

Remarks Submitted by PhilaPort
for the
Pennsylvania House of Representatives
Transportation Committee
A Public Hearing to Discuss
Supply Chain Issues Facing the Commonwealth

Documents Submitted November 10, 2021

Dear Chairman Hennessey,

Thank you for this opportunity to submit The Port of Philadelphia's views regarding supply chain issues facing Pennsylvania and the United States more broadly.

You and the members of the Transportation Committee have read about the supply chain disasters affecting us; many of you have suffered from these problems in one way or another. From our perspective, here are a few of the major causes:

- Lack of labor
- Warehouses are full
- Lack of rail capacity
- Equipment shortages brought about by COVID and disruptions overseas
- “Bunching” of container ships brought about by problems at other ports or the problems outlined above.

More importantly in the long term, Philadelphia is one of the only major ports that is not dual rail served for containers. Norfolk Southern has chosen not to open-up their intermodal yard in South Philadelphia, and CSX has reduced services to Philadelphia – this despite the fact that we were the fastest growing port in the USA last year.* There are great opportunities for the railroads to cooperate with us to grow Pennsylvania's transportation resources and our economy. We will discuss below how we have helped rail operations during this crisis; they, in turn, will need to provide more services to The Port of Philadelphia. The railroads can significantly help the immediate supply chain crisis and be a partner for the Port's long-term growth.

Additionally, the streets in South Philadelphia near the Port are not good; they are too narrow and are not laid out properly based on our current volumes, much less compared to our growth rates. We will, at a minimum, need faster connections from our marine terminals to I-95 and I-76 to better serve Pennsylvania businesses.

The list of difficulties is long, but let's be thankful for a few things:

In 2016, the Commonwealth invested \$300 million in our Port. Since then, PhilaPort has grown our container volumes by 60%. This year, we are on track to hit another record volume of 740,000 containers, which will be a 15% increase over 2020.

Imagine if we did not have our improved infrastructure in place! It would have been a disaster. The new infrastructure included five "Super post-Panamax" container cranes; knocking down old on-dock warehouses; construction of new warehouses and a vehicle processing center; and fixing our pilings and bulkheads to handle heavier loads and bigger ships. All of this has allowed us to serve the Commonwealth and the nation during these difficult times by handling record cargo volumes, including large quantities of medicines, medical devices, fresh fruit and vegetables, and forest products used for personal hygiene products.

We should also be thankful for our port labor and terminal operating companies. According to a recent study by The World Bank Group and IHS Markit, PhilaPort has the best productivity of any port in the USA. Unlike many larger ports, we don't have ships waiting outside our harbor.

Finally, we should be thankful for the cooperation among the Philadelphia regional logistics community. To a greater extent than exists in other ports, our logistics service providers, labor, and transportation associations know each other and trust each other. Their effective communication and working relationships, built up over generations in some cases, allowed us to handle supply chain congestion and disruptions more effectively than was the case in other ports.

PhilaPort supports over 10,000 direct and indirect jobs, and we are growing that number to 17,000. The Delaware River port complex as a whole supports over 30,000 jobs. The majority of these jobs are good paying jobs with benefits. PhilaPort terminals support everything from tugboat crews to chandlery staff; from ship agents to warehouse workers; from cargo inspectors to boilermakers.

Although we have invested wisely, our competitors have spent more. As mentioned, the Commonwealth has invested *\$300 million* in our Port since 2016.

However, since 2016:

- the Port of New York and New Jersey has spent **\$3.3 billion** on infrastructure.
- Maryland has spent **\$2 billion** on their port.
- Virginia's port spending comes to **\$3.16 billion**.
- In total, US East Coast ports have invested **\$17.9 billion**.

Ours is a capital-intensive industry; if we are to compete, we will need to spend more. A lot more. If ports don't grow and improve, they die.

That's why we were so appreciative of the Commonwealth's previous investments in PhilaPort – those resources gave us the facilities and equipment we needed to come through the current global supply chain crisis and to create great jobs for Pennsylvanians. But we will need additional state – and Federal – capital dollars to build the infrastructure of tomorrow.

