



WORLD SHIPPING COUNCIL
PARTNERS IN AMERICA'S TRADE

Statement of Christopher Koch

President

World Shipping Council

on

Port and Maritime Transportation Congestion

Before the

**House Transportation and Infrastructure
Committee**

**Subcommittee on Coast Guard and Maritime
Transportation and Subcommittee on Water Resources**

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I. Introduction

Good afternoon, Mr. Chairman and Members of the Committee. My name is Christopher Koch, and I am the President of the World Shipping Council. The World Shipping Council is a nonprofit trade association of over forty international ocean carriers, established to address public policy issues of interest and importance to the international liner shipping industry. We thank you for the opportunity to testify before the Committee today on the issue of port and maritime transportation congestion.

The Council's members include the leading ocean liner companies – carriers providing efficient, reliable, and low-cost ocean transportation for America's international trade. The members of the World Shipping Council are major participants in an industry that has invested over \$150 billion in the vessels, equipment, and marine terminals that are in operation today. They provide the knowledge and expertise that built, maintains, and continually expands a global

transportation network that provides seamless door-to-door delivery service for almost any commodity moving in international commerce. The Council's member lines include the full spectrum of carriers from large global lines to niche carriers, offering container, roll on-roll off, and car carrier service, as well as a broad array of logistics services.

The international liner industry directly employs over a half a million Americans, and provides total employment to over a million Americans. The annual U.S. wages paid from this employment is approximately \$39 billion – wages that are higher than the average American wage. These wages produce over \$4 billion in tax revenues for state and local governments and \$7 billion for the federal government.

II. Background

It is highly appropriate that this Committee consider the congestion pressures facing our country's port and maritime transportation infrastructure. These are real pressures that are only going to increase as trade continues to grow. At the same time, it is also important to acknowledge that these pressures arise from a great economic success story – namely, the dramatic growth of America's foreign trade.

In the last decade, America's international trade in goods grew by more than 90%. By the end of 1999, the value of America's exports and imports taken together had reached \$1.7 trillion, a level at which they accounted for nearly \$1 out of every \$5 of U.S. economic activity.

While trade has grown at these rapid rates, the success and growth of containerization in facilitating America's trade in goods has been even more impressive. America's liner cargo – including the containerized imports and exports that represent roughly two-thirds of the value of our total ocean commerce – expanded at an even faster rate than our foreign trade in goods. In the ten years from 1990 to 1999, the value of liner cargo moving in and out of the United States grew by 137 percent. That's more than double the rate of growth of America's domestic economy.

Five years ago, annual U.S. imports and exports of containerized cargo amounted to 13.4 million TEU's (twenty foot equivalent units) of cargo. Today that figure exceeds 17 million TEUs.

And that growth is continuing. The latest Maritime Administration figures show that America's liner imports and exports in January of this year were 11 percent above those for the previous year. Estimates are that cargo moving via America's international liner trades may almost double over the next decade.

Despite a record of low returns on capital, the liner industry continues to invest in the ships, equipment and systems necessary to provide an efficient, competitive transportation system for America's commerce. In order to handle the projected future doubling of the United States' international liner cargo movements, it is estimated that the liner industry will need to invest an additional \$35 billion, a figure that does not include what carriers will invest in new information technology and facilities beyond the marine terminal.

Today's international ocean transportation system provides the mechanism by which American consumers benefit from an immense array of low cost goods that they can easily obtain from all over the world. American exporters are benefiting from access to low transportation rates and a multitude of intermodal services that can move their products to virtually any point in the world on a door-to-door basis.

However, with the growth of volumes of international commerce, the pressures on the transportation infrastructure are being felt more acutely. The most important challenges to the efficient movement of America's commerce, and to reliable supply chain management are the strains, bottlenecks, and inefficiencies in the landside transportation infrastructure that interfaces with maritime transportation. We appreciate the Committee's interest in these challenges and in finding the best ways to address them.

The liner industry developed the concept of containerization, developed increasingly sophisticated equipment and systems to better serve customers' varying needs, extended its efficiencies to rail and inland service, and has constantly searched for ways to improve efficiency and the services and choices it offers to America's businesses. America's foreign commerce can and does move on a door-to-door, intermodal basis to and from virtually every place in the world.

America's importers and exporters and the ocean carriers that offer intermodal service to them, however, depend upon America's railroads, highways and ports to interface effectively with the maritime network of ships and equipment. For example, it has been estimated that the maritime leg accounts for only 30% of the total through intermodal transportation cost, with terminal and landside costs becoming increasingly significant.

