

FEDERAL MARITIME COMMISSION

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INTERNATIONAL SUPPLY CHAIN EFFICIENCY:

CHALLENGES FACING GULF COAST PORTS

PORT OF NEW ORLEANS

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MONDAY, NOVEMBER 3, 2014

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The meeting of the Federal Maritime Commission convened in New Orleans, Louisiana, pursuant to notice at 9:27 a.m., Rebecca F. Dye, Commissioner, presiding.

PARTICIPANTS:

Welcome:

REBECCA F. DYE, Commissioner  
Federal Maritime Commission

Gulf Coast Port Authorities:

GARY LaGRANGE  
President and Chief Executive Officer  
Port of New Orleans

ROGER GUENTHER  
Executive Director  
Port of Houston Authority

PAUL ANDERSON  
President and Chief Executive Officer  
Port Tampa Bay

1 PARTICIPANTS (CONT'D):

2 SMITTY THORNE  
Deputy Director  
3 Alabama State Port Authority

4 JEFF STRADER  
Chief Financial officer  
5 Port Freeport

6 Ship Operations:

7 WALDEMAR POULSEN  
President and Chief Executive Officer  
8 Rickmers-Linie (America), Inc.  
Houston, Texas

9 JIM MICHALSKI  
10 Vice President, Inland Operations  
CMA-CGM (America), Inc.  
11 Norfolk, Virginia

12 DHAVAL PATEL  
Head of Gulf, Pacific Northwest, and Safmarine  
13 Delivery  
USA Country Operations, Maersk  
14 The Woodlands, Texas

15 STEVEN GARIFALOS  
Regional Director, North America  
16 NYK Bulk & Project Carriers  
Houston, Texas

17 THOMAS GRANT  
18 Director, National Accounts  
Crowley Maritime  
19 New Orleans, Louisiana

20 Trucking Operations:

21 BRIAN FIELKOW  
President, Jetco Delivery  
22 President of the Local Chapter of Texas  
Trucking Association, Houston, Texas

## 1 PARTICIPANTS (CONT'D):

2 BRIAN FIELKOW  
President, Jetco Delivery  
3 President of the Local Chapter of Texas  
Trucking Association  
4 Houston, Texas

5 CATHY GAUTREAUX  
Executive Director  
6 Louisiana Motor Transport Association, Inc.  
Baton Rouge, Louisiana

7  
8 PHILLIP WOJCIK  
President and Chief Executive Officer  
Consolidated Chassis Management, LLC  
9 Budd Lake, New Jersey

10 RANDY GUILLOT  
President  
11 Southeastern Motor Freight, Inc.  
Jefferson, Louisiana

12  
13 JEFFREY LOUIS  
President  
TCI Trucking and Warehousing Services  
14 New Orleans, Louisiana

15 CURTIC WHALEN  
Executive Director, Intermodel Motor Carrier  
16 Conference of the American Trucking Association

## 17 Terminal Operations:

18 JAMES PARKER  
New Orleans Terminal LLC  
19 New Orleans, Louisiana

20 KEITH PALMISANO  
Ports America New Orleans  
21 New Orleans, Louisiana

22

1 PARTICIPANTS (CONT'D):

2 BRIAN HAROLD  
Director  
3 APM Terminals Mobile  
Mobile, Alabama

4 DAVE MORGAN  
5 Vice President  
Cooper/T. Smith  
6 Houston, Texas

7 DON JOHNSON  
Senior Vice President  
8 Shippers Stevedoring Co.  
Houston, Texas

9 JOHN CROWLEY  
10 Executive Director  
National Association of Waterfront Employers

11 KENNETH CRIER  
12 President  
ILA Local 3000  
13 New Orleans, Louisiana

14 Cargo Operations:

15 KRISTI APP  
Vice President, Business Development & Customer  
16 Service  
JW Allen & Company Inc.  
17 Kenner, Louisiana

18 DONNA LEMM  
Vice President, Sales and Marketing  
19 Mallory Alexander International Logistics  
Memphis, Tennessee

20 DALE STREET  
21 Zen-Noh Grain Corporation  
Covington, Louisiana

22

1 PARTICIPANTS (CONT'D):

2 RICHARD CHRISS  
Executive Director  
3 American Institute for International Steel  
Falls Church, Virginia  
4

5 SEAN M. DUFFY  
Executive Director  
Big River Coalition  
6 New Orleans, Louisiana

7 DAVID KEARNEY  
President  
8 The Kearney Companies  
New Orleans, Louisiana  
9

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## 1 P R O C E E D I N G S

2 COMMISSIONER DYE: If the first Panel  
3 will come and be seated. They tell me our mics  
4 are hot all the time. Is that right?

5 MR. LaGRANGE: You ought to be on the  
6 monthly Board meetings.

7 COMMISSIONER DYE: I appreciate it.  
8 Good morning. Thank all of you who are here today  
9 to participate in the Federal Maritime  
10 Commission's Gulf Coast Forum of International  
11 Supply Chain Efficiency and Effectiveness. All of  
12 you have distinguished business backgrounds, and  
13 your willingness to participate reflects the  
14 critical importance of supply chain effectiveness  
15 to American competitiveness.

16 And thanks to the Port of New Orleans  
17 for hosting this forum, especially Executive  
18 Director and CEO Gary LaGrange; Director of  
19 External Affairs, Matt Gresham; and Administration  
20 Assistant Angelo Rivera. You've shown us  
21 graciousness and a very warm welcome.

22 My favorite business author is Jim

1 Collins, who discusses the primary organizational  
2 importance of getting the best people on the bus.  
3 Now today, I brought some of the FMC's best  
4 people. Ed Lee, my Counsel; Karen Gregory, who is  
5 the Secretary of Federal Maritime Commission; Bob  
6 Blair, who is from our office of Economics and  
7 Competition Analysis; and Cathleen -- Megan Moran,  
8 Office of the Secretary. And Catie-Megan handles  
9 our graphics, and she's going to be tweeting  
10 today. I hope that all of you have a chance to  
11 meet them today.

12 You probably know Bruce Johnson, who is  
13 our FMC Area Representative. Among Federal  
14 agencies, the Federal Maritime Commission has the  
15 greatest expertise and understanding of the  
16 Maritime logistics system. We oversee  
17 international ocean shipping, port and terminal  
18 operations, and shipping intermediary operations.  
19 The challenges facing our ports and supply chain  
20 are not new, neither are they limited to U.S.  
21 ports.

22 Several weeks ago I attended the Danish

1 Maritime Forum in Copenhagen. The Forum brought  
2 together 200 international business and  
3 governmental officials to discuss the most  
4 pressing maritime issues of the day. I had the  
5 opportunity to lead a discussion group on  
6 transportation and infrastructure, and how to  
7 prepare for the increase in world trade by 2030.  
8 Our group discussion quickly focused on current  
9 supply chain congestion, other disruptions, and  
10 how to deal with those effectively.

11 I can tell you that we found no easy  
12 answers. The divergent commercial interests,  
13 pressures and responsibilities in the  
14 international supply chain makes solutions  
15 difficult to achieve. International supply chain  
16 effectiveness, reliability and resilience depend  
17 upon continual adaptation to the dynamic  
18 requirements of global trade.

19 I don't support governmental  
20 prescriptions or requirements that would attempt  
21 to respond to current supply chain challenges  
22 facing our ports, truckers and other supply chain



1 actors. Most government agencies regulate in  
2 silos, that focus on only one mode of  
3 transportation. In this case, there is a risk  
4 that unintended consequences of government actions  
5 may negatively affect the operations of the supply  
6 chain.

7           However, I do support the creation of a  
8 dedicated port and supply chain disruption  
9 planning framework that's similar to the Coast  
10 Guard Contingency Port Planning Regime with which  
11 all of you are familiar. This planning process  
12 should involve all international supply chain  
13 commercial stakeholders to address supply chain  
14 challenges on a sustained and continual basis.  
15 Port and supply chain disruptions deserve  
16 permanent, continual collaboration by all  
17 organizations interested in port operations.

18           The matter is vitally important to  
19 transportation businesses, and to the American  
20 economy, and requires our consistent attention.  
21 But today I'm here to listen to your opinions and  
22 advice, on what's going well in maritime

1 logistics, and what can be improved. Our  
2 international shippers and intermediaries get the  
3 last word today.

4 Our proceedings are being transcribed  
5 and will be made available to the public with your  
6 consent. If there is anything you would like to  
7 discuss with me privately, please catch me this  
8 afternoon and, of course, feel free to give me a  
9 call anytime. Our business cards are at the  
10 registration desk. Thank you again.

11 Our first distinguished Panel here, of  
12 the Gulf Coast Port Authorities; Mr. Paul  
13 Anderson, President and CEO of Port Tampa Bay;  
14 Gary LaGrange, President and CEO of the Port of  
15 New Orleans; Roger Guenther, Executive Director of  
16 the Port of Houston Authority; Smitty Thorne,  
17 Deputy Director, Alabama State Port Authority, and  
18 Jeff Strader, CFO Port Freeport. And I appreciate  
19 very much your being here. Thank you for coming.  
20 So, today, gentlemen, I don't have any particular  
21 agenda, I would like to hear from you about what  
22 you believe is going to develop among Gulf Coast

1 ports. I know that you have an AAPA meeting  
2 planned next week at the Port of Houston. I  
3 notice that you will be discussing public-private  
4 partnerships. I had a chance to review the good  
5 work that the House Transportation and  
6 Infrastructure Committee did on the topic. We at  
7 the Commission encourage efficiency and  
8 innovation, and I think that's a very interesting  
9 topic.

10 And also of course I'm interested in  
11 your advice on what can improve efficiencies in  
12 Gulf ports. Congestion issues that you have here,  
13 I know it's not to the extent that we are  
14 suffering on the West Coast. So, I'll give you  
15 the floor and, Paul, if you'd like to begin, I  
16 know you might have some travel restrictions, and  
17 I want to make sure that we have enough time.  
18 Thank you all for coming.

19 MR. ANDERSON: Thank you very much,  
20 Commissioner Dye, for hosting this hearing this  
21 morning. Again, my name is Paul Anderson,  
22 President and CEO of Port Tampa Bay.

1 Commissioner, I applaud the Agency for taking time  
2 to survey the industry around the nation in your  
3 four hearings, and I must say that I'm  
4 particularly pleased that we get to be in Gary  
5 LaGrange's home port, and feel what it's like to  
6 sit on the hot seat up here, at this Board  
7 Meeting.

8 I'll start by saying, it's an extremely  
9 interesting time in our global industry and  
10 particularly, I think, with how the United States  
11 transportation, particularly on the intermodal  
12 side, is attempting to keep up with the rest of  
13 the world. I think that it's really -- you know,  
14 the more that you are in this industry, the more  
15 you realize you need to be very fluid in your  
16 decision-making, as the dynamics are changing  
17 constantly, and particularly, we have unique,  
18 logistic supply chain considerations on the Gulf  
19 side, as my colleagues you'll hear from, I'm sure,  
20 here today.

21 Now when you are in this industry, you  
22 get used to talking to your colleagues, and we are

1 constantly talking about what's going on, not only  
2 with our respective ports, on the port side, your  
3 commercial colleagues on the private sector side,  
4 but how you might work together, if you're doing  
5 business together. And I know one thing I'm going  
6 to touch on is, in particular, is the P-3s that we  
7 will also be discussing at AAPA, as you mentioned.

8 But from our perspective and in my  
9 opinion, our capacity and supply chain is in good  
10 shape. And in fact I'm very bullish on our  
11 ability to serve our region in the West Central  
12 Florida which is made up of about 8.5 million  
13 citizens of the State of Florida, with 60 million  
14 visitors a year, what we call -- we have a big  
15 election tomorrow, everybody is aware of the I-4  
16 Corridor, and that's the primary market that Port  
17 Tampa Bay serves. And I'm very bullish that we  
18 are going to be able to serve that market with the  
19 capacity of our port complex, about 5,000 acres,  
20 in the total complex for generations to come.

21 I think that my colleagues here today  
22 will also agree that it's the free market that's

1 going to make decisions for how the supply chain  
2 is going to work. They are going to work through  
3 solutions to allow their businesses to serve their  
4 customers on a global basis. And one thing I  
5 don't want to focus on today, because I was  
6 talking to one of the audience members here in  
7 attendance today, about the Panama Canal.

8 I just got back from Panama a few weeks  
9 ago, and there's so much more going on in the  
10 world with trade and logistics than just the  
11 Panama Canal, although it is a very sexy and  
12 timely topic with the 100th Anniversary of the  
13 Panama Canal, there are so many other cargoes, and  
14 so many other challenges that we are facing, that  
15 I think that we focus on some of the ones right  
16 here on our shores that we can control.

17 I think the Federal Government in  
18 particular, needs to speed up its approval  
19 processes for projects that ports deliver. That's  
20 been a significant hurdle for all of us sitting at  
21 this table, and I'm sure around the country,  
22 particularly the United States Army Corps of

1 Engineers. I think it is paramount that the  
2 United States Congress passed a Water Bill like  
3 the one we just passed after seven years, to pass  
4 a Bill. But I think this passed Bill did go a  
5 long way in updating and revising policies that  
6 were outdated, outmoded, bureaucratic and set up  
7 to delay projects rather than get projects  
8 approved.

9           And I'm very positive on our industry  
10 being able to react to the supply chain, to the  
11 capacity issues, particularly on the Gulf Coast,  
12 as our ports, generally speaking, have quite a bit  
13 more capacity and real estate available, but one  
14 area that I am very much seeing the industry  
15 working with government and our ports doing very  
16 well, is the P-3 process.

17           We have three in particular that I want  
18 to highlight, just to give you an idea of the  
19 investment that's being made by the private sector  
20 with our port in our state in this world as a  
21 Federal Government. And one is our Gateway Rail  
22 investment which is a collaborative, innovative

1 public-private project that was undertaken by the  
2 port, CSX Corporation, and Kinder Morgan Energy  
3 that takes the Port of Tampa to new levels of  
4 efficiencies and intermodal activities.

5 This was a very multipurpose terminal  
6 with new track and supports infrastructure that  
7 will handle 96-car unit train deliveries right on  
8 dock, as well as a multi-product unit train  
9 offloading yard, at our Hooker's Point facilities.  
10 And the total cost of this P-3 project was  
11 approximately \$16 million, and funding for the  
12 project was a combination of sources from the  
13 State Department of Transportation in Florida, CSX  
14 Corporation, Kinder Morgan and Port Tampa Bay.

15 So this was a true model of  
16 public-private partnership, it was, again, the  
17 response of our port identifying a need with our  
18 private sector partners, investing with our State  
19 Department of Transportation, and now creating a  
20 new delivery mode for particularly ethanol in this  
21 instance. But complementing the Port Authority's  
22 investment with Kinder Morgan also because of this



1 facility, invested a new pipeline to transport the  
2 ethanol from the rail offloading facilities, in  
3 its Tampa Terminal where it would be distributed  
4 to other Tampa terminals for blending and  
5 transported to the Orlando I-4 market that I  
6 mentioned.

7 This innovative partnership ensures the  
8 financing and also the immediate commercial  
9 viability of the project, and today it's extremely  
10 successful. We also are just completing -- are  
11 finally operational on our petroleum facilities  
12 terminal -- which is a three-berth expansion and  
13 modernization of the port's primary petroleum  
14 terminal facility. This is a \$56 million  
15 expansion in a redevelopment that is one of the  
16 port's most significant capital projects in our  
17 history, which includes a common-use petroleum  
18 pipeline and loading system for three different  
19 petroleum companies.

20 This is a project in the agreement  
21 between its users again, Kinder Morgan, Mosaic,  
22 Amalie Oil, TransMontaigne, Murphy USA, and as a

1 benchmark for the Port of Tampa, which is the  
2 energy products gateway for the West in Central  
3 Florida markets. This facility is extremely  
4 important to the people on economic vitality of  
5 the region, as the port is the primary entry point  
6 and conduit for all oil for those -- for almost  
7 8.5 million citizens, and again, 60 million  
8 visitors a year.

9 That includes rail, buses, the rental  
10 car fleets, airline jet fuel, so this was a key,  
11 again, public-private partnership investment with  
12 the State Department of Transportation, which  
13 invested \$28 million, and then a unique agreement  
14 with the port and our three energy partners to  
15 fund the rest of the \$28 million.

16 And the last facility that I want to  
17 highlight, again of the free market working with  
18 our government planning agencies, to meet the new  
19 demands that we are identifying for increasing  
20 capacity, is our C-Max lease and investment on  
21 approximately 24 acres of land for a bulk  
22 aggregate terminal. And the improvements included

1 a new 43'- depth berth, road relocation, dredging  
2 and upland improvements.

3 The cost in capital improvements for  
4 this project is approximately \$23 million. This  
5 unique P-3 financing for this project again  
6 included the Tenet, C-Max, furnishing the concrete  
7 for the berth, rather than the cargo yard, with  
8 approximate value of \$4 million. The balance of  
9 the funding was a combination of the State  
10 Department of Transportation and Port Tampa Bay  
11 funding. The lease terms allow for the port to  
12 recapture its investment in less than eight years.

13 So, what are we doing? We are investing  
14 with private partners, we are looking for true  
15 commercial rates of return on investment and in  
16 turn, rate of return on our projects. And it's  
17 doing it in very open P-3 financing mechanisms  
18 that can adapt to different tenets, users and  
19 cargo operations in our port. And I really see  
20 that this is the way the industry, working  
21 together with the government, can move forward to  
22 expand capacity on various modes of, not only

1 that, but the transportation through various  
2 cargoes to utilize the full capacity of our ports  
3 here in the Gulf region. Thank you.

4 COMMISSIONER DYE: Thank you very much.  
5 After you make your presentations, feel free to  
6 ask questions of the others. Gary, you have the  
7 floor.

8 MR. LaGRANGE: Sure.

9 COMMISSIONER DYE: As our host. Thank  
10 you.

11 MR. LaGRANGE: Thank you. First, thank  
12 you, Commissioner Dye, for being here, and the  
13 rest of your staff with the Federal Maritime  
14 Commission, and I state that on behalf of all --  
15 all of us who represent the Gulf Coast, from Tampa  
16 to Brownsville. It's a real delight, and we are  
17 honored to have the Federal Maritime Commission  
18 here, so thank. Thank you for being here.

19 COMMISSIONER DYE: Thank you very much.

20 MR. LaGRANGE: A brief history lesson  
21 about New Orleans, and no, I'm not going to talk  
22 about the War of 1812, but although we are

1 celebrating the end of the War of 1812 next  
2 spring, what I am going to talk about is its  
3 geographical location and proximity to Mid America  
4 and to the Northeast, via a 14,500-mile  
5 Mississippi River and tributary system, all  
6 navigable by barge. As far as Pittsburg to the  
7 East, it's Catoosa, Oklahoma, to the West; Sioux  
8 City, Minneapolis, and so on and so forth, it's a  
9 market area that represents 62 percent of the  
10 consumer spending of the United States of America.

11 It's not a local market area, so when we  
12 talk about the Mississippi River, I like to talk  
13 about the deep-draft aspects of the Lower  
14 Mississippi River, that being from Baton Rouge to  
15 the mouth of the Gulf, which is 290 miles. In  
16 that 290 miles, constitutes the largest port  
17 system in the United States, collectively. The  
18 movement of 500 million tons of cargo a year,  
19 12,000 ships coming and going a year, and 500,000  
20 barge movements a year, which we all deemed to be  
21 significant.

22 Some of the things that we look at, as

1 being at the apex or in the center of the entire  
2 complex, if you will, the Lower Mississippi River  
3 complex, or the growth -- is the growth right here  
4 at the Port of New Orleans. Our container  
5 business has doubled in the last three years. We  
6 built a new container terminal in 2004, over the  
7 last three years it's doubled. Projections  
8 indicate that it will continue to grow at a very,  
9 very fast rate, and some of the reasons why they  
10 are hinged around some of the things that happened  
11 post Hurricane Katrina.

12 At the time that Hurricane Katrina hit,  
13 as many of you know, some of you maybe don't, we  
14 had a second channel here in New Orleans called  
15 the Mississippi River-Gulf Outlet, MRGO, and when  
16 the MRGO was decommissioned by Congress following  
17 Hurricane Katrina, we needed to determine what to  
18 do with 1,500 acres of industrial property, with  
19 deep draft access directly to the Gulf of Mexico,  
20 and to how to relocate all of our customers that  
21 were counting on the MRGO for deep draft access to  
22 the river as quick as we possibly could, and at no

1 small cost.

2 Those nine companies basically as it  
3 came down to, although there are 54 companies  
4 located out there today, but the nine deep-draft  
5 companies constituted the employment of 9,000  
6 individuals, and we didn't want to lose those  
7 jobs. At the end of the day we saved six out of  
8 the nine, and in one instance, that moved out of  
9 state; has returned back to New Orleans since. So  
10 seven out of nine, at the end of the day, we  
11 think, is not bad under the most austere of  
12 conditions.

13 What we've done over the course of those  
14 years, the ensuing years after Katrina, was to  
15 determine what's the best land use value, how can  
16 we best retrofit you all in (inaudible) in those  
17 1,500 acres at France and Jordan Road, and we came  
18 up with the conclusion that we should develop an  
19 intermodal transportation logistics. And I say  
20 that because we have 92 chemical plants located  
21 between here and Baton Rouge, Louisiana, all along  
22 the river.

1 All connected by rail, truck and barge,  
2 and those chemical plants last year were the  
3 recipient in 2013 of \$81 billion in foreign,  
4 direct investment, from foreign countries  
5 investing in the chemical plants because of the  
6 low price of natural gas, if you will. And it  
7 appears as though that's going to continue for  
8 some time to come, according to many associations,  
9 including the Louisiana Chemical Association.

10 This year the projections are somewhere  
11 around 75 billion for investments in those plants.  
12 Now, what that means is that products that come  
13 out of the plants such as resins and pellets, so  
14 on and so forth, are brought into New Orleans now,  
15 before they were destined for other ports out of  
16 state, are brought into New Orleans now, and are  
17 being able to have a value-added concept with  
18 good-paying jobs, with people taking the bulk  
19 cargo and the bulk product and stuffing into one  
20 and two-time super stacks, and then into  
21 containers, and on our public belt railroad taking  
22 it to our container yards at Napoleon and



1 Nashville Avenues, and putting it on container  
2 ships for export purposes.

3           So we really -- we feel pretty robust  
4 about the future, we think it's going to be fairly  
5 significant, as we continue to grow in the future,  
6 and that arena, as far as containers are  
7 concerned, are like anybody else, or many others;  
8 if there's an Achilles heel that we have, it's on  
9 the import side for the balance of trade due to  
10 what do you do, once the containers -- I mean,  
11 where do you find the empties for the export  
12 purposes, and you are not receiving them on the  
13 import side?

14           So we are doing a lot to work a number  
15 of different angles. We just opened a new office  
16 in Mumbai, India, that has to do with a lot of  
17 steel export coming into the Port of New Orleans,  
18 in addition to our other four foreign offices that  
19 we have as well. We, too, have sought now for  
20 eight years, and have entered into the public-  
21 private partnership abode, looking for  
22 opportunities to bring a partner on board with us

1 to invest in our needed \$565 million of  
2 infrastructure investment, at the container  
3 terminals, that will be needed over the next 10 to  
4 12 years -- to totally fill out our footprint to  
5 1.8 million TEUs.

6 So that's an active and ongoing process.  
7 We are constantly looking for the right player  
8 that can bring the right numbers to the port. On  
9 the internal side, I'll get back to that in a few  
10 minutes. Everybody knows that probably our number  
11 one problem that we have now and our two container  
12 terminal operators are working hand-in-glove with  
13 America and New Orleans terminals, to come up with  
14 a similar software package at our main gate, which  
15 will dovetail with each other, which should really  
16 ease some of the restrictions that we have now, in  
17 terms of an easy flow -- and a much easier access  
18 and egress in and out of the container terminal  
19 itself.

20 In addition to the containers, I must  
21 say that -- and I'll be talking about this in two  
22 days at our Annual State of the Port Speech, but

1 we had a really, really bullish year this year, on  
2 the break bulk side. We really saw a huge, huge  
3 exhibit of imported steel coming in like we hadn't  
4 seen since the late '90s and early 2000s, and so  
5 that helped put us in a position to where it  
6 accounted for our fourth record year in a row, in  
7 the history of the Port of New Orleans since the  
8 1990s.

9           So, '11 was a record year, '12 beat '11;  
10 '13 beat '12 and '14 beat '13. So we are really  
11 running strong right now. We think the future is  
12 going to be really, really good, but that's not  
13 without problems. We need to make room from a  
14 congestion standpoint for the future expansion and  
15 growth of this port. In order to do that, we have  
16 many aspects that need to be addressed, but I'm  
17 going to concentrate on two main aspects today.

18           One is the dredging of the Mississippi  
19 River to 50 feet, which has been addressed by  
20 Congress favorably, and in order to get to 50  
21 feet, the Corps just funded a study a couple  
22 months ago, I see Mr. Sean Duffy, sitting here

1        somewhere, there he is, with the Big River  
2        Coalition, he will address that in much more  
3        detail later this afternoon. But that's one of  
4        the things that we look at. When you are  
5        exporting 60 percent of all of this nation's grain  
6        through here, 25 percent of all of this nation's  
7        coal is exported through here. And 28 percent of  
8        all this nation's petro-chemical products and  
9        petroleum is imported through here, it would bode  
10       really, really well.

11                About a year ago a study was done by the  
12       Former Chancellor of UNO, and a great Economist,  
13       Dr. Timothy Ryan. And Dr. Ryan's numbers  
14       indicated that the cost benefit ratio of dredging  
15       the river an additional 5 feet, from 45 to 50, is  
16       a whopping 89.4 to 1; 89.4 to 1. The issue was  
17       going to be the landside congestion, at the end of  
18       the day, and that brings us to item number two.

19                And item number two, when Congresswoman  
20       Janice Hahn from L.A., Long Beach, was here just  
21       recently, late on a Friday afternoon, she sits on  
22       the Maritime Caucus. I was explaining to her the

1 issues that we had with the last mile. They are  
2 not all different from L.A. and Long Beach's  
3 problems with the interstate, and the issues that  
4 they've got out there from a vehicular and truck  
5 standpoint.

6 We have got to address from the  
7 Pontchartrain Expressway, into the gate at  
8 Felicity, sooner rather than later. And for the  
9 record, Madam Commissioner, I have a study that  
10 was done by our engineers, Volker, it's the  
11 freight issues and the last mile conundrum at the  
12 Port of New Orleans, and it was just done this  
13 past week. And it highlights all of the many,  
14 many details; alternates one, alternates two, and  
15 the third alternate, but at the end of the day  
16 this is going to take quite some time.

17 We are looking at a 600 to \$650 million  
18 fix with flyovers getting to it. It can be done  
19 for 600 to \$650 million dollars to get to the  
20 Felicity gate and not to cause chaos and  
21 congestion, and mass pandemonium with the regular  
22 commuters coming into the CBD for work and going

1 home, on day-in and day-out basis, as they pass  
2 the main gate of our container terminal at  
3 Felicity.

4 There are some quick fixes, the quick  
5 fixes include small or on-off ramps which come  
6 down onto Tchoupitoulas Street, just outside, and  
7 when you all came in here today, you were on the  
8 last mile, believe it or not. I'm glad you came  
9 at the time when you came and not a little  
10 earlier. But you were on the last mile, and that  
11 last mile can get pretty ugly sometimes, as we  
12 approach the actual bottle gate at Felicity, and  
13 at Religious and Tchoupitoulas.

14 So, anyway, there are some quick fixes,  
15 other faster than quick fixes, or the redesign of  
16 lane changes possibility, possibility of doing  
17 things, i.e. rededicating HOV lanes to possibly  
18 truck-dedicated lanes, and I did say, possibly.  
19 All those things are being considered. Mechanized  
20 state-of-the-art signalization. Changing of  
21 traffic flow, utilizing -- I looked at it, and I  
22 read it in detail several times now. And I'm

1 thinking; boy, boy, boy, you are going to be --  
2 this is going to be like driving up a one-way  
3 street to get people in the habit of going down  
4 these things correctly if ever they implement  
5 them.

6 But they'll need it in order to make  
7 more and more and more room for the truck traffic  
8 going in and out of that gate at the port, in  
9 order that the truckers who are represented here  
10 today, and they have the next panel, I believe, in  
11 order that they can make more turns on a given  
12 daily basis, and better shoes on the baby's feet  
13 for the people that work for them.

14 So again, the two congestion issues that  
15 we have are on the river itself, trying to get to  
16 50 feet which will probably mean less ships  
17 because of heavier volumes of cargo, and then the  
18 last mile, the ability. Anything that we do on  
19 the river means nothing if we can't correct that  
20 last mile, and allow for our truckers to have easy  
21 flow in and out to their terminals on the port.  
22 Thank you very much.

1                   COMMISSIONER DYE: Thank you very much.

2       And can I accept your study into the record?

3                   MR. LaGRANGE: Okay.

4                   COMMISSIONER DYE: Thank you. Roger  
5       Guenther from the Port of Houston. I was from  
6       Texas for a while when I worked with Congressman  
7       Jack Fields (inaudible), so I appreciate you being  
8       here.

