

Testimony of:

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The Cost of Doing Nothing:
Why Investing in our Nation's Infrastructure Cannot Wait

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Chairman DeFazio, Ranking Member Graves, Members of the Committee,

Good morning. My name is Kristin Meira, and I am the Executive Director of the Pacific Northwest Waterways Association, or PNWA. PNWA is a non-profit trade association that advocates for federal policies and funding in support of regional economic development. Our membership includes over 140 public ports, navigation, transportation, trade, tourism, agriculture, forest products, energy and local government interests in Oregon, Washington, and Idaho.

Thank you for holding this important hearing. I am honored to be here today to represent ports and navigation.

Ports Drive the Economy

The Northwest region I represent is truly a microcosm of the national ports community. We have significant import load centers like the Ports of Seattle and Tacoma, which together serve as the third largest container gateway in the nation. We have export gateways like the Lower Columbia River, which ships over half of the nation's wheat to overseas markets. And we have our smaller coastal ports, the commercial and recreational fishing hubs that provide critical access to the open ocean and house Coast Guard facilities needed to ensure the safety of all mariners.

That is just the view from the Northwest. Across the U.S, ports and harbors are the economic drivers for their local communities, their states, regions, and the nation. Seaports account for over a quarter of the U.S. economy and generate trillions of dollars in economic activity. Cargo handling at America's seaports support more than 23 million American jobs and generate over \$320 billion in annual federal,

state and local taxes. In addition, all but 1 percent of the nation's overseas trade moves through maritime facilities. Clearly, our nation's prosperity depends on the efficiency of our ports.

Infrastructure is key when it comes to the continued viability of our nation's ports. Ports are often where all modes of transportation come together to provide efficient, reliable and safe movement of goods and people. Whether you are talking about highways, rail, bridges, waterways or aviation, funding port infrastructure is a smart investment and keeps America's economy moving.

Unlocking the Harbor Maintenance Tax is Vital to Keeping Ports Open for Business

When we think about the needs of our coastal ports and harbors, an issue top of mind is the Harbor Maintenance Tax (HMT). The HMT was established in the Water Resources Development Act of 1986 to help pay for Corps of Engineers maintenance needs at coastal and deep draft harbors. At the time it was established, the HMT was levied on the value of imported, exported and domestic cargo. But in 1998, the U.S. Supreme Court found that taxing exported goods was unconstitutional. Today, the HMT is levied primarily on imported waterborne cargo, and is intended to provide for 100% of the operations and maintenance (O&M) needs of deep draft and coastal waterways throughout the U.S. However, since 2003, HMT collections have far exceeded funds appropriated for harbor maintenance, with a surplus that has grown to over \$9 billion. Rather than being used for critical channel maintenance, HMT revenues have been used to help balance the federal budget.

The ports and navigation community has been working to support comprehensive HMT reform for a number of years. One of the key pieces of legislation in support of this effort was the Water Resources Reform and Development Act of 2014. WRRDA 2014 set important goals for the full use of Harbor Maintenance Trust Fund (HMTF) revenues each year. It also provided a 10 percent set aside for our nation's small ports and authorized \$50 million annually for donor and energy transfer ports. Because of the work of this Committee, further HMT improvements were made in the Water Resources Development Act of 2016 and today coastal maintenance spending is at nearly 91% of HMT collections.

We continue to advocate for full use of all HMT monies collected. Full spending of the trust fund is vital to ensuring that our ports and harbors remain competitive players in the global marketplace. The monies provided to the Corps through the HMTF are critical to address annual dredging needs throughout the country. In our region alone, HMTF dollars maintain gateways like Grays Harbor, WA where traffic has increased over 400% in the last fifteen years, in Everett, WA where nearly \$30 billion worth of U.S. goods are exported annually and at Newport, OR which homeports NOAA's Pacific fleet tasked with critical data collection activities to protect marine mammals, manage commercial fish stocks, and keep mariners safe.

HMTF dollars also fund maintenance of our small coastal ports. These ports are home to fishing fleets, marinas and recreational facilities, and they are critical to the economic survival of their communities. Each year, millions of pounds of fish cross the docks of small ports, bringing billions of dollars to the national economy. Just one example in our region are the Ports of Ilwaco and Chinook in Pacific County, Washington. Combined, they bring in a total of 16 million pounds of fish valued at \$22 million. Think about the direct and indirect benefit that has on a county of just 22,000. Without basic maintenance dredging, the economic lifeblood of this community would be at risk. Many of these projects also have breaking bars, serve as Harbors of Refuge for commercial and recreational fishing vessels, and provide critical access for Coast Guard Search and Rescue missions.

