

**Testimony by
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**Before the
U.S. Senate Committee on Commerce
Subcommittee on Surface Transportation,
Merchant Marine Infrastructure, Safety, and Security**

**Hearing on
State of Maritime: A Stakeholder Perspective**

**Wednesday, April 20, 2016
253 Russell Senate Office
10:00 AM**

Chairman Fischer and Ranking Member Booker and members of the Committee, thank you for holding this important hearing. I am Mark McAndrews, the Port Director of the Port of Pascagoula and also the Chairman Elect of the American Association of Port Authorities (AAPA).

AAPA is the unified and collective voice of the seaport industry in the Americas. AAPA empowers port authorities, maritime industry partners and service providers to serve their global customers and create economic and social value for their communities. Our activities, resources and partnerships connect, inform and unify seaport leaders and maritime professionals in all segments of the industry around the western hemisphere. This testimony is on behalf of our U.S. members.

U.S. Seaports represent a vital economic engine of our national economy; responsible for over 23 million U.S. jobs and \$321 billion in federal, state and local tax revenue. U.S. deep-water ports also generate \$4.6 trillion in total economic activity, or 26 percent of the nation's economy.

First, I'd like to talk about some of the national trends through the lens of AAPA. Port congestion is a term that we have all become familiar with, however it means different things to different stakeholders, Congress, the Administration and most importantly to the communities in which ports are a part of.

Last year, the Federal Maritime Commission (FMC), under the leadership of Chairman Cordero, led a series of diverse regional roundtables on port congestion, which started the national conversation. Recently, the Administration, led by the Commerce, Labor and Transportation Departments have sought to replicate those regional roundtables in Baltimore last month and in Los Angeles last week. This Committee, last year, also attempted to examine port congestion.

These discussions have been worthwhile, but the reality is that the industry is changing rapidly. At the same time, the demands and population growth in our country are also changing---and in the middle of these massive changes are port authorities.

Business decisions made by the shipping industry, have directly impacted how ports operate and are having a rippling effect throughout our freight network.

Ships using our ports are now bigger---and getting bigger. Now ships are as long as a skyscraper and as wide as a 10-lane freeway.

In addition to larger vessels, the four largest ocean alliances move approximately 90 percent of ocean freight shipping cargo, which puts multiple company shipments on a single vessel and can include up to seven terminals when a vessel docks.

And if you are following the industry news, the makeup of these mega alliances could further change by the end of this week---this is how fast our industry is changing.

Our ports are facilitators of the supply chain. Larger ships and these mega-alliances have a cascading effect when they arrive at our ports, such as needing larger cranes to off load containers, more chassis to move the containers out and adjusting gate times to address the changing work load.

Last year, container traffic at US ports hit a record high of nearly 47.7 million containers, a 14 percent increase over the last ten years.

However, containers are only one important aspect of a much bigger picture.

Millions of tons of non-containerized cargo are shipped annually through U.S. ports – commodities such as steel, coal, iron ore, cement, grain, soybeans,

fertilizers – the raw and semi-processed inputs so vital to the functioning and health of our national economy.

Energy commodities such as petroleum and coal are the dominate commodities by weight, accounting for 54.2 percent in 2014 of the 1.4 billion short tons of foreign trade cargo handled at U.S. ports.

Additionally, in Ranking Member Nelson’s state, Florida seaports are home to the three top cruise ports in the world and have seen historic growth in cruise passengers with almost a 20 percent increase in six years - reaching more than 15 million passengers.

But rising freight volumes on all coasts and the Great Lakes, means we must upgrade our waterside and landside infrastructure in order to accommodate these larger ships and freight surges.

Some of the investments are already occurring. Earlier this month, AAPA released its Port Planned Infrastructure Investment Survey, which revealed ports and private sector partners will invest \$155 billion over the next five years. This is over triple the amount from the \$49 billion reported in the 2011 survey.

To put this into a broader perspective; over the next five years, federal investments in the freight network for **BOTH** landside and waterside could be only \$24.825 billion.

And this is a best case scenario.

While waterside funding and policy is not under this Committee’s jurisdiction, it cannot be ignored. We must take a freight system approach.

A great start has been made with the FAST Act, which provided \$11 billion of dedicated funding to freight.