9                   MR. GUENTHER: Well thanks for having  
10      me, and the Port of Houston, and you are welcome  
11      in Houston anytime. Gary, thanks for hosting  
12      this. It's good to be in New Orleans, so I'm  
13      anxious to hear about all the perspectives that we  
14      have here today, we've got quite a list of  
15      industry folks here that represent the whole  
16      supply chain, so hopefully we all come away with  
17      here, with some takeaways that maybe we didn't  
18      have, all showed up, so I think this is a great  
19      venue.

20                   The Gulf, ports in the U.S. Gulf is a  
21      great story of success, and I'll be speaking from  
22      the Houston perspective this morning, but I'm sure



1 -- and I can already tell we share similar  
2 experiences up and down the Coast, but what I can  
3 say for Houston, I believe we are headed for just  
4 an unprecedented growth due to many different  
5 factors over the next several years. The future  
6 is bright. And in terms of cargo, containerized  
7 break bulk, both import and export, so we have to  
8 be ready for that.

9           And today I also want to say that, you  
10 know, we don't have the impediments in the supply  
11 chain in Houston today that create congestion of  
12 any magnitude. We don't have congestion today.  
13 However, we have to make sure that we don't have  
14 congestion, and we are not going to be able to  
15 achieve that if we maintain the status quo. We  
16 don't have congestion just because we are lucky,  
17 we have worked hard at it.

18           If you go back through the years just on  
19 the container side, thinking about what  
20 transpired, you know, we don't stick paper up  
21 through tubes anymore, and we don't -- you know,  
22 we exchange good information, so we have to keep

1 doing that to make sure that we capture the flow  
2 of cargo coming through our region. There's a lot  
3 of factors pushing what's going to happen in our  
4 region of the Gulf. The renaissance of the energy  
5 sector is driving a lot of what we do.

6 I can remember back when Hurricane Ike  
7 came through, we took a look at it, the economy  
8 went -- you know, the economic downturn, Hurricane  
9 Ike, and we were looking at ourselves, and 50  
10 percent -- I'll say 33 percent of export  
11 containerized cargo was some form of plastic  
12 resin, and they were talking about manufacturing  
13 resin in the Middle East, and Singapore, and in  
14 Europe. And then all of a sudden we are blessed  
15 with Eagle Ford Shale down in South Texas which  
16 has changed the game, and there is a significant  
17 amount of investment going on in our region.

18 I know -- I'll speak for Houston, but I  
19 know in the Louisiana region another, you know,  
20 \$35 billion over the next couple of years just in  
21 Houston alone where they are now manufacturing  
22 plastic resin, and it's going to be for export,

1 and we have to take care of it, and we would have  
2 laughed at that five or six years ago, that we  
3 would be increasing manufacturing in Houston.

4 So that's something that we have to deal  
5 with on the export side. On the import side, the  
6 population in Houston, and Dallas, and San  
7 Antonio, Metroplex is growing faster than  
8 anywhere in the nation, which is going to  
9 encourage, and already has, the distribution  
10 centers, and imports coming into our region.

11 I will, like Paul said, not talk about  
12 the Panama Canal, we are all ready for that to get  
13 open so we can quit talking about what's going to  
14 happen when the Panama Canal opens, but we believe  
15 it's going to be a good impact, it's going to be  
16 significant, but we are anxious to see what  
17 happens there as -- The East Asian Cargo, all  
18 water through the canal to Houston is already  
19 about 25 percent of our import trade; so we are  
20 excited to see what happens as well.

21 So those three things are driving a lot  
22 of what we do, so how do we keep from having

1 congestion? I think a lot of what we've done over  
2 the years, it sounds simple, but as a terminal  
3 operator, the port -- every port does things  
4 different. We are a terminal operator. Primarily  
5 we have one tenet that operates a portion of our  
6 terminal, but we've made a lot of progress  
7 recently and through the years, through our  
8 communication, constant communication with our  
9 carriers.

10 We have to know what our carriers are  
11 going to do, what kind of volumes that -- what our  
12 shippers are going to do on this -- on the cusp of  
13 a huge demand, we have companies saying; hey we  
14 are going to run triple our volume of plastic  
15 resins now. What does that mean? You know, what  
16 kind of volumes can we expect, because with the  
17 capital-intensive nature of the infrastructure,  
18 we all have to provide, you know, it's two or  
19 three years out, and we have to make sure that we  
20 stay ahead of that demand curve.

21 We have close communication with our  
22 truckers. We have quarterly -- bimonthly meetings

1 with the truckers to understand their needs, so  
2 that we can evolve with the industry and make sure  
3 that they can efficiently use our terminals. An  
4 example that recently, we expanded our hours with  
5 the shortage in trucker supply that's leaving to  
6 go to the Eagle Ford Shale to make more money. Or  
7 having to evolve with that. Extend our hours a  
8 little bit so truckers can make more turns in a  
9 day with the amount of drivers that they have.

10 We work closely with the stevedoring  
11 companies to make sure that we are being  
12 productive and efficient on the (inaudible) -- on  
13 the ships, and the vessel activity, as well as our  
14 labor. You know, we are lucky to have a  
15 continuing, and have for many years worked closely  
16 with our labor and our maritime association to  
17 make sure that we have a skilled workforce to be  
18 productive on our waterfront.

19 Sharing of information is key, not only  
20 in those types of groups that are users, we have  
21 to not only received information to plan, but also  
22 share that information with others, and we've

1     gained that through technology.  Someone mentioned  
2     about the systems.  We have to continue -- again,  
3     we are not lucky, we spend a couple million  
4     dollars on a new operating system at the container  
5     terminal, so that we can more efficiently  
6     understand our operation, and be more productive  
7     on the docks.

8             Infrastructure is something that we have  
9     to stay ahead of.  Ports are just expected to have  
10    the infrastructure available to handle all this  
11    change, and volume, and talk about funding these  
12    is challenging, to say the least.  Talk about  
13    public-private partnerships, we are trying to make  
14    sure that we make the investments to stay ahead of  
15    this demand curve, and we have to have information  
16    from our shippers and commitments to those types  
17    of cargo.

18            A lot of times we are doing this blind,  
19    because you can't afford to be behind the demand  
20    curve.  We've done that, we did it back in the  
21    2000s, mid-2000s when were delayed opening Bayport  
22    Terminal.  That's not a situation you want to be

1 in, but also you can't build -- it's not  
2 profitable for anyone to build too far ahead of  
3 the demand curve. So we have to have those  
4 conversations and know what's coming through us --  
5 are going to be coming through our terminals.

6 Just to talk a little bit about what may  
7 be the challenges and where we've been successful.  
8 Waterfront properties are the most expensive  
9 properties in our region in Houston, and I can  
10 assure you probably on any port in the country.  
11 We have to work hard and use those properties  
12 wisely, to be for the movement of cargo and not  
13 for the storage of cargo, so we have to be  
14 rethinking what opportunities there are to keep  
15 the cargo velocity moving.

16 We focus a tremendous amount of time in  
17 this area, and take pride in the services that we  
18 perform, because we have to be productive on the  
19 vessel, and we have to be productive in and out of  
20 the terminal. I'll let the truckers talk more  
21 later on about what's occurring in their industry,  
22 but we are not ignoring these opportunities for

1        congestions that might crop up if we don't get out  
2        in front of those -- the decline in available  
3        truckers leaving to go to the oil patch, we've  
4        continued to -- placing emphasis on our  
5        environments, so they get in and out of terminals  
6        quickly.

7                    We have to make it efficient for them to  
8        have quick trips through our terminal. We do 30,  
9        35-minute turn- times today. We do good  
10       productivity on the vessel. We believe the  
11       trucker has a right to earn a decent living and  
12       get in and out of our terminals. That's at a cost  
13       that sometimes is ignored, but you talk about  
14       congestion, if you clog up the terminal, it starts  
15       costing people a lot of money very quickly.

16                   Also, briefly, I want to talk about the  
17       Federal Government, the customs and border  
18       protection play a key role in the commerce -- in  
19       the flow of commerce through our terminals. We  
20       work closely with them locally, but historically,  
21       they are budgeted to not be able to work a lot of  
22       hours. We've engrained that we are pretty much



1 7:00 to 6:00, Monday through Friday, in Houston,  
2 that has to change. We have a tremendous amount  
3 of assets that we are going to be forced to use  
4 those assets, and we want to use those assets  
5 24/7.

6 If you think about what we did today, we  
7 are going to put another billion dollars over the  
8 next five years. We have a billion dollars in  
9 Bayport already, and those assets are used for the  
10 road, and receiving and delivering containers, 25  
11 percent of the clock hours in a week, we need to  
12 be able to use those -- use off hours, and use the  
13 equipment, that sits idle a lot of the time, more  
14 productively and more cost-efficiently for our  
15 users.

16 Also, there is a lot of talk around the  
17 nation about chassis, we currently, I believe --  
18 and I'll listen to what the truckers have to say  
19 -- don't have a chassis issue, but we want to make  
20 sure we stay out ahead of that as well. There are  
21 opportunities we've engaged to look at what the  
22 opportunities are, moving forward, to make sure

1       that the trucker has a piece of equipment to haul  
2       his container in and out of the terminal when he  
3       needs to.

4               I'm not going to talk much about  
5       dredging, but we need to make sure that that is  
6       not part of our congestion opportunities. I echo  
7       what Paul said about water and funding and, you  
8       know, we just need to make sure that our channels  
9       can handle these larger ships that are coming in,  
10      first and foremost, and then be able to address it  
11      on the land side as well, to make sure we are not  
12      congested.

13              But in Houston, we know the big ships  
14      need to come, not necessarily because of the  
15      Panama Canal, it's our existing North Europe and  
16      East Coast of South America business, so we have  
17      to make provisions for dredging to match the  
18      Houston ship channel. And we did this ourselves,  
19      we invested \$80 million for the deepening and  
20      widening of the Barbours Cut and Bayport  
21      Terminals, so we can get it done in four years,  
22      versus the normal, maybe, 15 or 20 years than if

1 it went through the normal Federal process. Our  
2 region couldn't afford to wait and miss out on  
3 that lost opportunity, so the Port Authority  
4 funded the deepening and widening of the Federal  
5 Channel.

6 I'll close, we talked about  
7 infrastructure, and I could talk all day about  
8 this, but we have to stay with the demand curve,  
9 but we can't do this in a vacuum either, we've got  
10 a capacity today of 2 million TEUs annually  
11 between our Barbours Cut and Bayport Terminals.  
12 We have the ability to expand the 5 million-plus,  
13 however quickly we need over the next 10 or 20  
14 years. But we also have to remember, we can do  
15 that all day long and be efficient.

16 The roads coming in and out of our  
17 terminals have to be planned so that we have the  
18 freight mobility to move the cargo into and out of  
19 our region. We are not necessarily a regional  
20 port like we were 20 years ago, we have the  
21 opportunities by road and by rail to reach further  
22 and further inland to the consumer base which, in

1 Houston, within 1,000 miles, we can reach 140  
2 million consumers. So, we work closely with our  
3 local and State Departments, and transportation,  
4 we look at the Federal level as well. We have to  
5 make sure that we have the infrastructure to move  
6 cargo so that we don't cause congestion in our  
7 facilities.

8 Anyway, thanks for letting me have those  
9 comments, and certainly looking forward to any  
10 questions that we have moving forward.

11 COMMISSIONER DYE: Thank you. Thank you  
12 very much. Mr. Thorne?

13 MR. THORNE: Hi. Thank you,  
14 Commissioner. I appreciate being included here as  
15 well. Port of Mobile is the 12th largest port in  
16 the United States, and we appreciate the  
17 opportunity to address the matters here. Like the  
18 Port of Houston, we are not experiencing  
19 congestion at the current time either, but we do  
20 have some concerns in mind about the future.

21 We are building an ICT and that will be  
22 complete and ready to go next year, for intermodal

1 container freight transfer. We are concerned  
2 about Class I railroads ability to service these  
3 facilities.

4 We are seeing more and more service  
5 problems with the Class I railroads. I think  
6 those of you that follow them, the industry  
7 magazines and so forth, realize that Canada had to  
8 force the railroads out there to take care of  
9 their grain last year. We've got a big grain crop  
10 coming this year, and we are concerned about here  
11 in the U.S. Some of the ports are fortunate to  
12 get their grain by barge, but those of us that get  
13 a lot of -- are regular, are going to be watching  
14 that very closely.

15 The oil is moving now by rail. With  
16 Congress demanding, they have (inaudible)  
17 demanding the double-skin railcars. If you go to  
18 book a new box car being built now, I'm told that  
19 the delivery would be in late-2016. Every one of  
20 the box, the railcar facilities are building  
21 tanker cars, double-skin tanker cars, and cars to  
22 carry the oil sands, we are already seeing a

1 shortage of box cars for break bulk cargo. And  
2 cargoes that are stuffed into containers for  
3 containerized shipment, we are already seeing  
4 those shortages, and we've addressed them in our  
5 own manner by leasing cars, our railroad at the  
6 port is leasing cars for our customers to use.

7 But we see this continuing to grow until  
8 these facilities were free to start addressing  
9 that growing need, so I worry about congestion on  
10 the rail. It's a big concern, we see the oil  
11 being more and more important to the railroads and  
12 we see service falling in other sectors, and we  
13 are very concerned about that.

14 We've also, like the Port of New  
15 Orleans, we finished our third record year last  
16 month, and we've been very blessed with that.  
17 We've been building facilities for the last 10  
18 years, and now the business is growing to take  
19 advantage of those facilities and we are very  
20 happy about that. We have a public-private  
21 project going right now that will be finished by  
22 the end of the year building a new steel coil

1 warehouse. When it's finally phased out they'll  
2 be able to handle 475,000 square feet of coil,  
3 steel, and that's going to take coils that we have  
4 in our break bulk warehouses now, and free up that  
5 space for other cargo.

6 So we are real happy about that, and the  
7 growth that we've seen has been phenomenal over  
8 just the last few years, and I think we are going  
9 to see that continue. We've worked hard with the  
10 Port of Houston, the Port of Tampa, with our Gulf  
11 Coast Advantage teams that have gone over and  
12 called on container carriers, showing them that  
13 coming into the Gulf is not just a East Coast,  
14 West Coast movement any more. That the Gulf can  
15 offer a lot more distribution capabilities and we  
16 appreciate the cooperation we've had with our  
17 partners on that.

18 I'm not sure they all have. We do have  
19 concerns on dredging, not only permitting. We are  
20 at 45 feet and don't see a need for that -- more  
21 than that at the present time, but every year all  
22 of our ports sweat out the core of getting the

1 proper funding to keep the water we've got, much  
2 less taking care of deeper water. When you go to  
3 50 feet it expense is going to be that much  
4 greater to keep it at 50 feet.

5 So Congress has got to address this.  
6 We've got to find a solution for the dredging  
7 needs of the entire industry and the nation.  
8 Thank you very much.

9 COMMISSIONER DYE: Thank you. Thank you  
10 very much. And Mr. Strader.

11 MR. STRADER: Yes, ma'am. Thank you,  
12 Commissioner. And to Gary for hosting this, as  
13 always, a gracious host. Opportunities like this  
14 have to be created. And I think probably one of  
15 the most crucial things that we can do as an  
16 industry is talk to each other. And we need to  
17 look for those opportunities and take advantage of  
18 it, to the extent that it's legally possible with  
19 all members of our industry.

20 Without that, I just don't see how we  
21 can ever be individually and collectively all that  
22 we need to be. Everyone in this room has formed



1 by unique experiences and circumstances, and I'm  
2 going to share a couple of mine with you. Just to  
3 be a little different. I've had the fortune to  
4 work both in the South Atlantic Port Range, as  
5 well as the Gulf. I've also had the opportunity  
6 to work for both an operating port as well as a  
7 landlord.

8           And two comments relative to that; one,  
9 the Gulf has got everybody beat hands down. That  
10 this is a great place to be, we do have tremendous  
11 balance and tremendous opportunities. It's not  
12 often you can come to a place where you have  
13 actually more exports than you do imports, and  
14 you're scrambling looking for that equipment, to  
15 fill those exports into it, that's a great  
16 challenge to have.

17           Relative to being operating versus  
18 landlord, Roger, no disrespect, but I've been both  
19 places, and being in a landlord position has its  
20 -- has some very distinct advantages. First and  
21 foremost, it puts you closer to -- I think at  
22 least from one standpoint to harnessing the unique

1 capabilities of each of your partners inside that  
2 port operation. And that gets us back to the sort  
3 of the public-private concept, and the private  
4 investment. I will have to put a plug in for  
5 Freeport, everybody else kind of has too. We do  
6 have one of those public-private partnerships, I  
7 do think that's a term sometimes that gets pounded  
8 into the ground and gets overused, but  
9 nonetheless, with private investment, comes  
10 private partnership. But in our particular case,  
11 it's an export opportunity and it is borne out of  
12 the shale gas revolution. And that is, again,  
13 another big number. That was another thing coming  
14 from the South Atlantic into the Gulf.

15 I wasn't used to talking in terms of  
16 billions, it was millions, maybe 100 million, but  
17 certainly not billions; but we had a piece of  
18 property that we were not in a position,  
19 necessarily, to develop it, the private sector  
20 was. And this month we'll have the ground  
21 breaking on a \$15 billion liquid natural gas  
22 export facility.

1           So again, this is one of those examples  
2       of where partnering with the private sector makes  
3       tremendous sense. Some of the issues that I guess  
4       I will talk about, ultimately sort of surround  
5       around, one, of the communication aspects, being  
6       very, very critical. And then, two, obviously  
7       money being a scarce resource that all of us have  
8       to rationalize as we look at having to spend, or  
9       attempt to accomplish stuff that there's no  
10      possible way our bank accounts can, by themselves,  
11      completely address.

12           On the capital side, I think working  
13      with the U.S. Army Corps of Engineers, certainly  
14      they are, typically, our biggest partner, and  
15      sometimes our biggest foe. But in the case of  
16      Freeport, we were blessed to be included in the  
17      most recent (inaudible) authorization, but  
18      following that comes a tremendous challenge as to  
19      how then are we going to actually accomplish that  
20      authorized project.

21           We are looking at private investment.  
22      The Corps has made tremendous strides, I think, in

1 terms of trying to reduce the study time, and also  
2 looking for ways to be creative to accept local  
3 funding. We have a number of examples of that,  
4 certainly in the Gulf as well as in the South  
5 Atlantic also. But we are looking for those  
6 opportunities, I think another way to look at this  
7 though, is fundamentally to go back to how the  
8 Corps funds these projects in the first place.

9           Once we are past the authorization  
10 point, you know, projects need to be looked at the  
11 same way that typically they are looked at in the  
12 private sector, as opposed to funding them on an  
13 appropriation-by-appropriation cycle basis there.  
14 We need to figure out a way to fund them  
15 holistically. The Corps expects that of us, as  
16 private -- the local sponsors. In turn, I think  
17 it needs to be looked at, the whole project,  
18 respective of a holistic basis.

19           From an operating standpoint, I share  
20 Roger's concerns about U.S. Customs. Again, I  
21 think steps have been made in that area with the  
22 contribution program to begin to address that, but

1 they do have limited hours that the FTEs can work  
2 on annual basis. And this is where communications  
3 comes back into it, and supplying customs with,  
4 you know, the information that they need,  
5 ultimately, to go back and justify additional  
6 resources on the ground but, you know, we are at  
7 that point where, as an industry, we just don't  
8 have enough financial resource to allocate at  
9 times. And ultimately we rather get creative  
10 about addressing.

11 And then, I guess the last part of that  
12 is, just again, dealing with those scarce  
13 financial funds. You know, I like to think that  
14 in Freeport we are in a good position to address  
15 the expansion needs that we have for our terminal,  
16 but again, that's only part of it. Ultimately the  
17 inland connections are absolutely essential,  
18 whether they be road or rail, and then on the  
19 navigational side. If you don't have all three  
20 components you've got an incomplete recipe. Thank  
21 you.

22 COMMISSIONER DYE: Thank you. I will be

1 calling my contacts over at Customs to discuss  
2 Customs Resources and Port Operations, We should  
3 have a conversation with them about resources,  
4 because obviously you have to use your  
5 infrastructure as efficiently as possible, and you  
6 can't stay open without support.

7 MR. STRADER: Well, I'm not -- I don't  
8 want anybody to think that we have a bad  
9 relationship with U.S. Customs.

10 COMMISSIONER DYE: No. No. I have not  
11 heard --

12 MR. STRADER: Okay.

13 COMMISSIONER DYE: -- that you have a  
14 bad relationship. I think that speaks very well  
15 for them.

16 MR. STRADER: We had a meeting recently  
17 that was enlightening to me, in terms of the  
18 explanation of how they go about justifying the  
19 resources, and the timeline it takes to accomplish  
20 that.

21 COMMISSIONER DYE: Yes.

22 MR. STRADER: The result of that we

1 began to share our long-range volume forecast with  
2 them in order to enable them to plan for that. I  
3 don't know if other ports do that or not, for us,  
4 that was new.

5 COMMISSIONER DYE: Roger?

6 MR. GUENTHER: We have done the same and  
7 certainly, on record, we have a very good  
8 relationship with the Port Director there in our  
9 region, but we just have to make sure that the  
10 message is clear, where these volumes are going  
11 and what kind of resources folks are going to  
12 need, from CBP to continue the flow of commerce.

13 COMMISSIONER DYE: And it's -- I'm very  
14 pleased that it sounds like -- that you are doing  
15 your best to get out in front of any problems that  
16 exist now, that might be an issue in the future,  
17 and that's very good news.

18 MR. LaGRANGE: Yes. That's where I  
19 reckon I feel compelled to respond as well. We  
20 have very, very few issues, detrimental issues  
21 with Customs and Border of Patrol. The issues  
22 that we do have when something does crop up, they

1 are very responsive, they are very respondent, and  
2 usually the problem, if not in a short period of  
3 time, over some period of time, is resolved. It's  
4 usually over a new issue or a new type of cargo; a  
5 new way of handling things. We resolve this, we  
6 saw a lot of that when we opened our cruise ship  
7 terminals back in the early-2000s, it was a  
8 strange creature to the Port. So, after a period  
9 of time, like anything else, they acclimate it and  
10 are just doing a yeoman's job with it.

11 COMMISSIONER DYE: That's good.

12 MR. ANDERSON: Commissioner, I also feel  
13 that we have a fantastic relationship with our CBP  
14 partners. Also, make no mistake that everyone one  
15 of us up here, one of the most important  
16 relationships that we have to have is necessitated  
17 by the way our business moves, is with our  
18 counterparts at CBP. And in general, they are  
19 extremely responsive, but they have the same  
20 issue, though, that other Federal agencies have.

21 COMMISSIONER DYE: That's true.

22 MR. LaGRANGE: And its resources and a



1 lack of understanding and commitment from Congress  
2 to provide the necessary resources, so we are  
3 growing, and you heard every port up here,  
4 including I did not address, but we've had three  
5 -- two record years, all-time records, along with  
6 all of the other ports and the Gulf Coasts are  
7 saying the same thing. And CBP is being asked to  
8 do more with less.

9 COMMISSIONER DYE: I'm sure that's true.  
10 Thank you. Is there anything else you'd like to  
11 add, gentlemen; or would like to ask each other?

12 MR. LaGRANGE: I'd just like to comment,  
13 once again, I think you see an underlying theme  
14 here, on the Gulf Coast. As several of you have  
15 mentioned, it's very bullish, I think it will  
16 continue to be bullish. Some of the things that  
17 Roger alluded to, and I alluded to from an energy  
18 standpoint and an energy side, again, the Achilles  
19 heel is always in beefing up the imports. Making  
20 sure that the adequate number of boxes and  
21 containers are here.

22 But I think the underlying side also, as

1     this growth continues, and all of the  
2     prognosticators indicate that it's going to  
3     continue for a while, we'll best be prepared. And  
4     Roger, again, alluded to that, in making sure that  
5     if you have an expansion program in mind, over the  
6     next five to ten years, you'd better start working  
7     your infrastructure now. And so those are the  
8     issues I think we all need to be concerned. You  
9     can't wait till the last minute.

10            COMMISSIONER DYE: Of course.

11            MR. ANDERSON: I'd also like to conclude  
12     by -- you know, there's a couple of things that  
13     came out that, one, was the Gulf Coast advantage  
14     that you heard talked about.

15            COMMISSIONER DYE: What is that?

16            MR. ANDERSON: It is a Joint Marketing  
17     Agreement between the Ports of Mobile and Tampa,  
18     and Houston, where we market together. And this  
19     is something that, you know, we are in competition  
20     with all of our ports on the Gulf Coast. But we  
21     all work very well together, and I think it's  
22     really important where you see the destructive

1 competition amongst some others around the  
2 country, we all have the same challenges but we  
3 identify that to get the capacity to come into the  
4 Gulf, we needed to work together. And it's  
5 working very well, we've got to market around the  
6 world; Asia, Europe and Latin America and work  
7 together on that.

8 The other one is the investment that's  
9 being made by all other ports, so we have a  
10 \$500-million capital plan over the next five  
11 years. Our largest ever single year, will be this  
12 budget year, 2014; '15 which is 96 million; so  
13 these ports all of us are investing hundreds of  
14 millions of dollars to expand our capacity to meet  
15 the future needs of the growth of our country.

16 And two other things, Gary mentioned the  
17 connectivity, I think all of us are concerned  
18 about the intermodal connectivity to our nation's  
19 interstate system, and we were very fortunate that  
20 the -- as I was able to do the ribbon-cutting in  
21 December, of a \$600-million project that was an  
22 I-4 connector for Tampa with a dedicated truck

1 lane into the port. And of our 8- to 10,000  
2 truck-moves a day that's taking almost 60 percent  
3 of those daily truck moves off of local roads, and  
4 putting them right on to the truck.

5 But again, the number, the \$600 million,  
6 you heard that number that Gary mentioned so --  
7 you know, you have to start years ahead of time,  
8 we are very fortunate. And the last thing is that  
9 when you talk about P-3s, when you have private  
10 partners that have skin in the game, in your  
11 projects, the likelihood of that being successful  
12 and getting a good, solid return on investment  
13 goes up exponentially. So I think it's really  
14 important as we look forward to expanding capacity  
15 that we utilize these private partnerships.

16 COMMISSIONER DYE: I've talked to  
17 several private investors in Copenhagen, when I  
18 was at the Maritime Forum, you will be glad to  
19 hear, that they are interested in investment in  
20 the United States as well as foreign ports. As we  
21 look forward to avoiding any congestion problems,  
22 obviously we have to be prepared for the increase

1 in volumes.

2 MR. LaGRANGE: You know, you are  
3 absolutely right. I'd like to add one thing, I  
4 just happen to hear Rand Paul talk about it on  
5 Face the Nation yesterday. And in addition to  
6 foreign direct investment, we really need to start  
7 looking at the Apples, at the Caterpillars, and at  
8 the companies, the corporate world, and the  
9 corporate structure in the United States. There's  
10 over \$1.3 billion available now, in funds for  
11 those companies to reinvest back in the  
12 infrastructure in the United States to help with  
13 the issues that we have, and also to spur the  
14 economy.

15 So I don't think we should always  
16 restrict this to just a foreign direct investment,  
17 but we need to start looking at home as well. The  
18 money is there. Maybe the Appropriations Bill in  
19 January will help out with that.

20 COMMISSIONER DYE: Yes. Anything else,  
21 gentlemen? Okay. We are good.

22 MR. ANDERSON: I'm good.

1                   COMMISSIONER DYE: Thank you. I can't  
2 tell you how much I appreciate it. It's been  
3 excellent, and I'm planning to make a motion when  
4 I return to the Federal Maritime Commission that  
5 we move our headquarters to the Gulf.

6                   MR. ANDERSON: All right. Here, here.

7                   COMMISSIONER DYE: Or maybe we can just  
8 move around to these wonderful locations to --

9                   MR. ANDERSON: You have a roomful of  
10 (inaudible) in there.

11                   COMMISSIONER DYE: -- to do business.  
12 Thank you. Thank you, again, very much.

13                   MR. ANDERSON: Thank you.

14                   COMMISSIONER DYE: It's excellent.

15                                   (Applause)

16                   MR. ANDERSON: Thank you so much.

17                                   (Recess)

18                   COMMISSIONER DYE: Ladies and gentleman,  
19 let's begin our second panel on ship operations.  
20 They told me to speak into the microphone, so I  
21 apologize if some of you haven't been able to hear  
22 me during the first panel. We'll fix that right

1 now.

2 I appreciate your being with us this  
3 morning. This morning we have Mr. Waldemar  
4 Poulsen, President and CEO with Rickmers from  
5 Houston, Texas. Mr. Jim Michalski, Vice President  
6 of Inland Operations, CMA-CGM America, from  
7 Norfolk, Virginia. Mr. Dhaval Patel, Head of  
8 Gulf, Pacific Northwest and Safmarine Delivery,  
9 USA from The Woodlands, Texas. Is that right?

