

Statement submitted to the Surface Transportation Policy and Revenue Commission by Guy Stephenson on behalf of the National Waterways Conference – March 19, 2007

Good afternoon. My name is Guy Stephenson and on behalf of the National Waterways Conference, thank you for the opportunity to participate in this hearing. As you know, the NWC represents a broad array of stakeholders including coastal and inland ports, carriers, waterways services, public agencies, including states, and shippers, among others. As such, it is uniquely qualified to “connect the dots” and bring together varied interests seeking solutions to goods transportation dilemmas, such as congestion. NWC sees that as part of its mission to promote common-sense navigation and water resources policies that maximize the economic and environmental value of our inland, coastal, and Great Lakes waterways.

With me today is Mr. Scott Robinson, the Port Director of the Port of Muskogee in Oklahoma and Chairman of the National Waterways Conference. Muskogee is representative of many inland ports in that it has the capacity to grow and a willingness to partner with rail, truck and waterway interests to facilitate goods movement. Our inland ports and waterways, including the Great Lakes, are a resource that is often overlooked by shippers and others in the intermodal transportation community. Not only do many offer rail and truck connections in addition to waterway connections, many are free trade zones and/or offer the ability to clear customs in a timely manner.

Inland and coastal navigation have always played a preeminent role in the history and success of the United States. One of the precipitating events for the Louisiana Purchase was the loss of the right of the citizens of the U.S. to use New Orleans as a port. Although this right of deposit, as it was called, was restored, it was a wake up call for the nation – securing the right of inland navigation to the citizens of the United States proved to be a federal responsibility.

The historian Stephen Ambrose, in his popular history of the Lewis and Clark Expedition, *Undaunted Courage*, posits that the real bicentennial was not July 4, 1776, but July 4, 2003 because it was on July 4, 1803 that Jefferson announced the Louisiana Purchase and also authorized Meriwether Lewis to create the Corps of Discovery to explore the Louisiana territory and to continue on to the Pacific Ocean. As Jefferson put it, the primary purpose was to “extend the external commerce of the U.S. and to find a water route to the Pacific.”

In the intervening 200 years the U.S. has developed a strong transportation system, through a combination of air, ground and water facilities. But we have also seen the inability of the nation to maintain that system and to anticipate and prepare for growth. It seems like most major decisions to develop and improve our infrastructure have been in response to long ignored needs, rather than the recognition that it is vastly more cost efficient to build now to meet future needs. Therefore, we welcome your efforts.

What does the future hold? It is an intermodal world with larger, much larger ships visiting fewer ports. In 1994, the largest container ships had a capacity of about 4000 teu. Ships with twice that capacity are now common, and Maersk recently announced a contract for a ship with a capacity approaching 12,000 teu. That ship is 56 meters across, 400 meters long, with a sea speed of 24 knots. These ships require navigation channels of 45 to 53 feet!

So where does that take us – to deep water ports. And the statistics bear that out. Here are some facts and figures:

In 2004 about 20 million TEU moved through the top ten ports, representing 6 geographic areas. Imports outnumbered export TEU by 2 to 1. Of that total 40% moved through LA and Long Beach;

that's over 8.6 million TEU. New York was the next largest at 16%, or 3.1 million TEU. The ports of Charleston, Savannah and Norfolk combined received about 20%. Thus, two-thirds of all container imports came through these ports alone. Imports at our top ten container ports increased almost 50% between 1999 and 2004, and our infrastructure simply failed to prepare for that increase. Using LA/Long Beach as an example, virtually every container that comes off a ship has to be moved out of the port by truck, and about 77% of all containers received in California ports are shipped out of state. We are now seeing gridlock and clean air concerns at the major deep water ports.

Moving cargo across the oceans seems to be easiest part of the process. Once these ships arrive, the next question is how to get the boxes to their ultimate destination. This also applies to bulk and break-bulk cargo. The railroads and highway systems are simply overwhelmed. This state is further complicated when one realizes that if a river system fails, neither rail nor truck have the capacity to carry the cargo. We understand you were recently furnished with a copy of an educational PowerPoint on the Waterways that explored their value to the Nation as well as areas of vulnerability, most notably the fact that over half of our locks are now beyond their 50-year design life. With each 15-barge tow on some of the mainstem rivers carrying the equivalent of 870 trucks or 2 ¼ unit trains, it is easy to envision how quickly our economy could suffer if we cannot rely on alternate modes to adequately move the cargo that is often called the building blocks of America's economy. The Upper Mississippi System, the home base for much of the 90 million tons of grain moving to overseas markets, has already lost the equivalent of one lock because of unscheduled outages.

