



# INCREASE COMPETITIVENESS OF WASHINGTON'S PORTS AND STRENGTHEN OUR FREIGHT MOBILITY INFRASTRUCTURE

## Policy Factsheet

### Why Washington's Ports and Freight Infrastructure Matter

Washington state is a global hub, importing and exporting goods from all over the world and sending them to the rest of the country. In fact, the Northwest Seaport Alliance (a marine cargo partnership between ports of Seattle and Tacoma) is the fourth largest container gateway in North America, and 46 U.S. states use our ports to export their products to the world. To remain a thriving center of international commerce, it's critical that we have the ability to quickly and reliably transport goods. Unfortunately, our global competitors significantly outspend us on port and freight infrastructure investment, and Washington's roads and bridges are often gridlocked or in need of repair. Furthermore, the Harbor Maintenance Tax (HMT) encourages shippers to send their U.S. bound goods to Canadian ports instead of Washington's ports. We must make the investments and policy decisions that will prepare Washington to succeed in the face of increased competition.

### Port and Freight Facts

**46 BILLION** worth of freight is moved through Washington transportation systems every day.<sup>2</sup>

**60%** of goods coming through the NWSA head to the rest of the country

**2.4%** the amount of U.S. GDP spent on transportation infrastructure - less than a quarter of China's 9% allotment.<sup>4</sup>

jobs are supported by Washington ports.



### Harbor Maintenance Tax (HMT) FAQs

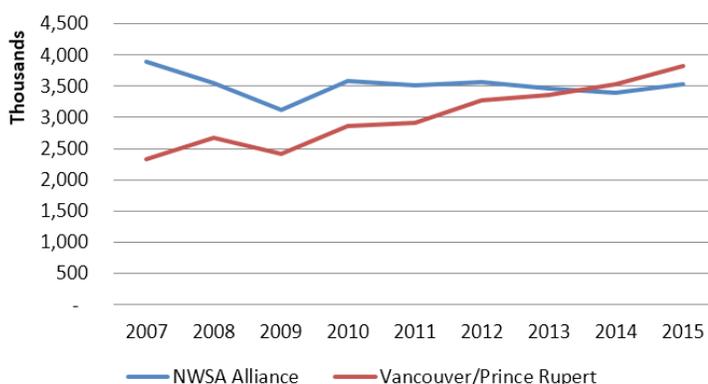
#### What is the Harbor Maintenance Tax (HMT)?

The HMT is a federal tax on goods imported through U.S. ports that is collected to fund dredging of federal navigational channels. Unfortunately, only part of the funds collected each year are used for this intended purpose, and several Washington ports are not able to receive funding even though they are some of the largest HMT donors. The Water Resources Reform and Development Act (WRRDA) of 2014 took significant steps in reforming the HMT, but outstanding issues remain.

#### Is the Harbor Maintenance Tax really causing cargo diversion to Canada?

The average HMT charged per 40' container at U.S. ports is \$109.<sup>4</sup> This incentivizes importers to use Canadian ports such as the Port of Prince Rupert rather than U.S. ports. Without this tax, up to half of the U.S. containers coming into Canada's west coast ports could revert to U.S. West Coast ports.<sup>5</sup>

Seattle-Tacoma and British Columbia port TEU volume trends



Washington ports miss out on import opportunities that are re-routed to Canada under the current HMT.



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### Policy Recommendations

#### Invest in strategic, multi-modal freight projects

All too often transportation projects fail to holistically address the challenges they face, merely pushing a chokepoint farther down the road. We must find long-term solutions to improve freight movement that also address its multimodal nature.

#### Ensure port reliability by improving communication between organizations

The port crisis of between October 2014 and March 2015 resulted in total near-term losses of \$769.5 million to Washington businesses, while delayed delivery of imported goods through Washington ports cost businesses another \$345.1 million.<sup>4</sup> To avoid future losses, the Pacific Maritime Association and International Longshore Workers Union should meet frequently and extend their current contract beyond July 1st, 2019, ensuring stability for exporters and importers.

