Testimony of Christopher J. Connor
President and CEO
American Association of Port Authorities

U.S. Senate Committee on Commerce, Science, and Transportation
Subcommittee on Surface Transportation, Maritime, Freight, and Ports
Freight Mobility: Strengthening America's Supply Chains and Competitiveness
May 11, 2021

Good morning Chairman Peters, Ranking Member Fischer, and members of the Subcommittee.

My name is Chris Connor, and I am the President and CEO of the American Association of Port Authorities (AAPA). I would like to thank the Subcommittee on Surface Transportation, Maritime, Freight, and Ports and the full Committee for working to ensure that our nation's maritime transportation system remains functional during the ongoing pandemic and responsive to the surges recently seen throughout our supply chains. Your recognition of the important role played by our ports and by our partners throughout the maritime supply chain has been critical, and I appreciate the opportunity to discuss our maritime infrastructure and investment needs as it relates to infrastructure investment and the reauthorization of our nation's surface transportation policies.

AAPA is the unified voice of the seaport industry in the Americas, and my testimony is given on behalf of state and local public agencies located along the Atlantic, Pacific, and Gulf coasts, the Great Lakes, and in Alaska, Hawaii, Puerto Rico, Guam, and the U.S. Virgin Islands. For more than a century, AAPA membership has empowered port authorities to serve global customers and create economic and social value for their communities. Today, AAPA represents ports in our nation's Capital on urgent and pressing issues facing our industry, promotes the common interests of the port community, and provides critical industry leadership on security, trade, transportation, infrastructure, environmental, and other issues related to port development and operations.

AAPA's members remain committed to the continued flow of freight and goods to markets across the nation and across the globe. I am here today to discuss what investments and policy changes are necessary to ensure that ports, our trade infrastructure, and our national supply chains remain resilient and are able to accommodate the movement of trade in the future. It is critical that we make the investments necessary now to ensure that we do not fall behind our global competition and risk losing market share and access.

<u>Seaports are Vital to the United States Economy</u>

Port authorities are governmental entities that own facilities at one or more ports. While the role of port authorities in port operations vary, most ports can be categorized as Operating

Ports or Landlord Ports. Operating Ports own and construct port facilities, own cargo handling equipment, and hire labor to move cargo through port premises. At these operating ports, stevedores hire dockworkers to move cargo between ships and the dock. Landlord Ports, on the other hand, own the land and wharves of a port and lease these premises to our partners in the Marine Terminal Operator industry.

Our nation's seaports deliver vital goods to consumers, facilitate the export of American-made goods, create jobs, and support local and national economic growth. Ports also play a crucial role in our national defense — a point acknowledged through the designation of 17 of our nation's ports as "Strategic Seaports" by the Department of Defense.

According to Martin & Associates[1], an internationally-recognized economic and transportation consulting firm, prior to the outbreak of the COVID-19 pandemic the total economic value generated in terms of revenue to businesses, personal income, and economic output at U.S. coastal ports accounts for $5.4 trillion annually, or roughly 26 percent of GDP. This research also showed over 30.8 million Americans are employed in jobs generated as a result of port activity. Ports also generate significant tax revenue, with $47.1 billion annually of direct, induced, and indirect Federal, state, and local tax revenue created through the economic activity taking place at ports across the nation.

Freight Policy Modernization Will Support Our Trade Infrastructure

Nations across the globe have recognized the need to make significant investments in their multimodal freight networks to accommodate increasing trade volumes, larger vessels, and dynamic shifts in trade to be globally competitive. The port industry is mindful of- and grateful for this committee's positive efforts on the passage of the Maritime Transportation System Emergency Relief Act (MTSERA), as well as for the increased authorization levels for the Port Infrastructure Development Program (PIDP). It is imperative, as this Committee considers reauthorization of our nation's surface transportations policies, that we develop and fund a robust national freight strategy to remain competitive in the global economy. To do this, the United States must make a sustained investment in its multimodal freight network.

