

**DEPARTMENT OF THE ARMY**

**COMPLETE STATEMENT**

**OF**

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ASSISTANT SECRETARY OF THE ARMY  
(CIVIL WORKS)**

**BEFORE**

**THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE  
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT**

**UNITED STATES HOUSE OF REPRESENTATIVES**

**ON**

**THE ECONOMIC IMPORTANCE OF SEAPORTS: IS THE UNITED  
STATES PREPARED FOR 21<sup>ST</sup> CENTURY TRADE REALITIES?**

**OCTOBER 26, 2011**

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to testify on the economic importance of our seaports and preparation for the 21<sup>st</sup> Century trade realities.

## **OVERVIEW**

The Army Corps of Engineers helps facilitate commercial navigation by providing support for safe, reliable, highly cost-effective, and environmentally sustainable waterborne transportation systems. To this end, the Corps invests over \$1.5 billion annually – roughly one-third of the total budget for the Civil Works program – to study, construct, replace, rehabilitate, operate, and maintain commercial navigation infrastructure for approximately 13,000 miles of coastal channels and 12,000 miles of inland waterways. At coastal harbors on the Atlantic, Gulf, Pacific, and Great Lakes coasts, the work performed by the Corps includes: surveying navigation channels; evaluating proposals to construct deeper, wider, or longer channels; constructing such improvements; maintaining them by periodic dredging; maintaining other coastal navigation structures such as jetties, breakwaters, and locks; and maintaining certain of the bridges that cross these channels.

## **ECONOMIC IMPORTANCE**

Our coastal ports contribute to the nation's economic competitiveness, as well as to state and local government economic development and job creation efforts. Several of the ports also contribute to our national security. Over 95 percent of the Nation's overseas trade by weight, and over 75 percent by value, moves through these ports. They handle over 2 billion tons of commerce annually, including over 70 percent of the imported oil and more than 48 percent of goods purchased by American consumers. In some cases, the dredging of federal navigation channels also provides environmental benefits, where the dredged material is used to create, preserve, or restore wetlands, islands, or other habitat.

## **IMPROVED COORDINATION**

The Corps is working with the Department of Transportation (DOT) to improve decision-making on Federal investment in coastal navigation infrastructure through better coordination. For example, DOT has provided information on previous years' selected TIGER Grant recipients to the Corps, which we are considering as part of the Civil Works budget preparation. Similarly, DOT has invited Corps technical experts to advise it during the upcoming review process for the 2011 TIGER Grant selections. Our staffs are also working on common metrics for comparing potential investments that support coastal navigation, and for evaluating the performance of those investments.

## **PORT DEEPENING**

Containerized cargo is forecasted to continue to increase in the near future. Many of the world's shipping companies are constructing larger, more efficient container vessels that require channel depths of 50 to 55 feet. The new Panama Canal locks are scheduled for completion in 2014 and will increase the permissible draft of vessels transiting the

Panama Canal from 39.5 feet to 50 feet. Some of our ports are better suited than others to accommodate the full extent of the deeper draft vessels that are forecasted to be in service.

On the Atlantic coast, the U.S. now has two 50-foot deep ports capable of receiving these ships – Norfolk and Baltimore. The Corps expects to complete deepening the Port of New York/New Jersey to 50 feet in FY 2014. The Corps is also working with the Port of Miami, which is financing a project to deepen the federal channel to 50 feet. The U.S. also has several other ports with depths of 45 feet on the Atlantic, Pacific and Gulf coasts, which will be able to accommodate such vessels when they are less than fully loaded. The ports of Los Angeles, Long Beach, Oakland, Seattle, and Tacoma also have depths of 50 feet or greater.

The President's FY 2012 Budget includes: \$65 million for the ongoing deepening of the port of New York/New Jersey; \$42 million for construction or expansion of dredged material placement facilities at the Ports of Norfolk, VA; Savannah, GA; and both Jacksonville and Tampa, FL, in order to continue maintenance of the deep draft channels serving these ports; and \$600 thousand for preconstruction engineering and design of the proposed deepening of the channel to Savannah Harbor, GA.

