

**DRAFT SUMMARY
MARAD 3RD ANNUAL
SHORT SEA SHIPPING CONFERENCE
OCTOBER 13-15, 2004
NEW YORK CITY**

Conference Summary

MARAD held the 3rd Annual Marine Transportation System (MTS) Short Sea Shipping (SSS) Conference in New York City, October 13-15, 2004. The Conference built upon the ideas exchanged in the two previous MARAD annual conferences and focused on initiatives designed to stimulate SSS services in the United States. Over 250 representatives of the public and private transportation sectors, both domestic and international, came together to formulate a comprehensive plan to expand our nation's water transportation system and meet our growing surface congestion needs.

Summary of Introductory Speeches

Chuck Raymond, Chairman and CEO, Horizon Lines; Past Chairman Marine Transportation System National Advisory Council, opened the conference by declaring Short Sea Shipping a critical component of the nation's future transportation system and calling for the integration of SSS into the national transportation planning process. He emphasized that the SSS concept envisions waterways as a complementary mode to trucks rails and pipelines to move freight to final destination, not as one in competition with these other modes.

Mr. Raymond noted that MARAD and the Department of Transportation (DOT) are actively supporting SSS as environmentally friendly, cost-effective method to move freight. In addition to the environmental and congestion mitigation benefits that are inherent in SSS, Mr. Raymond pointed out that SSS operations will require new technologically advanced infrastructure, vessels, and crews, and thus will help revitalize the U.S. Merchant Marine and U.S shipbuilding industry.

Mr. Raymond remarked that SSS offers the opportunity to expand transportation infrastructure and meet cargo and freight demands being placed on rail and highway. However, there are still systematic obstacles to new service developments that must be overcome to incorporate domestic and international SSS into the national transportation system. While considerable progress has been made, much work remains if water is to truly be integrated into the intermodal transportation system. Policymakers must follow the example of the European Union (EU), which has put SSS and coastal shipping high on priority list. While public and private sector leaders in the U.S. agree SSS is an important concept, there has been no agreement about its implementation.

However, recent developments in the public policy arena are positive. The General Accountability Office (GAO) has begun an independent review of SSS and its potential role in the national transportation system. Furthermore, DOT's SEA-21 initiative is currently under review. SEA-21 would include the resources to let local ports meet increasing needs and would leverage funds from public and private sectors to support infrastructure development and SSS operations. Mr. Raymond noted that this was movement in the right direction, as "real progress requires real commitment on the part of political leaders and the commitment of money" to further SSS.

Mr. Raymond concluded with a request that MARAD take action and apply real resources to the initiative and challenged conference participants to develop a plan of action by the time the conference concluded on Friday

Chris Ward, Commissioner, N.Y. Dept. of Environmental Protection, welcomed conference participants to New York City. Mr. Ward stressed the importance of public/private sector communication to the development of Short Sea Shipping. He noted that the private sector must communicate, in a coherent fashion, where the return will be for SSS operations, while the public sector must learn that without the appropriate regulatory environment, SSS could result in a case of missed opportunities to address economic and quality of life issues in the United States. Mr. Ward identified the real challenge of the conference as learning how to bring the government's (both federal and local) transportation framework together with private investment to promote SSS.

Norman Mineta, Secretary of Transportation, gave videotaped remarks to conference participants, thanking them for the commitment to SSS. Secretary Mineta noted that projections call for freight to spike by 60% in next twenty years and that Short Sea Shipping offers exciting options for expanding capacity and relieving congestion. He stressed that SSS is not about taking jobs from trucks and railroads, but rather about adding capacity to reduce bottlenecks and promote efficient movement. Secretary Mineta stressed DOT's commitment to the development of SSS and its integration into the national transportation system.

Captain William Schubert, Maritime Administrator, provided conference participants with an update on MARAD's Short Sea Shipping initiative. Captain Schubert noted that after the first SSS conference, it was clear that DOT needed to promote SSS as a clear departmental policy. He then affirmed that SSS is truly an established transportation policy that is moving forward within the Department and outlined several recent events that have furthered the initiative.