The Fixing America's Surface Transportation (FAST) Act made significant strides in committing sustained funding to our nation's multimodal freight system through the creation of the discretionary Infrastructure for Rebuilding America (INFRA) grant program and the formula-based National Highway Freight Program. These investments totaled $11 billion in dedicated freight funding over the five-year authorization. However, of that total, only $1.13 billion was multimodal eligible. AAPA and its members appreciated seeing increased flexibility and funding levels to invest in freight infrastructure in last year's bipartisan America's Transportation Infrastructure Act.

[1] 2018 National Economic Impact of the U.S. Coastal Port System. (2019, March). http://aapa.files.cms-plus.com/Martin%20study_executive%20summary%202018%20US%20coastal%20port%20impacts%20final.docx

The immediate challenges confronting these freight programs are funding levels, as well as 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 essential to our freight network, but ports are multimodal facilitators, and trains, trucks, and ships all need access to them. One could argue that as our supply chain becomes more sophisticated, and there are more inland distribution centers with the advent of e-commerce, demand for multimodal funding will increase. A top priority for the port industry continues to be multimodal funding.

As this Committee considers reauthorization of our surface transportation policies and as we look to build off the progress made under the FAST Act, it is critical that all freight program funding be made 100 percent multimodal. A first step in accomplishing this would be to lift the multimodal cap on INFRA grants and on the National Freight Highway Program.

Equally important from a supply chain perspective, the FAST Act requires that states complete state freight plans to continue receiving their freight formula funding. The results have been telling. Only three years after FAST Act passage, 95 percent of the states had submitted multimodal state freight plans to USDOT, signaling those states recognize the value and have the demand for multimodal projects. States and ports will need increased eligibility through INFRA grants and the National Freight Highway Program to build out their state freight plans. A dedicated freight fund should also be considered.

State freight plans and a new National Freight Strategic Plan can be the blueprint for multimodal state and Federal investments. By establishing an Office of Freight and Multimodal Infrastructure Policy, the Department of Transportation can best leverage planning tools and resources made available in the FAST Act across all modes. This new Office would be in a prime position to administer state freight plans and coordinate a national freight plan. As states and the Federal Government look to strengthen supply chains and build out multimodal infrastructure, coordination will be paramount and this Office will be positioned to work with these programs and to develop the multimodal network necessary to meet 21st century supply chain and transportation needs, while ensuring that our trade infrastructure remains world class.

Similarly, as authorization of the Rebuilding American Infrastructure with Sustainability and Equity (RAISE), formerly TIGER and BUILD, discretionary grant program is considered, the Committee should explore expanding port eligibility for the program. In the past, BUILD awards to any given state have been capped at 10 percent. These limitations put ports at a distinct disadvantage in competing for these grants, and artificially limit investment in our nation's trade infrastructure. Far from only supporting the states where they are located, ports are national infrastructure resources that support all states, areas, and supply chains, both urban and rural. In fact, according to a recent AgTalks report, participants in virtual townhalls agreed that "investing in infrastructure improvements will ensure America's agricultural producers continue to be the global leader in food production while supporting jobs."

We also have other opportunities to lower carbon emissions, improve air quality at near-port communities, and reduce congestion on highways. An increased use of marine highways — the cleanest and safest means of cargo transportation — can help accomplish these goals. Ports are actively exploring expanded use of the Maritime Administration's Marine Highway Program to accomplish freight distribution. The process involves imported cargo being transferred to barges and then transported to a second location for unloading. Freight unloaded from the ship to the dock and then transferred to a barge has the Harbor Maintenance Tax (HMT) collected twice: once as imported cargo and a second time as domestic cargo. AAPA seeks to have the HMT collected just once. This is a very minor amount of HMT revenue, less than 1%, but the tax is an additional cost and serves as an impediment to Marine Highway use.

Seaports Need Federal Investment in Port & Trade Infrastructure

America's ports need robust support from the Federal Government to make investments in infrastructure that will enable the efficient flow of trade while ensuring that port operations do not harm the environment and their surrounding communities. Ports exist to facilitate an integrated, end-to-end supply chain, and to optimize goods movement. America's ports serve as an engine for economic prosperity in our communities and provide access to markets across the globe for communities nationwide.