And it is not just dredging needs that we see on the horizon. There are other elements of navigation infrastructure that often go unfunded for years, like jetties, pile dikes, breakwaters, and more. It is in the best interest of the federal government to take care of these repairs now, rather than add to the already significant backlog and deferred maintenance of the Corps of Engineers.

Our association also supports a broader conversation about the HMTF, to address the concerns of ports which may not need typical dredging or other maintenance, but who have other needs in order to be efficient. In the Northwest, the Ports of Seattle and Tacoma are like other naturally deep import load centers where a significant amount of HMT is collected, yet relatively little maintenance activity is required. For U.S. ports that are close to a border, this can also play a role in their competitiveness. We support the ongoing dialogue about how to support all U.S. ports, including our naturally deep water import centers.

Navigation Infrastructure Investments in the Northwest

In the Pacific Northwest, we've seen what happens when our federal government takes a proactive approach to infrastructure.

Early in the last decade, our colleagues at the Portland and Walla Walla Districts of the U.S. Army Corps of Engineers recognized that our aging locks would require strategic repairs to remain operational and reliable. Our group worked with the Corps to advocate for a strategy that would have the least impact to our regional and national economy.

It is important to remember the scale of our navigation infrastructure projects. A catastrophic failure of one of our lock gates would translate to at least a one-year closure of that project. That is how long it takes to design, fabricate, and install a lock gate of that size. We do not have back-up locks at our projects. Allowing our locks to degrade to the point of failure simply is not an option. A closure of one of our projects creates a bottleneck for the entire system.

Beginning in 2006, the Portland and Walla Walla Districts, Northwestern Division, and PNWA partnered to discuss the highest priority repairs, funding estimates, and proposed timeline. The result of those partnering efforts was a 2007 plan for how repairs would be pursued. The goal: minimize planned and unplanned system closures.

The Corps began working with stakeholders to prepare for new downstream gates at three of our projects, and major repairs at three other locks. A tremendous amount of coordination went into what eventually was a 15-week complete closure of our inland navigation system. This type of long-term planned closure had never been done on any inland waterway in the United States.

We worked closely with the Corps for over a year to prepare growers, shippers, ports, towboaters, steamship operators, fuel companies, media, legislators, and the states of Oregon, Washington, and Idaho for this unprecedented closure. Special emphasis was placed on outreach to grain buyers overseas who were accustomed to sourcing U.S. wheat from the historically reliable Columbia Snake River System. Every moment of the 14 months leading up to the closure was necessary to ensure that both domestic and international stakeholders were prepared for the shutdown of our system.

I'm pleased to say that this effort was a complete success, and a project of which the Corps, stakeholders, and Congress can truly be proud. Because of the outstanding partnership between the

Corps and its customers, impacts to our regional and national economy were minimized. The lock maintenance closure demonstrated how the Corps can efficiently deliver projects while having a minimal impact on the economy. The approach was so successful, a similar planned closure for additional repairs was carried out six years later. This is a great example of targeted investments which protect the continued efficiency and reliability of a navigation system.

We have also seen how navigation construction projects can lead to increased capacity and efficiency. In 2010, the region celebrated the completion of the Columbia River Channel Improvement Project. The federal government, the states of Oregon and Washington, and ports on the Lower Columbia River invested over \$183 million to deepen the Columbia River navigation channel to 43 feet. Channel deepening solidified the Columbia Snake River System's position as one of the nation's leading international trade gateways. Ports, grain terminals, rail lines and towboat companies up and down the Columbia/Snake made significant private investments to capitalize on the successful federal project. The result is an increase in tonnage on the system from 44 million tons of cargo in 2010 to over 50 million tons in 2016.

Grays Harbor on the coast of Washington is another example of the benefits to the U.S. economy as a result of infrastructure investment. The Port of Grays Harbor is a deep water port with a strategic coastal location, making it one of the most important international shipping hubs in the Northwest. Marine activity at the Port includes deepwater ship and barge transfer of products from local and national manufacturers to domestic and foreign markets. More than 90% of Grays Harbor's shipping activity is related to exports, with more than 80% of their cargo arriving by rail from the Midwest and Intermountain region.

