

COMMENTS FOR THE RECORD BY MIC DINSMORE, CHIEF EXECUTIVE
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SENATE HOMELAND SECURITY AND GOVERNMENT AFFAIRS
COMMITTEE, APRIL 4, 2006

Good morning, my name is Mic Dinsmore and I am Chief Executive Officer of the Port of Seattle.

Thank you for inviting me to testify today before your committee on the important topic of the Greenlane Maritime Cargo Security Act. Last year, The Port of Seattle was North America's fastest growing container port with a record 2,088,000 TEUs (twenty-foot equivalent units) moving through our harbor, making it the fifth largest container port in North American.

In addition, the Port has a thriving cruiseship business, grain and breakbulk terminals and owns and operates multiple recreational and commercial marinas. The Port is one of only a handful in this country located in close proximity to a major metropolitan area. We have baseball and football stadiums less than 200 feet from our terminals, a ferry system that carries 60,000 commuters per day, and thousands of Seattlites who work a stone's throw from our facilities. Seaport security is critical to the Port of Seattle and the City for obvious reasons.

Before I begin my testimony, I want to express my sincere appreciation to Chairman Susan Collins who has been a strong leader in the Senate and the nation on the issue of cargo security. She recognized the need for an innovative approach to port security that will not slow the efficient movement of cargo in the global economy. She also recognizes that we can make significant strides in port security within the boundaries of multiple activities that are already being undertaken on a daily basis. The bipartisan and measured approach taken by S. 2008, the Greenlane Maritime Cargo Security Act, is a true testament to Senator Collin's interest in ensuring that ports in our country are secure. Thank you for your leadership, Madam Chairman.

I also want to commend the senior Senator from Washington State, Patty Murray, who has been a staunch ally on this issue and many others over the years. I spoke with Senator Murray shortly after 9/11 and she was already drafting legislation to address port security. She recognized the gaping holes in port security early on and championed many initiatives to protect ports nationwide. We would not be where we are today, on the brink of making a huge impact on port security, without her leadership and dedication and I want to applaud her efforts.

As I mentioned earlier, I am the Chief Executive Officer of the Port of Seattle. I also have an understanding of how a terrorist incident might impact our economy in my role as Chair of the Board of the Federal Reserve Bank of San Francisco. I was recently elected co-chair of the National Center for APEC (Asian Pacific

Economic Cooperation). My forty years working in and with Asia is all tied to the port and maritime business. I have been CEO of the Port for the last 15 years and served as the Port's Chief Operating Officer and Director of the Seaport Division. Before joining the Port I was Vice President for Sankyo Transportation, a Japanese trucking and warehousing firm, Vice President for Burlington Northern Railroad Worldwide and Executive Vice President for Eagle Marine Services, an operating arm of American President Lines or APL Shipping Company, one of the world's largest. I began in the maritime business as port manager for Sea-Land Services, a U.S.-based shipping line and eventually moved to APL as Director of North American Operations.

The Port of Seattle is very committed to ensuring that our port and those throughout the world are as safe as possible. We recognize that any terrorist incident that might occur at our facilities would have a disastrous effect not only on our business, but on the world economy. We saw some indication of those effects a few years ago when there was a 10-day west coast port "lockout" and manufacturing plants in the Midwest began shutting down. A recent study cited a loss of \$1 billion daily to the national economy as a result of the lockout.

To address some of the holes we see in port security, the Port of Seattle has partnered with the federal government and numerous private companies to do everything it can to enhance security. We began by participating in SST or Safe and Secure Trade Lanes where ocean-going containers were loaded securely, sealed and tracked on their journey from Asia to the US. We partnered with Savi Technology and Hutchinson Whampoa, the world's largest port operator, as well as the PSA (Singapore Port Authority). The Port of Seattle was also involved in the STAR/BEST pilot project in which maritime cargo containers were loaded in a secure environment, sealed and tracked through their journey from the Port of Laem Chabang, through the Ports of Taiwan and Korea and on to the Port of Seattle. The containers were tracked using a real-time Web-enabled software application developed by Savi Technology. Others involved in this project included the Oracle Company, Parsons-Brinkerhoff and Bearing Point. The National Center for APEC spearheaded the effort.

