

Testimony of Mario Cordero
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Before the
House of Representatives Committee on Transportation and Infrastructure, Subcommittee
on Coast Guard and Maritime Transportation
Hearing on “*Maritime Transportation Supply Chain Issues.*”
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Chairman Webster, Ranking Member Carbajal, thank you for inviting me to testify before this Subcommittee today regarding the state of maritime transportation supply chain issues. My name is Mario Cordero and I am the Executive Director of the Port of Long Beach.

The Port of Long Beach (Port) was on the frontline of experiencing supply chain disruptions, but has also been at the forefront of making transformational investments in infrastructure and technology that not only have addressed supply chain issues but also reduced emissions from port operations. As the former Chairman of the Federal Maritime Commission (FMC), I also have first-hand experience with balancing the regulatory regime ensuring the efficient and nondiscriminatory movement of goods by ocean carriers. I look forward to sharing my views on what we have done at the Port of Long Beach to facilitate goods movement and how Congress can ensure ports are able to make critical investments in infrastructure that enable efficient, and ultimately zero emissions port operations.

I. Background

The Port of Long Beach is the premier U.S. gateway for trans-Pacific trade and a trailblazer in innovative goods movement, safety, environmental stewardship and sustainability. Nearly forty percent of the container cargo entering the U.S. comes through the Port of Long Beach and our neighbor, the Port of Los Angeles. As one of the busiest container seaports in the United States, the Port handles trade valued at \$200 billion annually and supports 2.6 million jobs across the nation and more than 575,000 in Southern California. Altogether, the Port generates \$374 billion in total economic output across the U.S. economy and \$46 billion in local/state and federal tax revenues annually.

The Port of Long Beach welcomes the largest vessels in operation, serving 175 shipping lines with connections to 217 seaports around the world. In 2022, the Port handled more than 9 million twenty-foot equivalent units (TEU), achieving the second-best year in its history. The Port of Long Beach remains the nation’s leading export port for a second consecutive year with more than 1.4 million TEUs of loaded exports moved. As part of an industry-leading \$2.6 billion capital improvement program this decade, the Port is building some of the most modern, efficient and sustainable marine facilities in the world to accommodate larger ships and move cargo faster, while generating thousands of new jobs.

The Port is also committed to a zero-emissions future – testing and deploying new technology and infrastructure, including zero-emission terminal equipment, a microgrid project, zero-emission cargo handling vehicles and a blueprint for broad use of electric vehicles.

This month, the Port of Long Beach announced its participation in a new effort between California and Japan to collaborate on strategies aimed at cutting planet-warming pollution at seaports and establishing green shipping corridors. The letter of intent, signed in Tokyo during a trade mission to Japan led by California Lieutenant Governor Eleni Kounalakis, is part of a series of international partnerships the Port is engaged in to tackle climate change and improve air quality. The Port is already engaged in a similar agreement with the Port of Kobe and is collaborating with the nation of Singapore on a green and digital shipping corridor that will focus on low- and zero-carbon ship fuels, as well as digital tools to support deployment of low- and zero-carbon ships.

II. Supply Chain Issues

We all remember not long ago when ships were waiting in the San Pedro Bay Port Complex for days before they were able to unload their vessels. At the same time, exporters were unable to ship their goods out of the United States and manufacturers were waiting weeks and sometimes months for parts or finished goods to arrive. While trade has slowed following the record-breaking numbers of last year, it is important that we learn from the past and take action to ensure we do not have supply chain interruptions in the future. I would like to address some of the initiatives that have been key to addressing supply chain challenges and offer recommendations on what more we should be doing.

1. Implementation of Technology Platforms

Recognizing the need for a technology solution that would enable terminal operators, ocean carriers and shippers to efficiently coordinate the movement of goods through the Port, the Port of Long Beach developed the Supply Chain Information Highway. The project is a digital solution that provides shippers and the supply chain with data that can be integrated into their own systems, enabling them to track cargo from origin to destination and make better operational decisions. This digital infrastructure should enable shippers to better schedule container pick-ups at the Port based on real-time information regarding when ships will arrive at the Port and be unloaded. The Port of Oakland, the Northwest Seaport Alliance, a marine cargo operating partnership of the ports of Seattle and Tacoma, the Port of New York/New Jersey, the Port of Miami, the South Carolina State Ports Authority, the Port of Hueneme and the Utah Inland Port Authority are collaborating with the Port of Long Beach on the Supply Chain Information Highway. The goal is to offer access to data that will result in increased delivery visibility for authorized supply chain partners nationwide.