Supply chain professionals have readjusted, reengineered and, although they are facing great difficulties, they are getting the job done. We at PhilaPort have learned and reacted as well.

The Packer Avenue Marine Terminal is our largest and busiest facility. Holt, the private operator of this terminal, has taken the following action to address congestion and supply chain delays:

- Extended their truck gate schedule, adding evening and weekend hours.
 - Leased two satellite container yards, totaling over 33 acres.
 - Partnered with CSX Intermodal to improve operations at the CSX Greenwich Intermodal Yard: Holt provided two large pieces of container moving equipment and the labor to operate them.
 - Purchased additional chassis (the wheeled beds, or trucks, used to move containers).
 - Finally, they paused all vessel operation for three days, from Sept. 8th-10th. This delayed the arrival of four vessels. Holt did this in order to, "clear the deck," that is, work on terminal back-ups with all their labor and focus. The ocean carriers were not happy about this, but Holt felt it was necessary to deal with the flood of cargo and the lack of equipment.
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Port congestion is the most prominent, visible end of the supply chain disruptions you see on the news. The truth is, every node in these complex systems has struggled: lack of workers at factories in China, closing of ports in China due to COVID, the Suez Canal blockage by the M/S Ever Given, lack of truckers and other logistics workers here in the US, and retirement of key personnel are just some of the problems.

For example, one PA-based warehouse that handles household electronics had over 100 loaded containers sitting on chasses that they couldn't unload because they didn't have the labor. Because we couldn't get those containers and those chasses back to the Port, they couldn't meet the ships, and so equipment flows – and thus supply chains – were adversely affected.

During COVID, ports and supply chains, along with everyone else, have struggled. News organizations have significantly increased their coverage of the logistics industry, and hopefully this will continue beyond the current crisis. Regular attention is long overdue given the importance of supply chains to the economy.

The whole world has learned from the COVID pandemic and related consumer spending and e-retailing that traditional international supply chains were fatally flawed. They lacked robust back-up features. They relied too extensively on one or two ports, or a small number of trucking companies or warehouse providers. Shippers need to utilize secondary suppliers on a regular basis to keep those networks active and effective.

Megaports have not been able to handle the flood of cargo. Why should one or two municipalities bear the brunt of all the containers with the attendant congestion? Here on the East Coast, there is a container port roughly every 150 miles, and shippers are beginning to realize they will need to utilize more alternatives going forward.

Warehouse operations – proprietary and third party – need to extend their hours. Truckers will need greater flexibility in their operations. Class 1 rail carriers need to provide more frequent service to additional nodes in their networks. Other US ports have also instituted extra gate hours, established satellite container yards, purchased additional equipment, and cooperated more closely with stakeholders. But alternatives are the key.

Every complex system needs redundancy. “Just in Time” is dead; “Just in Case” is alive and well and doing over-time on our laptops and mobile devices. Don’t put all your eggs in one basket. This is an obvious lesson, but COVID really drove it home. Other factors contributed to the crisis, but lack of alternatives has been a major part of our current difficulties. PhilaPort wants to be the primary choice of shippers – or, if necessary, the secondary choice to the megaports.

We should emphasize the benefits that PhilaPort provides to the *entire* Commonwealth. The Port of Philadelphia is a major state asset that is currently under-utilized by our in-state manufacturers. We can be a bigger advantage to the *whole* Commonwealth in both the current economic recovery and the future as Pennsylvania competes in global markets.

In the past, our marine terminals have handled exports of rail locomotives from Erie, zinc bars from Pittsburgh, styrene reactors from York, gas processing equipment from Allentown, and other products from across the Commonwealth. We are an excellent gateway for PA farm exports and for our manufacturers to receive the parts and raw materials they need from around the world.

Let's end on a positive note: thanks to the Commonwealth and the US Army Corps of Engineers, the ½ billion-dollar Delaware River Main Channel Deepening Project is nearly complete. We can now handle the same sized vessel that the ports of New York / New Jersey and Baltimore receive.

If the Commonwealth continues to entrust us with capital dollars to grow and improve our Port, we will do more than our share to both solve supply chain issues and grow more jobs and economic opportunities for Pennsylvanians.