The DOT Office of Policy has commissioned a SSS study to build a business model for short sea shipping. DOT and MARAD are also heavily engaged in efforts to educate the general public, Congress, and state officials on the merits of the SSS initiative, efforts that have resulted in coverage of SSS issues in the mainstream press for the first time. The Department has also prepared reports to Congress on maritime policy, laying out the groundwork for SEA-21 and its Short Sea Shipping components, and on congestion in the major U.S. ports, which underscores the need for strategies to mitigate growing

bottlenecks. The MARAD FY 2003 Annual Report to Congress also highlights SSS and its role in the U.S. transportation system. Captain Schubert also noted that GAO, recognizing that there is tremendous interest on Capitol Hill in SSS, has initiated an independent SSS study. Finally, the recently enacted Coast Guard authorization bill requires DOT to undertake an in-depth study of the role of SSS on the Great Lakes. This is the first time that congressionally-initiated SSS legislative language has been directed back at MARAD, showing significant progress in developing congressional interest in the topic.

Captain Schubert also described the recent congressional enactment of a corporate sales tax bill that contains a tonnage tax provision supported by MARAD and the maritime industry. Calling the enactment of a tonnage tax regime the most significant maritime-related legislative development since the Merchant Marine Act of 1970, Captain Schubert said the lowering of taxes on shipping operations could have significant implications for SSS. Further analysis of the legislation and its potential impacts on SSS is ongoing.

Captain Schubert then described international efforts designed at enhancing SSS. He called the US-Canada Memorandum of Understanding (MOU) on Short Sea Shipping a success, noting that the Great Lakes have had very good year and that further progress can be made. He pointed to an Erie PA study that shows that the port could implement a ferry service to Canada that would generate \$27 million to the local economy and 5-6 percent increase in trade capacity with Canada. Captain Schubert stated that MARAD is proposing exemptions to the Harbor Maintenance Tax that would alleviate some of the impediments to the development of SSS operations.

Captain Schubert concluded by stating that the success of SSS will require significant federal initiatives and noted that SSS is an integral component of the Department's SEA-21 proposal, a comprehensive initiative to address the needs of the marine transportation system. The initiative will include provisions to address the infrastructure needs of ports through public and private investment and seek to incorporate SSS into the national transportation system. Captain Schubert assured the conference that the movement of SEA-21 is a top priority in DOT.

Captain Schubert then congratulated the Short Sea Shipping Cooperative (SCOOP) for its efforts to promote Short Sea Shipping and provided the organization with a check for \$50,000 to continue its work.

Emile di Sanza, Director General, Marine Policy, Transport Canada, described Canadian efforts to promote SSS. The Canadian marine sector moves more than \$100 billion of goods annually, and marine-based traffic between the U.S. and Canada has increased by 25 percent since the mid-1990s.

Mr. di Sanza noted that Canada's marine priorities are maintaining secure and efficient corridors, harmonizing transportation security regimes with those of its trading partners, and ensuring that the marine sector operates in a coherent policy framework. He stated that Canada's focus is on modal integration, recognizing that there must be a coordinated

effort among transportation providers and users and that policy decisions must be based on the entire system rather than individual modes.

Canada is looking at Short Sea Shipping as a way to improve utilization of waterway capacity, strengthen intermodalism, alleviate congestion, facilitate trade, and reduce greenhouse gas emissions. Mr. Di Sanza pointed to the signing of an MOU with the U.S. as an important step in promoting collaborative development and implementation of Short Sea Shipping operations.

Mr. di Sanza noted that Canada has held eight regional workshops, bringing together industry and government stakeholders to gauge interest and awareness of SSS and examine the scope for a business case and public policy framework. These workshops set the stage for the Canada's first national marine conference on SSS, which will be held November 3-5, 2004. Canada is also developing a promotional website to share information, research, and opportunities for short sea shipping.

