

**Texas Senate Committee on Transportation**  
**Hearing – February 26, 2020**  
**Port of Houston Authority**  
**Written Testimony of Port Commissioner Wendy Montoya Cloonan Regarding S.B. 2223**

Good morning, Mr. Chairman and committee members – my name is Wendy Montoya Cloonan and I serve as a Harris County appointee to the Port Commission (Port Commission), the governing body of the Port of Houston Authority (Port Authority). On behalf of my fellow Port Commissioners and the Port Authority, thank you for the opportunity to testify this morning on your interim charge to study the implementation of S.B. 2223.

I am relatively new to the Port Authority, so I would like to take a few moments to introduce myself. I joined the Port Commission in 2019 when Harris County appointed me to fill the unexpired term of a retiring commissioner. The county has since appointed me to a full two-year term, on January 28 of this year.

As a native Houstonian, it is an honor serving on the Port Commission and helping guide an institution that has fostered commerce along the Houston Ship Channel for more than a century.

My remarks today will cover two aspects of S.B. 2223. First, I will speak to the actual implementation of the legislation. I will spend a bit more time, however, telling you about the Port Authority's efforts and partnerships to widen and deepen the Houston Ship Channel, to provide two-way traffic on the waterway for the long term.

**Implementation of S.B. 2223**

Maintaining two-way Ship Channel traffic in Galveston Bay was the impetus for the legislation. As you may recall, the concern raised by private industry members was that the numbers of the largest vessels calling at the Port of Houston would grow, and that resulting Houston Pilot safety protocols, limiting two-way traffic when these vessels were introduced, could impact the transit of other vessels carrying other goods.

Accommodating the growth of Texas maritime commerce is an infrastructure issue we are addressing through this federal permitting and construction process the Port Authority initiated in 2010 to improve the Ship Channel. Economic and global dynamics benefiting Texas have accelerated the need to expand that waterway. Simply put, increasing exports, domestic energy production, and petrochemical manufacturing in Texas, as well as state population growth have the potential to outpace the Ship Channel expansion process to accommodate that growth.

While there exist many dynamics related to the economic growth and increase in vessel size globally, the implementation of S.B. 2223 is straightforward – vessels longer than 1,100 feet no longer transit the Houston Ship Channel. There is the flexibility to bring these vessels, in the event

the Houston Pilots and Board of Pilot Commissioners for Harris County Ports determine that two-way routes can be maintained efficiently, and two-way traffic can be conducted efficiently. However, everyone agrees that the long-term solution is widening and deepening the Houston Ship Channel.

### **The Houston Ship Channel Expansion Project**

Even before the consideration of S.B. 2223 by the Legislature, the Port Authority had begun working with the U.S. Army Corps of Engineers (Corps), Congress, and the White House, pursuing paths to expedite the federal process for improving the Ship Channel.

Many of you may already be familiar with the Corps process for constructing a new project. The process for a navigation project like the Houston Ship Channel is much the same as it is for a flood mitigation or environmental restoration project.

Fundamentally, the process has three main components. First a Corps study examines the feasibility of the project. Second, if the study determines a proposed project provides benefits to the nation, the Corps submits its recommendation to Congress, which will consider authorizing the project in Water Resources and Development Act (WRDA) legislation. Third, once passed as part of a WRDA bill, the project is eligible for appropriations in the next Congressional funding cycle and the project proceeds with a 65 percent federal/35 percent federal-local cost share, with construction typically based upon the funding annually allocated by the federal government, matched by the local commitment.

The Houston Ship Channel's expansion project is in the last stages of the feasibility study; it is projected that the Corps will complete that study by the end of March. This timing will enable the project to be considered by Congress in the WRDA bill it is currently developing and that is expected to pass this year.

Once authorized by Congress, if the traditional project process was followed, it would provide an improved channel by the year 2030 or later.

But we believe the Houston Ship Channel can't wait.

With today's dynamics, the employers and manufacturers who make up the greater Port of Houston need a safe and efficient waterway to get their products to the global marketplace today – not in ten years.

