

A NATIONAL SHORT SEA SHIPPING INITIATIVE

AMERICAN ASSOCIATION OF PORT AUTHORITIES GROWTH OPPORTUNITIES SEMINAR

BY STAS MARGARONIS, PRESIDENT SANTA MARIA SHIPOWNING & TRADING, INC.

SHORT SEA'S POTENTIAL TO ADDRESS US CONGESTION, ENERGY AND CLIMATE ISSUES

AT THE OUTSET OF WORLD WAR TWO, THE US MARITIME COMMISSION TEAMED WITH SHIPBUILDERS AS WELL AS ROAD AND DAM BUILDERS SUCH AS HENRY KAISER TO MASS-PRODUCE LIBERTY SHIPS. THIS RESULTED IN 2,700 SHIPS WHICH ACTED AS A MARITIME CONVEYOR BELT FOR WAR SUPPLIES TO ASIA AND EUROPE THAT HELPED WIN THE WAR. THE MASS-PRODUCTION OF SHIPS INTEGRATED LESSONS FROM DAM BUILDING AND HELPED BUILD NEW SHIP YARDS IN RECORD TIME WITH MODULAR SHIP CONSTRUCTION AND THE INTRODUCTION OF WELDING. SHIPBUILDING AND OTHER WAR INDUSTRIES ENDED THE DEPRESSION BY PROVIDING HIGH-PAYING JOBS, INTEGRATED WOMEN AND MINORITIES INTO THE WORKFORCE AND INITIATED COMPANY HEALTHCARE SERVICES SUCH AS THE KAISER SYSTEM. UNFORTUNATELY, THESE NEW SHIPYARDS WERE SHUT DOWN AFTER THE WAR AND THE INNOVATIONS AND TECHNOLOGY OUTSOURCED TO JAPAN. AS A RESULT, WAS JAPAN BECAME A GLOBAL SHIPBUILDING POWER, THEN KOREA FOLLOWED JAPAN'S LEAD AND NOW CHINA IS FOLLOWING THEIRS.

TODAY, THIS LOST SHIPBUILDING OPPORTUNITY MAY BE REGAINED BY THE UNITED STATES, IF THE GROWING CRISIS OF POLLUTION, CONGESTION AND FOREIGN OIL DEPENDENCY INSPIRES AMERICANS TO SHIFT TRUCKLOADS OFF THE ROADS AND ON TO SHIPS.

AS BACKGROUND, AAPA'S SEAPORTS MAGAZINE RECENTLY WARNED:

- CONGESTION AND FREIGHT BOTTLENECKS MAY COST THE NATION AS MUCH AS \$200 BILLION PER YEAR.
- THE COST TO TAXPAYERS OF MAINTAINING THE CURRENT TRANSPORTATION SYSTEM COULD RISE FROM \$235 BILLION IN 2006 TO \$304 BILLION IN 2015.

IN ADDITION, THE US ENERGY DEPARTMENTS WARNS:

- THE GLOBAL WARMING THREAT IS WORSENERED BY US CARBON DIOXIDE EMISSIONS RISING FROM 5,900 MILLION METRIC TONS IN 2004 TO A PROJECTED 7,587 MILLION METRIC TONS IN 2025.
- TRANSPORTATION AND PETROLEUM ARE LEADING CARBON DIOXIDE CONTRIBUTORS.
- US DEPENDENCE ON FOREIGN OIL WILL RISE FROM 58% OF US CONSUMPTION IN 2005 TO A PROJECTED 68% OF US CONSUMPTION IN 2025.

FINALLY, IN 2005, THE UNITED STATES TRADE DEFICIT STOOD AT \$782 BILLION: THE US DEFICIT IN PETROLEUM ACCOUNTED FOR \$229 BILLION OR 29% .

AN INVESTMENT OF SEVERAL BILLION DOLLARS CAN BUILD A NEW AMERICAN SHORT SEA SHIPPING NETWORK THAT CAN TRANSFORM THE WAY THE UNITED STATES TRANSPORTS FREIGHT. SHIPS CAN RELIEVE CONGESTION ALONG COASTAL CORRIDORS, DIMINISH OUR RELIANCE ON PETROLEUM AND ROADS, REDUCE POLLUTION AND SAVE SHIPPERS MONEY.

