

ANNUAL REPORT- INFRASTRUCTURE CHALLENGES

The New York and New Jersey metropolitan area is one of the nation's most important international and domestic gateways. Over 12% of all the nation's freight passes through this region and more than 21% of that cargo is destined for regions well outside the metropolitan area. More than 100 million tons of cargo moves annually, by vessel, truck and rail, from this region to over 80 million citizens nationwide.

However this region is also one of the nation's most congested areas and the transportation infrastructure is not only aged and in great need of repair, but also woefully inadequate to today's requirements. Because of the history of this region and development of the railroads, New Jersey is the focus of much of the demand. New Jersey is also the primary location for more than 700 million square feet of warehousing and distribution facilities that services that cargo; and, not coincidentally, the beneficiary of the majority of the value-added jobs related to the commerce that flows through the region.

As a service to its members and in the interests of increased productivity for the Port of New York and New Jersey, NYSA has pursued a transportation agenda designed to improve the road, rail and marine assets utilized by its members to move that freight more efficiently while reducing the impact on the quality of life for the region's citizens. The following outlines some of the initiatives that NYSA is participating in to improve the freight system.

THE LIBERTY CORRIDOR PROGRAM

The genesis of NYSA's transportation efforts is the Liberty Corridor Program, a Congressionally funded Project of National and Regional Significance originally created by NYSA staff and members; and currently in the midst of Phase II planning. The planning area covers northern New Jersey and includes a major portion of the regions' multi-modal network. It is designed to clear existing chokepoints, improve and/or complete critical intermodal connections, and promote sustainability and economic development.

It is also designed to complement and draw upon existing programs such as the Port Authority Expressrail investments, the NJDOT Portways Program, the NJ and Port Authority Portfields Program, and the NYSA Port Support Zone Program. The projects listed in the sections below, although not a complete list, are among the many identified for construction under these programs.

LAST MILE CONNECTORS

According to several studies, this region experiences a cost of more than \$7B annually as a result of congestion, the second highest in the nation. A number of projects have been identified to remedy this problem. One project already

underway but requiring additional funding is the North Avenue Corridor project which will benefit not only the warehouses and distribution centers in and near the port but also port access.

A second project is the completion of the NJDOT Portway project to Kearny and the Doremus Avenue project which would improve roadway conditions to the industrial areas adjacent to the port as well as allow heavyweight truck/container access along the Doremus Avenue transect. It would also enhance access and development of the NYSA Port Support Zone/Freight Village development program for multi-use port-related activities in and around the port (see Port Support Zone Discussion.)

A third project is the Port Jersey access project which would improve Route 440 near the Global Container Terminal, the additional container facility planned for the Bayonne Peninsular, and the Greenville Yards rail facility. In conjunction with this project the NJ Turnpike Authority is committed to improvements to the Newark Bay Bridge on the Turnpike extension and exit 14A, an absolutely necessary adjunct to replacement of the Bayonne Bridge (see Bayonne Bridge Discussion.)

RAIL CONNECTIONS

The Regional Rail Access program is designed to eliminate some of the congestion, passenger rail conflict, capacity and connector issues related to the region's growing rail cargo operations. The State of New Jersey, the Port Authority, and the Class I railroads are jointly working on at least eight rail improvement projects throughout the region. The Port Authority has expended more than \$600M in on-dock rail improvements, double-tracking the Millenium Rail Facility, and expanding the capacity of the Corbin Street Rail Facility. The investment, commitment and relatively rapid construction have been noteworthy. However, a flyway to provide unimpeded access to the Corbin Street Rail Facility from the PNCT terminal should remain a consideration of the overall rail program.

A sampling of additional projects includes developing double-stack capacity throughout the region, improving rail access in Bayonne/Jersey City, providing a second track at the CSX Teaneck/Nyack facility, improving the Port Reading to Phillipsburg track, providing a second track to the Kearny/Hackensack connector, track improvements to Marion Junction, and rehabilitation of the cross-harbor rail float operation at Greenville Yards. NYSA and members are also espousing the restoration of shortline (shuttle) service to warehouse complexes such as those in Jamesburg and Cranbury utilizing existing but abandoned lines. In addition to the existing Worcester Shuttle, long range planning should also include a shuttle to Orange County, New York to service the Stewart Airport region.

