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**Introduction**

Good morning. I am Kurt J. Nagle, President and CEO of the American Association of Port Authorities (AAPA). Founded in 1912, AAPA represents virtually every major U.S. public port agency, as well as the port agencies in Canada, Latin America and the Caribbean. Our Association members are public entities mandated by law to serve public purposes - primarily the facilitation of waterborne commerce and the generation of local and regional economic growth in an environmentally sustainable manner. My testimony today reflects the views of the AAPA's United States delegation.

AAPA worked closely with other interested organizations to advocate passage of the Oceans Act of 2000, which established the National Commission on Ocean Policy. We congratulate Congress and the President for establishing this commission. We particularly thank each of you for accepting the President's request to serve as commissioners.

We are grateful that the President appointed three commissioners with first-hand knowledge of the marine transportation system: Lillian Borrone, former Director of Port Commerce at the Port Authority of New York and New Jersey, and a former Chairman of AAPA; Chris Koch President of the World Shipping Council; and Marc Hershman, Director of the School of Marine Affairs at the University of Washington. With their background and broad experience of the other commissioners, we are confident that you will provide credible and constructive recommendations on ocean policy to the President and the Congress.

The importance of formulating sound marine transportation policy in the context of broader ocean policy was recognized by the Stratton Commission in 1969, and again during former-President Clinton's Year of the Ocean initiative. We commend the Bush Administration for reaffirming the importance of addressing the policy challenges facing the marine transportation system (MTS). We are pleased that the multi-agency MTS initiative continues; it was initiated in the last Administration and is now being led by Secretary of Transportation Norman Mineta.

This morning, I would like to briefly describe the U.S. marine transportation system, of which the port industry plays an important role. Then, I will summarize the challenges, opportunities, and accomplishments related to the MTS in the four critical areas identified by the commission: Investment and Development, Sustainability, Governance, and Research, Education and Marine Operations.

## **Overview of the Marine Transportation System**

The United States has the most extensive, complex and decentralized marine transportation system in the world; it is an appropriate asset for the world's largest trading country and sole superpower. Each component of the MTS C vessels, waterways, ports, and their intermodal connections C is a complex system within itself. However, even if the components function well individually, the maximum benefits are only achieved when they are effectively integrated.

A large measure of this country's unprecedented economic growth is due to the increased productivity of the American economy and foreign trade. To remain competitive in the global marketplace, U.S. businesses must have an efficient and reliable transportation system.

Each year, deep-draft commercial ports in the U.S. handle more than \$600 billion in international trade, which is 95 percent of the volume and 75 percent of the value of all cargo moving in and out of the nation. It is projected that trade through ports will double in the next twenty years.

The MTS provides the nation's shippers C importers and exporters C with a range of choices that allow them to minimize transportation costs, and, thus, deliver goods to the consumer more cheaply and compete more effectively in international markets. For example, in 1997, problems with rail service in the Southwest U.S. caused cargo diversions to ports in the Northwest. A westward shift in manufacturing patterns in Asia has resulted in more consumer goods from that region being delivered to the U.S. through East Coast ports, via the Suez Canal. The diversity of transportation options also serves the country well during times of crisis when the military needs to quickly move troops and materiel.

Under the U.S. system of federalism, national, state and local governments share ownership, management, and operation of the MTS with private sector owners and operators. Generally, the Federal government retains responsibility for ensuring the free and safe access to navigable waters of the U.S. under the Commerce Clause of the Constitution. Many Federal agencies carry out this responsibility. State and local governments and the private sector are responsible for the marine terminals; privately-owned facilities account for approximately two-thirds of the deep-draft terminals. Clearly, coordination among the many stakeholders in the MTS is critical to ensuring the nation's preeminence as the world's largest trading country and sole superpower.

## **Investment and Development**

Increasing consumer demand for international trade drives the need for substantial investments in our nation's maritime transportation system. These investments pay tremendous dividends to the country through lower prices for goods, increased trade, more and better-paying jobs, and a safer, cleaner environment.

Investments in the MTS are being made in all segments: vessels, navigation channels, land-side cargo handling facilities, and connections to the interstate highway and rail

systems. Substantial investments are being made in larger container vessels, with some experts predicting that a 10,000-TEU, or twenty-foot equivalent size containers, vessel will be deployed in the next few years. Already, dozens of vessels that carry over 5,000 TEUs are in operation world-wide. These vessels require 50-foot navigation channels to enter harbors. The good news is that the largest container ships are unlikely to get deeper, but will be wider and longer.

Public ports and private terminal operators in the U.S. are allocating huge sums of capital in an effort to prepare their facilities for growing trade and larger ships. From 1946 through 2000, the U.S. public port industry invested approximately \$22 billion in capital improvements to its port facilities and related infrastructure. The investments made over the past five years account for nearly one-third of the historical expenditures. Over the 5-year period (2000-2005), public ports expect to spend \$9.3 billion on capital improvements.

Despite this significant local financial investment, over the years, the Federal government has slowly and continuously shifted its financial responsibilities for funding navigation services to others. The latest attempt was the Clinton Administration's proposal to establish a Harbor Services Tax that would have allowed the Federal government to completely abdicate its financial responsibility for maintaining, as well as improving, Federal navigation channels.