10 Mr. Steven Garifalos, Regional Director,  
11 North America, NYK Bulk and Project Carriers from  
12 Houston, and Mr. Thomas Grant, Director, National  
13 Accounts, Crowley Maritime in New Orleans. Thank  
14 you very much gentleman. I appreciate it. If you  
15 have any particular travel concerns, anyone can go  
16 first. Otherwise, Mr. Poulsen, why don't you  
17 begin?

18 MR. POULSEN: Well, I have a flight this  
19 afternoon so I have lots of time.

20 COMMISSIONER DYE: Good. I appreciate  
21 that.

22 MR. POULSEN: But good morning everyone,

1 and thank you to Commissioner Dye and the FMC for  
2 arranging this important meeting. I'm Waldemar  
3 Poulsen, President and CEO of Rickmers-Linie.  
4 Rickmers is headquartered in Hamburg, and my  
5 office is in Houston. I'm responsible for  
6 Rickmers in North and South America.

7 Just for your information, Rickmers  
8 operates east and westbound break bulk around the  
9 world services with 30,000 dead weight ton  
10 multipurpose vessels. We cater to all types of  
11 cargo; break bulk, bulk, oversized, heavy lift,  
12 and all types of project cargos. We are, as  
13 everybody else, very happy to see all the projects  
14 that are going on in the Gulf, in Lake Charles,  
15 and the Bay Port, and so on. That will benefit a  
16 carrier like ours.

17 Also, Rickmers has about 75 port calls  
18 in a year within the U.S. Gulf. Primarily we go  
19 to Houston and New Orleans, but we also go to  
20 other ports here and there on inducement basis to  
21 Mobile, to Corpus Christie, Brownsville, and so  
22 on. So we go where the cargo demands us to go.



1       Certainly, again, the U.S. Gulf is extremely  
2       important to us even though we also go on our  
3       around the world services up the East Coast. So  
4       let's say the East Coast and Gulf together, that's  
5       our field of operation in the U.S.

6                 Container carriers offer door-to-door  
7       service. Contrary to most break bulk carriers  
8       like Rickmers, we offer port-to-port. So that  
9       means that in the overall total supply chain we  
10      are only responsible, if you will, or we only  
11      handle the port-to-port section. So in other  
12      words, a limited part of it. Everything that has  
13      to do with inland issues with the chassis and  
14      truckers and so on. Of course, it effects  
15      somebody in the supply chain, especially the cargo  
16      owners. But we're not, as a carrier, let's say  
17      involved directly in that. Okay? Just so that's  
18      clear.

19                In general, although things are working  
20      pretty well for us it all has to do with  
21      competitiveness in the marketplace. Our  
22      competitors operate in the same arena as we do,

1 and they're up against the same challenges. So as  
2 long as we are on a level playing field we feel we  
3 are okay.

4 That does not mean that there's no room  
5 for improvement in the supply chain. We have been  
6 listening to the port directors to understand that  
7 there are all kinds of investments going on. In  
8 Houston that's our main port, \$1 billion over the  
9 next five years. That sounds impressive. One can  
10 only ask, is it enough? I'm not going to be the  
11 judge, but I think it's a question we all have.  
12 How much can be improved in the infrastructure in  
13 order to have carriers cut costs, if you will,  
14 which is certainly the aim all the time. But not  
15 only for carriers, for anybody in the supply  
16 chain.

17 I think, if I'm not mistaken,  
18 Commissioner, will we address a little later on  
19 some of the shortfalls or inefficiencies or do you  
20 want that to be comments also now?

21 COMMISSIONER DYE: Please go ahead.

22 MR. POULSEN: Okay. So --

1                   COMMISSIONER DYE:  If think if there are  
2  issues that you'd like to raise.

3                   MR. POULSEN:  Sure.  I would just like  
4  to bring up --

5                   COMMISSIONER DYE:  Please proceed.

6                   MR. POULSEN:  For example, in -- I can  
7  speak for Houston.  I haven't really personally  
8  experienced it in New Orleans, but we are up  
9  against fog at the wrong times when our ships come  
10 in and want to go to a birth in Houston they get  
11 stuck maybe down in Galveston Bay because of the  
12 fog.  We have had delays, some up to a week,  
13 where, I don't know how many ships have been lying  
14 down there, you know, basically waiting for the  
15 fog to lift.  I do understand it has to do with  
16 radar systems that could be installed that would  
17 allow ships to go in and out even during fog.

18                   In New York, we haven't experienced  
19 those issues.  Even though we also have, let's say  
20 snow, that can also be a little difficult to  
21 maneuver through.  But fog is definitely something  
22 that extends the transit time and the cost in the

1 supply chain. So if we can find a way in Houston  
2 and anywhere else to get the ships in and out  
3 despite fog then, I think, that's certainly one  
4 important issue that should be considered.

5 A ship can cost, let's say, \$15,000 or  
6 maybe \$30,000, depending what type of ship you're  
7 talking about, huge container ships are extremely  
8 costly. If you're lying there for seven days  
9 that's a tremendous cost that should be  
10 considered. If there is a way to mitigate that  
11 type of delay I certainly encourage anyone who has  
12 powers to consider it, and do what can possibly be  
13 done to improve.

14 Then we were talking about drafts and  
15 feet I think is what has been considered, the  
16 maximum draft in certain ports, like also the  
17 Mississippi River. For us, if we -- for our ships  
18 get 40 feet we were pretty happy. So I think  
19 depending on where we go, but it's not just a  
20 general port that should have, in our case 40  
21 feet. It's, of course, the draft along the  
22 terminals also that is extremely important. So

1 the drafts should be considered.

2 Another thing, let's say heavy lift  
3 pieces that boom will carry, and ships will have a  
4 lift key, and they are accepting more and more  
5 weights. That's where, also, the infrastructure  
6 of the ports will be critical so that the weights  
7 can be held by the, or supported if you will, by  
8 the old Maritimes, old piers. So reinforcement  
9 may happen here and there or may be required that  
10 ports will have to look at together with the  
11 carriers, I'm sure.

12 Also, infrastructure when it comes to  
13 cranes. Take the container lines. They're having  
14 cranes prop all over the place, you know, to  
15 handle their larger reach with the post Panama X  
16 vessels and what have you. Within our field with  
17 break bulk we also would like to see more crane  
18 capacity on shore instead of having to always  
19 basically use our own vessel gear.

20 So those are the general issues. But,  
21 of course, again, we want to be competitive, but  
22 if we are talking about efficiencies or

1 inefficiencies I think these are important points  
2 that we can at least pinpoint. I'm sure there are  
3 others, but it's all different from port to port,  
4 from terminal to terminal. But, in general, those  
5 are the issues we are facing as a break bulk  
6 shipping company. Thank you very much.

7 COMMISSIONER DYE: Thank you very much.  
8 Mr. Michalski?

9 MR. MICHALSKI: Morning everyone. Thank  
10 you, Commissioner Dye --

11 COMMISSIONER DYE: Of course.

12 MR. MICHALSKI: -- for the opportunity  
13 to address the FMC and the International Supply  
14 Chain Efficiency Port congestion issues and  
15 industry challenges that all stakeholders are  
16 wrestling with in today's logistics supply chain.

17 I am Jim Michalski. I'm VP of Inland  
18 Operations at CMA America. For those of you that  
19 don't know, CMA we're the third largest  
20 containership company in the world. As far as the  
21 U.S. trade is concerned we call every single port  
22 from Vancouver to Boston, and everywhere in

1 between. So the congestion issue is very near and  
2 dear to us.

3 I've spent my entire career in the  
4 industry, and I've seen my fair share of  
5 operational challenges. After spending nearly 25  
6 years on the ocean carrier side of the  
7 transportation sector nothing has quite prepared  
8 me for the challenges we are facing today.

9 As everyone here knows, the smallest bit  
10 of congestion at the port has a trickle-down  
11 effect throughout the intermodal chain. Even  
12 brief periods of congestion can lead to days, or  
13 even weeks, of recovery. With the sustained  
14 congestion we have seen this year the supply chain  
15 is seriously at risk of grinding to a halt which  
16 will impact our economy. I think all the  
17 stakeholders here today know that I'm not  
18 exaggerating, or being melodramatic, when I say  
19 that the challenges we are discussing have reached  
20 crisis level.

21 I have followed the previous port  
22 congestion forums with great interest, and I

1 appreciate Commissioner Dye and the other  
2 commissioners providing these opportunities for  
3 public discussion. Unfortunately, it seems to me  
4 that at the previous meetings many stakeholders  
5 have been too anxious about their own points' of  
6 view and not working collaboratively with other  
7 stakeholders.

8 I recognize that each stakeholder here  
9 today has competing priorities, but at the same  
10 time I hope we can agree that we each need to make  
11 a profit in order to build infrastructure and  
12 reinvest in our individual organizations for  
13 sustainability. With that in mind, I'd like to  
14 highlight a few areas where I think investment is  
15 the key to resolving the current crisis.

16 On the Port Authority side. Port  
17 authorities must continue to invest in capital  
18 infrastructure to insure competitive capabilities  
19 and to develop jobs in each of their states. The  
20 large capital investments necessary to develop  
21 facilities have been slow to develop, and are  
22 currently behind the industry demands.



1                   We hear a lot from East Coast Port  
2           Authorities and politicians about the introduction  
3           of big ships after the Panama Canal expansion.  
4           That can't happen without critical infrastructure  
5           development, starting with the ports.

6                   For the terminal operators. Terminal  
7           operators must continue to invest in container  
8           handling equipment to ensure they can grow their  
9           operations to eliminate congestion and empty  
10          container repositioning. They also need to invest  
11          in necessary resources to timely repair chassis  
12          and terminals that are perceived to have more  
13          equipment out of service than in service.

14                   Terminals cannot simply rely on  
15          solutions such as PierPass, which have only pushed  
16          gate congestion at facilities to peak periods.  
17          The equipment investment needs to be considered in  
18          order to ease congestion, and to keep the  
19          terminals fluid.

20                   Motor carriers must continue to invest  
21          in their drivers to ensure there is a future for  
22          drayage and inland trucking. Motor carriers must

1 continue to invest in equipment, and take on  
2 responsibility for chassis in line with a model  
3 followed elsewhere in the world.

4 The owner/operator has been squeezed for  
5 years on rates to a point where the driver living  
6 wage is unsustainable. The driver population  
7 average age has grown from 41 to 55 over the last  
8 decade. This trend is, obviously, unsustainable,  
9 and the entire supply chain needs corrective  
10 action to improve the current situation.

11 For the shippers, the NVOs, and the  
12 BCOs. They need to invest in the service levels  
13 they demand. Shippers are demanding the best  
14 service while driving rates down. Cargo is  
15 compressed into seasonal windows, straining peak  
16 capacity. Warehousing hours do not meet the  
17 demand of cargo surges, so shippers are holding  
18 equipment and asking for more free time.

19 Carriers are usually willing to grant  
20 the additional free time to secure the business,  
21 but this just contributes further to the equipment  
22 shortages. The cycle that serves demands and rate

1 erosion is not sustainable.

2 For the Class A railroads. Investment  
3 is needed in equipment and infrastructure and also  
4 look at the operational practices that add to the  
5 congestion and equipment shortages. For example,  
6 the wheel chassis operation required by railroads  
7 to minimize operational costs has a negative  
8 impact on already over utilized chassis capacity.

9 Also, there is an insufficient railcar  
10 supply in the network causing railcar shortages  
11 and delays throughout the network. While  
12 railroads want to protect their individual  
13 interests, over usage of cars by one company to  
14 protect the interest against competitors has a  
15 negative effect on supply throughout the industry.

16 For chassis management and leasing  
17 companies. Again, they must continue to invest in  
18 an aging fleet, in new equipment, and the  
19 resources needed to timely repair equipment. As  
20 well as to reposition equipment from surplus  
21 locations. Depots are holding chassis that could  
22 be deployed to mitigate chassis shortages in other

1 areas. Again, this simply adds to the problem.

2 On the labor front, cyclical  
3 availability in the workforce, and stronger  
4 internal leadership in each organization is  
5 required to meet the demands of the industry. I  
6 applaud what has been done by the USMX, an ILA to  
7 increase the workforce in the New Jersey/New York  
8 port. Including the ILA effort this year to limit  
9 vacations in the Northeast to meet the demand of  
10 peak freight.

11 Labor availability has notably improved  
12 over 2013, but these initiatives need to be  
13 formalized in agreement with PMA and USMX to  
14 ensure the industry is provided with the  
15 consistent, skilled, and efficient labor force for  
16 the long term. Certainty of labor supply plays an  
17 important role in the confidence of shippers and  
18 carriers alike.

19 Last, but not least, for the ocean  
20 carriers. That's me. We must continue to invest  
21 in larger ships to take advantage of economies of  
22 scale needed to provide superior service at a

1 competitive price. At the same time, we need to  
2 exercise restraint in pricing to ensure that  
3 service levels are not eroded by declining rates.

4 Right now carriers are barely afloat,  
5 losing money as an industry year after year. To  
6 mitigate the bleeding, the carrier industry has  
7 adopted a slow steaming policy. This means that  
8 when vessels are delayed due to port congestion it  
9 is cost prohibitive to spend the money to make up  
10 the time.

11 Carriers also need to play our role in  
12 equipment investment by ensuring a strong supply  
13 of containers, including specialized containers,  
14 and we need to invest our time and efforts into  
15 finding a solution for container imbalances, so  
16 that the containers are not only available, but  
17 available where we need them.

18 At the same time, carriers must continue  
19 to push for a move out of the chassis business so  
20 the equipment can be managed more effectively by  
21 other stakeholders who are in a better position to  
22 maximize efficiencies.

1           None of these issues are new to the  
2 industry, but they are exacerbated by the volume  
3 growth in the industry. I do not pretend to think  
4 that these comments are all inclusive for each of  
5 the stakeholders, but I do hope that I have  
6 identified some of the competing challenges and  
7 areas where we can reach common ground, and stop  
8 working in different directions.

9           Until we as an industry identify a  
10 common path and accept that we need to take  
11 responsibility for our financial piece to the  
12 solution, this cyclical nature of congestion will  
13 persist and only get worse. I recommend an  
14 industry-wide CEO level task force encompassing  
15 all stakeholders to address the issues and work  
16 toward a common industry solution.

17           We all know the challenges and have the  
18 power to influence a solution, but not one of us  
19 can solve it separately. Thank you again for your  
20 time and opportunity to discuss solutions for  
21 change.

22           COMMISSIONER DYE: Thank you. Thank

1 you, Jim. I appreciate that. As you heard, I  
2 agree that we need a sustained high-level,  
3 dedicated group to consider these challenges. I  
4 think at the regional or local level. Thank you.  
5 Mr. Patel.

6 MR. PATEL: Thank you, Commissioner Dye,  
7 for hosting this. I'll try to get right into it.  
8 Dhaval Patel with Maersk and I've been operations  
9 for, I guess, almost as long as I've been with  
10 Maersk.

11 So this congestion, and all of these  
12 issues on the automotive side very near and dear  
13 to my heart, and something that I deal with on a  
14 daily basis. And something, kind of, Jim  
15 mentioned, you know, this is not something that's  
16 new. Growth was starting in 2006, 2007, but then  
17 the economy took a downward trend. The issues  
18 that we were about to start facing back then are  
19 just now coming up as the economy has started to  
20 get better.

21 This year things such as the ice storm  
22 in Newark just made things a lot worse. Then the

1 issues that we're facing today on the West Coast  
2 are not helping either. So just as an example,  
3 one day that a terminal is down it's taking ten  
4 days to recover from that downtime.

5 So when Newark was shut down for 20 plus  
6 days you're looking at the rest of the year for us  
7 to fully recover. Now that the issues on the West  
8 Coast are happening it's going to make things  
9 worse. All we kind of seem to do is move issues  
10 from port to port. This is congested, let's start  
11 sending things to Norfolk. Let's start sending  
12 things to Seattle, to Vancouver. We're kind of  
13 just moving the problem from area to area.

14 I think we need to kind of work together  
15 to find the root cause. I was kind of saying that  
16 earlier, unluckily it's not just one thing that  
17 needs to be fixed. It's a variety of issues that  
18 need to be fixed in order to get us to where we  
19 need to be. It's not something that's going to be  
20 solved overnight.

21 You kind of mentioned rates, Jim, and  
22 rates are going in a downward trend. So that's



1 pushing the terminal, the rail, the truck  
2 providers, and the ocean carriers to look for the  
3 lowest possible cost. With the rates going down,  
4 the variable costs like wages, benefits,  
5 healthcare, they're all increasing. Again, it's  
6 impacting everyone when that happens. We're not  
7 able to make as much of a profit. Because of that  
8 we look for ways to have the lowest possible cost  
9 like slow steaming and so forth.

10 So there's a lot of challenges, but  
11 talking about terminals, you know, some of the  
12 Port Authority members earlier they mentioned turn  
13 times at the terminals, and 35, 40 minutes.  
14 That's great when it works. But what we see and  
15 what we hear about from our truckers are the  
16 outliers.

17 The turn times outside of the terminal,  
18 the hour that they have to wait to get inside the  
19 terminal or the one to two truckers that have to  
20 wait three hours, four hours. Those are the guys  
21 that speak up, and they are the ones that helped  
22 the other drivers. They're the ones that end up

1 leaving the industry and not coming back. They go  
2 to the oil companies or shale gas, and so forth.  
3 It's the outliers that we have to worry about.  
4 It's not the averages.

5 Rail, you mentioned rail early as well,  
6 and a few people have. But with the rail, they're  
7 not expecting new cars or they don't have anything  
8 on new order until 2016. That, to me, is a big  
9 issue because 90 plus percent of all the railcars  
10 that they have are in use today. That's causing a  
11 shortage. That's what's caused a lot of issues on  
12 the West Coast. It's not the only, but it's one  
13 of the major issues that caused issues.

14 On the trucking side, you have a variety  
15 of issues, but the major one being the driver  
16 shortages, and it's related to the terminal issues  
17 that we mentioned earlier. Where the age of the  
18 drivers are getting larger, but the pay is also  
19 not getting larger. We're not attracting new  
20 drivers. Then the regulations that we have with  
21 CSA, safety with the on-board GPSes that everyone  
22 has to have, the paper logs are gone. These are

1 investments that trucking companies have to make  
2 in order to make sure they are complying with all  
3 the rules and regulations. A lot of drivers are  
4 leaving because of this as well.

5 Chassis is another major issue.

6 Shipping operators are slowly starting to get out  
7 of the chassis business, but it is still one of  
8 the least utilized assets in the U.S. You're  
9 looking at anywhere from 60 to 70 percent of  
10 chassis sitting idle. I think we have to look for  
11 efficiencies and try to get more usage out of the  
12 chassis business.

13 Then onto Maersk line. Yes, we do look  
14 for the lowest possible cost because we have to.  
15 That's the only way that we can be profitable  
16 because rates, as I mentioned earlier, are on a  
17 downward trend. So we have to look for  
18 efficiencies in our operations. That is the only  
19 way we can make money. It's to look for  
20 efficiencies. It has to be through operational.

21 So issues like port congestion, railcar  
22 shortages, not having chassis in the right place

1 at the right time is also a big concern for us.  
2 But we do understand that we too also don't help  
3 to solve the problem. Issues like vessel bunching  
4 caused by slow steaming, and not sticking to our  
5 performance are adding to an already bad problem.

6 I don't want to be doom and gloom and  
7 what's really going wrong, but I do want to end  
8 with saying that volumes are up, so that's always  
9 great. Thank you.

10 COMMISSIONER DYE: Thank you. Thank you  
11 very much. Mr. Garifalos.

12 MR. GARIFALOS: Nicely done. Thank you,  
13 Commissioner.

14 COMMISSIONER DYE: Good.

15 MR. GARIFALOS: My grandfather would be  
16 proud. I'm Steven Garifalos. I'm Regional  
17 Director for NYK Bulk and Projects. That's the  
18 bulk project heavy lift division with NYK. We  
19 operate 50 multipurpose heavy lifters, and 110  
20 bulk ships around the world, semi-liner basis.  
21 Which basically reflects that we are in a given  
22 region for -- on a regular basis just not fixed

1 port piers such as our friends at Rickmers.

2 The problems, honestly, that I see for  
3 the break bulk side is not a whole lot different  
4 than the container group or the container  
5 carriers. We have issues with infrastructure as  
6 far as when the Port Authorities go to their  
7 stakeholders they reach out mostly for the  
8 container carriers. I'm not asking for some  
9 cheese with my wine, but in effect, break bulk  
10 terminals are the ones that see the least of  
11 CAPEX.

12 We're a Phoenician trade as far as  
13 history's concerned. As far as practices, it  
14 hasn't changed much in that many years. The cargo  
15 has gotten larger. It's gotten heavier. It's  
16 gotten more sophisticated. It requires a lot more  
17 engineering from the carrier side. But as far as  
18 putting it on the ship, taking it off the ship,  
19 and putting it on the pier that pretty much  
20 remains the same.

21 The break bulk facilities have decreased  
22 in great number over the past, say 20 years. The

1 container facilities may, obviously, make more  
2 money for the ports and understand that part. But  
3 as far as a utility, break bulk are just as  
4 important because the stuff that's being built  
5 nowadays in Asia, in South America, in the Middle  
6 East, in the larger manufacturing facilities are  
7 getting nothing but bigger which means you need a  
8 larger, heavier duty facility to handle it across  
9 the dock, through rail, through truck outward, and  
10 all water services, barge services.

11 That's all part of our support. If we  
12 don't have that we can't support the large  
13 infrastructure construction projects that  
14 basically are our bread and butter. This is where  
15 our real money is. Moving big bags and bulk  
16 cargos and steels is a regular business, but the  
17 sexier cargos are the ones that make more money  
18 for most of the break bulk carriers in our  
19 business. That will also be the cargo that keeps  
20 us in business.

21 We also experience the same outages as  
22 Dhaval had mentioned before as far as the weather,

1 but mostly it's since there are such limited break  
2 bulk facilities trying to get into a given  
3 facility on the time that you want makes it more  
4 complicated. Because there's not that many of  
5 them, and there's several of us. It's not been,  
6 as most of you now, been a great five years for  
7 the break bulk carriers or heavy lift carriers.

8 But that's just part of the market and  
9 it's part of the trend. It's improving on the  
10 inbound side, but because of that the facilities  
11 in Houston and New Orleans and Mobile, and all the  
12 other Gulf Coast, East Coast, West Coast ports are  
13 feeling the brunt of large influxes of steel.  
14 Still there's a little bit of wind business, but  
15 mostly steel and commodity cargoes that are coming  
16 in for that.

17 Also for the project cargoes for Eagle  
18 Ford in South Texas, Fort Bakken in the Dakotas,  
19 and the oil shale in Canada, Marcellus Shale in  
20 Pennsylvania. All those are putting pressures on  
21 the break bulk facilities. That is making it  
22 difficult and slow for us to get in and get out as

1 carriers. Then all the, as I said before, all the  
2 infrastructure that's associated with those  
3 regions is impacted. That impacts us.

4 If we can't deliver it to a port that's  
5 more financially viable for us or friendly to us  
6 we have to go someplace more expensive. So it's  
7 all, what I'm trying to get to, is it's all tied  
8 in together. The rail, the truck, the terminal,  
9 our operation, and then the other end of the  
10 transaction at the site. It all impacts us.

11 So if we don't pay attention, here's  
12 really my point, if we don't pay attention to the  
13 whole supply chain from the other side, from  
14 foreign origins through to the ultimate  
15 destination then we're going to basically not be  
16 able to compete in the world market. Not as a  
17 carrier, but as a nation with the different  
18 infrastructure businesses, projects that are going  
19 along, the LNG business that's happening.

20 We'll lose the opportunity. A lot of  
21 that has to be driven from a regulatory side as  
22 far as making sure that there's forward vision on



1 roads, rail, labor. Truckers are a perfect  
2 example. Everybody and their brother, what, 15,  
3 20 years ago they went out and bought a truck for  
4 themselves, and they got out of it just because  
5 the market's bad.

6 But if we don't solve that issue then,  
7 in the end, we've shot ourselves. We can't be  
8 competitive in the world market or, actually, in  
9 -- if you want to look in the regional market.  
10 South America will be farther ahead of us than  
11 they should be just because we aren't paying  
12 attention.

13 So, in short, paying attention to all  
14 the elements of the supply chain, and not just  
15 building new and fancy ports, but paying attention  
16 to staffing on truckers, staffing on longshore,  
17 brown water. We have to really pay attention.  
18 We're going to get killed in the world market if  
19 we don't start paying attention now, and spending  
20 some money. Not just the Federal Government, but  
21 carriers such as ourselves, terminal operators,  
22 everybody in the supply chain. It's painful, and

1 it's expensive, but if we don't it won't be there  
2 in ten years.

3 COMMISSIONER DYE: Good points. Thank  
4 you very much. Mr. Grant?

5 MR. GRANT: Thanks for having us here  
6 today.

7 COMMISSIONER DYE: Of course.

8 MR. GRANT: My name is Thomas Grant.  
9 I'm Director of National Accounts for Crowley. As  
10 my title suggests, I'm in the sales side of  
11 things, so I'll give you a little bit of a  
12 different perspective of some of the things that,  
13 I guess, the red flags that are raised and dealt  
14 with on a daily basis from a sales' perspective.  
15 They're going to sound very similar to the  
16 previous comments that have been addressed by my  
17 colleagues on the operation side of things.

18 Although I do feel like I am in  
19 operations because I seem to have a intimate  
20 relationship with my intermodal group and my truck  
21 division. As I talk to them, you know, almost  
22 daily trying to get trucks for my customers.

1           But someone mentioned the Panama Canal  
2           and that we weren't going to say too much about  
3           it, but I will say, you know, Crowley is in a lot  
4           of different fields, if you will, that -- you  
5           know, labor and projects that are occurring on the  
6           water. Crowley just recently moved the first of  
7           eight gates for the Pacific side of the Panama  
8           Canal. There's going to be 16 new gates at the  
9           Canal.

10           Crowley's heavy lift division received a  
11           contract for the movement of the eight gates from  
12           Cristobel to the Panama side. So each side will  
13           get eight gates. We just moved the first of the  
14           eight for the Pacific side, so things are  
15           progressing nicely, and that heavy lift barge is  
16           domiciled in Houston, so has a Gulf presence.

17           So I spent most of my career on the East  
18           Coast marketing trades such as, you know,  
19           Jacksonville to Puerto Rico, Jacksonville East  
20           Coast to South America. Recently I moved to this  
21           area, which is an area I'm familiar with, I'm from  
22           South Louisiana. It's always a nice homecoming

1 for me. I spent the last two and a half years  
2 here, and I've gained a good perspective on the  
3 difference between, you know, operations on the  
4 East Coast vice Gulf.

5 Specifically, our liner footprint which  
6 is the division that I sell for Crowley. We call  
7 the Gulf Port our partner for our service to  
8 Central America, the Northern Zone of Central  
9 America. The thing that we deal with -- I mean,  
10 from a port perspective I have to say things are  
11 running fairly smoothly. But unfortunately, the  
12 customers don't want a port- to-port bill of  
13 lading.

14 They want a door, and most cases door-  
15 to-door. In most cases, and I'll be honest with  
16 you, sometimes it's easier for us to perform the  
17 door movement in the Northern Zone of Central  
18 American then it is here. You have to do some  
19 things to protect it better. But the capacity is  
20 there.

21 One of the things I've noticed and dealt  
22 with is, you know, not only is there a driver

1 shortage, there's a driver shortage for dray  
2 power. There seems to be a little bit more over  
3 the road power vice dray power, so as a result,  
4 you know, our company is trying to convert as much  
5 product and as much cargo as we can into the  
6 cross-dock model.

7           So the ports have got to be, you know,  
8 cross-dock savvy, and, you know, those of us  
9 who've seen different warehouses know the  
10 difference between a storage warehouse and a true  
11 cross-dock facility with doors on either side.  
12 That's what we need moving forward. You have to  
13 be, you know, I heard these previous comments on  
14 rate pressure. There's no question about it.

15           I also heard that there's more volume,  
16 and there is more volume. But the, you know, the  
17 days of, well, we'll make it up on volume, you  
18 know, that phrase doesn't work anymore. Sometimes  
19 more volume means, you know, a greater loss. So  
20 we have to be, and are working towards a model, of  
21 being a low cost carrier in all the trades that we  
22 service because of that rate pressure.

1           So as I mentioned, we are working  
2       towards the cross-dock model to take advantage of  
3       the domestic carrier, trying to reduce empty  
4       miles. Fortunately for Crowley we have an  
5       in-house, third-party logistics company that's  
6       helping us facilitate that. We are getting a lot  
7       of cargo that we thought that would, you know,  
8       never in a million years want a cross-dock stuff  
9       that's floor loaded. You know, 1,600 cartons of  
10      shirts for a retailer. Those are things you  
11      typically would never touch, but now you're able  
12      to talk the customer into that because it will  
13      increase the service.

