

**Testimony of Stephen A. Edwards, CEO and Executive Director, Virginia Port Authority**  
**before the Committee on Transportation and Infrastructure**  
**Hearing Entitled “The State of Transportation”**  
**January 17, 2024**

**Background**

Thank you, Chairman Graves, Ranking Member Larsen, and distinguished members of the House Transportation and Infrastructure Committee for inviting me to participate in today’s hearing. My name is Stephen Edwards, and I am the CEO and Executive Director of the Virginia Port Authority.

The Virginia Port Authority (VPA) is a political subdivision of the Commonwealth of Virginia. The VPA operates five marine terminals and one inland rail port. We are the third largest container port on the East Coast. As an operating port we have the responsibilities of a port authority and a marine terminal operator; we manage asset procurement and maintenance and technology systems; and we operate the Hampton Roads Chassis Pool – a best in class intermodal marine chassis fleet.

The Port of Virginia’s tag line is “America’s Most Modern Gateway”. We are proud of our ranking as the highest performing major North American container port in both 2021 and 2022<sup>1</sup> at a time of stress in supply chains. During this period we were the fastest growing American container port in 2021, and over the two year period, second behind Houston.

Presently we have responsibility for a \$1.4 billion gateway investment program. This program includes deepening and widening channels (in partnership with the Army Corp of Engineers), expansion of our semi-automated container capacity, berth strengthening, increased crane capability, advanced rail, and an offshore wind hub. This is coupled with a regional ~\$5 billion capital investment in improved tunnels and major roads and significant private sector investment in logistics parks. In totality, these investments extend from sea buoy to last mile delivery and from farm to ocean.

The port is the largest East Coast rail hub and serves cargoes to and from Ohio, Illinois, Missouri, Michigan, Kentucky, Tennessee and markets further West. Our truck market largely serves Virginia, North Carolina, Maryland, Pennsylvania, and West Virginia.

This month we announced that the port is powering our electricity needs with 100% clean power.

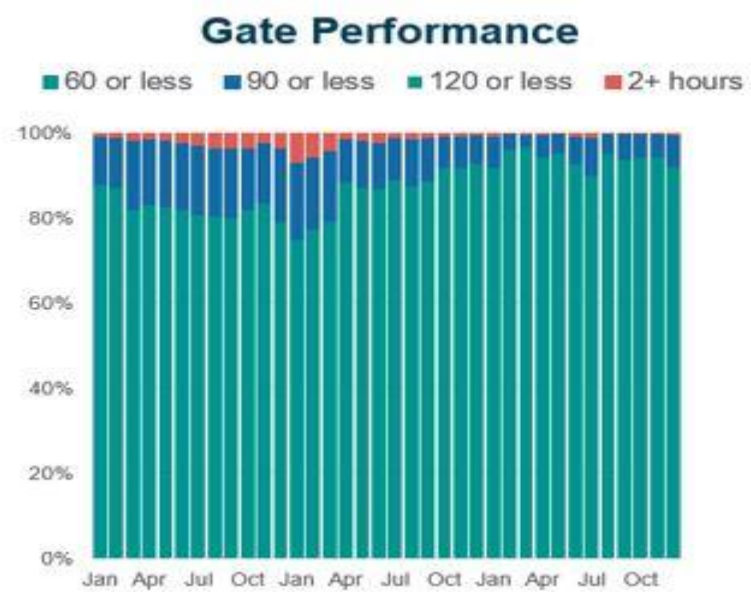
**Supply Chain Performance**

It has been well documented that the international supply chain experienced stress in 2021 and 2022. There were many causes by example, overseas zero COVID policy impacting factory production, just in case vs just in time delivery to overcome production risk, but most notably the surge in domestic goods consumption resulting in high import levels, longer cargo dwell times and staging into warehousing and rail facilities, which impacted gateways to differing degrees and in certain ports harmed exporters.

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<sup>1</sup> World Bank: Ports greater than 1 million TEU

The Port of Virginia was pleased to operate to a high level in this period. Our operating model was capable to deliver good service metrics and adjust to the many challenges.



Overall the international intermodal supply chain normalized across the nation in 2023. Dwell times for cargo reduced, resulting in lower yard utilizations, greater chassis availability, and the opportunity to invest in capacity expansion within facilities, and international freight rates have returned to close to pre-pandemic levels.



