

The Marine Highway: What Should We Do About It?

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For Starters...

- Perspective
 - Federal policy focus
 - Marine Highway development is a growth opportunity for the domestic marine transportation system: American ports, shipyards and Jones Act vessels
 - Getting there will take effort

- To achieve marine highway development
 - Are we prepared?
 - What do we need?
 - What should we do?

Ports and Marine Transportation

- Marine Highway infrastructure
- On Land
 - ☐ Terminals
 - ✓ “Last Mile” access
 - ✓ Corridors
- On Water
 - ☐ Navigation Channels
 - ✓ Berths
 - ✓ Aids to Navigation
 - ✗ Vessels
- Other

Are We Prepared...On Land?

- Ports have the basics
- Improvements are needed
- Ports have some resources
- Federal government is providing some assistance especially for marine highway purposes

Are We Prepared...On Water?

- Aids to Navigation (USCG, NOAA, USACE)
- Navigation Channels (USACE)
 - Funding unreliable, improvements are few
 - Inland and coastal system trust funds needing reform
 - Mysterious White House Navigation Task Force
- Qualified Vessels
 - Major issue for coastal service is available, suitable ships
 - Why should ports care? No vessels = no service
 - An issue that ports tend to leave to others

Are We Prepared...On Water?

- Vessels as Private Sector Infrastructure e.g., bridge
- Jones Act Fleet Characteristics
 - US-flag vessels are 12% of total US port calls; 74% of the US-flag calls in US are JA qualified (2009)
 - Largely suited for bulk cargo, non-contiguous trade
 - Old, in need of re-capitalization
 - Ill-prepared for today's fuel prices, environmental rules and providing competitive service
 - Few ships of the size and type for the modern marine highway

Jones Act Fleet Characteristics 2009 data

- 98 Jones Act qualified ocean vessels of total 39,224 JA fleet
- 52% of JA ocean fleet is 25+ years vs. 12% of US owned non-JA
- Over last 5 years, JA ocean going fleet declined by 8 percent

Jones Act Ocean Fleet	Pre – 1985	1985 - 1989	1990 – 1994	1995 – 1999	2000 – 2004	After 2004	Total
Tanker	19	2	2	10	5	17	55
Dry Bulk	4	0	0	0	0	0	4
Container	19	3	1	0	2	2	27
Ro-Ro	8	0	0	0	2	1	11
General	1	0	0	0	0	0	1
Total	51	5	3	10	9	20	98

AMH Challenges & Questions

- Will MH services be able to take advantage of the sea-change in goods movement?
 - Intermodal rail growth shows market open to shifts today
 - Will the US maritime sector be capable of responding to market and public/govt requirements?
- What will be the condition of the JA sector 10 yrs hence?
- Will we have the capacity to build the right ships?
 - US commercial shipyard lay-offs, closings
- Will existing fleet meet tighter emission standards?
 - Emissions Control Area effective August 2012
- How quickly will the market develop?
 - Domestic freight market for MH services not readily apparent
- Will government policy be adequate?

Are We Prepared...On Water?

- Vessel Acquisition
 - Since 2007 – American Marine Highway program
 - Title XI loan guarantee (no change)
 - Eligibility for Capital Construction Fund (CCF)
 - Ferry Boat Discretionary Program
 - Modifications proposed primarily as to funding allocation
 - TIGER and AMH grants
 - Herbert Engineering report on vessel designs (2011)
 - No financing absent demonstrated market

So, are we prepared?

- Navigation channel funding is not reliable or adequate
- Suitable Jones Act qualified ships are not available for marine highway development
- Jones Act fleet itself requires improvement
- Shipyard base isn't strong, experienced in vessel types
- Barriers are still in place e.g., HMT, tonnage tax
- Federal policy and effort is weak
- Potential market requires development
- Coastal states have few tools, understanding
- Maritime industry isn't strong, unified

What do we need?

What Do We Need?

- Challenges
 - Potential users don't know potential value
 - Operators don't know potential users
 - Paucity of suitable vessels
- Circular Catch-22
 - "There's no market."
 - *"Then give me a ship and I will prove the market."*
 - "There's no ship."
 - *"Then give me the money and I will build a ship."*
 - "There's no money until you've proven the market."
- Solution?

What Do We Need?

