



Oral Testimony of

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Committee on Transportation & Infrastructure Committee
U.S. House of Representatives

“The Development of Short Sea Shipping in the United States”

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Good morning Chairman Cummings and distinguished members of the Subcommittee.

In my written testimony, I have attempted to provide you with a brief overview of the development of Short Sea Shipping from a commercial operator's point of view and have provided a number of recommendations that I trust you will find helpful. As a past owner/operator of U.S. Flag vessels I have a deep passion for the preservation and enhancement of our U.S. Merchant Marine and U.S. Sealift capability. Therefore I wish to thank you for this opportunity to offer my assistance to what I feel is a great opportunity for the U.S. Maritime Industry to provide needed additional transportation capacity for our nations economic future and security.

Based on the global proviso that "Transportation Capacity and Economic Sustainability go hand in hand" and accepting the reality check that surface transportation capacity in the United States has not kept pace with transportation demand, a freight capacity crunch of unprecedented dimensions is predicted through 2035. Just building more roads or expanding rail capacity to meet projected demand are simply not viable options, even if they were possible. Adding trucking company driver shortages, new hours of service regulations and other trucking "Perfect Storm" challenges compounds the problem.

Short Sea Shipping—which is to say the U.S. maritime industry—has the potential to provide our nation with almost immediate, cost effective additional surface transportation capacity that will assist in securing our nation's economic sustainability. While much attention has been paid in recent years to the increasing flood of imports to this country and the additional burden it is placing on our transportation system, significant growth is also occurring in domestic freight in greater volumes. It is the transport of goods in domestic service where Short Sea Shipping can make a major contribution to the nation's transportation system.

There are a number of existing operating companies and "start-up" companies that have developed plans or are capable of providing Short Sea Shipping services here in the United States. However there are barriers that need to be addressed, sooner better than later.

The domestic Harbor Maintenance Tax (HMT) places a tax on the movement of goods by water. Freight that could utilize marine alternatives is discouraged from doing so by the HMT and will rely instead on trucks or rail, even when faced with congestion. The HMT is presently a major disincentive for shippers and logistics providers to consider Short Sea Shipping as an intermodal marine alternative.

Quick action by Congress can produce immediate results.

As an example, Chuck Raymond, Chairman of Horizon Lines, a major U.S. Flag vessel operator, has given me permission to advise you that if the domestic HMT is removed his company would seriously pursue dedicating up to four 21 knot 600+ FEU containerships to the coastwise trade by mid-2007, Chuck estimates about 2200 Trucks per week would be taken off the roads in highly congested areas. That's 114,400 trucks per year!

Availability of existing U.S. Flag, Jones Act vessels is limited. Additional vessels are needed including new technology high speed vessels that can meet supply chain needs and expectations.

Financing new vessels and/or new U.S. Flag vessel technology is nearly impossible today without government credit assistance such as the MARAD Title XI loan guarantee program. Another possible aid might be the restricted use of Capital Construction Funds (CCF). There may well be other alternatives such as those that are being discussed today, but the U.S. has proven Title XI and CCF programs in place now that could be enhanced relatively quickly while other alternatives may take years to enact and put into place.

MARAD's Title XI loan guarantee program has been responsible for much of our country's U.S. Flag fleet development. Without it, two new Short Sea Shipping services would not have been commenced in Hawaii and the Great Lakes.

Expanding the use of CCF could also be a means to foster the building of new Coastal Short Sea Shipping vessels. I think that the expansion of CCF may be accomplished in a targeted way to answer concerns by some in the maritime community who are fearful of too many vessels being built and thus creating over capacity in the market. At least it is worth looking at.

Horizon Lines. Matson and TOTE are all successful participants in the Title XI and CCF programs.

Congress would do well to continue and strengthen its support for vessel financing.

There are other suggestions that I have included in my written testimony that offer additional options that have been under discussion in recent years.

Consider the billions of dollars that are spent on highway infrastructure, and hundreds of millions in public funds that are being spent on rail, but very little funding if any is available for building ships for a marine highway or "Intermodal Marine Transportation System". In my written testimony I provided a statement that 12 miles of a new 4 lane highway construction, equates to about \$100,000,000 – that amount in a Title XI Loan guarantee program could generate loan willingness from the financial sector of about \$1,000,000,000 or ten (10) \$100,000,000 U.S. Flag, Jones Act Short Sea vessels.

Providing assistance to stimulate the initiation of new Short Sea Services or new "intermodal marine alternatives" will not only add surface transportation capacity but increase our nation's sealift capability, reinforce the vitality and growth of our Merchant Marine, and add fuel to our marine transportation system's "economic engines".

I close with the suggestion that time is of the essence to secure our economic sustainability.

Consider carefully that even if the critical barriers were resolved today, the domestic Harbor Maintenance Tax and the difficulty of obtaining long term vessel financing, it will be 2-3 years before new ships can be built, launched and put into service.

Another 2-3 years of population and economic growth, creating additional transportation demand. Add the trucking companies' dilemmas and we may well find our nation caught in the "Perfect Storm" warning that a trucking company executive stated to us.

Thank you again for your invitation and I look forward to any questions you may have.