Mr. Chairman, thank you for letting us participate in this hearing. We look forward to working with you and the Transportation Committee to improve Pennsylvania's transportation system. We were thankful for your visit to the Port last September. We hope we can host the entire Transportation Committee sometime soon to see the Port and learn first-hand the realities at one of Pennsylvania's most important transportation centers.

Sincerely,

Jeff Theobald
Executive Director and CEO

* source: American Association of Port Authorities



Prepared for:

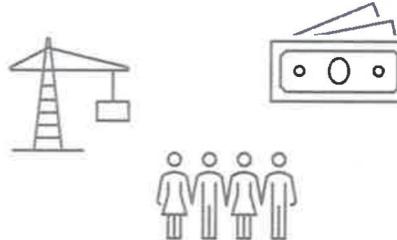
**Pennsylvania House of
Representatives
Transportation Committee**

Submitted November 10, 2021

Abridged version to be presented on November 17, 2021



PhilaPort's Marine Cargo Economic Impact Summary



- ✓ **\$15 billion** - Total impact of marine cargo activity that the port has generated for Pennsylvania in YR19
- ✓ More than **6.4 million** in cargo tonnage per year
- ✓ **\$864.9 million** - Total wages, salaries and local consumption expenditures are created in the local and regional economy by port activity
- ✓ **10,341 jobs** generated by marine cargo activity
- ✓ Local business received **\$456.8 million** of revenue
- ✓ State & local receive **\$93.5 million/year** in PhilaPort generated taxes

Did you know?

#14

Top U.S. Import Port
in the Country

#1

Fastest Growing Port
in the U.S.

#1

In Refrigerated Cargo
in the Country



2020 · Fastest Growing Container Port in U.S.

Cargo Statistics | PhilaPort

Containers
7%
TEUs

2019

598,278

2020

640,799



January - December 2020 U.S. Container Growth (YTD)

| | | |
|---------------|------|--|
| US Trade | -1% | |
| US East Coast | -2% | |
| Baltimore | -2% | |
| Boston | -11% | |
| Charleston | -4% | |
| Jacksonville | 1% | |
| Norfolk | -4% | |
| NY/NJ | 2% | |
| Philadelphia | 7% | |
| Savannah | 2% | |

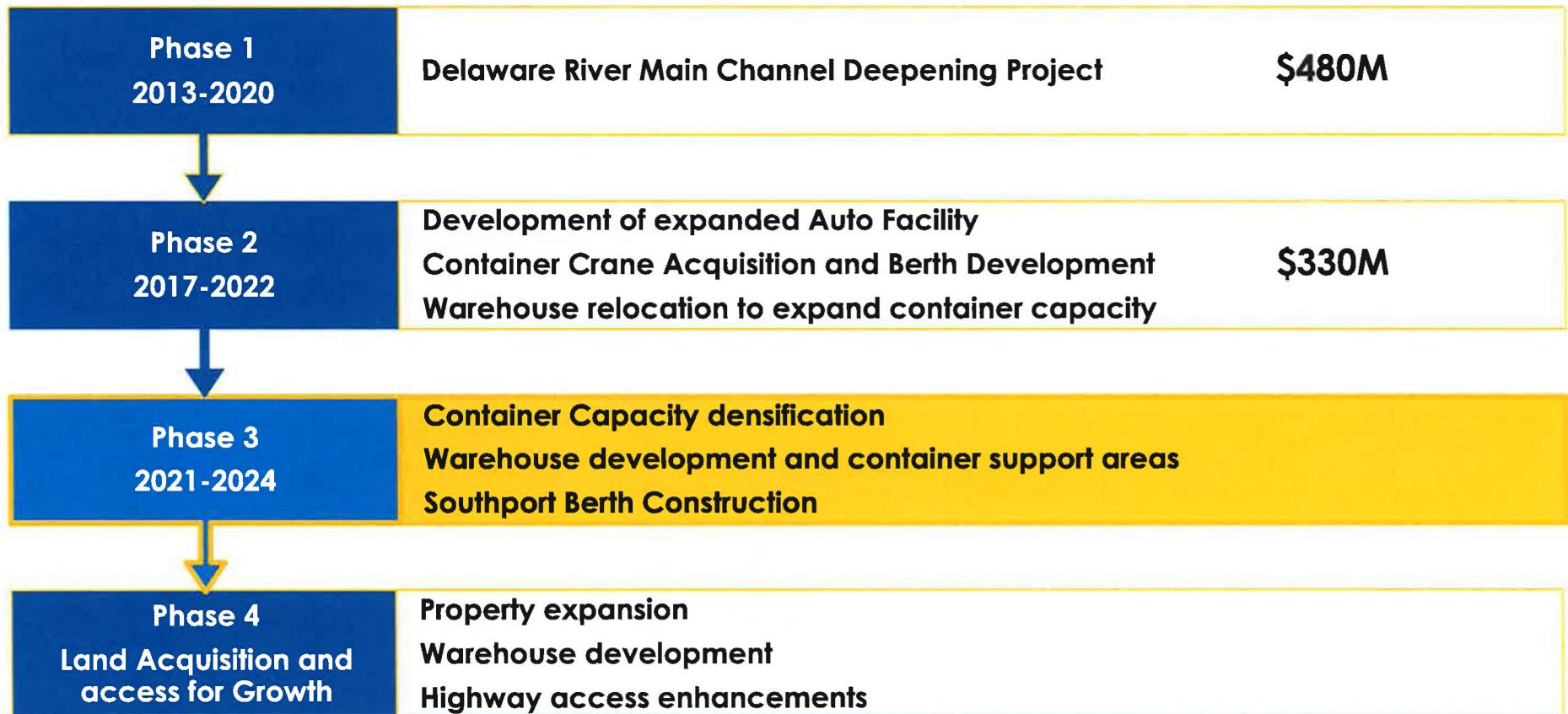
PhilaPort Container Volumes (in TEUs)

