Testimony of Mark McAndrews
Port Director, Port of Pascagoula
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Driving the Road to Recovery: Rebuilding America's Transportation Infrastructure.
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Good morning Chair Cantwell, Ranking Member Wicker, and members of the Committee.

My name is Mark McAndrews, and I am the Port Director at the Port of Pascagoula in Mississippi as well as a previous Chair of the American Association of Port Authorities (AAPA). I would like to thank the Senate Commerce Committee for working to ensure that our infrastructure system, and in particular our freight, intermodal, and maritime infrastructure, is once again the pride of our nation.

This Committee's recognition of the important role played by ports and by those throughout the freight supply chains has been critical to ensuring investment in our multimodal transportation system, and I appreciate the opportunity to be here today to discuss importance of infrastructure investment for regional and national freight movements, the particular infrastructure needs of ports, and how to rebuild our infrastructure to help drive the economic recovery from the ongoing COVID-19 pandemic.

SEAPORTS ARE VITAL TO THE U.S.

Port authorities exist to create and support economic activity by building transportation infrastructure and managing operations at our facilities. U.S. seaports represent a vital economic engine of our national economy. In the National Economic Impact of the U.S. Coastal Port System, Martin Associates of Lancaster, PA, stated that America's seaports influence nearly 31 million U.S. jobs and generate $378 billion in federal, state, and local tax revenue. This report found that nearly 26 percent of the nation's economy is created by cargo activities in our deepwater ports, producing $5.4 trillion in total economic activity.

Our nation's seaports deliver vital goods to consumers, facilitate the export of American-made goods, create jobs, and support local and national economic growth. The economic impacts of a port carry far beyond our own geographic regions because ports are not simply local assets in urban centers. Our port system is a fundamental foundation of the U.S. economy, supporting every region of the country – moving automobiles from the Midwest, agricultural commodities from the Heartland, airplanes from the Pacific Northwest, and more, from each and every corner of our nation, to markets abroad.

In fact, the American Association of Port Authorities has joined with Farmers for Free Trade to call for the removal of tariffs that hurt American exporters. Polling shows heartland Americans agree that investing in trade infrastructure to move their goods abroad is a top priority.

Ports also play a crucial role in our national defense – a point acknowledged through the designation of 17 of our nation's ports as "strategic seaports" by the Department of Defense.

Investing in our port infrastructure and intermodal freight system pays dividends. Although ports have seen significant impacts over the past year, to remain competitive in the global economy we must protect and expand federal intermodal and port infrastructure investments and remove limitations on freight infrastructure investment. Doing so would help ensure sustained investment is made in our intermodal and freight systems.

COVID 19 Impacts on Ports Business

Like nearly all aspects of life, ports have endured significant impacts over the past year.

Since the beginning of the COVID-19 pandemic, our port has worked with AAPA and other ports to monitor the impact of the pandemic, to communicate regarding the need for federal relief and recovery, and to share best practices with one another as we all manage through this ongoing crisis. On this point I would highlight how impressive the collaboration within the industry has been; typically, the fiercest of competitors – ports have set aside market share aims in favor of keeping port workers safe and healthy, and moving critical goods, including personal protective equipment and other medical supplies, to the frontlines of the COVID-19 pandemic, as well as to consumers like you and me.

Ports, working with marine terminal operators and others operating within port footprints, have put in place protocols to maintain the health, safety, and well-being of our employees and all involved in the movement of goods and cargo throughout our facilities. AAPA has worked with port members to establish recommended COVID-19 protocols and best practices for the port industry. The maritime industry has not had sector-wide issues in terms of outbreaks, and we continue to voluntarily follow public health guidelines.

The COVID-19 pandemic caused 2020 to be one of the most erratic and volatile years in terms of cargo volumes. Early in the year, China's efforts to stem the pandemic shuttered factories, which led to cancelled sailings. Coupled with a drop in consumer spending in the United States as shutdowns were implemented to stop the spread of the COVID-19 virus, ports experienced significant drops in volumes across the industry throughout the first half of 2020. By the end of the year commercial cargo volumes had declined across the industry – with total waterborne trade volume down 4.8% compared to the prior year, while the value of trade dropped by 11.3% totaling nearly $200 billion.

