

## **Senate Transportation Committee Hearing**

Transportation Funding – Rail Freight, Ports, Aviation

August 18, 2010 – 9:30 AM

North Office Building, Hearing Room One

Harrisburg, PA

### **Presentation by James R. McCarville, Executive Director, Port of Pittsburgh Commission**

Thank you for your support of the Port of Pittsburgh Commission and the PA port system.

The Port of Pittsburgh Commission (PPC) was created by the Legislature in 1992 and is organized under 55 PS 698.21 et al. Four of our 15 Commissioners are appointed by the Legislative Caucuses, the balance of members are appointed by the Governor, with 4 at large nominees and the rest nominated by river industry related organizations, counties or the Southwestern Pennsylvania Corporation.

The 12-county Port of Pittsburgh district includes 200 river miles, moving 30 million to 40 million tons of cargo a year, making it the 2<sup>nd</sup> largest inland river port and the 17<sup>th</sup> largest water port of any kind in the US. According to Martin Associates, it maintains 45,000 direct jobs and 217,000 total jobs in SW PA. This is a tremendous economic impact for any region.

Waterway transportation is already the most energy efficient and ecologically friendly form of surface transportation. According to a study by the Texas Transportation Institute, a single towboat, pushing 15 barges, moves the cargo-equivalent of over 1,000 trucks or over 200 railcars, at a fraction of the cost. A gallon of fuel can move a ton of cargo 40% further on the waterways than it can on the rails, and over 270% further than trucks. You already know of the tremendous environmental advantage that trains have over trucks, but if we simply compare towing to trains we can see, on a ton-mile equivalent basis, trains emit about 40%-45% more particulate matter (PM), hydrocarbons (HC), carbon monoxide (CO); nitrogen oxide (NOx) and carbon dioxide (CO<sub>2</sub>). Trucks, even worse, emit 55% more NOx, 63% more PM, 195% more CO, and 371% more CO<sub>2</sub>.

These are very good reasons, therefore, for public support of waterway transportation.

There is especially good reason for supporting the waterways in SW PA. Our steel mills and many of our power plants are set up to receive cargo only by barge. Those plants may not have rail connections and, if served by truck, would require as much as one truck a minute, 24-hours a day, seven-days a week, through already congested streets, to supply the same cargo as barging. That is why the Port of Pittsburgh Commission is so important to SW PA.

The mission of the PPC is to “Promote the commercial use and development of the inland waterway transportation system and to integrate that system into the economic, environmental, recreational and intermodal future of SW PA”. Unlike most other ports, we do not own or operate terminal facilities. The Commission recognizes that there is a vibrant private sector active in port terminal operation and we do not intend to compete with them. This strategy has served us well in that it has forced us to be more creative and to focus on issues related to the common good. This has paid off in attracting federal and private investments; stimulating innovation and supporting local government and especially in supporting the private sector.

#### **ACCOMPLISHMENTS:**

- **Lock and Dam Funding.** Under the ARRA Stimulus funding, working with our congressional delegation, we attracted over \$114 million from the federal government for navigation improvements in SW PA.
- **Port Security Grants.** As the Fiduciary Agent for the Pittsburgh Area Maritime Security Committee, for USCG, FEMA, and DHS, we manage a portfolio of over \$7 million in federal Port Security Grants.
- **EPA Grants.** We were just awarded a \$1.15 million grant from the EPA to assist local towing companies to upgrade their towing vessels to even cleaner burning engines than already in use. In a similar manner, working as the freight-advocate on the Southwestern Pennsylvania Commission, we have assisted three railroads and construction contractors to also qualify for Congestion Mitigation and Air Quality funds for the same purpose.

- **PPC Loan Program.** We make loans of up to \$100,000 to river transportation-related industries to improve their facilities.
- **PPC Small Grant Program.** We award a total of up to \$100,000 a year in grants to non-profits and local units of governments for river-related educational programs, river safety, river access, river ordinance coordination and stream bank restoration, etc. These projects do not need to be on the main rivers to qualify, but have been among some of the best investments that we have made.
- **New Technologies.** We have worked closely with the local river industry, our federal partners and Carnegie Mellon University to become a focal point of river-related technology and innovation. We have been awarded a patent for a virtual navigation system, called SmartLock, and we are currently working with the USACE to deploy a system of advanced digital communications along the river. We are exploring avenues to build this through a type of public-private partnership. This system, it is anticipated, would include wireless broadband that would have many other safety, recreational, environmental and even commercial benefits, once deployed.
- **Economic Development.** Also, under our economic development powers, we are able to structure revenue bonds for a variety of purposes. We were very proud, earlier this year, when the Pennsylvania Economic Development Association named our \$43 million project, Bridgeside II, ( a Research Center subleased to the University of Pittsburgh), as Project of the Year. The project created 400 jobs at an average salary of \$80,000. Since not all of our twelve counties have navigable rivers, we hope to be a vehicle to do more of these projects in the future.