IN SO DOING A NATIONAL SHORT SEA SHIPPING NETWORK CAN:

- 1) EMPOWER US PORTS AND HARBOR WORKERS TO BECOME THE FOUNDATION OF A NEW CONTAINERIZED TRANSPORTATION SYSTEM THAT ELIMINATES THOUSANDS OF DAILY TRUCK TRIPS AT NUMEROUS CONGESTION POINTS AROUND THE COUNTRY.
- 2) CREATE A NEW GENERATION OF US-MANNED COASTAL FEEDER SHIPS THAT CAN CUT THE NEED FOR TRUCK FUEL BY 50% AND BY SO DOING ALSO CUT TRUCK EMISSIONS THAT CONTRIBUTE TO GLOBAL WARMING.
- 3) RE-ESTABLISH THE UNITED STATES AS A COMPETITIVE SHIPBUILDER AND CREATE THOUSANDS OF NEW FAMILY WAGE JOBS IN SHIPBUILDING COMMUNITIES.
- 4) SAVE SHIPPERS AND CARRIERS MONEY AND REDUCE TRAFFIC CONGESTION AT MAJOR PORTS SUCH AS LA/LONG BEACH, NORFOLK AND NEW YORK.
- 5) SPUR THE DEVELOPMENT OF A NEW GENERATION OF US-BUILT MARINE ENGINES POWERED BY NON-PETROLEUM FUELS TO ADVANCE THE GOAL OF ZERO PETROLEUM IMPORTS.

November 14-16, 2006 ? Memphis, TN

6) INCREASE EDUCATION AND TRAINING OF MARINERS TO MEET SHORT SEA REQUIREMENTS AT US MARITIME ACADEMIES ALONG WITH NEW RESEARCH PARTNERSHIPS IN MARINE ENGINE DEVELOPMENT, TERMINAL HANDLING AND VESSEL SAFETY.

7) DEVELOP NEW PARTNERSHIPS WITH TRUCKING COMPANIES TO DELIVER SHORT SEA CONTAINERS.

8) DEVELOP NEW , AUTOMATED CARGO HANDLING SYSTEMS, ON - DOCK RAIL AND ALTERNATIVE POWER FOR SHIPS THAT REDUCE EMISSIONS AND FUEL CONSUMPTION.

9) USE MAIN PORT ASSESSMENTS TO FINANCE NEW SHIPS AND TERMINAL UPGRADES BACKED BY OCEAN CARRIER CONTRACTS.

10) REVITALIZE THE US MARITIME ADMINISTRATION (MARAD) SO AS TO PROVIDE RESEARCH AND DEVELOPMENT GRANTS FOR: NEW MARINE ENGINES, NEW TERMINAL HANDLING TECHNOLOGY, BETTER PORT SECURITY, SAFETY AND EMERGENCY SERVICES.

11) EARMARK \$1 BILLION FOR SHORT SEA SHIPPING AS PART OF THE MARAD TITLE XI PROGRAM. THIS WILL FINANCE \$20 BILLION IN LOAN GUARANTEES FOR SHIPS, SHIPYARDS AND SHOULD ADD TERMINAL MODERNIZATION.

12) IMPLEMENT PARTNERSHIPS BETWEEN MARAD, US COAST GUARD, US CUSTOMS, ARMY CORPS OF ENGINEERS AND THE MARITIME UNIONS. OFFER THE NEW COMMERCIAL FLEET TO THE US NAVY AS A NEW MILITARY SEALIFT RESERVE.

AAPA MEMBERS CAN MAKE A MAJOR CONTRIBUTION TO THIS EFFORT BY ACTING AS THE SUPPORT GROUP FOR THE SHORT SEA SHIPPING INITIATIVE. A SYSTEM THAT CAN STREAMLINE TRANSPORT ALONG THE EAST, WEST, AND GULF COASTS AS WELL AS THE GREAT LAKES, AND INLAND WATERWAYS SUCH AS THE MISSISSIPPI RIVER.

FEEDERSHIP SERVICE CAN RELIEVE CONGESTION AT MAIN PORTS, SAVE SHIPPERS MONEY AND WON'T NEED TAXPAYER SUBSIDY

THE OBVIOUS STARTING POINT IS TO RELIEVE CONGESTION AT MAJOR PORTS SUCH AS LA/LONG BEACH, NEW YORK/NEW JERSEY AND NORFOLK WITHOUT HUGE INVESTMENTS IN ROADS, BRIDGES AND TUNNELS. A SHORT SEA SERVICE CAN TAKE CONTAINERS DELIVERED AT OCEAN CARRIER TERMINALS AND MOVE THEM DIRECTLY ON TO VESSELS FOR DISTRIBUTION AT NEARBY FEEDER PORTS. THIS TRANSFER CAN BE DONE BY DIRECT CRANE TO FEEDER VESSEL MOVE OR AN ADJACENT GROUND TO CRANE MOVE. THE RESULT WILL BE A SUBSTANTIAL INCREASE IN PORT PRODUCTIVITY.

AS A RESULT, A CONTAINER SHIP CARRYING 150 FORTY FOOT CONTAINERS ON A SEVENTY-FIVE MILE VOYAGE FROM OAKLAND TO STOCKTON OR LOS ANGELES TO SAN DIEGO, CAN SAVE SHIPPERS 10% ON THEIR TRUCKING COSTS. IF OCEAN CARRIERS CONTRACT FOR THE VESSEL SERVICE, NO TAXPAYER SUBSIDY IS REQUIRED.

