

**Department of Transportation
Statement of the Maritime Administrator
David T. Matsuda
Before the
Sub-Committee on Coast Guard and Maritime Transportation
United States House of Representatives**

**On
Creating Jobs and Increasing U.S. Exports by Enhancing the Marine Transportation
System**

June 14, 2011

Chairman LoBiondo and Ranking Member Larsen, thank you for the opportunity to present testimony to the Subcommittee regarding the creation of jobs and increasing exports through enhancements to the Marine Transportation System. I am David Matsuda, Maritime Administrator, testifying on behalf of U.S. Transportation Secretary Ray LaHood, Chair of the U.S. Committee on the Marine Transportation System or "CMTS."

Before I begin, I would like to note that today, Flag Day, we remember our Nation's history and the many people who struggled, and sometimes perished, to ensure the freedom we enjoy today. Less than a month ago, on May 19, we observed National Maritime Day, and were privileged to honor the memory of Richard Oliver Kelleher of New Jersey. He joined the merchant marine during World War II to help preserve our Nation's freedom. He was just 19 years old when he died in a torpedo attack. Richard's story is an example of the courage and commitment to serve that still exists in the men and women who go to sea today. I was proud to present six posthumous awards to Herb Kelleher, Richard's brother, with gratitude for Richard's courage in time of ultimate sacrifice.

The emphasis of today's hearing is on the MTS, which accommodates 78 percent of U.S. exports and imports by weight and 48 percent by value.¹ In addition to supporting the needs of U.S. exporters and industry, it is an important source of employment in its own right. The scope of the system is huge, as it includes Federal navigation channels, harbors, port gateways, service industries and users, and intermodal connectors. The MTS supports millions of American jobs, facilitates trade, and moves people and goods in a safe, secure, cost-effective and energy-efficient manner. In addition to supporting the needs of U.S. exporters and industry, it is an important source of employment in its own right.

More than 95 percent of the world's consumers live outside U.S. borders, representing a marketplace in which our Nation must compete successfully if we are to sustain and improve our quality of life during the coming decades. Export markets are particularly important for our manufacturing and agricultural industries. Transportation, including highways, rail, and water,

¹ An Evaluation of Maritime Policy in Meeting the Commercial and Security Needs of the United States, prepared by IHS Global Insight, Inc. for the U.S. Department of Transportation, Maritime Administration, January 7, 2009, pages 8-9

provide an integrated system to support the movement of our exports. In 2010, the first year of the National Export Initiative (NEI), coordinated by the Department of Commerce's International Trade Administration, exports rebounded to near-2008 levels and have contributed to our nation's overall economic recovery. According to Secretary of Commerce Locke, after dropping 14.6 percent in 2009, exports grew 16.6 percent in 2010, compared with an average annual rise of 11.2 percent during 2002-2008. Exports of goods and services in 2010 reached \$1.83 trillion, the second highest annual total on record and the largest year-to-year percent change in over 20 years. In 2010, exports contributed to nearly half of the 2.9 percentage point growth in real GDP.² In 2008, when exports of goods and services reached \$1.84 trillion, U.S. goods and services exports supported an estimated 10.3 million jobs in the United States, of which goods exports supported 7.5 million jobs, including 3.7 million manufacturing jobs (27 percent of all jobs in the manufacturing sector) and 1 million jobs on and off the farm.³

MARAD continues to carry out a number of initiatives and grants as part of our efforts to support American exports. I am pleased to report to the Subcommittee that I recently approved the Federal financing of a \$290 million export project at Eastern Shipbuilding in Panama City, FL. This project will result in the creation of 300 new shipbuilding jobs for skilled workers as they construct five new offshore supply vessels in the coming years for service in Brazilian waters. Working closely with the shipyard and project sponsors to complete the financing package, the MARAD team pulled together to create a deal which satisfied Federal requirements and beat vigorous competition from foreign countries offering to build these ships.

