

**California State Lands Commission
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"The Ties That Bind"

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"Our nation's ports and waterways – and how they connect with other modes of transportation such as highway and rail – make up a vital, complex system that impacts the lives and livelihoods of every American". These words were spoken by former Secretary of Transportation, Rodney Slater in April of 2000. In a nutshell, Secretary Slater has summed up the essence of my remarks.

Good afternoon. I want to begin by expressing my honor at having been asked to present a paper during this symposium. Two years ago I attended, for the first time, another such conference under the State Lands Commission auspices. Having been in the public sector for most of my professional life, and having provided staffing resources within this sector, I knew just how complex such an endeavor is. Yet, from the pre-registration process, to the myriad sessions available to all, from the broad spectrum of industry-related tools on display in the Exhibit Hall to the broad-based constituency in attendance this is a class-act for our industry. Even electing to create two hour time blocks for panels is so unique. By this structure we really have a worthwhile amount of time to inform and educate, as well as the opportunity to exchange information and ideas with you. The California State Lands Commission is providing a valuable and significant contribution to the maritime industry of our state. Sometimes I think they receive a "bum rap" for doing their job. They are truly the state's Gatekeepers.

In addition to their many areas of responsibility on behalf of the state, they serve as a most willing partner in working toward the building of broad based coalitions as a means of providing substantial leverage in meeting the needs of our industry as a whole.

When the symposium planners approached me to present my comments on this panel, frankly I jumped at the chance. It was precisely due to the broad spectrum of our industry assembled here that I eagerly agreed to focus my attention on developing a talk which would give you an understanding of the initiative we refer to as "MTS". I am gratified that the Maritime Transportation System initiative is afforded this chance to spread the word of its mission and goals.

I admit to being an unabashed "cheerleader" for this project. It is in that context that I'm here today, and that is, to provide you with a condensed "**MTS 101**" syllabus.

As with any new program or approach, there are a good number of inaccuracies in the perception of others as to the function and purpose of the particular effort. I hope to clear up most of the misconceptions for you.

I must also confess to being somewhat humbled in the company of the others who share this panel. Their collective backgrounds in our field of endeavor have been of significant note. Each in their own way, creating a stronger future for our work.

In order to best "paint" the MTS picture for you, I want to provide you with a glimpse into how I personally arrived at believing that this concept had great potential for the California marine transportation network.

I came to my position without bias nor pre-conceived agenda. I did surmise that among my responsibilities was an objective to support the maritime industry in its work with all the related state agencies. It also became obvious that we could play a role in contributing to raising the consciousness of policy-makers and legislators.

In the early months of my tenure as the consultant to the Assembly committee on California ports and to its chair, Assemblymember Alan Lowenthal, I invested a good measure of time in learning the makeup of this industry and the interrelations of industry elements. We also explored the challenges facing the maritime community, its relationship to the state of California and ways in which our committee could be of help to the industry and its growth.

I recall in the February of my first year I addressed an association as part of their seasonal conference. The thrust of my presentation focused on my perceptions gained as a result of my exploration. It seemed clear to me that the maritime industry, with all its varied components and groups of common interests, was severely handicapped in its ability to gain victories within the federal or state halls of government.

I vividly remember a conversation we had with then-Speaker, Robert Hertzberg. He supportively told us the California maritime industry lacked "a profile or a stature" within the arena of state governance.

Almost immediately I saw, that among the issues facing the maritime industry were: the lack of a state policy on behalf of and developed together with the maritime community. Something that clearly recognized the enormous contributions of your work to the success and economic stability to our state as well as a recognition of the shared challenges faced by all. Next, one easily perceived the state's partnership in matching dredging money as an unmet obligation. From the outset I've felt as if this were a true measurement of the lack of value placed in the maritime industry by our state government. I further recognized that our ports and terminals face astronomical constraints in relation to their landside infrastructure needs, at a moment in time when public dollars have evaporated.