NEW US SHIPBUILDING NEEDED

A CRITICAL ISSUE IS DEVELOPING A DOMESTIC SHIPBUILDING CAPABILITY TO BUILD SMALL AND MEDIUM SIZE FEEDERSHIPS IN THE UNITED STATES. THE SHIPS NEED TO MEET DEMANDING FUEL AND AIR EMISSION REQUIREMENTS. OPERATING IN US DOMESTIC TRADES, SHIPS MUST BE BUILT IN THE UNITED STATES, OWNED BY US CITIZENS AND OPERATED BY US CITIZENS UNDER THE JONES ACT. THIS MANDATE IS CRITICAL IN AN INCREASINGLY DANGEROUS NATIONAL SECURITY ENVIRONMENT. NEW MARITIME JOBS WILL PAY FAMILY WAGE INCOMES, GENERATE NEW TAX REVENUE AND PROVIDE OUR CHILDREN WITH AN ECONOMIC FUTURE.

ESTABLISHMENT OF A SHORT SEA FUND THROUGH THE US MARITIME ADMINISTRATION'S TITLE XI LOAN GUARANTEE SHOULD BE A TOP LEGISLATIVE PRIORITY IN 2007. A \$1 BILLION ALLOCATION FOR SHORT SEA SHIPPING CAN PROVIDE \$20 BILLION IN LOAN GUARANTEES FOR SHIPS, SHIPBUILDING AND, POTENTIALLY, PORT MODERNIZATION. LONG-TERM CONTRACTS WITH CARRIERS OR SHIPPERS ARE NEEDED TO GUARANTEE THE LOANS.

CONTAINER SHIPS HAVE THE BEST HYDRODYNAMICS TO CARRY TIME SENSITIVE CARGOES IN A COST EFFICIENT MANNER, ALTHOUGH, THERE WILL ALSO BE A NEED FOR TUG/BARGES AND RO/ROS.

November 14-16, 2006 ? Memphis, TN

PORTS WITH INDUSTRIAL LAND, ZONED FOR INDUSTRIAL USE, SHOULD HOLD ON TO THESE PROPERTIES. THEY ARE VITAL FOR PORT EXPANSION, SHIPBUILDING AND REPAIR. LEGISLATIVE PROTECTION MAY ALSO BE NEEDED TO PREVENT REAL ESTATE DEVELOPMENTS OBSTRUCTING THE NATION'S SEALANES AND MARITIME COMMERCE .

MILITARY SEALIFT IMPLICATIONS

NEW SHORT SEA SHIPS CAN PROVIDE A RESERVE OF MODERN, FUEL-EFFICIENT, SHALLOW-DRAFT CONTAINER SHIPS THAT THE US NAVY'S MILITARY SEALIFT COMMAND CAN DEPLOY IN A WAR TIME EMERGENCY OR FOR A NATURAL DISASTER.

ADVANTAGES TO TRUCKING

SHORT SEA'S DEVELOPMENT OF SHORTER DISTANCE TRUCKING CREATES A NEW GROWTH OPPORTUNITY FOR TRUCKERS, A CRITICAL SUPPLY CHAIN LINK. SATELLITE FEEDER TERMINALS WILL ALLOW TRUCKING COMPANIES MORE TURN TIMES OVER SHORTER DISTANCES WHICH IMPROVES PRODUCTIVITY, AND ALLEVIATES THE DRIVER SHORTAGE PROBLEM.

REDUCED EMISSIONS

BY CONSOLIDATING HUNDREDS OF TRUCKLOADS ONTO ONE SHIP, THE INTRODUCTION OF LOW SULFUR DIESEL FUEL FOR FUEL EFFICIENT MARINE ENGINES CAN FAR MORE QUICKLY REDUCE HARMFUL EMISSIONS THAN THE PHASED IN REPLACEMENT OF NEW CLEAN TRUCK ENGINES.

ALSO, THE POSSIBILITY EXISTS THAT COASTAL SHIPS MIGHT BE ABLE TO ELIMINATE PETROLEUM USE ALTOGETHER BY GOING TO A CLEANER ALTERNATIVE POWER SOURCE, SUCH AS NATURAL GAS OR ELECTRICITY. THIS COULD BE A MAJOR BREAKTHROUGH IN THE EFFORT TO CUT CARBON DIOXIDE EMISSIONS AND THE THREAT OF GLOBAL WARMING.