14           We're also coming to the point where  
15      there's certain pieces of equipment that a  
16      customer's demanding if it doesn't end up in a  
17      city where we can turn around and use it, and I'm  
18      not saying, you know, say it's going to Dallas and  
19      has to come out of Dallas. But if we can't use it  
20      -- the closest need we have for that after Dallas  
21      is 1,000 miles. Well, we're coming very close to  
22      telling a customer we cannot use that equipment

1     anymore. So we need to cross-dock it. We need to  
2     put in equipment that, you know, we don't have to  
3     worry about. It's domestic equipment, domestic  
4     trailers.

5             So just want to share those few  
6     comments, and welcome any questions. Thank you.

7             COMMISSIONER DYE: Thank you very much.  
8     It's interesting to note that we heard about some  
9     of those problems during the 2010 investigation  
10    that the FMC undertook when, at the end of '09,  
11    demand fell off and then very rapidly escalated at  
12    the beginning of 2010. So some of these problems,  
13    unfortunately, are tough.

14            What else gentleman? Did anything else  
15    occur to you as you heard those remarks? I'm more  
16    interested, than ever, in pursuing a collaborative  
17    effort among all the commercial stakeholders. I  
18    wouldn't include the government in that group.  
19    But I do believe that the more I hear you the more  
20    I believe that we need to have an organized group  
21    of representative stakeholders across the supply  
22    chain to discuss and pursue, in a dedicated way,

1 to pursue solutions or accommodations on these  
2 issues.

3 Thank you very much. Excellent.

4 MR. POULSEN: Thank you.

5 MR. MICHALSKI: Thank you.

6 COMMISSIONER DYE: Let's take a brief  
7 break and begin about quarter to 12:00. Thank  
8 you.

9 (Recess)

10 COMMISSIONER DYE: We're ready now. Our  
11 panel discussion on trucking operations. I very  
12 much appreciate your willingness to participate  
13 here today. Thank you. We have Mr. Brian  
14 Fielkow, President of Jetco Delivery, and  
15 President of the Local Chapter of the Texas  
16 Trucking Association in Houston, Texas; Ms. Cathy  
17 Gautreaux, Executive Director of Louisiana Motor  
18 Transport Association in Baton Rouge. Did I  
19 pronounce your name correct?

20 MS. GAUTREAUX: Yes, you did.

21 COMMISSIONER DYE: Oh, my goodness,  
22 that's two in a row. Mr. Philip Wojcik, President



1 and CEO of the Consolidated Chassis Management,  
2 Budd Lane, New Jersey; Mr. Randy Guillot,  
3 President, Southeastern Motor Freight in  
4 Jefferson, Louisiana; and Mr. Jeffrey Louis,  
5 President of TCI Trucking and Warehousing Service  
6 in New Orleans. And one more, of course, Mr.  
7 Curtis Whalen has joined us I'm please to say,  
8 thank you very much, from the Intermodal Motor  
9 Carrier Conference. Thank you.

10 So, Mr. Fielkow, would you like to  
11 begin?

12 MR. FIELKOW: Thank you, Commissioner  
13 Dye. I really want to thank you for the  
14 opportunity that you've given us to discuss the  
15 issues impacting the port drayage industry. My  
16 name is Brian Fielkow; I'm the President of Jetco  
17 Delivery. We're based in Houston and we've been  
18 in business since 1976. I purchased the company  
19 in 2006. We operate approximately 100 trucks,  
20 about 70 percent company owned and 30 percent  
21 owner operator. In addition to owing Jetco I  
22 guess I don't have a golf game so I speak across

1 the country about company culture. When it comes  
2 to high consequence industries I focus on behavior  
3 based safety, really as the best means to prevent  
4 and reduce accidents as opposed to the flood of  
5 regulations that we're seeing. I'm the  
6 Chairperson of the Texas Trucking Association's  
7 Intermodal Committee. In this role I work closely  
8 with the port trucking companies and other key  
9 stakeholders.

10 So I guess my first point -- and I think  
11 Roger Guenther said this well -- is collaboration.  
12 In Houston the trucking industry and the port are  
13 fortunate to share an excellent relationship. We  
14 speak often. We also hold a quarterly open line  
15 conference call so that any issues can be raised.  
16 And creating open lines of communication in my  
17 opinion is the first and only way to properly  
18 address the issues that are affecting all of us.  
19 We really are all in this together. So I think  
20 we've really got something to be proud of just in  
21 the relationship. And even when we have  
22 differences there's a wonderful forum to address

1 those.

2 So the most important issue affecting  
3 our industry is the driver shortage. I think  
4 attracting drivers to port drayage is particularly  
5 difficult. So what are some of the factors?  
6 First of all I would look at non- compensable  
7 activities. In the port world much more than any  
8 other segment of trucking looking for a suitable  
9 chassis, paperwork delays, gate delays; drayage  
10 drivers spend a lot of time in non-compensable  
11 activities. And what we have to do is work to  
12 chase out the inefficiency and to be sure that  
13 drivers are compensated for everything they do.  
14 It's not realistic in any other business to have  
15 an employee and say well, you know, I'm going to  
16 pay you for this but not that, even though you're  
17 on the clock. And I think it's about time that --  
18 you know I heard a few people talk earlier about  
19 low cost provider and that's all well and good,  
20 but if we're going to solve the driver shortage  
21 we're going to need to talk about the value for  
22 what a driver does. A driver is a true

1 professional. It's a noble calling and they need  
2 to be recognized and rewarded and paid as such.

3 Often local port drayage drivers have  
4 more legal driving hours than the port and  
5 warehouses are open. As Roger reported starting  
6 this month, November 17 in Houston the port gate  
7 hours will be extended by an hour per weekday at  
8 two key container terminals. This is a seemingly  
9 simple change, but if you think about it adds 10  
10 hours a week of production opportunity which ought  
11 to provide drivers with greater earning capacity  
12 and allow us to do a better job serving the  
13 shippers and manufacturers in Houston. And if  
14 this change is successful we believe that it will  
15 pave the way for additional expansion of the  
16 workday and the weekends. But now it's incumbent  
17 that chassis providers, steamship lines, and  
18 shipper and consignees extend their work days to  
19 match the new port hours. So if the port and the  
20 truckers are running but the warehouses are  
21 closed, right, you may not have picked up the  
22 right amount of efficiency.

1                   What's happened with the driver  
2 shortage, I really think it comes down to  
3 treatment. You know, our industry rightly bears  
4 the burden for attracting truck drivers. But I  
5 would say the truck driver issue is a national  
6 issue and could become a national crisis if it's  
7 not managed. So, you know, everywhere we look  
8 we're hit with difficult challenges, whether it's  
9 paperwork, regulations, roadside inspections,  
10 chassis issues, whatever it is some of this is  
11 unavoidable, but I really believe speaking to you  
12 in your capacity, if there's one thing you could  
13 say back it's that we as our country have to show  
14 appreciation for drivers, help us attract drivers  
15 to this noble calling because again we bear the  
16 responsibility primarily, but we're not going to  
17 do it alone.

18                   As far as immediate new sources of  
19 drivers I suggest we look in the following three  
20 areas because if we don't look at what's immediate  
21 we have a generational issue. And this isn't  
22 going to happen overnight. But there are some

1 things we could do that might help speed things  
2 up. First we need to identify and eliminate all  
3 barriers to qualified military personnel driving  
4 after discharge. Some military driving is  
5 recognized, other isn't by insurance industry, et  
6 cetera. So we need to make sure that our heroes  
7 can get jobs in the trucking industry if they're  
8 so qualified quickly. Second, it's time for a  
9 serious discussion about immigration reform. The  
10 community that is being forced to unfairly live in  
11 the shadows of our society could contribute to  
12 solving the shortage if they were granted a  
13 pathway to citizenship and opportunity. Finally,  
14 if an individual in our society commits a crime he  
15 or she is punished appropriately, yet the  
16 punishment continues long after release from  
17 incarceration. We can't hire from the Penal  
18 system in many cases due to insurance concerns, or  
19 due to litigation fears of that person being  
20 involved in an accident.

21 I want to talk for a minute about the  
22 chassis situation. And it was said in the earlier

1 panel we have basically migrated to a truck choice  
2 chassis model. But let me be clear, and I would  
3 encourage this discussion to continue, it's  
4 anything but trucker choice. A lot of times  
5 trucking companies are forced to terminate one  
6 chassis for another. And if we're paying the  
7 bill, if we're footing the bill for the chassis I  
8 should be able to show up with a 40 foot chassis,  
9 unload the box, and reload. There should never be  
10 a situation where I'm required, if I'm paying, to  
11 have to waste my time dropping a chassis and  
12 getting another chassis. So to me trucker choice  
13 is the way to go. It was the right answer several  
14 years ago when the industry moved that way, but  
15 then let trucker choice mean trucker choice.  
16 Let's get out of the way and let us run  
17 efficiently. Let's take all barriers to  
18 inefficiency out immediately.

19 In that regard I support the development  
20 where practical of gray pools where again -- you  
21 know, you heard on the one hand shortage of  
22 chassis, right, then you heard on the other hand

1     there's too many chassis, there's an imbalance.  
2     So a gray pool I think would have a great effect  
3     of leveling the imbalance, just letting us hang on  
4     to the chassis that we're paying for and using it.  
5     Again trucker's choice needs to be trucker's  
6     choice.

7                   We talked about in one of the earlier  
8     panels, infrastructure. And what I'd like to  
9     point out here is that no new taxes is just plain  
10    irresponsible when it comes to a multi-modal  
11    infrastructure. We're growing as a country and  
12    the economy is growing faster. We should be  
13    concerned about waste. But saying that we're not  
14    going to fund the infrastructure doesn't make  
15    sense. I support, as does Texas Trucking  
16    Association, increasing and indexing the fuel tax  
17    is the most equitable means to fund the  
18    infrastructure with some sun-setting and some  
19    checks and balances. But we can't just ignore  
20    this. We can't just let the highway funds run  
21    out, pass an emergency bill, and then wait until  
22    the next time the funds run out. We've got a



1 generational, long-term issue and we need to be  
2 thinking that way.

3           And then finally a point was made about  
4 safety and regulations chasing people out of the  
5 industry. Let me be clear, nothing is more  
6 important in our industry to the majority of our  
7 industry has been safe operations. The safety of  
8 my employees and of the public is more important  
9 than any load, period. But we've got to come to  
10 the realization that a flood of unnecessary  
11 regulations is not going to make us any safer. I  
12 would recommend in that regard that the FMCSA  
13 devote some of its resources to helping trucking  
14 institute behavior based safety programs. If we  
15 put some real money there we can get on the front  
16 of the issue. And I know a lot of the companies  
17 that are already doing a great job, and I know a  
18 lot desire to improve if they were just given the  
19 tools. I also think the new hours of service  
20 rules that came into effect in July of '13 have  
21 adversely impacted production without any  
22 measurable impact on safety. And therefore I

1 support proposals to suspend those rules and  
2 replace them with the rules that were previously  
3 in effect until a rational study can be done.

4           The final issue I want to point out  
5 because this is scattered all over the country is  
6 some jurisdictions allow drayage companies to pull  
7 heavy containers. In other words whether your  
8 gross vehicle weight is over 80,000 pounds.  
9 Others such as mine limit weight to 80,000 GVW,  
10 except 84,000 with a permit, but there's a little  
11 catch -- no interstate travel. So you're pretty  
12 limited with that permit. I see both sides of the  
13 argument and I think heavy containers can address  
14 some of the congestion capacity issue, but when  
15 those issues are considered please consider that  
16 you've got to have the right number of chassis  
17 axles to accommodate the weight. Safety has to be  
18 paramount. You can't just say let's allow higher  
19 weights without a plan. Permits need to be fairly  
20 priced to pay for the wear and tear on the roads.  
21 And driver training; hauling 100,000 pounds is a  
22 world different than hauling 80,000. So the idea

1 of having containers being part of the solution is  
2 something that we ought to discuss and we ought to  
3 be open to, but I wouldn't support it  
4 automatically. Not until every safety was  
5 considered.

6 And with that I thank you very much for  
7 the opportunity to speak and to be heard.

8 COMMISSIONER DYE: Thank you very much.

9 MR. FIELKOW: Thank you.

10 COMMISSIONER DYE: Ms. Gautreaux?

11 MS. GAUTREAU: Yes. Cathy Gautreaux;  
12 I'm the Executive Director of Louisiana Motor  
13 Transport Association. I've been in the industry  
14 for about 28 years and I can tell you that I've  
15 seen it evolve from a regulated industry and also  
16 I've seen intermodal transportation grow. Though  
17 as I grew and learned more and more about the  
18 trucking industry I watched intermodal  
19 transportation grow and in significance. Not only  
20 in Louisiana but regionally. And in my role as  
21 the Executive Director I'm the lobbyist for the  
22 trucking industry here in Louisiana. I work very

1 closely with my counterparts in the other states  
2 and also on the national level on these types of  
3 issues. And I can tell you one of the things that  
4 I will never forget any time soon is the  
5 importance of trucking that was really brought to  
6 a head post Katrina when our office collaborated  
7 with the port of New Orleans to beg, literally go  
8 out and solicit and beg motor carriers, owner  
9 operators, to come to Louisiana so ships would  
10 call on the port again. And we did that for  
11 months and no offense, Houston, Gulfport, and  
12 Mobile, but we wanted New Orleans to remain a  
13 viable port. And it was critical to getting ships  
14 to call on New Orleans to have those truckers  
15 there to move that freight. And I was a part of  
16 that. And it really brought this issue to home.

17 In my capacity as the Director I have  
18 found that it's been very advantageous to work  
19 closely with the metropolitan planning  
20 organizations in the state. And those MPOs are  
21 the organizations that actually get the money and  
22 they're recognized by the Federal Highway

1 Administration, the U.S. DOT, and I found in my  
2 capacity -- I am a voting member of the Technical  
3 Advisory Committees for New Orleans in Baton  
4 Rouge, Lafayette soon to be Shreveport, and Lake  
5 Charles, all the metropolitan planning  
6 organizations. And what that has afforded us is  
7 an opportunity to educate them. It's not so much  
8 that they don't respect and recognize the  
9 importance of intermodal transportation, I don't  
10 think they really understand it. Not only on the  
11 local level -- and I'll tell everyone when I  
12 testify often in the legislature, especially when  
13 there is turnover, often I start out with this is  
14 a truck, this a tractor, and this is the trailer.  
15 The tractor doesn't have a darn thing to do with  
16 the farming community. And then for the container  
17 operations I actually brought in a small container  
18 model and said this is the power unit, this is the  
19 container, oh, and this is a chassis. And it's  
20 amazing how people embraced it and they wanted to  
21 know more about the industry and explain how that  
22 impacts Louisiana. My role in working with the

1 port officials, local government, the other modes  
2 of transportation, we have always promoted  
3 intermodalism. Some of my best friends are either  
4 with rail or ship or the steamship lines or the  
5 river pilots, and whatever. And our message is  
6 you bring the freight to Louisiana we'll move it.  
7 We want to make Louisiana competitive. And in  
8 that role, especially with my role with MPOs,  
9 educating them on some of the issues because often  
10 they think that the port of New Orleans, the only  
11 type of truck, they think containers and that's  
12 it. But it's a lot broader than that. And not  
13 only the container operations, but all these  
14 different truck operations have to work together,  
15 and they're sharing the same roads and we're  
16 talking about the issues. And to the trucking  
17 guys on some of the real operational issues we're  
18 glad -- two weeks ago -- well, last Friday I  
19 testified -- I was appointed to the newly created  
20 Louisiana Multimodal Commerce Commission which is  
21 basically taking from DOTD the responsibility for  
22 promoting the various modes and promoting

1 Louisiana and how we can become more efficient.  
2 Where DOTD and nothing -- and now work very, very  
3 closing with them would be focused more on the  
4 practical, the operational build highways, build  
5 efficiency. But we're looking forward to this  
6 Multimodal Commerce Commission and the Committee  
7 with this new department in the state.

8 I also work or participate on the  
9 freight councils. And these were another  
10 directive from the Federal Highway Administration.  
11 I can tell you one of the frustrations that I find  
12 in that especially on the interstate system and  
13 like in New Orleans, the general public thinks  
14 that the interstate system, especially I-10 and  
15 I-12 is a commuter route and that trucks often  
16 interfere with their ability to go to work, go to  
17 school, or whatever. And they just -- I have to  
18 explain that I-10 is a major intermodal -- is a  
19 major freight route for the entire country. And  
20 so people like me in this position have to really  
21 bring that message home and I do that through the  
22 metropolitan planning organizations. Sometimes we

1 forget that all politics is local and the MPOs  
2 need to understand and they're eager to understand  
3 and eager to learn more about the impact of this  
4 particular type of transportation on the local  
5 communities and how it impacts on a regional level  
6 and the local level. And it's just a matter of  
7 taking the time to make sure they understand that.  
8 In working with, you know, as a lobbyist and I  
9 worked very, very closely with Randy Guillot, and  
10 one of the issues -- and I testified -- you know,  
11 the Multimodal Commerce Commission says okay,  
12 what's some of the issues that the trucking  
13 industry is faced with, what's your biggest  
14 challenges and, of course driver shortage, we  
15 can't mention that enough. That was brought up in  
16 the state freight council meeting, the  
17 significance of the truck driver shortage and the  
18 role of the trucking industry in the intermodal  
19 chain. But port operations can impact the ability  
20 for us to retain drivers just about faster than  
21 any single thing, that frustration with  
22 inefficiencies. And you're going to hear me bring



1 up in the not too distant future, gate hours.  
2 Yes, we want to compete with Houston and we want  
3 to make sure that the port of New Orleans is  
4 competitive. So I will be working with local  
5 officials and my friends in the labor community to  
6 try and make us a little bit more efficient and  
7 competitive. The safety issues, cargo security,  
8 insurance issue. Liability insurance in Louisiana  
9 is the number one problem we have. There are two  
10 companies writing trucking insurance in Louisiana  
11 and it's primarily because of the tort issue; we  
12 desperately need tort reform. There are some  
13 insurance companies in the country -- and I've  
14 talked to the national President and they say that  
15 they will write insurance possibly if they  
16 consider it if the carriers do not operate in the  
17 Parishes of Orleans, Jefferson, St. Bernard,  
18 Plaquemines, which is basically the New Orleans  
19 area and that puts us at a competitive  
20 disadvantage. Some of my carriers if they operate  
21 and they're headquartered in Louisiana their rate  
22 per truck as compared to Texas, Arkansas,

1 Mississippi may be 40 percent higher than a  
2 trucking company located in Louisiana. That's a  
3 great, great impediment to us maintaining our  
4 competitiveness and having a viable, strong  
5 trucking industry that is the link between the  
6 modes. And I can't go without saying that port of  
7 New Orleans -- we're addressing the congestion  
8 issue. The port of New Orleans located downtown  
9 City of New Orleans next to the convention center  
10 having all the freight, the trucks coming in and  
11 out, (inaudible) mixing in with this traffic,  
12 downtown New Orleans and the convention center  
13 about to have a major expansion. That puts these  
14 truck drivers in number, in an unsafe situation,  
15 decreases our efficiency. And one day if we dream  
16 and we work very, very hard we may get Leek Avenue  
17 Extension to give us a route on the other side.  
18 People laugh. Don't -- one day, you know, one day  
19 we may just have that. But those are -- the  
20 efficiency of the port is a primary concern to us  
21 and we're proud to work very closely with our  
22 local, state, and government officials to make

1 Louisiana more competitive and make the trucking  
2 industry more efficient.

3 I appreciate the opportunity to be here.

4 COMMISSIONER DYE: I do thank you very  
5 much. That was excellent. I appreciate it. Mr.  
6 Wojcik?

7 MR. WOJCIK: Thank you very much for  
8 offering me this opportunity to speak at the  
9 forum, Commissioner Dye.

10 COMMISSIONER DYE: Of course, of course.

11 MR. WOJCIK: My name is Philip Wojcik.  
12 I'm President of Consolidated Chassis Management  
13 or also known as CCM. We operate around 140,000  
14 chassis throughout the U.S. That represents about  
15 13 million gate moves of chassis annually. We do  
16 not cover the northeast or the west coast. Last  
17 week you may have seen that the Federal Maritime  
18 Commission cleared our amendment to our agreement  
19 that will expand our scope. And if there is the  
20 opportunity we can actually establish goals or  
21 manage chassis operations in other areas other  
22 than our current scope, or even provide chassis

1 management services for motor carriers or other  
2 smaller fleets. And I think that was a great step  
3 in the industry.

4 The chassis operations model instituted  
5 in the gulf is the CCM pool chassis management  
6 concept. We have about 25,000 chassis in the gulf  
7 region. We cover New Orleans, Houston, Dallas,  
8 Fort Worth, El Paso, Laredo, Mobile, San Antonio.  
9 CCM manages the chassis stocks and the  
10 availability levels. We also arrange for the  
11 maintenance and repair of the chassis. And in  
12 this model our priorities in our business model is  
13 that safety is number one, service is number two,  
14 and then we have then of course cost, but we do it  
15 on a cost pass through or on a nonprofit basis.  
16 Regarding safety, you know, one thing Brian  
17 pointed out is that with the heavy loads that some  
18 of the states are expanding the gross vehicle  
19 weight of the vehicles, it's very important that  
20 not only a third axle on the chassis be available,  
21 but that would exceed the capacity of most of the  
22 chassis. So it is a real safety concern of what

1 the states are doing.

2           Regarding service, CCM measured service  
3 levels at all our locations. In our entire  
4 network year-to-date we're at a measure of 99.92  
5 percent of the time that we have provided a  
6 chassis where and at the right place and the right  
7 time for the containers. We've only had a minimal  
8 amount of spot shortages. Our utilization  
9 typically exceeds 80 percent of the fleet and I  
10 must say that it's a pleasure to hear from the  
11 Gulf port authorities that there are no issues on  
12 chassis. So at least in the Gulf region. So,  
13 Curtis and Randy, you know, remember that.

14 (Laughter) Does everybody agree? No issues on  
15 chassis. Okay.

16           CCM acts as the single port of contact  
17 for all the chassis service and operations. Our  
18 pool model has the pool members themselves as the  
19 ones who contribute the chassis and they offer  
20 their own retail model to motor carriers, ocean  
21 carriers, or other entities. CCM model also  
22 preserves competition through its unique offering

1 of customer choice where shippers, motor carriers,  
2 and others may use a gray pool chassis and may  
3 select which chassis provider within our pool it  
4 wishes to do business with. But the Gulf region  
5 is not all served by a single gray chassis pool.  
6 It could be more efficient. A single gray pool  
7 has tremendous advantages, not only from a driver  
8 efficiency level, but also terminal efficiencies,  
9 and particularly at the railroads or the wheeled  
10 operations. It's not currently a major issue at  
11 the ports, but there's also stock efficiencies  
12 that can be gained regarding availability. And as  
13 we see the increase in freight and greater demand  
14 on the chassis fleet, those are the type of steps  
15 that I think in the future we would need to look  
16 at in order to avoid what other areas of the  
17 country have experienced.

18 A couple of items I think we could still  
19 look at some improvement or there are some  
20 challenges. The terminal physical configuration  
21 of the rail facilities and the ocean terminals are  
22 designed for handling loaded containers. Most

1 often there's been little consideration on yard  
2 layout for chassis operations and improving motor  
3 carrier efficiencies. Improving the physical  
4 layout on a terminal can improve the velocity of  
5 repairs and improve driver turn time.

6 In New Orleans we have two operators  
7 separated by an invisible line. It was  
8 encouraging to hear the port of New Orleans saying  
9 that they may invest in a common computer system,  
10 but today it results in motor carriers not being  
11 able to reuse the same chassis or he gets into  
12 difficulty when he crosses the invisible line and  
13 it becomes very inefficient.

14 Also throughout the U.S. the terminal  
15 out gate controls or the gate controls are all  
16 container based. The lack of validations on the  
17 chassis leads to unauthorized usage, stolen  
18 chassis, and billing discrepancies. And we all  
19 suffer from that. This lack of necessary controls  
20 directly affects chassis operations, raises costs  
21 and prices, and stymies the progression of the  
22 chassis retail business model. At the port of

1 Houston we have approximately 4,000 unauthorized  
2 moves per month on our chassis. And it's  
3 important that the chassis transition that goes on  
4 between the ocean carriers over to other entities  
5 is successful because we do need the reinvestment  
6 in the fleet. There's a reluctance of the chassis  
7 owners to upgrade the chassis into items like  
8 radial tires. It sounds very minor and granular  
9 to talk about tires, but all the motor carriers  
10 will attest the amount of down time, missed  
11 appointments, the lack of resulting profitability,  
12 the lack of drivers, and increased costs all  
13 because today primarily the tires are bias ply  
14 tires. Changing to radial tires, adding new  
15 chassis or upgrading existing chassis must first  
16 be worth the investment. NACPAC or the North  
17 American Chassis Pool Cooperative, DCLI, Track,  
18 and Flexi-Van, all the major chassis suppliers  
19 have all publicly announced the beginning of  
20 chassis upgrade programs. It's going to take a  
21 lot of time. There's a lot of chassis in the  
22 country. And although an old chassis can be



1 operable functionally and legally, the need for  
2 refurbishment or new replacement depends on the  
3 chassis owners being able to justify the  
4 investment.

5 And I believe I am done. Thank you very  
6 much.

7 (Laughter)

8 COMMISSIONER DYE: With that, thank you.  
9 Thank you. Mr. Guillot. I did better last time,  
10 right?

11 (Laughter)

12 MR. GUILLOT: Guillot.

13 COMMISSIONER DYE: Guillot. Thank you.

14 MR. GUILLOT: Thank you, Commissioner  
15 Dye, for the opportunity to speak and participate  
16 --

17 COMMISSIONER DYE: Thank you.

18 MR. GUILLOT: -- in this relevant and  
19 important forum. International supply chain  
20 efficiency, challenges facing gulf coast ports.  
21 It's a critical topic not only for the  
22 international shipping community, but also

1 worldwide commerce. Projections have widely been  
2 publicized that future growth of the world's  
3 chemical production will focus on the gulf coast  
4 region. The reason is quite simple, economical  
5 and abundant energy. The challenges to succeed  
6 with transporting these products are many and  
7 vast. Labor, environment, political regulation,  
8 infrastructure, just to name a few. This being  
9 the fourth and final forum many comments have been  
10 filed with varied perspectives by industry experts  
11 across the intermodal spectrum. Topics such as  
12 terminal congestion, vessel bunching,  
13 infrastructure, driver shortages, chassis  
14 ownership and management are just a few that are  
15 relevant to my industry, intermodal trucking.

16           While I could speak for hours on end  
17 about these and other troubling issues we have  
18 been asked to discuss innovative ways to prevent  
19 port congestion, promote global trade, increase  
20 international supply chain efficiency. So some of  
21 my comments may present new ideas, most will  
22 probably not. My forthcoming comments like many

1 in preceding forums have been communicated for  
2 many years by industry stakeholders with little or  
3 no advancement. By definition intermodal  
4 transportation involves multiple modes of  
5 transportation of ship, rail, and truck. Even in  
6 its definition truck is last. In my speech I will  
7 take the privilege of putting the truck first.

8 As background to my thoughts I am a  
9 third generation trucker. My business started in  
10 1945 in New Orleans and today is one of the oldest  
11 trucking companies still owned in Louisiana. We  
12 employ a team of civilian drivers paid by the  
13 hour. We have a second trucking company that  
14 utilizes independent contractors. It could be  
15 described as one of the largest serving the port  
16 of New Orleans. Being in the business all of my  
17 life I am probably biased, but maybe, just maybe  
18 today my suggestions can be viewed as coming from  
19 the wheels.

20 Please accept these comments in the  
21 spirit intended, open, honest, and with respect to  
22 other involved stakeholders who may receive

1 negative attention. While most examples used  
2 today will involve the port of New Orleans, my  
3 home, these examples are also true for the vast  
4 majority of ports across America. Chassis  
5 management and utilization, port congestion, and  
6 infrastructure are the topics I'll discuss today,  
7 problems and solutions offered together.

8 First, chassis management and  
9 utilization is a topic weighing heavily across all  
10 regions. The United States is trying to evolve  
11 from the steamship owned and controlled system  
12 unique to only the U.S. to one preferred in the  
13 rest of the world where motor carriers provide  
14 chassis. The problem is the steamship industry  
15 won't get out of the way, with all respect. As  
16 they are departing or trying to they are also  
17 dictating the terms of transition. In most  
18 circumstances the ocean lines are negotiating  
19 terms of chassis sales and future leasing  
20 arrangements. While in principle this may seem  
21 appropriate, in reality the terms in my opinion  
22 are criminal. Trucking companies are being forced

1 to use chassis providers dictated by the ocean  
2 line and overcharged while doing so. Concessions  
3 are given to the ocean carrier that negotiated the  
4 deal in exchange for the lease revenue it's  
5 generating. Open choice is not an option. Free  
6 market place does not exist. Motor carriers and  
7 the shipping public lose all control of an expense  
8 they incur. The solution is simple, open choice  
9 for all chassis provisions. Motor carriers and  
10 shippers should be able to select and negotiate  
11 the terms between each other and between chassis  
12 providers. In addition I believe all chassis  
13 should have tubeless radial tires, LED lights, and  
14 updated brake systems. All chassis should be  
15 available in road worthy condition upon driver  
16 arrival at the terminals, not requiring them to  
17 position chassis within the terminal to a mechanic  
18 area and then wait on repairs before they can  
19 exit. These two issues are intertwined by the  
20 fact that a better spec chassis will not require  
21 the volume of ongoing maintenance happening today.  
22 This policy will also help terminal congestion by

1 not having such a large inventory of unusable  
2 chassis taking up space waiting on mechanics to  
3 repair. It also allows for the maintenance  
4 expense of a chassis to follow through to the  
5 owner of a chassis. All maintenance and repair  
6 should be built in a daily use price similar to  
7 which everyone uses at a rent-a-car system across  
8 the country at airports. Competition, choice,  
9 quality of product, safety oriented chassis would  
10 be the standard not the exception as it is today.