Canada has already witnessed some potential SSS applications. Mr. di Sanza pointed out that some Canadian trucking companies have discovered benefits for truckers in using an express barge from NY harbor to Albany, as the service allows them to do five roundtrips instead of three. In this respect, SSS can be seen as a complementary application that enhances rather than detracts from other modes of transportation.

Mr. di Sanza then discussed the challenges SSS must face to become successful. Among these challenges are the need to respond to seasonal closures; the development of appropriate infrastructure to enhance integration with other modes; the need to meet market demands on cost, reliability and scheduling, and to ensure a steady flow of sufficient cargo volumes; and the need for close public and private partnerships. Mr. di Sanza stressed that surface congestion is not an overriding concern in all areas of Canada and that SSS must be cost efficient with respect to other modes to succeed.

Mr. di Sanza closed by noting that it is important to show timely progress. While establishing a fully functioning system of SSS will take time, positive developments have already arisen in part due to the considerable shared interest of both government entities and private industry in making SSS a success.

Summary of Panel Discussions

After opening remarks, the first of four panel discussions commenced. The panels covered the following topics:

- Panel 1: The European Experience – A Case Study Presentation and Discussion
- Panel 2: The Integration of Short Sea Shipping into the State and Local Transportation Planning Process
- Panel 3: The Users' Viewpoint – The Marine Transportation System and Short Sea Shipping

- Panel 4: New Trends Discussion – The Growth of Technology and Service Innovation
- Panel 5: Market Research – Vital to Short Sea Shipping
- Panel 6: The Labor Viewpoint – What Will it Take to Make Short Sea Shipping Profitable, Efficient, and Worker Friendly?
- Panel 7: Capitol Hill Action – Maximize Congressional Support for the Development of Short Sea Shipping Services

Panel 1: The European Experience – A Case Study Presentation and Discussion

The first panel was moderated by **Martin Jones**, Head of Logistics Policy Division, United Kingdom Department of Transportation. Panelists included **Xander van Holk**, Ministry of Transportation, the Netherlands and **Marc Abielle**, Managing Director, Short Sea Promotion Center, France. The panel focused on the development of SSS operations in Europe and discussed ways in which European nations have successfully promoted SSS development.

Mr. Jones opened the panel by asking the audience to identify both obstacles to SSS and factors that encourage it. Some of the obstacles identified by the audience were cost; labor; available land; regulation; public-private partnerships; consistent freight; performance; market; clear concept; and loss of jobs. Factors encouraging SSS included profits; costs; emission and congestion reduction; deregulation; terrorism; unreliability of road (performance); and safety. Mr. Jones tied the obstacles and encouraging factors together by stressing that SSS's goal is to achieve the sustainable distribution of goods while minimizing the impact on society in terms of safety, environmental damage, and other transport users.

Mr. Van Holk noted that in the second half of the 1990s, growing pressure on road capacity and the associated negative impact on the economy and environment led European nations to promote Short Seas Shipping operations as an alternative to road transport. The government of the Netherlands brought together relevant parties to identify important bottlenecks and open lines of communication, and in 1997 the SSS Promotion Center, supported jointly by government and industry, was founded. The Promotion Center's mission is to improve the image of SSS, provide independent information about opportunities for SSS, and represent the SSS industry before government. The success of the Netherlands' effort is clear, as today there are more than 225 SSS liner services in the Netherlands, offering more than 400 departures weekly. In 2001, 40 percent of ton kilometers of freight was transported by SSS, compared to 45 percent transported by road.

The European Commission (EC) has also developed several programs to promote SSS, including the Marco Polo and Trans European Transport Network (TEN-T) projects. The Marco Polo program provides funds for start-up and operating costs of SSS. Under the current program, 100 million euros are available for SSS projects through 2006, and the EC has proposed to raise the budget to 740 million for 2007-2013. Meanwhile, the TEN

program funds mainly infrastructure and facility development. Proposals must be submitted by two member nations and focus on reducing congestion or linking two nations.

