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**Testimony before the
Subcommittees on Oversight and Select Revenue Measures
House Committee on Ways and Means**

Hearing on Harbor Maintenance Funding and Maritime Tax Issues

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Chairman Boustany, Chairman Tiberi and Members of the Subcommittees:

As the President and Chief Executive Officer of the Port of New Orleans, I appreciate the opportunity you have provided me today to highlight the importance of fully accessing the Harbor Maintenance Trust Fund to empower the U.S. Army Corps of Engineers to adequately maintain America's ports and harbors so that we can, in turn, preserve and enhance this Nation's economy.

Mr. Chairmen, at the outset, I want to tell you that the Port of New Orleans enthusiastically supports the Realize America's Maritime Promise or "RAMP" Act. We would like to sincerely thank Chairman Boustany for introducing this legislation that, once enacted, will ensure that revenue generated through the Harbor Maintenance Tax is used for the maintenance of the Nation's ports and harbors. Chairman Boustany's bill would unplug the shipping bottleneck that has increasingly clogged the Lower Mississippi River. Regrettably, decreased funding for dredging has limited the navigation capacity of the Lower Mississippi River, including the New Orleans Harbor, thereby impeding the flow of imports and exports across the United States.

In the past year, we have faced unprecedented conditions on the Mississippi River. Unusually high water led to the unfortunate flooding of many communities along the River. And, with that high water came millions of tons of silt and sediment, much of which settled at the mouth of the Mississippi River. As the high water receded, we faced a monumental task of keeping the Mississippi River open for business. Draft restrictions on vessels transiting the River were imposed and some vessels ran aground. We worked closely with Congress, the Corps of Engineers, and the shipping community to address this crisis as best we could. But one lesson was clear: the Corps of Engineers does not have sufficient funds to properly maintain the Lower Mississippi River and other key waterways around this country. As we all know, the Harbor Maintenance Tax is designed to provide this funding, but much of the money deposited

from that tax into the Harbor Maintenance Trust Fund is not being spent on its intended purpose: dredging our commercial waterways. This problem must be resolved in order to promote economic growth throughout the country. The RAMP Act, in our opinion, will go a long way towards addressing this problem. We therefore consider enactment of the RAMP Act to be one of our highest priorities and critical to the Nation's economic recovery. Chairman Boustany, we salute you for your persistent attention to this critical issue and stand ready to do whatever we can to assist you in the passage of this important legislation.

Mr. Chairmen, I'd like to talk for a moment about the economic importance of the Port of New Orleans. As you know, through its direct facilitation of trade and commerce, the Port of New Orleans is one of the primary commercial engines of the Gulf Coast, and serves as a key gateway at the mouth of the Mississippi River system for international and domestic trade. About 380,000 jobs in the United States depend on the cargo that is handled by the Port of New Orleans. Some \$37 billion in national economic output is derived from the transportation and manufacturing of goods that flow through our Port. And, as a container and general cargo port, the Port of New Orleans serves the American Midwest through the 14,500-mile inland waterway system, of which the Mississippi River is the most critical component connecting approximately 30 states in the heartland to international markets. The Port of New Orleans is also a port hub for six Class One railroads and the interstate highway system. As a result, our Port is one of America's most intermodal ports – in addition to excellent rail access, the Port is served by approximately 50 ocean carriers, 16 barge lines, and 75 trucking lines. Within the past 10 years, the Port has invested more than \$400 million in new state-of-the-art wharves, terminals, expanded marshalling yards, multi-purpose cranes, and transportation infrastructure. Needless to say, because of its geographic location and modern facilities, the Port of New Orleans is uniquely positioned to provide key access for American exports to the global market and receive imports of the goods and commodities on which our economy relies.

However, the Port of New Orleans' efforts to facilitate international trade are being severely hampered by the Corps of Engineers inability to perform necessary maintenance dredging. As sediment accumulates due to decreased dredging, navigation channels on the Lower Mississippi River and throughout the country are narrowing and shallowing to such a degree that commercial vessels are unable to carry full loads into and out of our Nation's ports. The Corps of Engineers estimates that some 30 percent of port calls by commercial vessels are negatively impacted in this manner. To make matters worse, on the Lower Mississippi River, including New Orleans Harbor, the Corps of Engineers traditionally dredged to a depth that would permit vessels with a draft of 45 feet to pass into and out of the river. Due to Corps of Engineers' budget cuts, however, there have been discussions to dredge certain areas of the Lower Mississippi River to only 38 feet of draft.

