

Duluth Seaway Port Authority Testimony
MN Senate Transportation and Public Safety Committee Hearing
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Good afternoon Mr. Chair, Senators. Thank you for the opportunity to tell the story of the Duluth Seaway Port Authority. [Reference supplied packet of information]

The Duluth Seaway Port Authority is a State Economic Development Agency – our mission is to generate domestic and international trade, advance regional industrial development and advocate for the maritime industry. The Duluth Seaway Port Authority owns and manages multiple industrial properties and transportation infrastructure on behalf of the State of Minnesota – perhaps most notably, the Clure Public Marine Terminal – the only general cargo facility and the only public terminal in Minnesota where small to midsize businesses can access international shipping channels to export their goods. We also represent the interests of 20 private bulk cargo terminals in the Port of Duluth-Superior.

The Port of Duluth-Superior is the largest port on the Great Lakes and the 19th largest port in the United States, by tonnage. Each year, some 38 million short tons of cargo move through the Port by water. Served by four Class 1 railroads, we are an intermodal port – millions of additional tons of cargo move through the Port by road and rail. We are Minnesota’s only deep water International Port – our State’s only direct connection via water to countries in Europe, the Middle East, the Mediterranean and North Africa. It is only a two week trip from the Duluth Seaway Port Authority’s Clure Public Terminal to Europe.

What does this mean to Minnesota? The Port of Duluth-Superior gives worldwide exposure to Minnesota’s mining, manufacturing, agricultural and energy sectors. We are important to southern and western Minnesota’s farming communities as well as the mining

communities of the north. The Great Lakes-St. Lawrence Seaway provides a high-capacity, low-cost, energy efficient mode for transporting bulk commodities like iron ore, coal, limestone, salt, cement, and grain as well as heavy-lift and project cargoes for the mining, oil/gas production, construction, wind energy, pulp/paper and power generation industries. Shipping is an efficient means to move cargos long distances. At a time when land transit is struggling to keep up with demand, it is important to recognize that shipping iron ore to steel manufacturing centers in Ohio and Pennsylvania and agricultural commodities to Europe provides a partial solution to transit congestion and lessens the wear and tear on our highways.

For over a century, the Port has been one of the largest drivers of economic activity in northern Minnesota. Today the Port helps support over 11,500 jobs that generate \$1.5 Billion in business revenues to bolster the State's economy. Businesses operating in our industrial development areas directly employ more than 1,100 people in living wage jobs.

How do we operate? We have only a modest property tax levy (0.01813%) from the City of Duluth that amounts to around \$900,000 per year, and we receive some grant funds. But the majority of our operational budget is self-generated from revenue produced from our cargo handling and property leasing activities.

At the same time, we have millions upon millions of dollars worth of public infrastructure to maintain – for instance, it costs \$3,000 per lineal foot to build a dock wall and we maintain nearly 9,000 lineal feet of dock wall. We maintain over 700,000 square feet of building space – half is leased to private employers and half is available for cargo handling and warehousing. We maintain and manage a micro-City – inclusive of roads, rail, and utilities (sewer, storm sewer, streetlights, water). The Clure Public Terminal was built over 50 years ago

– much of this infrastructure, including our 9,000 feet of dock walls, has a life expectancy of 50 years.

We manage these assets in a way that produces a solid and consistent return for the tax payer. We generate roughly \$2M in annual lease revenues, and approximately \$1.5M in annual revenues from our cargo handling facilities. And yet, the infrastructure costs are immense. To supplement this revenue, we have received approximately \$20M in federal grants, primarily infrastructure-related, over the past 15 years. The Duluth Seaway Port Authority may be a public sector State agency, but we operate and hold ourselves to the standards of a private sector non-profit organization: we are here to leverage state dollars to bring in dollars from out of state, reinvesting every penny into public infrastructure.

So what do we need from you as we are paying for and maintaining the road, rail and dock infrastructure of the State's only international deep sea port? The State Port Development Assistance Program grants, administered by MnDOT, are critical to rounding out our infrastructure investments and providing the required match for the large federal grants we need to implement our infrastructure projects. This program is the final piece in our funding puzzle

For example – we are in the process of rehabilitating a dock adjacent to our Clure Public Terminal – this dock has been underutilized or vacant for over 20 years, generating little to no tax revenue or job opportunities. It lacked rail and road connections, the dock wall was crumbled and dilapidated, and the channel slip, adjacent to the dock wall, needed dredging to accommodate laden ships. The first phase of redevelopment of this dock is a \$16M dollar project - to put the dock back into productive use, link it to road and rail, and accommodate heavy-lift cargo and a larger variety of cargo types. This project will expand the capacity of the Clure Public Terminal, creating new jobs and additional opportunities to move Minnesota

commodities on the Great Lakes and Seaway. This will also be a shovel-ready development site where new private businesses can invest in Minnesota and create jobs. For this very important project, we used \$2.33M in Minnesota Ports Development Assistance funds to leverage a \$10M USDOT TIGER Grant and approximately \$3.75 M of our own Port Authority funds.

So – we are asking for your support of this important program in the form of consistent, funding at a higher level than in the recent past. And note that the American Society of Engineers has estimated that for every \$1 spent on infrastructure, there is a GDP benefit of \$2. The Minnesota Ports Development Assistance Program was funded with only about \$2M last year – these funds are shared amongst the ports of Duluth, St. Paul, Minneapolis, Red Wing and Winona. Note that we are not asking for a donation – we are asking for an investment in the State’s Port infrastructure. As I have demonstrated, the DSPA can promise to use these dollars to leverage private and public funds, economic activity, and jobs, producing a solid return for the taxpayers of Minnesota.

Thank you, Mr. Chair, Committee Members. This is your State’s Port – please come up and take a tour anytime. It is a fascinating place.