Mr. Van Holk stressed that the Europeans view the government's role in SSS as one of facilitator. To that end, almost all policy measures are aimed at creating level playing field for SSS, looking at whole logistical processes, creating understanding and commitment among all stakeholders, and keeping SSS on the political agenda.

Marc Abeille reiterated the role of European promotion centers in the development of SSS, noting that promotional centers in individual EU nations have formed an alliance known as the European Short Sea Network. He stressed that nations do not work in isolation on Short Sea issues, but rather hold bi- or multilateral conferences, sponsor joint studies, and conduct shared research to promote the development of new Short Sea links between nations.

One of the major themes that arose from the panel discussion was the difference between road and maritime relations in Europe and the United States. The European panelists all noted that road transportation has never been as dominant as it has in the U.S., due to a number of factors such as geography, fuel costs, and environmental concerns. The panelists pointed out that SSS does not result in lost jobs due to the tremendous growth in freight, and in fact it has been a necessity in absorbing growth in transport. European restrictions on truckers on weekends have also caused truckers to look at other ways to move goods, and at least one major trucking company has started maritime division.

One member of the audience asked how the implementation of SSS between Spain and the Netherlands was resolved with the truckers, and the panelists responded that they were not aware of any problems. Several audience members pointed out that the cultural, regulatory, and geographical differences between the United States and Europe make it difficult to directly compare road/maritime interaction in the case of SSS. The panel was asked whether a traditional road hauler sees SSS as competitor. Panel members responded that SSS is not seen as a competitor, but rather as a complementary part of the distribution chain. From the beginning, SSS in Europe has been viewed as complementary to road and a welcome part of an integrated transportation system.

While several differences between the U.S and Europe were discussed during the panel, all panel members agreed that the SSS success that has been experienced in the EU could be replicated in the U.S.

Transportation Planning in New Millennium

Prior to the commencement of the second panel, **Rick Gimello**, Commissioner, New Jersey DOT, discussed transportation planning and the role of SSS in an integrated system. Mr. Gimello remarked that public and private stakeholders currently are faced with two major questions in transportation planning: 1) What is the best response to

growing freight demands; and 2) How to best coordinate intermodal shifts to take advantage of the economic opportunities associated with expanding trade?

Mr. Gimello presented SSS as a potential solution to increased capacity demands, noting the economic and environmental benefits associated with its implementation. He stated that SSS must be incorporated into transportation planning and described the new Port Inland Distribution Network (PIDN) for distributing containers for the Port of NY/NJ, which uses barges and rail in addition to trucks. Mr. Gimello noted that both the public and private sectors are playing an integral role in the PIDN partnership.

However, Mr. Gimello noted that if SSS is to be a viable alternative in transportation planning, it is essential to maintain a systems level view and understand how various elements of the supply chain work together. He underscored the need to understand the market and identify obstacles to SSS services being utilized to their full potential; to engage all stakeholders, including Metropolitan Planning Organizations (MPOs); and to define the public policy implications of this kind of a modal shift. Finally, Mr. Gimello emphasized the need to address SSS feasibility issues, including market size and product acceptance, the availability of physical facilities, the economics of barge and rail transport, and investment and resource needs.

Panel 2: The Integration of Short Sea Shipping into the State and Local Transportation Planning Process.

This panel was moderated by **John Baniak** of the I-95 Corridor Coalition and included **Larry Collins**, Director of Trade Development, State of Louisiana Department of Economic Development; **Richard Armstrong**, Director of Port Development, State of Massachusetts, Governor's Seaport Council; **Herb Packer**, Executive Director of PennPorts, State of Pennsylvania Department of Community and Economic Development; **Tony Vasil**, President, A.J. Vasil Associates representing the State of New York Albany Port District Commission; and **James Wang**, Executive Director, State of Connecticut Greater Bridgeport Regional Planning Agency. This panel addressed the role of state and local planning organizations and governments in developing SSS.

