

DAN MALLOY FOR GOVERNOR:

Port Development

Introduction

Connecticut has three of the nation's 105 largest deepwater ports, each with over \$100 million in annual foreign trade. The economic potential for the development of these ports is enormous.

Background

The Connecticut Maritime Coalition reports that “ninety-five percent of the volume of all overseas trade enters or leaves the United States through a deepwater port by ship. Nationwide, this represents nearly \$1 trillion in commerce and creates employment for more than 13 million people.” Modern, efficient and navigable port systems have proven to be assets of immeasurable economic value. It's estimated that over the next ten years, the volume of waterborne domestic and international freight will increase by 43 percent and 67 percent respectively, a statistic that underlines the potential for Connecticut ports.¹

Each of Connecticut's three deepwater ports is operated by a local port authority created under CGS 7-329c-329u. There is no state port authority, and no state or regional agency that oversees their operation or markets their use domestically or internationally.² The Connecticut Maritime Commission, housed at DOT, does articulate state policy positions concerning port development and other maritime industry matters, but exercises little control over the allocation of resources.

Moreover there are significant differences in the functions of each local port authority. According to a 2010 OLR report “the Bridgeport Port Authority functions as a development agency, planning and implementing projects supporting shipping and other maritime business.” “New Haven's port primarily consists of a cluster of privately owned facilities which continue to be the subject of private investment...Consequently the New Haven Port Authority acts as a “facilitator and supporter” of maritime uses at the Port, rather than a day-to-day operating

¹ Economic Impact Study of Maritime Industries in Connecticut, prepared for the Connecticut Maritime Coalition and the Connecticut Department of Economic and Community Development by Apex Companies, LLC February, 2010 page 1.

² Connecticut Ports, Office of Legislative Research (OLR) by John Rappa, August 2010, page 1 and 4.

agency. The New London port authority “has only recently been reactivated and, at this point, is primarily a planning agency.”³

Dredging

Increased investment in all three ports is needed, but the most significant priority need is for dredging to protect the integrity of the deepwater channels.⁴ Channel depth is determined by Congress and the U.S. Army Corps of Engineers U.S.A.C.E.) is responsible for maintaining the federally authorized depth, commonly referred to as “controlled project depth”.⁵

Bridgeport has not been dredged since 1964, “a fact which could affect the city’s ability to market itself as a deepwater port.” A federal study estimated the cost of dredging at \$40 million. New Haven was last dredged in 2004, but the Corps is currently testing sediments to determine if additional work is needed. In New London the main channel is maintained by the Defense Department for submarines based at Groton, but dredging around and north of the State Pier is needed.⁶

In addition to these federal dredging projects, there are also dredging projects which are the responsibility of the state, municipalities and or resident business entities. “In general, navigational use of a port or waterway, depend upon the condition of both the main federally maintained channels and anchorages, the state and local waterways and the private berths, driveways and fairways.”⁷ While an essential step in the economic development of port cities, dredging is an expensive and environmentally sensitive process which demands careful attention to ecological concerns.

The Connecticut Maritime Coalition’s 2010 report entitled “Economic Impact Study of Maritime Industries in Connecticut” estimate that “...for every \$1 spent on dredging in the State, that as much as \$9-\$12 of economic activity will be generated through projected resultant increases in Maritime business, netting anticipated tax receipts that will cover the initial investment in the dredging...”⁸ Further the report estimates that a state, local and private sector investment of approximately \$80 million could lead to a return of as much as \$1 billion in total economic benefit leading to the creation of 6,100 jobs.”⁹

³ Connecticut Ports, (OLR) pages 2-3.

⁴ Connecticut Ports, (OLR) pages 3-4.

⁵ Conn DOT: Maritime Policy – State of Connecticut Maritime Policy www.ct.gov/dot

⁶ Connecticut Ports (OLR) page 4.

⁷ Economic Impact Study, Connecticut Maritime Coalition, page 57.

⁸ Economic Impact Study, Connecticut Maritime Coalition, page 134.

⁹ Economic Impact Study, Connecticut Maritime Coalition, page 131.

Marketing

Infrastructure improvements alone however, will not bring the success we desire. An aggressive strategy to market Connecticut ports for the specialized cargos they can accommodate is every bit as important. In addition to expanding the existing use of Connecticut ports, efforts must be made to encourage “truck ferries” and barge shipments that can leap frog the highway bottle necks to our south by using the Inter Costal Waterways and transit ways through Long Island Sound. In time it may be possible to diversify the cargo inventory destined for Connecticut ports and further enhance the potential for growth.

Transportation

In addition to the economic development and job creation impact of port investments, there is likely to be a corresponding reduction in the volume of truck traffic on Connecticut highways. “... as more freight and fuels are delivered by ship to Connecticut’s ports, a proportional decrease in trucks on the already severely constricted interstate 95 will occur”. Underscoring this point is the fact that one medium sized tanker carries the equivalent volume of 1,600 tanker trucks.¹⁰

Furthermore, there are major activities occurring within the ports that are owned and operated by the private sector. One such activity is public transportation being provided by private ferry operators out of New London and Bridgeport. The United States Coast Guard recognizes 12 High Capacity Vessel Operations in the United States and Connecticut is home to two – Cross Sound Ferry Services in New London and the Bridgeport and Port Jefferson Steamboat Company in Bridgeport. These ferry systems have recently been recognized by the USDOT as part of the M95 America’s Marine Highway Corridor. The federal government in conjunction with the recognition of these Marine Highway corridors has mandated additional promotion and funding for moving goods – vehicles and people – by water. The ferry systems currently transport one million vehicles annually including commercial trucks, thus removing these vehicles from traveling on Connecticut’s I-95 corridor. Excess capacity to move additional vehicles, including trucks, by ferry is readily available and with proper promotion and incentives can be achieved but would require both State and Federal assistance.