The Corps is also working with 10 ports on the Atlantic and Gulf coasts to evaluate proposals to deepen or widen their channels. While deepening a Federal navigation channel generally provides economic benefits, from a national perspective some of the proposed investments will provide a greater economic return than others. Also, deepening a channel tends to increase future maintenance costs due to the need to dredge the additional material that accumulates in channels and to construct additional placement sites for this additional material.

## **HARBOR MAINTENANCE**

The Corps program today is focused on the operation, maintenance, repair and replacement of major navigation, flood control and hydropower infrastructure systems, and the repair of aquatic ecosystems that Corps projects have affected. The overall budget for the program is primarily devoted to maintaining these systems so that they can continue to provide economic, environmental and social benefits to the Nation.

For example, an increasing proportion of Civil Works funding in recent years has been devoted to the repair and rehabilitation of inland navigation and flood risk management infrastructure. Similarly, the budget for the construction program gives priority to dam safety assurance, seepage control, and static instability control work (about \$450 - \$500 million per year) to repair unsafe dam structures, much higher than the funding for this work 5 years ago.

The Harbor Maintenance Tax and Harbor Maintenance Trust Fund were established by Title XIV of the Water Resources Development Act of 1986 (Public Law 99-662). The Harbor Maintenance Tax is applied as a 0.125 percent *ad valorem* fee on the value of

certain commercial cargo, mostly imports, loaded or unloaded on vessels at federally maintained harbors. The U.S. Customs and Border Protection collects this tax. As of August 31, 2011, tax receipts and interest in FY 2011 totaled over \$1.5 billion, and the balance in the trust fund was over \$6 billion.

The balance in this trust fund, which has grown over a period of many years, reflects multiple factors, principally the value of goods subject to the harbor maintenance tax, the tax rate, the enacted spending levels, and the limitation in current law on the authorized uses of these receipts. In our view, the overall funding level that the Federal government provides for maintenance dredging and related purposes should be determined independent of the level of the Harbor Maintenance Tax receipts. More specifically, the allocation of these funds should reflect consideration for the economic and safety return, as well as a comparison with other potential uses of the available funds.

The FY 2012 Budget for the Corps includes \$758 million from the Harbor Maintenance Trust Fund to support the maintenance of coastal harbors and their channels and related work, including maintenance dredging. The Budget request for the Corps from this trust fund is comparable to the enacted FY 2010 level, in a year in which the overall budget for the Civil Works program is 15 percent lower and funding for many programs government-wide is being reduced in order to put the Nation on a sustainable fiscal path.

Our investments in coastal port maintenance are directed primarily at providing operational capabilities and efficiencies. To make the best use of these funds, the Corps evaluates and establishes priorities using objective criteria. These criteria include transportation cost-savings, risk reduction, and improved reliability – all relative to the cost. Consequently, maintenance work generally is focused more on the most heavily used commercial channels, which together carry about 90 percent of the total commercial cargo traveling through our coastal ports. However, many ports will experience draft limitations on vessels due to channel conditions, at least during parts of the year.

While the Corps could spend more on harbor maintenance and related work, the amount proposed in the Budget for this purpose, which is financed from this trust fund, is an appropriate level, considering the other responsibilities of the Corps for inland navigation, flood risk management, aquatic ecosystem restoration, hydropower, and the other Civil Works program areas. The Corps continues to develop analytical tools to help determine whether additional spending from this trust fund is warranted based on the economic and safety return, as well as a comparison with other potential uses of the available funds. Dredging costs continue to rise due to increases in fuel, steel, labor, and changes in methods of dredged material placement. We recognize that this presents challenges in maintaining commercial navigation projects.

## **CONCLUSION**

In summary, the Corps is facilitating commercial navigation by providing support for safe, reliable, highly cost-effective, and environmentally sustainable waterborne transportation systems. Through the Corps and other Federal agencies, the

Administration is investing in our ports. As part of the Administration's broader strategy of economic growth for our Nation, the Corps has been working to deepen and widen several of our ports.

Mr. Chairman and members of the subcommittee, I look forward to working with this Subcommittee on these issues. Thank you.