The negative economic impact of such a reduction in draft at the mouth of the Mississippi River would be profound. According to a recently released study by Timothy P. Ryan, Ph.D, professor of economics at the University of New Orleans, Louisiana alone could be subject to losses of direct and secondary spending of up to \$423 million, more than 3,800 jobs and the accompanying \$117 million in earnings. Additionally, state and local governments would lose nearly \$28 million dollars in tax revenues annually. Decreased dredging of the Lower Mississippi River will not only harm Louisiana's economy, but will damage the Nation's

economy as more than 20% of the United States' maritime commerce passes through the Lower Mississippi River. Professor Ryan estimates that the U.S. economy faces potential losses of almost \$14 billion in direct and secondary spending as a result of reductions in exports and cargo handling and higher gas prices should drafts be reduced to 38 feet. More importantly, more than 38,000 American citizens could lose their jobs. These losses, though significant, refer only to the harm done to the U.S. economy by a failure to adequately dredge the navigation canals of the Lower Mississippi River. They do not speak to the additional threat the national economy faces from an inability to maintain America's other critical maritime transport arteries.

Mr. Chairmen, the bulk of the economic damage from failing to meet the dredging needs of the Lower Mississippi River results from the potential decrease in exports from the United States. According to the American Association of Port Authorities, U.S. ports are responsible for moving 99 percent of America's overseas cargo, and more than 13 million Americans are working in port-related jobs. Stakeholders throughout the entire Mississippi River System are engaged in the international trade of agricultural products, mineral resources, and other goods, and rely on a well-maintained, dependable transportation corridor provided by the Mississippi River and its tributaries. Already, Lower Mississippi River pilots are imposing significant operating restrictions on commercial vessels transiting the river's mouth, restrictions that will significantly add costs and delays in the export of American products to international markets. A further reduction in draft of as little as seven feet could result in a decrease in exports of the ten mostly commonly exported commodities by more than 12 million tons, resulting in a potential loss of more than \$5 billion in direct spending. When secondary spending is taken into consideration, the total loss due to the reduction of these exports could reach as high as \$10.5 billion.

Failure to maintain America's ports and harbors also will interfere with the Nation's trade policies and its ability to meet international demand for its products. The President has made a strong commitment through his National Export Initiative (NEI) to double American exports over the next five years. That effort will be seriously undercut if we do not provide our trading partners and related maritime transportation interests with the assurance that our U.S. ports and waterways will be properly maintained. Stated another way, we cannot double exports if we do not have the infrastructure in place to handle the increased volume of trade. Demand for exports of American commodities and goods already is expected to increase dramatically as a result of the recently passed Free Trade Agreements with South Korea, Panama, and Colombia. America's ability to meet this increased demand will be inhibited if its ports and harbors are not up to the task.

Additionally, the United States must ensure it is fully prepared to handle the increased flow of trade that the expected completion of the Panama Canal expansion project in 2014 will generate. More than 60 percent of the current vessel traffic passing through the Panama Canal originates from or is enroute to ports on the Gulf and East Coasts of the United States. While the Port of New Orleans has undertaken a number of specific measures to handle increased commercial vessel traffic as a result of the Panama Canal expansion, our country needs to ensure that the Lower Mississippi River navigation channel and other critical waterways are properly maintained by the Corps of Engineers to meet the increased commercial vessel transport needs for United States exports. At a time when other countries are dedicating significant resources to

maintaining and improving their maritime infrastructure to meet increasing international trade demands, the United States inexplicably is allowing its navigation canals to deteriorate to the point where their full dimensions are not fully accessible approximately 70 percent of the time.

Mr. Chairmen, the users of the Nation's ports and harbors for years have been paying taxes into the Harbor Maintenance Fund for this very purpose. Far more funding is deposited in the Harbor Maintenance Trust Fund each year than is spent on vital dredging and other maintenance needs. In fact, the Fund's uncommitted balance has risen to an estimated \$6.1 billion. In fiscal year 2010, total receipts of the Fund were \$1.363 billion. However, only 60 percent of those receipts were used for authorized dredging and maintenance purposes, leaving over \$535 million unspent. It is critically important that our Nation's ports are able to adequately handle the deep draft commercial vessels that are the principal "vehicles" for the facilitation of international trade and I assure you both, Chairman Boustany and Chairman Tiberi, that proper use of the surplus funds in the Harbor Maintenance Trust Fund, together with the annual revenues deposited into that Fund, would solve many of our Nation's commercial navigation maintenance needs.

It is unconscionable that a \$6.1 billion surplus has been allowed to accumulate in the Harbor Maintenance Trust Fund. We have immediate dredging needs that could and should be addressed with those surplus funds. So, it is imperative that the RAMP Act be enacted into law as soon as possible.

Chairman Boustany and Chairman Tiberi, thank you for allowing me to appear before you today, and I look forward to any questions that you or the Subcommittee members may have.