Our states' waterways have been burdened with excessive and duplicative regulations which requires, over time a powerful collaborative voice to bring about positive change. One that is done within the context of collective strength of numbers.

It was and continues to be unmistakable to me. There need be a vehicle to both increase the prominence and elevate the dialogue of our undertaking.

It was not too long after that I attended a Customer Service meeting of the California State Lands Marine Facility Division. I listened to then-Captain (soon to be confirmed as Rear Admiral) Larry Hereth discuss the goals of this MTS initiative. After two meetings of substance, one with Captain Hereth and one with Captain Frank Johnston, seated here with me as a panelist, I knew this was just what the doctor ordered.

So sit back, relax and let me first tell you about the Marine Transportation System National Advisory Council and the linkage between the MTS National Advisory Council (MTSNAC) and the California Marine and Intermodal Transportation System Advisory Council (CALMITSAC).

The U.S. Marine Transportation System (MTS) consists of waterways, ports and their intermodal connections, vessels, vehicles, and system users. Each component is a complex system within itself and is closely linked with the other components. It is primarily an aggregation of state, local, or privately owned facilities and private companies. As with the U.S. economy as a whole, decision making and investment are primarily driven by the marketplace. In addition, national, state, and local governments must participate in the management, financing, and operation of the MTS.

As the world's leading maritime and trading nation, the United States relies on an efficient and effective MTS to maintain its role as a global power. The MTS provides American businesses with competitive access to suppliers and markets in an increasingly global economy. The MTS transports people to work; provides them with recreation and vacation opportunities; puts food on their tables; and delivers many of the items they need in their professional and personal lives. Within the United States, the MTS provides a cost-effective means for moving major bulk commodities, such as grain, coal, and petroleum. It is a key element of state and local government economic development and job-creation efforts and the source of profits for private companies. With its vast resources and access, the MTS is an essential element in maintaining economic competitiveness and national security.

In recognition of the continuing importance of the U.S. Marine Transportation System (MTS), the U.S. Congress, on November 13, 1998, directed in Section 308 of the Coast Guard Authorization Act of the same year, that"

"The Secretary of Transportation, through the Coast Guard and the Maritime Administration, shall, in consultation with the National Ocean Service of the National Oceanic and Atmospheric Administration, the Corps of Engineers, and other interested Federal agencies and departments, establish a task force to assess the

adequacy of the Nation's marine transportation system (including ports, waterways, harbor approach channels, and their intermodal connections) to operate in a safe, efficient, secure, and environmentally sound manner."

Congress required the Secretary to report the results of a Task Force's assessment. "An Assessment of the U.S. Marine Transportation System – A REPORT TO CONGRESS" was published by the U.S. Department of Transportation in 1999. If you have not yet read this "blueprint" for the maritime industry of the 21st century, I strongly urge you to get in touch with MARAD for your own personal copy. Once you read it you will recognize the accuracy of their findings and will agree with many of the task force conclusions.

Following the initial call for MTSNAC by then-Transportation Secretary Slater, regional dialogue sessions were held throughout the country to determine more localized agenda for the priorities of the regions within the perimeters of the MTS mission. A session such as this was held in Southern California during July of 2000.

Among the priorities established at that time were: to recognize MTS as a national asset and to elevate public awareness of the economic value of ports to the economy of the state and the nation.

MTSNAC was established two years ago to advise the Secretary of Transportation on the conditions and needs of the nation's Marine Transportation System (MTS), which includes 25,000 miles of inland, intracoastal, and coastal waterways in the United States. This advisory council also addresses the inland transportation infrastructure needed to support the flow of commerce through America's seaports. Our nation's MTS includes over 300 ports, with more than 3,700 terminals that handle passenger and cargo movements.

On March 6, 2002, U.S. Secretary of Transportation Mineta renewed the charter of MTSNAC for a second term of two years. Among other goals, MTSNAC is currently working on suggested legislative recommendations to assure that America's "Marine Transportation System" (MTS) will have adequate capacity to support the expected growth in trade during the 21st Century.

