Statement of the U.S. Chamber of Commerce

ON: **WATER RESOURCES DEVELOPMENT ACT OF 2010: JOBS AND ECONOMIC OPPORTUNITIES**

TO: **THE U.S. SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS**

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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 113 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

Director, Transportation Infrastructure
and
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U.S. Chamber of Commerce

May 6, 2010

Before the U.S. Senate Committee on Environment and Public Works

Introduction

Chairwoman 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 economic and job creation opportunities associated with a Water Resources Development Act (WRDA). The Chamber appreciates the long tradition of leadership and dedication that this committee has shown on water resources issues.

My name is Janet Kavinoky, and I am the Director of Transportation Infrastructure at the U.S. Chamber of Commerce and the Executive Director of the Americans for Transportation Mobility 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 Chamber strongly believes that our 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 State and improve Americans' overall quality of life. Some of these systems are outdated, overwhelmed, and, in some places, literally falling apart. Others need continued investment for expansion and upgrades to meet increased demand. Now is the time to move on a robust, thoughtful, and comprehensive plan to build, maintain, and fund a world-class 21st century infrastructure. There can be no more delay.

Today, I am here to make the case for improving and increasing investment in the nation's water resources through a Water Resources Development Act. The Chamber's primary interest in a WRDA bill is ensuring that it adequately supports the Army Corps of Engineers' navigation mission, which is critical to ensure the viability of the marine transportation system. The Chamber defines the marine transportation system as consisting of ports, inland and coastal waterways, the Great Lakes, and the St. Lawrence Seaway. It is an integral, energy-efficient, and environmentally sustainable part of the national, multi-modal freight network and the global supply chain.

However, the Chamber recognizes that a WRDA bill provides critical economic and environmental benefits to the nation beyond navigation. Flood risk management is another essential mission of the Army Corps of Engineers. 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.

Marine Transportation in Context

For far too long, the United States has failed to make infrastructure a priority, relying on the investments Americans made decades ago, and our transportation network is deteriorating rapidly. Our lack of attention to these issues has real ramifications for America's competitiveness and economic health. 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.

Generating Economic Growth and Jobs through Goods Movement

Manufactured goods and cargo move through the United States on a system primarily consisting of ports, roads, rail, and inland waterways. On a typical day, about 43 million tons of goods valued at $29 billion, moved nearly 12 billion ton-miles on the nation's interconnected transportation network. The supply chain is viewed from initial point of origin to the final destination, with frequent junctures in between. To keep competitive domestically and internationally, many U.S. businesses have developed complex logistics systems to minimize inventory and ensure maximum efficiency of their supply chains.

Waterborne cargo and associated activities contribute more than $742 billion dollars annually to the U.S. Gross Domestic Product, sustaining more than 13 million jobs, according to the Committee on Marine Transportation System. The U.S. Army Corps' of Engineers Waterborne Commerce Statistics Center states that in the United States, over 955 million short tons of cargo were moved in domestic waterborne commerce, and over 1.5 billion short tons were moved in foreign waterborne commerce, for a total of almost 2.5 billion short tons of waterborne commerce in 2008.

Opened to navigation in 1959, the St. Lawrence Seaway part of the system has moved more than 2.5 billion metric tons of cargo in 50 years, with an estimated value of more than $375 billion. Cargo movement on the Great Lakes and the St. Lawrence Seaway can approach 250 million tons per year, or nearly one ton for each resident of the United States, according to the Great Lakes Maritime Task Force.

The Exports Initiative: the Role of Marine Transportation

When President Obama delivered his State of the Union address in January, the Chamber welcomed his call for a national goal to double U.S. exports within five years. The rationale is clear: we cannot rely on domestic consumption (private or public) to generate more demand for the goods and services we produce. The American consumer has been cutting back and directing more income toward savings, and the federal government faces an unsustainable budget deficit equivalent to roughly 10% of U.S. GDP this year.

Most importantly, the opportunities are there. Outside our borders are markets that represent 73% of the world's purchasing power, 87% of its economic growth, and 95% of its consumers.

We are well positioned to tap those markets. 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.