Analysis

All around the United States the economic impact of current port operations and future port development is well documented. But as port authorities have historically focused on operational aspects, market conditions are serving to foster new roles for port authorities

¹⁰ Economic Impact Study, Connecticut Maritime Coalition, page 2.

which may require the development of new strategies “which may take on a variety of facilitating and entrepreneurial tasks.”¹¹ With respect to port development in Connecticut, a void exists. Without state leadership and state resources and a coordinated effort to secure federal assistance, the economic potential of Connecticut deep water ports will not be realized.

The importance of port- related development in Connecticut and its potential for job growth and private sector investment is especially significant given that each of our deep water port cities (Bridgeport, New Haven and New London) are listed among the state’s most distressed municipalities. Investment here has the potential for generating the greatest return, not only for these three communities, but for the entire state. In addition, port development can serve as a catalyst in assisting each of these communities to emerge as a transportation hub due to the already existing, easily accessible highway and rail infrastructure they enjoy.

Goals

- Economic growth and increased trade
- Urban development
- Job creation
- Strengthened coordination among relevant agencies and levels of government
- Improved transportation infrastructure

Proposed Action

1. Elevate port development to the status of a strategic transportation /economic development priority and designate up to \$50 million in previously authorized Special Tax Obligation bonds, Urban Act and Manufacturing Assistance Act funds for such purposes (at present Urban Act authorizations stand at approximately \$90 million: Manufacturing Assistance Act at \$55 million, and Strategic Transportation Projects at about \$700 million).

¹¹ Maritime Policy and Management “A Review of Port Authority Functions: Toward a Renaissance?” by Patrick Verhoeven –abstract, 2010.

By establishing a real partnership with port cities, these funds can leverage private sector investments, foster economic development and create jobs. Specific projects would still need to be vetted before dollars are committed.

2. Create a State Port Authority comprised of unpaid gubernatorial appointees, representatives of DECD, DOT and representatives of Connecticut's three deepwater port authorities. The primary role of the State Port Authority will be:
 - a. Coordination of port development focusing on private and public investment including marketing funds
 - b. Aggressive pursuit of federal funds for dredging and infrastructure development as well as for marketing purposes
 - c. Aggressive marketing of the advantages of using Connecticut ports to the domestic and international shipping industry
 - d. Coordination in the planning and funding of capital projects promoting the development of each port
 - e. Coordination of marketing efforts promoting the capabilities and capacities of each port city
 - f. Assessment of appropriate strategic and entrepreneurial initiatives that may be available to the state of Connecticut

The State Port Authority will actively work with the State's ferry operators, and other interested parties, to encourage development and seek federal funding to increase capacity, improve infrastructure, promote and create incentives in order to greater utilize Long Island Sound for moving vehicles, trucks and freight. This in turn will create more jobs in the marine transportation industry and remove vehicles from the highways thus improving Connecticut's overall economy and environment.

The State Port Authority will not manage the operations of local ports, but will coordinate and facilitate state investment and appropriate entrepreneurial activities.

Because of the strategic importance of this multiple agency effort, both in economic development and transportation system terms, the Authority will be housed in OPM for administrative purposes with appropriate support provided by existing staff from DECD and DOT.

Fiscal Impact

Since staffing will be provided by existing personnel in DOT and DECD **no fiscal impact is expected.** Since funding for capital projects is being directed from previously authorized funds, no additional bonding is being requested and no additional pressure on the bond cap is being created. Marketing funds will be generated from federal, state and local sources including participation from the maritime community.

Conclusion: Potential Benefits

Strategic state investments coupled with federal funds directed at our state's neglected ports will unlock the economic potential of these gateway assets. A busy deepwater port will attract private investment, create local grand list growth, develop new jobs and diversify and stabilize Connecticut's economy. While reducing highway congestion locally, these investments will make our state more competitive domestically and position us to be an integral part of the emerging global economy.

Additional Background

Mass Port, the New Jersey-New York Port Authority, the Philadelphia Port Authority and others have unpaid boards comprised of government officials, civic and business leaders.

Port authorities can have a wide range of responsibility including development, marketing and operating functions. In recent years more authorities have become more creative and entrepreneurial in managing for the long range development of port assets and related business activity.

According to the American Association of Port Authorities (AAPA) "Last year, United States deep draft sea ports and seaport-related businesses generated approximately 8.4 million Americans jobs and added nearly \$2 trillion to the economy, according to a just-completed study by a Lancaster, PA.-based business consulting service that specializes in port-sector economic impact studies."¹²

Comparable: The Port of Providence

¹² "New Study Details Economic Benefits of U.S. Seaports"- News Release from the American Association of Port Authorities, August 28, 2007 page 1.

The Port of Providence, run by Provport (the Providence Port Authority), recently completed re-dredging to a depth of 40 feet and now claims the distinction of being the fastest growing commercial port in the northeast with the economic impact estimated at \$200 million per year. The Providence Journal has commented favorably on the effects of the revitalization efforts at the port. Like our ports, Providence benefits from multi-modal resources including easy access to I-95, rail on site and truck loading capability. Providence is promoting “short sea shipping” as Connecticut should be.