MARAD is also implementing DOT's program aimed at increasing the use of our system of inland waterways and coastal ports to move freight. This program, America's Marine Highway, will directly support the National Export Initiative. For example:

- The California Green Trade Corridor project will establish a vessel service to shuttle containerized cargoes between the inland ports of Stockton and West Sacramento and the seaport of Oakland. When this service becomes operational early next year, shippers of agricultural exports throughout the Central San Joaquin Valley- one of the world's most productive agricultural regions- will be able to load cargo for export closer to the place from which it is produced. This could lower the transportation cost to export their goods, thereby making the region more competitive in world markets. DOT is investing \$30 million to help this project become a reality.
- Similarly, a Marine Highway solution could open the door for even more trade with Canada, our largest trading partner, through the potential for waterborne-enabled exports offered by the Great Lakes. In 2010, U.S. agricultural exports to Canada were valued at \$16.8 billion.

Furthermore, these services offer a transportation solution that consumes less oil, generates fewer green house gas emissions and causes less damage to our roads, bridges and tunnels than the highway alternative – all the while helping open markets for export opportunities.

² Statement from U.S. Commerce Secretary Gary Locke on December 2010 U.S. International Trade in Goods and Services, February 11, 2011, <http://www.commerce.gov/news/press-releases/2011/02/11/statement-us-commerce-secretary-gary-locke-december-2010-us-internati>.

³ Benefits of Trade, Office of the U.S. Trade Representative, <http://www.ustr.gov/about-us/benefits-trade>.

The President understands that continued economic growth and competitiveness in the global economy will require the significant expansion of U.S. exports. To achieve this goal, the President launched the NEI with the goal of doubling U.S. exports by the end of 2014.

American exporters cannot participate as effectively in the global economy if they cannot get their products to foreign markets in a cost-effective, reliable, and expeditious manner. America's highways, railways, bridges, waterways, runways, and ports represent the beginning of a very long global logistics chain that reaches almost every market in the world.

The 2009 American Recovery and Reinvestment Act (Recovery Act) provided billions that supported MTS-related projects including small shipyard grants, ferry boat discretionary grants, bridge alterations, port security grants, and civil works projects. Congress's creation of the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program under the Recovery Act has increased the nation's port and rail investment. This program has been subsequently reauthorized under the FY 2010 and 2011 Appropriations Acts. Prior to TIGER, these sectors were difficult to reach with Federal dollars, even when we knew of major public benefits that would result from Federal investments in them. DOT has used the TIGER program to fund major improvements to the MTS, making 14 port investments totaling more than \$215 million in the States of Alaska, California, Florida, Hawaii, Illinois, Maine, Mississippi, Oregon, Rhode Island, Tennessee, and Washington.

DOT has also made major TIGER investments in intermodal rail projects that link ports to the interior of the Nation. Multimodal, multi-state projects to improve freight rail capacity were among the biggest recipients of TIGER investment. The Crescent Corridor (Tennessee and Alabama), CREATE (Illinois), and National Gateway (Ohio, Pennsylvania West Virginia, and Maryland) freight rail projects each received about \$100 million. Many other important rail projects have also been funded under the two completed rounds of TIGER grants (a third round is ready to start).

The Federal investments in these port projects alone may ultimately generate approximately 2,300 job years of employment for Americans during their construction (of which two-thirds will be direct and indirect jobs).⁴ More importantly, however, many of these projects will facilitate the production and export of products from U.S. factories and farms to markets throughout the globe and will play a critical role in supporting the NEI and long-term employment in the United States.

America's Marine Highway program, although aimed primarily at the domestic movement of freight, will also serve to move containers with export cargos to U.S. ports and will provide jobs for mariners who will be accessible to the United States for crewing sealift capacity during times of national emergency. With grant authority established by the National Defense Authorization Act for Fiscal Year 2010 and with \$7 million in funds appropriated by the Consolidated Appropriations Act of 2010, DOT announced the award of three Marine Highway project grants and funding for three research studies of potential Marine Highway services.

⁴ Assuming the Council of Economic Advisors' estimate average of 1 job year for every \$92,000 in spending of Recovery Act funding.

MARAD's Title XI and Small Shipyard Grant (Assistance to Small Shipyards) programs provide loan guarantees and grants, respectively, supporting the industry, which can be an engine for efficiency and capacity improvements and economic growth.

