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Federal Maritime Commission
Remarks at Transportation Research Board 92nd Annual Meeting
Freight Day, Part 2: Policy Environment for Freight
Freight Policy and the Competitiveness of the Nation's Ports
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Thank you for inviting me to speak at the Transportation Research Board's Panel on Policy Environment for Freight and for the kind introduction. First, I would like to sincerely thank the Transportation Research Board for its leadership on the subject of transportation/infrastructure; specifically, the area of marine transportation and port infrastructure. I am honored to have been asked to address you this morning and partake in a dialogue on the significance of freight policy from a maritime perspective.

Prior to my appointment to the Federal Maritime Commission, I served eight years on the Port of Long Beach Harbor Commission. As you may be aware, the Port of Long Beach, together with its neighboring port – the Port of Los Angeles, represents the largest port complex in the nation as well as the largest port complex in the Western Hemisphere. As a former Commissioner for the Port of Long Beach, I observed first-hand the vital need for 21st century port infrastructure and corresponding National Freight Policy.

This morning I will comment on the importance of port infrastructure and required nexus to a national freight policy. However, let me first present an overview of the Federal Maritime Commission. The FMC is an independent regulatory agency and responsible for regulating ocean borne transportation in the foreign commerce in the United States. My remarks today are my personal views and do not necessarily represent the views of the FMC.

The Commission continues to have an active role in cultivating a regulatory system that protects competition, commerce, and U.S. exporters and importers while minimizing government intervention and regulatory costs. Presently, the Commission's primary focus is on supporting U.S. exports and economic growth. In our role as a regulator of marine terminal operators, ocean carriers, and ocean transportation intermediaries, the FMC stands behind its mission to foster a fair, efficient, and reliable international ocean transportation system and to protect the public from unfair and deceptive practices. The Commission has a number of regulatory responsibilities, and I would like to highlight a few of them:

- Reviewing and monitoring agreements among ocean common carriers and marine terminal operators (MTOs) relating to service in the U.S. foreign ocean borne trades, to ensure that they do not cause substantial increases in transportation costs or decreases in transportation services. The Commission conducts preliminary reviews and performs ongoing oversight of such agreements and can take action to address agreement activity that does not meet the requirements of the Shipping Act, or that cause effects prohibited by the Shipping Act.

- Providing a forum for exporters, importers, and other members of the shipping public to obtain relief from ocean shipping practices or disputes that impede the flow of commerce and otherwise cause economic harm.
- Licensing ocean transportation intermediaries (OTIs) in the U.S. to protect the public from unqualified, insolvent, or dishonest companies.
- Ensuring that OTIs maintain financial responsibility to protect the shipping public from financial loss.
- Protecting the shipping public from economic harm by investigating rates, charges, classifications, and practices of common carriers, MTOs, and OTIs operating in the foreign commerce of the United States, and acting to stop unjust or unlawful practices that violate the Shipping Act.

To stay competitive in the global economy, we must address the identified freight challenges, which include: 1) a fully developed national strategic vision on freight, 2) the recognition that the public and private sectors must work together to invest in our nation's freight network, and 3) a plan to deliver freight infrastructure projects more quickly and efficiently than ever. These challenges have been previously set forth by Transportation Secretary LaHood.

In July 2012, President Obama signed the \$105 billion transportation bill, MAP-21, which affirms the Administration's commitment to freight transportation and the importance to the nation's economy. The bill established a Freight Policy Council to engage with freight/transportation leaders and requires the Department of Transportation to issue a National Freight Strategic Plan. That plan is due to be issued three years from the effective date of MAP-21, on October 1, 2015. Moreover, the President in his FY 2013 budget called for the establishment of a task force on ports to address a federal strategy for port related infrastructure. Ports are the gateway to approximately 80% of the volume of international trade. Hence, despite relatively slow progress on the required investment in our nation's maritime infrastructure, there is reason for optimism.

The topic that I would like to focus on for this panel's discussion is freight policy and the impact on the competitiveness of the nation's ports. Why focus on ports? Ports are a direct access for international trade; in fact trade begins at the ports. The nation's port system is a primary means to deliver U.S. domestic products to other foreign countries. To place in further context, the Department of Transportation predicts a 67% growth in freight between 2007 and 2040.

As the American Association of Port Authorities (AAPA) has noted, ports deliver economic prosperity, create jobs, and connect the country to the World. Some interesting facts that AAPA highlights are that seaports of the Western Hemisphere combined handle approximately 7.8 billion tons of cargo each year and generate nearly \$8.6 trillion of total economic activity, and between 2012 and 2016, U.S. seaports and their marine terminal partners plan to invest approximately \$46 billion into infrastructure projects in and around their facilities. In addition, as it relates to creating jobs, seaports support the employment of more than 13 million people in the U.S. and for every \$1 billion in manufactured goods exported through U.S. seaports, 15,000 American jobs are created. Seaports continue to serve as the gateway to domestic and international trade and handle about 2 billion tons of cargo. International trade via seaports accounts for more than 32% of the U.S. GDP,

that value is expected to increase to the equivalent of 37% by 2015 and 60% by 2030. In sum, ports are vital in furtherance of international trade and the domestic economy.

Last week, on January 8, 2013, the Port of Long Beach celebrated the groundbreaking ceremony of the Gerald Desmond Bridge Replacement Project. As a former Port of Long Beach Harbor Commissioner, I referred to this bridge as the “*Bridge to Everywhere*”. This bridge is a primary gateway for the ever important transpacific trade route, and a study confirmed that every congressional district in the mainland is a beneficiary to container traffic making use of the bridge. The bridge handles approximately 15% of all containers which enter the United States. Hence, the replacement project is certainly a case study on the shortcomings of building transportation infrastructure in the U.S. and furthers the call for a National Freight Policy identifying the critical gateways in our nation.

