



HOUSE COMMITTEE ON HOMELAND SECURITY

**SUBCOMMITTEE ON BORDER, MARITIME, AND GLOBAL
COUNTERTERRORISM**

**REMARKS ON SELECTED ISSUES IN SEAPORT SECURITY
ON THE FIRST ANNIVERSARY OF THE SAFE PORT ACT OF 2006**

BY

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Introduction

Madam Chairwoman Sanchez and the Honorable Members of the Subcommittee:

Thank you for this opportunity to address the U.S. House of Representatives Committee on Homeland Security, Subcommittee on Border, Maritime and Global Counterterrorism.

I am Wade Battles, Managing Director of the Port of Houston Authority.

I am pleased to present my thoughts on the one-year anniversary of the SAFE Ports Act.

Port of Houston

The Port of Houston is a collection of public and private terminals along more than 25 miles of the 53-mile-long Houston Ship Channel. The Port of Houston is the largest foreign tonnage port in the nation, second largest in total tonnage and 10th largest tonnage port in the world.

Most of its cargo is petrochemicals, with more than 150 private refineries, chemical plants and related terminals lining the Port of Houston, the port is home to the world's second largest petrochemical complex.

The Port of Houston, as a whole, is the catalyst for 785,000 statewide jobs, generating more than \$39 billion in personal income annually. Many Texans and other Americans owe their livelihoods to activity tied to the Port of Houston. In addition to jobs, the Port of Houston annually contributes to more than \$117 billion of statewide economic value. As you can see from these numbers, the Port of Houston is a large piston of the nation's economic engine.

Port of Houston Authority

The Port of Houston Authority is the local sponsor of the Houston Ship Channel and owns the public terminals of the Port of Houston. The port authority is an independent political subdivision of the State of Texas and is governed by a seven-member board appointed by local entities in Harris County. While the private sector terminals along the channel primarily handle oil, chemicals and other bulk materials; the port authority primarily handles commodities like steel and grain, project cargo, including oil exploration equipment, and its biggest growth area — containers.

The Port of Houston has a long history with containers. In 1956, the first container ship departed New Jersey and arrived in Houston to deliver 58 containers that were secured topside on a retrofitted tanker ship, the *IDEAL X*. In 1977, the port authority opened the Fentress Bracewell Barbours Cut Container Terminal. The terminal was designed to handle approximately one million twenty-foot equivalent units or TEUs. Barbours Cut handled 1.6 million TEUs last year. The Port of Houston now handles more than 73 percent of the container cargo market in the U.S. Gulf of Mexico. To keep up with the demand for container capacity, the port authority opened its

Bayport Container Terminal in February this year. The Bayport Terminal is designed to handle 2.3 million TEUs at buildout.

An interesting indicator of container capacity demand at our port: in February 2007, we opened the first phase of our Bayport facility, devoting exclusive service to one of our largest customers. We expected the move to relieve some of the pressure from an overburdened Barbours Cut terminal. However, demand is such that Barbours Cut Terminal is on pace to break last year's record for container volume.

In 2008, we will open the first of up to three cruise terminals at Bayport. The port authority was the first gulf port outside of Florida to experiment with homeport cruising. Now, several ports have followed suit after witnessing the success of our Barbours Cut cruise terminal

Comments

There is no greater responsibility to the Port of Houston Authority than the safety and security of its employees, its visitors and its neighbors. I would like to briefly address the Subcommittee today on the following topics:

1. General comments on SAFE Port Act
2. Comments pertaining specifically to TWIC
3. Port Security Grant Program and suggested modifications
4. The innovative Ship Channel Security District
5. 100 percent Scanning in Foreign Ports and the impact of reciprocity
6. C-TPAT, CSI and other aspects of the security of the international supply chain and
7. CBP Staffing

General comments on the SAFE Port Act

The SAFE Port Act of 2006 is Congress' strongest effort to secure our nation's ports. Among many provisions under the Act, we commend the attention given to improving the ability of the maritime community to respond to transportation security incidents. Particularly helpful are the requirements for area maritime security committees to include business continuity plans as part of their overall plan and the required development of protocols for post-incident resumption of trade.