The marine transportation system – from waterways to ports – plays a critical role in getting our exports to international markets. Of the 1.5 billion short tons moved in foreign waterborne commerce, over 500 million short tons were exports and almost 1 billion short tons were inbound from foreign markets to the United States. Almost 25 percent of cargo moving through the St. Lawrence Seaway travels to and from overseas ports, especially Europe, South America, the Middle East, and Africa.

Ports across the country are economic engines for the nation's economy as well as their local economies.

- Long Beach is the second busiest port in the United States. In 2009, the Port handled 5,067,597 containers (TEUs) and cargo valued at more than $120 billion. Foreign consumers purchase about $18 billion a year worth of American goods shipped through the Port.

- Port of Baltimore, which has been in continuous operation for more than 300 years, is an economic engine to the national economy as well as the local economy (please see below). It handles more than 30 million tons of cargo annually and ranks among U.S. leaders in Roll-on/Roll-off cargo, imported forest products, automobile exports, overall tonnage handled and total cargo value.

- The Port of New Orleans is beginning and end point for a lot of waterborne commerce given its geographic position. It is a diverse general cargo port, handling containerized cargo such as apparel, food products, and consumer merchandise. The Port's general cargo volume has averaged 8.6 million tons from 2003 through 2007.

Businesses Rely on Marine Transportation

The business community – from ports to barge operators to agricultural exporters – depends on a marine transportation system to move goods to domestic and international markets. They are also important parts of the nation's economic engine and are drivers for job creation in America.

The principal commodity groups carried by water (including commodities moved by water for export) include petroleum and petro products, coal, food and farm products, manufactured goods, raw materials, and chemicals. Every year, roughly 624 million tons of waterborne cargo transit the inland waterways, a volume equal to about 14 percent of all intercity freight and valued at nearly $70 billion, according to the National Waterways Foundation. The inland waterway 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 utility plants, and for about 22 percent of the domestic oil movements, according to the Army Corps.

In addition, barge transportation is a fuel efficient and environmentally friendly method of moving goods. A barge can move one ton of freight on one gallon of fuel 576 miles.

According to the Army Corps' *The U.S. Waterway System – Transportation Facts (2009),* waterborne commerce is moved by the nation's fleet of over 40,000 commercial vessels, which includes large container ships, tugboats and barges, and other vessels. There were over 1,200 domestic vessels constructed in 2008, employing thousands of workers in shipyards and related industries. Here are a few examples:

<u>Ingram Barge Company</u>

Nashville, TN-based Ingram Barge Company is the nation's largest inland marine transportation company and has operations throughout most of the nation's inland waterway 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 130 towboats and 4,000 barges—which constitutes approximately 20% of the nation's dry cargo 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 2,000 workers in well paying jobs with highly competitive benefits. And even during the economic downturn, Ingram was hiring new employees and continued to buy new barges from its builders, thereby ensuring that many Americans were able to keep working.

Blessey Marine Services, Inc.

Harahan, LA-based, Blessey Marine Services operates the youngest multi-faceted inland tank barge and towing vessel fleet in the United States. 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 and all of its navigable tributaries and canals.

Blessey has approximately 500 vessel employees on nearly 60 boats. Employees' 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.

Spotlight on Agriculture and Steel

Companies in the agriculture sector, like Cargill, and farmers, depend on the marine transportation system to move their goods to domestic and international markets. In any given year, one billion bushels of grain (or 60% of the bulk agricultural exports) are moved to the world ports via the Upper Mississippi and the Illinois Rivers, according to the National Corn Growers Association.

Among other things, the Columbia and Snake River System 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 Snake River System to carry its product to market. Over 85% of Oregon wheat is exported, largely to Pacific Rim countries.

Nucor is the nation's largest steel manufacturer and recycler, employing 21,000 nationwide. Nucor has placed a priority on expanding steel exports, complementing the President's National Export Initiative. Nucor's exports in first-quarter 2010 reached 500,000 tons, or double the amount of one year earlier. Exports currently represent 11% of the company's total production.

Because 60% of Nucor's steel mills, including Nucor Memphis, have access to deep water, Nucor is well positioned to expand its exports of steel.

