

TESTIMONY

before the

**SUBCOMMITTEE ON COAST GUARD AND MARITIME
TRANSPORTATION
U.S. HOUSE OF REPRESENTATIVES**

by

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PRESIDENT**

**MARITIME EXCHANGE FOR THE
DELAWARE RIVER AND BAY**

on

THE T/V ATHOS I INCIDENT

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Good morning, Mr. Chairman and members of the Committee, and thank you for the opportunity to present testimony today. My name is Dennis Rochford, and I am President of the Maritime Exchange for the Delaware River and Bay. As you may be aware, the Maritime Exchange is a non-profit trade association representing the members of the commercial maritime industry in Southern New Jersey, Southeastern Pennsylvania, and Delaware. Included among our nearly 300 members are those companies and individuals that were most seriously affected by the events of November 26: steamship operators and agents, port authorities and private terminal operators, and tug and barge companies, just to name a few.

Before I speak to the effects of the oil spill on Delaware River port operations, allow me a moment to briefly describe the Exchange and its day-to-day operating role in the port. I will also explain our activities both immediately following the spill, and in subsequent weeks, when responders were working to restore the port to normal operations. In addition to the other comments you will hear today, I will offer some of the lessons learned from the Exchange perspective.

As a non-profit association, the Exchange serves as a "Chamber of Commerce" for the maritime industry. Much like my presence at today's hearing demonstrates, we serve as the unified voice of the port on a variety of federal legislative, administrative and regulatory matters. But our work goes beyond an advocacy role. Since our founding in 1875, the Exchange has operated the region's 24-hour vessel reporting system. Our role as the "electronic communications hub" of the Delaware River is to coordinate and communicate specific vessel movement information between those partners in the transportation chain, both public and private sector, with a right – and a need – to know. Over the years, this service, known as Maritime On-Line, has expanded dramatically. In addition to providing information on scheduled vessel arrivals and departures, for example, it also now includes, among other data, the mass distribution of safety and security notices, weather bulletins, and a host of other critical information that helps ensure the safety, security and efficiency of the Delaware River port business complex. Maritime On-Line electronically connects port operators and various government agencies, to include the United States Coast Guard, Customs and Border Protection, and the Office of Naval Intelligence.

In keeping with our mission, throughout the spill containment and cleanup operations, the Exchange acted as liaison between the Coast Guard, Pilots' Association, and the port business community. The Exchange promptly distributed and posted information provided by the Coast Guard, Pilots, and O'Briens, the clean-up contractor hired by the steamship line. From an operating perspective, the ability to quickly broadcast information on navigational restrictions – and more importantly, the lifting of these restrictions – was and remains paramount to Exchange members' ability to make critical decisions and to keep their principals and customers informed.

We also coordinated the development and release of joint statements issued by the Coast Guard, Pilots, and Maritime Exchange on the current operational status of the

Delaware River. These statements were used more for purposes of providing critical outreach to port customers overseas in an effort to limit any unnecessary ship diversions to competing ports.

Our port was fortunate in that only a few customers elected to divert their ships to other North Atlantic ports. However, given the massive nature of the spill, we believe there existed significant potential for increased negative impact over and above the two or three ship diversions actually experienced.

While the Exchange is not in a position to provide comprehensive economic impact information at this time, there are several facts I can share with you today. In 2004, 2,637¹ ships called the Delaware River port. A breakdown of imports by major commodity type is included for your information:

Cargo	Number
OIL	764
FRUIT	435
CONTAINERS	304
IRON & STEEL	170
CHEMICALS	141
PAPER	111
WOOD	101
MINERALS	93
VEHICLES	80
GENERAL	63
CLOTHES	50
PASSENGERS	36
BULK	29
COCOA	29
MEAT	27
PROJECT	21
JUICE	19

As of 1:00 p.m. on Friday November 26, our report showed 12 ships in port. By the time we broadcast the initial Coast Guard safety bulletin restricting vessel traffic in the newly-established safety zone (between Tacony-Palmyra and Commodore Bridges) at 8:01 pm on Saturday, we showed 17 ships in port and 4 scheduled for arrival later that night, and 16 scheduled to arrive Sunday. By Sunday night, we distributed a second bulletin that provided instructions for obtaining authorization to enter/depart the safety zone – by accessing the Maritime Exchange web site to obtain the forms to

¹ Figures in the table do not equal 2,637 as some ships discharge multiple cargoes, and others may not discharge product at all.

request authorization – and procedures for decontaminating ships that were in port at the time of the spill.

