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Testimony of

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On Behalf of

The American Trucking Associations

Hearing on

Expanding the Panama Canal: What Does It Mean for American Freight and Infrastructure?

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ATA
AMERICAN TRUCKING ASSOCIATIONS
Driving Trucking's Success

Chairman Rockefeller, Ranking Member Thune, and Members of the Committee, thank you for the opportunity to testify before you today on behalf of the American Trucking Associations (ATA). ATA is the national association representing the trucking industry. Through its affiliated state trucking associations, affiliated conferences and other organizations, ATA represents more than 34,000 trucking companies throughout the United States.

My name is Phil Byrd, and I am the President and Chief Executive Officer of Bulldog Hiway Express headquartered in Charleston, South Carolina. I also serve as ATA's First Vice Chairman. Bulldog was founded in 1959. We began with one 1954 Chevrolet truck with a twelve foot van body. Today, the company consists of several hundred company-owned power units and approximately 500 trailers, including flatbeds, vans, and intermodal chassis. Our participation in international freight container transportation started early in our history - we moved the first container to come off a vessel in the Port of Charleston. Bulldog Hiway Express is now the largest single carrier in the area.

Since plans to widen the Panama Canal were approved six years ago, freight forecasters, logistics experts, transportation sector consultants, container freight stakeholders and government officials have undertaken numerous research projects and had many discussions regarding the widened canal's impacts on world container trade. Early predictions routinely estimated that East Coast and Gulf Coast ports would see double digit increases in volume. In part, the projected growth was predicated on the diversion of mini-bridge traffic from West Coast ports due to larger container vessels that will make all water transport to the East and Gulf Coasts more attractive. Over time, however, the projected double-digit increases have moderated to single digits, and potential West Coast diversion impacts have become less certain.

The Panama Canal expansion, expected to be completed in 2015, will double the capacity of the canal by increasing throughput and allowing much bigger ships (13,000 standard 20 foot containers, or TEUs) to pass through the locks than the currently sized 5,000 or less TEU vessels. Port investments and port and intermodal traffic planning and marketing are proceeding at a fever pace, with most port locations claiming they will be ready when the Panama Canal expansion is completed. Indeed, we are not aware of any East Coast/Gulf Coast port facility that has concluded it will not benefit from the expansion if it acts to upgrade its port infrastructure. And while there has been some speculation about diversion of freight from West Coast ports, they too project container freight volume increases.

Depending upon which studies are referenced, on the East Coast, the ports of Baltimore and the Norfolk-Port of Virginia already have the requisite harbour channel depth (50 feet) necessary to handle the new ships. As noted above, most other ports have projects in various phases that they believe will allow them to handle the bigger ships by 2015 or soon thereafter. To be competitive and gain a share of the expected panama container transport growth, ports and many supporting inland distribution center complexes are dredging to deepen harbors, and are improving bridges, tunnels, rail lines, and interconnector highways to accommodate the larger ships and expected higher cargo volumes. At a cost of $1 billion, the Port Authority of New York and New Jersey is planning to raise the height of the Bayonne Bridge to accommodate the larger vessels.

My home Port of Charleston has been successfully working its way out of the recent recession, and we are actively preparing for increased freight volumes from the canal widening. Our port is celebrating its twelfth consecutive month of year-over-year growth. Container volume at the port rose about 11 percent in February to 131,634 TEUs, the highest level since October 2008.

Our port authority has approved a 10-year, $1.3-billion capital plan that includes major investments in both new and existing facilities, equipment and information systems. Additionally, the state of South Carolina is investing nearly $700 million in port-related infrastructure, including $300 million to fund Charleston's harbor deepening project. Working cooperatively with the Corps of Engineers to expedite dredging will ensure that the deepening of Charleston Harbor to 50 feet will be completed five years earlier than initially projected.

When evaluating the adequacy or advisability of the ongoing port improvement activities, it is important to note that there has not been a high degree of planning or coordination among foreign-owned ocean carriers, domestic ports, state Departments of Transportation, transportation modes etc. as to whether, and more concerning, where, freight increases will actually occur. As a result, a great deal of the investments being contemplated or undertaken are based on, at best, speculative information regarding final container freight flows.

Clearly, projects related to canal expansion should include greater stakeholder input not only to ensure that the investments are warranted, but to avoid investments that could actually have a negative impact. For example, as previously mentioned, the Port Authority of New York and New Jersey plans to raise a bridge to allow bigger ship service, and will finance the project in part by doubling truck tolls on Port Authority bridges and tunnels. However, raising tolls on the very trucks that move port containers in and out of the port terminals will likely make the port less competitive, and undercut the NY/NJ projected freight increases which justified the expensive bridge project in the first place.

