

Testimony

on behalf of the

Oregon International Port of Coos Bay

with regard to

“Doubling U.S. Exports: Are U.S. Seaports Ready for the Challenge?”

submitted to the

United States Senate Committee on Finance
Subcommittee on International Trade, Customs, and Global Competitiveness

The Honorable Ron Wyden, Chairman

submitted by

Jeff Bishop

April 29, 2010

Chairman Wyden and members of the Subcommittee, thank you for the opportunity to speak today about the challenges and opportunities regarding rural ports and expansion of U.S. exports.

Caddy McKeown, the port's vice chairwoman, regrets that she is unable to be here and has asked that I convey her personal appreciation to you, Senator Wyden, for the invitation. She looks forward to hosting you again on the South Coast.

??? At the outset, the Port fully endorses and supports the testimony of the Port of Portland by Bill Wyatt, including the recommendations. ???

As the Port of Coos Bay's executive director, I want to share with you the challenges and opportunities for a gateway port in a rural area. These challenges can be different than those encountered by ports in population centers.

A few years ago when the international supply chain was operating at capacity, ports also were functioning at or above capacity. Efforts were under way to expand port volume on the West Coast of North America. At least some of the expansion would focus on rural areas, since the major ports in the major population centers were at capacity, and were starting to see gridlock in road and rail systems.

Even in the face of the Panama Canal expansion, major transportation providers recognize that the West Coast will remain North America's principle gateway to the rapidly expanding Asian economies. Further, major global companies believe capacity expansion on the West Coast is important. They know the West Coast is a highly competitive and attractive region for location of distribution facilities and manufacturing capacity.

Coos Bay has one of the West Coast's largest industrial sites with immediate access to a deepwater navigation channel. A significant marine terminal development site is just 7 miles from the ocean. Over the past few years, Coos Bay has hosted visitors from Japan, China, Taiwan, Korea, Australia, Canada, Holland and Norway. All were looking at the feasibility of utilizing this port's natural assets as an industrial site and/or as a transportation gateway.

In the midst of this, one of the world's largest marine terminal operators and parent company of the world's largest container ship lines identified Coos Bay as a potential major international port of entry. Manufacturers, and resource and energy suppliers from around the globe also identified Coos Bay as a potential development site.

A key question for this Committee, and for the purposes of your hearing today Senator Wyden, is whether gateway capacity can be added in rural areas. The major U.S. West Coast gateways are located in the major North American West Coast population centers. The same is certainly true in Oregon. Those are areas served by established

transcontinental rail service, interstate highways and, in the case of Portland and Columbia River ports, an inland waterway system.

In order to develop gateways in the less populated areas, there are certain challenges we must overcome.

New infrastructure is required and it is important that the U.S. government determine:

- how to fund the new infrastructure,
- which infrastructure is the highest priority, and
- how to assure the new infrastructure and the additional gateway capacity complements existing gateways.

The next question is: Can we overcome the challenges?

The answer is perhaps most obviously found in Canada's Prince Rupert, an isolated small town in northern British Columbia without access to the Canadian national highway system and certainly no large consuming population. Canada undertook a freight mobility assessment and determined what would be needed to develop a facility there. Then the government implemented it and now Prince Rupert is a significant gateway port for North America.

This model could apply to the United States' West Coast and already is being applied to Mexico's West Coast.

Over the past year, this nation has seen significant new infrastructure funding initiatives. They include the Economic Stimulus (ARRA) funding that the Port put to good use to improve the Coos Bay Rail Link, which connects the South Coast with the nation's rail network. We are pursuing a CONNECT Oregon III grant, as well as a U.S. Department of Transportation administered TIGER grant. For small ports in rural areas with a limited tax base, these infusions of state and federal funds are essential. Build America Bonds is an important component of this infrastructure funding "tool kit," if we can develop a revenue stream, which is very much the Port's objective. Currently, your Committee is considering rail tax credits, which the Port could use. All of these are encouraging.

On the water side, legislation has been introduced to mandate that all funds collected in the Harbor Maintenance Trust fund each year be expended for their Congressionally-mandated purpose, which is the maintenance of navigation channels and jetties. Passage of this legislation would allow ports, including those of us testifying at this hearing today, to maintain fully authorized shipping channel depths. This is essential if U.S. West Coast ports are to remain competitive and serve the current and coming generations of larger, deeper-draft vessels.

There are numerous regulatory hurdles that any infrastructure expansion must address. I am hopeful that in the context of the President's plan to double exports, that the establishment of the infrastructure necessary to handle such volumes is not hindered by regulatory restrictions and delay. We believe that an important component of the export

initiative is to ensure all federal and state agencies engaged in the permitting processes for capacity expansion be "on the same page." They must be part of the **solution** to facilitate and expedite infrastructure expansion. This would include agencies, such as the Army Corps of Engineers, Fish & Wildlife, National Marine Fisheries Service and EPA. They all have roles in the permitting process for navigation channel maintenance and deepening projects.

If our ports are to truly serve as international gateways, the permitting process must not delay the projects so long that it undermines the objective -- export enhancement and job creation right now, **not** 10 years from now. The same can be said for permitting for industrial site preparation and utilization. It is incumbent upon Congress when providing funding for industrial sites, infrastructure development and job creation initiatives to assure that all federal agencies are working together to make these projects reality.

The industrial use of ports provides excellent family-wage jobs, but is dependent upon transportation infrastructure. One option is the coastal movement of cargo, more recently known as "short sea shipping." On the southern Oregon coast, coastal barge service has made it possible for the manufacture of bridge components in Reedsport.

Those components are so large that they must travel either on rail or by barge, not road. They have been barged down to San Francisco Bay, but rail service is **most essential**.

To access domestic and international markets, lumber mills and other manufacturers must have access to rail. The loss or lack of freight rail service threatens manufacturing jobs and in rural areas there are fewer alternative sources of employment. We have seen this play out the past couple of years after the closure of the south Oregon coast's only rail line, following years of deterioration. The Port has purchased the line and is working to repair and reopen it in early 2011. That would ensure the viability of manufacturing on the South Coast and ensure a critical link for international ocean cargo movements.

As economic activity rebounds, global companies will again seek additional port capacity on the West Coast. They will continue to seek developable industrial sites. No one will benefit more than rural communities and rural ports prepared to expand capacity. Our time is coming.