

POLICY POSITION

4. REGARDING THE PANAMA CANAL EXPANSION AND ITS IMPACT ON SOUTHERN LEGISLATIVE CONFERENCE (SLC) STATES

BACKGROUND

The expansion of the Panama Canal currently in progress will create tectonic shifts in global trade and shipping to and from the United States, just as it did when it opened nearly a century ago. The Panama Canal expansion, scheduled to be completed by the end of 2014, will be its most transformative, more than doubling capacity and permitting the world's largest ships to transit the Canal. The impact of the expansion on Southern state ports will be striking given the possibility that these mammoth vessels, traveling largely to and from Asia, will bypass the West Coast ports more frequently and, via the Panama Canal, dock directly at East Coast ports with the channel depth and infrastructure capabilities to efficiently and effectively accommodate them and their voluminous cargo loads. Recently, there has been a groundswell of support among SLC policymakers at multiple levels of government to expeditiously continue working on essential infrastructure enhancements at Southern ports.

Along with the expansion of the Panama Canal, another factor driving the need for infrastructure enhancements at Southern ports is the increasing role played by exports in the U.S. economy. In the last few years, there has been renewed focus on leveraging U.S. exports as a catalyst for solid, sustained economic growth in a variety of different sectors of the economy. According to recent data from the U.S. Department of Commerce, in the first quarter of 2012, U.S. exports rose to \$381.6 billion, an increase from the \$351.6 billion in the same period in 2011, and a significant expansion from the \$246.3 billion exported in the first quarter of 2009 at the height of the Great Recession. For the year as a whole, in 2011, U.S. exports expanded to \$1.5 trillion, an increase of 16 percent over the \$1.3 trillion reached in 2010. Impressively, West Virginia, an SLC state, recorded the highest expansion rate in exports among all the states in 2011. Given the continued growth trajectory of U.S. exports and the vital role exports will continue to play in the U.S. economy, the demands on Southern state ports will only continue to heighten, accentuating the need for infrastructure improvements.

Port policy in the United States is a blend of federal, state and local government actions, an environment that poses challenges that might not surface in other areas of the economy. The need for concerted and collaborative action across all levels of government to overcome the myriad infrastructure challenges, from channel depth to maintaining navigational channels to multimodal capabilities to environmental requirements to gantry and other equipment, remains of paramount importance. In addition, *MAP-21 (Moving Ahead for Progress in the 21st Century)*, the two-year, \$105 billion surface transportation reauthorization bill, recently passed by the U.S. Congress and signed into law by the president, contains valuable elements that elevate the role played by freight movement in the economy for the first time in many decades. One of these elements includes developing and working toward a National Freight Strategic Plan with the goal of improving cargo movement, reducing congestion, increasing productivity and enhancing the safety and security of freight transportation in the United States.

The recognition by the federal government of the vital role played by seaborne transportation modes in goods movement in the 2012 surface transportation reauthorization legislation is commendable, as well as the federal government's efforts to improve infrastructure at ports across the country, especially the South. Incorporating seaborne freight transportation into national transportation calculations remains of

huge importance for our nation's economic vitality, in which Southern ports are integral components. Consequently, the expansion of the Panama Canal constitutes an important opportunity for ports in the South to continue their infrastructure additions and compete effectively in the 21st century global marketplace.

RECOMMENDATIONS

The Southern Legislative Conference of The Council of State Governments calls on policymakers at the federal, state and local level – in partnership with the private sector – to work collaboratively and expeditiously on enhancing the infrastructure capacities of Southern ports to ensure the economic vitality of the region and the nation in preparation for the expanded Panama Canal.

In addition, the Southern Legislative Conference of The Council of State Governments urges policymakers representing Southern state ports to continue the infrastructure improvements currently in progress in preparation for the increased cargo volumes that will emerge in the aftermath of the Panama Canal expansion.

Further, the Southern Legislative Conference of The Council of State Governments requests that a copy of this policy position be forwarded to the Southern Congressional delegation, the secretary of the U.S. Department of Transportation, and the president of the United States.