11 Port congestion is problematic across  
12 all regions, all ports, all facilities. Some of  
13 the port directors here today made comments that  
14 maybe they don't have as much congestion as in  
15 other areas. Some may define the congestion by  
16 time, some of them by the number of turns in a day  
17 with a truck, some may be measured by lost  
18 revenue. By any description it's not good and  
19 it's not getting better. Here are a few best  
20 practices that should be employed universally.  
21 One, multiuse chassis pool should be the standard  
22 even if multiple equipment owners supply that

1 pool. As example, New Orleans has one container  
2 facility within the perimeter. Two terminal  
3 operators are tenants. Each operator has its own  
4 chassis pool which is operated by the same chassis  
5 management company, CCM. Trucks servicing both  
6 facilities in the same day have to exit and  
7 reenter the same gate, drop and swap chassis,  
8 traverse a port dedicated road, and information  
9 entered by the trucking companies into two  
10 separate systems, all of which is  
11 counterproductive, costly, creates a safety  
12 exposure, and it's environmentally irresponsible.

13 Second, extended work hours are a must.  
14 Many shippers and motor carriers work 24 hours a  
15 day, 7 days a week. Most port facilities are  
16 located in areas of urban congestion; they're  
17 inherently difficult to access during daytime  
18 hours. Where the terminal operators can adjust  
19 existing staffing to extend hours for minimal  
20 additional expense, or adding man hours for longer  
21 and better performance, this best practice is a  
22 must going forward. Ways to finance cost can vary

1 from shippers to ports to steamship lines, to  
2 truckers, or even governmental agencies.

3 Another suggestion to improve port  
4 congestion involves a very sensitive topic, labor.  
5 Not many people want to talk about labor. Ports  
6 across the nation are burdened with  
7 underproductive employees carrying high payrolls.  
8 Truck drivers are often treated poorly, delayed  
9 extensively by willful misconduct, and overall not  
10 being treated with respect as a valuable asset in  
11 the intermodal chain.

12 Lastly, infrastructure in the context of  
13 today's discussion can be inside a terminal,  
14 within city limits, or on the nation's most  
15 travelled highways. This issue is not cheap and  
16 the answers are not glaringly obvious. Problems  
17 can be seen everywhere. Most critics in the  
18 trucking industry are quick to say put it on a  
19 train, barge it. Being a realist today that's not  
20 going to happen. Trucks travel the first mile and  
21 they travel the last mile in today's and  
22 tomorrow's intermodal world. So let's acknowledge



1 this problem and let's deal with it.

2 I'll revert back to a previous statement  
3 made earlier to offer a partial solution.

4 Extended work hours. The ability to use the same  
5 infrastructure over a longer period of time daily  
6 and weekly, open capacity without incurring huge  
7 road and facility infrastructure construction  
8 costs. Putting truck traffic on highways when  
9 four wheelers are less likely to be abundant makes  
10 our existing roads safer and more productive.

11 Congestion within our ports can be eased allowing  
12 a safer workplace for dock workers and truck  
13 drivers alike. Multiple truck routes to ports,  
14 adequate lanes, turning radiuses, and  
15 signalization are all issues that should be  
16 recognized, addressed and resolved. Using New  
17 Orleans as an example once more, it's hard to  
18 believe in today's economy the port of New Orleans  
19 only has one entrance for this container facility  
20 which forces all of its truck traffic through the  
21 City's downtown most congested area in rush hour,  
22 morning, and afternoon traffic. My entire career

1 on behalf of the trucking community I have asked  
2 for additional ingress, egress routes to no avail.  
3 If international commerce is as important to the  
4 city, state, and nation as stated, make the  
5 commitment to support the infrastructure we so  
6 desperately need.

7 Thank you.

8 COMMISSIONER DYE: Thank you very much.  
9 I appreciate it. Mr. Louis?

10 MR. LOUIS: As my other panelists have  
11 mentioned I would also like to thank Commissioner  
12 Dye for giving us the opportunity to speak here at  
13 this forum.

14 COMMISSIONER DYE: Thank you. Of  
15 course.

16 MR. LOUIS: My name is Jeff Louis. I  
17 work for TCI Trucking and Warehousing, a 31 year  
18 old container, drayage, and warehousing company  
19 with terminals in New Orleans, Mobile, and  
20 Baltimore. We also operate a PVC resin packaging  
21 facility where we package close to 60 million  
22 pounds of PVC a month. In addition we have a

1 company called Tritan Stone which we import  
2 granite from Brazil, Italy, and India into the  
3 port of New Orleans. So we're a big player in the  
4 port of New Orleans and we definitely have strong  
5 relationships with the port and the stakeholders  
6 in the industry which allows us to, you know, to  
7 transact our business.

8 As some of my co-panelists have  
9 mentioned we -- you know, as Brian mentioned on  
10 driver shortage, Cathy mentioned on insurance, and  
11 as Randy mentioned on port congestion -- we face  
12 the same battles as these guys do. You know, day  
13 in and day out, specifically with driver  
14 shortages. I would venture to say a lot of these  
15 people in this room are salaried employees. Our  
16 drivers are paid by the pull. So when these guys  
17 are held up in the port and they're only able to  
18 get two turns a day, you know, that guy is not  
19 making much money at all. And a lot of the people  
20 -- you know, the port employees and even us that  
21 are in the office, you know, we're salaried  
22 employees so I think a lot of people take for

1 granted what these drivers have to face day in and  
2 day out to turn a container in, to pull a  
3 container out. You know, that gets lost in the  
4 shuffle of, you know, on what that guy is doing.  
5 And, you know, this guy's got a mortgage to pay,  
6 he's got mouths to feed like we all do. And  
7 that's definitely one of the things that affect us  
8 to be able to recruit competent, qualified truck  
9 drivers in our business. It's not a sexy  
10 profession. It's long hours, low pay, and, you  
11 know, the treatment of these guys is something  
12 else that comes into effect as, you know, these  
13 guys are -- they're just trying to pull a  
14 container out, turn a container in. You know,  
15 those guys don't want to be in the port any longer  
16 than they have to. So to ease some of that port  
17 congestion, and Randy had some very good  
18 suggestions, would definitely facilitate helping  
19 to attract qualified truck drivers to our  
20 industry. And everybody throws numbers around.  
21 You know, 30,000 truck drivers short today. That  
22 number is projected to go up to 220,000 by the

1 year 2022 of shortage of qualified truck drivers.  
2 And, you know, it's in our face, it's not going  
3 anywhere. You know, these numbers are real. And,  
4 you know, we definitely have to address the issue.

5 The next biggest deterrent in our  
6 business as Cathy mentioned specific to New  
7 Orleans is insurance. You know, every year we go  
8 out to market with our insurance, and we go out to  
9 12 markets. Ten of them come back with a big  
10 black X over New Orleans. If you operate in New  
11 Orleans we're not writing insurance. And we've  
12 had several instances in the past 10 years where  
13 as you're driving down I-10 in bumper to bumper  
14 traffic a truck taps the car in front of him and  
15 that's a \$300,000 back surgery. And it's the  
16 nature of the beast in New Orleans. We have to  
17 deal with it. But that makes the cost of doing  
18 business in New Orleans a lot higher because, you  
19 know, those costs have to get -- and unfortunately  
20 it's generally the trucking companies that bear  
21 the brunt of it, those increases in costs. You  
22 know, your customers don't want to hear that your

1 insurance went up; that's not their problem. And  
2 that's an issue we have to face day in and day out  
3 operating in New Orleans. And it's getting higher  
4 and higher every year as claims continue to  
5 escalate in value.

6 Another is the space issue at the port.  
7 Now given the constraints of the port, space is an  
8 issue and we definitely have to get creative on  
9 how we address that issue, and it's not moving,  
10 it's not adding more land anywhere. So as Randy  
11 mentioned extended gate hours, weekend, and that  
12 comes with labor. You know, we have to increase  
13 the manpower to get trucks in and out of the port.  
14 One of the things I did was we have about 90  
15 drivers in New Orleans, 50 percent company, 50  
16 percent owner operator. As I gave every one of my  
17 drivers, you know, a sheet of paper and said give  
18 me five things you can -- if you had -- can  
19 improve anything at the port let me know what they  
20 are. Well, I won't read some of them because  
21 they're kind of vulgar, but (laughter) the  
22 majority of them were well thought out,

1 constructive ideas that we can definitely bring to  
2 the table. And I won't bore everybody with the  
3 details but, you know, as another commission or  
4 group meets from this meeting we can definitely  
5 provide some ideas to help ease some of the  
6 congestion within the port. And it --

7 COMMISSIONER DYE: Make sure you send  
8 those to me.

9 MR. LOUIS: You can't read them out loud  
10 though.

11 (Laughter)

12 SPEAKER: Filter them, filter them.

13 COMMISSIONER DYE: I'll self censor.

14 MR. LOUIS: I'll have to white some of  
15 the names out. No, but the last thing I'll  
16 address is damaged equipment at the port. New  
17 Orleans is a port as everybody knows, where we  
18 have heavy exports and our imports are far less  
19 than our exports. For companies with high volume,  
20 you know, we definitely run into equipment  
21 shortages on -- in addition to chassis, but more  
22 so on containers and container availability. And,

1     you know, as you arrive down the port there's 1000  
2     damaged containers that are just waiting to get  
3     repaired, but that's a labor issue that we have to  
4     address -- a lot of the times it's cheaper to  
5     bring a vessel in of empty containers than fix the  
6     damaged containers on the terminal. So that's  
7     another issue we face -- allocating labor to fix  
8     these damaged containers that will ease the burden  
9     on equipment availability.

10             That's all I have. And, Commissioner, I  
11     do once again thank you for the time and for the  
12     opportunity to speak here.

13             COMMISSIONER DYE: Thank you very much.  
14     I appreciate it. Mr. Whalen, I appreciate your  
15     joining us on the panel. And of course it was  
16     your appearance before the Federal Maritime  
17     Commission that has allowed us to get involved in  
18     this issue and we appreciate it. And I'm glad you  
19     would agree to appear on the panel. Thank you.

20             MR. WHALEN: Well, thank you and not  
21     only for this event but for the combined four  
22     events in six weeks. So when we originally



1 discussed this back in June my wildest dream would  
2 not have seen the schedule that developed quite so  
3 effectively and efficiently.

4 One of the things that is certainly  
5 happening and the discussions were obviously  
6 ongoing around the country because of the nature  
7 of congestion and the impacts, but I think these  
8 events have very much helped focus the attention.  
9 There's obviously additional coverage from the  
10 media and such that goes on, but I think even in  
11 the short period of time we've seen a coalescing  
12 around both what the issues are in the port  
13 environment and not necessarily all the solutions,  
14 but they're certainly discussions now where as the  
15 various groups continue to meet locally and  
16 regionally. The list is pretty much now defined  
17 as to what needs to be addressed, what needs to be  
18 discussed. The fact that the Commission is  
19 engaged in this I also think is adding a potential  
20 new stroke to this. One of the things I've  
21 noticed, the difference in these four events now.  
22 The first two, if you talked about infrastructure

1 and the first two were west coast, southern  
2 California primarily and the northeast, because of  
3 the nature of the congestion their infrastructure  
4 needs were by and large defined inside the gate.  
5 Almost no discussion about the infrastructure  
6 which is everywhere else in America and I think  
7 that's an important distinction that really needs  
8 to be kept in mind. And I think there's a role  
9 perhaps for the FMC as you move through when all  
10 the agencies go through their annual trek through  
11 Congress explaining what they do in programs to  
12 make that connect because the rest of Congress and  
13 the Department of Transportation certainly does  
14 not talk about the role of infrastructure in the  
15 global trade. And it's huge as we all know, but  
16 it just hasn't gotten that kind of coverage that  
17 it demands. So I think that would be particularly  
18 useful.

19 Also I think the role of the motor  
20 carrier driver in the overall container trades and  
21 freight trades through the ports. It's always  
22 been there but it really hasn't gotten, at least

1 from my point of view, sort of the identification  
2 of the critical and at this stage fairly well  
3 threatened entity that moves through the chain and  
4 how things are done within the port and how  
5 traffic moves. Every meeting that I go to lately  
6 the aspect of trucking, the aspect of drivers, the  
7 shortage of drivers, all of those things and how  
8 they impact the rest of the port stakeholders is  
9 now a given. We don't have to argue that we're  
10 under siege, I think everyone fully appreciates  
11 that we are and I continually hear across the  
12 stakeholder spectrum the fact that we, all of us,  
13 need to figure out a way to get our hands on that  
14 and better assure that we have drivers both now  
15 and in the future because that is not assured  
16 based on how we're going. I've got members around  
17 the country and these are traditionally a group  
18 like American Trucking, the people that joined  
19 ATA, and our groups are usually the best of the  
20 best within the industry. They're the ones who  
21 have been in it multigenerational, and when I hear  
22 my members how are that category talking about

1 losing 20 percent of their drivers it's a stunning  
2 fact. The other part of it is that historically  
3 while trucking is always driver short, and I'm  
4 talking about all types of trucking, port trucking  
5 really has not been that way because these drivers  
6 are generally what we would call short haul, and  
7 it used to be daily drivers. They do get home at  
8 night. And that was an aspect of the job that  
9 they actually liked and it's why we didn't have  
10 high turnovers. But given the fact that we're in  
11 these congested modes in some of America's ports,  
12 I just saw a poll or a survey that was done on the  
13 west coast recently and pay was not actually -- at  
14 least when they took this poll -- the top concern  
15 for the drivers, it was basically self worth, what  
16 did I do today. And the answer "I sat on my butt  
17 for eight hours" and in fact you don't make any  
18 money on top of that was a bigger concern than  
19 just net out revenue. So the moral of the driver  
20 core is extremely low. Because of the shortages  
21 elsewhere if I'm a port driver who's got a --  
22 obviously you have a valid CDL and a good driving

1 record I can take that and go somewhere else which  
2 they are doing in the energy sector or in other  
3 parts of regular trucking. And it may not be  
4 quite the daily drive or close to home, it could  
5 be but it may not be, but that is something that  
6 they can readily do right now. There are bonuses  
7 being paid to drivers that go to other sectors  
8 within the greater trucking environment. And once  
9 they leave there is no guarantee that they will  
10 come back. So the situation is getting worse not  
11 better. But I do think again these kind of events  
12 and the whole total picture that we're seeing now  
13 is one that the importance of the driver in this  
14 whole sector of the economy is now I think very  
15 much accepted and understood and the concerns are  
16 real.

17 Chassis is the other area that certainly  
18 has moved up in the spectrum of issues. If you  
19 had a meeting on chassis three, four, five years  
20 ago no one would come, and I mean literally. Now  
21 I go to meetings where there might be 1000 people  
22 in the room talking about the chassis model, where

1 we're getting our chassis and what's to be done.  
2 I think an important role that these FMC events  
3 are having, and certainly as I understand the  
4 process you'll do a report that brings all of the  
5 various information together, I certainly hope --  
6 and I will use it to the extent that I can to put  
7 additional pressure on the Department of  
8 Transportation and the Federal Motor Safety  
9 Administration who is supposed to be enforcing the  
10 chassis law that passed in 2005. Most of our  
11 discussions in the logistic sense are do we have  
12 enough chassis and are they deployed in the right  
13 places. What is not generally discussed although  
14 you've heard it mentioned here, by law that  
15 chassis is supposed to be roadable before it's  
16 offered to the trucker. And while in times past  
17 that was important, in present times where you're  
18 already waiting in line for hours to get into the  
19 gate, if you can't find a roadable chassis  
20 obviously nothing can get done thereafter. And  
21 the ports are looking at the normal solutions of  
22 let's have appointment schedules, let's do a

1     variety of things. Well, the appointment schedule  
2     which is one of the favorites in the terminal  
3     community, if you don't have a chassis when you  
4     get there I don't care what the appointment system  
5     is, it won't work. So I'm going to chassis  
6     meetings now that the terminals are running and  
7     going hey, we've got to get this chassis issue  
8     fixed initially so we can go on and try to do  
9     other things that will alleviate congestion. But  
10    that's one that's very, very critical and I think  
11    the highlighting of the nature of the chassis to  
12    the overall movement of international trade  
13    through the ports is one that I'm certainly going  
14    to continue to force the FMCSA types to read this  
15    and actually get out and start making sure that  
16    these chassis are indeed roadable. It's not their  
17    responsibility to ensure that there's enough of  
18    them, but it is their responsibility to ensure  
19    that what is out there is in a roadable safe  
20    condition so it can be used by the trucker.

21                 But these kind of events I think again  
22    and the materials that we're developing that will

1 be in these reports and such are very useful in  
2 the bigger picture of what actually goes on and  
3 how global trade comes in and out of the port, but  
4 it's part of the whole infrastructure set up and  
5 not just the port issue.

6           Lastly I would say -- oh, let me -- one  
7 other thing. In terms of the trucking industry  
8 we're working with groups in both the southern  
9 California area which will then quickly move to  
10 the east coast to potentially file waivers to the  
11 hours of service regulations that are currently in  
12 place to specifically reflect the fact that we are  
13 in a congestion crisis in some of the ports in the  
14 U.S., and as a result the drivers do not have  
15 enough hours. And these are not driving hours,  
16 although once we're on duty and my clock is  
17 running for hours of service, but we need to try  
18 to figure out for the short-term as we try to  
19 address congestion how to get over this hump. And  
20 one of the things is the ability to potentially  
21 have more hours that could be used. And also  
22 importantly we are encumbered with something



1 called a 34 hour restart provision where our time  
2 spent in a full rest mode have to structured when  
3 you decide to turn your clock on or off. And what  
4 that gets into is when the ports in their heavy  
5 congestion modes say okay, let's all get together  
6 and work Thursday evening extended hours, or have  
7 a Saturday gate, the truckers cannot readjust  
8 their hours of service clock. And in New York and  
9 the port of Virginia several times this year when  
10 they tried to do these things there were no  
11 truckers there. So they call up and say where the  
12 hell are all the trucks, and the answer is we're  
13 out of legal hours. So we're going to try to get  
14 some flexibility built in short-term as we look at  
15 the end of this season and the beginning of next,  
16 but that's another area that I think the emphasis  
17 from FMC on how the trucks and everything else fit  
18 into the greater movement of freight through  
19 America's ports could certainly be helpful. I  
20 would think another government agency, not  
21 necessarily -- there's no mandate involved,  
22 there's no law involved, but raising the issue in

1 terms of visibility I think will perhaps help  
2 FMCSA decide to be part of the solution and not  
3 part of the problem.

4           Lastly I think the comments in terms of  
5 potentially having a high level group assembled I  
6 would certainly think is a good one. I would like  
7 to see it under some sort of the purview of the  
8 FMC. There are occasions where I think our  
9 industry in its broadest sense needs adults in the  
10 room. In some of these issues, all of these  
11 issues, now there is a degree of pain that has to  
12 be shared and that's generally financial pain. So  
13 there may be a time to slip back and the  
14 traditional way the industry did it was to point  
15 fingers at each other. But I do again in these --  
16 three of the four events that I've attended there  
17 has been a recognition by all of the stakeholders  
18 that it's time to get beyond and actually share  
19 the pain so we can move forward on this.

20           So again thank you for being part of  
21 this. I think this has been an extremely useful  
22 effort. And I see a longer-term need not for

1 regulations or activity, but certainly the  
2 involvement of a voice that understands the full  
3 nature of what port traffic and world trade is,  
4 unlike some of the other agencies, would be very  
5 helpful.

6 Thank you.

7 COMMISSIONER DYE: Thank you. Thank you  
8 very much. And I agree. I think the discussion  
9 today has been of a very high quality, very useful  
10 for us. Our first two panels were also wonderful.  
11 I appreciate it more than I can say. Thank you.

12 MR. WHALEN: Thank you.

13 COMMISSIONER DYE: Thank you very much.  
14 And if the panel participants will meet me  
15 upstairs I'd appreciate it.

16 We will reconvene for our final two  
17 panels at 2:15 p.m. Thank you.

18 (Recess)

19 COMMISSIONER DYE: We have two more  
20 panels this afternoon, and I'm sure that these  
21 panels are going to be just as informative as the  
22 others. I appreciate it, so let's get started.

1 We have Mr. James Parker, New Orleans Terminal,  
2 New Orleans, Louisiana; Mr. Keith Palmisano,  
3 Ports America, New Orleans; Mr. Brian Harold,  
4 Director of APM Terminals, Mobile; Mr. Dave  
5 Morgan, Vice President, Cooper/T. Smith, Houston;  
6 Mr. Don Johnson, Senior Vice President, Shippers  
7 Stevedoring Company, Houston; Mr. John Crowley,  
8 Executive Director, National Association of  
9 Waterfront Employers, Mr. Kenneth Crier,  
10 President, ILA Local 3000, New Orleans. Thank you  
11 very much all of you. I appreciate it. So, let's  
12 get started. Mr. Parker?

13 MR. PARKER: Thank you. Madam  
14 Chairwoman, I'd like to thank you for giving me  
15 the opportunity to speak on this panel.

16 COMMISSIONER DYE: Thank you.

17 MR. PARKER: Welcome to New Orleans.

18 COMMISSIONER DYE: Thank you.

19 MR. PARKER: Good afternoon, ladies and  
20 gentlemen. Now it's time for the working group to  
21 go to work, I guess, so we're at the bottom of the  
22 list for a reason. This has been a very

1       informative yet kind of open discussion, and then  
2       that's good, and I think as a community in New  
3       Orleans everybody realizes that at this point and  
4       stage we do have to work together as a group. I  
5       think there's been a lot of shotgun stowage in the  
6       past, so to speak -- old stevedore term -- but  
7       everybody tends to go one way and not focus on the  
8       main core, and I think we used to have a lot of  
9       meetings and we've gotten away from that. I'd  
10      kind of like to see us as a group here, and you're  
11      certainly welcome any time when you move your  
12      offices here --

13                COMMISSIONER DYE: Right. That's right.

14                MR. PARKER: -- as you so stated, you  
15      could join us.

16                COMMISSIONER DYE: Thank you very much.

17                MR. PARKER: But the issues as far as  
18      the congestion, and I guess that's the main theme  
19      here is port congestion, there are a lot of  
20      reasons. I've heard a lot of open discussions and  
21      opinions as to what they are is the main thing. I  
22      will say that there are a lot of variances and

1 that the variances were all touched on, but as far  
2 as like the hours and different things, these are  
3 something that we all need to sit down to because  
4 that has been done here before. We have opened  
5 the terminal for extended hours. I started in  
6 Savannah 30 years ago, 32 years ago. They've done  
7 it there. They went to a 24-hour gate, seven days  
8 a week. Their night gates and weekend gates was  
9 at 20 percent participation.

10 You can't as a terminal -- we don't want  
11 to cost you as trucker. We don't want to cost the  
12 customer. We don't want to cost anybody any  
13 money, but we also have to look at ourself in the  
14 mirror and can't cost ourself money for undo  
15 reasons. We're willing to work with anybody and  
16 everybody here to try to expedite your business.  
17 We are in talks with Sports America now.

18 We are looking at an enhanced gate  
19 system that we feel will make a world of  
20 difference. It's going to come with some changes,  
21 changes perceived by some as good. It will be  
22 perceived by some as bad, and sometimes you take

1 the good with the bad.

2           Hopefully within the next week or two we  
3 will be calling a meeting for the trucking  
4 community at the port and we're going to sit down.  
5 We'll sit down and discuss this at length, but we  
6 are basically investing a lot of money in the Port  
7 of New Orleans, New Orleans terminals with the  
8 onset (inaudible) we've raised \$11 million in this  
9 business in the last six months or in the process  
10 of it, so we are trying to accommodate all. It's  
11 difficult at times, especially when you have  
12 different groups with different philosophies and  
13 different ways on anything they ask on how things  
14 should be run, so it's been trying the last couple  
15 of weeks, and I appreciate everybody's patience  
16 getting this thing kicked off the ground. It is  
17 big boost for the economy in New Orleans, and we  
18 will work to make it as painless as possible.

19           The congestion side of it, like, I  
20 think, Gary, I went through kind of mentally the  
21 different groups, the port. One of the big issues  
22 we have here in New Orleans is the space. We're

1 in dire need of space. Monetary appropriations  
2 are not there. I think sometimes as a whole the  
3 country forgets about what really got them there,  
4 and that's the root group at the ports.

5 I've been doing it 32 years and I've  
6 seen it here. I've seen it Charleston,  
7 Jacksonville, Miami, Canaveral, and it's amazing  
8 to me how so little effort is thrown the port's  
9 way. I mean basically this is the cornerstone  
10 that started everything in this country. If it  
11 didn't come through the port, it didn't get here,  
12 and it's basically the same thing today, so I  
13 think they're just in asking for a little bit  
14 quicker response time to government funding when  
15 it's there. And we understand that a lot of times  
16 it's not, but sometimes it is, and it's been a  
17 painstakingly slow process.

18 The road here that Gary alluded to, the  
19 flyovers that we've been -- everybody's been  
20 trying to get for numbers of years is one of the  
21 biggest, if not the biggest, problem that we face  
22 now as a community, a maritime community. Randy



1 will tell you -- David -- you come out here  
2 sometimes at 1:30 in the afternoon when you come  
3 off on the interstate and they're backed up on the  
4 interstate which is probably a two-mile run, and  
5 it stays that way for basically hours on end. So,  
6 the relief on that side would be more than  
7 welcome.

8 Trust me, we don't want anybody on the  
9 road any longer than you want to be on the road.  
10 Time-wise, we try to staff efficiently. We add  
11 people when we think we can, and it's devil's  
12 advocate. One day you staff 100 percent up, and  
13 you get nothing. The next day you go back down  
14 and you get flooded, so it's a guessing game, and  
15 we try to guess the best we can. We really do.

16 I know that sometimes the truck drivers  
17 don't think we do, but actually -- and they are in  
18 a lot of ways the beaten path. Sometimes I  
19 sympathize with the guys. We were talking about  
20 making three and four turns. One of the issues  
21 here in New Orleans is we've done studies ourself.  
22 It's probably 70 percent or better the cargo in

1     this area comes out of Baton Rouge or outside the  
2     2-hour realm, and I asked one of the truckers when  
3     we were at lunch and I said, "Can you give me five  
4     drivers that are in the city now that can make  
5     three turns between here and Baton Rouge in a  
6     day," and he said no.

7             So, there's a lot of different things  
8     that go into the bowl. Hopefully we can all mix  
9     them all together and come up with one cake, so to  
10    speak, that will make everybody happy when they  
11    get a slice of it. I just want everybody to  
12    understand that the terminal operators are not  
13    here as your enemy. We're here as your friends,  
14    but also we all have to look at this in a  
15    financial manner as well.

16            Randy alluded to and the chassis people  
17    were talking about being able to come in with one  
18    chassis and keep that chassis. Well, we've had  
19    meetings on it. Randy will tell you we talked.  
20    We had solutions, or we thought we had solutions.  
21    They fell by the wayside. The problem was there  
22    was not an inventory process for the chassis, for

1 the pools to keep up with. Now you've got one  
2 chassis coming in one place and going out another.  
3 There's no real way they can keep up with what  
4 kind of pool they have intact, so -- and that was  
5 looked at, and of course, the bottom line was,  
6 "Well, when you come up with an inventory program,  
7 you know, who's going to share the cost?" Well,  
8 the terminal has to bear the cost.

9 So, there's a lot of issues that I think  
10 locally -- and I've talked with Gary LaGrange, and  
11 I think we all need to sit down again and start  
12 sitting down again because there are things that  
13 can be done. It's just a matter of doing them the  
14 right way.

15 But to me, in New Orleans here -- the  
16 people -- like I say, I've come from a lot of  
17 different places. The people here have a very  
18 good work ethic. They try and strive to do the  
19 best they can do. Sometimes a lot of things we do  
20 are beyond our control, but the area here, New  
21 Orleans has pretty much kind of, as far as Keith  
22 will tell you, as far as the terminal goes on the

1 container side of it, we're pretty much maxed out.

2 We're starting a new motor rail  
3 facility. We're losing 10 acres. That started  
4 Friday, so we're going to lose half of that, and  
5 then four months later we're going to lose another  
6 half. We're putting in 450 reefer plugs that are  
7 going to be a rack system, which we feel like will  
8 help get the containers out faster, so that way we  
9 can instead of digging with top loaders we can dig  
10 -- we've got two RGGs that will be here in  
11 January. So, infrastructurally, equipment-wise,  
12 we're putting a lot of money into it. We're  
13 trying to make it work. It's not going to be,  
14 like I said, a swift process, but it is a process.

