterways Capital Development plan, which contains practical, long-term solutions for addressing the needs of the inland waterways system by prioritizing projects and outlining a potential funding solution. The Inland Waterways Capital Development plan presents a 20 year construction and rehabilitation schedule, recommends raising the inland waterway diesel fuel tax, promotes modifying authorized depths and widths for harbor and channels as needed to accommodate vessels that call at U.S. ports and move on the waterways. This plan is now in legislative form introduced in the House as H.R. 4342, the Waterways Are Vital for the Economy, Energy, Efficiency and Environment Act of 2012 (WAVE4).

Conclusion

The total value of waterborne freight is estimated to increase by 43 percent domestically and 67 percent internationally between 2010 and 2020. The U.S. Marine Transportation System is an integral, energy-efficient, and environmentally sustainable part of a national, multi-modal freight network, which, as a whole, must accommodate these increasing freight volumes to ensure the efficiency and competitiveness of the U.S. economy.

There is no shortage of evidence, both quantitative and qualitative, to prove the point that America's oldest transportation mode and related water resources systems such as flood protection, need more robust, innovative and effective investment.

So the question is, What will it take for Congress to act?

Will it be the first ship transiting the new, expanded Panama Canal heading for Canada rather than the United States due to the inadequate draft depth of a U.S. port?

What about a family not being able to afford that box of Corn Flakes due to increases in transportation costs for corn after inland waterway unreliability reaches the point where barge operators can no longer work around the present insufficiency?

Perhaps it will be when layoffs hit Wyoming because low-sulfur coal from the Powder River Basin is replaced by foreign imports when it is no longer cost effective for Ingram Barge to transport American coal along the Mississippi River.

How about a flood that forces people from their homes because the levees that are the responsibility of the Army Corps of Engineers fail due to a lack of upkeep?

With a WRDA bill that encourages Corps efficiency, opens up infrastructure projects to innovations such as public-private partnerships, and speeds project delivery, the United States could prevent disasters that cost lives as well as dollars, promote exports and the jobs and economic growth related to America's natural resource, agriculture, and energy industries.

American competitiveness, as well as the nation's utilities, agriculture, steel, and chemicals industries are dependent on a reliable, efficient marine transportation system—requiring significant capital investments in replacement locks, dredging, dams and levees, as well as their continued maintenance and upkeep.

In short, without increased investment and improvement to our marine transportation system, taxpayers—individuals and businesses—will see no end to these unacceptable costs that are a result of inadequate infrastructure investment.

For far too long, the United States has failed to make infrastructure investment a priority, relying on investments Americans made decades ago, and the nation's transportation network is deteriorating rapidly.

America's marine transportation system is an engine for economic growth and job creation. It enables the business community to transport goods in an energy efficient, environmentally-friendly manner to domestic and international markets. The nation will survive this economic

downturn and can support future growth and economic development. The way to jump start that process is to ensure that a critical component of our economy's physical platform—the marine transportation system—is ready. It is an essential investment for the future of our country. One that we can no longer afford to put off.

The Chamber will continue to educate and mobilize the American people to support maintaining, modernizing and expanding the physical platform of our economy and to demonstrate that there is both need and an appetite for increased investment at the federal level. The Chamber will continue to work with other stakeholders groups here in Washington and around the country to find common ground on policy so that there is a chorus of voices generating momentum for moving a WRDA bill forward.

Thank you very much for the opportunity to be here today. I would be happy to answer any questions.