Statement of Gary P. LaGrange

On Behalf of the
Port of New Orleans and the
American Association of Port Authorities

Testimony Before the Committee on Finance
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Hearing on Hurricane Katrina:
Community Rebuilding Needs and Effectiveness of Past Proposals

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My name is Gary P. LaGrange, President and Chief Executive Officer of the Port of New Orleans and Chairman of the American Association of Port Authorities. AAPA represents the leading public port authorities in the Western Hemisphere, and in the U.S. much of this nation's overseas trade flows through our member ports. I am grateful for the opportunity to appear before you today to highlight the urgent need for funding, tax relief, and other assistance to restore to full operation the Port of New Orleans and other ports damaged by Hurricanes Katrina and Rita, and to discuss lessons learned. I also want to personally thank Senators Frist, Baucus and Schumer for their recent visit to the port to see first hand the challenges we face as we rebuild New Orleans.

Within a one-month span, Hurricanes Katrina and Rita have impacted over twenty ports in the Gulf of Mexico that are members of AAPA, and many additional private and public ports in the region. The impact of these hurricanes has varied, with the largest impact on the ports of Louisiana, Texas, Alabama and Mississippi. For several ports, including New Orleans, the impact has been considerable; some of the facilities may need to be relocated, and it will take months if not years to fully recover. In New Orleans, for example, we are only 20% operational.

Value of Maritime Trade to This Nation

This nation is heavily dependent on maritime trade. America's ports are our gateways to the world and a critical component in the nation's economic health and national defense. When ports are impacted, there is a quick and sizable ripple effect throughout the economy. U.S. ports and waterways handle over 2 billion tons of cargo annually. Much of that commerce flows through the impacted ports in Louisiana, Texas, Alabama and Mississippi. These ports are heavily linked to this nation's petroleum, grain and farm products, fruit, poultry, coffee, chemical and steel trades. The Port of New Orleans serves as the focal point for waterborne transportation of cargo to 28 states. That cargo activity supported $37 billion in economic benefits to the country and generated $2.8 billion in federal tax revenue.

Agricultural products from 17 Midwestern states flow through the Mississippi River. Over half of the grain exports for this nation depart from ports impacted by Katrina. Oil, agriculture and chemicals rely heavily on the infrastructure provided in these port areas. Additionally, these Gulf ports serve as one of the nation's largest gateways for poultry exports, and the inability to handle frozen poultry products through unique dockside facilities would affect the industry worldwide. Estimates for the Port of New Orleans shows that relying on less efficient means to transport these products would increase costs by $7-to-$8/ton, thus making U.S. poultry products extremely noncompetitive in the international marketplace.

Steel is another commodity handled by the Port of New Orleans. The cost of diverting steel imports from New Orleans would increase the cost of such products by an estimated $80-to-$90/metric ton because of reduced access to inland barge and rail transportation systems and associated delay costs.

Cruises are also an important component of many ports activities, including the Port of New Orleans, which prior to Katrina was the fastest growing cruise port in the World. Cruises provide significant tourist trade, jobs and income for New Orleans and the region, and their rebound will depend heavily on the ability of New Orleans to rebuild.

Federal Assistance Important

Catastrophic events, whether natural or man-made, can greatly impact maritime trade. Hurricanes are especially dangerous and are the most frequent threat since ports are located in coastal areas. Ports also are impacted by other disasters, such as earthquakes and terrorist events. My written testimony today also includes some examples of lessons learned by ports from disasters prior to Katrina and Rita.

For Katrina and Rita, the impact on New Orleans has been considerable. There are several key things that are important to the port's recovery: quickly reopening the channel; restoring communications; getting a power source (electrical or fuel-generated); manpower; and repairing facilities and intermodal connections (reliable truck and train traffic).

The Maritime Administration also should be commended. It took the historic step of diverting the military ready reserve ships to help ports get open quickly. Marad provided a ship in New Orleans where workers could live, since much of the city is still uninhabitable. The ship also had cranes and the ability to generate power for the port.

Several other federal agencies stepped in quickly to help out affected ports, and were critical to the ports' ability to reopen quickly. The Coast Guard, the Corps of Engineers, and NOAA should especially be commended for their vital and timely assistance provided to ports by surveying channels, identifying any obstructions, reinstalling aids to navigation, and providing emergency dredging. These agencies worked quickly and cooperatively to reopen the channels.

FEMA is also an important partner. They direct many of the federal activities and help reimburse ports for rebuilding.

Katrina and Rita Impact and Recovery

Hurricane Katrina completely shut down the Port of New Orleans. The port has limited electricity, water, sewage and other services, and its terminals and facility were severely damaged by both storms and subsequent flooding. The total closure of the port not only affected the economy of Southeast Louisiana, but also the entire nation. In 2004 alone, more than 380,000 jobs in the U.S. were dependent on the cargo activity at the port.

In the immediate aftermath of Hurricane Katrina and Rita, the Port of New Orleans has been working non-stop to restore its facilities and services. The port is currently operating at only 20 percent of its pre-Katrina level. The Port of New Orleans is still struggling with a limited workforce and the ability to move the cargo in and out of the port. Intermodal connections, such as truck and train, are still a challenge. Mississippi and some Texas ports face similar problems. The roads and rails need to be repaired and/or rebuilt, and workers need basic housing in order to work long-term. The recovery of the Port of New Orleans is tied to the problems of restoring the entire city. Without adequate infrastructure for longer term housing and family needs, workers will not be able to return. Cruises will wait to return until hotels and tourist attractions are restored.