The panel identified several economic advantages for states through the implementation of SSS. Mr. Collins pointed out that SSS can have a significant impact on economic development in areas such as Louisiana, where road congestion and environmental degradation can negatively affect tourism and the ability to recruit companies to the state. Mr. Armstrong reiterated this point by noting that congestion causes outside investment and mobile citizens to leave areas, resulting in what he called the "brain drain." He also noted that SSS could attract and foster the development of small business by positioning itself as a faster and more cost-effective transportation alternative. Panel members described the ongoing development of several SSS operations in their states, including Chatham Service Group's container on barge demonstration project at the Port of Pittsburgh, ISG's movement by barge of steel coils from Baltimore to Bucks County PA (which the company has noted was driven by a tight supply of rail cars, new trucking

regulations, and the difficulty of finding drivers) and the Albany Express Barge that currently averages 400 containers on barge per month through its weekly service.

However, the overarching theme of the panel was that the public and private sectors must work together to make progress on SSS initiatives. Panelists, however, expressed different opinions as to the proper manifestation of such partnerships. Mr. Armstrong stated that state government must set the overarching SSS policy. He stressed the need for a top-down approach in which state leaders set a framework for SSS and then bring in Municipal Planning Organizations, transportation planners, and other stakeholders. He also noted that SSS is an ideal way to leverage state investment, as it will attract federal and private funding as well.

Meanwhile, Mr. Packer noted that SSS must be private-sector driven, while also noting the importance of a public private partnership. He noted that one area in which the public sector must take action is with respect to exemptions for SSS from the Harbor Maintenance Tax (HMT). The need for HMT exemptions was stressed by all panel members as a necessity to the development of successful short sea shipping operations. Mr. Packer also stated that MARAD should do a better job of identifying funding sources that can be utilized by private companies. Several panelists appealed for a direct federal funding source. However, both audience and panel members pointed out that any public subsidy would eventually end, and SSS operations must be positioned to become commercially viable on their own.

Panel 3: The Users Viewpoint – The Marine Transportation System and Short Sea Shipping.

This panel was moderated by **Ed Emmett**, President, TranSystems Advisors, and included **Joel Hoiland**, President, International Warehouse and Logistics Association; **Peter Shaerf**, Sr. VP, American Marine Advisors; **Gregg Troian**, Chairman, Pitts Logistics Systems, Inc; **Craig Fuller**, VP General Manager, Xpress Direct; and **Wayne Smith**, VP Marketing and Vessel Traffic, Seaway Marine Transport. This panel focused on ways SSS operations could appeal to potential users of their services and addressed the need for communication between providers and users.

This panel began by identifying an information gap between SSS providers and users, noting that many non-asset based transportation providers do not have an understanding of SSS and its potential advantages. The panel emphasized the importance of understanding logistics and supply chain strategy to market SSS to potential users. One panelist noted that the new generation of logistics providers have a view of the transportation industry that is very different from the past and are open to innovative, intermodal solutions such as SSS. Another encouraged SSS operators to identify planners of supply chain strategies and make contacts and provide information – in short, to market their services to companies that might otherwise be unaware of SSS opportunities. Mr. Troian noted that his company is mode neutral, with an objective of providing the best service at the best price. He cited a lack of awareness of SSS on the part of logistics operations, and asked whether his company should already have been

aware of SSS opportunities. One audience member encouraged shippers to join SCOOP as a way of facilitating dialogue.

Mr. Fuller, whose company is the 5th largest truck carrier in the U.S., said that two years ago the company set out to diversify and is now the 3rd largest intermodal user in the U.S. Citing market conditions against truck carriers, including a driver shortage, he stated that his company no longer wanted to be known as a trucking company, but rather as a solution provider. Mr. Fuller also acknowledged that the significant shortage in truck drivers has led to a situation in which companies will do whatever it takes to keep drivers, including deferring freight that is driver-unfriendly to other modes of transportation. To that extent, he stated, SSS operations need not be less costly than trucking to motivate companies to use their services, as the “economics of maintaining drivers has become more important than economics of transporting freight.” However, other panelists stressed that SSS must not cost significantly more than trucking services if it is to be utilized.

