

7th Annual America's Marine Highways

Trip Report:

The 7th Annual America's Marine Highways Conference was held at the Maritime Institute, Linthicum Heights, Maryland 6-7 April. It was sponsored by the Journal of Commerce. My overall impression is that although the market for ships to support a shift of cargo from the overcrowded highways is still inevitable, the current downturn in US economic conditions has delayed its implementation.

Congressman Cummings:

- There is bilateral support within his committee for repeal of the Harbor Maintenance Tax (HMT), including support of the truck and rail interests. The holdup is in the Ways and Means Committee which is responsible for tax legislation.
- 2007 Energy Independence Act made Short Sea Shipping (SSS) vessels eligible for Capital Construction Fund (CCF) savings. (This allows before-tax profits to be set aside to support vessel construction. Think 401K for ship construction)
- Office of Intermodalism being formed within DOT, which will be an advocate for SSS.
- Looking for ways to expand financing options for SSS
- Title XI not funded within FY2010. It is only carrying over \$43M from prior year funding. Title XI support is required to assist this industry.
- Suggest industry communicate with their representatives and Ways and Means Committee.

Discussion Lead by MARAD, Roger Bohnert, Deputy Associate Administrator

Texas Transportation Institute, James Cruse

- Services not currently cost competitive or time competitive
Drop in diesel price over the past two years has delayed consideration
- Obstacles to SSS not
 - Port infrastructure
 - Jones Act
 - Distance
- Although these are all perceptions of obstacles, there needs to be a standardized design in order to reduce costs, similar to Korean Shipyards and then financing aids – difficult to obtain financing to buy a ship (not insignificant expense, not

like purchasing a truck) where the business plan cannot be verified without a ship which cannot be financed without a proven business plan.

- Check out www.trb.org
 - Transportation Research Board
 - The Publications Index, Marine Highways

“Smart Way,” Marina Silverberg, US EPA

- Improve environmental impact of logistics
- See www.epa.gov/smartway

Provides an overview of what EPA actions and incentives are in place within the intermodal sector.

MARAD, Roger Bohnert

- Marine Highway Projects must be linked to a public sector sponsor in order to seek MARAD/DOT funding support
- Tiger 1 Grants, 2 Marine associated projects for \$52M (see <http://www.dot.gov/recovery/ost/>) regarding recovery funds. Tiger 2 funds expected to apply \$600M to maritime projects.
- Looking for dual use vessels which can support USN strategic sealift requirements

DOT Secretary Lahood

Made the following announcement in support of SSS (taken from MARAD website www.marad.dot.gov) :

Federal Officials Announce Program to Expand Use of America’s Marine Highways

Government to Promote Waterways to Cut Emissions and Reduce Highway Traffic

U.S. Transportation Secretary Ray LaHood today unveiled a new initiative to move more cargo on the water rather than on crowded U.S. highways. Under the “America’s Marine Highway” program, the Department’s Maritime Administration (MARAD) will help identify rivers and coastal routes that could carry cargo efficiently, bypassing congested roads around busy ports and reducing greenhouse gases.

“For too long, we’ve overlooked the economic and environmental benefits that our waterways and domestic seaports offer as a means of moving freight in this country,” said Secretary LaHood, speaking to transportation professionals at the 7th Annual North American Marine Highways and Logistics Conference in Baltimore, MD. “Moving goods on the water has many advantages: It reduces air pollution. It can help reduce gridlock by getting trucks off our busy surface corridors.”

Under the new regulation, regional transportation officials will be able to apply to have specific transportation corridors – and even individual projects—designated by the Department of Transportation as a marine highway if they meet certain criteria. Once designated, these projects will receive preferential treatment for any future federal assistance from the department or MARAD.

“There are many places in our country where expanded use of marine transportation just makes sense,” said David Matsuda, Acting Administrator of the Maritime Administration. “It has so much potential to help our nation in many ways: reduced gridlock and greenhouse gases and more jobs for skilled mariners and shipbuilders.”

The Marine Highway initiative stems from a 2007 law requiring the Secretary of Transportation to “establish a short sea transportation program and designate short sea transportation projects to mitigate surface congestion.”

Earlier this year, Secretary LaHood announced \$58 million in grants for projects to support the start-up or expansion of Marine Highways services, awarded through the Department’s TIGER grants program. Congress has also set aside an additional \$7 million in grants which MARAD will award later this year.

The final rule announced today can be found [here](#) and is expected to be published in the federal register tomorrow.

DMV, Henning Mohn

Coastal shipping in Norway is currently stagnant and struggling.

Humboldt Maritime Logistics, Stephen Pepper

Break even point for diesel for SSS is \$3.48/gal

Sea Bridge Freight, Hank Hoffman

- “explosive growth” in Brownsville – Tampa freight demand between present and 2020
- Currently uses 1 600 TEU barge
- Carry dense, heavy, ceramic tile and is competitive with trucking

Jon Kaskin, N43 Office of CNO

- Looking for dual use ships to fill upcoming gap in strategic sealift capacity
- ≥ 15 kts; 10,000 nm; 96,000 ft² cargo

International Shipholding Company, Erik Johnsen

Their studies indicate that the following design / cost should be industry's goal for a standardized coastal shipping product which would be competitive with trucking / railroads.

- Concept design, ≤ \$60M
- RO/RO
- 575'
- 28' draft
- 2 decks
- 2 props
- Bow thruster
- Dual fuel, LNG and diesel electric
- 15 kt (18 kt sprint)
- US built / US crewed
- 200 - 53' trailers

NASSCO; Fred Harris

- Three standard designs required to satisfy US coastal trade
- 150 ships required within the next 10 years

Recommendations:

- Continue support for the America's Marine Highways Initiative within NSRP. As can be seen by both Jon Kaskin's comments and those from MARAD, they are in support of designs which will help to overcome a projected deficiency in strategic sealift resources.

Dave Wood
PDMT Panel Chairman