Another challenge will be cleaning up the ports. In addition to wind damage, several ports impacted by Katrina and Rita have spoiled cargos that must be disposed of and storage sheds that must be replaced or repaired.

The port is a major economic engine for the city and the region. Quickly getting the port back in operation more fully will help return economic vibrancy to the area. The port will also be a critical part of rebuilding the city. It can provide a means of bringing in the materials needed for the major repair and reconstruction needed. Should port services not be restored, any rerouting of traditional port cargoes would increase related supply chain costs, includes those associated with trucking and rail services, barging, distribution and warehousing, and ocean freight.

Based upon post-Katrina engineering and other studies, the Port of New Orleans estimates that $1.7 billion will be required to rehabilitate, replace and/or improve port facilities damaged by Hurricanes Katrina and Rita. Other ports in Louisiana, Alabama, Texas and Mississippi also have costs to repair facilities. The Port of New Orleans is the primary economic engine for the region – and if the port returns to full operations, the region will soon follow. With repaired port and intermodal infrastructure and a return of the workforce, the port will be a major factor in the business and economic revitalization so desperately required for the Gulf Coast region.

Future Federal Help

AAPA has surveyed members most severely impacted by Katrina and Rita to determine what additional help they can recommend the federal government provide during natural disasters to get ports up and running quickly. There were four recommendations related to the Corps of Engineers:

- Pre-position generators to service public ports to restore trade quickly;
- Repair and restore jetties damaged by storm events, and provide safe entry;
- Provide engineering analysis of damaged and remaining structures at public ports;
- Revise legislation which limits the Corps' ability to accept FEMA funds and additional missions.

Hurricane Katrina struck an unprecedented blow against New Orleans and other areas of the Gulf Coast. The New Orleans area has been de-populated, leaving no revenue base for some municipal bondholders to rely on for repayment. Legislation is needed to help make payments and ensure adequate access to capital markets in the future. Federal guarantees must be allowed behind certain municipal bonds to allow tax exempt borrowing for needed reconstruction. In addition, temporary and limited relief should be granted from provisions of the tax code related to tax exempt bonds which normally inhibit their issuance. The port also believes that limits on bonding caps (for public or private entities) for the region should be waived.

Other Disasters

While Katrina is this country's largest natural disaster, there have been several other disasters, both natural and manmade, that have impacted U.S. ports. Below are some insights from the impact of hurricanes (Florida), earthquakes (California), and terrorist attacks (New York/New Jersey).

Several ports in Florida were surveyed about the impact of hurricanes and the federal response. Last year, several hurricanes impacted Florida ports. The storms moved a large amount of sand into entrance channels. As in New Orleans, the Coast Guard and the Corps of Engineers worked cooperatively and quickly to do emergency dredging, but for some ports, funding was a problem. The Corps' authority is limited in many cases by requests from FEMA and the overall Corps Operation and Maintenance account. The federal government might also consider using private ships with capability to determine depth to survey channels to quicken the process. Ports also reported that having a FEMA employee dedicated to the port was critical to getting the port up and going quickly and reimbursed for recovery costs. However, it is difficult to keep the FEMA person focused on one crisis. FEMA employees are often moved around to address the newest crisis and that often that delays recovery of older problems.

In California, the biggest natural disaster threat is from earthquakes. The Port of Oakland reports that it took several months to a year to fix the damage on its facilities as a result of the earth-

quake of October 1989. (Additional details on this event are available in a full post-action report available from the Port of Oakland.) They were able to reassign vessels and cargo to other terminals within the port, so cargo diversion was not a major problem. FEMA was the major federal agency involved. Public agencies such as the Port of Oakland looked to FEMA as a principal source of funds for recovery from national disasters. FEMA may grant funds to public agencies up to 75% of the damages or losses incurred. In California, the State picks up 75% of the non-federal portion, leaving the local agency the burden of the remaining 6.25% of the costs. FEMA did come in quickly to assess the damage and develop a preliminary assessment of the earthquake's damage. There was a wide chasm, however, between the port and FEMA estimates on the cost of recovery. A San Francisco newspaper reported that this was not unique. Part of the problem may have been a lack of training and experience in the maritime environment by FEMA inspectors. The newspaper noted that all the FEMA estimates were far below city estimates. The reimbursement process also was lengthy and could be improved. The port expedited the process to get the repairs going quickly, and often this doesn't work well with the FEMA requirements. Looking at ways to streamline the reimbursement process would be helpful.

A key terrorist event that impacted a port was the closing of the Port of New York and New Jersey following the 9/11 terrorist attack. The port was only shut down for 36 hours by the Coast Guard, and the impact was minimal. There was a staggered opening, with the ships allowed to be worked first and then truck gates were opened 12 hours later. However, the incident did not occur at the port, and it is important to look at the lessons learned from Katrina to make sure ports are opened quickly. A key concern for all ports is how the federal government will respond. AAPA believes the federal government should be selective and intentional about closing ports in response to terrorist incidents. This issue is currently being reviewed in the National Strategy for Maritime Security. New York/ New Jersey is also developing some plans to look at what is needed in the event a disaster occurs. Issues such as availability of labor, highway shutdown, alternative staging, and the importance of waiving certain federal requirements are being reviewed.

Mr. Chairman, I thank you again for the opportunity to address this Committee today. I welcome the opportunity to further work with you on the recovery of the Port of New Orleans and affected Gulf Coast ports.