SOUTHERN CALIFORNIA: A REGIONAL SCENARIO

SHORT SEA SHIPPING HAS THE POTENTIAL TO DIMINISH SOUTHERN CALIFORNIA'S AIR QUALITY PROBLEM. TRUCK-GENERATED ROAD CONGESTION IS A KEY FACTOR. SHIPS CAN SHIFT CONTAINERS FROM LA/LONG BEACH TO NEARBY PORT HUENEME AND SAN DIEGO NOT ONLY REDUCING CONGESTION BUT MAKING DELIVERIES DIRECTLY TO END USERS. THIS ELIMINATES THE ADDITIONAL TRUCK TRIPS TO AND FROM DISTANT DISTRIBUTION CENTERS. THE SOLUTION BEGINS WITH THE COOPERATION OF CARRIERS AND SHIPPERS TO STOW CONTAINERS FROM ASIA ON VESSELS SO THAT THEY ARE READY FOR TRANSFER TO FEEDER SHIPS ON ARRIVAL. CURRENTLY CALIFORNIA IS LOOKING AT PLANS TO EXPAND THE LONG BEACH FREEWAY AT A COST OF \$5.5 BILLION TO ACCOMMODATE PORT GENERATED TRUCKING. SHORT SEA SHIPPING REDUCES THIS NEED. INITIALLY, SIX 300 TEU VESSELS OFFER THE POTENTIAL TO ELIMINATE 1,800 TRUCKS FROM THE TWO PORTS AT A TOTAL COST OF ABOUT \$150 MILLION. CURRENTLY, OCEAN CARRIER CONTAINER DEMANDS REQUIRE 14,000 TRUCKS PER DAY TO SERVE THE LA/LONG BEACH PORTS. SO \$150 MILLION BUYS A 13% REDUCTION IN TRUCK CONGESTION. IT IS ESTIMATED THAT SHIPPERS WILL REALIZE A 10% REDUCTION ON DELIVERY CHARGES COMPARED TO ROAD TRANSPORT.

LONG-HAUL TRUCKING BY WATER

IF SHIPS CAN BE COMEPTITIVE WITH TRUCKS AT A DISTANCE OF 75 MILES, THEY CAN BE COMPETITIVE ON LONGER HAUL TRIPS ALONG THE I-95 CORRIDOR ON THE ATLANTIC COAST AND THE I-5 CORRDIOR ON THE PACIFIC COAST. TRUCKING COMPANIES, SUCH AS CALIFORNIA-BASED WESTSTAR TRANSPORT, ARE LOOKING TO DEVELOP LONG-HAUL TRANSPORT OF TRUCKLOADS BY SHIP.

IMPROVED PORT SECURITY AND EMERGENCY SERVICES

FEEDER SHIPS CREATE THE ABILITY TO DE-CONSOLIDATE IMPORT VOLUMES INTO SMALLER MANAGEABLE VOLUMES FOR SCREENING AT FEEDER PORTS. NEW TERMINAL DESIGNS CAN BUILD IN IMPROVED CARGO HANDLING WITH AUTOMATED CONTAINER SCREENING TO EASE HAZARDS TO LONGSHOREMEN AND REDUCE THE SCREENING OVERLOAD AT MAIN PORTS.

FEEDER SHIPS PROVIDE A SHALLOW DRAFT ALTERNATIVE TO MOVE CARGOES IN AND OUT OF MAIN PORTS IN CASE OF NATURAL DISASTERS OR TERRORIST ATTACK.

November 14-16, 2006 ? Memphis, TN

IN THE CASE OF AN EMERGENCY, RIVERS AND COASTAL LOCATIONS CAN BE SERVED BY FEEDERSHIPS WHEN ROADS AND BRIDGES ARE DOWN.

CONCLUSION

SHORT SEA'S ADVANTAGES INCLUDE: NEW CONTAINER BUSINESS FOR FEEDER PORTS, NEW TERMINALS, NEW SHIPBUILDING, NEW SHIPS, NUMEROUS ECONOMIC DEVELOPMENT OPPORTUNITIES, IMPROVED EMERGENCY SERVICES AND PORT SECURITY. OTHER BENEFITS ARE LESS GLOBAL WARMING, LOWER SHIPPING COSTS, LESS TRANSPORTATION SPENDING, LESS DELAYS AND A GIANT STEP TOWARDS ENERGY INDEPENDENCE FOR THE UNITED STATES.

WE HAVE SUCCEEDED AT MUCH GREATER CHALLENGES IN OUR PAST: WE BUILT A NATIONAL RAILWAY SYSTEM, WE BUILT A NATIONAL HIGHWAY SYSTEM, WE PRODUCED A WAR MACHINE THAT HELPED WIN WORLD WAR TWO. OUR SPACE EXPLORATION CAPABILITY HAS TAKEN US TO THE MOON AND BEYOND.

IT IS TIME FOR AMERICANS TO RETURN TO THEIR MARITIME ROOTS... AND GO BACK TO SEA.

THANK YOU VERY MUCH.