The waterways community is proactively exploring ways to help ease transportation congestion and become a "safety valve" for the explosion of goods that are expected to reach our shores in the coming years. While container-on-barge shipping is a relatively new concept on some parts of the inland system, its use is growing. Inland ports are actively seeking avenues in which they can partner with coastal ports in creating new transportation corridors that would see goods moving from the East Coast to inland river ports where the cargo can then be transferred onto barges and continue their journey. Additionally, in anticipation of the Panama Canal expansion, inland ports are redoubling their efforts to educate themselves on the investments required for barge/rail/truck transfers as well as the needs of shippers and are working to position themselves as one of the solutions to our transportation crisis. (One of the new phrases for water transportation partners is "Think like a trucker.")

New coast-wise or short-sea shipping operations are also gaining ground. A classic example is the transfer of containers upon arrival at the Port of Houston to barges bound for the Port of Victoria. According to David Allen, Director for Energy and Environmental Resources at the University of Texas, "Water transportation is inherently more energy efficient and therefore a lot less polluting than truck traffic...Ten times the amount of energy is required to ship things overland as opposed to by barge... We can put 50 to 100 containers on a barge and therefore remove 50 to 100 trucks from the road. We did a preliminary study to look at what some of the environmental benefits might be in converting some of the truck traffic going into the Port of Houston into barge traffic going back and forth from the Port of Victoria and the Port of Houston. We did a rough calculation of what the air pollutant savings would be for not having a truck drive between Victoria and Houston. The cost we came up with is somewhere between 20 and 50 dollars for every truck going between Victoria and Houston." In addition, reducing the number of truck trips help stretch out the frequency of required highway maintenance.

While moving freight or passengers on water will not be a practical solution in some markets, there are others where it is very possible. Coastlines or river systems that parallel major interstates are examples. Point to point service that would relieve the tunnel or bridge congestion—and provide system redundancy in this post-9/11 world—would work on the Great Lakes or in major metro areas like the New York tri-state area.

We all know of the many of the challenges that face us in meeting the transportation needs of the future. The laws and regulations that apply to public works need to be streamlined. “Public works” seems to have gotten a bad name, and the meaning of “progress” lost or delayed in a maze of bureaucracy and litigation with dueling economists and biologists. By way of example, in the Pacific Northwest it has taken almost 18 years from inception through final court approval to deepen the lower Columbia River channel from 40 to 43 feet, a navigation channel that has been maintained by dredging since the late 1800s. This delay has impaired the ability of the Port of Portland to reach its full potential as a major container port. Instead, many containers destined for Portland are discharged in Puget Sound and delivered by truck or train.

Some things simply make good sense on their own terms and should be done, and environmental concerns must be governed by the rule of reason rather than driven by environmental extravagance. In fact, these regulatory and litigation delays create continuing injury to our environment, as they unreasonably delay needed improvements to our transportation systems, which in turn causes gridlock, air pollution, and unnecessary fuel consumption.

Waterborne modes of transportation have been largely overlooked in the national transportation policy debate. We believe that the Nation’s policy should encourage maximum intermodal connectivity in our infrastructure and modal neutrality in our policy. Our future policy should seek out all alternatives by asking where is the potential capacity? How much will it cost to realize that capacity? How do the environmental and social costs compare? If the answer is new lanes of highway in certain parts of the country, then let’s build them. If the answer is rail or water, then let’s put that new capacity to work. If the answer is that some incentives are warranted to be able to realize that needed capacity, then let’s talk about what short term incentives may be necessary. And, if there are some current laws or policies that inhibit the ability of ports and waterways to help relieve congestion, then they should be reviewed.

We hope that the Commission will consider the following suggestions for possible Commission recommendations:

- Call on Congress and the Administration to conduct a thorough examination of the existing and future potential of marine transportation.
- Place a priority on improving the financial incentives for new technology development, vessel design, and vessel construction. Future transportation policy should not assume that past vessel designs, equipment or practices are sufficient.
- Recommend the waiver of the Harbor Maintenance Tax as it applies to intermodal cargo in the domestic and NAFTA trades. Doing so would have a negligible effect on Federal revenue, eliminate a double taxation on imported cargo in transshipment to a second US port, and remove a disincentive for the use of water options by trucking.
- New business should be encouraged to use our inland waterways as an alternative or a supplement to rail and highway. This will pay environmental dividends, and will help relieve the enormous stress on our highways and rail systems.
- And finally, the funds necessary to build a modern and integrated multi-modal transportation system must receive more federal support. There is a present need to

remove obstructions and impediments to modern intermodal transportation such as obsolete bridges, rail tunnels, and traffic crossings, to identify and resolve intermodal interconnection nodes, and to maintain the reliability and full navigational capacity of our coastal and inland ports and waterways. Local and private resources are not solely sufficient to make these improvements in a timely fashion. As it was in Jefferson's time, this should be a federal priority.

In short, we as a nation need to renew our commitment to waterborne transportation and to develop a modern and fully integrated intermodal transportation system, rather than simply overload the existing system and hope for the best.

I can assure you that the National Waterways Conference will continue its efforts to see that our national transportation system will be ready to meet the demands of the future.

Thank you.