Statement by Bill Wyatt, Executive Director, Port of Portland, Oregon
Hearing on "Doubling U.S. Exports: Are U.S. Seaports Ready for the Challenge?"
Subcommittee on International Trade, Customs, and Global Competitiveness
Senate Committee on Finance
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Thank you for the opportunity to present the views of the Port of Portland on the role of U.S. seaports in increasing American exports. About 35 percent of American exports in dollar terms, and a much larger percentage in tonnage terms, moved through U.S. seaports in 2009. Therefore, it is important to understand if seaports are operating as effectively as possible as a conduit for U.S. exports.

First, just some brief background information about the Port of Portland. The Port of Portland is one of a handful of larger consolidated public port authorities in the United States that operate both marine and aviation facilities. The Port of Portland owns and operates four marine terminals, the dredge *Oregon*, Portland International Airport, two general aviation airports, and several industrial and commercial properties.

Focusing just on the Port's marine exports, the Port of Portland has historically served as an export gateway, primarily for agricultural products. For example, the Columbia River is the largest wheat export center in the United States. More than 47 percent of the wheat exported from the United States by water is transported through the Columbia River to overseas markets. If you consider all grains (including wheat, corn, soybeans, and barley), the Columbia River is the third largest grain export gateway in the world. The wheat and other grains are grown in the Midwest and Pacific Northwest, reach the Port of Portland and other Columbia River ports by rail and barge, and are exported to countries throughout Asia and the Middle East.

In addition to bulk grains, the Port exports other agricultural products, such as frozen vegetables, hay, and animal feed, in containers. Commodities such as paper and scrap metal are also exported in containers. These containerized goods originate primarily in the Pacific Northwest and are transported to the Port of Portland by truck and barge. The Port's top five export partners in terms of container volumes are Japan, South Korea, China, Taiwan, and Vietnam. Finally, completing its export portfolio, the Port of Portland also exports bulk minerals, such as soda ash mined in Wyoming and railed to the Port.

The Port of Portland and other U.S. port authorities are committed to helping American producers increase their exports to foreign markets. We recognize the higher value that exports generate for producers, their employees, and the communities in which they're located. The most significant constraint that seaports face in increasing U.S. exports is the capacity and efficiency of the infrastructure that transports exports from their source to seaports to overseas markets.

Four kinds of transportation-related infrastructure directly affect the competitiveness of U.S. exports. First, the poor condition of our ground transportation infrastructure has been well documented. Most containerized exports are transported to seaports by truck and rail, so the condition of our highways, bridges, and freight railroads affect the transportation cost of U.S. exports.

Second, a huge volume of U.S. exports move to foreign markets over our inland waterways and deep-draft channels and harbors. Unfortunately, however, the maintenance and improvement of those waterways have suffered from inadequate funding and excessive planning requirements for many years. As an example, I would cite the Corps of Engineers project to deepen the Columbia River navigation channel by three feet. The Corps of Engineers is completing that project this year, 21 years after it began.

Third, the terminal infrastructure at seaports must be able to efficiently facilitate the hand-over of exports from rail, truck, and barge, on the one hand, to ocean-going ships, on the other hand. Although improvements to terminal infrastructure have historically been the responsibility of port authorities and state and local governments, I believe that there is a role for properly-structured federal investments (as demonstrated by the eligibility of port infrastructure for the recently announced TIGER grants).

The final kind of transportation-related infrastructure that contributes to U.S. exports is less obvious than the others but is still important. That is, the industrial property around seaports on which export and import facilities are located. Many exporters and importers want to locate distribution facilities near the seaports through which their cargo is passing. However, as the areas around seaports become increasingly urbanized, less and less "greenfield" property is available for export and import facilities. This trend makes it more important to be able to develop older, inactive industrial sites that are often contaminated but located near seaports. Like improving terminal infrastructure, creating the conditions conducive for the development of

these older sites is primarily a local and state responsibility. However, federal tools, such as brownfields funding and policies, can definitely play a role in transforming these inactive sites into productive shipping operations.

To resolve these infrastructure constraints, I would like to make the following recommendations for your consideration:

1. The Administration should develop a comprehensive and integrated national freight strategy. The strategy should address all modes of transportation, including highway, rail, waterways, aviation, and pipeline, and all kinds of freight, whether domestic or international.
2. The Department of Transportation should establish a high-level office that focuses on freight mobility. The office should not only promote freight mobility within the Transportation Department but it should have a role in determining the funding for the Corps of Engineers' waterways responsibilities as well. To some extent, the Corps' budget should be connected to the freight needs identified by the Transportation Department and the national freight strategy.
3. In the next surface transportation authorization bill, Congress should create a dedicated program to fund freight projects.
4. Public port authorities should be eligible to apply directly for project funds to federal freight programs.
5. Funding for the maintenance and improvement of our waterways should be increased so that the economic, environmental, and safety benefits of this transportation mode can be maximized. In this context, I recommend legislation to require that <u>all</u> the revenue collected into the Harbor Maintenance Trust Fund each year be spent for its statutory purpose of maintaining our waterways.
6. To help make the necessary improvements in freight rail service, the Port of Portland supports legislation that would provide tax credits for freight rail capital investments that would generate public benefits.
7. Federal funding for brownfields assessments and remediation should be increased, and brownfields policies should be streamlined.

In addition to infrastructure constraints, many American producers have been hamstrung in their efforts to export by the limited availability of shipping containers. The Port of Portland is especially aware of this problem in the interior of the Pacific Northwest. Farmers and other

producers in eastern Oregon, eastern Washington, and Idaho have experienced difficulties in obtaining empty containers in which to load their export products. Trade data indicate an annual deficit of nearly 70,000 containers in Oregon and southern Idaho.

This problem is more a commercial problem than a policy problem. It is related to the current oversupply of ships, the disparity in rates that ocean carriers earn from import and export cargoes, and rates charged by the class I railroads for repositioning empty containers from the Midwest to the West Coast. At the Port of Portland, we are trying to inject more empty containers into the region by growing the import distribution network. In this case, it is important to note that increasing imports can benefit exports. I also understand that the Federal Maritime Commission recently started an investigation that will, in part, seek to understand the reasons for the container shortage.

The challenges and recommendations that I have described have been fairly specific to seaports' role in increasing U.S. exports. I would like to conclude by expressing support for two more general efforts that would broadly promote U.S. exports, whether they are transported through seaports or not.

The first is the National Export Initiative announced by President Obama in his State of the Union address. I applaud the focused, integrated attention that this initiative will provide for doubling the nation's exports over the next five years.

The second is the U.S.-Korea Free Trade Agreement. I believe that approving this agreement could be one of the most significant steps that Congress could take to stimulate American exports. The International Trade Commission projects that implementation of the agreement would increase the U.S. Gross Domestic Product by $10 to $12 billion. More specifically to the Pacific Northwest, South Korea is the fifth largest trading partner with Oregon, Washington State, and Idaho. By virtue of our geography and our home-grown products, the Pacific Northwest is in an excellent position to take full advantage of a free trade agreement with South Korea. I urge Congress and the Administration to agree on the terms necessary to move this agreement forward.

I commend this subcommittee for its attention to increasing U.S. exports, and I appreciate the opportunity to provide the Port of Portland's views in this important area.