



WRITTEN TESTIMONY

OF

EUGENE D. SEROKA

EXECUTIVE DIRECTOR

PORT OF LOS ANGELES

ON

***“THE COST OF DOING NOTHING: WHY FULL UTILIZATION OF THE
HARBOR MAINTENANCE TRUST FUND AND INVESTMENT
IN OUR NATION’S WATERWAYS MATTER”***

BEFORE THE

UNITED STATES HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

HVG-210, CAPITOL VISITORS CENTER

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***THE COST OF DOING NOTHING: WHY FULL UTILIZATION OF THE
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Good Morning Chairman DeFazio, Chairwoman Napolitano, Ranking Member Westerman, and Members of the Committee.

Thank you for this opportunity to testify before you this morning. My name is Eugene D. Seroka and I serve as the Executive Director of the Port of Los Angeles. The Port of Los Angeles is our nation's largest and busiest container port. In 2018, we handled 9.5 million twenty-foot equivalent units – or TEUs, the standard measure of container cargo. This cargo generated over \$200 billion in economic impact for our country, supports about 148,000 jobs in Los Angeles, and nearly 1.6 million jobs nationwide.

Combined with our neighboring port, the Port of Long Beach, we comprise the San Pedro Bay Port Complex, which handles over 40 percent of the nation's containerized imports and 30 percent of all containerized exports. One in nine jobs in Southern California is connected to the Port Complex, and 2.8 million jobs nationwide. We anticipate doubling the quantity of containers traveling through our gates in the next 15 years.

We are the gateway for imports from and exports to Asia and the Pacific Rim. Half of the cargo arriving at our berths are consumer products, and the other half are goods that are incorporated in domestic manufacturing. There is not a single Congressional district that is not touched by an import or export handled through the San Pedro Bay. This morning, I'm confident everyone in this room used a good that crossed the wharves of the Port of Los Angeles before arriving here today.

The goods movement industry underpins our economy and supports our standard of living. We know that this Committee is keenly aware of the need to invest in and sustain the freight infrastructure that makes our work possible. A reliable, sustainable source of funding to support the competitiveness of our ports and harbors is essential and we are grateful to the Committee for recognizing the fundamental importance and gravity of this issue.

The Harbor Maintenance Tax (HMT) is one such source of funding. It is a unique and important revenue source that can keep our nation's ports and harbors operating at their maximum potential. Shippers pay the tax with the expectation that it will be used to keep our ports in optimal condition. But, over its history, HMT has been underutilized, leading to a backlog of operations and maintenance projects and the accumulation of a large balance in the Harbor Maintenance Trust Fund (HMTF). In addition to the many ports and harbors that need these funds for traditional dredging, there are "donor ports" where

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a large proportion of HMT revenues are collected, yet a small amount of HMT funding is returned. The Port of Los Angeles is an HMT donor port.

We are thankful for the Committee's leadership role in the Water Resources Reform and Development Act (WRRDA) of 2014 and the Water Infrastructure Improvements for the Nation Act (WIIN) of 2016. Both pieces of legislation made significant progress towards full utilization of HMT revenues and recognizing the needs of HMT donor ports. We ask that you build upon this progress and consider full utilization of HMT as part of a comprehensive package of closely interrelated reforms.

We believe the building blocks of comprehensive HMT reform should include:

1. Guaranteed full utilization of HMT revenues;
2. A fair allocation of funding for all the nation's ports and harbors, including HMT donor ports; and
3. Expanded project eligibility for donors.

First, comprehensive HMT reform must be built upon full utilization of HMT revenues. Full utilization means increased funding and accessibility for all types of ports and across all geographical regions. Since the enactment of WRRDA 2014, HMT expenditures have adhered closely to the target expenditures outlined in that bill. For that, we are grateful. In FY19, Congress appropriated 91% of HMTF receipts, totaling \$1.54 billion. Full spend would result in an additional \$80 million this year for the nation's ports and harbors. More importantly, guaranteed full use of HMT revenues is needed to create a virtuous circle wherein investment in port infrastructure supports additional growth in trade volumes which, in turn, supports more investment in our ports and harbors.