To give you some background, the Gerald Desmond Bridge was originally built in 1967. In the year 2000, given the changing face of the world economy or globalized world as we know it today, the Commission at the Port of Long Beach moved forward to build a replacement bridge in order to accommodate the growth of international trade through the west coast corridor. In 2002, the EIR/EIS process began, and a year later, the cost estimate to replace the bridge approximated \$650 million. In 2004, there was a redraft of the proposed EIR. In 2007, the estimated cost to replace the bridge rose to a figure of \$750 million. The EIR process was finally completed in 2010 at a cost of \$2 million, and the updated total cost of the bridge replacement is projected at \$1 billion. The construction of the new bridge is estimated to be completed in 2016.

This bridge project has national significance as part of the major pacific gateway for international trade in the U.S.; if completed on time, the project will have taken essentially sixteen years to build. In order to remain competitive, not only as a major port, but as a nation, this construction timetable is unacceptable. The need for a National Freight Policy and corresponding transportation funding is vital for our nation’s growth. On this note, I would like to again thank the Transportation Research Board for its work in highlighting the importance of transportation infrastructure and funding. In addition, I encourage all stakeholders to continue their advocacy for a 21st century infrastructure. The Gerald Desmond Bridge Replacement Project taking place at our nation’s largest port complex clearly is a case to support the Administration and Secretary LaHood’s call to address the three challenges discussed earlier. Specifically, to address the need to deliver key infrastructure projects faster and lay out an efficient and streamlined process.

At this time, let me comment further on the FMC, specifically our effort to support the Nation’s economy within our jurisdiction. The FMC reviews and monitors agreements among ocean common carriers and marine terminal operators (MTOs) relating to service in the U.S. foreign oceanborne trades, to ensure that they do not cause substantial increases in transportation costs or decreases in transportation services.

The competitiveness of our nation’s ports also rests upon an efficient transportation system, which include trucking companies, ocean transportation intermediaries, ocean carriers, marine terminal operators, shippers, and railroad companies. In order to move cargo quickly one place to another, trucks and railroads would need to have clear access to the ports. As many of you know, congestion at the ports impede the smooth cargo flow. In turn, this causes delays and increases in transportation costs. Accordingly, facilitating efficient movement of goods is essential.

Ports and MTOs have availed themselves of the authorities available to them under the Shipping Act. The Commission has focused on ports' productivity, such as agreements that cover chassis operations. Chassis agreements have been filed by vessel operators with the Commission to improve the quality and efficiency of intermodal chassis operations for the movement of intermodal containers in the United States. The U.S. is still a market where ocean carriers own and provide chassis to truckers to move cargo. There are other variations for chassis management, where equipment providers (including ocean carriers) may share in a common pool. A number of chassis pool agreements are filed with the Commission to allow efficient chassis use within various models.

Another area the FMC continues to concentrate on and affects the competitiveness of a port is PierPASS. Through the West Coast MTO Agreement, PierPASS was originally created in 2005 at the ports of Long Beach and Los Angeles to address multi-terminal issues such as congestion, security, and air quality. Under the program, all international container terminals in the two ports established new gate shifts per week with the incentive to use off-peak shifts and to cover the added cost through a traffic mitigation fee collected from peak cargo movement.

The Commission has closely monitored this agreement filing and how it affects all relevant stakeholders in the industry. In the fall of 2011, I held an open discussion forum at the Port of Long Beach to address stakeholder concerns and explore avenues to improve and enhance transparency, efficiency, and support for the goal of reducing congestion, enhance security, and improve the local air quality. I believe that all stakeholders that I have met and discussed these issues with recognize that without a goal to further a smooth operating system, it will affect the largest port complex in the U.S.

It has been recognized that the potential for the volume of international trade through our ports will double in volume by 2020, and our nation will be put to the test in its preparation for stepping up to provide infrastructure to accommodate an increase in freight movement.

As mentioned earlier, ocean transportation intermediaries are also a part of the logistics chain. The Commission licenses and regulates OTIs, which include ocean freight forwarders and non-vessel-operating common carriers (NVOCCs). At the end of the fiscal year 2012, there were 1,030 OFFs, 1,759 U.S. NVOCCs, 1,807 joint NVOCC/OFFs, and 70 foreign NVOCCs that held active OTI licenses. The Commission is currently reviewing its OTI regulations to ensure that a credible licensing process is in place. This will assist smooth cargo movement in trade through the ports as the appropriate companies are licensed.

The Commission continues to assist the flow of cargo through the ports in a variety of ways. The Commission provides services to assist parties in resolving shipping disputes. The services are designed to avoid the expense and delay inherent in litigation, and to facilitate the flow of U.S. ocean commerce.

The Commission is active in many areas as partners in the promotion of U.S. exports and economic growth. We have conducted fact findings, specifically, FMC Commissioner Dye's Fact Finding 26, which addressed U.S. export and import capacity and equipment issues, and have partnered with other agencies to share information. In addition, we also provide our expertise in the trade to members of Congress as they craft policies that affect the maritime sector. An example is the study released by the FMC this past summer referred to as the "*Study of U.S. Inland*

Containerized Cargo Moving through Canada and Mexican Ports,” which included an analysis of the impacts of the U.S. Harbor Maintenance Tax.

As my discussion today highlighted the competitiveness of the Nation’s ports, you can see, there are a number of pieces that affect ports. Ports have a number of areas to continue to work on, whether it is dredging projects, improvements to the ports to accommodate vessel sizes or furtherance of sustainable development to include application of renewable energy.

Lastly, I am very appreciative of the opportunity to address you here and thank you for your time and interest in this area of discussion. I would be happy to answer any questions that you have at this time.