

**Testimony of Christopher J. Connor**

President & CEO

American Association of Port Authorities

House Transportation & Infrastructure Committee

Subcommittee on Coast Guard & Marine Transportation

***The Status US Maritime Supply Chain During the COVID-19 Pandemic***

Thank you Chairman Maloney and Ranking Member Gibbs for holding this important hearing on the impact of the COVID-19 pandemic on the US Maritime supply chain and for inviting the American Association of Port Authorities to testify.

My name is Chris Connor, and I am the President and Chief Executive Officer of the American Association of Port Authorities (AAPA). AAPA is the unified voice of the seaport industry in the Americas, representing 78 public port authorities in the United States. My testimony today is given on behalf of state and local public agencies located along the Atlantic, Pacific, and Gulf coasts, the Great Lakes, and in Alaska, Hawaii, Puerto Rico, Guam, and the U.S. Virgin Islands.

Our nation's seaports deliver vital goods to consumers, facilitate the export of American made goods, create jobs, and support local and national economic growth. Ports also play a crucial role in our national defense – a point acknowledged through the designation of 17 of our nation's ports as "strategic seaports" by the Department of Defense.

According to Martin Associates, an internationally recognized economic and transportation consulting firm, the total economic value generated in terms of revenue to businesses, personal income and economic output at U.S. coastal ports accounts for \$5.4 trillion, roughly 26 percent of GDP, and over 650,000 Americans are directly employed in jobs generated through the movement of marine cargo and through vessel activity.

Since the beginning of the COVID-19 pandemic, AAPA has remained in regular contact with our members in order to monitor the impact of the pandemic, communicate with them on the potential of federal relief and recovery efforts, and to give our member ports the opportunity to share best practices with one another as they manage this crisis. On this latter point I'd like to highlight how impressive the collaboration within the industry has been; typically the fiercest of competitors – Ports have set aside market share aims in favor of keeping port workers safe and healthy, and getting goods to the frontline of the COVID-19 battlegrounds, as well as to consumers like you and me.

AAPA membership comprises ports large, medium, and small, and to that end there is a saying in the Port industry that "if you have seen one port, you have seen one port." Accordingly, each

of our members has been impacted in a myriad of different ways by COVID-19. But one thing is clear - all have been affected by this crisis.

In an effort to detail the operating challenges and unmet needs facing America's seaports and our nation's maritime supply chain as a result of the COVID-19 pandemic, I offer the following comments:

### *Containerized Cargo*

We have seen containerized cargo decline by eighteen percent in the month of March over the same period in 2019. These declines are not limited to any particular geographic region, and container cargo volumes have declined across each and every region represented by our Association. Ports have seen a significant increase in blank sailings, or cancelled vessel calls, which can result in significant revenue losses.

While data is still incoming for the months of April and May, initial indications show containerized cargo declines of twenty to twenty five percent in those months over the prior year.

### *Roll On/Roll Off Cargo*

As automobiles have worked their way through the global supply chain following the shuttering of auto production facilities in the Americas, Europe, and Asia, we have seen major reductions in roll-on/roll-off cargos. One west coast port has experienced a ninety percent reduction in ro/ro cargos, with only one or two ship calls expected this month compared to a typical average of four ship calls per week.

While the big three auto manufacturers have recently brought production back on-line, it remains uncertain what demand may look like and how consumer decisions may impact this market segment.

### *Bulk Cargo*

At two of the largest bulk cargo ports in the United States movements have declined fifteen to twenty five percent over the same period in 2019; bulk cargo movements, which include agricultural products, energy commodities such as oil and coal as well as chemicals, are down twenty seven percent compared to 2019 at one Gulf coast port. Other regions, including ports in the Great Lakes, have indicated that bulk cargo movements remain level compared to last year – though they expect significant declines in the near future.

### *Tourism*

Tourism at our nation's ports has completely evaporated. This has resulted in massive P&L impacts at ports heavily invested in this business – Indications are that certain South Atlantic Seaports overall business is down between 50%-80%.

### *Small Ports*

Small ports around the country have been especially hard hit. At these ports there are often *only* one or two types of cargo being handled and if demand drops port operations can nearly cease. There are over 800 of these 'emerging harbors', processing less than 1 million tons of cargo per year, around the US.

We are beginning to see furloughs and layoffs in the maritime industry and supply chain, and it is estimated by Martin Associates that a 20 percent annualized reduction in cargo throughput at our nation's ports *could* result in the direct loss of 130,000 jobs.

We are also beginning to see that some ports are looking to forego planning for and investment in capital improvement projects, putting the readiness, capacity, and capability of our nation's trade infrastructure at risk.

For ports and the maritime industry as for other industry sectors the future remains uncertain. However, projections from our members indicate that the impact of current market conditions on business for the month of June are likely to result in declines, year over year, that are equal to equal or greater than those seen in previous months.

In a recent letter to House leadership 85 Members of Congress voiced support for port relief. I thank those that signed that letter, including Members of this Committee. In the letter, signers noted that *"it is critical that all of our nation's ports receive much needed assistance to keep supply chains moving and keep both employees and customers safe."*

We agree, and AAPA requests that Congress include \$1.5 billion in economic relief to our nation's public ports in any future coronavirus response or recovery proposal. This request is not about recovering lost revenue; but rather about ensuring that Ports are able to make bond and other debt instrument payments, keep pace with the accelerating costs of protecting workers and keeping the workplace sanitized, and ultimately ensuring that Americas Sea Ports and port workers maintain a state of readiness for the eventual economic recovery.

Thank you again for inviting the American Association of Port Authorities to testify today on this important topic, and I look forward to answering any questions you may have, on the impacts this crisis has had on ports, on what the future may hold, and on what infrastructure investments Congress could make to position the industry for success moving forward.