



BUILDING PARTNERSHIPS TO FACILITATE FREIGHT TRANSPORTATION

**Remarks of
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It is a privilege to be part of the Port Authority of New York and New Jersey's fourth annual Port Industry Day. On behalf of President Bush and Secretary Mineta, I would like to thank all of you for the important work you do in keeping this port vibrant and in a position to respond to these constantly changing times. Every port in our country is important, but this complex is particularly so in light of its strategic location and role as an economic linchpin of the northeastern United States.

The Port Authority of New York and New Jersey also serves as a model of bi-state cooperation. That cooperation includes, of course, all of the industry representatives here today that have been major contributors to all that this port complex has accomplished over the years. I know that you bring a great sense of pride and patriotism to the job every day, especially since 9/11, as you should. It is important work that you do here, and it is wholly fitting that we take this day to honor that work.

Transportation in a Global Economy

The stakeholders represented here today are at the forefront in serving our Nation's economy, which is evolving rapidly and growing more interconnected by the day. Each day you are called upon to adapt to rapidly changing patterns in global logistics, light-speed advances in information technology, double-digit annual trade growth, and transformational changes in overseas markets. All these factors have altered forever the way we do business.

Our economy relies more and more each day on seamless connections between all modes of transportation. Port facilities, and the domestic transportation networks that serve them, are critical elements in that system. Unfortunately, more often than ever, they are stretched to their very limits as they deal with steadily mounting cargo volumes, ever larger ships, and increased land side congestion. Those of us in government with responsibility for national transportation policy must be cognizant of your requirements and creative in our approaches to developing increased capacity across our transportation system.

That's because the U.S. economy has been transformed in recent years – from an economy predicated on domestic commerce to one driven by global trade. In 1970, overseas trade accounted for only 13 percent of U.S. GDP; today it accounts for nearly 30 percent, and that percentage is expected to escalate further in the years ahead. That dramatic growth in international trade has created new demands on our ports and other parts of our national transportation system. Our domestic system is carrying more than 15 billion tons of freight annually, valued at over \$9 trillion, and even the most conservative forecasts suggest that overall freight volumes will grow by another 60 percent by 2020.

Here at the Nation's third largest port, you experienced a nearly 12 percent jump in total cargo last year compared to 2002, and it looks as though this year will surpass all previous records. As the largest container port on the Atlantic, you have done a first class job of wringing out ever higher levels of productivity in an area where waterfront land for terminal expansion is in short supply. That's particularly important as we watch containers start to pile up at some of our largest ports due to an early peak in this year's cargo flows and because of the limits on available infrastructure.

New York/New Jersey's Model Efforts in Public-Private Cooperation

We realize, of course, that this port complex has a number of important capacity enhancement projects already underway that will help to accommodate future growth in cargo. You have a total of \$1.5 billion in projects on the terminal side, including an expansion of the ExpressRail Project and the Maersk Terminal; four new post-Panamax container cranes and on-dock rail services at Howland Hook; and IT innovations at key terminals that will improve terminal tracking and gate flows. We know that at Maher Terminals they are using a stacked operation to maximize through-put. They also encourage carriers to use cooperative chassis pools, again saving precious terminal space for vital container operations. We salute those innovations as models for other container ports to follow.

On the inland distribution side, you are developing a system that will improve links to other modes of transportation in important ways. I am talking about the Port Newark Interim Rail Terminal; the Port Authority Bi-State Rail Initiative; and E-Commerce innovations like the FIRST Project for port customers. Perhaps most importantly, you have launched an innovative Port Inland Distribution Network – or PIDN – an effort to develop a series of satellite corridors and distribution hubs in order to accommodate

cargo operations outside of the urban core. The PIDN includes a prototype Short Sea Shipping Service from the port complex here to Albany. Our Maritime Administration frequently cites the PIDN as a particularly valuable demonstration of short sea shipping, and you are to be commended for successfully getting that up and running.

Last, but certainly not least, the Port Authority has also worked hard to integrate security into all its activities. As some of you know, I have been actively involved in the Bush Administration's Operation Safe Commerce initiative. Along with our partners at TSA, Customs and Border Protection, and the three major load center ports, we have been testing an array of security-enhancing technologies. We hope that we will see results very soon that will help us improve and standardize container security throughout the global supply chain. Within the last few days, Basil Maher, who will follow me on the program a bit later this morning, and other port leaders stepped forward to announce the formation of the "Coalition for Secure Ports." We applaud that initiative as the right kind of leadership -- one that involved the public and private sectors working hand-in-hand to improve *both* security and productivity.