In order to understand the impacts of the Panama Canal widening on our intermodal freight system from a trucking perspective, and consider whether the trucking industry will indeed be ready to move the projected freight increases that may occur in a particular port, it is important to first understand how we do business in the port container "dray" transport sector. As you will note in the detailed description of port trucking logistics provided at the conclusion of this testimony, where, how many, and when port intermodal trucks are deployed in the container transport sector is actually dictated by decisions made by ocean carriers, 3PLs, brokers, railroads, terminals and shipping customers…**Not by the motor carriers.** Moreover, in any short-term port freight movement analysis, fuel price variances, potential port labor unrest and increased operating costs quickly impact the ocean carriers' decision on which ports or coastal locations they will route, or reroute, vessels to for cargo delivery. In the longer term analysis, world or regional economic conditions will reduce or increase cargo flows throughout the international intermodal freight system irrespective of today's port-Panama expansion efforts, i.e. more cargo will move in good times, less in bad. Therefore, predicting accurate container transport needs much further into the future is not an exact science.

At this time, we are aware of no systemic trucking capacity shortages impacting freight movement at our port facilities. However, there have been, and will continue to be, chassis (the

metal trailer frames with tires, brakes and lights that are designed for intermodal over-the-road transportation of standard-sized international shipping containers) imbalances (not enough in one facility too many in another) at some locations, which cause trucking company resources to be used for chassis repositioning. Moving empties around is obviously not the most efficient use of trucking resources, but it is often a port trucking fact of life.

Driver resources remain a challenge. Pending Hours of Service (HOS) changes, particularly restrictions related to the 34-hour restart, will negatively impact driver availability and productivity. We will also be challenged by systemic port gate-terminal operational inefficiencies and real or threatened port labor disruptions.

Despite these obstacles, barring federally imposed barriers to efficiency or labor-related difficulties, we believe we will be able to handle volume increases wherever they occur. That said, one additional challenge that may impact our ability to handle increased container freight volumes is chassis ownership and deployment changes that are taking place within the industry. Over the last several years, ocean carriers have announced or already executed plans to exit the chassis ownership and deployment market, in which they have traditionally provided motor carriers with chassis from regional chassis pool facilities on a no-charge or cost pass-through basis. The chassis business model is now changing to a private leasing company structure in which companies own and deploy the chassis for a daily rental fee paid, initially, by the motor carrier. The long-term impacts on port trucking operations of transitioning from a "free" chassis system to a daily rental system are unknown.

From a congressional oversight and planning perspective, the most significant challenge to accommodating increased freight volumes is likely "outside the gate." As I am sure you are aware, the recently released report by the American Society of Civil Engineers (2013 Report Card for America's Infrastructure) gave U.S. ports a grade of C, because it was determined that a greater investment in port maintenance, modernization, and expansion is necessary for the U.S. to continue to compete globally. Most importantly, ASCE found that… "While ports have made investments to improve terminal infrastructure, it is critically important to note that their connections to roads, rail, and water channels have suffered from inadequate federal funding. The report also found that more dredging will be necessary to take advantage of higher trade capacity once the expanded Panama Canal opens in 2015."

ASCE also reported that forty-two percent of America's major urban highways remain congested, costing the economy an estimated $101 billion annually in wasted time and fuel. While the report indicates that conditions have improved in the near term, and federal, state, and local capital investments increased to $91 billion annually, that level remains insufficient, and still projects to result in a decline in conditions and performance in the long term. The Federal Highway Administration estimates that $170 billion in capital investment would be needed on an annual basis to significantly improve conditions and performance. As a result, Roads were given a grade of D by ASCE.

Of further concern, several ports affected by the canal widening are located in cities, identified by the Texas Transportation Institute, among the most congested in the nation. This includes New York City, Houston, Miami, and Baltimore, among others. Indeed, according to a report prepared by the American Transportation Research Institute for the Federal Highway

Administration, four of the top five highway freight bottlenecks in the nation are near ports that will potentially be affected by the widening of the canal. Additional port activity could significantly impact congestion on highways serving the port complexes, affecting both passenger and freight travel costs. To illustrate, Figure 1 below shows the flow of truck traffic generated by the Port of Charleston. While significant volume is focused around the port complex itself, the map shows that trucks moving in and out of the port have a significant impact on travel throughout the metropolitan area and beyond. The map further demonstrates that the efficiency of port-related deliveries can be impacted by highway bottlenecks well beyond those highways in the immediate vicinity of the port. Because these impacts are a result of traffic that primarily serves interstate commerce, federal investment in the affected highway infrastructure is both appropriate and necessary.

MAP-21 included a requirement for the identification of a National Freight Network of highways critical to goods movement, including bottlenecks on these highways. It is likely that many of these bottlenecks will be associated with port traffic, which will possibly be exacerbated in some locations by the widening of the Panama Canal. Unfortunately, the bill did not provide separate funding to address these bottlenecks. ATA strongly urges Congress to create a new, dedicated funding stream to address freight-related highway bottlenecks that significantly undermine freight transportation efficiency. Given the limited resources available for highway investment, spending decisions must be more focused on infrastructure projects that are of strategic national importance.