Source: Alphaliner

Over the course of the last five years the higher growth markets for East Coast ports by trade lane are the Indian Sub-Continent/Middle East and South East Asia while North East Asia remains the largest trade lane by volume. These markets are served via the largest ships presently calling the East Coast at 16,000TEU+ and reflect the need for ultra large container vessel capability. This means improved navigation channels, stronger berths, increased crane capability, and modern operating terminals. The work this committee is doing to pass the Water Resources Development Act this year is essential to maintaining US port competitiveness, including a needed project modification for Norfolk Harbor and Channels.

USEC Volume (Loaded TEUs, Millions)	2019	2020	2021	2022	2023	2022 vs 2020	2023 vs 2019
NORTH EAST ASIA	5.35	5.32	5.83	5.82	5.02	9.3%	-6.2%
NORTH EUROPE	2.76	2.54	2.83	2.82	2.53	11.3%	-8.2%
SOUTH EAST ASIA	2.07	2.29	2.52	2.69	2.58	17.9%	24.4%
CARIBBEAN/CENTRAL AMERICA	2.25	2.14	2.37	2.26	2.03	5.8%	-9.8%
INDIAN SUB-CONTINENT/MIDDLE EAST	1.69	1.57	2.03	2.16	1.99	37.8%	18.0%
MEDITERRANEAN	1.65	1.65	1.93	1.93	1.65	16.9%	-0.1%
SOUTH AMERICA	1.27	1.26	1.40	1.39	1.23	10.7%	-3.2%
AFRICA	0.35	0.31	0.37	0.34	0.32	9.3%	-7.0%
AUSTRALIA/NEW ZEALAND	0.18	0.17	0.19	0.22	0.19	30.3%	7.5%
GREENLAND	0.03	0.03	0.05	0.03	0.02	-21.9%	-35.6%
<b>Grand Total</b>	<b>17.6</b>	<b>17.3</b>	<b>19.5</b>	<b>19.7</b>	<b>17.6</b>	<b>13.8%</b>	<b>-0.2%</b>

Source: S&P Global, MP2 (calendar 2023 includes uncertified December exports).

### **Panama Canal**

The Panama Canal is experiencing a severe drought which has restricted vessel transits. Today the acute need for transit means vessels must make their reserved slots, and port operators need to ensure vessels depart on time.

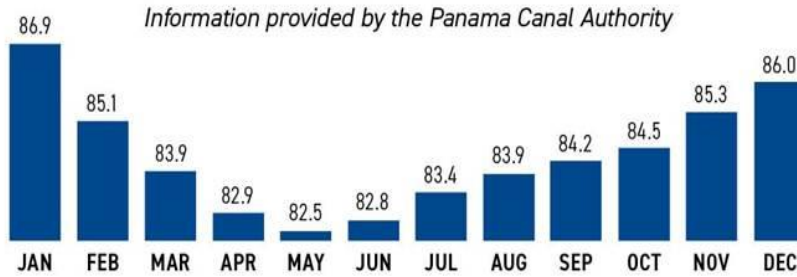
The canal is presently transiting 22 to 24 vessels per day compared to a normal 36 to 40. The majority of vessels diverted away from the canal are in the bulk and commodity trades where reservations are not possible due to the nature of the trade.

Vessel delays by operator differ, I understand the largest container vessel users of the canal who historically reserve slots are not significantly delayed while others are delayed or paying much higher transit fees.

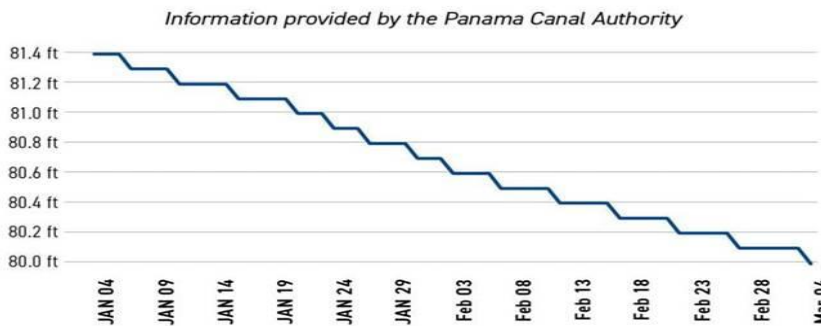
Water levels historically do not begin to rise until June, but better than expected November rainfall and water-saving measures has allowed the Panama Canal Authority to cancel the need to further reduce transits.

