

Testimony of  
Timothy Farrell, Deputy Executive Director, Port of Tacoma

Before the Senate Subcommittee on  
Surface Transportation and Merchant Marine on  
“Securing Our Trade Routes: Possible Solutions”

July 1, 2002  
Seattle, Washington

Good afternoon Senator Wyden, Senator Murray and Senator Cantwell. My name is Tim Farrell, Deputy Executive Director for the Port of Tacoma. I appreciate the opportunity you have given me today to discuss some possible positive solutions to the challenge of securing our international trade routes from disruption by terrorism.

Let me first put my comments about maritime security into context by describing our business. Each year, the Port of Tacoma handles more than 15 million tons of cargo, amounting to more than \$22 billion in international trade – the vast majority with Asia. The Port of Tacoma moved more than 1.3 million containers across its docks in 2001 and, when combined with the Port of Seattle, Puget Sound represents the nation’s third largest intermodal gateway. More than 70 percent of the containerized imports that cross our docks are loaded onto trains and shipped to consumers throughout the Midwest and East Coast.

Additionally, the Port of Tacoma handles \$3 billion worth of trade as the Gateway to Alaska, with more than 75 percent of all consumer goods bound for Alaska transported through Tacoma on CSX and TOTE ships. All of this activity contributes to more than 100,000 family wage jobs for the citizens of Washington state.

Another important distinction Tacoma has is serving as one of the U.S. Department of Transportation Maritime Administration’s 13 national “strategic ports” – a designation based on the military support capabilities the Port of Tacoma provides to Fort Lewis.

Whether we are importing shoes from Korea, exporting Washington and Oregon agricultural products to China or supporting U.S. military load-outs from Fort Lewis, the fast and efficient flow of freight through our Port is not only a key regional concern, but also a critical national interest.

In the days since September 11<sup>th</sup>, we have been faced with the challenge of accelerating security improvements while maintaining the efficient flow of cargo. This has been one of my key responsibilities as the Port’s Deputy Executive Director. We have long recognized that, due to our key position as one of the nation’s largest container ports, security must be a top priority. To that end, the Port of Tacoma invested more than \$1 million in facility security enhancements and related security upgrades prior to the terrorist attacks in New York. This is in addition to ongoing operating expense associated with the Port’s proprietary, non-commissioned – but armed – security force of uniformed officers. In 1999, the Port installed an access control system for all facilities. A database of more than

1,500 cardholders includes members of the longshore workforce, Port employees, terminal operators and stevedore employees.

I would like to thank Congress and other governmental agencies for recognizing the federal role in port and supply chain security and their funding assistance that allows us to continue the process of security improvement. The \$4.76 million jointly awarded by the Transportation Security Administration to the Ports of Tacoma, Seattle and Everett will be used to assess our vulnerabilities and harden our facilities. The grant funding of \$92.3 million was a tremendous first step, but because seaports are, quite literally, the economic borders of our nation, we believe that more must be done. The Ports of Puget Sound, in fact, were among hundreds of ports and maritime organizations nationwide that submitted requests that totaled nearly \$700 million.

As we strengthen security at home, the next logical step is to “push back” our economic borders overseas to the point of origin. We must assess vulnerabilities and establish perimeters of security long before cargo reaches our shores. This is an objective of Operation Safe Commerce. The program is designed to develop practical alternatives to traditional security measures. As a key player in this program with the Port of Seattle, the Port of Tacoma is actively developing a solution that substantially increases the security of trans-Pacific containerized cargo, while not impeding the free flow of trade. As one of the nation’s three largest load centers, the Ports of Tacoma and Seattle are working with the Ports of Los Angeles and Long Beach and the Ports of New York and New Jersey to establish procedures and technologies to determine “best practices” in supply chain security.

The objective of Operation Safe Commerce is to secure intermodal trade corridors across the Pacific Rim. The program brings ACCOUNTABILITY for cargo security up and down the entire supply chain from the point of loading – whether it’s in China, Japan or Korea – through the Puget Sound load centers and by rail on to points of distribution, such as Chicago or New York.

Operation Safe Commerce is a progressive initiative that will be driven by both proven and emerging technologies that will:

- Ensure that containers are securely loaded at the point of product origin and provide 100 percent verification of container contents.
- Employ technology that will be placed in or on the container, continually monitoring container status throughout the voyage overseas to the point of distribution here in the United States.
- Use advanced cargo tracking technology to ensure that federal agencies, shippers, shipping lines and others know the status of a container at any point from loading to distribution.

Senators Wyden, Murray and Cantwell, we believe Operation Safe Commerce is a logical solution to a pressing security challenge. Moreover, it is a solution that will contribute to the efficient flow of trade through U.S. Ports. As you know, the security of the logistics chain is an element of national security, and we appreciate your efforts to bring federal funding to the implementation of these programs.

The major load centers of the nation are not alone in their request for federal funding to extend our economic borders to the point of origin. U.S. Customs has relied on an automated system to collect information on imports that is becoming inadequate and antiquated. We support the funding and maintaining of U.S. Customs' Automated Commercial Environment (ACE). Without this system, imported cargo clearance must be completed manually on paper. The current Automated Commercial System (ACS), to be replaced by ACE, now processes approximately \$1 trillion in imported-goods entries each year. ACS is currently operating at a capacity well beyond its design specifications. Without the ACE upgrade, the system is headed for a serious failure, especially with increasing volumes of cargo.

I would also like to take this opportunity to comment on the maritime security authorization bill (S. 1214, H.R. 3983) that originated in your committee and is currently before a House-Senate conference committee. We appreciate the willingness this Committee has shown to listen to the views of the overall port industry as expressed by the American Association of Port Authorities (AAPA). The Port of Tacoma is working with other large ports on some additional thoughts on conference issues, which we will be sharing with you soon.

One conference issue that our representatives in Washington have already discussed with you is our concern about the diversion of cargo to Canada, especially the diversion of cargo from Puget Sound ports to the Port of Vancouver, British Columbia. We are losing more and more cargo to Vancouver, due in part to federal policies like the U.S. harbor maintenance tax. We are concerned that this maritime security authorization bill might impose burdensome security regimes and fees on cargo transiting U.S. ports that are not imposed at Canadian ports. That would divert even more cargo to Canada, which would not only hurt the Ports of Puget Sound and the U.S. economy, but also undermine the security goals of this legislation.

We are especially concerned about the discussion of a security fee on waterborne cargo. Taxes and fees on cargo tend to distort trade flows by diverting cargo to ports and modes of transportation where the fee is not imposed. They also hurt the competitiveness of U.S. exports. Maritime security is a national security issue; therefore, its costs should be borne by the U.S. Treasury (As a part of the U.S. Treasury, U.S. Customs ranks among the largest revenue source for the federal government).

If a security fee is imposed in this bill, we urge you to craft it very carefully so that it does not cause cargo diversion to Canada – even for a short period. Once cargo is diverted to new routes, it may never come back.

On behalf of the Port of Tacoma and the citizens of Pierce County, I thank you for this opportunity to discuss maritime security today.