



**United States House of Representatives
Committee on Transportation & Infrastructure
Subcommittee on Coast Guard and Maritime Transportation
Honorable Elijah E. Cummings, Chairman**

**Testimony regarding
"The Development of Short Sea Shipping in the United States"
February 15, 2007**

**Submitted by
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Good Morning, Mr. Chairman and Members of the Subcommittee. Thank you very much for giving me the opportunity to appear before you today to testify regarding the development of Short Sea Shipping in the United States.

As you will no doubt learn from these hearings and from further study, there are many quite different types of waterborne transport services included under the banner of "short sea shipping". Indeed, it should not be overlooked that short sea shipping exists in the United States today and moves significant quantities of goods along our coasts and through our inland waterways. That said, it has also become abundantly clear that we must find ways to increase substantially the ability of our coastal oceans and inland waterways to add badly needed capacity to our national transportation network.

SeaBridge Inc. is pursuing a unique short sea shipping vision – unique, that is, for the United States. It has developed and proposes to introduce high speed, scheduled, long haul roll-on/roll-off freight and passenger ferry services between major population centers along the East and Gulf Coasts, using an innovative vessel design and state-of-the-art port facilities.

An immense market for passenger and freight – commonly referred to as "ro-pax" – ferry services exists throughout much of the world. In Europe over 450 million passengers, 100 million cars, and 22 million trucks were transported on ferries in 2005. Successful private companies have proven that matching service offerings to customer needs is profitable across a range of markets.

The important drivers of high European ferry demand – congested roads, high fuel prices, tolls and road taxes, hours of service limitations for truck drivers, driver shortages and increasing highway safety concerns – exist in the U.S. today. The principal difference between existing ro-pax ferry operations in Europe and prospective ro-pax ferry services in the U.S. is that here such services have to compete directly with the highway system because virtually all freight and people moving in the continental United States can reach their destinations without, save for a bridge or tunnel, crossing any body of water. An example of marine service offering an

alternative to land based connections exists between the states of Washington and Alaska, where marine operators provide a water alternative to the highway corridor through Canada.

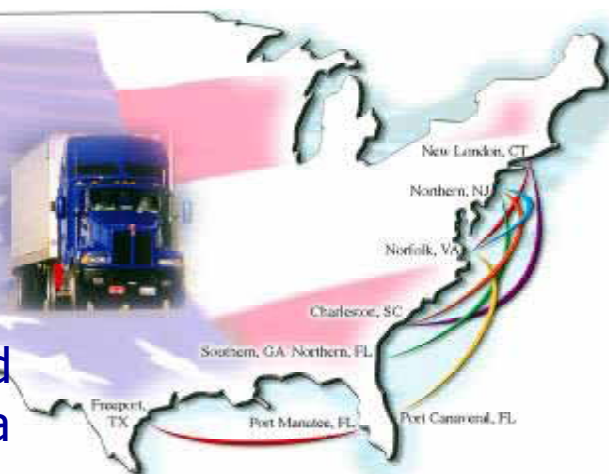
The SeaBridge vision is to create a marine highway network in the United States capable of adding new “lanes” to two of the Nation’s most congested traffic corridors, complementing and supplementing existing transport infrastructure along I-95 and I-10. At this point in of the Committee’s study of the potential for short sea shipping, it is important to distinguish among the types of coastal ferry services that we and other operators envision.



