



**U.S. House of Representatives
Committee on Ways and Means - Subcommittee on Trade**

**Hearing
“Trade Infrastructure for Global Competitiveness”
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**Testimony of Ric Campo
Chairman, Port of Houston Authority**

Thank you Chairman Blumenauer and Ranking Member Buchanan for the opportunity to testify before the Subcommittee on Trade. We are equally grateful to Full Committee Ranking Member Brady for thinking of the Port of Houston to speak today. He is a true champion for the Port and for ensuring that this nation benefits from international trade.

I would like start by introducing myself. My name is Ric Campo and I serve as the Port Commission Chairman of the Port of Houston Authority. In my professional life, I am the Chairman of the Board and CEO of Camden Property Trust, one of the nation’s largest multifamily real estate investment trusts. I co-founded the company that would become Camden in 1982.

Giving back to the community that has been so good to me has always been one of my top priorities. I have served in various community and economic development organizations including the Harris County Sports Authority, which led to a new stadium complex known as NRG Stadium, and chaired Houston First Corporation, which has built two hotels in downtown Houston and helped foster our downtown renaissance around Discovery Green park. It may be worth noting on the heels of Super Bowl Sunday, I helped secure Houston’s bid for Super Bowl LI and then served as Chair of the Houston Super Bowl Host Committee.

Today, I want to tell you the story of the Port of Houston and it grew through partnerships to become an economic engine for the nation.

The hearing title is an appropriate description of the backbone of the Port of Houston - the Houston Ship Channel. It is indeed a critical, national piece of trade infrastructure. I’ll focus largely on the channel in my remarks today and highlight the economic and trade developments in the world that demand the expeditious widening of the waterway to enhance energy security, ensure continued exports, and maintain national competitiveness.

I'll discuss the partnerships we are fostering, both with the federal government and private industry, to deliver an expanded waterway faster and less expensive.

Finally, I'll talk about challenges we face in expediting the process to more quickly get to a wider and safer channel.

Port of Houston and Houston Ship Channel

The Port of Houston has a remarkable story. It is a story of successful partnerships. It was government at all levels, local citizens, and business working together that built the Port of Houston. It is those same kinds of relationships today that will keep it safe and ensure its growth into the future.

Unfortunately, tragedy is part of the Port's story. 120 years ago, the 1900 storm destroyed the City of Galveston. The storm remains the largest natural disaster in U.S. history. Destruction of Galveston was significant because it was home to one of the largest ports in the country at the time.

Another part of the story, which has echoes in today dynamics, includes energy and new economic realities. In the early 20th Century, oil was discovered in Texas, at Spindletop in the southeast part of the state.

All of these factors compelled the leaders of the small community of Houston and Harris County to develop a vision for their future. They knew there was a need for a deep-water port that was farther inland to be more protected from hurricanes as well as be located closer to oil fields. They convinced Congress and the U.S. Army Corps of Engineers to build a deep-water Houston Ship Channel by proposing an innovative concept – that the local community would pay for half the cost.

Local leaders, including local businessman and future U.S. Secretary of Commerce Jesse Jones, convinced banks to buy the new port bonds. The result was the first major cost-sharing project in the nation. In 1914, the deep-water Houston Ship Channel was opened when President Wilson pushed a button at the White House that triggered a cannon that fired in Houston.

Their vision, local investment, and innovation built what is today a national asset. Those partnerships from a century ago grew beyond what those early city leaders ever imagined and it provides tremendous economic benefits not only to Houston, but also to Texas and the nation.

Today, the Port of Houston is the top U.S. port for exports, helping Texas remain the top exporting state. It is the nation's #1 energy port and largest exporter of crude oil. It is home to the largest petrochemical manufacturing complex in the nation, and second in the world behind Rotterdam.

The greater Port of Houston is comprised of the eight public terminals owned and operated by the Port of Houston Authority along with 200-plus private terminals, including some of the largest refineries in the country, the nation's largest petrochemical manufacturing complex, and the largest container facilities in the U.S. Gulf.

The activity at the Port of Houston sustains 3 million U.S. jobs, provides \$802 billion in economic value, and generates \$38 billion in tax revenue.

But, if we have no channel, we have no Port, and no Port means no commerce and consequently no jobs and a lower quality of life.

Let me tell you about today's Houston Ship Channel. It is 52-miles long and is the busiest U.S. waterway with roughly 9000 ship calls each year. Because ships in the Port of Houston frequently visit multiple terminals, this translates to more than 20,000 ship movements each year. This is on top of the 200,000 barge movements each year.

To provide you with some perspective on this size, according to the U.S. Maritime Administration, the annual ship calls to the Port of Houston are nearly equal to the next three busiest U.S. ports combined (Los Angeles, Long Beach, and New York/New Jersey).