Compound Annual Growth Rate is 11% per year.

Sept. YTD 2021 +15%



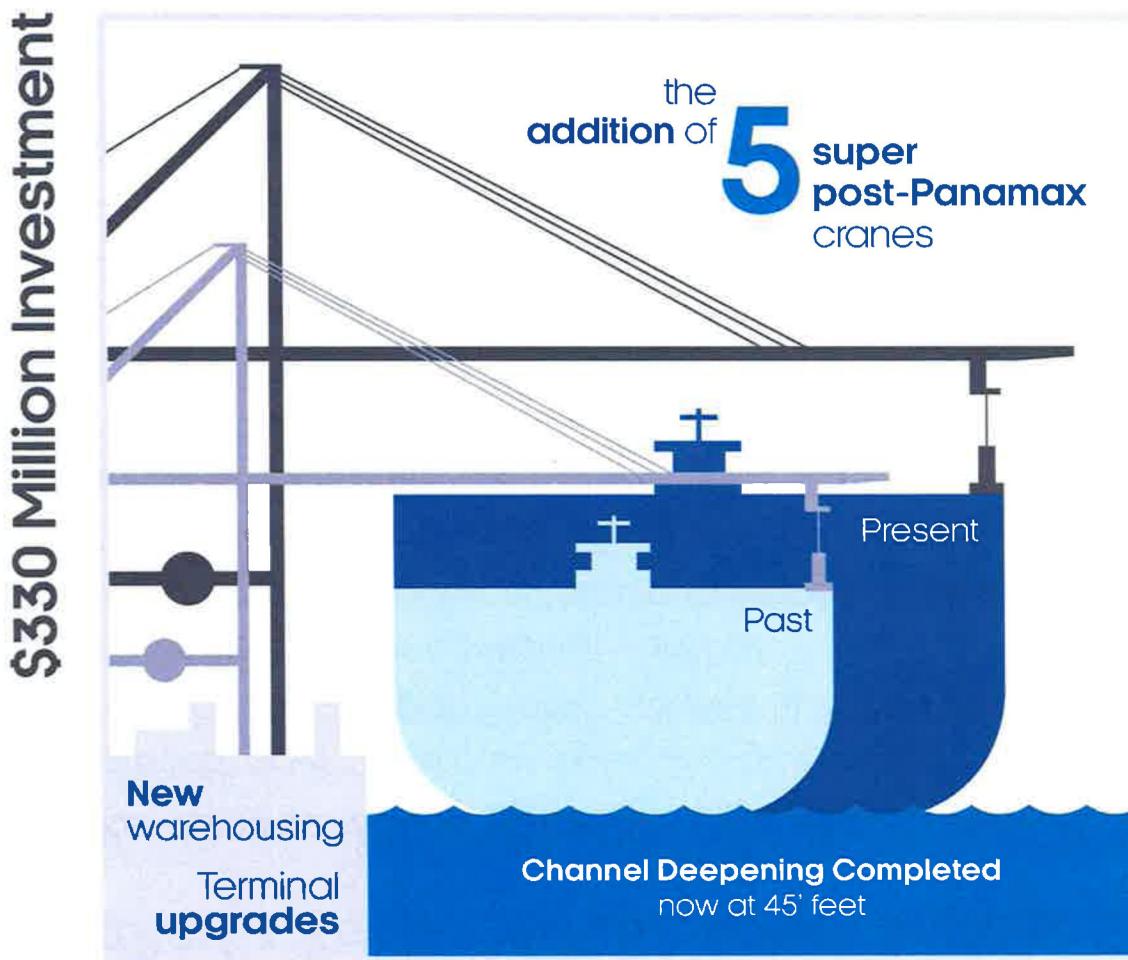
PhilaPort's Continued Expansion Program



Port Master Planning Update

- **Recently completed update to 2019 Capital Plan.**
- **Approximately \$3.6B in identified projects:**
 - PAMT Densification
 - Land Acquisition/Development to Support Container Growth
 - Warehouse Development
 - Road/Access Improvements
 - Berth Modernization
 - Phase 2 Channel Deepening
- **Completed process of bringing on a group of on-call planning firms to support PhilaPort master planning needs.**

Phase 2 | Overview



| | Present | Future |
|-------------------------------|---------------------------|-----------------------------|
