

**Testimony of Michael Leone
Director, Port of Boston
Massachusetts Port Authority
House Ways and Means Committee
Subcommittee on Oversight &
Subcommittee on Select Revenue Measures
Hearing on H.R. 104, Realize America's Maritime Promise Act**

Chairman Boustany, Chairman Tiberi and members of the committees.

For the record, my name is Michael Leone, Port Director for the Massachusetts Port Authority which owns and operates Conley Container Terminal, the Black Falcon Cruise Terminal and other public terminals within the Port of Boston.

Thank you for this opportunity to testify in support of H.R. 104, the Realize America's Maritime Promise Act.

As the title of the proposed new act implies: the promise that America's maritime industry is asking Congress to realize is the same promise Congress made 26 years ago when it first established the Harbor Maintenance Tax: That is, to fully utilize the taxes which have been levied on port users for the maintenance dredging of our ports and harbors.

I know from the two terms I served as Chairman of the American Association of Port Authorities that ever since the trust fund's inception in 1986, port operators and customers have consistently raised concerns that HMT revenues have been used for other programs or never fully appropriated for their intended purpose of the maintenance dredging of federal channels. As a result, only about 35% of America's navigation channels are currently at their authorized depth and width, which means that vessels calling our ports cannot be fully loaded or may be restricted to a one way transit.

The entire maritime industry, therefore, is grateful for the oversight provided by your committees to ensure this tax on port users is used for its intended purpose -- ensuring that the

navigation channels leading to our ports are regularly dredged to their authorized dimensions so that vessels calling our ports can deliver essential commodities and can take American made products to its global customers.

Only with regular investments in dredging can these critical parts of our national transportation system continue to serve as gateways for the more than two billion tons of domestic, import and export cargo they are expected to handle each year, which in turn helps keep American businesses – both large and small – competitive in world markets. This concern is even greater today as East and Gulf Coast ports prepare for the larger vessels that will be transiting through an expanded Panama Canal.

What is frustrating for many port directors who have dredging needs that go unmet is that the money for these projects is available. The users of our ports and harbors still pay their full share for maintenance dredging – over one dollar for every thousand dollars worth of imported and domestic cargo they move – while only getting back half as much benefit in return.

Current estimates are that users of our nation's waterways are paying approximately \$1.4 billion per year in harbor maintenance taxes which is about the amount the Army Corps of Engineers has determined is the annual need for maintenance dredging. Yet, this past fiscal year only about \$820 million was appropriated for channel maintenance. That still leaves, according to the most recent estimates I've seen, a surplus in the Harbor Maintenance Trust Fund of about \$6.4 billion and growing. This shortfall in funding is of particular concern to regional or niche ports, which are usually not included in the President's budget, because they generally handle less tonnage than the major container and bulk cargo ports. There are many ports in Massachusetts in need of maintenance dredging, for example, which could be completed if all of the HMT was appropriated each year.

Not every port will need to have channels that are 50-feet deep in order to handle the largest ships that will traverse the expanded Panama Canal when that modernization project is set to be complete in 2014. But many will, and others will need to be dredged to handle the larger vessels that will be used in moving cargo from the larger hub ports to regional ports.

In the meantime, individual ports have been dredging our own berths at our own cost, buying cranes that can handle these larger vessels, and investing in terminal infrastructure. Indeed, it's estimated that seaports invest more than \$2.5 billion every year to maintain and improve their infrastructure, which is why ports are often discouraged that federal investments in maintenance dredging have not kept pace with their own.

The larger issue is that spending on maintenance dredging is particularly critical at this time, and not only because of the larger ships that ports will soon be expected to handle, but to ensure that the Administration's National Export Initiative of doubling U.S. exports can be fulfilled. U. S. ports are the gateways for international trade and having a modern, reliable and cost-effective marine transportation system will expedite the delivery of U.S. exports to the global marketplace. Delays in the movement of exported cargo will only hurt the competitiveness of U.S exports.

As is true throughout the country, the Port of Boston is a vital economic engine for the New England region -- carrying cargo, opening markets for domestic goods, creating jobs and generating economic prosperity for our citizens. American seaports carry all but about 1% of the country's overseas cargo. They help generate almost 30% of Gross Domestic Product and support more than 13 million jobs.

America's economic future depends on modern ports with facilities adequate enough, and channels deep enough, to keep pace with the demands of the global economy. It is now critical that Congress honor its pledge to maintain the nation's ports and harbors with the revenue provided by users. This can be accomplished through a shift in funding priorities in both the Congress and within the Administration, given that annual revenue is available and adequate to meet current needs. I would also urge the passage of H.R. 104 that would require that the annual Harbor Maintenance Tax revenue be made fully available to the Army Corps of Engineers for maintenance dredging in its annual appropriation. I, along with many other Port Directors, strongly support passage of H.R. 104 so that our marine transportation system can remain efficient and continue to serve as a national and regional economic engine.

I commend the efforts of Representative Boustany and the over one hundred co-sponsors in pressing for this important piece of legislation and I urge the committee to support H.R.104.

That completes my prepared testimony and I would be pleased to answer any questions the committee might have.