The Port of Houston is familiar with resumption of trade protocols stemming from near-miss hurricanes, major storm events and fog. The Coast Guard, port authority private facilities and maritime sector along the channel have learned how to cooperatively prioritize vessel movements through practice. It is vital that ports reopen following an incident in an organized and methodical manner.

One of the strengths of the Port of Houston is its close working relationship with the local Coast Guard and Customs and Border Patrol as well as with all other agencies, federal, state and local, that have a role in security.

There is an old saying in maritime circles that says: “When you’ve seen one port, you’ve seen one port.”

There is a great deal of truth in this, and it is important that our leaders in here in Washington, D.C., who work hard to secure our maritime commerce, both lawmakers and regulators, recognize that each port is unique. The best security follows from the ability of local authorities, such as the Coast Guard Captain of the Port, to work with the port members in their district and tailor security requirements to the unique needs and configurations of each local port. Certainly, there must be national security standards, but they must not unduly tie the hands of local authorities, who have the greatest knowledge of unique local conditions and know how to best secure against their vulnerabilities without unduly impacting critical operational efficiency.

As an example of cooperation at our port, we have been working with local customs officials for several years now to install radiation portal monitors at each of our container facilities. As a result of this cooperation, the port authority is presently in full compliance with regulations requiring that all incoming containers be scanned for radiation by December 31, 2007.

The port authority has signed an agreement with our Coast Guard district, under which we are able to monitor the security cameras of the other in many areas of the Houston Ship Channel and our terminals. Additionally, we have similar camera network-sharing agreements with the City of Houston, Harris County and the Texas Department of Transportation. And, thanks to the substantial help of the Port Security Grant Program, we have a state-of-the-art Emergency Command Center at the Port of Houston Authority, in which we have access to the camera feeds from these regional government bodies. These sharing agreements, along with the emergency command centers that have been constructed in the region are now being linked by sophisticated communication systems that allow each center to be a backup for each other will assist in making the Interagency Operational Center required under the Act truly functional.

We are also working with the United States Coast Guard to amend our Facility Security Plan for one of our primary port terminals to make certain the appropriate areas are covered by the TWIC while minimizing the impact on day-to-day operations but not jeopardize port security. This is an important example, I think, of how Congress and participating agencies all recognize the importance of providing the right balance between security and operating efficiency.

I should mention that there has been concern that Facility Security Officers, Port Police Chiefs and others who take the lead in port security have found that the goal of information-sharing is often impeded by the inability to obtain necessary security clearances, particularly on the federal level, and I would ask the Committee to take up this important issue with the Department of Homeland Security and its maritime-related agencies so that those responsible for port security are not prevented from carrying out their job because they are the last to know of important threat and other security information. We have spoken with a number of ports on this matter, and although there may have been some attempts to address this issue, the concern still remains.

Transportation Worker Identification Credential (TWIC)

A major provision of the SAFE Port Act addresses the Transportation Worker Identification Credential program, commonly called “TWIC.” The Port of Houston Authority generally supports the concept of a national identification system with background checks for transportation workers and has closely monitored development of this program. In fact, I am a member of NMSAC – the National Maritime Security Advisory Council – that has studied and advised on many of the issues relating to TWIC. We have a multi-disciplinary security committee at the Port of Houston Authority that has kept abreast of developments in the TWIC program as well as all laws and regulations governing security at our facilities. We have had numerous meetings with Coast Guard officials on how we can best facilitate the rollout and implementation of the TWIC program at our port.

The TWIC program must be implemented without substantial impacts to the operations of the port. We are now working with our Captain of the Port to re-define our secure areas. Our ports have been historically created with many areas functionally and geographically separate from the cargo loading and unloading along the ship channel. The regulations wisely provide an opportunity to place these areas outside the “secure areas” of our port facilities that will require presentation of a TWIC for unescorted access. We anticipate that we will come to agreement on this issue in a manner that will allow important public non-operational functions to continue outside of the secured areas subject to TWIC compliance.

