Short Sea Shipping
COOPERATIVE

SENIOR EXECUTIVE SEALIFT CONFERENCE

Maritime Plaza, Washington D.C. April 20 & 21 , 2005

"The National Water Highway System – A partner to develop higher speed sealift and commercial shortsea opportunities"

Robert Kunkel – Chairman
Short Sea Shipping Cooperative Program

www.shortsea.us

What is SCOOP?

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- Born on October 15, 2003, the Short Sea Shipping cooperative program (SCOOP) consists of members from public and private organizations gathered to improve transportation mobility through short sea shipping. The Cooperative Program consists of U.S based members committed towards the development of the intermodal coastal trades

- SCOOP works to develop and promote the use of short sea shipping as a commercially acceptable, safe, secure and environmentally beneficial means of reducing congestion along an over burdened surface transportation system.

SCOOP Mission Statement

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- To encourage cooperation across all transportation modes to create a seamless, multi-modal, and integrated short sea transportation system along the coasts of North America.
- To develop the United States port infrastructure necessary to provide short sea shipping transportation
- To educate Federal agencies, State transportation authorities, Metropolitan Planning organizations and the general public on the benefits of short sea shipping.
- To identify and develop new programs of Government support, tax incentives and financial programs to encourage public and private investment in a new short sea transportation system.
- To gather vessel operators, shippers, ports, U.S. Shipyards, third party logistics providers, labor, academic institutions and the trucking and rail industry under one association and work with these groups to provide valuable research, freight analysis, port development and financial models
- To assure that the transportation system and vessels developed are capable of supporting our military transportation requirements and the American Merchant Marine during times of National emergency and threats to Homeland Security.

SCOOP Members
(Partial List of 63 members)

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American Bureau of Shipping
American Marine Advisors Inc.
American Maritime Congress
American Ocean Enterprises
Apex Marine Ship Mgmt. Co., LLC
Atlantic Marine
Bender Shipbuilding
Bridgeport Port Authority
Cadden
Chamber of Maritime Commerce
Chamber of Shipping of America
Columbia Coastal Transport, LLC
Connecticut Maritime Association
Crowley Liner Services, Inc.
Detroit-Windsor Truck Ferry
Germanischer Lloyd
Great Lakes Maritime Academy
Greater Bridgeport Metropolitan Planning Agency
Herbert Engineering Corp.
Horizon Lines, LLC
International Longshoremen's Assoc. AFL-CIO
International Org. of Masters, Mates & Pilots
Keystone Shipping Co.
Kirby Corporation
Kvaerner Masa Marine, Inc.
Lloyd's Register Americas, Inc.
Logistics Management Institute (LMI)
MARAD
Marine Exchange of Southern CA
MARITRANS Operating Company L.P.
Massachusetts Governor's Seaport Council
Matson Navigation Company
Maybank Navigation Company, LLC
National Ports and Waterways
New York Shipping Association, Inc.
Osprey Lines
Pacific-Gulf Marine, Inc.
Pollinger & Co.
Port Freeport
Port of Canaveral
Port of Cleveland
Port of Victoria
Rutgers University
Saltchuk Resources
Science Applications International Corp.
SeaBridge Overseas Holdings
Society of Naval Architects and Marine Engineers
Synergistic Dynamics, Inc.
Tampa Port Authority
TECO Ocean Shipping
The American Waterways Operators
Transportation Institute
U.S. Merchant Marine Academy
University of Texas at Austin
Maritime Transport & Logistics Advisors

Hard Facts

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- Present U.S. Highway Capacity cannot support projected economic growth. Current freight congestion was projected to double by 2020 on our Nation's highways, railheads and port infrastructure. That projection has now moved to 2010 due to recent market booms in International shipping.

- Highway congestion is a reality – present volume exceeds capacity in most major corridors today. Majority of these corridors are located in or around our major ports and coastal areas.

- $32 Million per lane mile highway construction cost and NIMBY factors virtually eliminates building additional highway systems adequate for volumes projected

- Transportation and economic growth go hand in hand – adequate transportation capacity is essential to sustain economic growth. We have lost 80% of our manufacturing base and are now a Nation of consumers. Transportation is the link to that consumer base.

- National Defense Transportation can be negatively impacted by highway congestion and lack of adequate intermodal capacity. Rail and Highway congestion can lead to Homeland security issues.

- Recent "hours of service" regulations in the trucking industry has resulted in $61 Billion dollars of transportation costs and a requirement for an estimated 84,000 additional long haul drivers. Driver shortage exists now

The Congestion Problem & Policy

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- Rail expansion and the development of new track space is estimated at $8 million dollars per mile with the majority of expansion required east to west handling Pacific Rim trade volumes. Limited rail expansion is available

- TEA 21 legislation has reached funding level exceeding $250 billion dollars. A 70% increase over 2003 levels. Major portions of the bill addressed highway congestion identifying $67 billion dollars of lost revenue and 3.6 billion hours of delays each year due to lost time and wasted motor fuel.