Water access is also critically important to Nucor because it minimizes the cost of transporting raw materials, including barges of industrial grade scrap.

Local Economic Development Benefits

Components of the marine transportation system 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.

- 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, reopening 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, and has more than doubled its size now employing 302 people.

- 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 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 regional economic impacts including an increase in local government revenues and per capita income, a reduction in the unemployment and poverty rates and reverse the declining population trends by creating employment opportunities in the region.

- In the city of Long Beach alone, Port of Long Beach operations support 30,000 jobs, or about one in eight. Statewide the number of jobs Port operations support 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). Port of Long Beach operations generate about $5.6 billion a year in state and local tax revenues.

- 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 within the Port 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 taxes statewide.

Other Benefits

In addition to supporting the nation's economic activities, the marine transportation system provides passenger transportation through ferries, water taxis, cruise ships and supports national security objectives and recreational activities.

Challenges Facing the Marine Transportation System (MTS)

The challenges facing the marine transportation system are well documented and yet the will to rectify them remains elusive. The lack of a coordinated strategy, a backlog of needs and 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).

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 is the marine transportation system 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 is 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

In addition, 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. The ultimate results are more frequent closures for repairs, decreased performance, 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 trade deficit by an additional $245 million, according to the National Corn Growers Association.

Another example, more than 10% of Blessey Marine Services, Inc.'s maintenance budget goes to repairs attributable to "groundings" (i.e. running into things under the water) mostly in the intracoastal waterway because of poor maintenance. This translates to nearly $3 million a year. This amount does not include the downtime of the vessels and manpower and hours spent addressing these issues. Over at least the last 5 years that is $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 Army Corps' project delivery performance has deteriorated as the backlog of critical navigation projects continues to grow and 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' *U.S. Waterways System-Transportation Facts (2009)*, the IWTF earned $76.4 million in FY 2009. This included $76.0 million paid by the barge and towing industry and $0.4 million interest. The IWTF disbursed $149.5 million for construction projects leaving a balance of $57.7 million, its lowest level since before disbursements began in 1987. In addition, according to the Army Corps', the IWTF's "purchasing power" has been declining since the tax peaked at 20 cents in 1995. To have the 1995 purchasing power today would be a tax around 27-29 cents.

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% of Canal cargo traffic originates or is destined for the United States. U.S. harbor deepening challenges identified include:

- Study Process: Difficult and lengthy from study to authorization
- Funding: Federal appropriation process uncertainties
- Dredging: Escalating costs, placement, environmental mitigation
- Handling Facilities and Space: Need for expanded cargo handling facilities and improved intermodal connections

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 FY 2009 HMTF equity grew 10% from FY 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.

Other reasons for poor project delivery include inaccurate project cost estimates, significant changes in the scope of the project(s), and inefficient approaches.

Chamber Policy Recommendations Related to the Marine Transportation System and WRDA

As this committee moves forward with a WRDA bill, the Chamber's main priority is to ensure that the marine transportation system continues to support domestic economic development and U.S. global competitiveness. We respectfully urge the committee s to improve and increase investment in navigation infrastructure to ensure the optimized utilization of the marine transportation system for freight movement.

The Chamber's "Marine Transportation Policy Statement" is attached to this testimony and 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. Many of the recommendations are pertinent to development of WRDA legislation including:

- 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.

- For the Inland Waterways Trust Fund (IWTF), Congress should work with stakeholder groups to establish a long-term revenue source that provides adequate

and predicable annual funding for construction and major rehabilitation of critical inland waterway infrastructure.

- Provide incentives for state and local governments to secure the non-federal cost share of harbor and channel maintenance and dredging, and continue to provide incentives to attract private investment in coastal and inland ports' landside infrastructure.

- Support pilot projects that provide private investment opportunities for inland waterways where feasible.

- 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 fund and enter into continuing contracts for critical projects consistent with congressional and administrative prerogatives.

Further, the Chamber encourages the Committee to give due consideration to the recently-released *Inland Marine Transportation System Capital Projects Business Model*, developed jointly by the Inland Waterway Users Board and the Army Corps of Engineers. The Chamber has reviewed this document and believes it to contain practical, long-term solutions for addressing the needs of the inland waterways system by prioritizing projects and outlining a potential funding solution.

