

Testimony of REAR ADMIRAL RICHARD M. LARRABEE
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THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY
Senate Subcommittee on Surface Transportation and Merchant Marine Safety,
Security, and Infrastructure
“Keeping America Moving: Hearing to Review National Strategies for
Efficient Freight Movement”
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Good afternoon. Honorable Chairman Lautenberg and Ranking Member Smith and distinguished members of the committee, thank you for the invitation to testify before you today. I appreciate the opportunity to provide some insight into improving the efficiency of future freight movement.

My name is Richard M. Larrabee, and I am the Director of Port Commerce for the Port Authority of New York and New Jersey (the Port Authority). In this capacity, I am responsible, along with other private and public partners, for the promotion, protection, and development of the Port of New York and New Jersey, which includes facilities in Bayonne, Elizabeth, Jersey City, and Newark, New Jersey, as well as in Staten Island, and Brooklyn, New York.

The Port Authority is a bi-state agency that oversees not just seaports, but also other transportation facilities such as airports, bridges and tunnels, and a rapid transit commuter system. From this unique perspective, we have the benefit of a macro view of how different modes of transportation interrelate and work to strengthen the region while moving people and goods safely and efficiently. We also have direct expertise of the importance—and increasing cost—of modernizing and rebuilding infrastructure to ensure continued economic expansion.

With 4 percent cargo growth in 2007, the Port of New York and New Jersey outperformed many major ports throughout the country, which declined or grew less than 1 percent in the same period. We believe our continued growth is due in part to our location as a gateway to the largest and most affluent consumer market in North America, with nearly 100 million consumers within a single day’s travel. But, location and marine terminals with capacity alone would not be able to sustain the movement of 5,097,496 TEUs.

We link increased cargo movements through our port facilities to our strategic investments in port infrastructure, which have increased our port’s ability to handle future capacity – investments in dredging, rail, road, and in some cases in the terminals themselves. Since September 11, when formulating the Port Authority’s budget, our focus, first and foremost, is on security. Second is maintaining a state of good repair for our facilities. Once funding for these two items is allocated, only a small fraction of the budget remains for capital investments and new initiatives. We prioritize those projects, focusing on alleviating chokepoints along the supply chain. With this in mind, we have just embarked on a 10 year \$2 billion capital plan to continue to ensure that our facilities are able to handle the forecasted annual growth of 5-7 percent over the next 10 years.

Sustainability, ensuring that we are good stewards of the land, is also a driving factor. One of the agency's goals is to continue to move more freight from roads to rail. For each container we place on a train, we save 1.7 truck trips, reducing emissions and improving congestion on our local roads. Although approximately 80 percent of containerized cargo entering the port stays within the region, a significant and growing portion heads to points west and north. About 13 percent of the port's cargo moves by rail today, but we are investing \$600 million in on-dock rail infrastructure to increase that proportion to about 20 percent over the next decade. However, much of our investment is in jeopardy if other funding sources, public or private, are not identified to expand the freight rail system nationally.

According to the American Association of State Highway and Transportation officials (AASHTO), without sufficient investment, by 2020, only half of the forecasted growth in freight rail tonnage can be accommodated by the current freight rail system. The balance would likely shift to trucks and the highway system¹. This would have a detrimental effect on our environment, and increase congestion on roads that are shared with local residents.

We recognize that our port facilities—and the Port Authority's bridges and tunnels—are just one link in the global supply chain. The Port Authority can partner with others, but has no authority to invest infrastructure assets beyond its Port District—a 25-mile zone circumscribed around the Statue of Liberty. We are working with our tenants and local partners in state and local government to make strategic investments outside of the gates of our ports—for roads and rail and warehousing—but our efforts alone will not ensure the continued efficiency of national freight movement.

Enhancing our nation's freight system should and must be at the forefront of any discussion of transportation. It is imperative that port authorities and logistics companies have a partner in the federal government for this effort, as a local or regional approach will not suffice.

Working together, as partners, we can develop a consistent policy that the industry can rely on for funding and prioritizing projects.

The federal government is providing policy and governance leadership to meet our nation's security needs; similar policy leadership is desirable in meeting our country's growing transportation needs. The Safe, Accountable, Flexible and Efficient Transportation Equity Act-A Legacy for Users (SAFETEA-LU) took a step in this direction with the creation of the National Surface Transportation Policy and Revenue Study Commission.

To assist in the process of organizing trade and cargo flows, the federal government could map the international freight transportation system from a national perspective and propose national corridors to accommodate the anticipated freight flows.

¹ AASHTO - Freight-Rail Bottom Line report, 2003

Regional projects could be measured for their national significance—how they work with the system as a whole. Such an example can be seen in the current federal approach to deepening the channels of the nation’s navigable waters. The importance of ports, channels and inland waterways has been well established as a major means of commercial transportation and as part of national defense. Congress uses a disciplined approach to funding the maintenance and improvement of the nation's navigation system. Individual navigation channel improvements must be demonstrated to be in the Federal interest before becoming eligible for Federal funding. The *Federal Principles and Guidelines for Water and Related Land Resources Implementation Studies*, which were approved in 1983, describes the analytical and policy framework for determining the appropriate participation of the Federal government in dredging projects. “Local sponsors”, such as port authorities, propose channel-deepening projects and the US Army Corps of Engineers determines the costs and expected benefits of proposed projects as part of its determination of the Federal interest. In the past, the benefits have been almost exclusively determined by estimating the transportation cost savings that would result to the nation’s economy with the proposed improvement. Projects with a positive cost benefit analysis are eligible for consideration for Federal funding, but such projects must subsequently be authorized, and funded, by Congress. Additionally, total project costs are typically shared between the local sponsor and Federal Government. At least on the conceptual level, we believe a similar approach could be developed as an equitable framework for determining whether Federal funding should be applied to rail and other projects that could have a significant benefit to the nation.

New national investments in freight capacity will need innovative federal financing systems. A piecemeal approach has not and will not meet the needs of our nation's crumbling and stressed infrastructure. Just as airports and highways have a reliable source of funding, so must freight infrastructure. The highway trust fund and passenger facility charge (PFC) at airports have provided a reliable funding source for system investments in our nation’s roads and at airports. Seaports and their intermodal connections should have a comparable funding mechanism to provide needed systematic investments. The public benefits of these investments require some form of acknowledgement and compensations. Freight transportation system is blood circulation system of our nation's economy; we don't want congested arteries.

It is going to take time-and a great deal of funding-to maintain and enhance the freight movement system in the nation. While we are working on this, international trade and demand for freight transportation will continue to grow. The world is not waiting for us - if our system can't keep up, the Nation's economy will become less competitive and will suffer. This is a very real problem that requires a very realistic solution. I respectfully urge this committee to formulate and recommend a workable approach before we are truly overwhelmed with congestion and lose the freight mobility that is so vital to the national economy.

Thank you again for allowing me the opportunity to testify before you today.