Last spring, we met with representatives of the Transportation Security Administration and its contractors on the TWIC program. We were surprised that the representatives dramatically underestimated the number of transportation workers at the Port of Houston who would require a TWIC card. Their initial estimate called for 30,000 TWIC cards to be issued in the Houston area. The port authority reviewed the TWIC needs for the Port of Houston with the West Gulf Maritime Association, the East Harris County Manufacturers Association and other groups. The study concluded that we will have approximately 350,000 potential TWIC users in the Houston area.

This information was given to the TSA, which has responsibility for enrollment in the TWIC program. However, we have not seen evidence that TSA has moved very far off of its original estimate. Nor have we seen substantial efforts yet by the TSA to notify and educate port stakeholders about TWIC.

The port authority was recently informed that TSA would only have a single permanent enrollment center for the Houston area and just four mobile centers. We were also advised by TSA that they are pushing for enrollment sufficient to allow Coast Guard to set September 25, 2008, as the enforcement commencement date. Although we certainly will continue to actively cooperate and do our part in this process, we are concerned that TSA has substantially underestimated the number of TWIC applicants who need to be enrolled in the program in order to achieve timely compliance and while keeping our ports operating efficiently.

Recently, the Department of Homeland Security selected the Port of Houston to be part of the continued rollout for the TWIC next month, November 2007. The port authority is ready to assist the TSA in setting up mobile enrollment centers and otherwise assist the TWIC enrollment process. Our main objective is to improve security through the TWIC process without substantially interfering with efficient operations at our port facilities.

Some modifications to the program that I would suggest are:

- First and foremost that our stakeholders – truck drivers, contractors, stevedores, tenants and others – all get adequate and timely notice of this program and a convenient enrollment center to go to in order to apply for a TWIC and an efficient method to receive their TWIC.
- The TSA should bring the TWIC cards, when ready, to the same mobile enrollment centers that applicants enrolled at or allow the applicant to designate the “pick-up” center in the applicant’s region, rather than forcing the applicants to go to a distant and different enrollment center to pick up their cards.
- The TSA and its contractors need to clarify the identification credentials to be accepted for TWIC enrollment. I believe a driver’s license and a port-issued ID or another second form of government issued identification should be sufficient since that is identification that is reasonable and that a port employee would possess. If a TWIC applicant does not have a passport, requiring an original birth certificate will cause significant problems. The cost and time for obtaining these forms of ID may severely hamper the timeliness and success of the TWIC enrollment program.
- The TSA needs to ensure timely delivery of TWIC cards to new employees. The maritime industry cannot have long delays in credentialing a new port worker. The TSA should work to limit the time it takes to issue a card.

Port Security Grant Program and suggested improvements

Congress has assisted ports with the funding of important security infrastructure since 9-11. The Port of Houston Authority has been successful seeking these funds based on the economic and energy significance of the port. To date, the Port of Houston Authority has been awarded \$38.6 million in Port Security Grant Program funds and Urban Area Security Initiative funding.

I would like to compliment the Department of Homeland Security on the new structure of the latest supplemental round of funding. By pushing the funding down to the Area Maritime Security Committees, the people closest to the port are deciding the priorities of port security. This is an improvement and one that I believe will benefit port security. The Houston AMSC is using the funding to first update its area security assessment. This will give us an opportunity to reevaluate our progress in port security six years after the 9-11 attacks.

Remaining funds will be allocated to projects based on the results of the area security assessment. This is a more regional approach than prior port security grants that were given directly to MTSA-regulated facilities based on criteria established in DC.

Even with the compliments, I do have several recommendations for improving the Port Security Grant Program:

First, the Port Security Grant Program should fund replacement of and upgrades to security infrastructure. As an example, CCTV cameras have about a five- to seven-year life span in the maritime environment. These cameras will need to be replaced. The PSGP does not allow for replacement funding of security infrastructure.

