

Short Sea Shipping

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*Randy Richardson, president of
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WHILE MARITIME ADMINISTRATOR SEAN T. CONNAUGHTON

may be the chief government promoter of short sea shipping (SSS), Anastassis Margaronis, president of Santa Maria Shipowning & Trading Inc., could be listed among the top maritime industry executives sold on the initiative.

Testifying earlier this year before the House Coast Guard and Maritime Transportation Subcommittee, Connaughton saw short sea shipping, 'or America's Marine Highway,' as he likes to describe it, as a major way of mitigating the port and highway congestion envisioned by the anticipated doubling, tripling and quadrupling of ocean cargo volumes by 2020, the United States is expected to import 30 million containers in 2010 and 40 million 10 years later.

America's Marine Highway, which includes coastal waters, the U.S. inland waterway system and the Great Lakes, Connaughton said, can help us expand our way out of the (capacity) crises before us if properly utilized and integrated. For example, the Mississippi River system transports more than 312 million tons of cargo per year between Minnesota and the Gulf of Mexico. If that system had to be replaced, Connaughton notes, it would require over 12.4 million semi-trucks or 3.12 million rail cars to make up the capacity difference. Annually, in rail capacity alone this would consist of 31,000 trains pulling 100 cars each. "Margaronis, who joined Connaughton on Capitol Hill, was no less enthusiastic about the possibilities of short sea shipping. The shipping executive, whose company was organized to build and operate

containerships for the U.S. domestic trades, said a national short sea initiative would:

- Make ports the nexus of the new short sea network, and become the foundation of a new containerized transportation that reduces thousands of daily truck trips at numerous congestion points around the country.
- Create a new generation of U.S.-manned coastal feeder ships.
- Re-establish the United States as a competitive shipbuilder and create thousands of new family wage jobs in shipbuilding communities.
- Save shippers and carriers money and reduce traffic congestion at major ports.
- Spur the development of a new generation of U.S.-built marine engines powered by non-petroleum fuels.
- Increase education and training of mariners to meet short sea requirements at U.S. maritime academies.
- Develop new partnerships with trucking companies to deliver short sea containers, and develop new, automated cargo handling systems, on-dock rail and alternative power for ships that reduce emissions and fuel consumption. There is no question that short sea shipping could provide numerous benefits for shippers and carriers industry but such an initiative may need an Uncle Sam with some deep pockets to get it all started.

As Margaronis told the subcommittee, establishment of a short sea fund through the Maritime Administration's Title XI loan guarantee program should be a top legislative priority. Such a program would provide the necessary public financing to establish a national network of modern, clean and fuel efficient U.S.-built ships. A \$1 billion

downpayment to the Title XI program, Margaronis said, would provide more than \$20 billion in guarantees to finance new ships, and shipyard and ocean terminal upgrades.

Best of all, no taxpayer subsidy is required and the seas do not require maintenance spending," he added. Highway congestion was the focus of the testimony delivered by Mark Yonge, managing member of Maritime Transport & Logistics Advisors LLC, who said that "short sea service is not as much an alternative to trucking as it is an intermodal alternative for trucking." Continuing, he said, "It is an alternative to excessive traffic jams and congestion on the interstates. This is primarily due to ever-growing, large and dense populations and increasing roadway cargo tonnage. Many roads and highways have more than exceeded their maximum capacity levels as a result of this ever-increasing road traffic."

Congestion and environmental issues have heightened the need for alternatives. Short sea service also offers flexibility to trucking companies in managing the driver workforce, especially with limitations on hours of service and the shortage of available and qualified drivers," he concluded.

Another major vote in favor of short sea shipping was cast by Charles G. Raymond, chairman, president and CEO of Horizon Lines, the nation's leading Jones Act container shipping and integrated logistics company. "It is no longer a question of if our nation's transport infrastructure will start to fail, but when," Raymond said at a recent SSS conference in Orlando, Fla.

Noting that "the expected doubling of container imports in the next decade will put tremendous pressure on an already strained transportation infrastructure,"

Raymond said that SSS services will be able to move cargo from congested ports to ports with available capacity.

Horizon Lines is doing its part by adding new ships to its fleet of 16 U.S.-flag vessels, freeing up ships that could be used as early as 2008 to launch short sea shipping services on the east and gulf coasts. To make this all happen, legislators and agencies must address regulatory issues this year, Raymond said. In the short-term, adjustments to the Harbor Maintenance Tax are required immediately; in the long-term, changes will have to be made to Title XI and Capital Construction Fund rules to encourage vessel and infrastructure investment.

While Connaughton, Margaronis and Raymond sang the praises of short sea shipping, the Government Accountability Office came along with its own view of the initiative. The GAO said in a recent study that while transportation experts have cited numerous benefits for developing short sea shipping, they also have noted numerous obstacles,

“such as shippers’ reluctance to try a different mode for transporting their cargo, that impede its development.” GAO said that the Department of Transportation has made SSS a high-priority option to enhance freight mobility but that its efforts have been too narrowly focused.