| Containers | 740,000 TEUs | 1.2 M TEUs |
| Jobs | 10,341 | 17,020 65% Increase |
| Clean Air | Diesel Operated Equipment | Electric Operated Equipment |
| Cars | 200,000 Units | 350,000 Units |
| Tax Benefit | \$69.6m Annually | \$108.4m Annually |
| Forest Products* ¹ | 1.2 M mt | 1.5 M mt |

* Number represents pulp moving through Tropicana Marine Terminal (as pertains to Pkin
1 PhilPort handles over 1m ton of Forest Products annually)

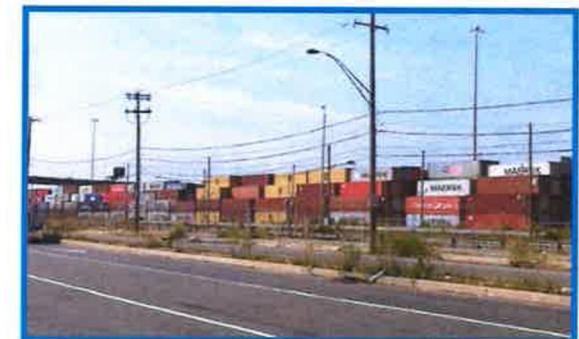
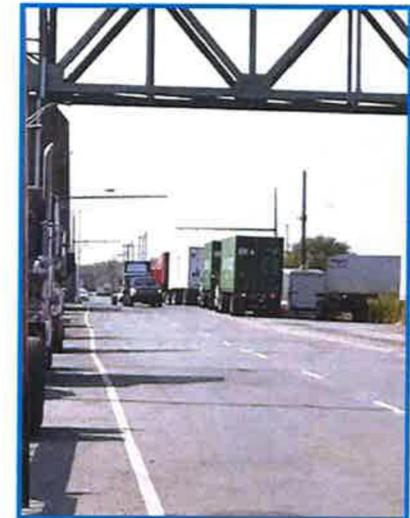
PhilaPort's Response to Global Supply Chain Crisis

Packer Avenue Marine Terminal – Operator, Greenwich Terminals LLC (Holt)