The Port appreciates the Biden-Harris Administration's recognition and support to invest in projects like the Supply Chain Information Highway and the U.S. Department of Transportation's major supply chain initiative, Freight Logistics Optimization Works (FLOW), to help speed up delivery times and reduce consumer costs.

In June of 2022, Governor Gavin Newsom signed the California Budget Act of 2022, which included a one-time investment of thirty million dollars that will support direct cloud-based port

data system development at California's containerized ports and support emerging data aggregation and analysis to support port operations.

Investment by the federal government in developing common data standards to facilitate freight movement is an important part of bringing the supply chain industry into the 21st century. Together, they are clearing obstacles for much needed coordination across the supply chain to make goods movement more efficient.

2. 24/7 Operations

I also have been a leading proponent of ports operating 24/7 to reduce bottlenecks and create efficiencies. President Biden announced his support for this effort in the fall of 2021.

Dockworkers, terminal operators and railroad labor took this mantra to heart during the height of port congestion. Thanks to their unwavering commitment, we did not shut down our operations amidst the pandemic. They stepped up and helped us move 1 million more containers in 2021 than previous years.

Unfortunately, implementing 24/7 operations is a work in progress since it must be coordinated with container terminal operators, shippers, trucking companies and warehouses. This has happened at ports in other parts of the world and the U.S. needs to catch up.

3. Reasonable Regulation by the FMC

Congress' passage of the bipartisan Ocean Shipping Reform Act (OSRA) gives the FMC greater oversight over international ocean carriers that, among other things, should ensure that goods move efficiently through ports. Having previously served as Chairman of the FMC, I am well aware of the balance the FMC must strike between enabling competition among ocean carriers and terminal operators, while also protecting shippers and ultimately consumers from unfair practices. OSRA will give the FMC additional authority to promote the growth and development of U.S. exports and businesses through an ocean transportation system that is competitive, economical, efficient, and one that brings strategic advantages to the U.S. OSRA seems to strike that balance and I commend Congress for its leadership in developing a compromise package of reforms.

OSRA came as a result of trying times in the industry, with a focus on preparing the maritime transportation system for the future, while addressing inefficiencies and disruption within the supply chain. These changes are still being implemented and the industry has been an active participant in the rulemaking process surrounding many of OSRA's provisions.

The American Association of Port Authorities and its members have been clear during the OSRA detention and demurrage rulemaking that changes to the way these charges are billed to motor carriers should not upend the status quo. Prohibiting motor carriers from being billed for these charges risks congestion and slowdowns.

4. Investment in Infrastructure

The Port of Long Beach is in the midst of a \$2.6 billion program of capital improvements over the next 10 years. The funding increases and new competitive grant programs in the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA) create opportunities for the Port to secure funds for priority projects that will put more containers on rail and reduce truck traffic as well as reduce carbon emissions from port operations.

- **Port Infrastructure Development Program.** The Port of Long Beach and other ports around the country have benefitted from the Port Infrastructure Development Program (PIDP), which provides funding for a broad range of infrastructure at ports and enables public ports to partner with their container terminal operators to deliver infrastructure improvements through public private partnerships. Most recently, the Port of Long Beach secured fiscal year 2022 funding of \$30.1 million to deploy the nation's largest fleet of manually operated, zero-emissions cargo handling equipment at a single marine terminal. The project will replace diesel yard tractors at Long Beach Container Terminal with approximately 60 electric human-operated yard tractors and includes construction of electric equipment charging stations with energy efficiency-enhancing software, training for operators and maintenance personnel, and installation of software equipment to streamline cargo-handling operations within the terminal.

PIDP is delivering record levels of funding to the port industry, with over \$700 million awarded last year. However, the funding levels still fall short of what is necessary. PIDP is oversubscribed at a rate of over 4:1. There are so many more critical projects across the country that are going unfunded. I call on Congress to fully fund PIDP at its \$750 million authorization level.

