

Statement of Gary P. LaGrange

On Behalf of the
Port of New Orleans

Testimony before the Committee on Commerce, Science & Transportation
United States Senate

Revitalizing the Economy of South Louisiana:
Empowering the Region for Recovery and Growth

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My name is Gary P. LaGrange, President and Chief Executive Officer of the Port of New Orleans and immediate past Chairman of the American Association of Port Authorities (AAPA). I am grateful for the opportunity to appear before you today to discuss the future of New Orleans as a major port and transportation hub for our Nation.

Within a one-month span, Hurricanes Katrina and Rita have impacted over twenty AAPA-member ports and many other private and public ports in the Gulf of Mexico region. The impact of these hurricanes has varied, with the largest impact on the ports of Louisiana, Texas, Alabama and Mississippi. For several ports, including New Orleans, the impact has been considerable; some port facilities may need to be relocated, and it will take months if not years to fully recover. Concerning the Port of New Orleans, that recovery process is underway – the Port is now operational up to 40 percent of its full pre-Katrina capacity.

Though I am here to specifically address issues and opportunities at the Port of New Orleans, I would like to note that the Port is working closely in a coordinately manner with interested stakeholders to convey a united vision for the restoration of coastal Louisiana. To that end, the Port strongly shares the view that the future of Louisiana is absolutely dependent upon the proper and immediate execution of a coordinated program that enhances navigation, coastal restoration, and flood protection measures.

Value of Maritime Trade to This Nation

The business and economic health of this Nation is heavily dependent on maritime trade. America's ports are our gateways to the world and a critical component in the Nation's economic health and national defense. When ports are impacted, there is a quick and sizable ripple effect throughout the economy. U.S. ports and waterways handle over 2 billion tons of cargo annually. Much of that commerce flows through the impacted ports in Louisiana, Texas, Alabama and Mississippi. These ports are heavily linked to this Nation's

petroleum, grain and farm products, fruit, poultry, coffee, chemical and steel trades. Through its critical location on the inland waterways system, the Port of New Orleans alone serves as the focal point for waterborne transportation of cargo to 28 states. That cargo activity supported \$37 billion in economic benefits to the country and generated \$2.8 billion in federal tax revenue.

In the post-Katrina environment, examples of affected cargo activity include the following:

- Agricultural products from 17 Midwestern states flow through the Mississippi River. Over half of the grain exports for this Nation depart from ports impacted by Katrina. Oil, agriculture and chemicals rely heavily on the infrastructure provided in these port areas.
- Gulf ports serve as one of the Nation's largest gateways for poultry exports, and the inability to handle frozen poultry products through unique dockside facilities would affect the industry worldwide. Estimates for the Port of New Orleans show that relying on less efficient means to transport these products would increase costs by \$7-to-\$8/ton, thus making U.S. poultry products extremely noncompetitive in the international marketplace.
- Steel is another critical commodity handled by the Port of New Orleans. The cost of diverting steel imports from New Orleans would increase the cost of such products by an estimated \$80-to-\$90/metric ton because of reduced access to inland barge and rail transportation systems and associated delay costs.
- Disruptions in the delivery of natural rubber products through the Port of New Orleans are creating raw material distribution and supply problems for tire manufacturing facilities in the U.S.
- Passenger cruise operations are also an important economic component at many U.S. ports, including the Port of New Orleans. Prior to Katrina, the Port of New Orleans was the fastest growing cruise port in the world. Cruises provide significant tourist trade, jobs and income for New Orleans and the region, and the rebound of passenger cruise operations will depend heavily on the ability of New Orleans to rebuild.

Should Port of New Orleans services not be completely restored, any rerouting of traditional port cargoes would increase related supply chain costs, including those associated with trucking and rail services, barging, distribution and warehousing, and ocean freight.

Importance of Federal Assistance

Catastrophic events, whether natural or man-made, can greatly impact maritime trade. Hurricanes are especially dangerous and are the most frequent threat since ports are located in affected coastal areas. Ports also are impacted by other disasters, such as earthquakes and terrorist events. The impact on New Orleans from Hurricanes Katrina and Rita has been considerable. There are several key actions that are important to the port's recovery: quickly reopening and maintaining shipping channels; restoring communications, electrical power and other utility services; obtaining a readily available workforce; and repairing facilities and intermodal connections (reliable truck and rail services).