- Significant delays are being realized at our border crossings with our NAFTA partners. The Ambassador Bridge now identified as the largest border crossing between Canada and the U.S. shows $92 Billion dollars of trade passing through a two lane bottleneck between Detroit and Windsor. Over 10,000 trucks per day make this crossing.

- **MITIGATING HIGHWAY CONGESTION AND DEVELOPING AN ALTERNATIVE SHORT SEA SHIPPING SYSTEM IS GOOD FEDERAL POLICY. OUR RECENT NATIONAL BENEFIT REPORT OUTLINES THE PUBLIC BENEFITS PROVIDED BY SHORT SEA SHIPPING.**

The International Market

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- 2004 has been a record – breaking year in International shipping with certain events accounting for the success. In dry bulk – China's demand for raw materials. For tankers – the largest growth in oil demand in 30 years. For containers, the strength of consumer confidence in the United States and Europe

- All have common threads. The synchronicity of the boom follows the collective collapse of all markets immediately after the New York terrorist attacks. A period when the historical rise and fall of each market ignored normal indicators and reacted to the very real threat of global terrorism.

- Transportation has become the darling of the financial circles. The sectors have been profitable for the past two years suggesting that investment will continue. There is considerable investor appetite for maritime transportation as evidenced by the enthusiastic response to the numerous public offerings available again on Wall Street.

- Capacity investment has soared. Shipyards throughout the Far East are booked through 2008. The European yards report full docks for the next two to three years. This despite reports that subsidy payments have ceased as of March 31, 2005.

Shipbuilding Capacity & Congestion

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- In the container sector :

860,000 TEU capacity will be delivered in 2005

A staggering 1,240,000 TEU capacity will be delivered in 2006

Another 1,000,000 TEU is currently on order for 2005

285 post 5,000 TEU vessel designs were delivered in 2004. Designs in excess of 9,000 TEU continue to be ordered through 2007.

- To illustrate where the U.S. Shipbuilding industry is placed in this move to build capacity, look to projected deadweight deliveries for the next five years:

In the Far East: an estimated **193,000,000** deadweight tons contracted

In Europe: an estimated **12,000,000** deadweight tons contracted

The United States: an estimated **794,000** deadweight tons or .36% of the market share.

- **Within Europe's deadweight is a 48% rise in RoRo capacity contracted to drive Europe's support of short sea shipping and the move to higher speed vessel designs**.

An Issue of Timing

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- To measure progress in the development of any market we must analyze the affects of demand, access to capital, barriers to entry, capacity and available technology

- **Demand** – The recent International capacity boom will accelerate the congestion problem. The demand side of the equation is very real and near threatening levels. An educated trucking and shipping community has recently looked to short sea shipping as a third leg to rail and highway

- **Capital –** Private and Public Capital has returned to Maritime Transportation in the foreign markets. We must entice that capital to our domestic trades to develop coastal movements and BUILD.

- **Policy -** *Sea-21* has embraced Short Sea Shipping. The transportation system is the poster child for the DOT *Sea-21* policy initiative. However this policy has not been funded and we do not see any immediate change in that decision by the current Administration.

- **Barriers to Entry** – Capacity remains the unsolved problem. The trade requires the entry of new vessel designs and new technology. The current U.S Flag fleet does not employ the vessel type needed to address the trade routes .Higher speed RoRo, RoPax and small container feeder are required

- **We have not been successful in following Europe's example of building new RoRo and RoPax tonnage**

Short Sea's contribution to Military Sealift

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- Short Sea research has addressed the availability of a third intermodal leg being available to Military Sealift around the U.S Coasts should the inland rail and roadway system become heavily congested during deployment or disruption by terrorist action.

- The development of new domestic RoRo and RoPax ports to support Short Sea can serve as additional staging areas for the deployment of military equipment in time of national emergency.

- The construction of new RoRo and RoPax US flag vessels will significantly add to our current seafarer base. Manpower that will be readily available during national defense requirements

- New Sea Base initiatives will require logistic support. Commercial vessels capable of providing equipment, personnel, and material at speeds equivalent to the expectations of new "light" military rapid deployment are required. Short Sea vessel designs can provide that support and work towards a shipbuilding series that will reduce construction costs

- The National Water Highway System can compliment and support Sea Base logistics as a partner to the U.S Military. Multi Hull designs can provide the necessary speed, sea keeping requirements and RoRo cargo platform required

U.S. Short Sea Shipping
Commercial and Military Speed

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- Multi-Hull Short Sea Designs

The application of speed to deliver cargo within a short sea transportation system.

