



SEATRADE CRUISE SHIPPING PREVIEW

# MARINELOG

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Will new megaships  
**PROP UP  
PROFITS?**

HERE COME  
THE HYBRIDS

CUTTING EDGE  
SHIP PRODUCTION

COAST GUARD'S  
FRC PROJECT  
MOVES AHEAD

ATLANTIC MARINE  
EXPANDS



**W**ouldn't it be nice if just a fraction of the money being thrown around in Congress for various stimulus packages was used to fund a Marine Highways initiative? America's Marine Highway could offer the U.S., economy an easy and early boost in terms of cutting road congestion, reducing vehicle emissions and creating employment. Some advocates also suggest it could improve national security.

While Europe ships over 40% of its domestic freight along "motorways of the sea," the U.S. today moves an almost negligible 2% of domestic freight by sea (excluding river barges incapable of sailing genuine coastal routes and domestic cargo that must move by sea such as to Alaska or Hawaii). With a few notable exceptions, coastal shipping for cargo scarcely exists between U.S. ports in the lower forty eight states, despite the fact that the interstate highway system is at or near capacity.

The benefits of shifting freight from roads to water have long been apparent and in 2007 the Energy Independence and Security Act, directed the Secretary of Transportation to establish a program aimed at expanding the use of America's Marine Highways as an extension of the surface transportation system to mitigate landside congestion. The Department of Transportation published an interim final rule on October 9, 2008 that has four primary components:

- **Marine Highway Corridors:** Designated Corridors will integrate Marine Highways as an extension of the surface transportation system and encourage the development of multi-jurisdictional coalitions to focus public and private efforts and investment.
- **Marine Highway Project Designation:** Designating Marine Highway Projects is aimed at mitigating landside congestion by starting new or expanding existing services to provide the greatest benefit to the public in terms of congestion relief, improved air quality, reduced energy consumption and other factors. Designated Projects will receive direct

support from the Department of Transportation.

• **Incentives, Impediments and Solutions:**

The Maritime Administration, in partnership with public and private entities, will identify potential incentives and seek solutions to impediments to encourage utilization of the Marine Highway and incorporate it, including ferries, in multi-state, state and regional transportation planning.

• **Research:** The Department of Transportation, working with the Environmental Protection Agency, will conduct research to support America's Marine Highways, within the limitations of available resources. Research would include environmental and transportation benefits, technology, vessel design, and solutions to impediments.

As discussed in our December 2008 issue, this initiative is now trundling nicely along. At this point though, the question that has to be asked is that with, on average, currently 10,500 trucks per day per mile on the Interstate Highway System, why aren't market forces simply forcing freight onto the water alternative? The answer is that in some cases they are.

**NEW SERVICES EMERGE**

The number of coastal shipping routes is already growing. Our map (taken from "America's Deep Blue Highways," a report published last year by the

Institute for Global Maritime Studies) shows some of them. Since the study appeared some other routes have opened up, including a new container-on-barge service between Norfolk and Richmond, Virginia, that was originally conceived as the James River Barge Line but which now operates as 64 Express.

The inauguration of 64 Express coincides with the shelving of a \$400-million widening project along 25 miles of Interstate-64 even though traffic demands in this corridor continue to grow.

"This project serves as a model of how transportation planners can use waterborne transportation to help mitigate increased congestion and deferred highway projects, both of which are on the rise as states strive to deal with significant budget cuts," said then U.S. Maritime Administrator Sean T. Connaughton.

And in December 2008, SeaBridge Freight initiated a bluewater container-on-barge operation between the Port of Brownsville, Texas and Port Manatee, Fla. The company's 600 TEU capacity barge takes approximately 300 truckloads of freight off the highways.

**TOXIC TAX**

What many critics believe is the major roadblock on America's Marine Highway is a tax that most people outside of the marine industry are unaware of: the Harbor Maintenance Tax.