On top of this level of vessel activity, the dynamics in the U.S. economy as well as some global trends are placing increased pressure on this waterway. As you well know, the domestic oil and gas industry has seen tremendous changes and growth within the last decade. New technologies such as directional drilling and hydraulic fracturing have unlocked new sources of hydrocarbons.

And, not surprisingly, Congress' action in 2015 to lift the ban on exporting crude oil was a game-changer.

All of this has led to tens-of-billions of investments in this industry. At the Port of Houston, these investments have been made in expanding facilities to process these resources and manufacture fuels and other products. It has led to competitive pricing of natural gas, which has led to significant investments in manufacturing petrochemicals, such as plastic resins. Demand for resins in emerging economies — especially in Southeast Asia, Latin America, and Africa — have provided for billions in planned investment of production facilities in the US, primarily in Texas and along the Gulf of Mexico.

It is important to point out the trade aspects of these investments. Specifically, it is critical that these domestic employers and manufacturers have the ability to efficiently export their products to the global marketplace. As the domestic demand for oil and gas continues to decrease, a growing volume will be exported to the global marketplace where demand is growing.

This foreign demand is important for U.S. trade deficits. It is estimated that increasing energy exports can provide a positive \$44.8 billion incremental balance of trade benefit to the U.S., plus another \$10 billion from the export of petrochemicals and resins.

The Port Authority itself is a major economic engine. While we are a governmental entity, we also own marine terminals that we operate ourselves or lease to private industry. Port Authority facilities include the largest breakbulk terminal in the country, as well as the Bayport and Barbours Cut container terminals, the largest in the Gulf Coast. These operations are critical to both supporting our capital and operating needs, and also helping support our public purpose of building and growing the Houston Ship Channel for the benefit of all its stakeholders.

Our container terminals help import consumer goods for Texas and our region, these cargoes are evenly balanced by Texas container exports, a majority of which carry hydrocarbon products manufactured by ship channel industries, such as plastic resins. For the fourth consecutive year, our container terminals have experienced double digit growth in the number of twenty-foot equivalent units (TEU), up 11% in 2019 and just shy of 3 million TEU. As a result, for the last two years, our facilities have been the fastest growing of the top ten container terminals in the U.S.

In addition, our busy breakbulk terminal handles the unique steel products needed for the new infrastructure underlying our energy industry renaissance. More than 4 million tons of steel passed through our general cargo facilities.

Overall, including the numbers for Houston that I mentioned earlier, it was a record year with total tonnage of 37.8 million tons through our public facilities, a 5% increase over 2018.

In addition, the expanded Panama Canal has been impactful to various U.S. trade lanes with Asia providing new and different opportunities for efficient supply chains.

Of course, the Panama Canal expanded because the global maritime industry is experiencing growth in the size of vessels, providing greater efficiency and more cost-effective supply chains. For example, the New Panamax size vessel is 25% longer, 50% wider, and 27% deeper than the previous Panamax sized vessel.

And with the recent passage and signing of United States-Mexico-Canada Agreement, the interests of American workers, farmers, ranchers, and businesses will be better served with a more open global marketplace. International trade is critical to the Texas and U.S. economy. In 2018, Texas ports handled \$134.7 billion in trade with Mexico, representing nearly 20 percent of the total U.S. trade with that nation. Overall, total trade through Texas ports impacts 5.3 million U.S. jobs and generates \$1.3 trillion in economic value.

Bottom line is that the Port of Houston is the epicenter of these national and global factors and they are driving the need for channel improvements. Our federal and industry partners are working with us to widen and deepen the Houston Ship Channel.

Since 2010, the Port Authority has been planning the next major improvements to the waterway. In 2014, the Corps was provided funds to start its feasibility study on those improvements. We are anticipating the Chief's Report – the principle Congressional authorizing document – from the Corps this April and have been working with your colleagues on the House Transportation and Infrastructure Committee to authorize the project in the upcoming Water Resources Development Act (WRDA).

And, just like our city and county leaders did more than a century ago, we are proposing a new model of bringing this trade infrastructure to reality.

For the busiest waterway in the nation, it is critical for both efficiency and safety to have a sufficiently wide channel, so it is our top priority to maintain two-way traffic on the Houston Ship Channel. And the key component to this is channel width.

During the Corps' feasibility study, the world changed in terms of U.S. energy production, petrochemical manufacturing, increased exports and imports. In a traditional federal process, the steps would be to get a Chief's Report, seek Congressional authorization in WRDA, then pursue federal appropriations to begin designing the project. Once the project is designed, we would go back to Congress for federal appropriations to start building. For a project like ours, that would provide an improved channel by the year 2030, or beyond.