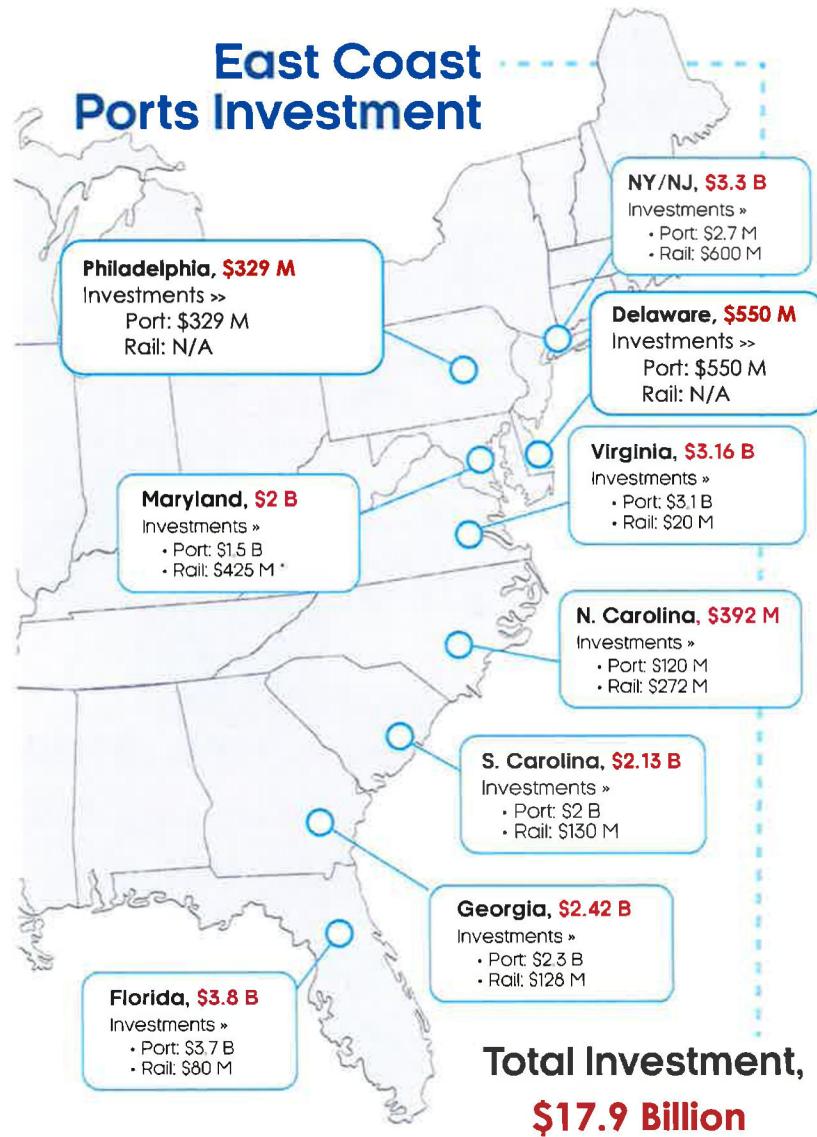
- Terminal operations new extended gate hours
 - Monday through Friday, 7:30AM-11:30PM & Saturday 7:00AM-4:00PM
- Create (2) satellite container yards at
 - 98 Annex: 20 acres – PhilaPort initiated sub-lease for use
 - Pier 82: 13 acres
- CSX Intermodal Initiative
 - Holt provided (2) top picks
 - Additionally, Holt provided labor
- Purchase additional chassis
- Paused all vessel operation for three days; Sept. 8th-10th
 - Delayed (4) vessel arrivals

Current Status of PAMT

- Truck que times much improved as outcome of reset
- CSX Enhanced operations to commence by end of October