Currently, funding for maintenance dredging is provided by the Harbor Maintenance Tax. This tax, however, has several drawbacks. First, the Supreme Court called the tax on exports unconstitutional. Subsequently, the import portion of the tax is expected to be brought to the World Trade Organization as an unfair trade practice. AAPA has been unable to identify any user fee that can equitably raise revenues in reasonable relation to the distribution of benefits to the nation.

AAPA believes general revenue funding is the most appropriate way for the Federal government to continue to meet its commitments to maintaining U.S. trade. In addition to the substantial local investment in port terminals, the commercial maritime industry already pays over \$22 billion a year in 124 federal assessments -- \$20 billion of which goes directly into the U.S. Treasury. This is far greater than the investment returned. General revenue funding also is supported by the fact that the military is dependent on ports, but does not pay any fees to maintain them.

In addition to the need for increased Federal funding for dredging, other parts of the MTS need increased Federal resources as well. Following the tragedies of September 11, it is vital that the Coast Guard and Customs be provided adequate resources to sustain and, where appropriate, further enhance security. Further, the Coast Guard's Vessel Traffic Services program, NOAA's Navigation Services Programs, the Department of Transportation's intermodal freight programs, the Customs Services cargo clearance programs, and various other agencies' regulatory and support programs all require additional funding.

## **Stewardship**

By virtue of their location and their charters as public agencies, port authorities also serve as environmental stewards of America's coastlines and waterways. Port authorities invest millions of dollars each year to minimize the impacts of port operations and development on their surrounding communities and natural resources. Many port projects contain features that provide for environmental conservation and enhancement, public access to coastal areas, and recreational opportunities.

For example, the Port of Oakland is currently building a project to expand its container handling capability that will redevelop a former military facility, create 120 acres of shallow-water habitat, restore 3200 acres of wetlands, provide 30 acres of new public parkland, and reduce vehicle emissions by 40 tons per year. In addition, the larger, more efficient ships that will be able to call at the port will result in reduced discharge of ballast water, which will reduce the risk of introducing aquatic nuisance species. Similar multi-objective projects are the hallmark of local public port development activities.

According to the recent study, *Green Ports: Environmental Management and Technology at U.S. Ports*, by the independent Urban Harbors Institute at the University of Massachusetts in Boston:

“Ports are facing up to their responsibility to protect and cleanup the environment. They are doing this for economic and ecological reasons, aesthetics and safety, and to improve integration and compatibility with the surrounding community. In some cases, these activities are undertaken in response to environmental regulations but, increasingly, ports are initiating projects and programs voluntarily.”

The Green Ports report summarizes 32 innovative port projects in nine different categories.

Ports are also adopting comprehensive environmental programs that feature environmental education, best practices, and facility audits, and to ensure that they, and their marine terminal tenants, are meeting environmental protection goals.

Funded with a grant from the U.S. Environmental Protection Agency (EPA), AAPA has published an Environmental Management Handbook for ports. The Handbook provides ports, their tenants, and other waterfront property owners with practical advice and information on managing environmental issues. AAPA's Handbook presents cost-effective practices that may be used to reduce environmental impacts.

## **Governance**

AAPA has long been concerned about the substantial number of Federal and state agencies involved in MTS policy and decision making. The governance structure for ocean and coastal areas is a complex set of agencies, laws and policies that can contribute to long delays and increasing costs for a wide variety of MTS projects.

For example, in 1993, the maritime, port, labor, and business communities called for the adoption of a National Dredging Policy to facilitate timely and cost-effective dredging of our nation's navigation channels. Dredging the nation's navigation channels to keep them open for trade is too often frustrated by inconsistent, complex and duplicative laws and regulations. This effort has improved Federal agency understanding of the importance of dredging and the MTS. While these agencies have made substantial progress in improving coordination on large or controversial projects, too often the lack of resources or authority inhibits any real rationalization or integration of regulations or policy.

Similarly, AAPA has advocated for greater consideration of freight movement with surface transportation programs. The inability to efficiently move cargo out of ports and onto the highways and railways adversely affects the movement of cargo and the quality of life in port communities. The National MTS initiative within the U.S. Department of Transportation has the potential to focus attention on this issue during the reauthorization of surface transportation legislation in the next few years.

AAPA welcomes the commission's review of broader governance issues. We hope you will keep in mind how the current governance system can inhibit the efficient operation and development of the MTS. We have typically advocated for increased funding for, and increased coordination among, agencies as the way to improve the MTS governance system. We urge the commission to consider innovative governance structures that can move us beyond simply using funding and discussion as the only way to solve conflicts in the MTS.

### **Research, Education and Marine Operations**

Research, education, and the integration of technical information into marine operations is critical to continued improvement of the MTS. The National Academy of Sciences plays an important role in addressing research needs of the MTS. In addition, several universities have strong marine transportation research and outreach programs that benefit the MTS. However, there is a great need to ensure that research findings are fully integrated into Federal agency decision making processes.

### **Conclusion**

AAPA believes that a number of challenges facing the MTS are best resolved through the broad review of national ocean policy being undertaken by the commission. We applaud the broad range of experiences and perspectives contained on the commission, and we hope that you will be able to identify a range of cross-cutting issues and policy solutions.

Thank you for the opportunity to offer these comments today. Please let us know if there is any way we can further support the efforts of the commission.