Turning Coastal Oceans into Sea Bridges

The SeaBridge Approach is just one option

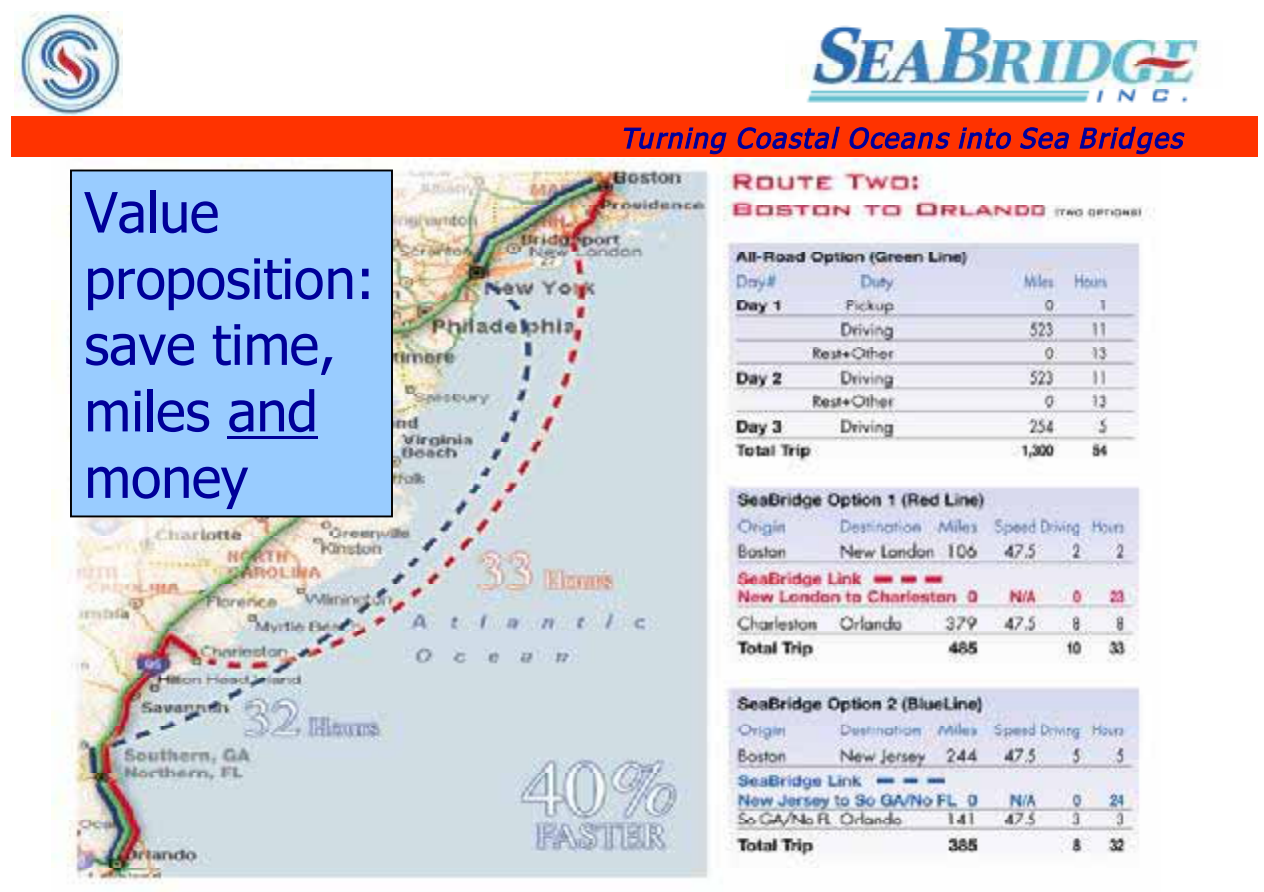
Create a fast, reliable, coastal freight and passenger ferry network with the capacity and scale to improve motor carrier service capabilities and lower costs and offer a new “mini-cruise” option to motorists



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One may ask what motivated SeaBridge to invest six years and close to \$4 million to pursue and develop an advanced vessel design capable of providing freight and passenger services that can draw traffic from highways.

This next graphic captures the “draw” that we believe will lead motor carriers and motorists to use our coastal ferry services when they offer a suitable alternative to other means of transportation. This belief has been fully vetted and validated through extensive market research. The attraction of this service is time and money; convenience and efficiency.



Unlike rail intermodal service where only the trailer or container is transported between fixed intermodal ramps to await local pickup or delivery, SeaBridge’s coastal ro-pax service enables the truck or power unit (which is often owned by the driver and leased to a trucking company) to accompany the trailer. Hence, the trucker as part of his journey from origin to destination drives on to the vessel, parks his vehicle as if at a truck rest stop, and checks into his accommodation on board the vessel. When the vessel docks at the end of its long haul “marine highway” movement, the trucker drives off the ship and proceeds to his final

destination. This is a target trucking market that typically does not use rail services but could and would use marine highway services.

Rather than use my testimony to describe our marine highways concept in detail, appended to my testimony is a copy of our proposal to the Federal Highway Administration’s “Corridors of the Future Program” which provides a more detailed look at of our network. Ours was the only short sea shipping proposal among the 38 submitted to the FHWA under their September 5, 2006 Request for Applications.