Another theme of the panel was the “build it and they will come” concept. One audience member noted that an SSS system would not work without cargo to transport. He stated that since SSS operations do not know the logistics business and logistics businesses do not understand SSS, it is difficult to identify the potential market and price for SSS services. As a result, without some guarantee that cargo will exist, potential operators of SSS are hesitant to expend the capital costs necessary for start-up. One panelist responded that if a company were to set up operations to transport cargo into New York City, or similarly undesirable locations for truck drivers, he could guarantee cargo would be available. Mr. Hoiland also pointed to the Los Angeles area, with its overwhelming congestion, as one in which logistics providers are looking to find alternatives to trucks.

However, another panelist noted that the perception of some shippers is that SSS providers are risk averse, and that potential operators must embrace an entrepreneurial spirit and have enough confidence in their product to build services without a guarantee of cargo, which, as he noted, shippers are unlikely to give. The panel agreed that if operators would offer a service that provides the level of service they want at a reasonably competitive cost in areas in which they need alternative services, shippers would use SSS.

Panel 4: New Trends Discussion

This panel was moderated by **Rear Admiral Richard Larrabee**, Port Commerce Department, Port Authority of NY/NJ and included **Richard Couch**, President, Osprey Lines; **Kenneth Szallai**, President, Lake Express; **Hermann Janssen**, Naval Architect, NAVTEC Consult; and Joseph Riccio, Executive Director, Bridgeport Port Authority. This panel discussed current SSS operations and new technology that is being developed to promote the implementation of SSS.

Mr. Couch and Mr. Szallai described some of the recent successes of Osprey and Lake Express, respectively. Mr. Couch provided an overview of Osprey's inland and oceangoing barge networks in the U.S. Gulf Coast, noting a 40 percent growth on the inland side this year and an anticipation of significant growth on the ocean side in the near future. He stated that a great deal of his company's success is its ability to provide transport services at less cost than truck hauls over the same route. Meanwhile, Mr. Szallai presented Lake Express, which operates between Milwaukee and Muskegon, as evidence that a SSS operation can be efficient and cost-effective in the right market. He noted however, that SSS situations are not homogenous, and the development of any new operations should be based on a well-researched business plan that understands the nature of individual markets and SSS application. He also cautioned that a developing operation should be careful to acquire an appropriate vessel that will support the trade it is in.

Mr. Riccio outlined the development of the barge feeder service for the Port of Bridgeport, Connecticut, which resulted when the Bridgeport Port Authority was approached by the Bridgeport MPO and asked to establish a Short Sea Shipping Service. While Mr. Riccio noted that it took some time for the state to comprehend the program, the Port Authority and MPO were able to convince the state of the benefits associated with congestion mitigation. At the end of the second year of operations, the ferry will take 33,000 containers off of I-95 in Fairfield County. Mr. Riccio said that the trucking industry has shown tremendous interest in the project.

Mr. Janssen provided a description of the Trans Sea Lifter (TSL), a new vessel specifically designed to facilitate Short Sea Shipping. The TSL exchanges inbound barges for outbound barges, allowing the aggregation of disparate cargoes into one load and facilitating fast turnaround. He predicted a full capital investment return within five years for the TSL, which has undergone a preliminary systems design and economic feasibility study, and is now in the stage of negotiating licenses.

All of the panelists agreed that the development of new technologies for SSS, while time-consuming, would foster the implementation of new services. While the United States is seen as somewhat lagging behind its European counterparts in technology development, the gap is narrowing.

