Washington Office
101 Constitution Ave., N.W.
Suite 375 East
Washington, D.C. 20001
(202) 789-7850
Fax: (202) 789-7859
Web: http://www.asce.org

TESTIMONY OF

Andrew H. Cairns, P.E., M.ASCE

ON BEHALF OF

THE AMERICAN SOCIETY OF CIVIL ENGINEERS

BEFORE THE

ENVIRONMENT AND PUBLIC WORKS COMMITTEE

UNITED STATES SENATE

ON

THE WATER RESOURCES DEVELOPMENT ACT

JANUARY 31, 2013

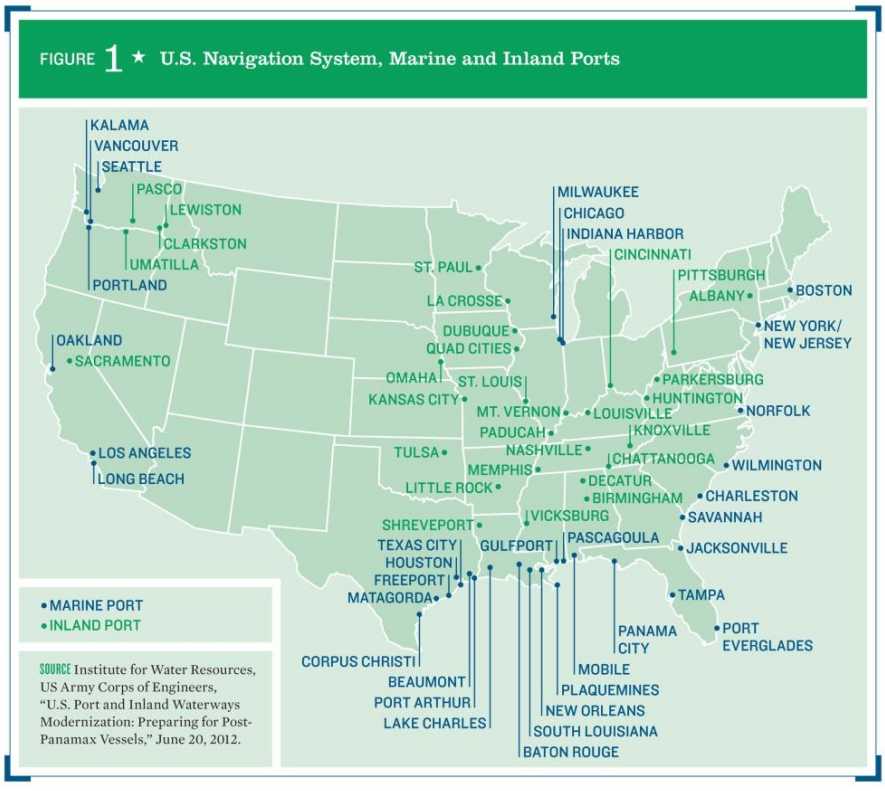
Madam Chairwoman, Senator Vitter, and Members of the Committee:

It is an honor for me to appear before this committee on behalf of the American Society of Civil Engineers (ASCE) [1] to discuss the importance of water resources projects, specifically the Harbor Maintenance Trust Fund, to our nation's overall economic health.

ASCE commends the Environment and Public Works Committee for holding a hearing today on the Water Resources Development Act (WRDA) and for continuing to make the legislation a priority in the 113th Congress. The Society is pleased to present to the Committee our views on the nation's Harbor Maintenance Trust Fund and to express the impact that our water resources infrastructure has on the nation's ability to compete in a global economy. A Water Resources Development Act that fosters economic growth and job creation through policies that strengthen U.S. infrastructure will allow the nation to remain competitive in the Twenty-First Century.