In the spring, the U.S. economy seemed headed for an historic collapse. Millions of people lost their jobs. Then, the second half of the year saw a rebound for many in the maritime industry, and these surges in cargo have let to challenges – from container shortages for the United States export market, to issues of chassis availability. But despite these challenges and others, goods and cargo have continued to move through our ports. We surely could not have accomplished this without the hard work and dedication of our frontline port employees and dockworkers. In this process though, many workers have taken ill and some have passed away. The maritime industry has lost many to the COVID-19 pandemic.

At the Port of Pascagoula, our major commodities at the public docks are lumber, steel, forest products, and agricultural products, and our export partners for these are largely in the

Caribbean, Central America, and South America. The price of lumber has nearly tripled through the course of the pandemic and tonnage has declined significantly. Domestic demand is high due to an active hurricane season and an upsurge in new home construction in the U.S.

While many experienced surges in cargo in the second half of the year, others saw little recovery in revenue. What's clear is that each port has been impacted differently. While there were encouraging signs at the end of the year for some of those ailing, the outlook for the coming year remains uncertain.

I commend the Chair and Ranking Member for working to ensure that the Maritime Transportation System Emergency Relief Program became law at the beginning of this year as part of the National Defense Authorization Act. While not yet funded, this new program gives the Maritime Administration (MARAD) the tools necessary to help ports respond to and recover from natural disasters and other emergencies, including the COVID-19 pandemic. Our port lies along the Gulf Coast and has been impacted by hurricanes in the past, and I believe that this new program will prove to be critical in the future as the Port of Pascagoula and others respond to extreme weather and other emergencies that may occur.

OUR PORT SYSTEM'S INFRASTRUCTURE CHALLENGES

While critical to our national economy, our ports and our maritime transportation system do not always receive the attention they deserve as a main link in our nation's supply chains. I appreciate the attention that has been paid to ports and the needs of our intermodal freight system by this Committee and believe that my being invited to speak today at this hearing is the type of highlight necessary to bring about a greater understanding of the needs of our ports.

Ports facilitate trade and the movement of cargo throughout the supply chain. Ports of course move containerized cargo, but containers are only one important piece of a bigger picture. Millions of tons of non-containerized cargo are shipped annually through U.S. ports – commodities such as steel, coal, iron ore, cement, grain, soybeans, fertilizers – the raw and semi-processed inputs so vital to the functioning and health of our national economy.

Energy commodities such as petroleum and coal are the dominant commodities moved through ports by weight. At the Port of Pascagoula, over 27 million tons of crude oil is received, refined, and shipped out from Chevron's Refinery in our East Harbor. These commodities play a significant role in cargo movement at many Gulf Coast ports, and over the years significant investment has been made in energy infrastructure. Ports and our terminal partners expect to continue to make significant investments in the future.

Presently, the Port of Pascagoula has several major projects in progress: The Gulf LNG terminal in the Port of Pascagoula is planning to add liquefaction and export capabilities to their import terminal. This is an $8 billion investment.

We also have a $60 million biomass export facility underway in our Bayou Casotte Harbor. This venture is a public/private partnership which is scheduled to be completed and functioning before year end 2021. Vessel traffic will increase by approximately 30% in the Port when the terminal becomes operational. Of course, this project would not be viable without the $40 million Bayou Casotte Channel Improvement Project, currently in the final phase for approval of assumption of maintenance by the U.S. government.

Prior to the outbreak of the pandemic, in information collected as part of the Port Planned Infrastructure Investment Survey, American Association of Port Authorities members and port property tenants projected that they would invest $163.1 billion in port-related infrastructure by 2025. These investments are in marine terminals, berths, piers, roads, yard equipment, storage facilities, security, rail links, environmental controls, shipping channels, and more. However, as ports and port tenants have faced the challenges of the pandemic, and the resulting changes wrought by shifting supply chains, some ports have indicated that these investments would be delayed.

