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"Rail Capacity"

Madam Chairwoman. Members of the Committee. Thank you for the opportunity to speak to this important Committee today. My name is Al Moro and I am the Chief Harbor Engineer for the Port of Long Beach. The Port of Long Beach is the second largest seaport in the United States and combined with our neighbor, the Port of Los Angeles, we are the fifth largest port complex in the world. In 2007, the Port of Long Beach handled more than 7.31 million containers, also known as TEUs for Twenty Foot Equivalent Units. Combined with Los Angeles, both ports handled over 15.7 million TEUs, which represented over 43% of all containerized goods entering United States ports.

The Ports of Long Beach and Los Angeles, also known as the San Pedro Bay Ports, are the leading gateways for trade between the United States and Asia. Port operations support approximately 1.4 million jobs nationally and provide consumers and businesses with billions of dollars in goods each year. About $4 billion a year is spent in the U.S. for port-industry services and trade valued annually at more than $100 billion moved through the Port of Long Beach in 2007.

Consumer products such as clothing, shoes, toys, furniture and electronics enter the Port before making its way to store shelves throughout the country. The Port of Long Beach also handles specialized goods such as petroleum, automobiles, cement, lumber, steel and other products. A majority of the consumer products and some bulk cargo are transported from the port via rail and truck throughout the region and to destinations around the country.

Transporting containers via rail has become the optimal form of goods movement for most industries. From manufacturing, retail, construction and automotive to petrochemical, technology and agriculture, hundreds of industries require reliable and dependable shipments of products. The primary source of transport for these goods is by rail through the Alameda

Corridor and out of California by the transcontinental rail systems operated by Union Pacific (UP) or the Burlington Northern Santa Fe Railway (BNSF).

As a significant intermodal and environmental mitigation projects, the Alameda Corridor is a twenty mile long grade separated railway connecting the ports of Long Beach and Los Angeles to the intercontinental rail yard in downtown Los Angeles. Since opening in 2002, the Alameda Corridor has been a successful method to transport cargo because it eliminated over 200 rail crossings, providing congestion relief and improving the efficiency of cargo movement from the ports to the rest of the nation. With almost 60% of the cargo arriving at the San Pedro Bay Ports ultimately destined for markets outside of Southern California, the Alameda Corridor has seen a 106% growth in cargo movement over the last four years.

In its first year of operation, the Alameda Corridor moved slightly more than 14,000 trains and in 2007 the Corridor moved 18,000 trains. Each day, more than 13,000 TEUs are transported on 45 trains per day that travel through the Alameda Corridor. Of note, this month the Corridor celebrated running its 100,000th train.

In 2007, the Ports of Long Beach and Los Angeles and the Alameda Corridor Transportation Authority commissioned a Trade Impact Study which found that the San Pedro Bay Ports have an impact on every Congressional District in the United States. In particular, the study looked at the jobs, and state and local taxes generated directly and indirectly by goods moving through the port complex. For example, in Florida's 3rd Congressional District, there was over an $85 million impact from imports and exports moving through the San Pedro Bay Ports. In another example, in the 9th Congressional District of Pennsylvania, the impact of goods moving through both ports was over $22 million. These examples are indicative of the national significance of the San Pedro Bay Ports, often referred to as America's Ports, because goods moving through the complex are reaching consumers all over the country, including other port cities.

Due to the geographic location of the port complex, the ports of Long Beach and Los Angeles are well positioned in relation to the transportation and rail infrastructure system that transports products throughout the region and the country. Both ports are expected to meet the growing demand for international cargo which is estimated to double from 15.7 million TEUs in 2007 to over 35.3 million TEUs by 2020. These forecasts take into consideration construction of new West Coast Ports in Canada and Mexico, a new set of canal locks in Panama, currency

fluctuations, and economic changes in the United States and Asia. Cargo forecasts are rarely accurate and have been consistently under-predicting growth for the last 20 years. San Pedro Bay Port cargo growth rates are not restrained by external factors, but by limits to terminal facilities and rail infrastructure, as well as environmental and community opposition to port projects in Southern California. A combination of insufficient rail capacity due to terminal logistics issues, as well as community opposition to port projects, will make it challenging to complete future port rail or terminal capacity enhancement projects in the short term.

Cargo transported via rail has significant environmental benefits. The Clean Air Action Plan adopted by both Ports in partnership with the United States Environmental Protection Agency, the California Air Resources Board and the South Coast Air Quality Management District, encourages terminal operators at the port complex to place more cargo on rail and rail lines to use new technologies and alternative fuels to reduce emissions impacts.

