

## **Hearing Before the U.S. Senate Committee on Commerce**

America's Infrastructure Needs: Keeping Pace with a Growing Economy

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Testimony of

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Chairman Wicker, Ranking Member Cantwell and Members of the Committee, thank you for holding this important hearing.

It is a critical time for making needed federal investments in the nation's port-related infrastructure. Rising freight volumes on all three coasts and the Great Lakes means we must upgrade our waterside and landside infrastructure to accommodate larger ships and the accompanying freight volume and passenger surges.

Nowhere is there such a stark example of our country's infrastructure needs and the failure to keep pace with our growing economy than with freight- and port-related infrastructure investments.

To put our national *state of freight* into perspective, it's been more than 60 years since President Eisenhower proposed and began building out the Interstate Highway System in 1956. But until the FAST Act, freight had not been fully considered or realized as a national policy priority.

However, during the same 60-year period, there have been eight evolutions of the containership, starting with vessel capacities of 500 twenty-foot equivalent units (TEUs), evolving to ships with capacities of 18,000 TEUs and beyond, which are as high as a New York skyscraper and as wide as a 10-lane freeway. This means that that shipping industry has reinvested in their ships eight times while our country has relied upon essentially the same infrastructure to accommodate and facilitate an astronomical growth in freight volumes.

Maritime cargo volumes have also seen marked increases over the past six decades and have continuously impacted our freight infrastructure. Total U.S. waterborne tonnage roughly doubled between 1956 and 2017, but this is due almost entirely to U.S. foreign trade growth which has seen nearly a 500 percent increase during that time frame, based on U.S. Army Corps of Engineers data.

In the last 17 years alone, container volumes have increased by 71 percent, passengers through our cruise port terminals increased by 98 percent, and total foreign trade in short tons increased by 37 percent.

At my port, the Port of Cleveland, our sustained growth is a microcosm of our entire industry. We went from zero container service in 2014 to an annual increase of 50 percent. Our cruise business has increased by 27 percent since 2017 and 13.5 million tons of cargo moved through the Cleveland harbor last year.

Ports are national resources and we must invest in them as a nation. Communities adjacent to ports and inland states rely on us for jobs and to connect them to the global economy, as well as to the occasional vacation aboard a cruise ship.

The infrastructure investments we make at ports, be it highway connectors or rail access projects, directly impact our partners in the rail and trucking industry who are with us here today. Just as important, targeted investments at maritime facilities provided a level of certainty and efficiency to a growing and interconnected supply chain.

Ports are the initiators and facilitators of the supply chain. Mega shipping alliances, operating mega-large vessels, have a cascading effect when their ships arrive at U.S. ports. This includes the need for larger cranes to load- and off-load containers, additional port-related labor, more chasses on which to move the containers in, out and around the terminals, and adjusting truck gate times to address the changing work load.

Another supply chain challenge is proper maintenance of federal navigation channels. AAPA has a legislative proposal to make full use of Harbor Maintenance Tax revenues, based on a fair and equitable funding framework that was agreed to last year by the nation’s public ports.

In 2015, America’s seaports took a big step forward after passage of the FAST Act. With the creation of two funding programs; Projects of Highway and Freight Significance (discretionary) and National Highway Freight Program (formula), the FAST Act provided a total of \$11 billion in dedicated freight funding over five years. However, of that total, only \$1.13 billion is multimodal eligible, far below what is needed to build out a 21<sup>st</sup> century multimodal freight network. Only \$200 million of multimodal eligibility remain for the INFRA program, for the roughly \$2 billion dollars that remain in the INFRA program.

Last year, in *The State of Freight III* report, AAPA members identified more than \$20 billion in multimodal funding needs for public port authorities alone over the next decade. A top priority for the port industry continues to be multimodal funding.

The immediate challenges confronting the freight programs are funding levels and project eligibility. The current freight programs are funded out of the Highway Trust Fund, which means that eligible projects are primarily highway focused. Highways are important to our freight network, but ports are multimodal facilitators, meaning trains, trucks, ships and barges all need access to them.

To build off the work in the FAST Act, AAPA recommends that all freight program funding should be 100 percent multimodal. A first step in accomplishing this would be to lift the multimodal cap on the INFRA grants and the formula program.

As Congress begins the process of reauthorizing the FAST Act, MARAD has several freight infrastructure programs that are important tools to be included and leveraged within the national freight portfolio. Specifically, the America’s Marine Highway and the Port Infrastructure Development programs are currently authorized initiatives that will need to be revised, updated and refocused to meet the evolving supply chain needs of the multimodal freight network.