#### Increase port competitiveness by pursuing Harbor Maintenance Tax reform

The current Harbor Maintenance Tax incentivizes importers to use nearby Canadian ports instead of Washington's. In 2016, a collection of Washington senators and representatives introduced the Harbor Maintenance Trust Fund Reform Act, which sought to provide a comprehensive solution to HMT concerns. The bill was not passed during the last congress but remains an excellent solution and should be pursued.

#### Remain competitive for federal funding

The FAST and TIGER programs provide grants to fund projects that will improve critical freight movements. Washington state has already done well, being granted \$45 million for the South Lander Street project and Strander Boulevard project in Tukwila through the FAST Act, and receiving multiple TIGER grants for projects at ports of Seattle, Tacoma and Everett.<sup>5</sup> We must remain competitive for increased funding to deliver on current and future mobility projects.

#### Complete the Puget Sound Gateway and other key freight corridors

The Puget Sound Gateway is an important freight corridor that connects the ports of Seattle and Tacoma to the rest of the state and beyond. Two projects make up the Puget Sound Gateway - SR 509 and SR 167. These projects, which were left unfunded for years, will finally receive much needed funds through the Washington state transportation package.<sup>6</sup> WSDOT and the City of Seattle must pursue projects and address the region's ever-growing needs in a timely and efficient manner.

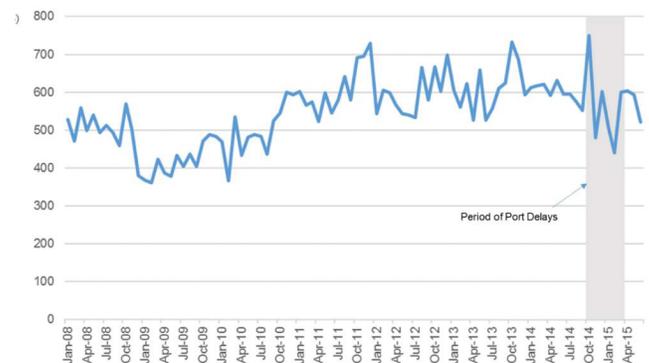
### 2014-2015 Port Slowdown

The port crisis between October 2014 and March 2015 resulted in total near-term losses of \$769.5 million to Washington businesses.<sup>4</sup>

The delays particularly affected the agricultural sector, primarily due to spoilage. Apple growers produced a record harvest in 2014 - up 28% from 2013. However, the Washington State Tree Fruit Association has estimated 200,000 to 300,000 boxes of apples per week were not sold due to the port slowdown. These losses reached \$95 million.<sup>4</sup>

Future and long-term costs, such as damaged client relationships and lost contracts, will have long-lasting impacts on Washington businesses. While these losses are not quantified, they are real and potentially much greater than near-term costs. Many small businesses still have not recovered and returned to their pre-slowdown levels of employment.

### Effects of Port Delays on Washington Port Container Volume



Waterborne Containerized Exports from Washington, 2008-2015, Monthly  
Sources: U.S. Census Bureau, 2015; Community Attributes Inc., 2015.

### Washington Freight

Canada spends 4% of its GDP on freight mobility projects (that's over \$100 million), while the U.S. only allocates 1.7%.<sup>7</sup>

A significant portion of Washington's imported and exported goods are carried by the state's 3,000 miles of railroad lines.

Freight rail contributes at least \$28.5 billion to the Washington state economy - that's 7.5% of the state's GDP.

Washington jobs connected to rail and freight come from both the public and private sectors.

1 AAPA, "Improve U.S. Freight System Today for Future Growth," 2013 | 2 Cantwell, 2014 | 3 Friends of BNSF, "An Engine of Prosperity," 2014 | 4 WCIT, "The Economic Costs of the 2014-2015 West Coast Port Slowdown on Washington State," 2016 | 5 The Northwest Seaport Alliance, "The Economic Impacts of Marine Cargo, 2014 | 6 Automotive Fleet, "DOT Awards Nearly \$800 Million for Transportation Infrastructure Projects," 2016 | 7 Budget, Government of Canada, 2016