We thank Senator Cantwell and this committee for their work on multimodal funding. However, of the \$11 billion, only \$500 million is multimodal eligible—and up to 10 percent of the freight formula funding.

To put multimodal needs into perspective, last year’s AAPA State of Freight survey, identified \$29 billion in port supported projects and 46 multimodal projects. We hope to see a healthy portion of the Fastlane grants and 25% of the TIGER grants be devoted to maritime related projects.

Additionally, many of these port projects have an on-dock rail component. 73 percent of our ports have on dock rail, but of these systems are out-of-date and need to be significantly enhanced and reinforced, as well as integrated with new technology to accommodate rising shipping volumes.

Long term multimodal funding is critical and we encourage you to start looking at solutions. AAPA has endorsed the concept of a 1 percent waybill fee as an equitable approach to provide immediate and long-term funding for multimodal freight infrastructure challenges. This was based on legislation, H.R. 1308 *Economy in Motion: The National Multimodal and Sustainable Freight Infrastructure Act*, introduced by Representatives Alan Lowenthal (D-CA). The FAST Act provides a great start to fund freight, but we need a more sustainable funding source to build out our multimodal freight network.

On the operational front, the federal government has a vital role to play with freight flow performance.

In order for our ports to perform efficiently CBP must be adequately funded and staffed. In 2015, the last time CBP was funded to hire additional staff only 10 of 2000 staff were assigned to seaports.

This may sound like an appropriations or Homeland Security issue, but it is a supply chain problem.

All of these issues and the gap in federal investment needs collectively contribute to port congestion. It is not a single issue and there is not a single solution.

As the port director of Pascagoula I see how these trends make an impact on people who live in my region. Our two harbors include a combination of public and private terminals handling in excess of 32 million tons of cargo through the channel annually. The Port is the largest seaport in Mississippi, and ranks nationally in the top 20 ports in foreign cargo volume.

Ports, such as port Pascagoula, are adjusting to the surge in energy commodities. Even before Congress lifted the ban on crude oil exports, Gulf Coast ports and their private sector partners were planning massive investments in energy infrastructure.

Some examples of the type of investments being made at my port and in the Gulf region are Chevron Pascagoula Refinery's \$1.4 Billion Pascagoula Base oil plant constructed in 2014 that produces 25,000 barrels per day of premium base oils.

Also, the Gulf LNG Energy, LLC, has as filed an application (with FERC) to add liquefaction and export capabilities to the Gulf LNG terminal in the Port of Pascagoula which is an \$8 Billion investment.

Finally, at the Port of Pascagoula Public Terminals we, the port and our private sector partners are developing a \$30 Million biomass export facility.

AAPA has been supportive of both USDOT's TIGER program and MARAD's Strong Ports program which is helping ports plan, finance and coordinate projects, including short sea shipping and the marine highway.

MARAD's focus on infrastructure started with the TIGER grants. Since its inception in 2009, TIGER maritime projects have received over \$500 million in federal funding while leveraging \$700 million in additional funding. The TIGER program has awarded \$1.1 billion in grant funding to 66 freight projects across the country. Other TIGER funded freight projects have also supported and enhanced the freight network that carries rail, truck and maritime cargo.

My port received a rail TIGER grant which results in the relocation of the Mississippi Export Rail Line, which winds through the cities of Moss Point and Pascagoula, to a more efficient rail route into the port. The project will also net closure of 16 rail crossings through the two cities.

But the TIGER program has been more than just a discretionary program to the port industry. It is the first program that ports are eligible and is multimodal. It also brought ports into the surface transportation fold, which meant that whether you received a TIGER grant or not you were encouraged to coordinate a project with your state and local MPO before submitting the project. It meant that ports were becoming part of the planning process and freight was beginning to get a seat at the table.

Also, the Build America Transportation Investment Center or BATIC which was codified in the FAST Act can be a tool for ports to explore ways to access private capital in public private partnership.

Finally, cybersecurity continues to be one of the top issues. Within our membership, 97% of our ports meet regularly with the Coast Guard on cybersecurity and 67% of our ports have formed a cyber security working groups with their Area Maritime Security Committee.

I appreciate this opportunity to appear before you and I am happy to answer any questions.