Needs beyond the Marine Transportation System

Beyond a WRDA bill, there is a full transportation infrastructure agenda that will also drive economic recovery and competitiveness and complement improvements to the marine transportation system.

Highways and Transit

The *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU) expired last September and has since been operating on a series of extensions – the latest of which expires at the end of the calendar year. The uncertainty generated by these short-term extensions is leading to many delayed or cancelled longer-term projects throughout the country. The jobs impact of this situation has rippled throughout the economy. Workers at design and engineering firms, construction companies, equipment manufacturers, and materials providers have lost their jobs and even more positions are on the line due to uncertainty in federal funding.

Without long-term certainty, states will be unable to plan for large scale projects, which will lead to unnecessary job loss at a time when unemployment is already at historic highs. In order to protect these much needed highway and transit projects and

jobs, Congress must provide continuity for both the programs and the Highway Trust Fund in the long-term.

The Chamber applauds the Committee for its ongoing efforts to develop its SAFETEA-LU reauthorization package and has appreciated the opportunity to provide input into this legislation.

Freight Rail

As the cost of highway freight bottlenecks and congestion has increased, many have looked to freight rail to carry more freight to relieve truck and highway congestion and help conserve energy, reduce engine emissions, and improve safety. Shippers, too, have started looking to railroads to carry more longer-distance shipments, especially as the costs of truck fuel and labor have increased. Unfortunately, America's freight rail system also has its capacity issues.

Ton-miles of rail freight carried over the national rail system have doubled since 1980, and the density of train traffic – measured in ton-miles per mile of track – has tripled since 1980. The railroads have had substantial surplus capacity in the rail network for many years. This excess capacity has enabled the railroads to absorb traffic growth with relatively modest additional capital commitments to expand infrastructure. However, this surplus capacity has now largely been absorbed by two decades of growth and major increases in rail traffic volumes of the past few years. The railroad industry's investment in infrastructure alone will not be enough to handle the 67% projected increase in freight traffic between 2000 and 2020.

The administration and Congress should enact an infrastructure investment tax credit for the rail industry to help accommodate the projected increase.

Aviation

The nation's aviation system, which facilitates business travel, tourism, the movement of domestic and international goods, and national defense, is awaiting reauthorization of the Federal Aviation Administration and Airport and Airways Trust Fund. The state of the air traffic control system is at the heart of America's aviation woes and modernization must be a national priority. Congress and the FAA must act to transform the U.S. aviation system to meet the expected 36 percent increase in fliers by 2015, by expediting air traffic control modernization and providing the necessary investment to increase national aviation system capacity through a multi-year federal authorization.

The Chamber's Commitment: Let's Rebuild America

The Chamber is not just talking about infrastructure, we're doing something about it in a big way. We've made infrastructure a core competitiveness issue and over two

years ago launched the Let's Rebuild America initiative. Through Let's Rebuild America, we advocate for the need to maintain, modernize and expand our transportation, energy, broadband and water systems.

We are educating the public about the importance of infrastructure investment, mobilizing grassroots support at the state and local level, and building the best arguments through sound research. We have built a comprehensive program of work around three key goals:

- Get the most "bang for the buck" out of infrastructure investments.
- Remove obstacles and prevent barriers to maintaining, modernizing and expanding infrastructure and using it efficiently.
- Increase public and private resources available for investment in construction, operation and maintenance of infrastructure.

The flagship project for Let's Rebuild America this year is the Infrastructure Index Project. It is generally accepted that infrastructure provides American businesses opportunities to grow and compete, but at the same time it can be a risk, a limitation, or even a roadblock. Legislators, regulators and policy makers have said the same thing to the U.S. Chamber time and time again: there needs to be a credible, evidence-based study on the relationship between infrastructure and the U.S. economy that gets down to details in order to make infrastructure investment a higher priority.

