

# America's Seaports Promote Prosperity

*A strong infrastructure supports a strong economy.*

by MR. KURT NAGLE  
 President and CEO  
 American Association of Port Authorities

As primary gateways for overseas trade, U.S. seaports are critical links for access to the global marketplace and enable America's exports to compete internationally. Investment in America's port infrastructure and intermodal connections—both land and waterside—helps the nation prosper and provides an opportunity to bolster the country's economic and employment recovery. A strong infrastructure helps American agricultural and mineral producers export their products, while U.S. manufacturing and assembly firms benefit from import transportation savings because they often rely on imported parts, components, and bulk commodities.

Seaports are so much more than safe harbors for ships to load and unload cargo. They

help us build and grow international trade, which strengthens the national economy. At the same time, seaports stoke local economic engines by providing high-paying jobs while supporting employment in other industry sectors—ranging from freight logistics to retailing—that rely on the efficient movement of



**While partnerships are crucial for the success of America's seaports, the federal government's commitment has not adequately matched needs, often resulting in freight mobility congestion. Photo courtesy of the Port of Portland.**

Today, international trade accounts for more than a quarter of America’s gross domestic product.<sup>1</sup> Oceangoing vessels that load and unload cargo at U.S. seaports move 99.4 percent of the nation’s overseas trade by volume and 64.1 percent by value.<sup>2</sup> Customs collections from seaport cargo provide tens of billions of dollars a year to the federal government, including \$23.2 billion in FY 2007, \$24.1 billion in FY 2008, and \$20.3 billion in FY 2009.<sup>3</sup>

An economic impact analysis conducted in 2007 concluded that U.S. seaport activities generated \$3.15 trillion in annual economic output, with \$3.8 billion worth of goods moving in and out of seaports every day.<sup>4</sup>

Additionally, the benefits extend far beyond the communities in which seaports are located. On average, any given state uses the

services of 15 different ports around the country to handle its imports and exports.<sup>5</sup>

From a jobs standpoint, America’s seaports support the employment of 13.3 million U.S. workers, and seaport-related jobs account for \$649 billion in annual personal income.<sup>6</sup> For every \$1 billion in exports shipped through seaports, 15,000 U.S. jobs are created.<sup>7</sup> With ambitious greening initiatives nationwide, seaports have begun generating jobs outside of their traditional sectors, such as opportunities in the environmental sciences.

In addition to handling international trade, U.S. seaports and the waterways that serve them are also important transportation modes for the movement of domestic (“short sea”) freight. Greater utilization of America’s coastal and inland water routes for freight transportation also complements other sur-

face transportation modes, helping provide a safe and secure alternative for cargo while offering significant energy savings and traffic congestion relief.<sup>8</sup>

**Endnotes:**

1. International trade as a percentage of U.S. GDP based on data presented in National Income and Products Accounts Table, National Economic Accounts, Bureau of Economic Analysis.
2. Ratio of water to air carriage based on data presented in U.S. Merchandise Trade, Selected Highlights (Report FT 920), U.S. Census Bureau.
3. AAPA estimate of seaport cargo collections based on U.S. Customs data, CBP Performance and Accountability Report, FY 2009.
4. John Martin, Ph.D., “The Local and Regional Economic Impacts of the US Deepwater Port System, 2007,” prepared for the American Association of Port Authorities, June 2008, p. 5.
5. “Draft Report: National Dredging Needs of Ports and Harbors,” by Planning and Management Consultants Ltd., Carbondale, Ill., for the U.S. Army Corps of Engineers Institute for Water Resources, May 2000, p. 17.
6. John Martin, Ph.D., “The Local and Regional Economic Impacts of the US Deepwater Port System, 2007,” prepared for the American Association of Port Authorities, June 2008, p. 5.
7. Oded Shenkar and Yadong Luo, “International Business - 2nd Edition,” Sage Publications Inc., 2008, p. 115.
8. Bryant E. Gardner, “Short Sea Shipping Steams Ahead,” Benedict’s Maritime Bulletin, Second/Third Quarter 2009, pp. 112-115.

goods. Our seaports are also dynamic transportation hubs that must constantly adapt to meet ever-changing global trade demands. This is why keeping them modern, navigable, safe, and sustainable is such a core priority for the American Association of Port Authorities (AAPA)—as it should be, we believe, for the nation.

of the land and water connections to America’s seaports have become congested, outmoded, and outdated, hampering the ports’ ability to move cargo quickly and competitively.<sup>2</sup>

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**Seaports Depend on Partnerships**

A successful seaport is supported by healthy, well-maintained waterways that are dredged deep and wide enough for cargo-laden and passenger-filled ships to safely maneuver, and kept clean for the plants, fish, and wildlife around it. Yet today, federal navigation channels at the nation’s 59 busiest ports are available at their required depths and widths less than 35 percent of the time.<sup>1</sup> This means channels narrowed by eroding sediments may be restricted to one lane of travel. A build-up of sediment on the channel bottom may mean that ships cannot carry full cargo loads.

