



**US Army Corps
of Engineers®**



DEPARTMENT OF THE ARMY

U.S. ARMY CORPS OF ENGINEERS

COMPLETE STATEMENT

OF

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OPERATIONS DIVISION
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BEFORE THE**

**WATER RESOURCES AND ENVIRONMENT SUBCOMMITTEE
AND
COAST GUARD AND MARITIME TRANSPORTATION SUBCOMMITTEE
OF THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**

UNITED STATES HOUSE OF REPRESENTATIVES

**INTERPRETATIONS OF EXISTING OWNERSHIP REQUIREMENTS FOR U.S. FLAG
DREDGES**

April 30, 2003

INTRODUCTION

Mr. Chairmen and Members of the Subcommittees, I am Barry Holliday, Chief of the Navigation and Operations Branch, Operations Division, Directorate of Civil Works for the U.S. Army Corps of Engineers. Thank you for the opportunity to testify regarding interpretations of existing ownership requirements for U.S. flagged dredges. The Corps has had a navigation mission since the Survey Act of 1824. Since that time, the Corps has established a tradition of fulfilling the vital navigation needs of the Nation through the construction and maintenance of ports and waterways across the Nation. My statement will consist of information on the importance of the Corps navigation mission, the dredging requirements to develop and maintain the navigation projects, and how the Corps uses the dredging industry to accomplish the navigation mission.

IMPORTANCE OF THE CORPS OF ENGINEERS NAVIGATION MISSION

The Corps navigation mission is committed to providing safe, reliable, efficient, and environmentally sustainable waterborne transportation systems for movement of commerce, support to the national economy and meeting national security needs. The Nation's ports and waterways are vital transportation links for domestic and international trade. Foreign trade now accounts for more than 25 percent of our Nation's Gross Domestic Product and is expected to make up an even greater share of our economy in the future.

International commerce with the United States has become increasingly important for most nations throughout the world. The U.S. has become the world's largest trading nation and is the number one market place in the world. In 1999, U.S. waterborne trade accounted for almost 20 percent of the global maritime trade. Global trade is one of the more dynamic components of the world economy. Global economic development, liberalization of trade policies and a general trend toward global integration of manufacturing industries have all fueled international trade. In 1959, foreign commerce accounted for about eight percent of the U.S. Gross Domestic Product (GDP) and by 1999 foreign trade reached about 27 percent of GDP. Since 95 percent of foreign trade is transported by water, ports and harbors, and inland waterways have become increasingly important for national economic growth.

Changing patterns of international business investment have supported the boom in world trade. Large-scale foreign investments have helped propel growth in maritime shipping. Production of manufactured goods is less integrated than in the past and more steps of the production process are occurring in many different countries. For example, a product marketed in Europe may have been assembled in the United States with component parts made in Asia. The implication for ports and the maritime industry is clear. Manufactured goods and their components must be transported internationally. The fastest and most cost effective means of doing so is with containerships. This is why U.S. container trade has historically been doubling every ten years.

Industries worldwide have been moving away from maintaining huge inventories stored in warehouses and distribution centers to just-in-time logistics. The logistics supply chain has become dependent on efficient and reliable transportation across all modes of transportation. When the slightest delay occurs from either insufficient water depth or congestion at the receiving terminal, the supply system can suffer disruptions. Disruptions can cause limited shortages, which ultimately can affect the price of goods.

Vessel demands on the U.S. port system are expected to intensify during the next two decades as the world economy expands and all nations become increasingly dependent upon global commerce. Increasing global trade means increased demand for shipping. The greatest growth areas are expected to occur in commodities typically transported in containerships. The sizes of these containerships, in depth, length and width, have grown dramatically in a very short period of time. Many of the world's leading container ports are trying to keep pace with the growth of these vessels by deepening and widening their navigation channels to depths ranging from 48 feet to 55 feet or more.

DREDGING REQUIREMENTS

Many of our Nation's waterways and harbors must be improved to remain competitive for trade. Maintenance and improvement of ports and navigation channels are achieved primarily through dredging. The Corps is responsible for dredging about 250 million cubic yards of material per year in coastal and inland harbors and channels. The dredging industry performs approximately 85% of this work each year, and all of the new construction dredging work is accomplished by the dredging industry.

With the increasing volume of cargo and increasing size and numbers of vessels transporting this cargo, the demands for reliable deep draft channels has changed the way the Corps maintains these navigation projects. Even small amounts of shoaling impact the movement of these vessels. Environmental considerations affect timely response to frequent channel maintenance and they pose a challenge the agency is committed to dealing with responsibly. Most navigation projects have limited periods of time when dredging can be performed due to such considerations as endangered and threatened sea turtles, anadromous fish spawning, shore bird nesting, and many other environmental windows. Scheduling dredging operations is a challenge. Often navigation projects must be dredged beyond the authorized depths and widths to accommodate the rapid shoaling during those periods of time when no dredging can be performed due to environmental considerations. The deepening and improvements to many of the deep draft ports has resulted in increased dredging, longer haul or pumping distances to suitable disposal sites for placement of the dredged material and no increase in the dredging window to accomplish this work. The result is a dependence on a few larger and more powerful dredges that can accomplish the work in the allotted timeframes.

THE DREDGING INDUSTRY

The private sector dredge fleet, which satisfies 85% of the dredging needs, obviously is vital to the maintenance and improvement of our Nation's ports and waterways. In procuring an industry dredge to perform dredging in a navigation project, the Corps seeks competitive bids from responsible, responsive contractors. Last year, the Corps awarded 157 dredging contracts to 39 contractors. Of these contracts, 9 new work contracts were awarded to 5 contractors. For those dredging projects to deepen or improve an existing port, often the scope of the work is such that only a few contractors have sufficient equipment to accomplish the requirements. In some cases, the work requires removal of rock that may require specialized equipment such as drill rigs and more powerful digging buckets or cutters. In some cases, the work is sufficiently complex and extensive that it warrants combinations of contractors bidding in a joint venture.

Competition is important in holding down costs and assuring that Congress, port authorities, taxpayers, the Corps and other stakeholders all receive full value for the \$600 to \$700 million the agency spends each year on dredging activities. The Corps relies on the competitiveness of the private sector dredging contractors to effectively meet dredging needs while providing reasonable costs to the Government. The amount the Corps has to pay for dredging services can increase when only one or two companies have the capability to bid on the work. Quite often, the size of the dredging project and its complexity make the work costly to perform. The potential elimination of a responsible, competitive bidder that has the capability to accomplish the work on large dredging contracts could result in higher costs to the Corps for its navigation projects. The joint record of the Corps and the industry has been excellent as we both play our appropriate roles to sustain vital links to our international markets.

CONCLUSION

In summary, Mr. Chairman and members of the Subcommittee, the Army Corps of Engineers navigation mission is committed to provide safe, reliable, efficient, and environmentally sustainable waterborne transportation systems (channels, harbors and waterways) for movement of commerce, and national security needs.

We are seeking opportunities to more efficiently and effectively improve our navigation projects to respond to the increasing vessel traffic demands and increasing vessel sizes. We are dependent upon the dredging industry to accomplish this mission. This concludes my statement. Thank you for this opportunity to discuss the Army Corps of Engineers experience and capabilities.