Panel 5: Market Research – Vital to Short Sea Shipping

This panel was moderated by **John Vickerman**, TranSystems Corporation and included **James Brogan**, Cambridge Systematics; **Robert West**, Managing Director, Global Trade and Transportation, Global Insight Inc.; **John Reeve**, President, Reeve and Associates; **Robert Hebert**, Senior Freight/Intermodal Associate, Wilbur Smith Associates; and **Ben Hackett**, Executive Managing Director, International Consulting, Global Insight Inc. This panel focused on the importance of identifying and understanding the current and potential markets for SSS.

The panel identified a need for an in-depth review of the market viability of SSS, noting that there has been no comprehensive look at the potential short-sea shipping market and

types of supply and distribution chains that could be candidates for diversion. The panelists contended that there exists a limited understanding of the cost, speed, and reliability of SSS, and well as limited outreach to industry partners. While acknowledging that many entities have calculated various models, the panelists stressed the need for consistent, shared data that would be viewed as credible by potential users of the service.

However, despite this lack of a complete picture of the SSS market, several panelists pointed to studies that show the potential for commercially viable services. Mr. West outlined a study of Central American nations that showed potential profit from various SSS lines on the Pacific and Atlantic coasts ranging from \$17 to \$28 million dollars. Integral to success of the potential operations is the notion that SSS should complement rather than compete with trucking. Mr. Reeve described study results that showed there is a potential U.S. domestic SSS market of 80 million truckloads, and noted that a domestic coastal shipping service needs to capture a relatively small share of the market to be commercially viable. Mr. Hebert spoke of a study commissioned by the state of Florida to collect data in anticipation of creating a strategic intermodal system. The study, which featured communication with over 400 stakeholders, found that coastal shipping is limited in Florida, despite its obvious geographic resources. The study recommended that in order for SSS services to thrive, there must be scheduled and reliable service, competitive price, specialized infrastructure construction, and dedicated SSS terminals located on site that complement truck terminal operations.

Suggestions for next steps in developing SSS operations included understanding industry logistics patterns (it was noted that success in SSS may not be tied to a specific commodity type but rather to a specific logistics pattern); building partnerships with DOTs, MPOs, economic development agencies and other members of the maritime community; and creating incentives and pilot tests for SSS operational development. Panelists also acknowledged that the costs of setting up SSS operations are very high and that an initial “helping hand” is needed. A public-private partnership and government intervention is necessary for SSS to overcome developmental impediments and succeed

Panel 6: The Labor Viewpoint

This panel was moderated by **Richard Berkowitz**, Pacific Coast Director of the Transportation Institute and included **Richard Hughes**, Secretary-Treasurer Atlantic Coast District ILA; **Tim Brown**, President, Master Mates and Pilots Union, and **Augustin Tellez**, Vice President of Contract, Seafarers International Union. This panel focused on the role of Labor in promoting SSS.

Mr. Hughes stated the ILA’s belief that domestic SSS will be revitalized and become commercially viable in the near future, and expressed ILA’s strong support for its inception. Mr. Hughes noted that the ILA is willing to work with any employer to commence with an SSS contract and is committed to offering a competitive agreement to ensure that SSS can become economically viable.

Mr. Brown focused on the need for all stakeholders to come together to educate, promote, and develop Short Sea Shipping. At the same time, while stakeholders must all work together, Mr. Brown advocated a “hub and wheel” approach in which one stakeholder would coordinate the others to foster communication and shared efforts. He identified a federal agency, perhaps MARAD, as the appropriate entity to fill this role, citing the federal government’s role in the most significant impediments to SSS, which he described as regulatory/legislative initiatives, customs funding, and security costs.

Mr. Tellez began his presentation by raising concerns that SSS could be used as a vehicle to circumvent the Jones Act. Kevin Krick, MARAD’s Senior Advisor for Maritime Policy, stated in response that MARAD and Captain Schubert fully support the Jones Act and have no intention of weakening it through the utilization of SSS. Mr. Tellez also argued that the concept of “build it and they will come,” as had been expressed by previous panels was faulty, noting that the capital costs are too great. Ultimately, a potential SSS provider will only emerge if there is a market. Mr. Tellez also advocated for a federal role in assisting SSS operations to develop, citing the fact that SSS is a national benefit that should be supported by the government. He concluded by noting that the SIU is prepared, within the context of preserving the Jones Act, to address this as a new industry and move forward.