The HMT is a levy that is imposed on the value of cargo that is imported to a port within the United States or that is transported between U.S. ports. The tax, which is assessed at a rate of 0.125% of the cargo value, including passengers, is assessed only once on cargo that is transported between one U.S. port and another (either at the point of departure or arrival but not both). However, cargo that is carried from a foreign port may be taxed twice, upon arrival at the initial U.S. port and again if transported to another U.S. port aboard a different vessel. Cargo that is transported along the inland waterways is subject to the Inland

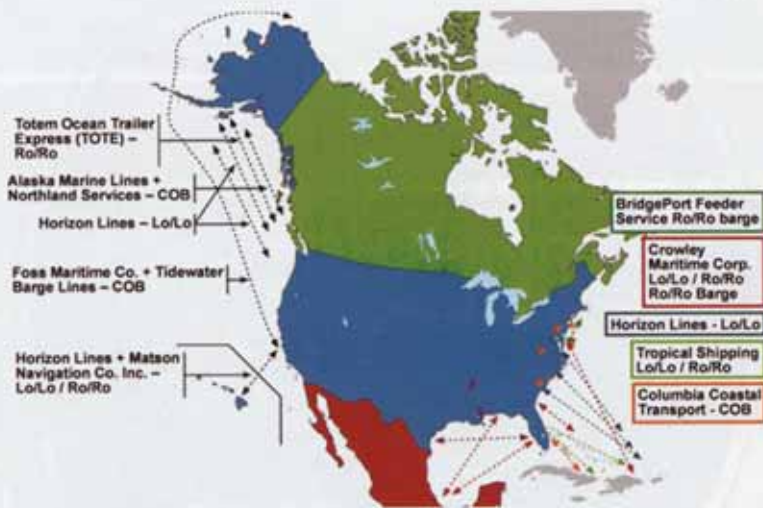
Waterways Fuel Tax instead of the HMT, but the Great Lakes are not considered part of the inland waterways system.

The Institute for Global Maritime Studies notes that the tax unfairly burdens coastal shipping because shallow draft coastal vessels do not require port dredging. Furthermore, the domestic movement of containers accounts for only 0.2% of the total HMT collected, and the Harbor Maintenance Trust fund is running a \$4 billion surplus that is expected to reach \$8 billion by 2011.

Former Secretary of Transportation Mary E. Peters has stated that "the HMT is the most significant impediment under current law to the initiation of such services to Great Lakes ports" because the "avoidance of the HMT is a main motivation for shipping cargo from Canada to the United States by trucks instead of water."

The cost added by the tax is only part of the problem. Because the HMT is based on the value of cargo, it makes it impossible to levy it on a simple flat-rate, per-container basis making it impossible for operators to structure simple tariffs.

There have been several attempts to legislate this nuisance tax away and thus far none have succeeded. In January, though, Representatives McHugh (NY-23), whose district includes the Lake Ontario port of Oswego, N.Y.) and Cummings (MD-7) respectively introduced



Though a number of coastal shipping routes are operational—including two more since this map was compiled—the U.S. still only moves about 2 percent of domestic freight by sea

(B) that is loaded at a port in Canada located in the Great Lakes Saint Lawrence Seaway System and unloaded at a port in the United States.

(2) GREAT LAKES SAINT LAWRENCE SEAWAY SYSTEM- For the purposes of this subsection, the term "Great Lakes Saint Lawrence Seaway System" means the waterway between Duluth, Minnesota and Sept. Iles, Quebec, encompassing the five Great Lakes, their connecting channels, and the Saint Lawrence River."

"For too long, the HMT has served as a barrier to the development of a robust and vital short

sea shipping industry in the United States, which would have significant economic and environmental benefits," said Congressman McHugh in introducing his very similar legislation. "Providing this exemption to the HMT would give cargo shippers an incentive to move cargo via water rather than by trucks, combating high congestion, improving the flow of commerce, and reducing air pollution generated by ground transportation.