A Renewed Focus on Trade and Logistics

Before outlining some of the Administration's ideas for how we might build on your good work, it is important to understand the context that drives the need for more robust transportation infrastructure and services. Global trade liberalization has been a major pursuit of President Bush and this Administration. Over the last three years, the Bush Administration has negotiated a dozen new free trade agreements, opening markets for a wide range of American exports that will engender significant economic benefits all across the country. We have also breathed new life into the World Trade Organization's Doha Round of multilateral negotiations and we have pursued regional trade agreements in places close to home like Central America.

But all that market-opening activity has produced a problem. While our successful trade agenda will bring enormous economic benefits to consumers and economies both here and abroad, it poses a difficult question: Are we going to have the transportation infrastructure in place to handle the increased flow of commerce that these agreements bring about? Embedded in that simple question, of course, are some very difficult fiscal, environmental and technological challenges.

Addressing these challenges in an effective way will require port stakeholder communities and government agencies to cooperate in new ways and develop new approaches. Secretary Mineta has insisted that we examine this question not through a series of mode-specific proposals, but rather as a comprehensive, intermodal freight distribution system. This is the basic principle that has guided us in working to develop federal programs that address the challenges at port gateways, as well as the equally important landside system. Working together, we can keep goods moving efficiently and safely throughout an integrated, intermodal transportation system. In that connection, I am pleased to report that our Department has made freight and goods movement a major priority over the last few years.

One major opportunity to enhance the efficiency of freight movements is the reauthorization of our surface transportation programs. Last week, we marked the first anniversary of the expiration of the Transportation Equity Act for the 21st Century – TEA-21 – which provides funding and authorization for the whole array of federal highway, highway safety and transit programs that supported the creation of the Interstate Highway System, among other things. That anniversary is no cause for celebration. Because Congress was not able to pass a six year bill, DOT now has to work within the constraints of an 8-month extension of the old programs that will last until May 2005.

There are important innovations in the Administration's SAFETEA proposal that we want to see passed, and we will continue to urge Congress to adopt those changes in a six-year bill. For example, we would focus resources on the intermodal connections between our roads, ports, railways, and airports. We have also proposed a number of new financing tools to better support infrastructure investments, including making highway and freight transfer facilities eligible for private activity bond financing for the first time, and broadening TEA-21's successful "TIFIA" innovative financing program. Finally, we have proposed a requirement that each state appoint a "Freight Coordinator" to help ensure that freight projects receive the proper measure of attention in local and regional planning processes. Realizing the benefits of these proposals can only come with final congressional action, however, so it is important that Congress pass a six-year surface transportation reauthorization as soon as possible.

A Near Term Freight Action Agenda

In the meantime, rather than waiting for Congress to act, we have worked to make sure that we leave no stone unturned. For much of the past year, DOT's Office of Intermodalism has coordinated an effort to take a comprehensive look at all our modal administrations' work in the area of freight and goods movement and to develop integrated solutions wherever possible, especially those that can be done within the framework of our existing authority.

The result is what we call our Freight Action Agenda. It incorporates many recommendations from stakeholders, including the suggestion that we work hard to identify and support nationally significant freight projects at our major transportation gateways. To tackle such projects, the Department is creating Intermodal Project Facilitation Teams to ensure a sustained focus on large, complex projects of this kind while providing cross-modal expertise and coordination.

Other items include the development of freight-focused performance measures for our national transportation system; seminars and programs that will provide training to public sector professionals so they better understand why efficient freight movement is so important to the future of our economy; and finally, encouraging adoption of new technologies in areas like positive train control to ensure safer, more efficient rail shipments throughout the country. We will continue our work in improving coordination among our modes on freight issues, and appreciate the support that our stakeholders across the modes have provided thus far.