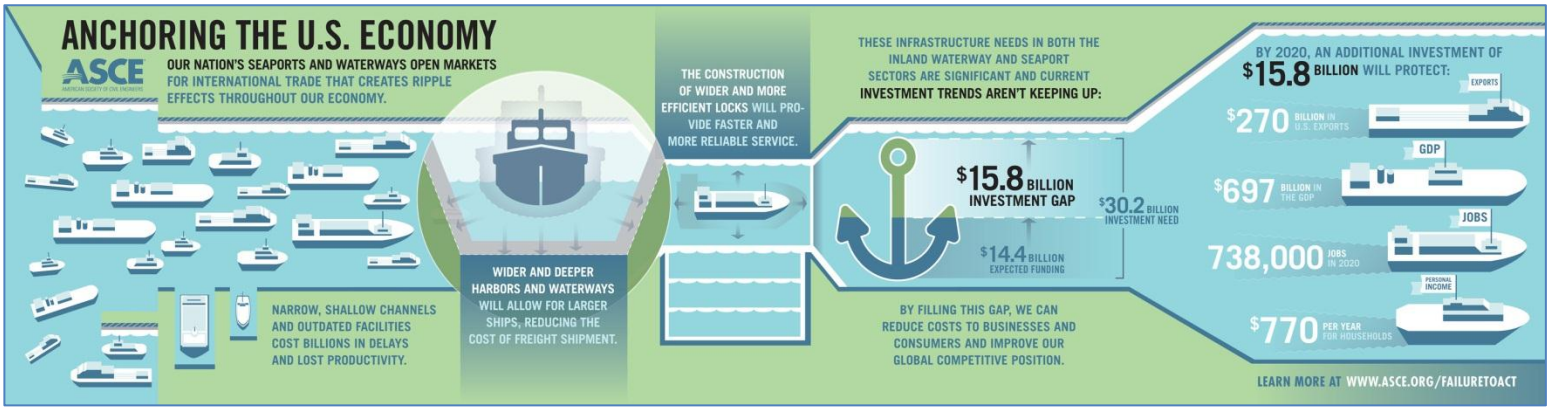
THE IMPACT OF UNDER-INVESTING IN OUR NATION'S PORTS AND INLAND WATERWAYS

The United States has 300 commercial ports, 12,000 miles of inland and intra-coastal waterways and about 240 lock chambers, which carry more than 70 percent of U.S. imports by tonnage and just over half of our imports by value. In 2009, ASCE gave the nation's waterways infrastructure an overall grade of "D" due to the age of many facilities and the fact that the current system of inland waterways lacks resilience. To remain competitive on a global scale, U.S. marine ports and inland waterways will require investment in the coming decades beyond the $14.4 billion currently expected.



[1] ASCE was founded in 1852 and is the country's oldest national civil engineering organization. It represents 141,000 civil engineers individually in private practice, government, industry, and academia who are dedicated to the advancement of the science and profession of civil engineering. ASCE is a non-profit educational and professional society organized under Part 1.501(c) (3) of the Internal Revenue Code.

According to ASCE's 2012 *Failure to Act*[2] economic study on the nation's marine ports and inland waterways, aging infrastructure for marine ports and inland waterways threatens more than 1 million U.S. jobs. Additionally, between now and 2020, investment needs in the nation's marine ports and inland waterways sector will total $30 billion, while planned expenditures are only about $14 billion, leaving a total, federal, investment gap of nearly $16 billion over the upcoming years. However, the costs attributable to delays in the nation's inland waterways system were $33 billion in 2010. These costs reverberate throughout the economy given the heavy reliance of energy inputs like petroleum and coal on inland waterway transportation. Furthermore, this cost is expected to increase to nearly $49 billion by 2020. These costs are large, and do not even address the landside connections or the "inside the fence" infrastructure that is the responsibility of the port authority. Therefore, the nation will either need to pay for much needed investments in the nation's ports and harbors now, or will pay more severally in lost labor, lost exports, and lost GDP down the road.



The nation's marine ports and inland waterways have historically been the critical links that make international commerce possible. However, with the scheduled expansion of the Panama Canal by 2015, the average size of container ships is likely to increase significantly, affecting the operations of those major U.S. ports that handle containerized cargo. Currently, many of those U.S. ports will still require significant infrastructure upgrades to handle the larger ships and therefore remain competitive. The needed investment in marine ports will include harbor and channel dredging, while inland waterways will require new or rehabilitated lock and dam facilities.

TABLE 16 ★ Lost Trade Due to the Gap in Inland Waterways and Marine Ports Investments *(in billions of 2010 dollars)*

YEAR OR PERIOD	EXPORTS	IMPORTS	TOTAL TRADE
2020	−42.8	−20.5	−63.3
2040	−141.6	−63.6	−205.2
2012–20	−270.1	−157.4	−427.5
2021–40	−1,711.8	−775.6	−2,487.4
2012–40	−1,981.9	−933.0	−2,914.9

SOURCES EDR Group and LIFT model, University of Maryland, INFORUM Group, 2012.

If the nation makes an additional investment of $15.8 billion between now and 2020, the U.S. can eliminate the current drag on economic growth and protect:

[2] www.asce.org/failuretoact

- $270 billion in U.S. exports.
- $697 billion in GDP.
- 738,000 jobs in 2020.
- $872 billion in personal income, or $770 per year for households.

Unless America's infrastructure investment gaps are filled, transporting goods will become costlier, prices will rise, and the United States will become less competitive in the global market. As a result, employment, personal income, and GDP will all fall. One of the key solutions to ensuring that the nation's ports remain competitive is restoring trust back into the Harbor Maintenance Trust Fund.