To take advantage of the billions of dollars being invested by ports and port tenants, we must ensure federal investments like that in the Bayou Casotte Channel Improvement Project are being made, and that we are adequately investing in our nation's intermodal infrastructure and in first and last mile connections to ports.

The American Society of Civil Engineers (ASCE) gave ports a grade of B- in their 2020 Infrastructure Report Card. While this grade represents an increase over the C+ earned by ports in the 2017 Report Card, due in large part to the creation of the Port Infrastructure Development Program (PIDP), investment in ports through discretionary grant programs, and recent changes to ensure that Harbor Maintenance Tax receipts are invested in harbor and channel maintenance, the ASCE notes that there remains a significant need to invest in intermodal infrastructure and that this type of infrastructure has been historically underfunded.

Building a modern port system requires that we address the system's current deficiencies. This challenge is significant, and additional federal investment and focus will be necessary to be successful in modernizing this sector.

But it isn't enough to simply maintain our current port infrastructure and ensure a state of good repair – we must also expand our port system's ability to handle more cargo. This need has been made clear recently as our nation has struggled with cargo congestion. Freight volumes are projected to increase in coming years with the Department of Transportation predicting freight to double by 2045. Addressing this need will require steady investment, as many seaport terminals require restoration and modernization.

As a key component of global freight networks, ports must also manage the impacts of business decisions made by the shipping industry that have directly impacted how ports operate. These decisions impact the whole of our freight network. Ships using our ports are larger than ever before – as long as a skyscraper and as wide as a freeway. Accommodating these newer, larger ships requires major investment at ports, including deeper berths and deeper navigation channels; larger cranes and stronger docks to support them; electrical grid upgrades; new, high-efficiency cargo-handling equipment; and improvements to container yards and intermodal facilities to handle the flow of cargo coming from these ships.

In order to leverage the billions of dollars of investment being made inside the gate at port facilities, by public port authorities and by port tenants, the road and rail infrastructure that connects ports to the rest of the national freight system we must likewise invest in this infrastructure to accommodate the efficient movement of cargo.

To put multimodal needs into perspective, in the American Association of Port Authorities' State of Freight III survey, AAPA port members identified more than $20 billion in projected multimodal port and rail access needs.

Additionally, many of these port projects have an on-dock rail component. 73 percent of our ports have on dock rail, but many of these systems are out-of-date and need to be significantly enhanced and reinforced, as well as integrated with new technology to accommodate rising shipping volumes.

With the creation of two funding programs; INFRA discretionary grants and National Highway Freight Program formula funding, the Fixing America's Surface Transportation (FAST) Act has proven a great start to investing in our nation's freight system. The bill dedicated a total of $11 billion for freight funding over five years. However, of that total, only $1.13 billion is multimodal-eligible, far below what is needed to build out a 21st-century multimodal freight network.

The immediate challenges confronting the freight programs are funding levels and project eligibility. The current freight programs are funded out of the Highway Trust Fund, which means that eligible projects are primarily highway focused. Highways are essential to our freight network, but ports are multimodal facilitators, involving trains, trucks, and ships, all of which need access to these funds. One could argue that as our supply chains becomes more sophisticated, and as consumers continue to shift to e-commerce resulting in the use of more inland distribution centers, demand for multimodal funding will increase.

It is also important to note that the port business is competitive. This is particularly true for discretionary cargo – that cargo bound for inland regions that can be shipped through any number of ports. Our international neighbors to both the north and south have recognized the importance of investing in their ports and in their intermodal infrastructure. Canada's national gateway initiative includes a strategy to serve America's heartland and Mexico's Interoceanic Corridor seeks to provide an alternative to the Panama Canal.

These investments have already begun to bleed discretionary cargo from ports in the Pacific Northwest. Should the United States not make port and intermodal investment a priority, we could see this pattern intensify in coming years.

HOW CAN THE FEDERAL GOVERNMENT HELP

In the U.S. Committee on the Maritime Transportation System's (CMS) Economic Analysis of Spending on Maritime Transportation System Infrastructure, CMS notes that "new funding [for investment in our maritime transportation infrastructure] will help the United States catch up from a well-documented backlog of deferred infrastructure projects that have accumulated, including maintenance, repair, and new capacity" and that "greater infrastructure investment will help sustain economic growth and resiliency." Essentially, this report is advising that by investing in our nation's maritime transportation system and intermodal infrastructure we can Build Back Better.