“SEA-21”: Strengthening the Maritime Portfolio

But one very important piece of this puzzle has been missing up to now. That is our maritime sector, which too often gets overlooked as we furiously debate aviation or highway reauthorization bills. Secretary Mineta is changing all that, primarily through a comprehensive program that would put the maritime sector on the national policy agenda more prominently than ever before. Perhaps President Bush said it best: “To compete in the global economy of the 21st century,” he said, “the United States needs a maritime policy tailored to 21st century needs.”

The so-called “SEA-21” review that Secretary Mineta launched earlier this year began with a comprehensive assessment of how we could improve the way our maritime transportation system might move commercial goods more effectively. A number of outside groups, including the Marine Transportation System National Advisory Committee, and the National Academies’ Marine Board, have all called for such a review and have urged DOT to take the lead in pursuing a more robust maritime policy. The U.S. Commission on Ocean Policy has also served up a powerful menu of maritime policy recommendations for the Administration to consider. Lillian Barrone, your distinguished former Port Director, served on the Oceans Commission and her contribution was absolutely critical to ensuring that port interests were fully addressed in the final report. Congressional passage of the SAFETEA provisions that I mentioned earlier, of course, would go a long way in helping to jump start what we are trying to do in the maritime context by facilitating much improved landside links to our major ports and inland waterways.

As it is currently envisioned, a SEA-21 package would help pave the way for a far more competitive and efficient maritime sector and improve connections between the various modes. As Secretary Mineta noted in a speech earlier this year, SEA-21 will emphasize leadership and coordination within the Department of Transportation and across the federal government. Right now we have an Interagency Committee on the Maritime Transportation System – or ICMTS – that is supposed to coordinate federal maritime programs across the numerous agencies involved. Thus far, however, it typically has not had the level of representation necessary to do so effectively. We are therefore exploring whether we can elevate that group to create an interagency coordination mechanism that is much more robust. We want the participating agencies to be represented at the Deputy Secretary or Administrator level, which would ensure that maritime issues receive the sustained, high-level attention that they deserve.

SEA-21 will also focus on leveraging funds from federal, state and local governments, as well as the private sector, to address the capital needs of the Maritime Transportation System. As our superb Maritime Administrator, Captain Bill Schubert, noted in a recent visit to one of our Great Lakes ports, “We are committed to investing in the future of our ports to ensure the seamless flow of commerce so that we may continue to compete in the global market.” That message applies to all ports, large and small, each of which contributes to the efficient operation of our nation’s maritime transportation system.

We are carefully examining the tax burdens on our maritime sector with the goal of improving our fleets' and crews' ability to compete internationally. As many of you have undoubtedly heard, two very significant changes to the tax treatment of our maritime sector are included in the conference report adopted yesterday in connection with the corporate tax legislation that has been moving through the Congress. These will bear close watching as the conference report is taken up on the House and Senate floors in the days ahead.

Finally, SEA-21 will also be about trying to facilitate greater use of "short sea shipping." The Port of New York and New Jersey is already working with our Maritime Administration on this initiative, and in fact will be hosting MARAD's Short Sea Shipping Conference next week. Through short sea shipping we can make better use of our coastal and inland waterways and provide some relief to our nation's congested highways. As part of our SEA-21 review, we are actively promoting industry efforts to establish short sea shipping operations and looking carefully at current federal policies that may inhibit such operations. Only by using all available options to move freight along our most congested corridors can we ensure that we have the capacity we need to address future demand.

Conclusion

I referred earlier to the recently released Oceans Commission report. The Commission recommended that we establish – in the words of a *Journal of Commerce* headline last Monday -- a "clearer voice" within the federal government on maritime policy. Without detracting in any way from the important related missions of our sister agencies, I want to leave you with an ironclad assurance that the U.S. Department of Transportation and its superb Maritime Administration will indeed provide that clearer voice. The Congress clearly charged the Department with that responsibility, and Secretary Mineta is taking it very seriously.

Make no mistake: Freight issues have finally taken their rightful place on the national policy agenda. Washington understands the impact of congestion on the national economy, and it understands the importance of efficient, interconnected transport to the way business is done today. It is not too much to say that America's place in the global economy of the future will be determined in large part by the efficiency of our transportation system. We are determined to do all we can to enhance that efficiency.

Thank you for allowing me to share these thoughts with you today. I look forward to continued partnering with the Port of New York and the Port of New Jersey on these important issues.

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