AAPA strongly supports Chairman Wicker’s PORT Act, which improves MARAD’s Port Infrastructure Development program and would provide resources to ports for first- and last-mile multimodal projects that connect ports to the surface transportation network. We would also like to work with the committee in updating the America’s Marine Highway so that it can meet the needs of ports and shippers and continue to be a viable supply chain tool. AAPA recommends that Congress include these programs as a maritime supply chain title in the next reauthorization bill.

Having additional maritime freight supply chain resources and updating the existing authorizations will leverage existing resources and programs, providing a more comprehensive approach to building out a 21<sup>st</sup> century freight network.

An example of refreshing prior authorizations from the last reauthorization bill would be the inclusion and consolidation of Federal Railroad Administration (FRA) grant programs into the CRISI program in the FAST Act. In this program, Multimodal and port rail access projects are eligible projects. In AAPA’s *The State of Freight III – Rail Access and Port Multimodal Funding Needs Report*, a third of ports identified pressing rail project needs that will cost more than \$50 million over the next decade. In fact, rail access is so important to the port and supply chain industry that within this same time frame, 77 percent of ports said they are planning on-dock, near-dock or rail access projects.

Additionally, AAPA strongly supports the multimodal USDOT grant programs such as BUILD, CRISI and INFRA programs. But the BUILD program, and its TIGER predecessor, has been more than just a discretionary program to the port industry. It was the first program that ports were eligible and is multimodal. It also brought ports into the surface transportation fold, which meant that whether ports received a TIGER/BUILD grant or not, they were encouraged to coordinate a project with their state and local MPO before submitting it. That meant ports were becoming part of the planning process and freight was beginning to get a seat at the table.

Further, International trade through seaports accounts for over a quarter of the U.S. GDP. At the center of trade and transportation are America’s seaports, which handle approximately \$6 billion worth of import and export goods daily, generate over 23 million jobs, and provide more than \$320 billion annually in federal, state and local tax revenues. Seaports also are projected to handle nearly 12 million cruise passengers from around the country and around the world. AAPA is concerned that port states are penalized by the 10% maximum per state called for in previous appropriation bills, as well as the set sides for metropolitan and rural areas. Because seaports have such a national and international reach, ports are national infrastructure resources that support metropolitan and rural supply chains and that any port project awarded should not count against a state, rural or metropolitan cap.

Long-term, sustainable multimodal funding is critical, and we encourage you to start looking at solutions. AAPA has endorsed the concept of a 1 percent waybill fee as an equitable approach to provide immediate and long-term funding for multimodal freight infrastructure challenges. Additionally, AAPA supports a gas tax increase as well as a VMT program. With all increased funding, AAPA recommends that any new funding be multimodal-eligible.

Also, the Build America Transportation Investment Center, or BATIC, which was codified in the FAST Act, can be a tool for ports to explore ways to access private capital in public-private partnership. The Rail Rehabilitation Innovation Financing (RRIF) program has been in existence since 2002 and only late last year did a port receive a RRIF loan. And as Ranking Member Cantwell knows, it was the Port of Everett. One recommendation to make RRIF more accessible to ports was to provide 100 percent financing. AAPA members responded that there were potentially 75 BUILD/TIGER projects that would become RRIF-financed projects if the financing fee was removed.

On the operational front, the federal government has a vital role to play with freight flow performance. For our ports to perform efficiently, CBP must be adequately funded and staffed. In 2015, the last time CBP was funded to hire additional staff only 20 of 2000 staff were assigned to seaports. As an industry, with growing volumes in freight and passengers, we would like to see, at a minimum, annual hiring of CBP staff to 500 annually, over and above attrition. This may sound like an appropriations or Homeland Security issue, but it is a supply chain problem.

Finally, we appreciate the emphasis this committee has put on infrastructure security in this Congress. AAPA strongly supports the approach that, as a nation, we should protect the infrastructure and supply chain we are investing in. AAPA members recently identified upwards of \$4 billion in port security funding needs for U.S. port authorities alone over the next 10 years, which comes to \$400 million annually. Seaports are essential economic engines whose cargo activities support over 23 million American jobs and account for over a quarter of the U.S. economy.

We need to invest in port infrastructure and we need to secure it.

I look forward to answering any questions the committee members have and AAPA looks forward to working with you throughout the 116<sup>th</sup> Congress.