The Port Authority is working collaboratively with private companies at the Port of Houston, and in coordination with the Corps, to handle this project innovatively, taking on components of the federal responsibility to make it a reality far more quickly than the traditional process would.

One way the Port Authority is accelerating the process today is by designing the project and contributing its own funds to the Corps for its review of these designs, in advance of WRDA authorization and not afterwards. This means the project can be “shovel-ready” as soon as Congress acts.

Moreover, there are also critical components of the project that the federal government will not build, as a result of the limitations of its benefit-to-cost calculation – even though those project features are the most needed by industry and the most nationally impactful. As a result, the Port Authority has committed to build those components at its cost.

The Port Authority also plans to build most of the balance of the project. It is working with the Corps on agreements to enable it to start construction as soon as next year. Once the funding is assembled, for greater efficiency and lesser cost, the Port Authority would contract for larger dredging contracts, rather than relying on smaller, piecemeal agreements keyed to incremental federal appropriations each year.

Because of the importance of this project, private industry members have previously indicated they are willing to fund up to half of the total project cost, or approximately \$500 million of the total \$1 billion project cost. We sincerely hope we can secure a funding structure to work for the greater good of the Port, the State of Texas, and the nation.

While these seem to be big sums, putting them into perspective, with over 270 million tons of Ship Channel commerce each year, and a 40-year project life, these investments are incredibly efficient. Considering the tremendous volume of cargo tonnage over the waterway each year, this project is the best investment in nationally-significant infrastructure in the country, and the Houston Ship Channel without doubt can be called one of the most important waterways in the world.

## **What is at Stake**

The greater Port of Houston is a critical economic engine for Texas and the nation. It is comprised of the eight public terminals owned and operated by the Port Authority along with 200-plus private terminals. The Port of Houston is home to some of the largest refineries in the country, the nation’s largest petrochemical manufacturing complex, and the largest container facilities in the U.S. Gulf.

The activity at the Port of Houston sustains three million U.S. jobs, provides \$802 billion in economic value, and generates \$38 billion in tax revenue.

The Houston Ship Channel is the busiest waterway in the nation, with roughly 9,000 ship calls each year. Because ships in the Port of Houston frequently visit multiple terminals, this translates to more than 20,000 ship movements each year – on top of the 200,000 barge movements each year as well.

To provide you with some perspective on this activity, according to the U.S. Maritime Administration, annual ship calls to the Port of Houston are nearly equal to the next three busiest U.S. ports combined (Los Angeles, Long Beach, and New York/New Jersey).

As you well know, the domestic oil and gas industry has seen tremendous changes and growth within the last decade. New technologies have unlocked new sources of hydrocarbons. All of this has led to tens-of-billions of dollars of investments in this industry. At the Port of Houston these investments have built and expanded facilities to process these resources and manufacture fuels and other products. It has led to competitive pricing of natural gas, which has led to significant investments in manufacturing petrochemicals, such as plastic resins.

It is critical that these domestic employers and manufacturers have the ability to efficiently export their products to the global marketplace. As the domestic demand for oil and gas continues to decrease, demand will grow in the global marketplace, which will lead to an increase in exports.

In addition, the expanded Panama Canal has impacted U.S. trade lanes with Asia, providing new and different opportunities for efficient supply chains. The Panama Canal expanded because the global maritime industry experienced growth in the size of vessels. Their expansion provided greater efficiency and more cost-effective maritime commerce. For example, the New Panamax size vessel is 25% longer, 50% wider, and 27% deeper than the previous Panamax-sized vessel.

Conclusion: The Port of Houston is the epicenter of these national and global factors and they are driving the need for channel improvements. Our federal and industry partners are working with us to widen and deepen the Houston Ship Channel.

If we have an inadequate channel, we have an inadequate Port, and an inadequate Port means commerce and jobs suffer and ultimately the quality of life of our residents suffers.

Due to the national importance of this project, as well as our joint Port Authority/private industry advocacy and initiatives, our project is getting positive bipartisan support. We hope to have your support as well.

Thank you for the opportunity to speak with you today. I look forward to addressing your questions.