Like most ports, the Port of Grays Harbor has had a number of deepening projects over the years. The most recent Corps of Engineers deepening program commenced at the Port in October 2016. The project was completed in December 2018 and is already seeing ships loaded with 10% more cargo at the Port's Terminal 2, the largest soymeal export facility on West Coast. The deepening, as well as continued maintenance of the federal navigation channel, has resulted in recent private investment of more than \$220M at Port terminals.

The Northwest Seaport Alliance, a marine cargo partnership between the ports of Seattle and Tacoma, is also planning for the future. As many of you know, the container business is extremely competitive and transportation costs can be the deciding factor in where to ship and source goods. We need to do everything we can to be efficient, and being "big ship ready" is key. Seattle is at the forefront of these efforts as one of the first projects in the nation to complete the 3x3x3 planning process, culminating in a WRDA 2018 authorization for their deepening project. Tacoma also recently began planning for their deepening study this past year. Both ports are already making landside infrastructure investments to complement this effort. These deepening projects will ensure that we grow both our import and export capacity, increase the number of ships calling on U.S. ports, maintain U.S. jobs, and serve our farmers and manufacturers who depend on these ports to get their goods to market.

These are just a few examples of the ways our economy benefits when we focus on navigation infrastructure and the supply chains they serve throughout our nation. We know there are similar success stories and similar needs all around the United States, and we can't wait to make these investments. The competitiveness of U.S. growers, manufacturers and countless industries relies on the efficiency of our ports.

Port Infrastructure – Beyond the Water

As we think about a broader infrastructure package beyond dredging and other navigation maintenance, our ports want to be part of the conversation. As the Committee works to build on improvements made in the Fixing America's Surface Transportation (FAST) Act, we would like to highlight the desire for a specific freight element in any new transportation initiative. In particular, we would like to see freight funding programs that are truly multimodal. Freight funding programs created in the FAST Act have limitations on non-highway projects. New programs that raise or eliminate caps on existing programs for multi-modal projects would be helpful to our ports sector.

Our nation's ports also support funding for first- and last- mile road and rail projects to expand capacity and efficiently connect our ports to surface transportation systems. These investments are needed to truly modernize port infrastructure and keep our nation competitive well into the future. Our members are very appreciative of the work done by this Committee in the past, to ensure that programs are in place to provide infrastructure investments. Programs like BUILD, INFRA, RRIF, and others are critical to facilitating port improvements, and we encourage the Committee to build on these programs in the next infrastructure bill.

For ports which operate airports, we would be remiss if we did not mention the need to increase the passenger facility charge (PFC). Increasing this user fee could help offset the cost of building and modernizing airport infrastructure, and support much needed improvements to aviation facilities, technology and equipment. This will allow airports to better meet current air traffic demands and prepare for the future needs of the nation's aviation transportation network.

Woven into all of these priorities is the need for resiliency planning. Investing in resilient port infrastructure should be a priority as Congress looks at not only current operations, but the ability of our ports and harbors to continue operating in the face of earthquakes, extreme weather, and other natural or manmade disasters. In the Northwest, experts have predicted the possibility of a 9.0 Cascadia Subduction Zone earthquake and tsunami along the Washington and Oregon coasts. This would devastate our entire region, wipe out portions of our coastlines, and require years, if not decades of rebuilding. With ports on the front lines of search and rescue operations, recovery efforts, and the ability to bring in medical and rebuilding equipment, it is even more important for their infrastructure to be ready when disaster strikes rather than seek relief after a catastrophic event. While we anticipate that this will be an ongoing collaboration among federal, state and local governments, we recommend that resiliency planning be a priority as the Committee evaluates infrastructure in the coming year.

As you plan your priorities for the coming year, please note that ports and navigation stakeholders in the Northwest and throughout the nation stand ready to help in your efforts. Our ports, roads, rails and airports need to be at the forefront of conversations this year and well into the future, as we seek to modernize U.S. infrastructure and ensure our nation remains a global leader in reliable, safe and efficient goods movement.

Thank you for the opportunity to share our views. I welcome any questions you may have.