"There is no question that good transportation is vital to California's economic prosperity—and therefore, that good transportation in California is vital to our nation's economic prosperity". This quote came from Secretary of Transportation, Norman Y. Mineta at the Golden State Roundtable Luncheon on June 27, 2001.

Secretary Mineta appears to be a dynamic and forward thinking maritime visionary. He has publicly made it abundantly clear that the "MTS cause" is high on his own action item agenda. He has tasked the MTSNAC through the ICMTS (Interagency Committee for the Marine Transportation System) with providing him solid recommendations on MTS initiatives. He also wants to have significant and pertinent input from CALMITSAC and its regional sub-councils of Northern and Southern California along with similar information from other regional councils. This is why MARAD and the United States Coast Guard

(principal partners for pursuing MTS on the national level) have eagerly pursued and supported the formation of CALMITSAC.

MTSNAC is non-federal council of 30 senior-level executives from a wide spectrum of transportation-related organizations, representing the private/commercial sectors. The council is mandated to study and advise the Secretary of Transportation on issues relevant to the marine transportation system. The Department of Transportation's (DOT) Maritime Administration (MARAD) is MTSNAC's federal sponsor. MARAD assists the Council in setting agendas and providing outreach to major stakeholders.

On the government side, ICMTS (Interagency Committee for the Marine Transportation System) was also formed. It is made up of various agencies within the federal government – such as the U.S. Coast Guard, U.S. Customs, INS, FHWA, MARAD, Federal Railway Administration, U.S. Department of Commerce, U.S. Army Corps of Engineers, NOAA, and several others. MTSNAC advises the ICMTS on all MTS matters. ICMTS is then charged with considering this input from the private/commercial sectors in developing Administration policy, budget requests, and legislative proposals, as well as for their day-to-day program management activity. The U.S. Coast Guard sponsors this panel, and acts as “secretariat” for the group.

CALMITSAC was developed last year to be the regional "mirror" of the national effort for developing the MTS strategy throughout the state of California. While modeling itself in great measure to the structure of the national body, we have carved out a framework better suited for our particular effort.

The current membership of CALMITSAC represents a wide-range of common interests. At present the following organizations/agencies have a seat on the council:

- U.S. Maritime Administration
- U.S. Coast Guard
- California State Assembly Select Committee on Ports
- Senate Office of Research
- Caltrans
- California State Lands Commission
- Center for International Trade and Transportation
- California Maritime Academy
- California Association of Port Authorities
- Pacific Merchant Shipping Association
- Pacific Maritime Association
- California Maritime Infrastructure Authority
- Marine Exchange of Los Angeles/Long Beach
- Marine Exchange of the San Francisco Bay Region
- California Marine Affairs and Navigation Conference
- International Longshore and Warehouse Union

Just recently CALMITSAC adopted the following mission statement:

"TO FOSTER DEVELOPMENT OF A MARINE TRANSPORTATION SYSTEM IN CALIFORNIA THAT IS SAFE, SECURE, EFFICIENT, ENVIRONMENTALLY SOUND, AND CAPABLE OF EXPANDING TO MEET THE DEMANDS OF THE GLOBAL ECONOMY."

Working closely with the members of the two regional sub-councils in Northern and Southern California, we are committed to raising the profile and needs of California's MTS "world" with MTSNAC and other appropriate efforts advocating public/private partnerships and statewide strategies. One such effort is Senator Karnette's impressive success in bringing the comprehensive Global Gateways Development Program to its first phase completion. More about that later.

It is our hope that through CALMITSAC's interface with the MTS National Advisory Council, we will offer a much clearer picture of our current MTS conditions, plans, and needs within the state of California. We will make them aware of the dollars our efforts and facilities contribute to the national economy; CALMITSAC leadership plans to bring to their attention the thoughtful process we are currently engaged in to develop a statewide "shopping list" of critical infrastructure, environmental, and port security needs. Hopefully, this will assist us in gaining support (both political and financial) for California's MTS agenda during the reauthorization process for "TEA-21" legislation back in Washington – as well as inclusion into the newly proposed "SEA-21" legislation being discussed on Capitol Hill these days.