Concerning Federal assistance provided to the Port of New Orleans, the Maritime Administration (MarAd) is to be especially commended for its efforts. The agency took the historic step of diverting military ready reserve ships to help ports quickly reopen. MarAd provided a vessel in New Orleans for use as housing for Port workers. The vessel also had cranes for recovery and cargo operations and provided the ability to generate power for the Port.

Several other federal agencies stepped in quickly to help out affected ports, and were critical to the ports' ability to reopen quickly. The Coast Guard, the Army Corps of Engineers, and the National Oceanic and Atmospheric Administration should especially be commended for their vital and timely assistance provided to ports by surveying channels, identifying any obstructions, reinstalling aids to navigation, and providing emergency dredging. These agencies worked quickly and cooperatively to reopen the shipping channels.

FEMA has also been an important partner. It has directed many of the federal recovery activities for the Port and is helping to facilitate rebuilding activities.

Future of New Orleans as a Transportation Center

It is clear that the Port of New Orleans serves as one of the Nation's key intermodal gateways for domestic and international trade. The very geographic proximity of the Port to the Gulf of Mexico and the mouth of the Mississippi River makes it the ideal and central location for the inbound and outbound shipment of cargo. As a key transportation focal point on the Mississippi River, the Port of New Orleans serves as the primary hub for the shipment of cargo on the Nation's inland waterways system. Given the regional access to major road systems, including Interstates I-10, I-55 and I-59, the Port is perfectly situated to facilitate the highway transport of goods flowing through the New Orleans port region. Finally, the Port of New Orleans provides immediate rail access for six major national railroads, namely Union Pacific, Burlington Northern/Santa Fe, Kansas City Southern, Norfolk Southern, Canadian National, and CSX. No port in the Nation is more ideally located for the intermodal inbound and outbound movement of domestic and international cargo by oceangoing vessels, trucks, railroads, or barges. That is why the Port of New Orleans is so vital to the business and economic health of the region and our Nation. The operations of

the Port must be fully restored in order to continue to reap the trade and other vital economic benefits that accrue from such operations.

Katrina Impact and Recovery

Hurricane Katrina completely shut down the Port of New Orleans. The Port is only now beginning to restore full electricity, water, sewage and other services, and its terminals and facilities were severely damaged by both storms and subsequent flooding. The total closure of the Port not only affected the economy of Southeast Louisiana, but also the entire Nation. In 2004 alone, more than 380,000 jobs in the U.S. were dependent on the cargo activity at the Port.

In the immediate aftermath of Hurricane Katrina and Rita, the Port of New Orleans has been working non-stop to restore its facilities and services. As noted above, the Port is currently operating at only 40 percent of its pre-Katrina level. The Port of New Orleans is still struggling with a limited workforce and the ability to move the cargo in and out of the Port. Damaged terminal, warehouse and other Port facilities need to be repaired and/or replaced. Mississippi and some Texas ports face similar problems. Intermodal connections, such as truck and train, are still a challenge. Highways and rail tracks need to be repaired and/or rebuilt, and workers need basic housing in order to continue any long-term employment. The recovery of the Port of New Orleans is tied to the problems of restoring the entire city. Without adequate infrastructure for longer term housing and family needs, workers will not be able to return. Cruises will wait to return until hotels and tourist attractions are restored.

The Port is a major economic engine for New Orleans and the region. Quickly restoring the Port to full operation will help return economic vibrancy to the area. The Port will also be a critical part of rebuilding the city. It can provide a means of bringing in the materials needed for the major repair and reconstruction efforts.

Based upon post-Katrina engineering and other studies, the Port of New Orleans estimates that funding of approximately \$275,000,000 for unrecoverable damages will be required to rehabilitate Port facilities damaged or affected by Hurricanes Katrina and Rita. Other ports in Louisiana, Alabama, Texas and Mississippi also will incur costs to repair facilities. If the Port returns to full operation, the New Orleans region will soon follow. With repaired port and intermodal infrastructure and a return of the workforce, the Port will be a major factor in the business and economic revitalization so desperately required for the Gulf Coast region and our Nation.

Conclusion

I thank you again for the opportunity to address this Committee today. I look forward to working with you and your fellow Committee members on the recovery of the Port of New Orleans and other affected Gulf Coast ports.