A successful seaport is also supported by a federal government properly legislating and funding appropriate policies to ensure the highways, bridges, waterways, and rail systems around the seaports operate efficiently. Unfortunately, many



**An air quality monitoring station at the Port of Long Beach is one of two such installations furnishing round-the-clock air pollution data posted on the port’s Web site and that helps guide the port’s air quality improvement efforts. Photo courtesy of Mr. Tim Rue, TRUE Photo, for the Port of Long Beach.**



## AAPA Supports National Goals

In his 2010 State of the Union address, President Obama established a goal of doubling the volume of U.S. exports in five years. AAPA applauds this goal and is working to help it become a reality. Recent statistics show we're headed in the right direction; compared with the same period in 2009, U.S. waterborne exports in 2010 grew 23.9 percent in value and 15.5 percent in volume.<sup>1</sup>

As Congress and the administration continue to develop policy and funding strategies to reach our national goals, AAPA has outlined several key federal programs and tax incentives related to ports that will create jobs, enhance sustainability, increase security, and provide long-term economic growth and prosperity for the nation.

### Maintaining Waterside Access

The U.S. Army Corps of Engineers maintains the nation's water access to ports. The money to maintain these channels is collected from importers and domestic cargo shippers via the Federal Harbor Maintenance Tax.

Nevertheless, the federal government spends only about half of that tax collected for its intended purpose—deep-draft navigation maintenance.<sup>2</sup> Since its inception in 1986, a \$5.6 billion surplus has accumulated in the harbor maintenance trust fund while serious dredging needs have been neglected.<sup>3</sup>

AAPA has recommended that Congress take action to ensure 100 percent of the annual amount collected from the harbor maintenance tax is utilized to maintain federal navigation channels.

### Bolstering Transportation Infrastructure

In addition to authorizing a new surface transportation bill in Congress

that creates a national freight program, several programs funded through the U.S. Department of Transportation can also improve port access, efficiency, and modernization. These programs would create jobs if additional funds are provided. They include:

- State highway projects for intermodal connectors into ports that would mitigate traffic congestion. These include upgrades to roads, railways, tunnels, bridges, and new grade separations.
- The National Corridor Infrastructure Improvement Program and the Projects of National and Regional Significance, both of which address freight movement.
- The Transportation Investments Generating Economic Recovery program, or TIGER, which has

awarded \$1.5 billion and \$600 million, respectively, in two rounds of discretionary stimulus grants for freight and port infrastructure, and which AAPA urges that at least 25 percent of TIGER funding be used for port-related infrastructure.

- The Secure Efficient Ports Initiative, a new program to promote short sea (domestic) shipping, which can help alleviate road congestion and deliver more cargo via America's marine highways.

### Enhancing the Environment

Although seaports devote millions of dollars annually to environmental enhancements in and around their facilities, additional investments at the federal level can help reduce emissions while creating jobs. For example, the Environmental Protection Agency's Diesel Emissions Reduction



Workers prepare to install a rail switch at the Port of Vancouver. Photo courtesy of Ms. Katie Odem, Port of Vancouver.

Act (DERA) grants program shows great promise. Ports that receive DERA funds can retrofit cargo-handling equipment; purchase lower-emissions trucks and equipment; retrofit ships, including dredges and tugs; and retrofit rail locomotive engines.

DERA grants have yielded immediate buying power, creating American jobs. AAPA was a key advocate in getting the program reauthorized for five years, and, going forward, will continue pressing for DERA grant appropriations at their full \$100 million/year authorization level.

AAPA is also working to ensure a strong federal ballast water management program is implemented nationwide. Doing so will reduce the risk of non-native invasive species entering our navigable waterways and provide a uniform system of protection that isn't undermined by a patchwork of competing state regulations.