So within a very short time frame, ship movements commenced. From a business perspective, the issues we faced were several: ships in port had to wait for the contractor and subsequent Coast Guard inspection before they could depart (by Wednesday, December 1 Coast Guard announced it would allow companies to use private contractors to accelerate the clean up process). This limited the ability of ships waiting at anchorage to make their way to their ultimate destinations. In addition, despite the fact that Tsakos Shipping, the owner of the Athos I, as required by OPA90, took initial responsibility for the spill and its immediate expenses, several ship operators had grave concerns about entering a contaminated waterway. Fortunately, these were few, and for the most part, port operators were able to effectively allay any concerns.

While any U.S. port closure is problematic, as most dramatically demonstrated during the 2003 west coast port lockout, the Delaware River is uniquely challenged due to the nature of the commodities we handle. For example, we are home to six major oil refineries, which operate under strict crude oil inventory requirements. An extended shutdown of the port would have disrupted the supply of crude oil to these refineries, and thereby impaired their ability to produce the gasoline, home heating oil, jet fuel, and other refined products critical to the Mid-Atlantic and New England regions of our country. The economic dislocation and costs to consumers and businesses, as well as the refineries themselves, would have been devastating.

The Delaware River port complex is one of the largest fruit and food importing ports in the United States. Over 65% of Chilean and other South American fruits imported into the U.S. arrive at terminal facilities throughout our tri-state regional port complex. The Port of Wilmington, the largest U.S. banana importing port, handles over one million tons of this cargo annually from Central America. The frequency of fruit ship calls rises dramatically at the end of November, which marks the beginning of what we generally call “fruit season” here on the Delaware, and reflects a dramatic increase in Chilean grapes and other South American fruit products.

Because of their perishable nature, these shipments are particularly sensitive to any disruption in the supply chain. On December 2, about a week into the incident, we spoke with representatives of the Del Monte facility in Camden, New Jersey, who were extremely concerned that if the ship scheduled to arrive the following Sunday could not make its schedule, the cargo would have to be destroyed. In general, a ship hauling product for the Del Monte facility typically carries over 408,000 boxes of fruit. At current market prices, the value of cargo in a Del Monte ship includes about \$3-4 million in banana imports and approximately \$3.2 million in pineapples. If indeed the port were closed, or operating under restrictions preventing timely transits, the economic impact to Del Monte – for one ship call – exceeds \$7 million. And this number does not reflect the economics associated with the terminal facility, labor, and the myriad indirect beneficiaries of each Del Monte ship arrival.

Steel is also an important cargo for Delaware River port operators and labor. The lifting of the Section 201 tariffs in December 2003 provided relief resulting in a resurgence of the steel trade lost to this area when the tariffs were first imposed. Yet there remains considerable competition for this trade from neighboring ports – particularly New York and Baltimore. On December 1, we learned that one steel carrier elected to discharge his cargo in Baltimore, resulting in a \$25,000 loss to Penn Terminals in Chester, Pennsylvania, and an associated \$22,000 in labor man-hours.

It is extremely difficult to effectively estimate the impact of an event of this nature. Although individual facilities and/or shippers can provide data specific to their operations, which can certainly be tallied, what cannot accurately be captured in any calculation are potential costs down the road for the vessel operator. Ships schedule their activities well in advance, and delays in one area will effect schedules at the next port of call – leading to additional costs, such as bills for stand-by labor, which can reach to \$30,000 or higher.

The daily cost to operate a ship can range from \$25,000 to \$40,000 on the low end for general cargo ships, to upwards of \$250,000 on the high end for the most recent class of post-Panamex oil tankers. Accordingly, the potential one-day cost to the approximately 20 ships delayed in the 24 hours immediately following the establishment of safety restrictions can be estimated at between \$650,000 to \$1.3 million.

It must also be noted that ultimately, costs are borne by U.S. consumers and manufacturers who rely on the fresh fruit, oil, steel, wood, paper, and other products that arrive at our port each day.