Ocean carriers continue to search for and develop every efficiency they can find for liner shipping. Today, however, the most substantial prospects for improving intermodal transportation management, improving the predictability and reliability of freight shipments, and lowering costs to American consumers and companies through more efficient transportation will be found in the efforts to

- Enhance the ability of ports and marine terminals to handle increased trade volumes efficiently,

- Improve the ability of railroads to efficiently and reliably move cargo between ports and inland points,
- Improve road connections between ports and intermodal freight facilities and the National Highway System,
- Ensure that the nation's highway system can accommodate the economy's increased demand for transportation of freight
- determine what opportunities may exist for efficiently moving cargo by waterborne modes that presently moves by road or rail.

In short, there is no simple, or single solution to these challenges, nor can a single program or statute address all that needs to be considered or done. But we all have a part in finding and developing the solutions.

III. The Flow of Maritime Transportation and the Congestion Points

There are various component pieces of the maritime transportation system, and it may be useful to examine each of them separately and sequentially. Our testimony today is from the perspective of the international liner industry, and does not intend to in any way diminish different needs or perspectives that may arise from the bulk or other sectors of the maritime industry.

1) Ocean transportation

The international liner shipping industry serving America's foreign trade operates a substantial international transportation network of:

- Hundreds of ships (providing over 22,750 port calls a year in the United States at over 37 ports),
- Over 4 million containers (providing various kinds of containers to meet America's shipping needs, including 20 foot, 40 foot, 45 foot, and specialized refrigerated containers)
- Over 700,000 chassis (in the United States to facilitate the movement of containers to inland locations)
- marine terminal facilities, and

- information technology systems and innovations to better track shippers' cargo from its origin to its final destination through the various parts of the intermodal chain – even those parts that are not operated or controlled by ocean carriers.

The liner industry has developed a modern, efficient ocean shipping network, which provides ample capacity to handle normal trade flows, peak season or surge demands, and the long-term growth needs of the trade. This multi-billion investment provides the ships, the equipment, and the systems needed to move cargo efficiently. This is a successful part of the country's transportation story. There is ample ocean carrier capacity to serve the needs of America's commerce.

Furthermore, lower shipping rates in America's international liner trades have benefited consumers and businesses alike. Over the last 15 years (since 1985) export rates have fallen between 23% and 45% depending on the trade lane. Import rates have also fallen over the same time period between single digit percentages and 55% depending on the trade lane.

2) U.S. Harbors

In 2000, the United States imported and exported liner cargo worth approximately \$485 billion. Examples of the growth in trade are that the Port of Long Beach handled more than 4.4 million TEUs in 1999, a 175 percent increase over its 1990 volumes; and the Port of New York and New Jersey handled 3.1 million TEUs last year, an increase of more than 10 percent over the previous year.

As the volume of international trade has grown, more ships and bigger, more efficient ships have been deployed; however, there is not a significant ship "congestion" issue for ships calling on U.S. ports as there is with airplanes landing at U.S. airports.

There is the issue of continuing to ensure adequate dredging of U.S. ports that need dredging. In this regard, the World Shipping Council fully supports the American Association of Port Authorities' efforts to ensure that the federal government continues this important function of improving the efficiency of U.S. ports.

3) Marine Terminals

Once the ship has arrived and docked in the U.S. port, the cargo is offloaded at a marine terminal. This is an area that is feeling congestion pressures from the rapid growth of U.S. imports and exports.

One of the principal limitations in this regard is simply the availability of land. Most of our major commercial ports are located in highly developed, urban areas, and as a result face real constraints on how much land is available for use as marine terminals. More and more cargo must be handled within limited acreage. This constraint presents numerous challenges that can require terminal operators to: stack containers rather than to put them on chassis that can be picked up by a trucker and immediately drayed from the facility; limit on-dock rail facilities, which utilize substantial space; and otherwise impact operations.

It is the marine terminal that is the interface point between international maritime transportation and landside truck, rail or other waterborne transportation.

Interfacing with other waterborne transportation – such as transferring a container to another ship or barge – does not create operational difficulties because, while the container and cargo may temporarily take up space in the terminal while waiting to be transferred to another vessel, it doesn't leave the facility or get transferred to another mode of transportation. However, most liner cargo arriving in U.S. marine terminals is not transshipped onto another vessel, but enters the U.S. highway or rail system.