Ocean carriers have adjusted their service patterns which has resulted in improved global connectivity from The Port of Virginia.

## Gatun Lake Average Water Levels for the Past 5 Years



## Gatun Lake Water Level Projection (as of Dec. 26, 2023)

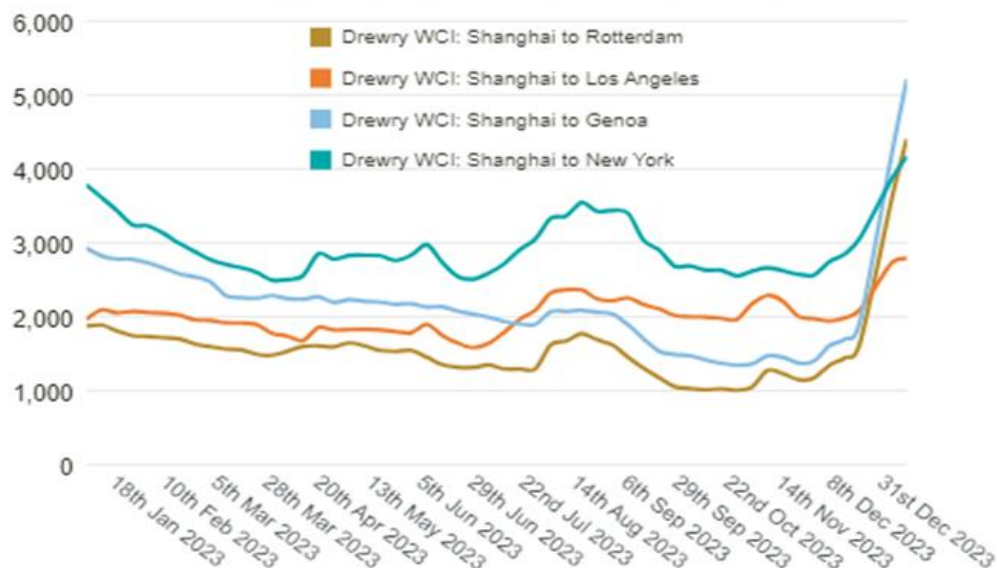


## Red Sea

The recent attacks on merchant shipping in the Red Sea has resulted in most container vessels diverting to route around Africa.

Initially this has disrupted schedules for Asia - North Europe, Asia – Mediterranean, and Asia – USEC services. This initial disruption has included the need for fueling in South Africa, discharge of Mediterranean cargoes in western vs eastern Mediterranean ports for transshipment, and overall longer transits. The other impact has been a delay in return of container supply to Asia which has in part contributed to supply constraint and an increase in freight rates on all trade lanes from Asia.

## Drewry WCI: Trade Routes from Shanghai (US\$/40ft)



Source: Drewry

Fuel prices have not increased. This is important because as shipping lines plan for around Africa voyages the increased vessel and fuel costs can be offset by the decrease in Suez Canal fees. For a S.E. Asia to USEC service, an extra round trip of 14 days (7 days in each direction) at today's fuel price does not automatically mean an increased total voyage cost.

## Singapore Bunker Prices



Source: Ship & Bunker

This is not the same for Asia to North Europe or Asia to Mediterranean, where deviation and the European Union Emissions Trading System increase costs on longer voyages.

It must also be remembered that vessels need to be sourced and positioned to fill in weekly schedules. This along with increased at sea time for container box fleets tightens the supply side of assets. This tightening of supply may be felt across global trade lanes as vessels and containers are repositioned to where they are most needed.

While containerized ocean carriers have seen increased freight rates and share prices as a result of the tightened supply, my conversations with executives and public comments all point to the desire to return to normal transit patterns as soon as practical.

Protecting freedom of navigation in all waters is a requirement of free and fair global trade. On behalf of The Port of Virginia and my colleagues I recognize the extraordinary service of our men and women in the military who are active in the Red Sea, many of whom are deployed from our port.

Thank you. I would be glad to answer questions the Committee might have.