In response, the Chamber is creating tools based on rigorous, quantifiable analysis to measure whether infrastructure is meeting the demands of the business community. Specifically, we are creating indexes that will measure the performance of transportation, energy, broadband, and water systems over time from the business community's perspective at both a national level and on a state-by-state basis. This groundbreaking study is unique in three ways:

1. Define what business needs to grow and succeed when it comes to infrastructure performance – as opposed to what government thinks is important.
2. Look across four critical categories of infrastructure -- transportation, energy, broadband and water -- and consider their relationships.
3. Correlate the way infrastructure performs to economic growth. Historically, calculations have focused on expenditures, jobs or local economic development.

We would welcome the opportunity to brief any of you on the Chamber's Let's Rebuild America Initiative and the Infrastructure Index Project so that you can help us shape this project in a way that will be useful for decision makers.

Conclusion

Members of the Committee, I hope you will consider the business community's strong interest in repairing, rebuilding, and revitalizing the nation's marine transportation system as you develop a WRDA bill.

America's marine transportation system is 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. We will survive this economic downturn and support our future growth and economic development. One way to jump start that is ensuring 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. We 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'll be happy to answer any questions.

Attachment

Statement on Marine Transportation

Introduction

The U.S. Marine Transportation System (MTS) consists of ports, coastal and inland waterways, the Great Lakes, and the St. Lawrence Seaway and 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.

However, inadequate investment and insufficient improvements to the MTS threaten its ability to support domestic economic development, interstate commerce, international trade, and future growth.

The following statement was developed to identify the challenges facing the MTS and to make policy recommendations for improving federal coordination; establishing priorities for maintenance, modernization, and expansion; increasing investment; and creating conditions for successful project delivery.

Role and Scope of the Marine Transportation System

The marine transportation system (MTS) plays a critical role in the global supply chain. Currently, waterborne cargo and associated activities contribute more than $742 billion annually to the U.S. Gross Domestic Product (GDP), sustaining more than 13 million jobs.[1]

- 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

[1] "What is the Marine Transportation System?" 13 May 2009. Committee on Marine Transportation System. <http://www.cmts.gov/whatismts.htm>. 19 September 2009.

billion tons, valued at $1.4 trillion, in waterborne imports and exports alone.[2]

- Every year, roughly 624 million tons of waterborne cargo transit the inland waterways, a volume equal to about 14 percent of all intercity freight and valued at nearly $70 billion[3]. The Inland Waterway 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 utility plants, and for about 22 percent of domestic petroleum movements.[4]
- Cargo movement on the Great Lakes and St. Lawrence Seaway can approach 250 million tons a year, or nearly one ton for each resident of the United States.[5]

The total value of waterborne freight is estimated to increase by 43 percent domestically and 67 percent internationally between 2010 and 2020.[6] The MTS 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.

Policy Objectives

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 trade.

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

- Drive economic growth;

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[2] "U.S. Public Port Facts." July 2008. American Association of Port Authorities. <http://www.aapa-ports.org/files/PDFs/facts.pdf>. 19 September 2009.
[3] "WATERWAYS: Working for America." 2008. National Waterways Foundation. September 19, 2009. < *www.waterwayscouncil.org/study/Work4America.pdf*>.
[4] Grier, David. "The Declining Reliability of the U.S. Inland Waterway System." Presentation. November 16-17, 2004. 7th Marine Transportation System Research & Technology Coordination Conference. 19 September 2009. <http://trb.org/Conferences/MTS/4A%20GrierPaper.pdf>.
[5] "Great Lakes Squeeze Will Hurt Region's Economy." Press Release. 5 February 2008. The Great Lakes Maritime Task Force. 19 September 2009. <http://www.glmtf.org/press_020508_region_economy.html> .
[6] "Marine Transportation System." Maritime Administration, U.S. Department of Transportation. 19 September 2009.
<http://www.marad.dot.gov/ports_landing_page/marine_transportation_system/MTS.htm>.

- 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.

Policy Recommendations

Improve Federal Coordination

As a nation, there is no coordinated strategy to manage the assets of the MTS. 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 MTS.

- Within and between Congress and the executive branch there must be improved coordination in order to achieve systemic and cohesive priorities, policies, and programs.
- To ensure the safe, reliable, and efficient movement of interstate and international freight, 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;
    - Modify authorized depths and widths for harbor and channels as needed to accommodate vessels that call at U.S. ports and move on the waterways; and
    - Develop and implement regulations related to the shipping industry and the MTS that are consistent with the International Maritime Organization regulations and preempt state and local regulations where necessary.

