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## **Testimony of James C. McCurry, Jr.**

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**For the Record of the  
United States House of Representatives  
Ways and Means Committee  
Subcommittee on Oversight and Subcommittee on Select Revenue Measures  
Hearing: “*Harbor Maintenance Funding and Maritime Tax Issues*”**

**February 1, 2012 – 9:30 a.m.  
Longworth House Office Building**

Chairman Boustany and Ranking Member Lewis, Chairman Tiberi and Ranking Member Neal and distinguished members of the Subcommittees on Oversight and Select Revenue Measures, I am pleased to offer for the record comments on behalf of the Georgia Ports Authority regarding harbor maintenance funding and, in particular, the Harbor Maintenance Trust Fund. The Georgia Ports Authority is an entity of the government of the State of Georgia, and we own and operate the state’s deepwater terminals in Savannah and Brunswick.

As you know, with increasingly larger ships transiting domestic and international waters, maintenance dredging and expansion of deep-draft navigation channels are escalating concerns for United States ports and the customers we serve. The constantly developing international marketplace demands that U.S. producers be able to reach consumers around the world in the most efficient, lowest cost manner possible. Regrettably, in part due to the underfunding of maintenance dredging and constraints on modernization of harbor channels, our citizens are being denied the full opportunities of the job growth that can come through world trade.

New, larger ships serving world commerce offer dramatically lower operating costs and decreased environmental impacts as more goods can be carried on fewer ships with more modern operating technologies. However, if these ships cannot access U.S. ports we stand to not only forgo the benefits of these vessels, but also to lose jobs and

economic opportunities to the other countries around the world who can accommodate them. It is therefore vital that this country both invest the necessary money to maintain authorized channel depths at our ports and to see that necessary expansion projects are completed in ports where deeper harbors are needed for the future.

Fortunately, the Harbor Maintenance Tax generates the annual revenue required to keep our ports at authorized dimensions. However, since this tax was instituted in 1986, it has seldom been sufficiently utilized for its intended purpose but has rather been used for unrelated programs while our harbors have been neglected. It has been reported that America's federal navigation channels have available their authorized dimensions (depths and widths) less than 35 percent of the time. The resulting restrictions to vessel transit, "light-loading" and tidal delays cost American exporters and importers millions of dollars daily and diminish the opportunity for domestic economic growth and job creation.

While this under-investment in our ports and harbors continues to occur on an annual basis, the Harbor Maintenance Trust Fund is running a growing surplus. At present, over \$6 billion exists in the fund, with annual revenue of approximately \$1.5 billion and growing. Meanwhile, less than \$800 million is being spent on annual dredging and related maintenance. Continuing this trend will yield increased transportation costs, higher prices on imported goods, and reduced demand for U.S. exports. As a nation, we cannot overlook negative impacts to the key economic engines that our ports and harbors represent.

Public ports throughout the United States contribute substantially to their local and regional economies as well as that of the Nation. According to the American Association of Port Authorities, "commercial port activities in 2007 created employment opportunities for more than 13.3 million Americans, including nearly 12 million who were employed in exporter/importer-related businesses and support industries throughout the United States. Business activities related to waterborne commerce contributed approximately \$3.15 trillion overall to the U.S. economy and those same businesses paid nearly \$212.5 billion in federal, state and local taxes. Seaport activities alone in 2007 accounted for \$31.2 billion in federal, state and local tax revenues. Jobs created by exports pay 13 to 17 percent higher wages than non-trade jobs in the economy (\$49,000 a year on average for port-related jobs in 2007, compared to \$37,000 on average for all U.S. workers)."

In Georgia, deepwater ports and inland barge terminals support more than 295,000 jobs throughout the state annually and contribute \$15.5 billion in income, \$61.7 billion in revenue and \$2.6 billion in state and local taxes to Georgia's economy. Beyond the state, Georgia's port activity is a critical economic driver throughout the Southeast, sustaining tens of thousands of jobs in the neighboring states of South Carolina, North Carolina, Tennessee, Alabama and Florida. Georgia's ports contribute to over \$3.5 billion in federal tax generation annually. Significantly, the Port of Savannah was the second busiest U.S. container port for the export of American goods by tonnage in

FY2011. It also handled 8.7 percent of the U.S. containerized cargo volume and 12.5 percent of all U.S. containerized exports in FY2011.

If the users of our ports are paying the required Harbor Maintenance Tax, the revenue generated from the tax should in turn be used to maintain the ports and harbors those users are paying to access.

Regrettably, in Georgia we have seen the direct consequences of not fully utilizing the Harbor Maintenance Trust Fund for needed maintenance dredging. One year after completing a \$120 million project to deepen the Brunswick Harbor to 36 feet, inadequate federal Operations and Maintenance funding resulted in channel dimensions of less than authorized depth and width. In plain language, federal and state taxpayers paid to deepen and widen the channel because of the high benefit to cost ratio of doing so. Then the federal government stood back allowed the channel to begin to silt up again.

If not for the availability of stimulus funds in 2010, the Brunswick Harbor would likely be at pre-deepening dimensions today, thereby wasting the federal and state investment in the project. Automakers exported and imported over 465,000 vehicles through the Port of Brunswick in fiscal year 2011 and the port serves as a major conduit for the export of bulk agricultural products from the Southeast. Nonetheless, save for that 2010 funding, Brunswick remains substantially under-funded annually and harbor depth and width again risk deterioration if Operations and Maintenance (O&M) funding is not increased.