Early on in the introduction to a White Paper sponsored by MTSNAC, entitled, "**Challenges and Opportunities for the U.S. Marine Transportation System**", published, July 2001 it states,

"Today's MTS has become many orders of magnitude larger and extremely complex. It remains a dominant mode of transportation and is the intermodal connector between oceanborne transportation and highway, rail, air, space and pipeline transportation.

Of the activities which are vital to the strength of the U.S. economy that take place on and

Lawrence R. Klein, a 1980 Nobel Laureate in Economics, and the founder of Wharton Econometric Forecasting Associates predicts that Waterborne International trade will be conservatively estimated to grow at an annual compounded rate of 3.3% and that this rate of growth will nearly double the throughput that the MTS will be expected to handle by 2020. It is absolutely essential that we assist in bringing this crucial forecast (and many similar ones) to the attention of those who allocate highway, freight and rail dollars. These numbers are real and must be believed or else we will find ourselves in a position of absolute gridlock in getting goods from the docks to consumers across this land.

There is considerable discussion taking place about a "SEA-21" which is being talked of as prospective legislation in its own right. Secretary Mineta initially asked MTSNAC for an assessment of whether or not America needs a marine counterpart to the federal statutory

framework already in place for surface transportation through its TEA-21 and AIR-21 authorization. The result being that MTSNAC informed the Secretary they envisioned, SEA-21 could provide money and support for the maritime industry and port landside infrastructure needs. MTSNAC is scheduled to take this up at their meeting which preceded this Symposium by a month.

CALMITSAC served as the host for the two-day meeting. The chair of CALMITSAC, Gill Hicks, presented a comprehensive accounting of our work and the goals which we have set for ourselves. I have some hard copies available or I could email the power point presentation to you. If you would like a copy please put your request on the back of your business card and give to me at the end of the session.

For California, our vision includes more than our just serving as one voice, among many, at the MTSNAC table. We are actively engaged in building coalitions with other efforts outside of the maritime community, to build strong consensus for partnered funding of our collective infrastructure needs. One such effort, brought about as an outcome of Senator Karnette's SCR 96-Global Gateways Development Program is the newly-formed CALFAC (California Freight Advisory Commission). In addition to our work in advocating for California's landside infrastructure improvements the leadership of CALMITSAC is strongly determined to participate in other statewide coalitions designed to represent the broad Goods Movement interests of our state as we develop strategies for obtaining federal funding and multi-layered partnerships.

The makeup of SEA-21 has yet to reach definition. MTSNAC and its regional councils, i.e., CALMITSAC will develop and recommend the substance and character of what SEA-21 should and would provide to our maritime industry, our waterfront business community and landside intermodal infrastructure on the landside.

Some of the items that conceptually could be included into SEA-21 would be such things as congestion mitigation, expediting the flow of freight and passengers, enhancing safety and security, improving environmental protection, implementing new information and communications technologies, using improved human resource techniques, and improving/increasing port and intermodal infrastructures.

California's local agency port system is a collection of city departments, special districts and charter ports. Unlike 32 other states with ports, California **does not** contribute in any meaningful way to the development and improvement of its ports. Economic activity that depends on California ports creates 838,000 jobs in the state. Our industry contributes \$27.3 billion to the Gross State Product, pays over \$1.48 billion in taxes to the revenues of the State Treasury and has an impact on Personal Income of \$32.5 billion.

Five years ago \$626 billion represented the value of Waterborne International Trade. 31% of it, (\$194 billion) came through California.

California MTS provides waterborne commerce through 11 ports that serve as intermodal freight connectors between water networks and highway, rail, and pipeline networks. CALMITSAC is also firm in its commitment to address challenges and needs facing harbors, marinas and other waterways in addition to our commercial ports within the state.