The Port has also been a leader in Operation Safe Commerce, a project designed to determine the best practices for ensuring that ocean-going containers are made safe and secure when loaded, as they are transported and reach their final destination without intrusion. While it is important to ensure that we are continually improving on the technology used to secure containers, I want to point out that there is a huge body of knowledge out there as a result of the work that the Port of Seattle and others have done in the past. We can build off of this experience and make significant progress in port security without reinventing the wheel or spending more time evaluating solutions. Whatever solution is implemented must be dynamic and changing, but there are measures we could put in place immediately that would instantly improve the security of our ports.

In addition to the Port of Seattle's involvement in various pilot projects since 9/11, we have more than tripled our staff in the security arena and used federal port security grant funds to do things at our terminals that will help better secure them. We have installed cameras, underwater detection systems, access controls for facilities, fencing and much other infrastructure. It is important to note that while we have installed some of this security equipment at container terminals, in our case, the terminals are leased by companies that are generally responsible for their own "on terminal" security with Coast Guard, Customs and Border Protection and Port oversight.

It has been almost five years since the attacks of 9/11 and I must say that I still do not sleep well knowing all the vulnerabilities in our port security system. While some progress has been made, it is not enough. The rate at which containers are screened is abysmal and the controls we have for allowing persons to get onto our marine terminals are almost embarrassing. While the hardworking men and women of the Coast Guard and Customs and Border Protection are to be commended for their work to date, we need to significantly upgrade our efforts at seaports nationwide.

I was alarmed to read recently that five years after 9/11, we still cannot intercept containers carrying significant radioactive material as they enter our country. The recent announcement that the borders were "tested" and sufficient quantities of radioactive material needed to make a dirty bomb easily made it across them is disturbing. I am encouraged by the fact that the tests were conducted by the federal government and it clearly shows a willingness for it to correct problems in the system. The same devices used at the borders are the radiation portals we use at ports. While the trucks in the test were stopped, they were eventually "waved" through after what was to be a careful evaluation of their manifest. The technology worked in identifying the radiation, but the techniques and procedures need some changes. Continual testing and refinement of the system will be critical as we move forward. Operation Safe Commerce has been valuable in this regard and I am pleased to see that the Greenlane bill includes a section to help us continue to refine port security activities.

We must have adequate container security, but we also must not impede the flow of goods. The Port industry is a very good one for the US and creates hundreds of thousands of high-paying jobs and substantial business and tax revenue. This business relies on speed and the ability to get import and export goods to market as quickly as possible. We would be doing a disservice to the many communities and US workers who rely on this business for their well-being if we imposed security systems that slowed the movement of goods in the worldwide trade economy.

The port maritime business is global in nature and we must understand that it will be impossible to keep entities affiliated with other countries out of the US, as

investors or operators of some infrastructure. At the Port of Seattle terminals, which are similar to terminals throughout the US, we have one solely foreign firm operating a terminal, one joint venture terminal operation between a So. Korean firm and a US company and two terminals that are operated by a US Stevedoring outfit -- SSA Marine. It is important to note that the only US-operated firm in the US that can handle large container terminals is Seattle-based SSA Marine.

I strongly believe that the issue of port security should not be tied up in Washington, DC politics. The well-being of this nation is linked to global trade and commerce and we cannot simply say that we will no longer deal with certain countries and continue to deal with others. We must all realize that the maritime business is complicated and global. We have steamship lines that hail from many different countries and entities operating terminals from a variety of nations and of course there is the manufacture of the goods, usually using labor from another nation and selling in retail outlets not only in our country, but in many other places in the world. We must not simply reject foreign investments because many US companies that sell overseas will be hurt as will the US economy. We must recognize that we are trying to secure a global network and that much of that network is owned and operated by private entities, many who have foreign ownership. We must be willing to work with those companies as well as their host governments to ensure the safe and efficient movement of goods in the supply chain.

The Greenlane bill includes a strong role for the State Department and calls for working through bilateral agreements with other nations in crafting our overseas port security activities. I cannot emphasize enough how important our relationships with other countries will be in providing adequate assurances that cargo is safe before it leaves their shores. We should also be prepared for the possibility of reciprocal agreements being crafted by other nations who want to ensure that US export cargo is safe to come to their countries as well.