15 And I welcome any of you all to come.  
16 You're welcome. Anybody's always welcome to come  
17 to our office. You want to sit down and talk,  
18 we'll be glad to talk with you. I don't think  
19 we've ever turned anybody away unless you owe us  
20 money, and then we send you straight to the bank.

21 It's just -- it's things that need to be  
22 focused on. I think the Gulf Coast has a big

1 upside. I'm one of the one's everybody's Panama  
2 Canal. I'm not a -- I guess a true believer that  
3 it's going to make that much of an overwhelming  
4 difference. I think you're going to see a lot of  
5 feeder ships. New Orleans will benefit to some  
6 extent. You're going to see less ships with more  
7 cargo. Instead of having five vessels a week it  
8 may go down to two, three, whereas 4500 TEU vessel  
9 versus an eight and a half thousand, and that's  
10 the direction I see it going anyway.

11 We can get a 9,000 TEU ship here. We've  
12 done it. We actually did a comparison for a  
13 10,000 TEU ship, and it will make it under the  
14 bridge, so there is an upside here, and I think  
15 the cargo will continue to come to the Gulf Coast.

16 As somebody alluded to earlier, one of  
17 the advantages we have is the intermodal  
18 disbursement here. We have on dock rail. We can  
19 have boxes 24 hours, Memphis; 48 hours, Chicago;  
20 72 hours, Montreal. I think it's a very  
21 underutilized system that we have. And we where  
22 the public (inaudible) the port, C&N railroad, a

1 couple of railroad companies, we're diligently  
2 trying to get that changed. If I could tell you  
3 in talking with some of the railroad people how  
4 much cargo comes out of Dallas and bypasses Gulf  
5 Coast ports to go to Savannah, you would be  
6 completely amazed. I mean I'm talking tens of  
7 thousands of boxes.

8 So, we're here to try to change that  
9 trend. Hopefully we can. I just want to -- maybe  
10 we could all sit down here in the future, Randy,  
11 David. Everybody get back to our meetings that we  
12 had. Anybody in the community's welcome to join  
13 us, but we do need to change the congestion. We  
14 do need to change a lot of things, and I think we  
15 can all do it together, not as one -- or not as  
16 separate.

17 COMMISSIONER DYE: Thank you. Now, your  
18 upcoming changes, are these part of this study  
19 that Gary was discussing?

20 MR. PARKER: I don't have the list,  
21 ma'am. It should be. The last mile is the  
22 flyovers and that's the biggest issue we're having

1 now is the truck drivers getting into the port  
2 (inaudible).

3 COMMISSIONER DYE: Thank you. Thank you  
4 very much.

5 MR. PARKER: You're quite welcome.

6 COMMISSIONER DYE: Mr. Palmisano?

7 MR. PALMISANO: Good afternoon --

8 COMMISSIONER DYE: Good afternoon.

9 MR. PALMISANO: -- Commissioner Dye.

10 And Gary LaGrange, I know you're still here,  
11 right?

12 Anyhow, as far as efficiencies, I  
13 oversee the break bulk operations for Ports  
14 America in New Orleans, somewhat indirectly  
15 involved with the container operations and I think  
16 (inaudible) brought up how we measure our  
17 efficiencies, and yes, it is turn times. It's the  
18 best way to see how the trucks are coming in and  
19 out. Forty-five minute turn time, I don't know  
20 how that compares to other ports in the Gulf but  
21 the turn times up in the northeast, 4 hours. Of  
22 course we want to do better as far as turn times.

1 We'd like to see 30 minutes, but until you fix the  
2 connection between the interstates and the --  
3 direct to the port, it's still going to have those  
4 challenges.

5 Of course we can be better on the  
6 terminal side. Some of the points that James  
7 made; yes, we subscribe to do better. As far as  
8 improving technology like some of the rollups that  
9 are coming out between Ports America and New  
10 Orleans terminals, it's going to be, of course,  
11 another change and sometimes change is difficult  
12 to take at first, but we're working those as we go  
13 through changes.

14 But again, go back to infrastructure to  
15 and from the Port. It's very important, and James  
16 said if you go into Baton Rouge, you know, if you  
17 drive in your vehicle, that's an hour and half  
18 drive. On a busy day coming off the interstate  
19 having (inaudible) but I can guarantee you in my  
20 own personal vehicle it takes me 20 minutes to get  
21 from (inaudible) to (inaudible) gate, so right  
22 there you're looking at probably, you know, in and



1 out maybe 45 minutes plus another 40 minutes or  
2 so. That's a good part of a truck driver's day  
3 just getting in and out of there, so if you can  
4 cut out 40 minutes or so of that time to and from  
5 the Port, it's very important.

6 Again, I'm really on the break bulk  
7 side. I knew that the strains that the terminals  
8 are having, and James also said just the lay of  
9 the land between New Orleans terminals and Ports  
10 America. The Port unfortunately is a very long  
11 and narrow facility. It may not be that ideal for  
12 a container terminal, but within the course of the  
13 day James has two ships in. He had two ships in  
14 just on the container side. You're dealing with  
15 vessel traffic. You're dealing with terminal  
16 traffic along with break bulk, rail operations,  
17 barge operations, the warehouses being very close  
18 to the waterside, so there's a lot of congestion.  
19 And when you think about 45-minute turn time, I'll  
20 say I don't think it's quite that bad.

21 I know there's challenges with  
22 equipment, damaged equipment, whether it's chassis

1 and containers, and maybe that's where the focus  
2 should be and improving those efficiencies where  
3 the truck drivers aren't getting spun with  
4 different issues. But I think it's been said  
5 before, I think we need to go back to being more  
6 involved with the trucking community to work these  
7 things out and (inaudible) guilty of not going  
8 forward with that and maybe through this forum  
9 today that we can further move forward with that  
10 and have better communication. As far as labor,  
11 it was mentioned earlier about not having enough  
12 labor, efficient labor. I'd have to disagree. I  
13 think we have a very good rapport with the local  
14 union here that does supply us with labor. We  
15 need to talk about the man-hours that the Port of  
16 New Orleans and the ILA has. In the course of the  
17 day we're working shifts 24 hours a day, 7 days a  
18 week. The amount of men that -- the employees  
19 that we're putting together in the course of the  
20 day I think they are doing a pretty good job as  
21 far as the relationships and that goes along with  
22 the communication with the Port. Communication,

1 communication, communication, (inaudible)  
2 different panels today, and I think that's really  
3 where we've got to start. Go back to those roots  
4 of communication and basically talking about what  
5 we can do to improve.

6           Again, the ships are coming in. As far  
7 as break bulk and containerized vessels, they're  
8 coming in. We are at growth mode, and with the  
9 growth mode, yes, you are going to have some  
10 inefficiencies as well, so we're probably behind  
11 the curve as far as getting together and being  
12 prepared for the growth, so moving forward I think  
13 we'll do so.

14           COMMISSIONER DYE: Thank you. Thank you  
15 very much. We have a controversy with those turn  
16 times is when do they start? Inside, outside --

17           MR. PALMISANO: They're measured  
18 different ways. They can be measured inside and  
19 outside. We have transponders on the road that  
20 basically start from the time they come in until  
21 they come out. We measure our turn times  
22 basically inside from once they get inside the

1 gate.

2 SPEAKER: That's the 45 minutes. It is  
3 inside the terminal.

4 COMMISSIONER DYE: Mr. Harold?

5 MR. HAROLD: Thank you Commissioner Dye  
6 for the opportunity. Well, the first thing I say  
7 speaking for the (inaudible) on Mobile at APM  
8 Terminals I'm not going to lie to you and say that  
9 there are absolutely no congestion issues  
10 whatsoever. That would definitely be a lie, but  
11 that being said, I think that we're in a pretty  
12 good spot in terms of timing.

13 Unlike New Orleans or other places,  
14 we've had the luxury of just opening five years  
15 ago, so we were able to build a terminal to spec  
16 based on a number of lessons that we learned over  
17 the years from the gate system we put in,  
18 technology, et cetera. And by and large, the  
19 project, the business case, the execution, was  
20 done very, very well.

21 Our terminal sits right next to I-10, so  
22 there is literally no congestion in or around the

1 port area. There's not a single stoplight from  
2 the time you get off I-10 to the quarter of a mile  
3 that you have to travel to get onto our facility.  
4 There's really nothing impeding traffic in that  
5 regard.

6 We've got a very sophisticated terminal  
7 operating system with NAVIS. We're going to be  
8 upgrading to N-4 pretty soon which we expect to  
9 run very smoothly, and we will make sure that  
10 happens.

11 In my opinion, the first and maybe the  
12 easiest key to addressing the issues of congestion  
13 at the port are your date process just like you  
14 said. When does the turn time start coming off  
15 the street or when you get through the gate? I've  
16 had to, I guess you'd call it the luxury of  
17 working in the Port of New York, New Jersey, for a  
18 number of years before coming to Mobile and seeing  
19 some of the challenges up there, but appointment  
20 systems can be very effective.

21 We have an appointment system in Mobile.  
22 One hundred percent of the transactions make

1 appointments, and that's not always the most  
2 popular thing among the trucking community, but I  
3 think that's more associated to if you really silo  
4 the windows from which a trucker can come in. We  
5 don't say that a trucker can only come in between  
6 the hours of noon and 2:00, and if you don't make  
7 it you can't come in. You just have to come in  
8 that day, and what that allows us to do is have a  
9 lot of the information up front before the trucker  
10 arrives. It really saves a lot of time, and it  
11 allows our clerical staff to do the job more  
12 efficiently.

13 Also, we have a very good system in our  
14 yard that provides seamless communication between  
15 our gate and our container and the equipment,  
16 which is real-time information. Computer screens  
17 in all of our machines so that when a truck comes  
18 through the gate our operators are starting to  
19 react to it immediately. It doesn't always work  
20 perfectly, but that's the way that it was trialed  
21 and for the most part it works pretty well.

22 I think that then coming with that is

1 training and really having a strong partnership  
2 with your union workforce. The ILA Mobile has  
3 done an excellent job. The clerical staff does  
4 more than I could ever have imagined coming down  
5 from the north a few years ago. They really  
6 manage that system well and seamlessly with very  
7 little supervision.

8 Talking about the turn times again, I  
9 wanted to echo Mr. Patel's comments that he said  
10 earlier about the focus on the outliers, and  
11 that's something that we've really changed our  
12 philosophy when it comes to service of the  
13 trucking community. Turn times of 45 minutes --  
14 well, when's the last time any of us got a  
15 customer complaint because your average for the  
16 day went from 45 minutes to 50 minutes? I don't  
17 think that's so much the issue as it is what  
18 happens if the trucking community can't plan for.  
19 If it takes a trucker 5 or 10 minutes additional  
20 for one day to get in and out, probably not the  
21 end of the world, but it's that one trucker that  
22 was there for four hours and what happened there?

1                   And probably in the last year we've  
2                   started to change our focus -- really North  
3                   America -- around what is a good service to the  
4                   trucking community? So our focus now is you still  
5                   want to look at turn time. I think that's  
6                   important, but more importantly in my opinion is  
7                   what are the percentage of your transactions that  
8                   are going over a certain period of time? That's  
9                   really the challenge, and we've seen about a 50  
10                  percent reduction in that regard since we started  
11                  focusing on it, so it's been good.

12                  And the other thing I'd say is vessel  
13                  productivity is actually very important to  
14                  congestion, and maybe most of us would agree that  
15                  on a day where you're working a vessel while your  
16                  gate is open, your yard is more heavily congested  
17                  than when you're not working a vessel. If we can  
18                  get the ships in and out quicker, great. That  
19                  gives us more time to start moving trucks more  
20                  efficiently. But then that also comes back to  
21                  good communication with the trucking community  
22                  which we -- I think we do a pretty good job in



1 Mobile, but we could definitely do a better job of  
2 that just making sure that -- just the communities  
3 aware that if you're working a ship on a Tuesday  
4 and they can avoid the port on a Tuesday, great.  
5 But the more that you can increase your traffic on  
6 non-ship days and reduce during ship days the  
7 better off you're going to be.

8 Just a couple other things I wanted to  
9 mention here. The Panama Canal and there's still  
10 a lot of -- everybody's been making a comment on  
11 that, so I guess I will too. My opinion is that  
12 there are such good slot cost advantages by using  
13 bigger ships. I think you can -- that's easily  
14 seen, and we have vessels coming through the canal  
15 today into the Gulf. Not many but we have them.  
16 I think that it's really just a New  
17 Orleans-brainer that when the canal widens that  
18 they're going to start using these bigger ships.  
19 I don't know how big the impact is going to be,  
20 but I think that there will be additional capacity  
21 to be filled coming into the Gulf, and while a lot  
22 of it is being service goods to us, canal use

1 still have quite a bit of time sensitive cargo  
2 both inbound and outbound. They're still going to  
3 want to use the Panama Canal, so I think that that  
4 additional capacity on some of those services will  
5 really help, not to mention vessel cascading that  
6 is really going to start I think pushing more of  
7 the 8500 TE ships down to a point where they are  
8 going to be looking for homes for these and maybe  
9 some of those at least may be on Transpacific  
10 coming through the canal and into the Gulf, so  
11 we'll see how that goes.

12 COMMISSIONER DYE: Thank you very much.  
13 Mr. Morgan?

14 MR. MORGAN: Thank you, Commissioner  
15 Dye.

16 COMMISSIONER DYE: Of course.

17 MR. MORGAN: Thank you for coming to New  
18 Orleans.

19 COMMISSIONER DYE: Thank you.

20 MR. MORGAN: I was here a long time and  
21 I -- hopefully Gary will invite you to have  
22 monthly meetings here. It's always good to come

1 back home.

2 COMMISSIONER DYE: I would like that  
3 very --

4 MR. MORGAN: Consider this home, and  
5 I'll start off with safety. I know a lot of  
6 people talked about safety this morning. Then, of  
7 course, that's a keystone to any terminal  
8 operator's operations or trucking lines, shipping  
9 lines. Safety-based systems are just wonderful  
10 and good for not only the moral aspect of keeping  
11 people safe but it's a better operation through  
12 and through, and I have a safety request for you  
13 to take back with you since you said you were so  
14 good with your custom's friends. Is it our  
15 custom's friends do not like to wear their PPE at  
16 the terminals. They're afraid to wear safety  
17 vests and hard hats, and it's a very big concern  
18 for us. We don't want anyone out there hurt,  
19 either our employees or contractors or anybody,  
20 period.

21 COMMISSIONER DYE: Of course.

22 MR. MORGAN: For that matter, whether

1 they're under our jurisdiction or not, so if you  
2 could take that home for us. We've been trying  
3 and there are places that they do do it, but all  
4 in all around the country, that's a very touchy  
5 subject --

6 COMMISSIONER DYE: Thank you.

7 MR. MORGAN: -- so take that back for us  
8 please. I'm on a more of the break bulk side of  
9 life now, and our port director today, Roger from  
10 Houston, said that they've been working on a lot  
11 of things and he tiered a lot of this stuff  
12 towards the container side of life, and he quoted  
13 a saying, "Don't put paper in tube anymore," to  
14 get their trucks in and out, and unfortunately on  
15 the break bulk side, we're not at the level of  
16 putting the paper in the tube yet. (Laughter)  
17 We're still working on what good that could be. I  
18 think unfortunately that's a big hindrance in our  
19 business and the break bulk side of life is steel  
20 and the heavy lifts and the project cargo is it  
21 dawns in the same (inaudible). We all have kind  
22 of homegrown computer systems, but they're nowhere

1 near what terminal operating systems are for the  
2 container side of life, and it's just -- it's an  
3 issue that we have to take care of ourselves, but  
4 also with the whole logistics chain. We have --  
5 our technology communication between our  
6 customers, the shipping lines, between us and the  
7 truckers, us and the brokers, us and the carriers  
8 and the truckers; all of it is way behind times,  
9 and I think if nothing else that that has to be  
10 improved and worked upon and somehow, maybe it's  
11 collectively done. I don't know.

12 I know some port authorities do it where  
13 they'll offer up their systems to the community  
14 and to the stevedores and terminal operators, but  
15 I think that's a huge point for us to move forward  
16 on increasing our productivity and efficiencies  
17 and sharing of this information within the  
18 community. It all gets exasperated when -- he  
19 said this morning there wasn't much congestion,  
20 but there are at times always congestion at the  
21 ports. And there was a timeframe in July at  
22 Houston City docks where we had seven days and

1     there was 200,000 tons of steel that was coming  
2     off in seven days, so if you don't have a  
3     communications system and a planning system, it's  
4     all going to go to -- down very fast. So it just  
5     exasperates when it gets to those busy times, and  
6     fortunately there has been more busy times than  
7     not within the last year since 2008.

8             Houston City docks is a direct storage  
9     port so the logistics and the communications are  
10    key. Stuff has to come off the ship and go more  
11    or less direct to truck to get it out the gate, so  
12    we can't talk enough about communications and  
13    other people have talked about the communications,  
14    so this kind of forum -- and I think we've all  
15    done it in the past here and in other ports that  
16    I've been in, but we kind of get lax on them after  
17    so many months of meeting and so many times and it  
18    kind of goes by the wayside, but I think it is  
19    extremely important that we have group forums like  
20    this within the community, you know, port by port  
21    to take the issues and move forward and not bicker  
22    back and forth; just do what's best for that

1 community, and I think we're all open for that on  
2 our side.

3 Some of the people this morning also  
4 said some infrastructure improvements, yes, kind  
5 of like the paper and the tube. The break bulk  
6 facilities around the country and not just Houston  
7 or, you know, 1960s, maybe new some places 1940s  
8 maybe new, so there's a lot of areas that just  
9 purity terminal infrastructure could be improved  
10 greatly. It is kind of on the bottom of the totem  
11 pole on a lot of port authority's master planning,  
12 but it is a big movement in the United States.  
13 There still in general guard rail. There still is  
14 plenty of steel. There still is project cargo,  
15 and that has to get off and get to the (inaudible)  
16 and vice versa, so our infrastructure definitely  
17 needs to be improved.

18 And I know the President of (inaudible)  
19 this morning was saying that some of the equipment  
20 for the break bulk handling facilities are -- need  
21 also to be improved and he's correct. Our shore  
22 (inaudible) fleet seems to be well behind, and he

1 mentioned that in his comments, and again going  
2 back to our Cooper/T. Smith's baby shore crane in  
3 Houston is about 1980-something, so we haven't  
4 greatly improved in that for us, but we definitely  
5 have to improve on that because the cargo is  
6 bigger. The cargo is heavier, and we have to  
7 adapt to that, and we're behind times on that.

8           On the labor side we have a great  
9 relationship with the ILA Labor. Again on the  
10 break bulk side of life we're kind of the -- and  
11 that's mostly, definitely in the Gulf, but we kind  
12 of the training ground so they can move up to the  
13 "big money container life," so it's up to us or  
14 incumbent to us to work with the ILA as terminal  
15 operators and stevedorings to make sure we have a  
16 very good training program for the new labor  
17 coming off the street so to speak. That's  
18 paramount. We understand there's a price  
19 differential in the wages and that's done for a  
20 reason: To compete, especially in the Gulf area,  
21 and ILA knows that. We know that. That's a good  
22 thing that keeps us competing with some of the



1 other groups in the Gulf area, but we do have to  
2 pay attention to the training aspects and not  
3 leave that behind whatsoever.

4           The last thing is the working at night.  
5 I heard different numbers and we do tend to try to  
6 work at night and have an extra shift on the  
7 general cargo side, but it gets to a point and I  
8 think Mr. Parker was saying it was 20 percent  
9 utilization of Houston City docks if we work past  
10 -- the truckers will not come past 10:00 p.m. to  
11 catch the cargo, as they say. It's very rare that  
12 they will, and there are shipping lines, our  
13 customers, that want to work around the clock to  
14 get the cargo out and their vessels on and  
15 alleviate congestion, so a group to get together  
16 to talk about working through those logistics, and  
17 if it's possible to do that, maybe at least on a  
18 case-by-case basis, and not just a general blanket  
19 that all ships are going to work 24 hours. That's  
20 not really a model for the general cargo world,  
21 but there are cases on the larger ships and larger  
22 shipping lines that are very conscious about their

1 port time and they want to get out, so we need  
2 that trucking side because if it's not, then we  
3 really get into issues whether that cargo,  
4 especially in Houston, hits the docks.

5 It doesn't have the facilities to do  
6 that, number one, and if there is room to do that,  
7 then it costs the receiver to lift that cargo up  
8 and put it on trucks to get the final destination  
9 which is a completely added cost. It's not in  
10 anybody's supply chain when it left its origin, so  
11 some group meetings could assist on that.

12 COMMISSIONER DYE: Thank you very much.  
13 Mr. Johnson?

14 MR. JOHNSON: Thank you, Madam Chairman.  
15 Thank you for hosting this forum. Before I start  
16 some comments I would like to make a salute to  
17 Admiral Crowley to my left for his many decades of  
18 service to our country and to all of the men and  
19 women that ably serve our country and heartfelt  
20 goes out to them for what they do for us and  
21 certainly wish that when they're ready to come  
22 back into the private sector that we will open up

1 -- as employees we'll open up jobs and  
2 opportunities for them and welcome them back in.

3 In Houston we have several stakeholder  
4 groups who engage in collaborative discussions  
5 with both private and public entities in  
6 addressing the challenges head-on. In our case  
7 we're very fortunate to be directly involved with  
8 the Port of Houston under the leadership of Roger  
9 Gunther who very well understands the challenges  
10 they have and that it takes communications and  
11 stakeholders working together to identify the most  
12 important areas of concern and then road- mapping  
13 a plan to get these challenges implemented and  
14 achieved. I think in Houston we do a very good  
15 job of that.

16 Upgrading the port experience through  
17 infrastructure enhancements and substantial  
18 reinvestments is certainly welcome, but it's the  
19 communication and open- dialogue piece that allows  
20 us to get results done.

21 We also echo that currently in Houston  
22 we truly do not have congestion at our container

1 terminals. I know I've heard some chuckling on  
2 that out there, but it's really true. To date our  
3 turn times of single moves are less than 30  
4 minutes and a double move is less than 60 minutes,  
5 so we must be doing something well.

6 One of the companies that Shippers  
7 Stevedoring owns in part is a joint venture  
8 company called Integrated Marine Services. I have  
9 the honor of being the co-managing executive  
10 officer of this company with two of these other  
11 panelists that are up here at this table, and we  
12 have a partnership or we have an agreement through  
13 the Port of Houston that provides empty depot  
14 services for empty containers and bare chassis for  
15 the Barbours Cut container terminal facility.

16 Ninety-five percent of all of the empty  
17 containers and bare chassis out of Barbours Cut  
18 are off terminal. They're close by but they're  
19 off terminal. This aids, obviously, in the turn  
20 times and the overall trucker experience. By  
21 having these empty containers and bare chassis off  
22 the (inaudible) terminal it creates a larger

1 footprint for the port to expand its handling and  
2 terminal operations of import and export loaded  
3 units.

4 Another benefit of this IMS area is  
5 outside of the Coast Guard's CBP restrictive areas  
6 allowing for greater flexibility, late gates,  
7 evenings, holidays. If a carrier or a trucker  
8 needs a late gate, we're open for business. They  
9 know they can call us and we don't have any CBP  
10 restrictions.

11 And just a quick note on that, you know  
12 those comments earlier about issues with CBP and  
13 how it affects the terminal operations in Houston,  
14 and Madam Commissioner, it's very true that -- and  
15 I can give you an instance where our terminal  
16 operations requested on behalf of one of our  
17 customers we needed a two-hour late gate and we  
18 were willing to pay for it; New Orleans issues  
19 with that. And the Port Authority went to CBP and  
20 CBP says, "Ha, ha, two hours. We'll give you 30  
21 minutes tonight. Be lucky we're giving you 30  
22 minutes," so there are serious issues with CBP

1 that need to be addressed. There are some really  
2 quality people there, but what they always fall  
3 back on is the budget. It's the budget. There's  
4 nothing in there for overtime. We can't expand  
5 hours. We like to work with you. Well, as  
6 terminal operators, when you're up against certain  
7 deadlines and you've got to pull containers out so  
8 they don't go on the (inaudible) so you don't  
9 start paying storage; it really impacts us not  
10 having flexibility that we need within the Port  
11 Authority system.

12 One last note is INS. The Port  
13 Authority came to us and they said, "We're  
14 expanding our hours to 12 hours a day, 7:00 a.m.  
15 To 7:00 p.m." We immediately said without  
16 hesitation, "We're onboard and the empty  
17 containers and chassis will be available for that  
18 same amount of gate hours." There's no secret  
19 that our industry is a capital-intensive required-  
20 investment industry that we would certainly  
21 welcome both state and federal authorities to  
22 continue grants and programs that would make new

1 cargo, container handling equipment technology,  
2 make the acquisitions possible, affordable, and  
3 reasonable. We certainly hope that both the state  
4 and the federal government will continue with  
5 certain grant programs that allow us as terminal  
6 operators to modernize our terminals and our  
7 equipment fleets.

8 In Houston we actually have a terminal  
9 operation program in place such as the U.S.  
10 (inaudible) Carrier CCC Subsidy Program that  
11 encourages carriers to load containers heavy and  
12 have cargoes of all types handled on the pier.  
13 Devanning and consolidation of cargoes on the pier  
14 allows for the containers and chassis to be freed  
15 up in the shortest amount of time while offering  
16 freight transportation opportunities outside of  
17 the container itself. It's a very valuable  
18 program that the carriers utilize in Houston.

19 We also have a joint terminal operations  
20 group made up with the Houston terminal operators  
21 and the Port of Houston Authority that is actually  
22 approved by the FMC that discusses terrorist

1 issues. We get together once or twice a year.  
2 We'll discuss the issues that are mutually  
3 beneficial to the entire industry, and of course  
4 our minutes are filed with the FMC accordingly.

5 While technology enhancements are  
6 certainly great, I still think as employers that  
7 education and training of our workers must improve  
8 both on the front end and back end, whether it be  
9 documentation or handling of the cargo skills  
10 itself. As employers we owe it to the supply  
11 chain to do a better job. We can eliminate  
12 delays, process errors, miss deliveries with  
13 better education, better training, ongoing, and  
14 that's going to be one of our focal points moving  
15 forward.

16 I guess in closing and kind of just  
17 recapping all of this, I think we can head off any  
18 disruption of services by being aggressively  
19 proactive. Let's continue to roll up our sleeves  
20 and identify the challenges prior to them becoming  
21 obstacles. Let's stay ahead of the curve through  
22 collaborative, meaningful discussions, and we will



1 all benefit and prosper. Thank you.

2 COMMISSIONER DYE: Thank you very much.

3 Aggressively proactive sounds good. Thank you.

4 Mr. Crier?

5 MR. CRIER: Thank you, Madam Chairman,

6 again. Thanks for having this meeting.

7 COMMISSIONER DYE: Thank you.

8 MR. CRIER: We should get together more  
9 often like this. I'm sorry, just not because  
10 you're doing it but that way we can find out the  
11 problems going on within the industry ourself. As  
12 you heard, they were saying nice things about me  
13 earlier. Some of them are true. I was trained by  
14 Mr. Morgan and then by Mr. Parker and Keith  
15 Palmisano.

16 Here in New Orleans, yes, we do get  
17 along very well. First starting out it was a  
18 little bit hard trying to adjust and understand  
19 the way, you know, we had to move to keep the work  
20 coming here in the Port of New Orleans. Since  
21 then we've been working together constantly trying  
22 to figure out what we have to do to attract more

1 ships here, more work here. The guy talked this  
2 morning, Mr. Anderson, dedicated truck lane. That  
3 sounds nice, but we've got to figure out where can  
4 we get that here in the Port of New Orleans. It  
5 would help out tremendously. Also increasing gate  
6 hours. Mr. Parker, Mr. Palmisano, whenever you  
7 need to, let me know. We're ready. We want the  
8 work no matter what it takes. Mr. Morgan taught  
9 me that a long time ago. He still calls me by my  
10 nickname out there, and we're going to leave that  
11 alone. He can call me whatever he wants. He gave  
12 me my first shot out here.

13 But there's a couple other things that's  
14 going on. Railcars; I'm a commissioner with  
15 Public Belt Railroad also. Jim said something  
16 earlier that shocked me. We're not going to have  
17 any new rail cars until 2016. That's kind of  
18 shocking. Who do we have to talk to to see what  
19 we can do to change that? I mean if it's going to  
20 help us, it's going to help us all, so let's come  
21 together, find out who we have to get to and talk  
22 to about that. I don't know if you can take care

1 of that, Commissioner Dye. Set that meeting up  
2 and let us know where we have to be, I mean  
3 because that affects everyone in here.