Ports serve as the beginning point for our nation's multimodal freight system. For the decade spanning 2018-2028, AAPA identified $20 billion in multimodal and rail access needs at ports.[2] Federal investment in these multimodal projects can leverage billions of dollars in additional port investment. Freight volumes may double by 2045, according to the Department of Transportation. Our country has an opportunity to invest $1 in infrastructure on the front end to produce $2 to $3 of economic growth on the back-end, based on an analysis by the U.S. Committee on the Marine Transportation System.

Ports across the country were pleased to see dedicated funding in President Biden's American Jobs Plan and in the Republican Roadmap.

As populations shift, cargo volumes grow, and as we continue to embrace e-commerce and direct to consumer shopping, investments such as those will be critical to ensuring the United States has a 21st century multimodal freight network to compete globally and deliver locally.

To support our nation's coastal ports and maritime industry, AAPA recommends the following to be included in any large-scale infrastructure investment package:

- $20 billion for coastal port infrastructure and intermodal freight movement connectors, such as expanded on-dock rail and off-port assembly of efficient unit trains; expansion and

[2] The State of Freight III - Rail Access + Port Multimodal Funding Needs Report. (2018, May 16). https://aapa.files.cms-plus.com/PDFs/State%20of%20Freight%20III.pdf

development of double stack rail — the next generation of containerized freight movement. These funds could be allocated through the Department of Transportation's existing Port Infrastructure Development Program (PIDP).

- Robust funding for electrification of dockside ship connections and zero or near-zero emission port equipment. Ports are already making investments in decarbonization. Some have adopted Clean Air Action Plans to reduce emissions, with others are investing in these technologies and looking to plan for the future. Implementing plans to replace cargo handling equipment, drayage trucks, and other port equipment with lower emissions technologies will require significant resources to ensure success, likely requiring an investment on the scale of $50 billion to replace current equipment with zero or near-zero emissions cargo handling equipment. This investment would result in improved environmental quality at ports and near-port communities.

- $6 billion for the U.S. Army Corps of Engineers' coastal navigation program; $3 billion for completion funding of 12 Federal navigation channel improvement projects, currently underway or awaiting initial funding; and $3 billion to repair and restore Federal navigation channels and 140 critically deficient coastal navigation structures that are essential for safe and efficient freight movement. The jetties, and other coastal navigation structures work, will address sea level rise and resilience.

- $500 million for port development in support of offshore wind energy, identified by the Administration as necessary to catalyze the development of offshore wind at scale. These funds are critical to strengthen docks for storage, assembly, and transport of offshore wind energy components. These loads are up to 10 times the normal dock operating loads.

And finally, in addition to infrastructure investment, it is important to consider how cargo screening impacts the efficient movement of freight. Our members rely on Customs and Border Protection (CBP) to inspect cargo and keep our country safe. But, in recent years, more of the cost of inspection has been shifted onto ports. As a result of CBP facilities cost-shifting and understaffing, more and more ports are being told they must pay for extravagant facilities upgrades and overtime costs for officers. These demands place onerous burdens on ports' already tight budgets; ports are threatened with business slowdowns, which would make worse the supply chain congestion the pandemic has wrought.

We ask that Congress work with ports, CBP, and other stakeholders to find a funding mechanism for CBP's facilities needs and staffing shortfalls in order to give CBP the resources it needs without saddling ports with the bill.

Conclusion

I appreciate the opportunity to discuss the infrastructure needs of our nation's ports. Over the past year, since the beginning of the COVID-19 pandemic, ports and port workers have tirelessly worked to continue to move cargo; to ensure that food, medical equipment, and other essential goods are available for the citizens of this country. While we have faced challenges, we are proud of the fact that ports have remained open. As we continue to recover from the pandemic, ports can play a role by ensuring that our supply chains remain strong.

Investments in our multimodal- and port infrastructure is critical to meeting the current and growing needs of our supply chains as we look to expand America's reach to global markets. Robust, thoughtful investment is key to ensuring that we are successful in accomplishing this goal.

Once again, I appreciate the opportunity to share with the Subcommittee thoughts regarding *Freight Mobility: Strengthening America's Supply Chains and Competitiveness*, and I hope you will consider the steps outlined here that Congress can take to help ports and our nation's trade infrastructure remain strong.

Respectfully Submitted,

Christopher J. Connor