Additionally, the PSGP should allow for upgrading of previously funded security infrastructure as new technology is introduced to maximize the security at ports. This common sense provision will keep port security technology on the cutting edge to prevent and deter possible attacks.

Second, ports are struggling with the costs of maintenance and operation of many of these security projects. However, it would be unfair to ask the federal government to pick up all M&O costs for the life of the project. I believe that if the projects are rolled into a port's budget, it can adjust its cash flow and other priorities to accommodate the new budget item.

Some of the maintenance and operations costs should be included in grant applications for the PSGP. Currently, the only M&O costs allowed in the PSGP grants are the first year, including during construction/implementation. There is limited need for M&O before the project is completed. I would suggest a 5-year M&O program with a declining percentage each year funded by the grant. For instance:

- Year One, the Grant would cover 100percent of the M&O costs
- Year Two, the Grant would cover 80percent of the M&O costs
- Year Three, the Grant would cover 60percent of the M&O costs, etc.
- After the 5th year of the grant, the port would pick up all M&O costs.

I believe this would allow ports to fund more projects while determining the budgetary impacts of the M&O costs and adjusting accordingly.

Thirdly, under present grant procedures (e.g. Round 7A of the Port Security Grant Program that was announced in a press release on May 10, 2007), a port is given a maximum of three years in which to complete a grant project. That three-year period started on June 1, 2007 for the Port Authority and ends May 31, 2010

However, even though ports had to submit a budget and the scope with their grant applications last spring, the grant administrators in Washington, D.C. have not given approval to these budgets, and a port cannot commit to a contractor to go ahead with the project until the port receives Washington's approval of this information without risking reimbursement of the funds. In essence, the clock is ticking on our port grants, but we are unable to start on them until we get final approval. It is anticipated that the effect of this is that ports will only have approximately a

two-year window (rather than three years as intended) in which to complete their projects because of the inability of the grant administrators in Washington to cut through this review process and approve information that they have now had for some seven months.

I would recommend that the DHS trust its review of the budget and scope at the time of the award and not duplicate efforts by reviewing the same information again.

Before I move on from Port Security Grants, I would like to express our gratitude to Congress for authorizing \$400 million per year in port security grants for the coming fiscal years through 2011 in the SAFE Port Act. This is the funding level supported by the American Association of Port Authorities and its ports.

While I may have a few suggestions for improving the Port Security Grant Program, I must state that DHS has been a good partner with the Port of Houston. We look forward to working with Congress and the DHS to make changes in the program that will improve the overall safety and security of ports.

Ship Channel Security District

Several years ago, in a series of meetings with the Department of Homeland Security arranged with assistance of Congressman Gene Green, DHS officials detailed the need for a regional approach to security to reduce security risks along the Houston Ship Channel. From those meetings, a new public-private group was created that included Harris County, the Port of Houston Authority, the cities along the Channel as well as the private petrochemical, chemical and refinery facilities along the Houston Ship Channel, including members of the East Harris County Manufacturers' Association.

The public-private group, called the Port Strategic Security Council (PSSC), recognized that the best security for the region would be achieved by a system-wide, layered security approach along with the employment of modern technology and techniques of each individual facility. The PSSC, working with experts in port security, developed a list of projects, regional in focus, to systematically improve security along the Houston Ship Channel. Harris County has sponsored the PSSC's Homeland Security Department Port Security Grants utilizing \$31 million in federal grants for PSSC projects to increase maritime domain awareness, improve interoperability, provide patrol boats and reduce the risk of a terror attack.

The PSSC soon recognized that a mechanism was needed to allow the county, the private facilities, the port authority and others to equitably pay for the local share of the grants and the operation and maintenance of these new security projects. The public-private partners of the PSSC decided the best method to collect these funds could be modeled after assessments collected by state-created municipal management districts.

This year, the Texas Legislature authorized the creation of the Ship Channel Security District. The Department of Homeland Security showed an interest in the legislation as it moved through

the process. U.S. Department of Homeland Security Secretary Michael Chertoff even sent a letter to the Texas Legislature generally supporting the concept of the security district.

