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Chairman Boxer, Ranking Member Vitter, and distinguished members of the Senate Committee on Environment and Public Works, thank you for the opportunity to be here today to discuss the Harbor Maintenance Trust Fund (Trust) and port infrastructure investments. My name is Jimmy Lyons, and for 14 years, I have served as the Director and Chief Executive Officer for the Alabama State Port Authority (Port Authority), Alabama's statutory authority over navigation and harbors at the Port of Mobile and its inland rivers. On behalf of my Board of Directors and our shippers, I would like to thank the members of this committee for your leadership in addressing critical funding issues that threaten the nation's commerce and jobs. Our comments

today are specific to our port, but are reflective of what is happening in many of our nation's seaports.

Established in 1928, the Alabama State Port Authority represents the public cargo terminals at the Port of Mobile. Between 2001 and 2011, the Port Authority, through its own revenues, public / private partnerships, and some federal grants, invested over $700 million in seaport infrastructure improvements, the bulk of which were in facilities that service the larger vessels, sometimes referred to as Post-Panamax ships. Today, these larger ships carrying containers, coal or steel for U.S. shippers call weekly at our terminals.

The Port Authority's investments, in part, were in response to an expanding Panama Canal, but the major driver for our investments was to support an expanding manufacturing base and shippers, who were taking advantage of shipping efficiencies deployed by the ocean carriers and logistics industries. The net effect of these investments in the past two years was double digit cargo growth moving through terminals handling the larger vessels.

The Port of Mobile's public and private terminals is consistently ranked in the top 13 U.S. ports in total trade handling 55 to 65 million tons of cargo annually, generating $22.3 Billion in economic value and creating over 141,000 direct, indirect, induced and related user jobs in Alabama alone.

Nationally, the U.S. Bureau of the Census reports deep draft ports accommodating ocean-going vessels move over 95 percent of U.S. overseas trade by weight and 75 percent by value.

U.S. Customs reports trade moving through U.S. ports will double or triple by the year 2020, and today trade represents nearly 25 percent of GDP.

Most U.S. seaports are not naturally deep harbors, and many are located on river systems where upstream runoff sediments move downstream and settle on harbor bottoms. The Port of Mobile is among the 90 percent of the nation's top 50 ports engaged in foreign waterborne commerce that require regular maintenance dredging. In total, these ports move nearly 93 percent of all U.S. waterborne commerce by weight annually.

Because river sediment can accumulate at a rate of several feet per year, dredging is absolutely necessary to prevent channel siltation that can render a harbor non-navigable in less than a year. The authorized depths and widths of America's federal navigation channels are available less than 35% of the time.

Nationally, the Army Corps of Engineers estimates annual maintenance dredging funding needs of $1.3 to $1.6 billion, which are comparable to the funds collected in the Trust. However, over the past five years, annual expenditures for channel maintenance have averaged less than $800 million, leaving a surplus and resulting in inadequately maintained channels.

In Mobile Harbor alone, the Army Corps of Engineer's annual budget ranged between $18.5 million in 2008 and $22.6 million in 2012, yet the annual funding requirement necessary to fully maintain authorized navigation and depth is $28 million.

As U.S. seaports shallow-up due to inadequate dredging funding, global shippers are forced to lighter vessels entering U.S. seaports; thereby, generating additional

handling costs associated with the practice, and increasing the likelihood of ship groundings, which leave waterways exposed to higher spillage and pollution risks. Between 2006 and 2011, the Mobile Ship Channel operated with only half of the channel's authorized width in much of our 30 mile long channel. During this period, limitations in the channel resulted in vessel traffic restrictions and numerous groundings.

The net result of failing to maintain our harbors is increased costs for waterborne transportation users, reduced competitiveness of U.S. exports in the global marketplace, an ever increasing backlog of maintenance dredging, and ultimately, higher prices to consumers - all of which adversely impact the U.S. job market and tax base.

The federal harbor maintenance fee is imposed on all U.S. imports regardless of the point of entry, and the taxes and jobs generated by U.S. shippers reliant upon our seaports benefit the nation as a whole. The Port of Mobile, while consistently remaining one of the nation's top ports in total trade, is, in some cases, the only strategic and cost effective seaport option for export coal, forest products, steel, agricultural products, and containerized freight generated by U.S. industries in our region.

Aside from increasing maintenance backlogs and inadequate dredging funding, the Port Authority is also deeply concerned with how the nation's federal projects will be expanded and ultimately how these projects will be funded and maintained given the current fiscal climate.

As Congress considers the importance of how we address immediate maintenance needs and how best to fully utilize the Trust to ensure our harbors

efficiently serve trade, the fiscal realities necessitate policies that discourage zero balance or expanded use of the Harbor Maintenance Trust Fund.

Currently, the Harbor Maintenance Trust collections are at a rate of approximately $1.4 billion annually. Corps officials and some stakeholders agree that there are good reasons to maintain a positive balance in the trust fund. While fees are expected to cover program costs, program costs do not necessarily decline should there be a drop in fee revenue.

Further, there is legitimate need to invest in the nation's harbors to serve the larger vessels transiting most trade lanes. These deepwater project investments will ultimately draw on the Trust as deepened and widened channels are brought online.

We recognize the link between fee collections and expenditures will be complicated. Aligning collections and expenditures could promote economic efficiency and enhance stakeholder support for the fee. Increased maintenance spending on harbors will impact the federal deficit, unless spending in other areas is decreased or other collections or revenues are increased. Moreover, providing guaranteed funding levels to any one activity in the budget protects that activity from competition for scarce resources with other areas in the budget and limits Congressional discretion to make trade-offs in spending priorities.

Regardless of the approach taken, a reduction in fee receipts or an increase in appropriations—absent offsetting changes elsewhere—will increase the federal deficit.

Given the fiscal pressures imposed by the nation's large and growing structural deficits, decisions about changing the Trust should consider U.S. ports' long-term

relevance and relative priority within the context of reexamining the base of all major federal spending and tax programs.

This committee has been very supportive of an adequate dredging program for all the nation's commercial ports, large and small. We were pleased to see the committee address the need for full use of the Trust's annual revenue in MAP21 this past summer. Congressional intent notwithstanding, there remain no provisions to dedicate Trust revenues to fully maintain our nation's harbors and channels. All seaport and harbor users are paying into the Trust, but up to this point, are only getting half in return. This approach is costing industry and commerce billions and limiting our manufacturers' ability to remain competitive in the global marketplace.

The Alabama State Port Authority advocates fiscally responsible priorities in the use of the Harbor Maintenance Trust Fund. Congress should mandate full maintenance funding of existing federal projects, first and foremost.

Secondly, the Port Authority encourages Congress to develop fiscally sound and prudent policy to long range public port infrastructure investments that must draw on the Trust for critical maintenance funding.

Lastly, the Port Authority strongly supports sustaining Congress' intended purpose and use of the Trust to guarantee a reliable harbor maintenance funding source for future growth and expansion.

The Alabama State Port Authority commends the Committee leadership for recognizing the nexus between water resources development and economic prosperity. Under-investment in the nation's seaports will limit job creation, resulting in higher

consumer prices and penalizing shippers through higher transportation costs. Our trading partners are investing in their waterways in order to address their ongoing economic sustainability and prosperity. In order for the U.S. to continue as a global economic power, we must immediately address the current budget inadequacies that are derailing our nation's once world-class transportation system.

Thank you again for this opportunity.