#### **CHALLENGES:**

- **Allegheny River.** The federal government makes its lock and dam investments based largely on commercial traffic. For over a decade, funding to maintain the locks on the Allegheny River has been on a “fix-as-fail” basis. With little commercial traffic above Lock 4, there is not a great likelihood that the federal government will reverse this trend in the near future. The Upper Allegheny Locks (Locks 5-9) are of primary interest to the

recreational community and the commercial sand and gravel dredging industries. Increasing environmental restrictions on the commercial dredgers has led to a decline volume of that traffic, making its prospects for future federal investments even less likely. This will become a more serious problem for many of your recreational constituents who may face further restrictions due to lack of physical upkeep.

- **Monongahela River.** We have a very serious problem on the Lower Monongahela infrastructure. We have been supporting a 10-year, \$750 million construction project on the Lower Monongahela River, started in 1994. As hard as this may seem to believe, after 16 years and \$500 million already spent, the project remains a \$700 million and 14 year project, yet to go. This is due both to some legitimate engineering complications, but mostly to inefficient federal funding appropriations. Currently, the Trust Fund that the towing companies pay into to support 50% of the construction, can no longer meet the obligations to modernize these 100 year old structures. The towing industry has agreed to a 30-45% increase in its user fees, but we are awaiting congressional action to approve a plan to increase the federal share necessary to complete our projects in a more-timely manner.
- **Ohio River.** The Corps of Engineers is expected to release a report this fall calling for the much needed modernization of the 74 year-old, 81 year-old and 89 year-old locks on the Upper Ohio River at Montgomery, Dashields and Emsworth. These are currently the oldest and smallest locks on the entire Ohio River. Unfortunately, the recommendation may take the 600 foot and 300 foot chambers and, instead of expanding them, may reduce it to a single 600 foot chamber. While many had hoped to see twin 1200 foot chambers, at the very least we need twin 600 foot chambers. We will watch this development closely because it could place our region at a competitive disadvantage with our neighboring states if this plan is not properly executed.
- **Introducing New Technologies.** We are also working with USACE to try to create a River Information Services Center in the Pittsburgh area to serve the river industry nation-wide. Our work has been recognized, nationally and internationally, as one of the leaders in the world in this area. We had

applied for a \$35 million TIGER I grant from US DOT to jump start this project. While we did not receive the TIGER grant from DOT, I believe that we have convinced USACE on the importance of this project and do expect that they will provide some funding, that we may match, albeit at a slower pace than the TIGER would have allowed us to develop.

- **New Cargoes.** We anticipate seeing increases in coal and limestone products and possibly sand for the Marcellus Shale development. We are frequently asked what it would take to move higher value cargoes or possibly containers on the waterways. This is a question that we have carefully investigated. In fact, we were instrumental in creating a forum, “SmartRivers” to benchmark the performance of our waterways with those in Europe, where Container on Barge (COB) is common. Despite the tremendous public benefits of waterway transportation, those benefits are not integrated into the private sector costs in the US. Until they are integrated, as they have been through incentive programs in Europe, it will be difficult to promote container on barge as far upriver as Pittsburgh. Another complicating factor is that most containers from our region can trucked or railed overnight to the nearest deepwater ports, such as Baltimore, while barge delivery from New Orleans may take two to three weeks. We found that we were still cost competitive, until the carrying cost of containers began to skyrocket. At this point, it would probably require both the tax incentives and a dedicated fleet of containers and chassis to make it work. By the way, it is worth noting that our target market for containers would be Mexico and not markets that might be competitive with other PA ports. We could build on the tremendous volume of Mon Valley made steel that we barge to Texas and truck to Mexico for their production of cars and appliances.

In conclusion, I cannot stress enough the need to reestablish timely federal funding for our lock and dam projects for a safe and reliable waterway system. It is critical to the functioning of the metal making, chemical making, mining and power generating industries that have become the heart of industrial production in SW PA. So, we really appreciate the support that the Legislature continues to provide for the PPCs efforts.

If I can provide you with any further information, please let me, Herb Packer or my Chairman, Barbara McNees, know.