The district will be a public-private partnership with the board primarily made up of representatives from private industry. This board will determine the amount and methodology to assess the facilities along the Houston Ship Channel.

Let me point out that the private companies along the channel, and you would recognize their names if I listed some of them, supported legislation that would assess their businesses to pay for improved security infrastructure for the Houston Ship Channel. Instead of waiting for the government to do it, they have stepped up as good corporate citizens to meet the challenge head on. This is another in a long series of examples where federal, state, and local governments, the port authority and the private sector have come together to benefit the Port of Houston.

We have several more hurdles to clear before the district is created. Those include getting more than half of the companies in the proposed district and property owners of more than half the appraised property value of facilities in the proposed district to sign a petition asking for Harris County to create the district.

Once established, this district could be the public-private model for port security nationwide. I would invite the Subcommittee to visit Houston to see first-hand Houston's cooperative spirit in action.

Requiring 100% Container Scanning at Overseas Ports

I would like to briefly discuss the 100 percent container scanning provision in the SAFE Port Act.

First, the Port of Houston Authority joins many other U.S. ports in supporting the federal government's layered security approach and urges adequate resources be provided for federal agencies to continue to carry out and improve their security programs.

The layered, risk-based screening, scanning and inspection policy of cargo containers and the "pushing of the border overseas" to inspect cargo before it is loaded onto U.S.-bound ships has worked well for U.S. ports as well as our foreign partners.

The SAFE Port Act requires the DHS to start a pilot program to scan all containers in four selected foreign ports to more fully evaluate the effectiveness and practicality of this new technology.

I strongly believe that pilot ports are important and the information gleaned from them should be used to help craft any new system. Quick implementation of 100 percent scanning, without incorporating the lessons from the pilot projects, could be both costly and play havoc with our maritime transportation system.

Reciprocity in Scanning

This would be especially true for the Port of Houston Authority, which is one of the few U.S. container ports with balanced import and export container trade. Our strong manufacturing sector in Houston, especially in the petrochemical and machinery sectors, provides us the opportunity to ship many American-made products worldwide. There is great concern that if the US requires foreign ports to perform 100 % scanning of all containers destined for the US, foreign governments could require the same from U.S. ports through reciprocity. The Port authority does not have the space nor does CBP have the personnel to scan all export containers from the Port of Houston Authority.

I would encourage this committee to review the findings of the pilot projects and study carefully the full ramifications of 100 percent scanning in foreign ports.

C-TPAT, CSI and other aspects of the security of the International Supply Chain

The Department's existing programs, many of which were codified in the SAFE Port Act, have been models for enhancing the security of the international supply chain. In 2006, prior to passage of the Act, the Port of Houston Authority signed an Agreement with U.S. Customs and Border Patrol to become a partner with CBP in the Customs Trade – Partners Against Terrorism (CT-PAT) program.

Another successful program codified in the SAFE Port Act is the Container Security Initiative. This program identifies containers that pose a security risk before they are loaded in foreign ports. The port authority supports this program as it provides a voluntary, incentive-based layer of security and enhancement to our port security here in the United States.

Customs and Border Protection Staffing

The Port of Houston and the Houston Airport System had a significant issue a few years ago where the two entities had to share CBP officers. In the morning, the officers were at the port inspecting cargo, but in the afternoons, they were at the airports assisting in processing passengers coming from foreign countries.

This was not an acceptable use of manpower for either the airport or the seaport. Congress rightly came to the rescue by adding new positions for CBP officers over the next six years. Texas Senator Kay Bailey Hutchison even added another 275 CBP officers to the amount approved by the House. I urge you to fund these positions. We can have all of the technology and rules to protect the ports laid out in this law, but if we do not have people to man those positions, it will not do much good.

Conclusion

I appreciate the opportunity to express my thoughts on the SAFE Ports Act of 2006 on its one-year anniversary. I believe this was a good piece of legislation that can be improved with a few adjustments. I am available for any questions you may have.

Thank you.