- MARAD funded DUV, M-5, M-55 and M-95 studies adding to understanding
- Marine Highway Vessels
 - Tug/Barge for inland and intra-harbor
 - Ships for coastwise trade; ATBs?
 - Small, suited to developing market
 - Container and RO/RO
 - Fuel efficient, low emission
 - Fueled in future by natural gas
- Government assistance and incentives in early years; ultimately self-sufficient

What Do We Need?

- Marine Highway / Maritime Policy
 - Barriers eliminated
 - Harbor Maintenance Tax exemption
 - Tonnage Tax modification
 - Improvements in available financing, funding
 - Navigation trust fund fixes
 - Title XI modification for AMH, CCF
 - Assistance for port modification
 - Dual Use Vessel Initiative
 - Vessel standardization (HEC and other)
 - Ability to build suitable vessels
 - Promotion assistance to achieve market attention
 - Stronger AMH intent/role in transportation policy

What should we do?

What Should We Do?

- Immediately
- Secure Harbor Maintenance Tax exemption
 - H.R. 1533 – Pat Tiberi (R-OH) & 43 co-sponsors
 - S. 1964 – Debbie Stabenow (D-MI) & 3 co-sponsors
- Improve, not weaken, AMH law
 - Coast Guard and Maritime Transportation Act (H.R. 2838)
 - Authorizes \$5 million for grants for 5 years
 - Sunsets AMH program in 2017
 - Dilutes purpose
 - Eliminates planning section

What Should We Do?

- Coast Guard, MARAD bills
- ~~“(1) offer a waterborne alternative to available landside transportation services using documented vessels; and.....”~~
- new wording in House bill:
 - *“(1)mitigates landside congestion; or*
 - *“(2)promotes waterborne transportation between ports of the United States.*
- new wording in Senate bill, S. 1430:
 - *“to promote more efficient use of the navigable waters of the United States.”*

What Should We Do?

- Coast Guard bill – H.R. 2838
 - ~~“(f) Multistate, State and Regional Transportation Planning.—The Secretary, in consultation with Federal entities and State and local governments, shall develop strategies to encourage the use of short sea transportation for transportation of passengers and cargo. The Secretary shall—~~
 - Provision should be preserved

What Should We Do?

- Coast Guard, MARAD bills
- Advocate
 - Oppose elimination of “waterborne alternative” text
 - Support retention of the state planning section
 - Support grant authorization
 - Oppose sunset provision
- AAPA, Coastwise Coalition, AASHTO letter

What Should We Do?

- Is it time for a SEA-21?
- Package policy measures to address AMH and other maritime sector concerns
 - Dual Use Vessel elements
 - HMT exemption
 - Improved support for vessel construction
 - Tax incentives to encourage shippers and logistics providers to use marine routes where quantifiable public benefits would be realized
 - Port infrastructure investment
 - Short-term reflagging paired with commitment to build US

What Should We Do?

- Package of policy measures to address AMH and other maritime sector concerns
 - Leverage the GAO findings on “comparison of the costs of road, rail, and waterways freight shipments that are not passed on to consumers”
 - Amend Tonnage Tax to permit additional East Coast domestic service
 - Integrate marine options in state and multistate planning
 - Support LNG, fuel distribution infrastructure

What Should We Do?

- Package policy measures...
 - Establish entities to serve as market and information clearinghouses modeled on Shortsea Promotion Centres
 - Encourage development and use of GIS models to give logistics decision makers comparative data on carbon emissions, fuel usage, transit time, etc. for modal route alternatives
 - Encourage state level incentives for alternate mode usage for freight, e.g. VA Barge and Rail Usage Tax Credit
 - Incentivize construction of Jones Act vessels capable of fuel and operational efficiencies to maximize public benefits and upgrade American maritime

What Should We Do?

- What does it take to accomplish a “SEA-21”?
 - Broad industry cohesion around the objective to build a strong maritime sector and AMH
 - Industry selling itself e.g., Maritime Industry Day Sail-In
 - Thinking beyond the status quo
 - Being flexible to address 21st century demands
- What does it take to develop new domestic maritime business?
 - Strengthen the Jones Act sector so it can compete
- Ports take the lead in the public sector
- Talk with State DOTs & MPOs about maritime solutions

It won't be easy...but it could be worth doing.

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