Before determining that federal funding should be applied to its development, a thorough understanding of key issues is required. Furthermore, GAO said, public transportation decision makers must guard against waste of limited public resources when making investment decisions in light of growing budget deficits.

The GAO recommended that the DOT Secretary and the Maritime Administrator develop a more thorough understanding of SSS issues before defining a federal role involving substantial federal investment. GAO also recommended that they encourage other public decision makers to use a systemic approach for making

investment decisions on freight mobility projects. GAO recommended a four-step approach for making such investment decisions; assess the merits of projects, analyze the costs and benefits, determine the appropriate level and type of public support, and evaluate project results.

Adding her voice to the chorus of supporters of SSS was Deputy Maritime Administrator Julie Nelson, who labeled transportation system congestion as one of the single largest threats to our nation’s economic prosperity and way of life.”

In a recent speech at the ninth annual National Harbor Safety Conference in Chicago, Nelson said that congestion costs Americans an estimated \$200 billion a year, and three billion hours and more than two billion gallons of fuel sitting in traffic.

“The Maritime Administration, looking forward to playing an important role in the Bush Administration’s Congestion Relief Policy, Nelson said, has begun developing new methods to get vehicle traffic off America’s congestion-prone highways and onto America’s Marine Highways. Through this initiative, my agency is promoting the use of barge traffic to offset the steadily increasing strain placed upon America’s land routes,” Nelson said. “Right now my agency is considering lending support to a new plan to utilize barges to transport cargo containers up and down the James River to facilitate and expedite the shift of cargo from roads to waterways.”

Furthermore, she said that MarAd has signed a declaration with Canada and Mexico to foster the use of inland and coastal operations in an effort to manage congestion and promote trade on U.S. waterways. A result of that partnership was the development of the North American Short Sea Shipping Electronic Information Clearinghouse designed to encourage business communications fostering the expanded use of America’s Marine Highways. The website may be accessed by clicking on Marine Highway Initiative under Programs at www.marad.dot.gov

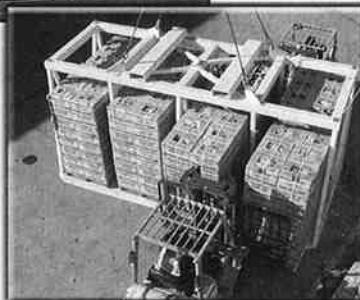
As you might expect, another big booster of river transportation and of the Water Resources Development Act of 2007 passed by Congress over

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President Bush's veto is Randy Richardson, president of Inland Rivers, Ports and Terminals Inc.

Of WRDA, Richardson said in his IRPT News Bulletin a few months ago that his 'greatest concern' is the continued creep of bureaucracy.

Noting that the bill creates a director of independent review, Richardson said an independent panel of experts would review projects bigger than \$40 million. However, peer review can be requested by any member of the review panel, which means that all projects "will likely receive peer review. The only good news is that there are strict time limitations for the completion of peer review, once it is started."

In his News Bulletin, Richardson also refers to the Transportation Research Board for "some important," statistics of interest to inland waterways operators:

U.S. agriculture is expected to contribute \$7 billion to the U.S. balance of trade in FY2007, with exports forecasted to reach a record \$77.5 billion. In addition to agriculture, forest,

fish and seafood products, significant amounts of critical farm inputs such as petroleum, chemicals, lime and steel are transported via ports and waterways in bulk vessels, barges and containers.

U.S. ethanol production is projected to reach 6.5 billion gallons in 2007. U.S. capacity will reach 12.9 billion gallons when 83 plants under construction or expansion are completed. Barges move an estimated ten percent of ethanol with main terminals in Chicago, New Orleans, Houston and Albany.

Eagle Marine Terminals is building the 16.6-million-gallon Gateway Terminal on the Mississippi River at Sauget, Ill. The terminal will be capable of loading 1.26-million-gallon barges, 95-car unit trains and trucks. Another note: barges moved 64% of corn to ports, 56% of soybeans, 35% of wheat and 17% of sorghum.


As you might expect, the United States is not the only country showing an interest in short sea shipping. The concept has been a successful mode of

transport in Europe for many years. For example, the European Commission notes that in the 1990s short sea shipping was the only mode that was able to keep pace with, and to begin outpacing, trucking.

To make full use of short sea shipping in Europe, the commission says, it needs to be seamlessly integrated into logistics chains and offer door-to-door solutions to customers. Furthermore, the notion of competition between modes should be replaced by complementarity because cooperation between modes is vital in door-to-door chains involving more than one mode.

In Washington, D.C., Robert Kunkel, chairman of the Short Sea Shipping Cooperative, pointed to SSS as the alternative to the current rail and highway system that is needed by logistics companies. SSS would complement the existing rail and highway modes, both of which have reached capacity, Kunkel said. The cost to expand that capacity is enormous. {}


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