Interfacing efficiently with rail and truck transportation is more complicated, and reducing congestion, delay and inefficiency is a multi-faceted issue. A recent report by the Maritime Administration stated: "Over one-third of ports still experience major truck-access impediments. Rail access impediments, due to bridge clearances or distance from terminals, still affect nearly one-third of all survey respondents. Overall, one-third of all U.S. coastal ports still experience infrastructure impediments in rail (and/or) truck access."¹ Increased volumes only add to these pressures.

Congestion must be addressed not only through improvements to rail and highway infrastructure, but also through improvements in operations and use of new technology. Congestion at the marine terminal gate (and the resulting delays for truckers, shippers and others), for example, is a significant issue in busy ports today. Automation, use of the best available technologies, and improved business practices are all achievable. The testimony of the Pacific Maritime Association and the International Longshore and Warehouse Union will give the Committee a fuller perspective on the efforts to address these opportunities.

¹ Maritime Trade & Transportation '99, Bureau of Transportation Statistics, Maritime Administration, U.S. Department of Transportation, p.29.

4) Interfacing with Rail Transportation

While the majority of the freight that comes into U.S. ports moves in or out by truck, substantial volumes do move by rail to and from inland destinations. Improving rail access and service can provide important relief from congestion on the highways and at marine terminals.

Intermodal rail traffic has grown from 6.2 million trailers and containers in 1990 to 10.6 million in 1999 – more than 70 percent. One single train can take as many as 280 trucks off the highways.

The Alameda Corridor project in Southern California is an excellent example of the kind of creative opportunities, now incorporated in TEA-21, that can reduce congestion and improve the flow of commerce. The Alameda Corridor is a 20-mile railway that will carry trains from the Ports of Long Beach and Los Angeles to Southern California railheads. Once completed, the corridor will be able to accommodate up to 100 trains a day traveling at speeds of 40 miles per hour, permitting more efficient delivery of cargo from Southern California ports to cities throughout the country.

5) Interfacing with Highway Transportation

Hearings being conducted in the Subcommittee on Highways and Transit are providing sobering perspectives on worsening congestion and capacity problems on our nation's highways.

As the Committee begins its consideration of the reauthorization of the Transportation Efficiency Act for the 21st Century (TEA-21), how our national highway system should accommodate the growth of freight movements will be a key issue. While this is not directly a maritime transportation issue, it directly affects the intermodal movement of freight in international commerce, as well as freight that is transported within domestic commerce. Developing and improving programs that help address how freight concerns should be addressed in the nation's highway programs will be of benefit to all.

As the Federal Highway Administration (FHWA) has pointed out², roads that connect marine terminals and other freight facilities with the national highway system are often inadequate to meet the needs of commerce. Intermodal connectors are short highways that connect America's most important seaports, airports, rail yards and pipeline facilities to the National Highway System (NHS). Among the findings in the FHWA study are:

² "NHS Intermodal Freight Connectors. A Report to Congress", Federal Highway Administration, December 2000.

- Intermodal connectors that primarily serve freight terminals have significant deficiencies
- Connectors to seaports are in the worst condition, having twice the percentage of mileage with pavement deficiencies when compared to non-interstate NHS routes
- A general lack of awareness among state and local planners of the importance of freight/intermodal activities and thus of freight mobility projects, which therefore get a low priority in their transportation planning.

III. Conclusion

The maritime transportation system has been a remarkably successful and efficient facilitator of America's economic growth, providing competitive, low-cost, efficient service for our country's international trade. Ocean carriers continue to invest billions of dollars in additional ships, equipment, and technology to serve these trades efficiently and with ample capacity.

The issue of congestion due to these rising volumes of trade really focuses on how these volumes can most efficiently be moved from marine terminals, once they are unloaded from a ship, onto our highway and rail transportation systems for delivery to their ultimate destination. In addressing this issue, carriers, ports, labor, and other stakeholders such as trucking, railroads and America's shippers must use innovative and cooperative planning and operational innovation to reduce delays and improve the flow of freight through the transportation system.

In addition, as consideration is given to how these growing trade volumes should interface with the highway and rail systems that are also facing growing domestic freight movement, we urge the full Committee to consider how the reauthorization of TEA-21 could more effectively address the needs of freight transportation – from intermodal connector roads, to expansion of programs that support initiatives such as the Alameda Corridor Transportation Project, to increasing the awareness, importance, and eligibility of freight transportation in the development and implementation of the highway planning process.

Thank you for the opportunity to present our views.