The Houston Ship Channel can't wait! A decade to improve the Houston Ship Channel is not acceptable. With today's dynamics, the employers and manufacturers who comprise the greater Port of Houston need safe and efficient waterway to get their products to the global marketplace today – not in 10 years.

Partnerships and Federal Improvements Needed to Remain Competitive

The Port Authority and private companies with docks and terminals along the Ship Channel, in coordination with the Corps, are doing it differently and taking on components of the federal responsibility to make this project a reality sooner than the traditional process.

The Port Authority is currently designing the project and contributing our own local funds to the Corps for their review of the designs in advance of the WRDA authorization in order to be ready to build the project as soon as Congress acts.

With regard to funding, and I will expand on this later in my remarks, there are critical components of the project that the federal government won't build as a result of limitations on the benefit-to-cost calculation, even though they are the most critically needed and nationally impactful, so the Port Authority has committed to build those features. In addition, because of the importance of this project, private industry has indicated they are willing to fund up to half of the total project cost, or approximately \$500M of the \$1 billion total cost.

While these seem to be big sums, putting them into perspective of over 270 million tons of commerce each year, and a 40-year project life, these investments are incredibly efficient considering the tremendous volume of cargo tonnage that traverses this waterway. This project is the best investment in nationally significant infrastructure in the country. And the Ship Channel can arguably be called one of the most important waterways in the world.

We also plan to build most of the project. The Port Authority and the Corps are working on agreements to enable us to start building the project as soon as next year. If the funding is available, it is our intent to contract for a larger dredging contract, rather than on relying on a smaller, piecemeal contracts based on what incremental federal appropriations are received each year, for more efficiency and less cost.

Challenges of Implementing an Accelerated and Locally Funded Project

I alluded earlier to the limitations on how the national benefits of a proposed navigation project are calculated. Where it has been a problem for our project is that the model attributes national benefits to channel deepening. Deepening is certainly important, and there are deepening components to our channel project. However, the energy and export growth along with increasing vessel size require safe two-way traffic on the Houston Ship Channel. This safety and efficiency can only be reached through channel widening. The federal calculation gives little to no national benefit to either widening or safety.

As a result, the proposed federal project recommends widening for only a portion of the Houston Ship Channel through Galveston Bay. If constructed under those circumstances, it would result in a “two-lane road” that turns into a “one-lane road” for every ship calling the Port of Houston.

Furthermore, a wider channel is a safer channel. However, eight of the last nine accidents between vessels have occurred in the same section the federal policy attributes low value in widening.

Clearly, this is neither acceptable nor safe for the busiest waterway and second largest tonnage port in the U.S. To support this growth and to ensure safety, it is critical to maintain two-way vessel traffic on the Houston Ship Channel now and into the future, therefore, the Port of Houston authority has committed to building this part of the channel project.

This policy shortcoming should not be allowed to compromise the current or future national economic value or safety of nationally significant navigation projects like the Houston Ship Channel. It is a policy that hinders investments, jobs, energy, manufacturing, and exports.

The widening component of our project is economically necessary to the industry that comprises the Port of Houston. Because of its importance, these industrial channel stakeholders are stepping up to fund a greater portion of the overall project, including much of the federal share, to expedite its completion. Industry has expressed its willingness to fund half of the project, or

\$500 million of an approximately \$1 billion total cost. However, the mechanism and federal authority for facilitating this partnership is either unclear or untested.

Corps policy, understandably, was designed for a traditional process to take one step at a time in developing a project. Because we are pursuing every path to expedite our project, we are all discovering the challenge of identifying the proper federal authorities to allow us to design, construct, and fund channel improvements, or even to contribute funds to the Corps for their work on the project.

Finally, it is important to emphasize that while constructing a project is important, it is equally important to maintain that investment. This is particularly true of ship channels, and the Houston Ship Channel is a good example. Each year, the Houston Ship Channel needs \$50 million to \$60 million of maintenance dredging work each year. Maintenance dredging is a federal responsibility and is funded through the Harbor Maintenance Tax. While this is no small cost, it is a good investment considering the activity at the Port of Houston generates \$802 billion in economic value each year.

Presently, the annual allocation to dredge the Houston Ship Channel is between \$20 million and \$30 million. That is about 30 cents return on the dollar of HMT contributions from Houston. As a result of the shortfall, navigation is regularly beset by draft restrictions and other factors that impact commerce.

In conclusion, thank you for the opportunity to tell the Port of Houston's story. It is a good story about partnerships and vision that created a national asset. We find ourselves at another crossroads in history at the Port where trade and economic forces are demanding infrastructure necessary to maintain and grow national benefits such as jobs, energy security, and exports. We are working on the new vision for the Port of Houston, and we have partnerships and collaboration to help make it a reality.

I look forward to our continued partnership with Congress on this new model for delivering infrastructure for the nation.