Congress created the Small Shipyard Grant Program in the National Defense Authorization Act of 2006 to support capital improvements to qualified shipyards. Congress first funded the program with \$10 million through the Consolidated Appropriations Act of 2008, followed in 2009 by \$117.5 million in funding through the Omnibus Appropriations Act of 2009 (\$17.5 million) and American Recovery and Reinvestment Act of 2009 (Recovery Act) (\$100 million), \$15 million in funding in the Consolidated Appropriations Act of 2010, and \$9.8 million in funding in the Department of Defense and Full-Year Continuing Appropriations Act of 2011. This program is intended to improve the ability of domestic shipyards to compete for domestic and international commercial ship (including tug and barge) construction.

Overall, for the first 3 years of this program, MARAD awarded a total of 120 grants to 105 different shipyards (awards for the 2011 program are still pending). These shipyards are located in 28 States and Guam. Grants have been used to fund floating drydock construction and modernization, acquisition of large Travelifts (up to 1,000 tons), material handling equipment such as cranes and forklifts, steel working machinery, shipyard infrastructure improvements, and training of shipyard employees. To date, the 70 small shipyard projects funded through the Recovery Act have generated a total of more than 800 job years, with about 650 of these being in direct and indirect jobs. By the time all of the \$98 million in Recovery Act small shipyard grant funds are expended (sometime in 2012), a total of almost 1,100 job years of work will have been generated.

The Department of Transportation (DOT), the U.S. Coast Guard (USCG), U.S. Army Corps of Engineers (USACE), National Oceanographic and Atmospheric Administration (NOAA) and many other Federal agencies all have a role in the MTS. These agencies are working individually and in concert to ensure that the MTS continues to meet the present and future needs of our nation. They meet to discuss issues under the auspices of the CMTS, an interagency forum comprised of the Federal agencies that have a role in the MTS. The CMTS is actively engaged with the National Export Initiative Trade Policy Promotion Committee (TPCC) to facilitate the improvement of the U.S. supply chain. CMTS individual and interagency efforts will focus on maintaining ports and waterways to support export trade through improving our supply chain competitiveness, and ensuring a safe and reliable MTS.

Examples illustrating this effort include integrating NOAA's coastal ocean forecast modeling with its navigation data and USACE channel depths to allow bulk cargo and container vessels to load more heavily and to time arrivals and departures more accurately. NOAA Physical Oceanographic Real-Time System (PORTS®) in particular is a very useful tool—available at a relatively low cost, but with substantial benefit to the environment and the economy. NOAA and the USCG have collaborated to provide PORTS® information to mariners through the USCG Automated Identification System. Given the limited channel depths available in most U.S. ports, port operators can use PORTS® integrated with other navigation data to maximize throughput and economic gain with less risk of running aground and injuring the environment or vessels.

This adds to U.S. supply chain efficiency and competitiveness, and the benefits also add up quickly for U.S. exporters. Every additional inch of water draft available to a container ship means more containers on a larger vessel and a better value. For example, an inch of draft can mean 9,600 more laptop computers, at a value of \$8.5 million.

The Army Corps of Engineers makes considerable investment into our water infrastructure including locks, dams, and Federal channels. The annual budget for its commercial navigation program is approximately \$1.6 billion for FY 2012. In allocating these funds, the Corps gives priority to investments in the assets that will provide the greatest economic return to the Nation, and to the maintenance of existing waterways with highest levels of commercial use. In addition, NOAA is leading an interagency team to facilitate the coordination of Federal navigation services to the mariner in order to facilitate safer and more efficient marine transportation.

The International Trade Administration has been engaged with DOT in a proactive program to address national transportation supply chain components of the NEI as a drive of pricing and U.S. competitiveness. ITA and DOT have joined in a series of transportation stakeholder listening sessions that are helping to define the foundational issues that shippers find help or hinder their ability to compete in the global marketplace. This work complements the five pillars of the NEI which include improving trade advocacy, increasing access to credit, removing trade barriers, enforcing trade rules, and promoting balanced trade policies.

In a letter to the President, dated March 11, 2011, the President's Export Council, which includes CMTS members, noted that a "robust, reliable, and efficient domestic transportation infrastructure is the critical 'first-step' on the road to more exports." The DOT and all CMTS member Departments and agencies recognize that the MTS is a critical cog in the U.S. supply chain between the navigable waterway and landside connectors to the stores and shelves of America's heartland.