#### Advancing Port Security

Programs that protect the people and cargo moving through our seaports help secure our homeland, keep goods moving, and stimulate jobs. AAPA recommends releasing the hundreds of millions of dollars in previously obligated Port Security Grant Program funds, reauthorizing the 2006 SAFE Port Act at the \$400 million/year grant level, and waiving the 25 percent cost-share requirement for ports to encourage new security measures and jobs and allow existing projects to be completed.

We also recommend that the Federal Emergency Management Agency, which manages the Port Security Grant Program, permanently allow the use of grants to help pay for port security personnel, which is the greatest ongoing security expense for most ports.



**The Port of South Louisiana's security vessel takes part in a training exercise with the U.S. Coast Guard and state and local law enforcement agencies. Photo courtesy of the Port of South Louisiana.**

Additionally, AAPA supports sufficient budget appropriations for its port security partners like the Coast Guard. Further, we believe enhanced coordination among the Coast Guard and Area Maritime Security Committees would be of mutual benefit.

AAPA also strongly supports the use of the U.S. Coast Guard's Maritime Security Risk Assessment Model (MSRAM) tool, which supports the Coast Guard's requirement to understand and mitigate the risk of terrorist attacks on port and waterway targets. We believe all jurisdictional agencies should work to compare security risk for targets throughout a port and encourage uniform use of MSRAM.

**Tax and Trade Policy Recommendations**  
Several tax incentives could also enhance goods movement and bolster America's competitiveness. These include:

- Exempting certain U.S. port-to-port movements of maritime cargo from the Federal Harbor Maintenance Tax. Many in the maritime industry have recommended an exemption from the tax to promote domestic shipping, which would create maritime jobs, reduce road congestion and wear, and cut pollution. This change would remove a federal disincentive to using water transportation.

• Passing pending and new free trade agreements, including those with Panama, Colombia, and South Korea. Free trade agreements help U.S. businesses sell their products overseas, increasing exports, which creates jobs for farmers, manufacturers, freight transportation workers, and others. Timely ratification of these trade agreements should be part of congressional efforts to create jobs.

• Elimination of the alternative minimum tax on private activity bonds issued by public entities. Private activity bonds are necessary for infrastructure development projects, but the alternative minimum tax reduces the attractiveness of bond issues to investors.<sup>4</sup> As a result, public port authorities must discount the bonds, reducing the funds available for investment in infrastructure as well as the jobs and income that would have been created.

#### Endnotes:

- <sup>1</sup> U.S. Census Bureau, U.S. Merchandise Trade, Selected Highlights (Report FT 920); as published in AAPA Advisory, February 28, 2011.
- <sup>2</sup> "Harbor Maintenance Trust Fund," Advocacy/Legislative Activity section of Associated General Contractors (AGC) of America website, 2011, p. 1.
- <sup>3</sup> Jeffrey A. McKee, Coastal Navigation Program Manager, U.S. Army Corps of Engineers, Washington, D.C., as of October 2010.
- <sup>4</sup> Government Finance Officers Association, Federal Liaison Center Issue Brief, "Non-Governmental Bonds," updated March 2010.



State and local officials must also take an active role in the maintenance and upkeep of the freight-handling systems in their jurisdiction. Freight traffic can become increasingly choked if policymakers put a higher priority on people-moving systems than on freight-moving infrastructure. This is most evident with connector roads around ports, which are often the “weak link” in the goods movement network.

Because roads and rails converge at ports—often at the same grade—it can cause congestion and delays as trucks wait for trains to clear intersections. Currently many roads, railways, and navigation channels are in disrepair or can’t handle the growing volume of freight traffic they are expected to accommodate.<sup>3</sup>

In short, while partnerships are essential to the success of America’s seaports, many crucial partnerships—particularly those with the federal government—need to be enhanced.

### What Lies Ahead?

Now is the time to move forward to develop and implement policy and programs that will sustain and improve America’s critical gateways for global trade.