Establish Priorities for Maintenance, Modernization, and Expansion

A multi-year, long-term strategy for MTS operations, maintenance, modernization, and expansion efforts requires a coordinated approach across all levels of government in consultation with the full range of stakeholders.

- The U.S. Army Corps of Engineers (Army Corps) and the U.S. Department of Transportation (DOT), in partnership with related agencies and stakeholder groups, should engage in a comprehensive review of MTS needs to determine construction, major rehabilitation, replacement, and operations and maintenance project priorities.
    - The review should be based on objective, analytical, and performance-based methodologies. Economic benefit consistent with environmental sustainability should be a primary driver of priorities.
    - The review should complement the efforts of the Inland Waterway Users Board and the Army Corps to develop a consensus-based, 20-year capital investment strategy and the Committee on Marine Transportation System to coordinate federal policies among the various agencies with jurisdiction.

- The findings of the review should inform federal programmatic and investment decisions by Congress and the executive branch.

Increase Investment in the MTS

Deteriorating marine transportation infrastructure, in part due to underinvestment in the system, has contributed to its limited use. Increased investment by federal, state, and local governments and the private sector will lead to an optimized and more reliable mode of transportation to move goods.

<u>Trust Funds</u>

- 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.

- There are currently two trust funds that provide resources for the MTS:
    - Annual revenue deposited into the Harbor Maintenance Trust Fund (HMTF) should be made available to the Army Corps for critical harbor and channel maintenance and dredging each budget and appropriations cycle.
    - For the Inland Waterway 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 and major rehabilitation of critical inland waterway infrastructure.

Army Corps Funding

The Army Corps needs adequate and reliable funding for operations and maintenance, construction and major rehabilitation projects, and investigations within the Civil Works Program.

- Congress and the executive branch should establish an annual funding threshold and build it into the budget for the Army Corps Civil Works Program to assure that critical projects are funded adequately and completed in a timely manner.
    - The president's budget for the Army Corps Civil Works Program should be developed with consideration to its programmatic capabilities.

- Congress and the executive branch should ensure that needs are met. Environmental management and other responsibilities should not dilute the navigation and flood protection priorities of the Army Corps.

    - Congress should ensure that navigation needs are met given the Army Corps' expanded role in environmental management by creating a sufficient funding level within the 302(b) allocation to the Army Corps.

Port and Inland Waterway Infrastructure Investment

Increased investments in port infrastructure are needed to boost connectivity to other modes and improve the flow of imports and exports. Federal investments should not supplant state, local, and private sector resources, but be leveraged to draw additional resources.

- The federal government should:
    - Continue to provide incentives to attract private investment in coastal and inland ports' landside infrastructure.
        - Make more use of federal 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).
    - Provide incentives for state and local governments to secure the non-federal cost share of harbor and channel maintenance and dredging.
    - Support the use of short sea shipping where feasible.
    - Support pilot projects that provide private investment for inland waterways where feasible.

Create the Conditions for Successful Army Corps Project Delivery

Lack of adequate, reliable funding has been one of several reasons that the Army Corps' project delivery performance has deteriorated as 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 Army 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.
    - Mitigation banking should be allowed to meet offset requirements.
- Federal agencies should promote streamlining the Army Corps project delivery requirements including permitting.
- The Army Corps should continue to be allowed to accept and expend funds from non-federal public entities to expedite the permitting process.

- The Army 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.
- The Army Corps 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 Army Corps should continue to build project management capabilities among its personnel.
- Congress should allow the Army Corps to reprogram federal funds and enter into continuing contracts for critical projects consistent with congressional and administrative prerogatives. Reprogramming should be based on funding availability from throughout the Civil Works Program so as to assure most efficient funding for high priority projects.
    - Such reprogramming must be based on the premise that funding appropriated for individual projects will be returned to those projects when the funds can efficiently be used.
    - If initial funding is not provided for a project within the first five years of its authorization, the authorization for that project should expire automatically unless specific congressional action is undertaken to continue the project's authorization.