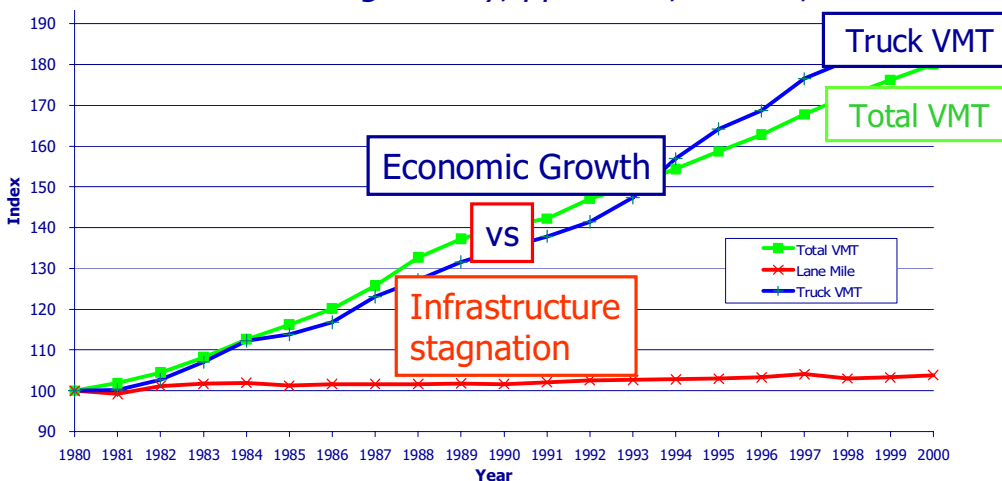
As the next graphic clearly illustrates, growing highway and rail congestion and the absence of easily available or affordable land-based alternatives is a major threat to the health of our economy.



Turning Coastal Oceans into Sea Bridges

“One of the nation’s biggest challenges is closing the gap between the demand for transportation services and infrastructure capacity.”

The Freight Story, pp. 12-13, USDOT, November 2002



Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics (Washington, DC: Various years).

The challenge of meeting our freight transportation infrastructure needs cannot be underestimated. Short sea shipping must be viewed in this context, as a viable and necessary component in the Nation's transportation infrastructure worthy of equal consideration as the other surface transportation modes. Indeed, the relative speed with which marine assets can be deployed compared to the construction of highways or railways should make short sea shipping alternatives very attractive in meeting this challenge.

As governments at the Federal and State level struggle to find cost-effective ways to finance needed new infrastructure capacity, short sea and coastwise shipping offers commercially viable marine highway options that will add significant new transport capacity and meet other national policy priorities, including job creation within the commercial shipbuilding and maritime services industries. In addition, in the event of a national or international emergency, this new capacity offers high-speed, long-range sealift capability for national defense and homeland security, both of which are top priorities of the U.S. military. This lift capability also applies to natural disaster response and recovery efforts to provide alternative evacuation capacity as well as inbound relief supplies.

When one grasps the implications of the preceding graph, is there any wonder that there is a growing chorus of increasingly concerned voices calling for action on what is now generally acknowledged in informed circles to be an imminent freight and personal mobility crisis? The crisis is not "news". Its existence and the growing danger it poses to the economic health of the U.S. has been known for years. The 2003 U.S. Chamber of Commerce Foundation's Report on Trade and Transportation concluded that the U.S. intermodal freight system is now being operated in many areas near the limits of economically sustainable capacity.

In a speech to the U.S. Chamber of Commerce Foundation in June 2003, Former Secretary of Transportation, Norman Mineta, after observing that "[o]ur landside transportation system is already stressed to the limit and currently planned infrastructure improvements and expansion cannot possibly meet this escalating demand," suggested that "[o]ne intermodal alternative is

development of a robust short sea shipping system that would aid in the reduction of growing freight congestion on our nation’s rail and highway systems.”

The performance of our surface transportation system has been deteriorating at an accelerating pace over the past decade. The ability of our land and water transportation infrastructure to support our economic growth, international trade and global competitiveness is a major economic and political challenge that has to be addressed as a matter of utmost urgency. Addressing the causes of this deterioration is not an insignificant financial challenge either.

Adding capacity to our road and rail networks is expensive, politically and environmentally sensitive, and requires long-term advance planning. The oft-quoted estimated cost of adding lanes to existing highways or building new ones is an average \$32 million per lane mile. The cost does not include delays associated with overcoming public resistance. In many sectors along the I-95 and I-10 corridors, highway expansion, particularly in and around urban areas, is no longer an option even if money were available. Intelligent transportation systems can produce a little more capacity on existing highways and technology can improve rail efficiency, but neither can add more than marginal capacity to the system.

Additionally, the fragility of current transportation infrastructure within any given corridor – and our heightened sensitivity to the potential for sabotage to critical infrastructure – points to the need for redundancy. System mobility will improve when cargo owners and vehicle operators have more options. That can only be provided through effective government and private sector partnerships utilizing the inherent advantages of all modes of transportation.