Congressional Update

Before the commencement of the seventh panel, conference participants heard remarks on the status of congressional interest and action on SSS.

Kevin Krick, MARAD’s Senior Advisor for Maritime Policy, discussed in broad terms MARAD’s and DOT’s efforts in promoting SSS and outlined recent Congressional action affecting the maritime industry. Mr. Krick noted that the passage of a tonnage tax regime in the recently-enacted corporate sales tax bill would be of significant importance to the industry. He also described several pieces of legislation designed to modify the Harbor Maintenance Tax and its application to SSS. Finally, Mr. Krick discussed the Department’s SEA-21 initiative and said that the Administration is moving forward and actively promoting this comprehensive overhaul of maritime policy.

Mr. Krick then introduced Congressman Jerry Nadler (D-NY). Congressman Nadler opened his remarks by noting that the nation’s free trade policy has and will continue to exacerbate freight levels, necessitating highly-developed port infrastructure and innovative cargo movement methods. The Congressman pointed to New York’s Port Inland Distribution Network and its success in moving cargo through the utilization of SSS and rail in addition to trucks.

Congressman Nadler stated that Congress is “anxiously and eagerly” awaiting the unveiling of SSS legislative proposals. He raised concern that as of yet, Capitol Hill has heard only about studies and encouraged further action in developing concrete proposals. The Congressman stated that funding for transportation projects is very tight and expressed a belief that funding for SSS and other innovative transportation proposals

should come from general revenues. To this end, he advocated the elimination of the HMT as it applies to SSS, noting that funding sources should not suppress activities the government is trying to promote.

Congressman Nadler concluded by saying that he is looking forward to the presentation of SEA-21 and hopes that it will include an adequate funding source to develop SSS.

Panel 7: Capitol Hill Action – Maximize Congressional Support for the Development of Short Sea Shipping Services.

This panel, moderated by Jean McKeever, Associate Administrator for Shipbuilding, MARAD, included Mark Ruge of Preston Gates Ellis LLP and Jonathan Waldron of Blank Rome LLP. The panel addressed strategies for cultivating congressional support for SSS initiatives.

Mr. Ruge encouraged conference participants to form a strong coalition to present SSS initiatives to the Hill, stressing that the time had come for industry to carry the proposals rather than MARAD. Without a strong industry presence, Congress will ask why all the stakeholders are not promoting the initiative. Mr. Ruge pointed out that the time for congressional action is ripe, as the leadership of the relevant committees are powerful and pro-maritime and TEA-21 has yet to be passed. He also cautioned that no action will occur in the face of trucker opposition and encouraged whatever coalition is formed to cultivate truckers by presenting SSS as an intersection of transportation interests. Finally, Mr. Ruge warned that Congress will not take action that would denigrate the Jones Act in any way.

Mr. Waldron acknowledged that the maritime industry is one of the last modes of transportation that Congress ever thinks about, and that a concentrated educational campaign would be necessary to move the SSS issue onto its radar screen. Noting that transportation funding is tight, he suggested looking at a Transportation Infrastructure Financing and Innovation Act (TIFIA)-type model as a way of leveraging funds to facilitate SSS. Mr. Waldron too emphasized the importance of a strong industry coalition to educate, develop, and promote SSS proposals on Capitol Hill.

The panelists encouraged framing the issue as one of adding freight capacity rather than as a maritime promotional program, but stressed that it is time to move away from discussing SSS as a concept and move to actually proposing legislation. Noting that all transportation projects are ultimately financing projects, and reiterating Congressman Nadler's point that transportation funding is scarce, the panelists said industry will have to come together in a coalition that can present a unified proposal to Congress that highlights the national benefits associated with SSS.