History of the Harbor Maintenance Trust Fund

In 1986, Congress enacted the Harbor Maintenance Tax (HMT) to recover operation and maintenance costs, primarily dredging, at U.S. coastal and Great Lakes harbors from shippers. The tax is based on the value of the goods being shipped through ports and then placed in a trust fund to be used for maintenance dredging of federal navigational channels. The tax is assessed at a rate of 0.125 percent of cargo value ($1.25 per $1,000). Without dredging, many port facilities and navigation channels would be rendered unsafe and non-navigable to users in less than a year, thus forcing ships to carry only a fraction of their intended load or render a ship unable to enter a channel at all. In 1990, Congress more than tripled the HMT to recover 100 percent of maintenance dredging expenses. Since that time a surplus has been created in the Harbor Maintenance Trust Fund (HMTF).

However, dredging of the nation's ports and harbors has suffered from years of under investment. More specifically, the busiest U.S. harbors are currently drastically under maintained. The Corps of Engineers estimates that full channel dimensions at the nation's busiest 59 ports are available less than 35 percent of the time. Additionally, 47% of all locks maintained by the U.S. Army Corps of Engineers were classified as functionally obsolete in 2006. Assuming that no new locks are built within the next 20 years, by 2020 another 93 existing locks will be obsolete, rendering more than 8 out of every 10 locks now in service outdated.

The current situation can increase the cost of shipping as vessels carry less cargo in order to reduce their draft or wait for high tide before transiting a harbor. It could also increase the risk of ships grounding or of a collision. For these reasons, ASCE supports the deepening and widening of ship channels, as necessary to accommodate new, larger ships, as well as continued maintenance dredging of ship channels for the efficient handling of maritime commerce. ASCE also fully supports programs that limit erosion and sedimentation in ports, harbors and waterways.

Restoring Trust in the Harbor Maintenance Trust Fund

For Fiscal Year 2013 the administration had requested $839 million to be appropriated from the HMTF—only 50 percent of total estimated revenues. Total revenues are currently estimated at $1.659 billion in the Trust Fund for FY 2013. However, the FY 2013 budget request does not come close to meeting the requirements of the nation's ports and harbors, which have an annual need for maintenance dredging between $1.3 billion and $1.6 billion, according to the Army Corps of Engineers.

This trend toward reduced investments in our ports and harbors has led to ever greater balances in the HMTF, and the unexpended balance in the Trust Fund is growing with a bookkeeping balance of more than $6 billion by September 30, 2013, the Office of Management and Budget reports.

Therefore, the Committee should include a provision in WRDA requiring the total of all appropriations from the HMTF each fiscal year be equal to all revenues received by the HMTF that same year. The Committee should

also guarantee that appropriations are not taken from other Corps of Engineers programs due to the potential increased funding from the HMTF.

ASCE supported language that would restore trust to the Harbor Maintenance Trust Fund in the EPW draft that was discussed in the fall of 2012. That draft stated that "the total budget resources for a fiscal year shall be equal to the level of receipts for harbor maintenance for that fiscal year, which amounts shall be used only for harbor maintenance." The text was also critical for its guarantee that appropriations are not taken from other Corps of Engineers programs due to the potential increased funding for the HMTF.

Realize America's Maritime Promise

Legislation which would allow Harbor Maintenance Trust Fund expenditures to match revenues has proven extremely bipartisan, and popular, in the past. In the 112th Congress, Senator Levin (D-MI) introduced the Harbor Maintenance Act of 2011, which would require all revenues flowing into the Harbor Maintenance Trust Fund any fiscal year be appropriated for operations and maintenance expenses at harbors and channels, thus ensuring that U.S. ports are prepared to meet modern shipping needs. The legislation received 37 cosponsors from both sides of the aisle, while the companion legislation in the House, the Realize America's Maritime Promise (RAMP) Act, received 196 cosponsors. Congressman Boustany (R-LA) reintroduced the RAMP Act last week and the bill has already seen 48 other Members of Congress sign on.

Conclusion

In conclusion, ASCE applauds the Senate Environment and Public Works Committee for taking strides to address our nation's aging water resources. In the 2013 Report Card, due out March 19th, ASCE will once again grade the nation's inland waterway and will also, for the first time, grade the nation's marine and inland waterway ports. With the current levels of investment it is not likely that either category will receive top marks.

Deferring water resource projects creates costs that reverberate throughout our economy, causing exports and GDP to fall, threatening U.S. jobs, causing a drop in personal income, and putting vessel operators at increased risk. Fixing the funding shortfalls out of the Harbor Maintenance Trust Fund will be a critical element to a final WRDA package. ASCE looks forward to working with the Senate Environment and Public Works Committee as you move forward on this legislation.

Thank you, Senator Boxer. This concludes my testimony. I would be pleased to answer any questions.