4 COMMISSIONER DYE: Yes, it does.

5 MR. CRIER: Chassis problem; they were  
6 talking about that. We had a meeting just last  
7 week about the chassis here in the port of New  
8 Orleans. We're trying to find new ways of getting  
9 them repaired here. We met with most of the  
10 correctional facility people. We're trying to  
11 find something off terminal. If you are having  
12 problem with chassis, let me know. I'll get the  
13 other local president here, the maintenance guy,  
14 our district president who's out of Houston, and  
15 we'll figure out what we have to do to make that  
16 happen. I mean anything that's slowing down the  
17 progress for the port here in New Orleans, we want  
18 to make sure we take care of it. Not just New  
19 Orleans, anywhere. Let us know and if the ILA can  
20 help in any way, I'm going to see who I have to  
21 talk to, who I have to get with to make it happen.  
22 We're all for progress. I mean we're in business

1 to keep each other in business. If we're not  
2 here, you're not here, so let us know what we have  
3 to do to keep everything going together.

4 Customs with PPE, Mr. Morgan. Sorry.  
5 You don't make stuff up about Customs like that.  
6 They're going to stop you the next time you go  
7 through the gate, so watch what you say about  
8 them. (Laughter).

9 Turnaround time, Mr. Johnson, you're  
10 going to have to help us out. How can we get a  
11 30-minute turnaround time? Kind of shocking when  
12 I heard that. I know our average time is 45  
13 minutes to an hour, and you can do it in 30  
14 minutes? I'm willing to come anywhere to learn  
15 anything to make it better, so -- and that goes  
16 for any other problem area we have here. Give me  
17 a call, let me know what we have to do.

18 Break bulk, like Mr. Palmisano said,  
19 well, we're trying to get more and more each day.  
20 It's a competition here in New Orleans here for  
21 break bulk, so I'm willing to work with him.  
22 Whatever we have to do to attract more here, we're

1 going to do it. The ILA is not going to be your  
2 enemy. We're here to work together, and we're  
3 going to do whatever it takes for us to work  
4 together. As you can hear right now, we're  
5 willing to do whatever it takes to get the work  
6 here. Like I said, a chassis problem, lower  
7 rates, you know, that's going to be one of the  
8 problems here. You don't want to go to anybody  
9 talking about a pay cut right now, but if it comes  
10 to it and we have to do it, I talked to a  
11 gentleman about the grain. ILA is ready to get  
12 back into the grain business. Whatever -- like I  
13 say, for the Port of New Orleans we're going to  
14 make sure it happens. We're going to do what it  
15 takes to make sure all of this is happening.

16 The strategic task force; he wants to  
17 start, let me know. I want to be part of that. I  
18 want to help out to find out what we have to do to  
19 make your job a little bit easier and the work to  
20 be more attractive for you for the Port of New  
21 Orleans.

22 I don't have much more to say because

1     like I say, I work with a bunch of great people,  
2     so we're getting along fine right now. I hear  
3     some ports are not getting along with the ILA. If  
4     I have to come and help with that, I'll try and  
5     come help with that also. (Laughter) Just let me  
6     know where you want me to be.

7                   COMMISSIONER DYE: Thank you. Thank  
8     you, Mr. Crier. We appreciate that. Thanks a  
9     lot. And Mr. John Crowley?

10                   MR. CROWLEY: Thank you, Commissioner  
11     Dye, and everyone else on the panel. Some really  
12     good information today on this panel here. I'm  
13     John Crowley and the Executive Director of the  
14     National Association of Waterfront Employers  
15     representing the interests of the marine terminal  
16     operator industry and stevedores. I represent  
17     them primarily in Washington, but have found  
18     particularly with this very important issue such  
19     as congestion, to get around a little bit further  
20     as I very much enjoy to do.

21                   We've all probably heard the saying, "If  
22     you've seen one port, you've seen one port," which

1 suggests that there is nothing that we can learn  
2 from each other, and I think that's the falsity of  
3 that phrase because while the character of our  
4 ports may be different, the turn times may be  
5 distinguished. The mechanics are very similar,  
6 and we can learn together, from each other, do  
7 things increasingly different.

8           Mr. Harold commented about continuing to  
9 learn across North America and his organization  
10 and that's the type of thing to look at. You  
11 know, when I was in my former role in service I  
12 pulled into a number of ports globally, worldwide,  
13 and at that point in time I saw a crane and I  
14 said, "I understand this. Lifting boxes on and  
15 off a ship. Seems pretty simple to me," and I  
16 think that's the perception that has held so  
17 frequently, and it's so far from the case, and  
18 it's so much that I've learned over the last seven  
19 years of working with this industry with joy that  
20 there is so much that goes beyond that; lifting  
21 the box on and off.

22           As maybe you are aware, I prepared an

1 article for the Journal of Commerce a couple of  
2 months ago on this subject of port congestion, and  
3 the thrust of that article was on market-based  
4 factors, and I'd like to expand on that a little  
5 bit this afternoon.

6 The punch line to kind of get to the end  
7 is that I think with innovation and particularly  
8 innovation through transparency we can continue to  
9 improve. And I say this with confidence because  
10 let's face it, this industry can enjoy a  
11 reputation of innovation. It wasn't that long ago  
12 there was no such thing as a containerized  
13 movement. There was no such thing as the size of  
14 cranes that we see today reaching across and  
15 computerized with simulators behind them teaching  
16 people how to use them. We've come a long way as  
17 an industry with innovation, and we innovate on a  
18 lot of different levels.

19 Well, maybe we need to innovate on some  
20 other levels, and that's what I would like to  
21 explore a little bit, but first let's take a look  
22 at the reach of the market-based forces that a



1 terminal operator faces. The life blood of a  
2 terminal operator is the terminal services  
3 agreement. The terminal services agreement is  
4 whereby the wages are paid and the capital  
5 equipment is purchased. The fees are paid to the  
6 Port Authority and the taxes to the government;  
7 the life blood.

8           What goes into the terminal services  
9 agreement? Well, they start with the turn times  
10 of the vessel, and is that so peculiar, so  
11 unusual? The turn times of the vessel is a huge  
12 number. I've got to believe someone else in one  
13 of the other panels would know better, but they  
14 affect every single piece of cargo that came off  
15 of that vessel, every single customer, beneficial  
16 cargo owner, not just one. Not just one box will  
17 be conveyed by a rail car or by a chassis out  
18 their gates. They affect everyone, so this is a  
19 huge issue.

20           It sets everything in motion, and the  
21 offloads are critical, and in today's world they  
22 continue to be driven by the increased size of the

1 vessels that have been continued to be mentioned  
2 here today. Well, you have 50-year  
3 life-expectancy cranes that, in order to get that  
4 new vessel in, are going to be sent to the farm  
5 yard at 45 years left of service in turn for a new  
6 crane that can reach a couple more across breast  
7 of the new container ship, and maybe lift more  
8 containers. Maybe computerize better, and  
9 immediately the cost of that in order to get that  
10 business in the first place is driven up  
11 significantly. But it's not enough to just look  
12 at the cranes as I suggested.

13           The next phase after you get done with  
14 the turn time and really tied intricately to the  
15 turn time is the container yard or the cargo yard  
16 for our general cargo friends. And as we all know  
17 properties got more expensive, so to use that  
18 property either in continuous use or for storage  
19 becomes more expensive, but more than that it is  
20 the use of that property at the first instance in  
21 a smart and wise and in a new-process way so that  
22 you can operate five cranes on a large ship

1       instead of just one or two or three and not have  
2       drayage trucks running into each other at the same  
3       time. That's a degree of difficulty that's a  
4       whole lot higher and required a whole lot of  
5       innovation on the part of all these men and their  
6       women colleagues back on the piers including most  
7       especially labor. And those are things that had  
8       to happen in order to make that contract, that TSA  
9       work.

10                   But that price of that property is  
11       significant and so part of the TSA is to merge  
12       after free time, and we've talked about the merge  
13       a little bit here today but in other sessions, but  
14       the merge comes in different flavors. It can come  
15       free. It can come as charged by the shipping line  
16       or it can come as charged by the excess beyond the  
17       TSA that the terminal operator may be charging.  
18       Now, there may be different ways in innovation  
19       would say, "Let's do that electronically so that  
20       the cargo goes right to the beneficial cargo  
21       owner." They're going to charge representative  
22       therein.

1           They may do it an older way where we end  
2 up with a check or cash payment so to speak at the  
3 gate, but then you may find the terminal operator  
4 collecting for the terminal for the shipping line  
5 and all the way through the sequence. So, what is  
6 simple on its face, again, is not very simple.  
7 It's not just a crane. There's a whole process  
8 behind the scenes.

9           But there's a lot of work being done in  
10 automation and a lot of capital expense going into  
11 automation, into new operating systems to remodel  
12 a terminal that may cost hundreds of millions of  
13 dollars to reorganize it so that it can better  
14 both move cargo around to facilitate the vessel  
15 turn time as well as the stacks as well as the out  
16 gate, but that can then increase, for example,  
17 charges with our CBP friends in order to move a  
18 piece of equipment. The costs are extensive.

19           We get to the gate as the third main  
20 phase to the process; the turn time, the container  
21 yard, the gate. A lot of work has gone into  
22 managing that but you go back again to the TSA

1 that may categorize cargo as the first 100 boxes  
2 with this beneficial cargo owner, it goes on the  
3 first rail out of town. That's going to cost  
4 something that's built into the contract.  
5 Consequently the other boxes are going to take  
6 second fiddle to that. That's part of the  
7 contract. It's important to know that, what goes  
8 on behind the curtain, and it's not just the  
9 crane, right?

10           You may have a big box store and this  
11 makes it easy potentially to put big box stores'  
12 commodities over in a corner and be able to come  
13 and go. You don't have to worry about a  
14 particular box as long as it's the correct  
15 beneficial cargo owner. That makes things easy.  
16 That certain terminal operator's been able to use.  
17 On the other hand others have gone to appointment  
18 systems to help manage the information flow, if  
19 not the arrival at a gate specifically, and the  
20 information flow being so important in charges and  
21 in Custom's output and clearance issues that that  
22 can be a critical item in the path.

1           So, we've got a significant path, a lot  
2 of activity behind that crane that goes on the  
3 facilities that these men and women operate, and  
4 that's kind of what I wanted to draw out as an  
5 example. That's a private-sector example.

6           The government example's similar and  
7 that is the -- we'll continue to pick on Customs  
8 here today, I suppose. In terms of the scanning  
9 equipment, after 9/11 the U.S. declared as a  
10 government function not to be performed by the  
11 private sector the scanning of boxes. Equipment  
12 was purchased, staffing was provided, and that  
13 equipment, unlike the terminals on which they have  
14 operated, have not received any innovation or  
15 improvements. Instead as the budget runs out --  
16 yeah, the budget runs out, but there's been no  
17 innovation to find a way to do it better, cheaper,  
18 faster, as the men and women have continued to  
19 have to do under less cost operations, conducting  
20 more cargo operations under greater stresses from  
21 regulation. And so, we've got to call upon our  
22 government sector partners to pull through in the

1 same way that our great work forces are doing  
2 today. And by the way, where are their PPE? I'll  
3 bring that note on your behalf, Mr. Morgan. It  
4 was great.

5 But so, I, at the beginning said my  
6 punch line was transparency and innovation. Today  
7 that TSA, and rightfully so, this competition,  
8 rates are incredibly important. They're  
9 incredibly sensitive between terminal operators in  
10 the major markets. They're even sensitive between  
11 ports, and within the Gulf, the South Atlantic,  
12 all the different regions, they're incredibly  
13 sensitive. And so, transparency's a hard concept  
14 to get our hands around, but without the  
15 transparency of knowing what kinds of charges that  
16 the terminal has agreed to receive its pay for,  
17 it's hard to have the next level of discussions  
18 horizontally after that vertical contract has been  
19 signed, but horizontally with both its  
20 co-competitors, any port or cross ports, but we  
21 have the virtue of having FMC-authorized shipping  
22 agreements that give us immunity to have the right

1 kind of competition discussions, but what is out  
2 in the open is the peer-to-peer discussions such  
3 as between terminal operators and the trucking  
4 community which are both self-contractors, and the  
5 contracts vertically are going to be sensitive  
6 price-wise. They're going to be driven. You  
7 drive up service one place, you're going to drive  
8 up costs someplace else. They inextricably linked  
9 in the significant contracts, so what a degree of  
10 transparency vertically and horizontally can drive  
11 further innovation in the way that we market our  
12 skills and our products and will help. And I  
13 think some of the best examples have been shown  
14 here in other ports, in other regions, driven by  
15 the Port Authorities that have albeit after some  
16 congestion has arisen and to Houston's credit has  
17 driven ahead of the game a little bit I think.  
18 But the Port Authority's been able to bring people  
19 together, and particularly I'm going to say though  
20 that the Port Authorities, without skin in the  
21 game, those that aren't operators, they are  
22 particularly privileged in being able to arm twist



1 all members of the larger community to the table  
2 whether they be from beneficial cargo owner to  
3 shipping line to terminal operator to trucker.  
4 They come to the table and work out issues on the  
5 "You've seen the one port, you've seen one port"  
6 theory, and I give a lot of credit to those of our  
7 colleagues that are able to do that.

8 I guess one final comment on this theme  
9 of transparency and innovation; a couple of our  
10 colleagues earlier today mentioned P-3s, and I've  
11 got a little bit of experience with P-3s. I've  
12 got some views, but suffice it to say that if we  
13 look at P-3s as a new kind of government contract,  
14 Madam Commissioner, they won't work. P-3s can  
15 work. There's investment dollars out there, but  
16 the investment dollars are not a quid pro quo for  
17 a service. They're investment dollars to take a  
18 risk to do something different in return for some  
19 maybe asymmetric benefit, and both the government  
20 circles and the private sector circles have to be  
21 flexible enough to see across the lines of what  
22 their traditional gains and losses are to

1 appreciate that there's a risk and there's going  
2 to be a cost to that risk, and it's not going to  
3 be a simple quid pro quo. So, I think that P-3s  
4 are a great tool, but the people on both sides of  
5 the equation and both sides of the negotiating  
6 table have to be flexible and agile as they look  
7 at what the benefit of the bargain really is, and  
8 that is a very hard leap to make.

9           So, in conclusion, all of this centers  
10 around money, and anything that has to do with  
11 money is very hard, and we've all got fiduciary  
12 duties within our respective organizations;  
13 Trustees for accounts. There's no one here that  
14 doesn't. We've got new investors in our business  
15 that aren't family investors, that are  
16 particularly attuned to fiduciary-duty  
17 responsibilities and how their investment is being  
18 returned.

19           Life has only gotten more difficult.  
20 It's not gotten easier. That doesn't mean that we  
21 give up. It means that we continue to find new  
22 ways of innovating, not only through equipment and

1     technology but also through the methodologies,  
2     modalities in which we determine how we get our  
3     job done. I have confidence that we can do it as  
4     an industry. We've got the reputation of being  
5     innovators and being can-do and making the job get  
6     done, and with that my piece has been said. Thank  
7     you.

8                   COMMISSIONER DYE: Thank you. Thank you  
9     very much, Mr. Crowley. My economist will be  
10    giving you a call. I appreciate it very much and  
11    Mr. Parker, Mr. Palmisano, I look forward to  
12    learning more about what you described and what  
13    you're going to be doing here. It sounds really  
14    good, and I hope you'll be in touch. I look  
15    forward to it. Thank you.

16                   MR. CROWLEY: Thank you.

17                   COMMISSIONER DYE: Anything else,  
18    gentlemen? Mr. Crier, is there anything else?

19                   MR. CRIER: No, that's it.

20                   COMMISSIONER DYE: Good job. Thank you  
21    very much. I do appreciate it.

22                   I am going to, the shipper and OTI panel

1 will come forward. Ladies and gentlemen, as I  
2 said this morning, our shippers and intermediaries  
3 get the last word today. So I'd like to welcome  
4 Kristi App, Vice President, Business Development  
5 and Customer Service, JW Allen & Company, from  
6 Kenner Louisiana; Donna Lemm, Vice President,  
7 Sales and Marketing, Mallory Alexander, from  
8 Memphis, Tennessee; Mr. Dale Street, Zen-Noh Grain  
9 Corporation in Covington, Louisiana; Mr. Richard  
10 Chriss, who's Executive Director at the American  
11 Institute for International Steel in Falls Church,  
12 Virginia; Mr. Sean Duffy, Executive Director of  
13 Big River Coalition in New Orleans; and Mr. David  
14 Kearney, President of The Kearney Companies, New  
15 Orleans.

16 Thank you very much, I appreciate it.

17 And Kirsti, you can begin. Thank you, go ahead.

18 MS. APP: Thank you, Commissioner.

19 Thanks again for coming. I was very excited when  
20 I saw you in D.C. and they had announced the  
21 forum. I think it provides a great opportunity  
22 for all the stakeholders in New Orleans and all

1 the ports along the Gulf Coast to get together and  
2 try to think outside the box and look for  
3 solutions to a lot of these problems that we have.

4 And in saying that, it was funny because  
5 when Donna and I started talking about it, you  
6 were like, well, what issues do we have? What  
7 problems? And we both came to the conclusion that  
8 there are issues, but we really need to look at  
9 what opportunities are out there and to position  
10 ourselves to be the best, and to be able to move  
11 efficiently and not only for all of us as  
12 stakeholder, but especially for the shippers and  
13 the importer/exporters that sometimes - are at  
14 both ends of the supply chain.

15 I'm sitting here with a few hats. I'm  
16 also the President of the Freight Forwarder and  
17 Brokers Association of New Orleans, and so when we  
18 were talking at our meetings, I had been asked to  
19 just discuss certain points that affect us here  
20 not only in New Orleans, but because New Orleans  
21 is a very intermodal port, a lot of our cargo  
22 still goes east- west and to talk about

1 congestion, which is obviously a huge problem on  
2 the West Coast right now. With having you here, I  
3 just wanted to impress upon you how big of a  
4 burden this is for our shippers.

5 The congestion has led to not only  
6 congestion, but you have your cargo stuck in it,  
7 but you have the detention, the demurrage, and all  
8 of that that it builds up and that has been a real  
9 burden on us and our customers. I realize it's  
10 like if you had asked somebody prior to Katrina,  
11 tell me what you're going to do when a hurricane  
12 hits? Like, I know it's not going to happen, and  
13 I think it's sort of the same thing now with the  
14 congestion problems, they're so epic. They really  
15 are. I think Donna mentioned earlier, it's sort  
16 of an implosion.

17 I'd like to request that not only the  
18 carriers, but the ports and the terminal operators  
19 work from here on out, like they did post-Katrina  
20 and post-Sandy and be able to publish and share  
21 with the industry contingency plans, when  
22 congestion issues arise. I'd also like to ask for

1 more clarification for a lot of times from the  
2 carriers for what we've seen when they announce  
3 congestion surcharges.

4 I think sometimes there's a lot  
5 confusion on the industry, speaking more from the  
6 shipper side, clarification of what they are,  
7 which ports they apply to, and how best to really  
8 keep our customers informed of what's at risk when  
9 there is congestion and the surcharges that can  
10 arise because they are quite significant.

11 That being said, I'd like to dig down  
12 into New Orleans. This is where my office is. I  
13 work for JW Allen & Company. We're a Freeport  
14 customs broker, global logistics provider, and  
15 we've been in New Orleans since 1932. Based on  
16 that we have the great privilege of representing a  
17 varied amount of customers and industry. We  
18 handle everything from frozen poultry to chemicals  
19 to hot sauce, alligator skins, live baby turtles,  
20 so we see it all. And with that the good thing is  
21 we get a very good snapshot of problems that occur  
22 along the whole supply chain.

1           And with New Orleans in general, I was  
2       so glad to hear -- especially Mr. Crier and James  
3       Parker and Keith -- everybody mentioned getting  
4       together and working together. I think it's key.  
5       I think one of the reasons I was so excited for  
6       this forum because I think it gave the push to all  
7       of the stakeholders. We all really needed to get  
8       together and talk and try to figure out how to  
9       tackle New Orleans' issues. You know, I'd love to  
10      see a working group with CBP, labor, the terminal  
11      operators, FMC, truckers -- all the intermediaries  
12      -- because I think we've got a lot of great people  
13      in this community, with a lot of experience that  
14      can think outside the box and look at solutions to  
15      our problems.

16           Earlier today Gary spoke about the  
17      Volkert Study that was done, I'm anxious to hear  
18      more information about that, but at the same time,  
19      flyovers cost a lot of money. Here in New Orleans  
20      we need to look at other ways to alleviate  
21      congestion. We don't have terminal congestion,  
22      but we have infrastructure congestion, all the



1       roadways leading into and out of the port.

2                       For certain shippers, when I have  
3 exports leaving a plant down in Belle Chasse the  
4 gate closes at 4:00 or 5:00, whichever the time  
5 may be. But if, due to traffic and just  
6 congestion getting in and off the interstate to  
7 try to get into the terminal, if they're not on  
8 the road or if they haven't hit it by 2:00 or  
9 2:15, they just go back to the depot, drop it, and  
10 do a next-day delivery.

11                      And for us that's a cost. That's an  
12 extra leg, you get a next-day delivery charge.  
13 But that being said, what are things we can look  
14 at? What are things we can do? Is it something  
15 like in South Carolina where they did an inland  
16 port? We have all these plants up in Baton Rouge,  
17 having something up there? But it's just things  
18 to look at, you know, I'm not going to volunteer  
19 on the port's property -- even though I know Gary  
20 likes me, he doesn't like me that much -- but  
21 anything down off of France Road, is there a way  
22 to rail things into the port as opposed to trying

1 to get all the truck traffic up/down, the lower  
2 Garden District area?

3 I think this here, and I think  
4 everything we've spoken about -- and I'm almost  
5 glad we're at the end because it's been really  
6 great to hear everyone talk and all these ideas  
7 come to a head, and I look forward, as well, to  
8 working with everybody involved to try to come to  
9 a solution that works best for everyone involved.

10 COMMISSIONER DYE: Thank you very much.  
11 Donna?

12 MS. LEMM: Thank you, Commissioner.  
13 It's a pleasure to be here and just to take a few  
14 minutes to share with you all some of the  
15 challenges that we see here in New Orleans, some  
16 of the challenges we see in the Gulf, and if we  
17 can take just a few minutes to talk about what we  
18 also see on a national scale.

19 My name's Donna Lemm. I'm the vice  
20 president of sales for Mallory Alexander. We're a  
21 third-party logistics company. We do have a large  
22 constituency of shippers on the agriculture side

1 and on the forest product side and so a lot of our  
2 focus, often, when speaking deals with our  
3 exporters.

4 This morning early we heard from all of  
5 the folks at the port authorities throughout the  
6 Gulf and it was interesting because the theme from  
7 all of them were that things were running fairly  
8 smoothly. Now, as Kristi mentions, we do have  
9 problems, I think Gary mentioned last-mile  
10 problems with trucking; we do. But for the most  
11 part, the truth of the matter is our movements and  
12 our shipments, our export shipments through the  
13 Gulf ports are going fairly well. That's the good  
14 news.

15 We are reading every day about the  
16 problems we are experiencing, especially in L.A.  
17 And in Long Beach. They're very, very real.  
18 About two weeks ago, we held a forum in Memphis,  
19 it was Memphis Transportation Club. We had one of  
20 the major furniture shippers in the United States  
21 talking about how they're crippled. As an NVOCC,  
22 Mallory has customers that are crippled. They're

1 actually trying to get freight out of L.A./Long  
2 Beach sometimes for 2 weeks, as long as 22 days,  
3 just to get from berth onto a chassis. Generally  
4 that container is buried, get that unburied  
5 container, and moving it on to the rail, 21 days  
6 is a tremendous amount of time.

7           So when you hear and you read that  
8 things are critical, I agree with the two carriers  
9 this morning that were ocean container carriers  
10 talking about the critical situation that we're  
11 experiencing today. It's real. This major  
12 importer in Memphis talked about losing jobs.  
13 There are folks that are going to go down and,  
14 unfortunately, at least for the immediate future,  
15 we don't see a lot of relief in sight. But what I  
16 did hear today, and it's something that in taking  
17 the port tour a couple of weeks ago here in New  
18 Orleans, what I heard today was a Gulf port  
19 coastal fluidity situation.

20           We heard you talk about, we invite the  
21 business. There's an appetite for business. And  
22 I can tell you, as a native New Orleanian, I want

1 to see New Orleans succeed, our Gulf ports thrive.  
2 And so often we're sitting there in Memphis,  
3 Tennessee -- you heard the gentleman talk about  
4 Dallas, moving east-west gateways every day. I  
5 promise you, in Memphis we're moving east-west  
6 gateways every day. We need to start thinking  
7 southbound.

8 Now, as Gary said this morning, the  
9 biggest problem that we face is import containers.  
10 Ocean carriers are in the business to balance  
11 trade, to balance equipment, we need that  
12 equipment. I can tell you, on the export side, we  
13 move a lot of cotton, we move grain, soybeans, we  
14 move a lot of forest products. We have moved our  
15 paradigm; it's moved backwards, back to the early  
16 '90s when we used to railcar everything. We're  
17 back in railcars and we're transporting on our  
18 coast as often as we can.

19 So I guess, in summary, because you've  
20 heard a lot today -- a lot that we agree with:  
21 The problems and the challenges on chassis,  
22 trucking shortages, mega-ships, all of that,

1       absolutely real.

2                       Here in the Gulf, you heard that we  
3       don't have as many mega-ships to deal with. We  
4       may have M&R issues on chassis, but at least we  
5       have them. So I'm a little bit encouraged by what  
6       I heard today. I think certainly for me, as one  
7       forwarder, we can do our part. I'm all about any  
8       forum that will take stakeholder, that we can  
9       share and brainstorm. We've seen some successes  
10      in the past in doing that and, again, I just  
11      appreciate the opportunity to share with you guys  
12      a few words about what we're experiencing every  
13      day. Thank you.

14                      COMMISSIONER DYE: Thank you very much.  
15      Mr. Street?

16                      MR. STREET: First off, let me say thank  
17      you for letting me be a part of this.

18                      COMMISSIONER DYE: Of course.

19                      MR. STREET: And I am actually in the  
20      bulk grain business, so a lot of these problems  
21      talked about today don't apply to us. Most of our  
22      grain comes down by barges, but we do have issues

1 with rail deliveries this year, more so than we  
2 have had in the past years. And I think it's the  
3 oil industry again taking up the equipment and the  
4 power. But it's very interesting listening to all  
5 of this today, but I really don't have a lot to  
6 contribute.

7 COMMISSIONER DYE: So you're happy with  
8 your business?

9 MR. STREET: Yes.

10 COMMISSIONER DYE: Good. Well, we're  
11 glad to hear that.

12 MR. STREET: Yeah, I'm in the right  
13 business.

14 (Laughter)

15 COMMISSIONER DYE: I should say. Thank  
16 you. Mr. Chriss?

17 MR. CHRISS: Thank you, Commissioner  
18 Dye. I'd like to thank the Federal Maritime  
19 Commission and yourself for this important public  
20 forum, and I'd like to ask that my comments be  
21 submitted for the record.

22 I very much appreciate this invitation

1 to this discussion. And especially I was really  
2 happy to be encouraged to engage in a broad  
3 discussion of ideas, so that's what I hope to do.  
4 And with that, just to give a brief idea of my  
5 background, how I approach these issues, I'm a  
6 trade attorney by training and perspective. Also  
7 a trade negotiator. I spent six years with the  
8 Office of the United States Trade Representative  
9 as an assistant general counsel and a trade  
10 negotiator and was privileged to represent the  
11 United States in trade negotiations around the  
12 world. So that's generally my overall  
13 perspective. So I'd like to take that perspective  
14 and then apply it to some of these practical  
15 issues that we're talking about.

16 First, a word about my organization, the  
17 American Institute for International Steel. The  
18 AIIS is a unique organization due to its diverse  
19 and comprehensive character. Our 100 members  
20 comprise virtually every aspect of the steel  
21 supply chain: Shippers, traders, stevedores,  
22 suppliers, exporters, major port authorities,



1 including several of the great port authorities  
2 represented here today, including, of course, New  
3 Orleans; producers, service centers, railroads,  
4 trucking companies, custom experts, you name it.

5 Every day of the year, the men and women  
6 who are part of the AIIS family load steel on and  
7 off ships. We handle it and store it on our  
8 docks. We transport it across oceans and  
9 waterways in trucks, railcars, and much, much  
10 more.

11 The subject of today's forum, Improving  
12 the Efficiency and Effectiveness of Our Global  
13 Supply Chains, is exceptionally important. In  
14 many ways, it is the most critical and relevant  
15 trade related issue of our time. The 160 member  
16 nations of the World Trade Organization recognize  
17 the compelling linkages between competitiveness,  
18 trade facilitation, and global supply chains when  
19 last December they, by a consensus, agreed to a  
20 new multilateral trade facilitation agreement,  
21 which was the first successfully concluded  
22 agreement in the WTO's 19-year history.

1           Most unfortunately, implementation of  
2           this historic agreement is being held up by one  
3           country, India, over an unrelated matter relating  
4           to food security, even though India favored the  
5           agreement in the first place. Recent significant  
6           comprehensive studies by the World Bank, the World  
7           Economic Forum, the Organization for Economic  
8           Cooperation and Development in Paris, and others  
9           affirm the tangible economic benefits of efforts  
10          to facilitate trade, to make trade simpler,  
11          easier, faster, and less expensive.