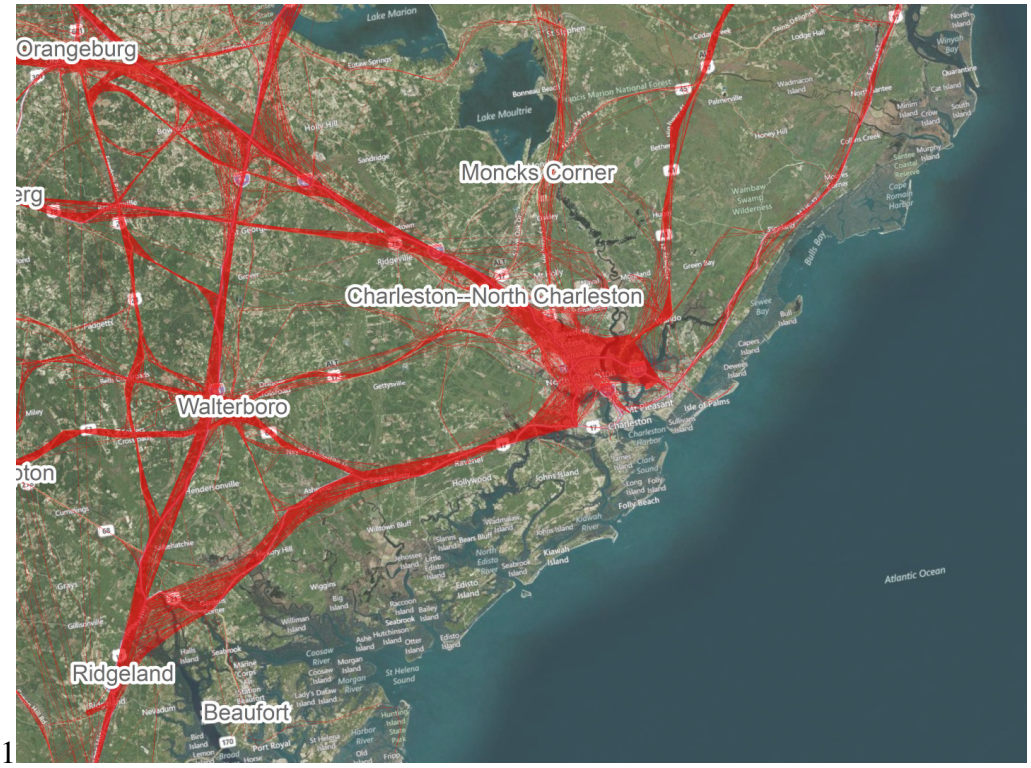

Figure 1

In conclusion, the widening of the Panama Canal and the resulting container volume increases hold great promise for America's port-related businesses, and should enhance our intermodal

container freight sector's economic contribution to the country's prosperity. Preparation for handling the bigger ships and increased freight volumes is well underway, but it is not clear at this time whether the underlying investments are being made in the right locations. U.S. port trucking, however, is ready to meet the challenges ahead, and we look forward to working with the Committee and Members of Congress, and also with federal and state officials, to establish the regulatory framework and transportation infrastructure necessary to facilitate this process. Thank you once more for the opportunity to testify before the Committee.

***Port Trucking Logistics**

U.S. intermodal motor carriers generally handle the first and last segments of container transportation that utilizes a ship or railroad for the major portion of the container line haul, i.e. the segment between the off shore international manufacturer and the port or terminal, and then to the final customer. Our length of haul varies from a few miles to a few hundred miles. Intermodal truckers generally do not arrange for the entire transportation movement from container pick-up to delivery; instead, a third party often arranges the transportation segments and chooses to use a trucker for a designated portion of the container move.

Trucking container moves contractually involve ocean carriers, railroads, warehouses, port terminals, brokers, freight forwarders and other third-party entities that make up the maritime transportation logistics system. The container moves may be made between numerous port-terminal facilities, rail facilities, nearby or distant warehousing facilities, or nearby or distant distribution or final customer store locations, which may also be in a state that is different from the port of origin. The company that pays for our trucking-drayage service may be a third party logistics provider, the shipper or consignee, or a steamship line.

Finally, a critical motor carrier container logistics requirement concerns the final return transport of the empty container. Following the container delivery in the various truck moves described above, motor carriers are responsible for returning the empty containers to port, terminal or designated container drop yards as directed by the entity contractually controlling the container.

Motor carriers operating in any of the port services described above are notified of the arrival of a customer's containers in a variety of ways: through shared software, by phone, by facsimile, via email, etc. The freight arrives in an ocean-going container of standard dimensions (20 or 40 foot containers) which fits onto the intermodal chassis. The chassis are traditionally owned and provided by the ocean carriers or railroads but, as discussed above, are today owned and provided by chassis leasing companies.

The necessary freight documents for truck container transport are developed in a variety of ways, but generally involve a delivery order and a bill of lading for a particular container. The containers are off-loaded from the ships to staging areas and then placed in terminals where they are either stacked for later pickup or off-loaded onto highway chassis for immediate pickup by motor carrier dispatched trucks. Motor carrier dispatched drivers – the vast majority of whom are independent owner-operators – pick up the containers during available port operating hours and move them as "dray" to various locations, as described above.

Often, containers are moved to warehouse locations in close proximity to the ports. Some motor carriers simply drop the containers off at the warehouses or railheads and have no further role in the handling of the international cargo. Other motor carriers also operate terminals and provide the cross-dock and trans-loading services discussed above.