Permitting delays are also making the program more difficult for ports. There are bipartisan steps Congress can take to get shovels in the ground faster without sacrificing environmental protection. For example, the U.S. Maritime Administration (MARAD) has unnecessary barriers that prevent it from using the categorical exclusions of other U.S. Department of Transportation (USDOT) modal agencies, like the Federal Railroad Administration or Federal Highways Administration. Congress should require USDOT to update its regulations to allow MARAD and all modal agencies to use the same categorical exclusions, freeing up staff resources to focus on more.

An area we need further coordination with MARAD and Bureau of Transportation Statistics on is Port Performance Reporting requirements. We have concerns about the level of data that is requested, some of which is proprietary and terminal-specific. We are also interested in exploring how we can coordinate data sharing efforts already in place or under development through USDOT's FLOW initiative and the Port's Supply Chain Information Highway. This would help to address managing resources related to data collection, synthesis, and sharing. How we resolve this issue has implications for implementing projects through PIDP, particularly zero emission infrastructure and tenant-led improvements.

- **Funding for On-Dock Rail.** The Pier B On-Dock Rail Support Facility will enhance on-dock rail capacity and expedite the movement of cargo. We are building the \$1.567 billion project in phases and are pursuing competitive grants for federal funds from the Department of Transportation. The Pier B Rail Program is a project of national significance that will

reduce port congestion, increase cargo velocity and enhance rail connectivity with key inland points. Together, these benefits will strengthen supply chain resilience and complement private sector investments such as the planned Barstow International Gateway project announced by BNSF Railway on October 1, 2022. Shifting cargo movements to trains will reduce greenhouse gases and other harmful emissions that disproportionately impact port-adjacent communities. Furthermore, the construction and future operation of the project will create good paying jobs for American workers.

III. Recommendations to Spur Further Investment at Ports

While volumes of goods moving through ports may be down temporarily in light of the current economic climate, this is not a time to be complacent. We should learn from the past and invest now to ensure that we do not have supply chain issues in the future. I have the following recommendation for the Subcommittee:

- Encourage investment in technology that provides transparency and an open platform so that shippers, ocean carriers, container terminal operators and trucking companies are able to efficiently plan and schedule their operations to prevent bottlenecks.
- Encourage the supply chain to operate 24/7 when needed to reduce bottlenecks and promote efficiency.
- Direct federal funding to projects that will facilitate goods movement and reduce greenhouse gas emissions. Congress should direct more money to the National Infrastructure Project Assistance program (known as Mega grants), which funds complex projects that will have a significant effect on the economy – such as the Pier B on-dock rail project. A project like the Pier B project will benefit the entire country since goods from the Port end up in literally every Congressional District in the United States, and projects that have national significance such as Pier B should be prioritized for funding.
- Congress should continue to recognize the benefits of the PIDP program since ports are critical economic engines, while at the same time they historically have been polluters. The Port of Long Beach is known as the Green Port as we have made significant strides to cut greenhouse gas emissions and tackle the effects of climate change. It will take more than \$2 billion to achieve our goals of zero emission cargo handling equipment by 2030 and zero emission drayage trucks by 2035. Ports like the Port of Long Beach that are making significant investments to operate as “clean ports” should receive federal funding to enable further investment. I also ask Congress to fully fund PIDP at its \$750 million authorization level.
- Likewise, funds in the IJA and IRA directed to reducing emissions at ports are invaluable and will spur investments to expedite port electrification.

Of note, between 2010 and 2020, West Coast ports lagged 10 to 1 in federal investments in comparison to Gulf and East Coast ports, the latter having received more than \$11 billion compared to just over \$1.2 billion for the West Coast.

On the rail side, the Canadian government has invested heavily in its west coast rail system that has resulted in taking away approximately 22% of business from our U.S. West Coast ports. In addition, the Canadian Pacific Railway Ltd, recently received regulatory approval from the Committee on Foreign Investment in the United States for its acquisition of Kansas City Southern, thus allowing a foreign company to strategically create the only single-line railroad linking the United States, Mexico and Canada. Investments in rail and on-dock rail infrastructure projects at West Coast ports are critical to remaining competitive, growing our national economy, and creating a more efficient, environmentally sound and faster method of moving goods.

IV. Conclusion

I appreciate the opportunity to testify before the Subcommittee. This is an exciting time in terms of technology and innovation to enable our ports to be true economic drivers. I am happy to offer my views and look forward to answering your questions.