12           Improving the efficiency of our global  
13          supply chains goes hand-in-hand with the global  
14          effort to facilitate trade. I believe that this  
15          session serves the essential goal of broadening  
16          and deepening our understanding, of what our  
17          concerns and efforts should address, and how these  
18          efforts should be organized on both a policy and a  
19          practical level.

20           So let me just turn quickly to the  
21          policy framework. With regard to the policy  
22          framework, recent research has shown that the

1 central factor for the ability of a country to  
2 participate in supply chains is the competence of  
3 local trade facilitation and logistic services.  
4 In competitiveness terms, research shows that the  
5 lack of efficiency in local trade facilitation and  
6 logistics proficiency is equivalent to an  
7 additional tax.

8 For several years the World Bank has  
9 developed and published a Logistics Performance  
10 Index, the LPI, of 6 criteria for about 150  
11 countries. These criteria serve as an  
12 international scorecard to rank a country's  
13 logistic performance. And that scorecard is based  
14 on six key dimensions that shows comparative  
15 performance in logistics.

16 Let me just quickly tell you what they  
17 are. Number one is efficiency of the clearance  
18 process. It's speed, it's simplicity,  
19 predictability, and so forth, of border control  
20 agencies including customs. Second is quality of  
21 trade in transport related infrastructure. We've  
22 been talking about this all day: Our ports, our

1     railroads, roads, information technology. Third  
2     is ease of arranging competitively priced  
3     shipments. Fourth is competence and quality of  
4     logistic services, that is how the transport  
5     operators and the customs brokers do their jobs.  
6     Fifth is the ability to track and trace  
7     consignments. And number six is the timeliness of  
8     shipments of reaching destination within the  
9     scheduled or expected delivery time. We've also  
10    talked about that quite a bit.

11            So let's take a look at how the United  
12    States, broadly speaking, has faired in this  
13    analysis. Overall, the United States ranked 14th  
14    in logistics performance behind countries like  
15    Denmark, Belgium, United Kingdom, Japan, Germany,  
16    Canada, and Ireland. In ease of customs  
17    clearance, the United States ranked 19th, in ease  
18    of shipment 20th, in logistic services we ranked  
19    14th. In timeliness of shipments we ranked 18th  
20    and in domestic logistics cost we ranked an  
21    abysmal 144th out of 150 countries.

22            As a former trade negotiator and U.S.

1 Trade official I know that the United States does  
2 a lot of things very well, in terms of  
3 successfully advancing open markets and creating  
4 jobs through trade. But more and more of the  
5 world's goods and services moving in international  
6 commerce, with more and more of our services and  
7 goods moving in international commerce we clearly  
8 have our work is cut out for us, if we want to be  
9 in top competitive form in an increasingly  
10 competitive world.

11 How do we begin to do this and where  
12 does this work start? I might suggest, Madam  
13 Commissioner, and colleagues that we start with  
14 this forum, but recognize that this is only a  
15 start and we should take the insights and guidance  
16 developed here and use them as a baseline. That  
17 is, we should broaden and deepen the conversation  
18 started here and carry it forward throughout this  
19 coming year and the years ahead, and especially in  
20 light of the major trade policy developments on  
21 the horizon, such as the prospect for a  
22 successfully completed Transpacific Partnership

1 Regional Trade Agreement.

2 As we know, a successfully concluded TPP  
3 agreement may at some point become more than a  
4 regional trade arrangement for the current 12  
5 nations participating in the talks. The TPP may,  
6 in fact, become a platform for a broader and  
7 hopefully more comprehensive regional economic  
8 cooperation regime. By itself, a successfully  
9 concluded TPP agreement will likely present new  
10 challenges and opportunities for the United States  
11 and for the Gulf region, given the enormous  
12 significance of the Gulf region's ports to our  
13 export and import dependent economy.

14 The new trade relationships and the new  
15 trade patterns that would flow from a broader  
16 TPP-based trade platform would likely have even  
17 more significant consequences for the economy of  
18 the Gulf region, and we should start thinking now  
19 about this and how to prepare for these  
20 developments by taking a clear, hard look at the  
21 Gulf region's trade related infrastructure, our  
22 customs procedures, our supply chain logistics,

1 our services and performance, the availability and  
2 quality of transport services, and the other  
3 factors that we've talked about today and the  
4 other factors that were addressed in those six  
5 criteria that I mentioned earlier.

6 One of the reasons I would suggest the  
7 World Bank's analytic framework, that I just  
8 mentioned, is so useful is because it does  
9 something that was suggested in a 2012 World  
10 Economic Forum analysis of the logistics and  
11 supply chain industry. It unpacks the sources of  
12 potential supply chain costs. It allows us to  
13 target them as areas that will yield immediate  
14 improvement.

15 Here I would like to focus on a couple  
16 of practical issues and I'm just going to skim  
17 over these just really quickly because we've been  
18 talking about these all day. And, of course, the  
19 major one is the lack of sufficient truck  
20 availability to either catch cargo in direct  
21 discharge or to catch cargo for movement to a  
22 temporary storage facility within a port.

1           The availability and quality of inland  
2   transport of cargo is such an enormous factor  
3   affecting trade growth through our ports and it's  
4   not just a Gulf problem, it's a national problem.  
5   And again, earlier today we heard the numbers  
6   about the tens of thousands of fewer truck drivers  
7   than we really need. This insufficiency imposes  
8   costs and the costs associated with insufficient  
9   truck capacity cascade throughout the steel supply  
10  chain. There are increases in port charges, there  
11  are cost associated in the delay of delivering the  
12  cargo to the final customer, such as interest  
13  costs due to invoicing and payment delays. And,  
14  of course, there's the really unquantifiable, but  
15  very real cost of disgruntled customers and their  
16  cost for delayed production.

17           It is practical issues such as this that  
18  help explain how the United States ends up with an  
19  overall logistics performance index score of 14,  
20  an ease of shipment score of 20, and an even worse  
21  logistics ranking of 144 out of 150 for domestic  
22  logistics costs.



1           The good news is that this and related  
2       issues are not intractable. We know that things  
3       like improved transportation capability, human  
4       capital improvements like upgrading manpower  
5       skills, and innovations like new information and  
6       communication technology all facilitate the  
7       movement of trade through our ports. And, of  
8       course, we have the unquantifiable, but very real,  
9       and outstanding attitude of Mr. Crier when he  
10      mentioned, we'll do whatever it takes whenever we  
11      can, to make it happen.

12           We look forward to addressing these and  
13      related concerns with the Commission in the future  
14      and to being part of the solution. So, on behalf  
15      of the AIIS and our extraordinary member  
16      companies, our organizations, our individuals, and  
17      our partners, thank you again for the honor to  
18      contribute to this public forum.

19           COMMISSIONER DYE: Thank you very much,  
20      Mr. Chriss. Mr. Duffy?

21           MR. DUFFY: Thank you, Commissioner Dye.  
22      I really appreciate you including me here,

1 especially after telling you I would have to call  
2 you right back because I was on the other line. I  
3 really appreciate that.

4 COMMISSIONER DYE: Now, see, I had  
5 forgotten all about that.

6 MR. DUFFY: I'll never forget it and I  
7 wrote down your name and I was looking at it like,  
8 oh, my god, did I really just do that?

9 (Laughter)

10 COMMISSIONER DYE: It never happened.

11 MR. DUFFY: If you understood my life,  
12 I'd hate to admit that it may happen again, but I  
13 apologize on the front end.

14 As you can tell, I like to interject a  
15 little humor when I speak. It's been a long day  
16 and this was along week for me. I was in Chicago  
17 talking to shippers and grain interests and the  
18 Farm Bureau and energy -- and truckers, and all  
19 looking at the record grain harvest, all concerned  
20 about the lower river. And it was an honor to be  
21 able to tell them that we're ready to move cargo.  
22 The channel's in great shape, we just need to get

1 the cargo down the river system.

2 But as I was leaving Chicago, Nik  
3 Wallenda was preparing to walk the tightrope  
4 across the river and I remember thinking, first of  
5 all, that Chicago is the Windy City and I was in a  
6 lot of very strong winds and cold weather. I'm a  
7 Southern boy and it was pretty cold. But what I  
8 was thinking about was, when I landed in New  
9 Orleans and our plane made it to the jetway and we  
10 were delayed for an hour because there was a  
11 six-inch gap from the plane to the jetway and we  
12 could not traverse across it. They would not  
13 allow us.

14 I volunteered. My son and I could  
15 probably lift everybody across it, and they  
16 wouldn't have anything to do with it, so we were  
17 delayed for an hour to move down. And this  
18 morning when I woke up, Nik Wallenda was  
19 successfully crossing the channel, so anyway,  
20 that's my story and I'm sticking to it.

21 (Laughter) You know, I started  
22 working on the

1           Mississippi River and I want no trouble  
2 with ILA, Mr.-Crier, but I started driving a  
3 forklift when I was 12 years old at Perry Street  
4 Wharf, and helping the watermen and helping the  
5 gearmen, and the waters from the Mississippi River  
6 run through my veins and it makes me kind of  
7 unpredictable and cloudy and hard to figure out  
8 and hard to read at times, but as I sit here today  
9 I really appreciate this.

10           I'd like to talk about the Mississippi  
11 River system, the five deep draft ports on the  
12 Mississippi River, and this is where a little  
13 local knowledge is sometimes important and  
14 dangerous. We have, starting up river, the Port  
15 of Baton Rouge, the Port of South Louisiana: The  
16 number one tonnage port in the Western Hemisphere,  
17 number one energy port, based on the new WRDA  
18 criteria, the Port of New Orleans and the Port of  
19 St. Bernard and the Port of Plaquemines. When you  
20 add the tonnages for those ports, we approach 500  
21 million tons.

22           That makes us number six in the world.

1     Because we're often broken down into those five  
2     ports, and I know the ports work very closely  
3     together, there's a partnership where they meet  
4     monthly and they work on it, but when the tonnage  
5     figures are listed, they're listed by each port  
6     and we need to think about the importance of  
7     commerce that moves through this river system.

8             Clearly, we've talked a lot about the  
9     Panama Canal and I'm going to have to do a little  
10    more of it, but the Big River Coalition represents  
11    members in 31 states, depend on navigation on the  
12    Mississippi River. We focus on issues like  
13    dredging, the Harbor Maintenance Trust Fund,  
14    funding. Deepening the Mississippi River to 30  
15    feet really started with the Big River Coalition  
16    and its Board and as I speak of my Board -- Mr.  
17    Street is one of my Board members and I was very  
18    happy to hear that he was happy. That's great  
19    news. I made a note.

20             COMMISSIONER DYE: Yes, it is.

21             MR. DUFFY: So as we also look at  
22    coastal restoration, if you live in Louisiana and

1 you follow coastal restoration, you don't see it  
2 in the press anywhere, but this year alone,  
3 through navigation and work with the Corps, we're  
4 creating 1,500 acres in the Mississippi River  
5 delta. The state master plan has so far not  
6 created any. So it's important to know that we're  
7 playing a part and trying to protect the river  
8 channel, trying to protect our infrastructure, and  
9 doing that through the beneficial use of dredge  
10 material. The last 5 years we've done up to 3,500  
11 acres, so at about an average of 700 acres a year  
12 in the last 5 years through a project that we  
13 started.

14 I'll talk about WRDA 1986 because it's  
15 important for three reasons to me that I can  
16 always remember off the top of my head. The first  
17 is it created the Harbor Maintenance Tax, which is  
18 very important to maintaining our channels. A  
19 tax, an abhorrent tax -- the rate changed in 1990,  
20 it went from .04 to .125. The sell in Washington  
21 was that we were going to go from paying 40  
22 percent of core operations and maintenance to

1     paying 100 percent. It sounded good at the time,  
2     I don't think anybody knew what was getting ready  
3     to happen, but let's just say I'll talk more about  
4     that.

5             It also authorized the river channel to  
6     be deepened to 55 feet, so as we sit here today,  
7     we don't need authorization to be deepened. We're  
8     at 45 feet; I'll come back to that. The other  
9     thing that was in WRDA '86 was in the fine print,  
10    there was a threshold established of 45 feet and  
11    that any channel deeper than 45 feet required a  
12    50/50 cost share with the federal government and a  
13    non-federal sponsor. In Louisiana, that's the  
14    Louisiana Department of Transportation.

15            That threshold was just changed in WRDA  
16    2014, much to Senator Vitter's efforts, other  
17    members of our delegation, and our work, so now  
18    the threshold for full federal maintenance is 50  
19    feet. Based on that study, the river was deepened  
20    from 40 feet to 45 feet. It stopped at 45 feet  
21    because of that threshold, now that threshold's no  
22    longer there and because of that we're working on

1 a deepening effort. Because we have 1981  
2 economics, the economics of the river being  
3 deepened to 50 feet -- not 55, but 50 feet -- has  
4 to be redone, a new study done. The Corps, as Mr.  
5 LaGrange referenced -- another one of my happy  
6 Board members -- earlier, he discussed that the  
7 Corps now has that project. There's an actual  
8 project for that feasibility study. We've worked,  
9 we're working on it -- we need \$1.5 million from  
10 the state, \$1.5 million from the Corps. We're  
11 working, we have \$750,000 from the state right  
12 now, we're working on the second portion and we'll  
13 be working on the federal funding as we move  
14 forward, too.

15 I think everybody knows that the  
16 economics for this river system is going to be  
17 there. That additional five feet of cargo is  
18 going to show a huge return. As Mr. LaGrange  
19 referenced earlier, we had a study done by Dr.  
20 Tim Ryan -- Commissioner, I went home and got you  
21 a copy of that.

22 COMMISSIONER DYE: Thank you very much.



1           MR. DUFFY: The study that Dr. Ryan  
2           referenced did show an 89 to 1 benefit cost ratio,  
3           getting down that additional 5 feet from 45 to 50  
4           feet. The Corps of Engineers in New Orleans uses  
5           an average on most projects of 20 to 1 for the  
6           lower Mississippi River, so it's safe to assume  
7           it's going to be somewhere there. The economics  
8           are going to show -- I especially remember, a 1981  
9           chief's report showed economics that justified  
10          deepening to 55 feet, 20 to 25 years before  
11          anybody thought the Panama Canal would ever be  
12          deepened to 50 feet. So now, as we lit the match,  
13          we're sure that will be forthcoming.

14                 The things that I want to talk about  
15          also are on our investment in the country. I'm  
16          going to end with a quote that really highlights  
17          that, but the Corps of Engineers budget -- going  
18          back to 1956 -- about \$70 a person was being  
19          invested in our infrastructure. And then to the  
20          early '70s it was \$56 a person. That was the  
21          capacity building of our infrastructure, our locks  
22          and dams, our waterways, the future that we lived

1 on for decades. But it's time to reinvest in  
2 that.

3 Right now we invest \$18 a person and I  
4 can't say it any other way, I used to be a coach.  
5 I don't want to be out of the top ten, but that  
6 puts us at number 143 in the world. We're just in  
7 front of Greece. If we can't see why that's a  
8 problem, then we've got a really big issue here.  
9 I mean, 143, \$18 a person? Come on. Look at the  
10 shape of our country and our locks and dams and  
11 our waterways.

12 In 2012, President Obama's We Can't Wait  
13 Initiative streamlined deepening on five East  
14 Coast ports, based on a report done by the Corps  
15 Institute of Water Resources, the post-Panamax  
16 preparedness for the country and it talked a great  
17 deal about containers and containers are great  
18 cargo. We move a lot of bulk cargo out of the  
19 Mississippi River. A lot of both, a lot break  
20 bulk cargo. It's whatever we can move, we want to  
21 move it, we don't want to focus on one, but bulk  
22 cargo is very important to the river, the grain

1        cargos, the energy cargos, the coal, the iron ore  
2        cargos that we move on the system.

3                    From that report, We Can't Wait  
4        Initiative looked at deepening on five East Coast  
5        ports. There was no plans to deepen anything on  
6        the Gulf. We went and met with the Corps  
7        Institute of Water Resources and spoke to them and  
8        they agreed that they should have looked at the  
9        Mississippi River. They should have looked at the  
10       importance of bulk cargos, especially when we hit  
11       them with some economics.

12                   Informa Economics did a study that  
13        showed that being able to move post-Panamax  
14        vessels at 50 feet out of the Mississippi River  
15        would reduce soybean transportation cost by about  
16        35 cents per bushel. I was meeting with Chinese  
17        investors last week, one of them ships over 500  
18        million tons of soybeans and when I said 35 cents  
19        a bushel, he did not need an interpreter to  
20        understand me. He understood me very well.

21                   As we sit here today we're looking at  
22        deepening projects and if I can get them right off

1 the top of my head, from New York, New Jersey,  
2 Boston, Baltimore, Virginia, Hampton Roads,  
3 Charleston, Savannah, Jacksonville, and Miami. We  
4 have to be looking at the Gulf coast. A figure I  
5 came on a couple of weeks ago that always stuck me  
6 was, in 2009 the GDP contributed from the 5 Gulf  
7 states was \$2.46 trillion, 17 percent.

8 We're often looked at because we don't  
9 have the huge population that other areas have,  
10 but our contribution to the GDP needs to be taken  
11 seriously. It's time we look at the importance of  
12 the river system. When I go up the river system,  
13 people understand the importance. We have to  
14 begin to look at investing.

15 Commissioner Dye, I'm going to leave you  
16 with one other thing and recently in WRDA we  
17 talked about the success of WRDA and one of the  
18 things it did was establish a threshold target for  
19 the Harbor Maintenance Tax to be funded, to be  
20 allocated out at 67 percent. The allocation for  
21 this year, as we sit here today, the House  
22 Appropriations passed that target level with an

1 amendment. The Senate is still \$110 million  
2 short.

3 As we sit here today, the surplus from  
4 that Harbor Maintenance Trust Fund -- remember, in  
5 1990 it went up to fund 100 percent -- \$9 million  
6 is that surplus. Nine million dollars. There's a  
7 lot of nice ways to say it, unallocated,  
8 unaccounted for, stolen could be thrown around,  
9 but \$9 million is not there that should have gone  
10 to maintaining our navigation infrastructure. So  
11 the WRDA bill looks to establish these target  
12 levels, 67 percent; it goes up 2, 3, 4 percent, so  
13 in 2025 we get the full allocations.

14 We were just part of a letter writing  
15 campaign with the U.S. Chamber and the American  
16 Association of Port Authorities that helped send a  
17 letter with 400 signatures to it. I'd like to  
18 leave you with a copy of that, Commissioner.

19 COMMISSIONER DYE: Thank you, Sean.

20 MR. DUFFY: And I think of that 400  
21 signatures, we were probably able to add about 100  
22 of them. So we're very much working with our

1 partners there. It's a simple thing. Hit the  
2 target. The WRDA bill, as you know, passed 503 to  
3 11. I used to be a coach, 503 to 11 -- the polite  
4 way of putting it is, that's a butt kicking, okay,  
5 503 to 11. So we sure should be honoring what's  
6 in there. We need the money to go where it's  
7 supposed to go; 67 percent means 33 percent is  
8 still going somewhere else. We need to get this  
9 trust fund, it was set up to maintain and dredge  
10 our channels.

11 With that I'm going to finish by reading  
12 a quote -- I'm going to tell a quick story and  
13 read a quick quote.

14 Recently, we had members of the Corps,  
15 the USGS, NOAA, National Weather Service, as we  
16 talk about government groups that we depend on  
17 that are underfunded. We really need these  
18 groups, they're very important to us. They came  
19 down to ride ships with us recently. It started  
20 off as an invite to General DeLuca before he was  
21 leaving command at Mississippi Valley Division.  
22 And when they took me up on the offer, I remember

1 getting a call that said, Sean, how many people do  
2 you think you can take on a ship with General  
3 DeLuca?

4 Well, let's just say it took seven ships  
5 to take the amount of people that they wanted to  
6 take down Southwest Pass, but we did it. And  
7 after we did it we were copied on an MLU from  
8 those agencies showing that they want to start  
9 cooperating, to look at weather patterns,  
10 long-range forecasting for hurricane damage, for  
11 river stage levels, for impact of climate change.  
12 So we were part of that and I can only tell you  
13 that some of these folks are scientists that I've  
14 been working with for a long time. And when I  
15 talk to them about that trip, their eyes get huge.  
16 They look like my son does when he comes off a  
17 ship. They were really excited. They got to see  
18 it. And the one thing I remember was the lead  
19 scientist from the Corps coming to me a couple of  
20 weeks later and saying, I never saw beneficial use  
21 of dredge material being used to protect the  
22 channel the way you did. I see it now.

1           So that trip and all the headaches that  
2           went with it were very important to us. And I'm  
3           sorry I've gone over my time, but I will read this  
4           quote from the Mississippi River Commission that I  
5           really think explains a lot of what we're talking  
6           about, our infrastructure and under funding.

7           "By the mid- to late 20th century, our  
8           nation's long-term investment efforts delivered an  
9           inland transportation system that was the envy of  
10          the world. The abundant natural waterways of the  
11          American interior remain the envy of the world,  
12          but that same can no longer be said for our  
13          infrastructure. Our nation's infrastructure, its  
14          ports and navigation locks, levies, and dams,  
15          highways and bridges, railroads and tunnels all  
16          suffer from prolonged underinvestment, deferred  
17          maintenance, and a failure to upgrade and  
18          modernize capacity to keep pace with global  
19          trends. Having built out the greatest  
20          transportation infrastructure in the world and  
21          then benefiting from its consequences for decades,  
22          we became accustomed to its enormous benefits and



1 allowed ourselves to be lulled into assuming this  
2 advantage would always endure. So while the rest  
3 of the world has forged ahead in building modern  
4 marvels of infrastructure capable of efficiently  
5 moving vast quantities of waterborne cargo in  
6 recent years, the United States has fallen  
7 increasingly behind due to its failure to continue  
8 its pattern of investment."

9 I call that the hurricane within. The  
10 hurricane is waiting in a lock and dam on the  
11 Mississippi River system. We can prepare, and  
12 this navigation system on the river we're used to  
13 coming back. We're used to restoring things after  
14 they go down, but if one of those critical locks  
15 and dams fails, there's not a whole lot we can do.  
16 It's going to take months and it's going shut down  
17 the economy, so we have to start working on that  
18 infrastructure, and investment back into it.

19 Thank you.

20 COMMISSIONER DYE: Thank you very much,  
21 Sean. I appreciate it. Mr. Kearney?

22 MR. KEARNEY: Good afternoon. Thanks

1 very much for having me here, I appreciate it.

2 COMMISSIONER DYE: Of course. Thank  
3 you.

4 MR. KEARNEY: I ask next time you put me  
5 before Mr. Duffy. (Laughter)

6 COMMISSIONER DYE: I'll keep that in  
7 mind.

8 MR. KEARNEY: I spend many hours with  
9 Mr. Duffy and applaud him on his tremendous  
10 effort, especially at the federal level, because,  
11 without you, honestly, paying attention at the  
12 detail level you are at, a lot of this wouldn't be  
13 on the front burner, whether it's our U.S.  
14 Delegation or now all the delegations on the  
15 Mississippi River and its tributaries, it's a  
16 front-page item. So thank you.

17 MR. DUFFY: Thank you, sir.

18 MR. KEARNEY: But I still want to go  
19 before you next time. My focus, really, kind of  
20 like Donna and Kristi, is more on the  
21 containerized cargo side, although I see the  
22 impacts in supply chain efficiency of an

1 inefficient container supply chain lending to  
2 cargo opportunities in break bulk and bulk. And  
3 the example is the cereal box, they call it, but a  
4 lot of shippers are moving grains over the Pacific  
5 Northwest and, in some cases, the Gulf and the  
6 East Coast in containers.

7 If the container terminal operations are  
8 not efficient, that cargo will ship back to bulk  
9 and break bulk, assuming those are efficient. And  
10 so I think Sean summed it up. It is so infinitely  
11 complicated how we invest as a nation. A lot of  
12 those investments are by private companies,  
13 frankly. It's not government driven. Those  
14 companies have to see returns on investments to  
15 lead them.

16 Mr. Crier, you were asking about the  
17 boxcars, and there's six companies to call and  
18 it's the six class one railroads, so they as  
19 private companies, they'll make those investments  
20 if they see the ROI. It's no government agency or  
21 steel company, really. It's them making that  
22 decisions, and the shippers that use them. So, at

1 the end of the day, my main focus is always two  
2 things, the lowest cost per ton -- that's what  
3 drives a shipper worldwide to make decisions about  
4 their supply chain, and I think we always have to  
5 go back to that reference point. You can build  
6 the nicest, most automated terminal in the world,  
7 but if it's not a lower cost per ton, you won't  
8 get the business.

9 The second one is the cycle time, or  
10 speed to market factor. On cycle time you can't  
11 measure it just in terminal turn times, like  
12 we've been talking today. Cycle time is the  
13 entire supply chain from start to finish. So,  
14 free trade agreements, like TPP, those sound kind  
15 of far out there and you say, well, how's that  
16 going to affect cycle time? Well, it improves the  
17 speed of which information flows, documentation is  
18 streamlined so that cargo can export timely from  
19 China and clear Customs timely in the United  
20 States.

21 Those free trade agreements actually do  
22 matter when it comes to that type of arrangement,

1 just like CAFTA for bananas moving between Central  
2 America and here. It defines some of the cycle  
3 time items.

4 In that regard, on cycle time, whether  
5 it's containerized or break bulk, I think what  
6 we're seeing right now is that you have the  
7 overseas activities, clearly there's not much we  
8 can do about that other than supporting free trade  
9 agreements. The vessel to berth aspect of cycle  
10 time, that's the delays like at Long Beach right  
11 now. Vessels -- I saw it last week, I was in L.A.  
12 -- you will not believe how many vessels are  
13 parked, container ships that can't get to a berth.  
14 So that's part of it.

15 That's really the labor unions and the  
16 ports working together to build for the volume of  
17 traffic and deal with these large ships.  
18 Everybody talks about the large ships, we've been  
19 planning for the large ships for so long. I can  
20 think back 15 years and we were talking about  
21 large ships, well, they're here. And guess what?  
22 We're not handling them very well, especially in

1 L.A./Long Beach where they've had the dollars to  
2 invest in this and take care of this problem and  
3 they seemingly haven't pulled it off.

4 So that piece is a big one. We can  
5 prepare for that here in the Gulf, now. We don't  
6 have that issue, you don't have a pile-up of ships  
7 at Southwest Pass waiting for a pilot, but we need  
8 to be ready as a port community to address that,  
9 should the need arise.

10 The turn times in the terminal, that's  
11 obviously a part of cycle time issue that we can  
12 all work on. But then you have the highway  
13 infrastructure piece that is also part of the  
14 cycle time and that's DOT, so that's like a local  
15 DOT issue, maybe with some matching funds from  
16 federal level. But you start to look at this and  
17 you say, okay, vessel could be dredging. So  
18 that's federal and state. And then there's  
19 terminal turn time, that's probably more of a  
20 local issue that the port and the state have to  
21 deal with. And then you go back to highway and  
22 rail infrastructure. If all of that isn't

1       synchronized, the investment dollars, the planning  
2       -- again, you can make the nicest flyover in the  
3       world, but if the ship can't get to the berth,  
4       that's pretty much what L.A. has.

5               They have great highway infrastructure,  
6       but you can't get the ship to the dock. So, yeah,  
7       it's a common effort. We have to communicate and  
8       work together, but I also think that there's got  
9       to be a formula that someone's figured out on how  
10      to make the dollars get to where the real issues  
11      are and having set up an operation in Savannah  
12      over the last two years, and getting a little  
13      closer -- really three years -- to that port and  
14      watching what they're doing.

15              I encourage all of you to, if you're  
16      near that area, take the time to go see it. The  
17      way they set up their date system, building of new  
18      highways into that port, and synchronizing that  
19      with federal dollars for dredging where their  
20      state went on the line and, basically, put forward  
21      the money before they had the federal part of it.  
22      That to me is -- what they're focused on, again,

1 is lowest cost per ton and total cycle time. And  
2 the amount of freight that's going to be driven to  
3 that region is because of those two reasons. So,  
4 thank you.

5 COMMISSIONER DYE: Thank you. Thank you  
6 very much. I'm still going to be calling you,  
7 David.

8 MR. KEARNEY: Just call Duffy first.

9 MR. DUFFY: I thought you wanted to go  
10 first.

11 COMMISSIONER DYE: This was a wonderful  
12 last word. Thank you very much. I appreciate it.  
13 We're still going to get you out of here on time.  
14 We've done some very good collaborative work, so I  
15 look forward to working with all of you again.  
16 Thank all of you for your participation. It's  
17 been an excellent day on my behalf and I  
18 appreciate all of your hard work to make it so.

19 Gary LaGrange, what can I say? It's  
20 been wonderful. You outdid yourself and we  
21 appreciate it very much. And everybody at the  
22 Federal Maritime Commission appreciates it very



1       deeply.

2                   So thank you again.   Good day.   I hope  
3       to see you all soon.

4                   (Whereupon, at 4:11 p.m., the  
5                   PROCEEDINGS were adjourned.)

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CERTIFICATE OF NOTARY PUBLIC

COMMONWEALTH OF VIRGINIA

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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Notary Public, in and for the Commonwealth of Virginia

My Commission Expires: November 30, 2016

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