Finally, due to the fragmented nature of rail operations in and around the port, NYSA continues to advocate a single Rail Coordinator for customer service.

NAVIGATION AND MARINE HIGHWAY PROJECTS

The New York Harbor Project remains a top priority for the Federal Government. It is anticipated that the 50' deepening will be completed on schedule if not earlier; and the US Army Corps of Engineers has done an admirable job reaching its goals.

However maintenance dredging is a major challenge in that the Federal Government has consistently failed to provide the Corps sufficient funds to maintain the 240 miles of navigable channels in the harbor. In some cases the situation is dire and, according to the harbor pilots, presents a navigation hazard. While the New York District of the Corps has called on all its resources to deal with these issues, the lack of funding has been a major problem, and it is clear that the private and public sectors must work harder to secure the necessary funding both for completion of the deepening project and for annual maintenance (see Discussion on Legislative Agenda.)

The Marine Highways concept, formerly known as Short Sea Shipping, has finally come of age as the Congress has officially sanctioned the concept. Moreover there are carriers which are seeking "domestic rates" and labor concessions to enter into the trade. The reality here in this port is that only about .6% of our cargo moves by marine highway, and generally that is slower moving barge traffic. NYSA has been a consistent supporter of the program particularly using faster vessels; and we believe that additional routes north and south as well as to Connecticut and Long Island are possible.

However, while we will continue to support short sea shipping as both an environmental benefit and a reduction in congestion, until Congress chooses to underwrite portions of the program and release some of the legislative constraints, it will remain in the incubator.

THE BAYONNE BRIDGE

As noted in the accompanying section on the Bayonne Bridge, it is a major obstruction to the current traffic in New York Harbor and an impediment to growth. Built over 70 years ago, it spans a critical waterway limiting access to four major marine terminals in the Newark Bay and Arthur Kill complex. At 151 feet in height over the water (air draft) it presently limits even 5000 TEU (twenty foot equivalent) container ships which regularly call on the port. It is a complete barrier to anything larger; and will be the defining obstacle to this harbor in 2014 when the wider, deeper Panama Canal opens.

The Corps of Engineers is currently conducting a cost-benefit analysis of the options. NYSA completed its own analysis and presented it to the Port Authority in

early 2008 recommending construction of a tunnel and retention of the Bayonne Bridge span minus the roadbed for architectural and historical purposes. The Port Authority is also seeking funding to conduct the pre-engineering studies.

However industry has already reached its conclusion: the bridge is the number one priority in the port. Accordingly, because of the size of the investment and the necessity for national and regional partnering, NYSA is working with the Congressional delegation and others to secure funding for this project; and is urging the Port Authority and the Corps to release its study sooner rather than later. Failure to remedy this problem will result in cargo diversions to other ports and increased infrastructure and environmental costs on the region.

LEGISLATIVE/GOVERNMENTAL SUPPORT

NYSA has embarked on a legislative program which will support all of the foregoing initiatives. In December, 2008, representatives of NYSA, the petroleum industry, marine terminals and Nation'sPort met with 15 delegation member staffs in Washington to lay the groundwork for the 2009 campaign.

The legislative program outlined elsewhere in this Annual Report, includes state legislation on the Port Support Zone, the second Federal Economic Stimulus Act, the Bridge Reconstruction Bill, the Truman-Hobbs act, SAFETEA-LU reauthorization (the Surface Transportation Act,) Federal transportation appropriations, the Water and Energy Bill (navigation channel funding) and others.

Finally, NYSA is urging the two states to establish or re-establish offices at the highest level acting with the authority of the two Governors to focus on port issues and assist the various state, bi-state and federal agencies in developing the port and related infrastructure and insuring sustainable port operations well into the future.