Even though the MTS is a vital component of the total California transportation system, the public, legislature and congress, tend to be more aware of transportation via highways, railroads, and air and overlooks the marine component.. But, the MTS impacts every citizen's livelihood and lifestyle, making public awareness and education about it essential. The leadership of CALMITSAC would hope that among our aspirations is to facilitate a high level of pride, visibility and exposure for this important component within the commerce community and the general population.

We must help our legislators, congressmembers, administration representatives realize that California MTS is pivotal to the health of the state, national and global economics. In my opinion, it is incumbent on the entire maritime community, from port administration to vendors, to see the long-term benefits of reaching out and participating with other statewide coalitions. Obviously Goods Movement plays a valuable role in, among others, generating jobs for 100's of thousands of California, but what is not recognized by the federal shapers of policy is that the marine transportation system also makes possible an equal number of jobs in the economics of our trading partners.

Furthermore, and perhaps most important, the state and federal legislators must be brought into this partnership of common investment, to insure California's infrastructure is, in part, funded by those ultimate consumers of products passing through our state from our seaports and airports conveyed by our rail lines and roadways.

The timing is such that all of us challenged by projected growth and expansion are focused on the "ticking clock" leading up to the adoption by Congress of the TEA-21 reauthorization. MITSNAC and CALMITSAC do not have but one single focus. In the overall structure of the MTS initiative, we recognize our essential responsibility to also concentrate resources to explore and evaluate issues of Safety and Security, Competitiveness and Environmental Protection.

The horrific attacks of September 11th underscored the essential importance of a safe, stable and fully integrated transportation system to our economy and our national security. None of us can afford to ignore the critical role of our MTS and gateway ports in the battle against terrorism...or their potential vulnerabilities. As an aftermath of September 11, governmental agencies together with congress, the media and public have started to appreciate the vulnerability of our ports and harbors. They began to rapidly search around for improvements and enhancements in making our coastline safer. Through the mechanisms of the MTS Advisory Council to CALMITSAC and on to the two sub-regional Advisory Councils (So. CALMITSAC and No. CALMITSAC) a broad representative group of the maritime community joined together to create the definitive guidelines for port security

which continues to evolve as we speak. I'm sure that Captain Johnston and Captain Fels will have much more to say on this topic shortly.

At this juncture in the development of the California Marine and Intermodal Transportation System initiative, our greatest attention, however, must be directed toward solving the challenges of Goods Movement from our docks to the marketplace.

We understand the immediate link between continued investment in infrastructure and our nation's economic prosperity.

The MTS through its Advisory Councils is a vehicle....a forum.....a voice exclusively for the coalition of components doing business in the fields of maritime commerce, transportation and recreation.

Achieving our vision of a growing maritime-driven economic sector is the equal responsibility of private, local, state and national stakeholders.

- Clearly defined, coordinated, and consistent Federal leadership is needed to achieve the vision for the MTS. I believe that only a coalition of common focus can hope to gain the collective support and advocacy of our entire congressional delegation. 54 members of congress make a dynamic and forceful endorsement.
- Public-private sector partnerships will be the preeminent strategy in meeting the MTS challenges through shared responsibility, accountability, and agreement on funding.

MTS has found congestion in the country's seaports continues to increase, and the problem will likely become further complicated by the call for increased security in the container shipping business.

U.S. Maritime Administrator, William Schubert recently said to a group of shipping executives attending the National Industrial Transportation League's recent meeting in Monterey, "The challenge facing all of us—service providers, users and government—is how to address these twin goals of efficiency and security simultaneously." He went on to say, "Over 2 billion tons of goods produced and consumed in the United States move through our nation's ports and waterways each year and we expect a further doubling of cargo trade volume over the next 20 years."

I could literally go on for hours in describing to you the tasks facing the maritime industry. But, I won't. I trust you will walk away from this time together having gained, at least, an understanding of the "bigger picture".

I want to leave you with this; our biggest challenge is acquiring the willingness to join together both intra-industry and with others whose goals we share and who represent a coalition of common interest. Thanks for your time.