Austal Benchjigua Express – Trimaran aluminum hull
Cargo Capacity : 1,350 passengers, 450 Truck lane meters , 125 automobiles
Speed – **40 knots**

U.S. Short Sea Shipping
Commercial and Military Speed

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- Multi-Hull Short Sea Designs

VHSST-200/SSS USA SRT
Commercial mode

Prepared for CCDOTT

The VHSST-200 – Cargo capacity 1870 freight lane meters , speed 40 knots/26 knots

U.S. Short Sea Shipping
Commercial and Military Speed

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Multi- Hull Pentamaran finished concepts

Sea Bridge RoPax Pentamaran

SeaBridge Pentamaran – Cargo capacity – 1800 passengers and 150 trailers
Operating at speeds in excess of 40 knots

Short Sea Shipping Today

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Recent U.S Fleet Additions

- Totem Ocean Trailer Express has served Alaska for nearly three decades and now competes with the AL-Can highway. Two new Orca Class Ro/Ro vessels have been placed in service in 2003. The MV Midnight Sun and the MV North Star have the capacity to carry over six hundred 28’ to 53’ highway trailers and operate between Tacoma, Washington and Anchorage, Alaska at speeds of 25 knots.

“Midnight Sun”

Speed in Short Sea Shipping

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- Speed in the market is relative to the cargo type and the trade route
- The delivery of ISO container, currently causing our major port congestion, has been serviced by “container on barge” operations. Speed has not been required in this service to date. Container on barge continues to expand on the U.S. East Coast and U.S. Gulf Coast. As the delays and congestion increases, small container feeders with speed will be required to clear the port congestion.
- Domestic freight and the 53’ trailer is the major component causing the highway congestion. This cargo must be delivered by RoRo in a short sea system. The coastal highway movement of the domestic trailer is near 9 to 1 when compared to ISO container traveling on the road. It is this market that requires speed in order to match or better current truck delivery periods.
- As the congestion problem accelerates , both shippers and truckers will look to any alternative that can provide speed to recapture delivery times at the first or last mile.
- Pending the length of the trade routes and the number of vessels in service, second day and overnight delivery analysis has shown required speed at sea from 22 knots to 30 knots in a commercial application.

HARD QUESTIONS?

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- **CAN IT WORK?**
- We have looked to the European short sea network for answers. The European Short Sea system was re-defined to include routes that serve the purpose of removing truck traffic from the roadways and supporting the European rail network. Since that change short sea shipping has recorded a 25% growth rate in Europe.
- The Europeans developed the Marco Polo Plan to provide government support to start –up programs initiating short sea routes. Thirteen (13) projects have been recently selected out of 92 proposals requesting 184.5 million EUR. The support is expected to generate private investment in excess of 360 million EUR and remove 13.6 Billion tons/kilometer of freight from the road to waterborne movements.
- The average environmental efficiency for the 13 projects is 15 or for every 1 EUR of subsidy spent 15 EUR of society external costs are saved.
- The first thirteen proposals show good geographical distribution with large, small and central (off coast) locations showing extended benefits.
- The Europeans advised that public awareness was their largest hurdle. The logistic community has a mind set towards rail and road. An extensive information and website system was put into place to increase that public awareness.

Short Sea Tasks at Hand

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- The Industry agrees as a whole that the Harbor Maintenance Tax must be removed from the transport of Intermodal Coastal cargo. This is the single legislative action scheduled for 2005 and 2006 by the Cooperative Program. Removing the tax will lower the price of a single box or trailer movement by $50 to $150 dollars.

- Build, Build, Build. We must follow Europe's lead and create a program to accelerate commercial ship construction. New technology and the delivery of these RoRo designs must be available to U.S operators at a competitive cost structure. This is the single largest barrier to the program. We need new technology to meet both commercial and Military goals NOW.

- Compare Military fast deployment and sea base requirements with projected short sea commercial applications. Develop a series design and compare the cost "delta" to enter the projected coastal market . The requirements and discussion goes beyond our current National Defense Features Programs when reviewing these vessel designs.

- The National Water Highway System is a freight initiative. Compare ferry requirements in order to establish a secondary source of revenue in passenger and automotive movement. RoPax is a very successful part of the European system. Military requirements for these vessel types have highlighted the need for minimum passenger requirements of 350 combat ready soldiers. A construction cost that severely impacts commercial freight designs.

Use the SSS Cooperative

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- Visit our Website and take advantage of the reports being issued to support this transportation initiative:

www.shortsea.us

- Follow our membership lead. We are currently a 63-industry member brain trust formed solely to develop short sea shipping and support the National Water Highway System. Join us to work towards that goal. Many of the companies represented here today have already provided that support and we continue to grow in membership

Thank you

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Robert N. Kunkel

Chairman – Short Sea Shipping Cooperative Program

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