These are just a few examples of the business ramifications that can arise from an event that closes the port or restricts vessel traffic. However, in the case of the Athos I spill, we believe the total potential adverse economic impact was never realized as a result of the timely and effective response to the commercial needs of port businesses.

It goes without saying that we all acknowledge the foremost priority is to contain and clean the spilled oil. However, in recognition of the fact that getting products to store shelves is also important, it must be noted that the Coast Guard as incident commander immediately invited the port community and other interested parties into the Unified Command structure and worked diligently with industry in an effort to minimize the impact on port operations. On behalf of the Mariner's Advisory Committee (MAC), Capt. Michael Linton, President of the Pilots' Association for the Bay and River Delaware, worked with the Coast Guard to help identify measures to be taken to get the port back open for business and to prioritize the movement of vessels while restrictions were in place.

In addition to its role in mass communicating regional updates, and as part of its vessel dispatching activities, the Maritime Exchange is responsible to provide information on individual ship movements, such as estimated and actual arrival and

departure times to the terminal operators, tug companies, line handlers, and the nearly 40 other businesses that “go into action” every time a ship arrives the Delaware River. In coordination with the MAC, we were able to quickly disseminate information on which ships were authorized to move to those port businesses that needed to be able to respond quickly to a continually changing shipping schedule.

There is no doubt in my mind that the Athos I spill had far less negative impact than might have been the case because of the strong and close working relationships among governmental agencies, between government and industry, and among industry partners. Our ability to achieve this level of success in a geopolitical environment that involves three states and multiple overlapping federal jurisdictions should not go unrecognized.

Yet this does not mean that we can't learn from this experience, and identify opportunities for improvement.

One key lesson we need to learn from this tragedy is that both industry and public policy makers must work together to ensure that the U.S. Army Corps of Engineers (COE) is provided with sufficient resources to meet their responsibility to keep federal channels and anchorages open and safe for navigational operations. It is in fact a federal responsibility – and one, quite candidly, that has been shortchanged over the years by this and previous administrations.

The story is clearly told through the FY '05 appropriations process. For the COE Civil Works Programs, the administration proposed \$4.1 billion, the Congress appropriated \$4.7 billion, and the need, as identified by the American Association of Port Authorities (AAPA) is \$5.5 billion.

The Maritime Exchange, along with other public and private port entities, will continue to work closely with our regional Congressional delegation to secure the necessary funding for these critical services. We hope this hearing will help you impress upon your colleagues how critical this issue is to maintaining our national maritime infrastructure. Our concerns on the Delaware River are every bit as relevant and important as those of the ports of New York, New Orleans, and any other port throughout the country – and perhaps even more so given our status as a strategic military port.

From the Maritime Exchange's perspective, which focuses on the facilitation of regional communications, we believe that we need to decrease the lag time between incident occurrence and first bulletin distribution. Unfortunately, minus clear information, people tend to speculate. For example, the Exchange received calls from its membership, colleagues from other ports, and the local and national media asking for verification of the rumor that the port was closed. Obviously, this was never the case, but there is no doubt that competing ports would see these rumors as an opportunity to attract and gain access to those businesses that they would otherwise not be in a position to influence.

Also learned during this spill was that even though information was being relayed to the business community, there were no mechanisms in place for keeping overseas port customers informed. And although the Coast Guard is charged with a public information role, the agency should not be compelled to take on this responsibility in addition to the other more critical aspects of incident response. In the days and weeks following the Athos I spill, our members talked of this need, and we were able to respond accordingly. Because of the number of federal and state agencies, public port authorities, and private terminal operators in the Delaware Valley region, moving forward, we suggest that there be designated a single “spokes agency” for the port, such as the Maritime Exchange or the Mariner’s Advisory Committee. This same protocol could be applied to all regional and external communications – be they safety, security, or business related.

Given the magnitude of the event, it is clear that the framework needed to effectively respond to the oil spill was well in place at the Delaware River. The fact that the port was 100% open for business by December 8 is a testament to the training and preparedness of the Coast Guard, federal and state environmental agencies, the environmental response community, and industry.

Thank you for the opportunity to testify today, and I will attempt to answer any questions you may have.