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My name is Jeff Keever and I am the Senior Deputy Executive Director for the Virginia Port Authority—the Commonwealth’s leading agency for international transportation and maritime commerce. The Port operates and markets the cargo terminals in Hampton Roads, Richmond, and Front Royal, and is a major driver for Virginia’s economy, producing an estimated \$41 billion in business activity and supporting an estimated 343,000 jobs around the Commonwealth. I am proud to say that in 2012, The Port of Virginia was the fastest growing container port on the East Coast.

Since the Jamestown colonists arrived more than 400 years ago, The Port of Virginia has been a leader in international shipping. Over the past several decades, The Port has been at the forefront of containerization in the U.S. - first with dual hoist cranes, first with 26-wide container cranes, first with semi-automated terminals, and the first to attain 50-foot shipping channels. This ability to grow and evolve along with the trends in shipping and global trade is part and parcel of The Port’s success.

Port infrastructure typically requires years—even decades—of planning, design, and construction before it can be brought online. Future needs must be anticipated early. Inadequate infrastructure, such as shallow channels, outdated terminals, insufficient roads, bridges and rail routes, increases the transportation costs associated with getting goods to market. Higher transportation costs impair our ability to compete for exports, and make our imports more expensive for consumers.

Realizing that successful infrastructure improvements cannot be reactive, decades ago, Virginia began deepening our channels and improving our port facilities to accommodate the next generation of cargo ships by championing a number of initiatives:

- In 1997, we started planning for the Craney Island Eastward Expansion, which will double The Port’s capacity and is currently under construction.
- In 2003, we approached Norfolk Southern about clearing the Coalfield Route through West Virginia to allow double-stack intermodal rail service from The Port to Midwest markets. The Heartland Corridor, as it came to be called, was completed in 2010 through a public-private partnership with several federal and state stakeholders.
- In 2005, we completed major renovations to Norfolk International Terminals so that it can accommodate 100-foot-gauge container cranes capable of reaching 26 containers across Post-Panamax vessels.
- In 2006, we completed the deepening of our shipping channels to 50 feet, with authorization to deepen them to 55 feet.
- In 2011, we added regular double stack intermodal rail service between The Port and the regional concentration of textile, chemical, furniture, retail, and agriculture businesses near Greensboro, North Carolina.

We did all these things because it was good business, and it comes as no surprise to us that, with the opening of the expanded Panama Canal in 2015, The Port of Virginia is ready for the larger ships that will transit the canal.

Growth in East Coast cargo resulting from the expansion of the Panama Canal will not happen overnight, and total trade in and out of the U.S. is unlikely to change significantly as a result of the canal expansion. Trade patterns and the cost of goods may shift, guided by market trends and driven by the need for competitive, low cost transportation.

From the shipper's perspective, the shift is already beginning to occur in terms of ship sizes. According to a recent U.S. Army Corps of Engineers report<sup>1</sup>, post-Panamax vessels will make up 62 percent of total container ship capacity by 2030. These ships are already calling at West Coast ports. The Suez Canal is already handling post-Panamax container ships bringing goods via an all-water route to the U.S. East Coast. It remains only for tolls at the expanded Panama Canal to be set for shippers to determine whether the all-water route from Asia to the U.S. East Coast via the expanded Canal can help them realize additional economies of scale.

The Port of Virginia is post-Panamax ready, and other East Coast ports are following suit:

- Baltimore recently completed a post-Panamax-capable berth at Seagirt Marine Terminal.
- At the Port of Miami, dredging has been approved and post-Panamax cranes have been ordered.
- The Port of New York/New Jersey will be able to handle larger ships by the end of 2015, the funding required to raise the Bayonne Bridge having now been cleared.
- Charleston is currently in the study phase of a 50-foot channel deepening project, with construction completion anticipated in 2022.
- Savannah, due to environmental conditions, is only approved to dredge to 48 feet and the project has been in the planning and study stage for more than 13 years.

While ports up and down the East Coast are striving to make infrastructure improvements in time for the Panama Canal opening, it must be acknowledged that these projects are big, expensive and take a long time to complete. Ports use various funding mechanisms— state funds and federal funds, terminal revenues, bond issues, public-private partnerships—to obtain the money needed for improvements, but the return on that investment is comparatively small. The lion's share of the benefits is captured by U.S. consumers in terms of available, affordable goods

But Port facilities are only part of the global supply chain. More infrastructure investment is needed in roads, bridges, rail, intermodal facilities, and other supporting infrastructure to more efficiently reach inland markets and realize greater economic benefits for the U.S.—in terms of jobs, tax revenues, and the availability of affordable goods.

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<sup>1</sup> U.S. Port and Inland Waterways Modernization: Preparing for Post-Panamax Vessels

According to the World Economic Forum's 2012-2013 Global Competitiveness Report<sup>2</sup>, the U.S. ranks 25<sup>th</sup> in the world in terms of quality of overall infrastructure, behind countries like South Korea, Spain, Portugal, Iceland, Singapore, and the Netherlands; and 19<sup>th</sup> in the world for quality of port infrastructure in particular. The message is clear—our global competitors are invested in making smart, long-term infrastructure investments to meet the demands of the world economy. Many of these countries have access to infrastructure banks that attract private capital to fund major projects.<sup>3</sup>

The Panama Canal Expansion Project essentially shines a light on the inadequacies of U.S. freight and transportation infrastructure, as well as the limitations of the funding mechanisms and processes we have in place to bring infrastructure improvements about. It has been six years since the last WRDA bill was passed, and the U.S. currently has a \$60- to \$80-billion backlog of authorized but unfunded Army Corps Civil Works projects<sup>4</sup> with just over \$5 billion planned for FY13 distribution<sup>5</sup>.

For instance, the Craney Island Eastward Expansion project was authorized by WRDA 2007 legislation at a 50/50 cost share between the Army Corps of Engineers and the Virginia Port Authority; however, current federal and Corps policies are in disagreement as to how much of it to fund. At this point, the Virginia Port Authority has paid approximately 70 percent of the monies spent to date. Clear policies are needed to allocate the remainder of the funds for this project, which is anticipated to create American jobs, lower the cost of goods, and save the nation billions of dollars in transportation costs.

Perhaps it is time to consider doing more on a federal level. Regional port authorities and state governments are doing their best with limited funds, unclear national policies, and lengthy project development and permitting processes. If the U.S. is to regain its competitive edge in the world market, we need a robust national infrastructure supported by a clear National policy, accelerated processes, and a dedicated funding stream.

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<sup>2</sup> Source: <http://reports.weforum.org/global-competitiveness-report-2012-2013/#>

<sup>3</sup> Source: <http://www.brookings.edu/blogs/up-front/posts/2013/01/23-crumbling-infrastructure-galston>

<sup>4</sup> <http://www.nwra.org/content/articles/bipartisan-senators-release-wrda-ahead-of-wednesday/>

<sup>5</sup> <http://www.usace.army.mil/media/newsreleases/newsreleasearticleview/tabid/231/article/269/>