East Coast Ports Investment

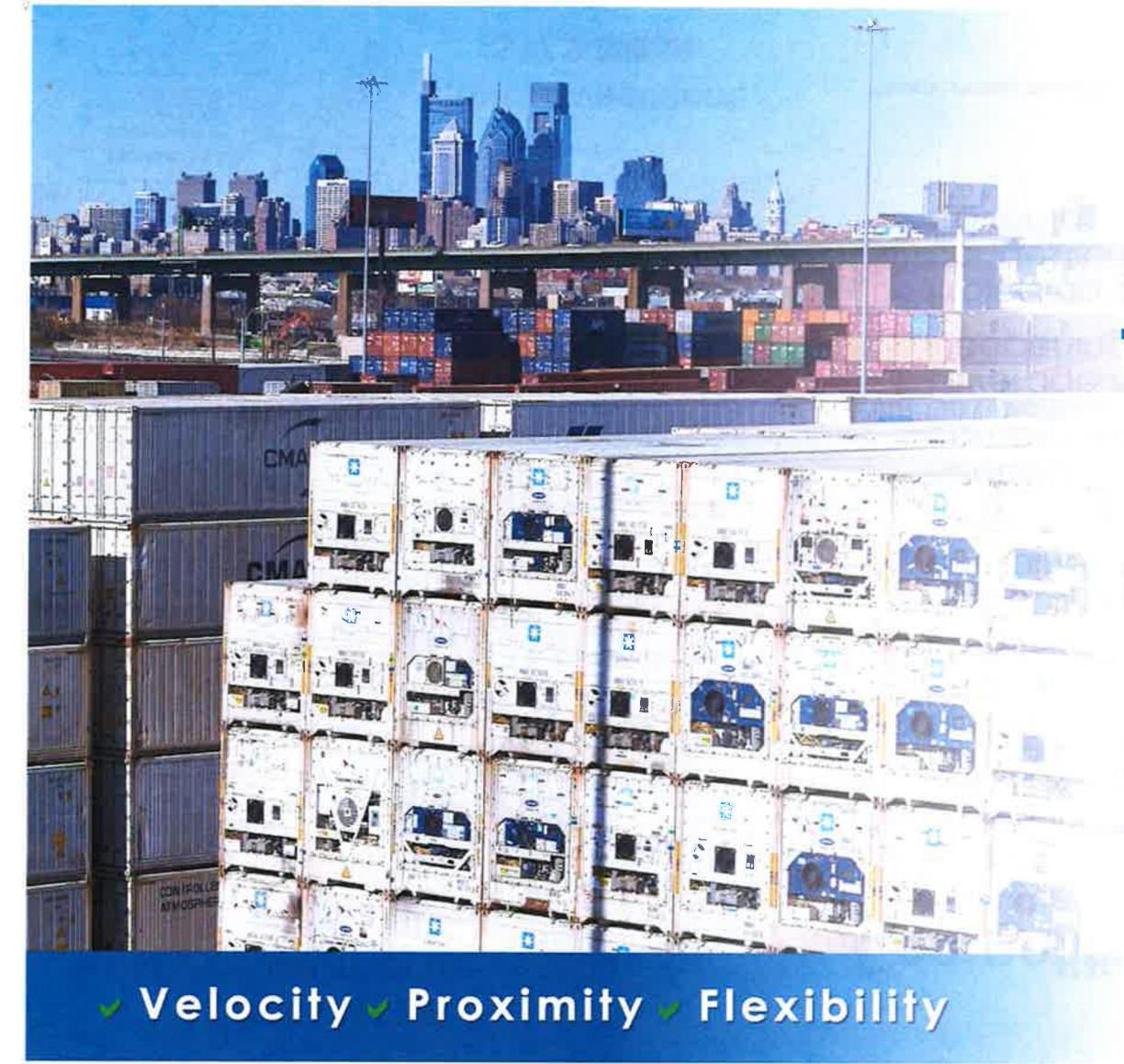


Competitive Need | Investment

- East Coast ports are investing billions of dollars in new marine terminal and rail facilities-Philadelphia is not keeping pace
- No Norfolk Southern (NS) intermodal service and limited CSX service
- \$550 M in private investment planned for Port of Wilmington, DE-Market threat to container cargos, especially perishables
- Additional near dock support warehousing needed to counter reefer market competition from Southeast Ports
- Leverage existing investment in Channel Deepening and Port Development Program
- Projected growth will exacerbate traffic congestion and affect major competitive advantage of velocity

*Source: Primary Research of other Port's Capital Plans; General Timeframe of 2016-2026





Thank You!



✓ Velocity ✓ Proximity ✓ Flexibility

www.philaport.com