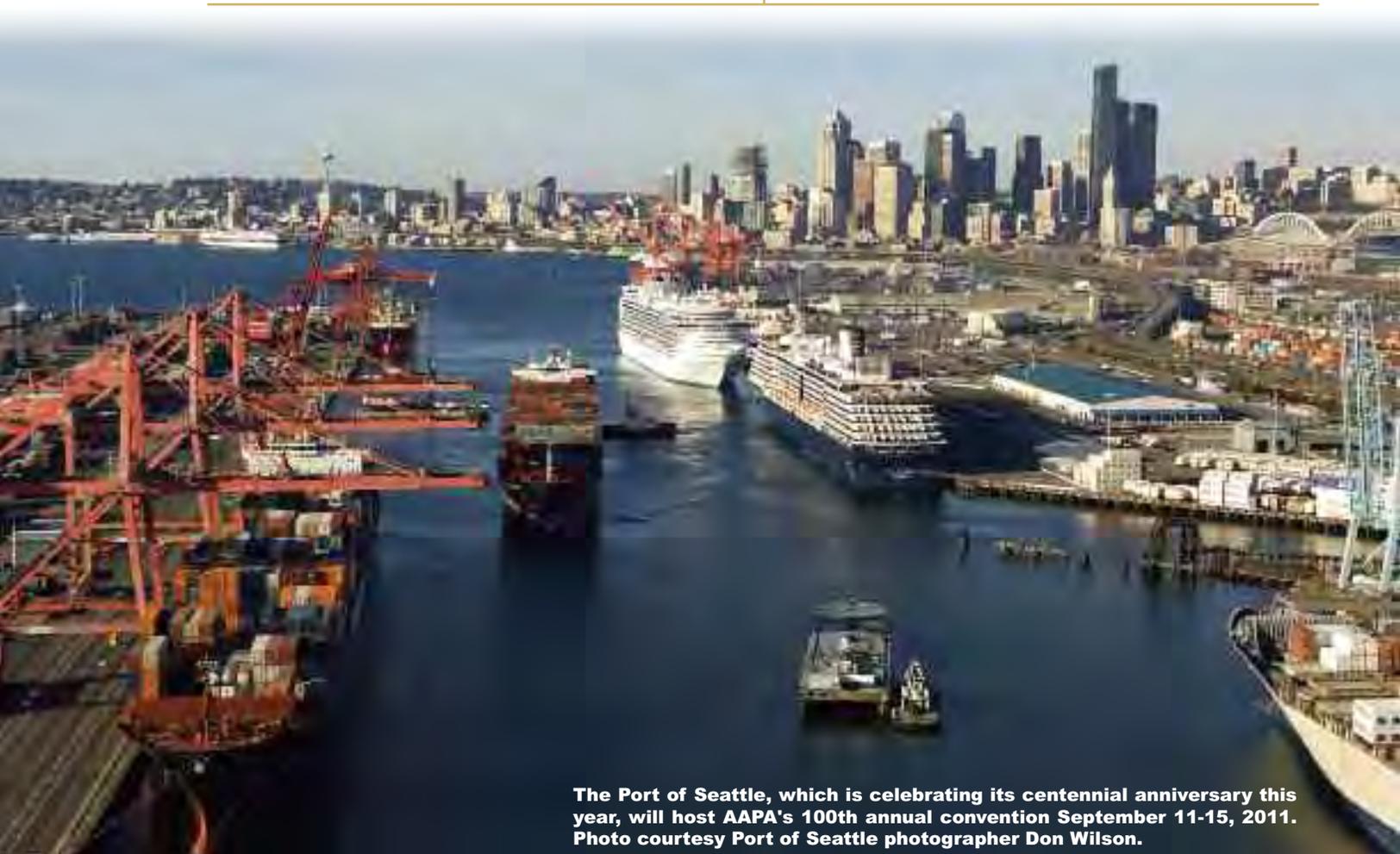
By raising the priority of seaports and their connecting infrastructure in various program and policy areas, America can achieve modern, navigable ports that are safe, secure, and environmentally sustainable while creating jobs for today and tomorrow.

#### *About the author:*

*American Association of Port Authorities President/CEO Kurt Nagle has a master’s degree in economics and more than 30 years of experience in Washington, D.C. related to seaports and international trade. Prior to joining AAPA in 1985, he was director of International Trade for the National Coal Association and assistant secretary for the Coal Exporters Association.*

#### **Endnotes:**

- <sup>1</sup> John Frittelli, “Harbor Maintenance Trust Fund Expenditures,” Congressional Research Service, Jan. 25, 2010, p. 2.
- <sup>2</sup> “National Strategy for the Marine Transportation System: A Framework for Action,” Executive Summary-Capacity, July 2008.
- <sup>3</sup> “Unlocking Freight,” American Association of State and Highway Transportation Officials (AASHTO), July 2010, p. 13.



**The Port of Seattle, which is celebrating its centennial anniversary this year, will host AAPA’s 100th annual convention September 11-15, 2011. Photo courtesy Port of Seattle photographer Don Wilson.**