The FAST Act has laid out the programmatic framework for a 21st-century multimodal freight network, with the Port Infrastructure Development Program and Marine Highway Programs likewise providing the framework for inside the gate investments. However, to fully leverage the success of the FAST Act's freight provisions, the next reauthorization bill will need to address increasing funding levels while identifying a multimodal funding source.

As the Committee considers a surface transportation reauthorization or other transportation proposals, I offer the following recommendations:

1. **Increase funding for the Port Infrastructure Development Program / Port and Intermodal Improvement Program**

   We at the Port of Pascagoula and those throughout the U.S. port community were encouraged by the creation of the Port Infrastructure Development Program, now codified as the Port and Intermodal Improvement Program. I would like to thank Chair Cantwell and Ranking Member Wicker for your efforts to see this program authorized and to see the authorized level of funding raised to $750 million. For Fiscal Year 2021, $230 million has been authorized for the program, despite the program being oversubscribed by nearly 4-to-1 last year, under the $225 million appropriation. These appropriations levels are significant, and this funding helps ports leverage federal dollars to make critically needed infrastructure investments. However, if we hope to keep our ports competitive, we must increase the level of funding provided to this program.

   Additionally, while PIDP dollars can and should be used to improve the movement of goods into, out of, and around ports, I encourage the Committee and the Department of Transportation to explore how to use this program to also invest in freight intelligent transportation systems, digital infrastructure systems, environmental mitigation measures, and operational improvements directly related to enhancing the efficiency of ports and intermodal connections to ports.

2. **Increase funding for the FAST Act's INFRA and freight formula programs**

   U.S. ports view the INFRA and freight formula funding programs created in the FAST Act as another step towards adequate investment in our nation's multimodal freight system. However, as noted earlier in my testimony, funding levels for these programs are not sufficient to meet the needs of our gateways and trade corridors and limits are put on these funds being invested in intermodal infrastructure. The INFRA program is oversubscribed, and state planning efforts required by the FAST Act have demonstrated that the freight formula program also is underfunded. Now on a year-long extension, with the FAST Act expiring later this year, this Committee has the opportunity to expand funding for these programs, while ensuring that the INFRA program remains focused on freight movement.

3. **Remove multimodal funding caps on the INFRA and freight formula programs**

   As the Committee knows, our freight system is multimodal and federal freight programs must reflect that reality if they hope to be effective. FAST Act funding programs currently cap the amount of funding that can go to non-road projects. INFRA intermodal funding was capped at $500 million over the original five-year FAST Act authorization, while intermodal dollars were capped at 10 percent of freight formula funds. These limitations must be removed to allow our nation to modernize our seaports and the first and last mile infrastructure that connects ports to the rest of the freight system and would allow for much needed flexibility to invest in critical, shovel worthy, multimodal freight projects.

   Both the House and Senate found it appropriate to raise these caps in surface transportation reauthorization proposals released and considered during the 116th Congress. However, all freight program funding should be 100 percent multimodal. A first step in accomplishing this would be to lift the multimodal cap on the INFRA grants and the formula program.

Conclusion

To close, I appreciate the opportunity to share my thoughts on infrastructure investment, how best to facilitate the movement of freight, and the infrastructure needs of our nation’s ports. Without enhanced and sustained investment in port and freight infrastructure, we risk falling behind the competition, and risk our nation’s trade infrastructure limiting our ability to compete economically on a global scale. Ports are our nation’s trade gateways, and it is critical that we make the investments necessary to remain an economic superpower.

I appreciate the Committee’s continued leadership and the ongoing commitment of Chair Cantwell and Ranking Member Wicker to highlight freight and the movement of goods by water as issues critical to our nation’s economic growth. The American Association of Port Authorities and I look forward to working with the Committee as you consider FAST Act reauthorization and search for the most effective ways to invest in freight and intermodal infrastructure.

Thank you, and I look forward to your questions.

Mark McAndrews