The key element of S. 2008, the Greenlane bill, is its call for container security standards. I have indicated to you how much we have been engaged in port security at the Port of Seattle and believe that with all the pilot programs we and other ports nationwide have conducted, along with private sector partners, we can move forward with cost-effective container security standards. In creating standards, we can use existing data, technology and practices that can be adhered to by the major shippers and shipping lines. Knowing what is in the container before it gets to our shores is critical and that can only be accomplished by fine-tuning the programs we currently have in place. The CSI (Container Security Initiative) and C-TPAT (Customs Trade Partnership Against Terrorism) programs are good concepts, but we need legislation like the Greenlane bill to make them effective. I recognize that some are saying that these programs do not need to be made statutory, but without the "teeth" of statutory requirements and the subsequent funding, these programs will not

provide the sort of security for US ports that they should. The GAO reports of March and April 2005 pointed out a number of problems with the CSI and C-TPAT programs. While some say that these problems can be addressed without a statute, I believe that they will be more quickly addressed with the statute in place.

Access to marine terminals continues to be a huge problem for us. We honestly don't know who is on our terminals and the documentation we use to verify terminal workers is simply a driver's license, which is one of the easiest documents in the country to "forge." Development of a Transportation Worker Identification Card has been mandated by the Congress for some time and it is clear now that it is more difficult to implement than anyone thought. The Greenlane bill does the right thing in directing DHS to develop an access system for marine terminals. While I understand that some want the crimes that will disqualify a dockworker from obtaining a card to only relate to "terrorist activity," I prefer the crimes protocol used at airports. That system requires an FBI background check and in the case of the Port of Seattle and many other airports, we use a biometric card that ensures that whoever uses the card is the person to whom it was issued.

Lastly, it is important to discuss funding. The Greenlane bill proposes taking necessary funding for its implementation from the \$22 billion in taxes, fees and duties currently paid by those engaged in the maritime transportation system and using a small fraction for this bill. Estimates are that only \$5 to \$7 billion of the entire \$22 billion is used for maritime-related programs (agency costs, dredging, etc). The fee issue is especially difficult for the Port of Seattle. We are located very close to the Port of Vancouver, B.C. and additional fees could likely drive cargo north to Canada

For example, the Harbor Maintenance Tax, which is charged in the US and not in Canada, is currently being touted by Vancouver, BC officials as a reason for shipping lines to use the Canadian port instead of either the Ports of Seattle or Tacoma. The tax was initially imposed in 1986 and tripled in 1993. Since this tripling, the Port of Vancouver, BC has grown by leaps and bounds. In 1993 the Port handled about 1/6th the amount of cargo going through Seattle. Currently, the Vancouver Port Authority handles almost as many containers as the Port of Seattle and eclipsed our totals in 2004. The sad thing about the impact of these fees and additional requirements is that they hurt US workers and move jobs across the border. The truck drivers, longshore workers and others affiliated with the Canadian ports are mostly Canadian citizens. We can compete if the playing field is level. The irony is that if additional fees are imposed for security and the US-bound cargo goes through Canada first, we would potentially be reducing the secure nature of those goods because it will be unclear as to whether the same requirements imposed here in the US would be carried out in Canada, yet the product would still transit over the US land border.

Without money to hire the right number of Customs and Border Protection staff to handle the CSI activities in foreign countries the system will not work and the bill's mandates regarding CSI will not be fulfilled. Validation for C-TPAT compliance will also be compromised without adequate staffing. Port security grants are also important and adequate funding must be provided for that program. I want to applaud all the efforts to provide monies in the budget resolution to achieve the objectives of the Greenlane bill and I want to especially thank Senator Collins for her successful inclusion of \$300 million for port security grants.

I'd like to end by offering the assistance of the Port of Seattle as you move forward in efforts to pass this bill and strengthen port security overall. As I mentioned before, the Port has been involved in many different projects to further port security. I want to reconfirm our commitment to be a part of the solution. I urge you to call on me and my institution in the future in the interest of improving port security nationwide.