Second, a fair and equitable allocation framework ensures every port region of the country – including traditional dredge ports, emerging harbors, and donor ports alike – receive a fair share of HMT funding each year. As a donor port, we believe this is both a fundamental issue of fairness and critical to the long term health of the HMTF. To the issue of fairness, historically, cargo into the Port of Los Angeles generates over \$200 million in HMT revenue, but we received only \$3 million in HMT spending.

- In 2017, which is the last year this information was available, HMT revenue generated at the Port of Los Angeles was \$225 million. This represents 17.3% of the nation's HMT revenues.
- In contrast, the Port of Los Angeles received \$5.46 million from the \$50 million appropriated for the Donor and Energy Transfer Port Program funding (under WRRDA Section 2106).

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With respect to the health of the HMTF, the six donor ports as defined in WRRDA 2014 account for 50% of all HMT revenue, but receive less than two percent in return. It's important that HMT funding be used to support these high net contributors to the HMTF, especially as these ports face increasing competition from international ports. Cargo diversion from donor ports to international ports could undermine the long-term growth in the HMTF.

Third, donor ports need a limited expansion in the types of projects eligible for HMT. At the Port of Los Angeles, part of what makes us donors to the HMTF is that our federal channel does not experience the sedimentation that other ports do. We have in-water infrastructure needs that are not currently HMT-eligible expenditures.

To provide context, the infrastructure at the Port of Los Angeles is at a scale that reflects our role as the nation's premier trade gateway:

- 7,500 acres (4,300 acres of land and 3,200 acres of water)
- 43 miles of waterfront
- Minus 53' main channel water depth
- 27 terminals and 270 berths
- 15 marinas with 3,736 recreational vessel slips and dry docks
- 91 ship-to-shore container gantry cranes

However, we face an ever changing maritime shipping industry and evolving infrastructure demands. We were honored in December 2015 to receive the first 18,000 TEU ship to visit an American port; earlier this year, we received the first 20,000 TEU ship. In addition to capital berth dredging necessitated by the advent of these larger container ships, we have nearly \$260 million in container terminal wharf maintenance for in-water structures, such as decks, beams, mooring bitts and piles. Additionally, we need support to fortify and maintain seismic compliance of in-water structures. These expanded uses of funds will assist donor ports in applying funds towards projects that provide our customers world-class infrastructure and keep us competitive against international competition.

Full use, fair and equitable allocation, and expanded uses for donor ports. We view these as the critical and interconnected parts of comprehensive HMT reform. To this end, I recommend the Committee start with the HMT spending framework developed by the American Association of Port Authorities (AAPA). Moving forward, I understand this Committee and Congress as a whole will develop its own HMT spending plan. As a starting point for those discussions, I would encourage you to look at the AAPA framework to help inform those deliberations as you move forward. That framework represents a balanced consensus forged between a wide variety of ports – both by type and geography – and is built upon the key reform elements I have described.

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The last thing I would like to underscore is the need to create a strong link between any full use solution and an allocation plan that addresses the port community's needs and concerns. Throughout our ongoing HMT discussions within the industry, two things have become clear: 1) broad-based port community support for full utilization of the HMT exists, especially if it's tied to an equitable spending framework; and, 2) an agreement on a spending framework is eminently reachable.

Chairman DeFazio, Chairwoman Napolitano, Ranking Member Westerman and Members, thank you for holding this very timely hearing. We are truly poised at a moment in time when comprehensive HMT reform is within reach and I appreciate this opportunity to address you. I thank you for your leadership in addressing this crucial freight infrastructure issue and stand ready to support and work with you.

Thank you for your time today. I am happy to answer any questions you have.

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