"Across the country, enacting this legislation would spur significant activity in the shipbuilding industry, creating many employment opportunities. An example in the 23rd Congressional District would be the potential for significant expansion at the Port of Oswego, which could result in millions of dollars in economic impact and the creation of dozens of jobs."

The two pieces of legislation appear very similar. Congressman Cummings' version would provide that:

(1) IN GENERAL- No tax shall be imposed under section 4461(a) with respect to cargo contained in intermodal cargo containers and loaded by crane on a vessel, or cargo loaded on a vessel by means of wheeled technology--  
(A) that is loaded at a port in the United States and unloaded at another port in the United States or a port in Canada located in the Great Lakes Saint Lawrence Seaway System, or

The Administrator of the U.S. Saint



Technical knowledge and practical experience are the pillars that support maritime safety.

and the creation of dozens of jobs.”

The Administrator of the U.S. Saint Lawrence Seaway Development Corporation, Terry Johnson, said “I am pleased that Congressman McHugh is moving forward with this important legislation. Removing the Harbor Maintenance Tax on nonbulk cargo in this way

will foster the development of short sea shipping operations throughout the Great Lakes Seaway System and elsewhere.”

The Director of the Port of Oswego, Jonathan Daniels, said “The barrier of HMT must be broken for the Port of Oswego to fulfill its full potential as a

container feeder port serving the businesses of Central New York and beyond. The leadership of Congressman McHugh, in concert with his colleagues, is critical in making the necessary changes that will create an environment that will allow for short sea shipping to occur in the Great Lakes.” **ML**

## SEABRIDGE FREIGHT: A greener, cost effective highway

**S**tart-up SeaBridge Freight, Jacksonville, Fla., provides transportation services on a “greener” more cost effective route—the maritime route.

The company launched its marine highway transportation service last December between Port of Manatee in Tampa, Fla. and the Port of Brownsville in Texas. The service takes 300 truckloads off of the roads leading to a reduction in fuel consumption, emissions and highway congestion.

According to Mark Cleveland, SeaBridge Freight’s chairman of the board, the company doesn’t compete with the transportation provider—whether rail or trucking—but rather it competes with the cement highways.

Though 2008 was financially one of the worst years in our nation’s history, SeaBridge Freight was one of the few start-up companies able to obtain funding. The money, in large part, came from entrepreneurs who Cleveland says recognized the opportunity to save money by “supporting and doing a brisk business with SeaBridge Freight.” And that “despite the current economic disruption, there is plenty of freight moving between the markets we serve.” In fact, during its first few weeks of operation, SeaBridge Freight experienced higher than expected

demands in both its East and West bound lanes. Cleveland attributes SeaBridge Freight’s early success to its ability to “eliminate costs in the supply chain in a way that every participant can still profit.”

SeaBridge Freight is currently using a 600-TEU capacity barge for its operations, but Cleveland reports that the company expects to perfect its purpose-built design in the next year.

### OVERCOMING PRECONCEIVED NOTIONS

Convincing trucking companies, railroad execs, government entities and even maritime operators who together resisted change, did not come easy. The obvious benefits of moving highway operations to a maritime route were met with resistance and caution. “Preconceived notions as to what is possible and what is not possible were our most difficult hurdles to overcome,” Cleve-

land, “the first hurdle was to overcome skepticism in all parts of the market. Earlier short sea failures and a lack of directly comparable competition can give investors and the market an excuse to study and stall rather than innovate and execute.”

Cleveland anticipates SeaBridge Freight’s port pairing will receive an America’s Marine Highway designation, though he quickly states “although our business is perhaps an ideal example of public/private partnership, we did not enter this market expecting direct government support. It should be there, but we don’t count on it.”



SeaBridge Freight’s “marine highway” service transports market goods between Port Manatee, Tampa, Fla. and Brownsville, Texas

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