Every train using the Alameda Corridor can eliminate 700 to 750 truck trips from local freeways. Over the next five years the goal of the Clean Air Action Plan is to reduce emissions related to port activities by 50%. In particular, the CAAP calls for all diesel-powered Class 1 switcher and helper locomotives entering Port facilities to be 90% controlled for particulate matter (PM) and nitrogen oxides (NOx) by 2011 and beginning in 2012 the fleet average for Class 1 long-haul locomotives calling at Port properties will be Tier III equivalent PM and NOx. In addition, any new rail yard developed or significantly redesigned at the San Pedro Bay Ports are required to operate the cleanest available technology for switcher, helper, and long-haul locomotives, utilize idling shut-off devices and exhaust hoods and use only ultra low sulfur diesel or alternative fuels.

Portions of the existing rail and transportation system within and adjacent to the Port complex is slowly becoming constrained and will likely worsen due to cargo growth, as well as community concerns about port growth and implementation of new port terminal enhancement projects. Together with the Port of Los Angeles, the Port of Long Beach completed the *San Pedro Bay Ports Rail Study Update* in 2006 to address the current and future rail capacity issues. In particular, the Study identified rail system deficiencies and substantiated the actions required to meet rail yard demand and the need to develop a Rail Enhancement Program.

The Rail Enhancement Program was developed to coordinate conceptual improvements to port rail projects through a phased implementation plan. Both ports analyzed the complex's rail infrastructure needs and looked at ways to maximize capacity and utilization of rail systems like on-dock rail. Currently rail yards at or adjacent to the port complex have the combined throughput capacity to handle at least 30 percent of the Port cargo during the forecasted growth period between 2015 and 2030. Even after maximizing the potential on-dock rail yards proposed in the demand for intermodal rail service there will be a shortfall in rail yard capacity by at least 2010. That is why both ports recommend that in order to develop a more comprehensive rail system, rail yard capacity be developed at near-dock facilities in the vicinity of the Alameda Corridor and south of the I-405 Freeway.

At its highest estimated cargo volumes, train volumes generated by on-dock rail yards are forecast to exceed 100 trains per day, more than double the current 45 trains a day being handled by the Alameda Corridor. Total train volumes on the Port rail network is also expected to exceed 250 trains per day and those on the Alameda Corridor will approach 200 trains per day by the year 2030.

Various mainline, system and operational improvements will be required within the port complex to accommodate the projected train volumes. The total cost for rail improvements is estimated at over one billion dollars split nearly equally between rail yard projects and rail network infrastructure projects. Even with the development of infrastructure improvements outlined in the Rail Enhancement Program, the rail network is expected to suffer increasing train delays that will increase operating costs and potentially disrupt cargo flow.

The Ports have developed and are continuing to pursue development of on-dock rail yards so that cargo can be loaded onto trains at the marine terminal without generating truck trips on the local roadways and freeways. Unlike on-dock rail yards that are dedicated to a single marine terminal, near-dock rail yards have logistical advantages due to their ability to serve numerous marine terminals. Near-dock facilities are usually located within five miles of the port and are able to provide much needed intermodal capacity with greatly reduced trucking impacts, compared to more remote off-dock facilities.

Because there are not any other West Coast ports to accommodate the current and projected cargo volumes, not taking action to improve rail capacity cannot be an option. The impacts to

local communities and the region's highway system would be onerous. Long Beach Mayor Bob Foster concurs with the Port that our local communities and infrastructure system should not bare the environmental and congestion burdens of goods moving through the region to the rest of the nation.

The Port of Long Beach believes that making investments in rail infrastructure is vital to the nation's economy. In 2006, voters in the State of California approved Proposition 1B, a $2 billion measure designed to invest in the state's goods movement infrastructure. From rail and transportation infrastructure projects to environmental mitigation and port security projects, the state has taken a significant step to invest in goods movement.

In addition to Proposition 1B, the ports of Long Beach and Los Angeles recently approved an Infrastructure Cargo Fee (ICF) to be assessed to beneficial cargo owners that will raise a total of $1.4 billion to fund critical goods movement projects within the harbor complex. The ICF will provide funds for upgrades to the ports' aging rail and bridge infrastructure, reduce congestion, expedite goods movement and improve air quality. The ports will levy this Fee beginning January 2009, on each loaded import or export container moved through the ports' terminals by truck or rail. Because the program will be pay-as-you-go, the amount of the ICF will fluctuate based on that calendar year's projected funding needs for the list of approved projects that include grade separations and rail capacity improvements. It is anticipated that the fee would begin at $15 per loaded TEU and will range over a period of seven years between $10 to $18 per TEU depending on the projects that need to be funded. The ports will end collection of the Infrastructure Cargo Fee once the approved list of projects is completed and paid for. The ports will use the ICF revenue to match funds from Proposition 1B and federal funds, to help pay for major port-related transportation infrastructure and air quality improvements.

In order to move goods more efficiently from the San Pedro Bay Ports to regions across the nation, additional investments will need to be made to fund regionally and nationally significant rail projects. The Port of Long Beach looks forward to working with the Committee and other key stakeholders on the upcoming transportation authorization bill, to develop a list of critically needed rail projects and discuss alternative sources to fund projects that will allow goods that fuel our economy to continue moving.