Shipping capacity to carry U.S. exports has been increasing. In 2010, 7,579 oceangoing vessels made 62,747 calls at U.S. ports, accounting for nearly eight percent of vessel calls globally, a 13 percent increase over 2009.⁵ The vessels making these calls include bulk ships carrying iron, coal and grain for export; heavy-load vessels carrying cargo such as large airplane wings for Boeing 747 jets; containerhips carrying general export and import cargo for markets around the U. S. and the world; tankers carrying oil and gas used to power our cars and heat our homes; and roll-on roll-off vessels carrying General Motors, Chrysler, and Ford vehicles for export. These statistics, alone, emphasize the value of CMTS efforts to coordinate and integrate navigation services to provide the best information in support of best navigation practices and to reduce duplication of effort.

Bulk cargo exports, such as grain, are a significant contributor to the U.S. economy. The U.S. Department of Agriculture recently reported that farm exports alone will support more than one million jobs in America this year.⁶ In May 2011, Secretary of Agriculture Tom Vilsack reported that farm exports reached an all-time high of \$75 billion during the first half of Fiscal Year 2011.

⁵ Maritime Administration, *Vessel Calls Snapshot*, May 2011, www.marad.dot.gov.

⁶ Secretary of Agriculture Vilsack in Long Beach, California to Highlight Strong Farm Trade, Press Release, March 16, 2011, U.S. Department of Agriculture.

This is 27 percent higher than the same period last year.⁷ Further, the U.S. Department of Commerce reports that for every \$1 billion in overall goods and services we export, 5,000 U.S. jobs are supported.⁸ For ocean exporters, grain producers, manufacturing, and other industries, the MTS is a nexus between the United States and the global economy.

In 2010, the 10 largest U.S. ports by volume accounted for 58 percent of oceangoing vessel calls. Houston was largest for tanker calls; Los Angeles/Long Beach was the largest for container ship calls, and New Orleans was the largest for dry bulk calls. The other 42 percent of cargo was spread among the 173 other commercial deep draft ports along the Atlantic, Gulf of Mexico, Pacific, and Great Lakes coasts, as well as ports in Alaska, Guam, Hawaii, Puerto Rico, Saipan, and the U.S. Virgin Islands.

Current MARAD programs, including the Maritime Security Program and the cargo preference programs, play a part in sustaining approximately 90 U.S.-flag ships in international commerce. In addition to commercial cargos that support our economy, in 2009 these vessels recently carried over 3 million metric tons of petroleum and over 8 million tons of general and containerized cargo for the Department of Defense (DOD); shipped household goods for approximately 78,000 military overseas moves; and transported over 770,000 measurement tons of privately-owned vehicles for the military. Additionally, U.S.-flag vessels carried about 2 million metric tons of humanitarian food aid worldwide annually in recent years. Each vessel in the international trades supports upwards of 20 seafarer billets (equal to more than 40 full time equivalent officers and crew per vessel) or 3,000 – 3,700 seafarer jobs overall.

MARAD is committed to improving the international competitiveness of the U.S.-flag fleet. To that end, MARAD is conducting a study to obtain and analyze the broad range of impediments to the use of the U.S.-flag registry. The study will help MARAD ensure that U.S. maritime policies are based, to the maximum extent possible, on the current state of international waterborne transportation markets. MARAD is currently reviewing the Final Report and expects the study to be completed in the summer of 2011.

Meanwhile, MARAD is working with other Federal agencies to increase the competitiveness of U.S.-flag vessels, for example:

MARAD is updating its cargo preference regulations in consultation with the shipper agencies. Two weeks ago, MARAD brought together all of the U.S. government agencies involved in cargo preference for the first ever Federal shipper forum on cargo preference. It gave Federal agencies a chance to discuss the implementation of cargo preference programs. This feedback will help MARAD make improvements to the program.

⁷ Record Agricultural Exports for First Half of Fiscal Year 2011, Press Release, May 11, 2011, U.S. Department of Agriculture.

⁸ Speech to the American Association of Port Authorities, March 22, 2011, Courtney Gregoire, Director for National Export Initiative, U.S. Department of Commerce.

As you can see, much is being done within the Administration to ensure that the essential supply chain requirements are available to enhance the Marine Transportation System, create jobs, and support the National Export Initiative. At this time, I will be pleased to answer any questions the Subcommittee may have. Thank you.

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