The U.S. Army Corps of Engineers estimates the current Brunswick Harbor maintenance needs to be \$16 million annually, but typical annual funding has been about \$3 million. Past funding allocations have allowed maintenance dredging of only the most critical shoals within the authorized project. Available funding is used to maintain only the authorized project width and a reduced (less than the authorized project) depth in the entrance channel, with no funds being available for the inner harbor maintenance. Slower growing shoals and the advance maintenance wideners in the entrance channel have not been recently dredged.

Over time, the shoaling accumulating on the sides of the channel and along channel wideners will continue to accumulate and shorten the time the channel will be available for daily transits without significant restrictions being put in place. While the 2010 stimulus funds allowed dredging of advance wideners and some of the back-logged maintenance in the entrance channel, the funds were not sufficient to completely dredge all existing shoaling to project depth and width.

At the current funding levels, shoaling will ultimately result in significant channel restrictions being imposed by the U.S. Coast Guard. Such restrictions would limit access of large ocean going ships to the port and waste significant federal, state and private investment at the Port of Brunswick.

Additionally, the Port of Savannah, the fourth largest and the fastest growing container port in the country over the last decade, has experienced challenges due to a lack of adequate Operations and Maintenance funding. The Corps estimates current Savannah Harbor maintenance needs to be approximately \$30 million annually. However, typical annual O&M funding has been about \$13.0 million. This under-funding has typically resulted in dredging of approximately one-half of the authorized project. Thus, with such limited funds available, the Corps has at times only been able to maintain the center portion of the channel in faster shoaling areas of the channel and for maintaining the primary turning basin (Kings Island Turning Basin) in the harbor. Slower growing shoals and other turning basins have not been recently maintained due to the limited funding.

Over time, the shoaling accumulating on the sides of the channel in slower shoaling channel segments and turning basins will fill to the center of the channel. Stimulus funds (FY10-11) allowed for maintenance dredging of a portion of the slow growing shoals but were not sufficient to completely dredge all existing shoaling to achieve full width, depth and advance maintenance needs.

If the typical recent funding levels are not increased, shoaling may ultimately result in channel restrictions being imposed by the U.S. Coast Guard. Such restrictions will limit access of large military and ocean-going ships to the port.

Beyond simply maintaining our harbors, we must also recognize the pressing need to invest in harbor deepening projects where required to serve the increasing size of vessels calling on United States ports.

In Georgia, the completion of the Savannah Harbor Expansion Project (SHEP) is critically important to continued economic recovery and growth in the Southeastern U.S. and the country as a whole. The Port of Savannah serves a large percentage of the population in this country including 21,000 companies with operations collectively in all 50 states. In fact, Savannah was responsible last year for moving more than 18% of all East Coast containerized trade. In addition, more than 50 percent of all containers handled through Savannah are for the export of U.S. goods and commodities. .

The SHEP is a project of national significance which has received bi-partisan support at both federal and state levels since its original authorization in 1999. When constructed, the SHEP will deepen the Savannah River from its current 42 foot depth to as much as 48 feet. Today, nearly 80 percent of all vessels calling at the Port of Savannah are forced to take on a lighter load due to the restricted depth. As a result, vessels must wait for the high tide to sail into or out of the port, which is the equivalent of putting a parking lot in the middle of an interstate highway and wondering why traffic is slowed and time is wasted.

This already challenging situation will soon worsen. In 2014, the Panama Canal expansion will be complete and will increase the maximum draft of vessels traveling to and from the East Coast from 39.5 feet to as much as 50 feet. The new locks will send

ships to Savannah and other East Coast ports that are three times the capacity of those currently able to transit the Canal. The economies of scale offered by these “post-Panamax” ships will result in an average of 17% cost savings to U.S. exporters and importers when compared to the operating costs of Panamax vessels. If not deepened, Savannah’s ability to stimulate export and import trade and job development will be profoundly impeded by its current 42-foot channel when this new generation of deep-draft vessels begin to dominate world trade. This will have long-term negative consequences for Georgia, South Carolina, and the large percent of the U.S. population served through Savannah.

However, if completed, the SHEP will allow the larger, deeper draft ships to efficiently call on the Port of Savannah, further enabling the port to serve as a leading economic engine for the United States. This project is now nearing final approval and, with adequate funding, will be ready for construction in fiscal year 2013.

If the Savannah Harbor Expansion Project and other highly justified deepening projects at ports throughout the country are not completed in the short-term, our economy stands to suffer significant, negative long-term impacts. Yet we have the opportunity today to invest the necessary funds in these important infrastructure projects to yield substantial benefits for our country. The SHEP for instance has a projected benefit-to-cost ratio that well exceeds 4 to 1 and the Corps’ study has shown that it will create \$150 million in annual benefits to the nation. That is a substantial return on investment for a country seeking to energize a struggling economy.

In closing, I submit that we cannot take for granted the importance of our nations ports and harbors. They have too often been the invisible infrastructure that is easily forgotten in times of economic stress. However, their importance to the United States economy cannot be overstated. We must not only continue to invest in their ongoing maintenance, but also in the expansion programs necessary to insure their competitiveness in the modern, global marketplace.

The Harbor Maintenance Trust Fund should be fully utilized for its intended purpose and significant additional resources must be devoted to further modernizing our port systems. Our ports and harbor channels are the international highways that lead to national economic growth. The user fee money to maintain them has been collected, and it is time for the Congress to keep faith with the program and use those dollars for their intended purpose.

Again, I thank you for the opportunity to comment on these important issues.