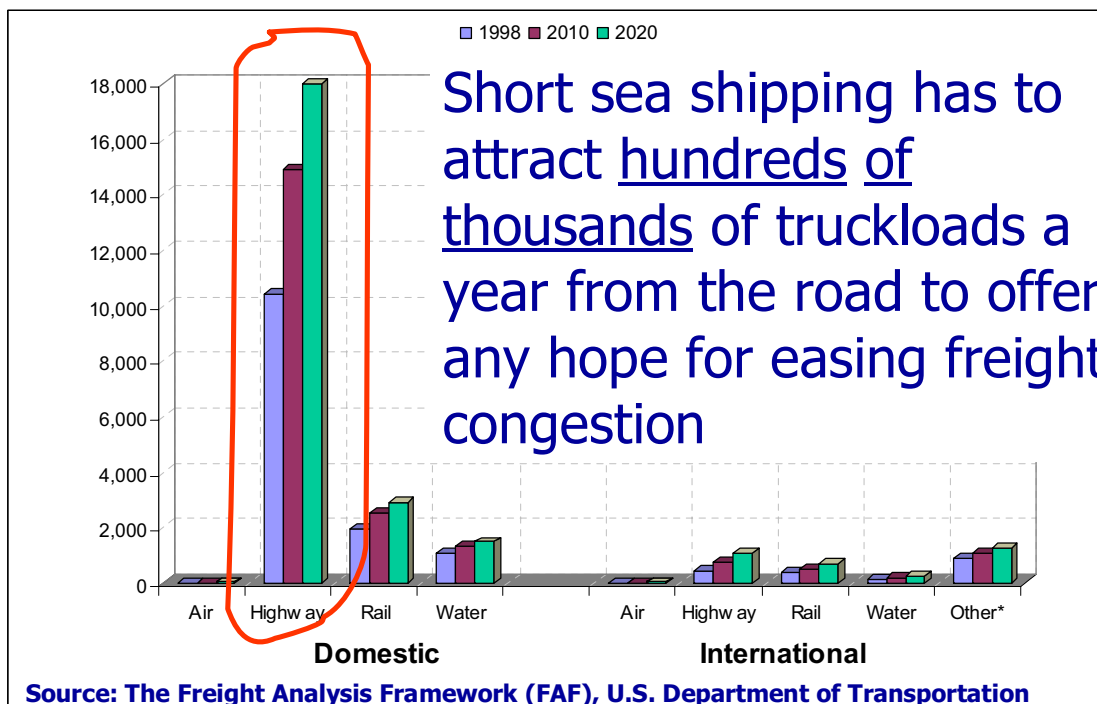
Indeed, a key purpose of these hearings is to enable the Committee to tackle the question posed by the Secretary’s suggestion: How can short sea shipping become “robust” enough to help reduce growing freight congestion? I would add a companion question: How can marine transportation be made integral to the surface transportation system on which the Nation depends? More on that below. Clearly, there will be no single, silver bullet short sea shipping solution. The SeaBridge “marine highway” network will be an important contributor to the robustness of short sea shipping services.

To be robust and sustainable, short sea shipping services must attract traffic that now uses our highways. The challenge of handling the growing volume of international cargo is important, but it pales in comparison to the challenge presented by the movement of domestic freight by highway. SeaBridge has invested its resources to develop services designed to draw highway users to its coastal routes.

Over the past fifteen years, motor carriers and railways have created an intermodal revolution on land. They have gradually moved past the historic modal warfare of the previous seventy years to collaborate in creating new freight capacity. However, even doubling rail intermodal use will not begin to address the projected “gap” between demand and capacity nor address highway truck movements that are not conducive to rail movements.



Turning Coastal Oceans into Sea Bridges



Yet, with limited exceptions such as the movement of bulk commodities and empty containers, scant attention has been given to using our coastal oceans to add capacity.

Let there be no doubt, as the burden of vehicles and freight tonnage grows, the limits of road and rail capacity will be stressed even more. Coastwise shipping will be successful only if it can provide trucking and logistics companies and shippers with cost and time effective alternate route infrastructure and options which will make it easier for land modes to manage the projected growth in intermodal freight.

Modern coastwise shipping operations can provide long haul trucking companies greater options in the management of driving personnel and would allow truckers to meet hours of service requirements while allowing freight to remain in motion. In that and other ways the coastwise movement of freight will help trucking companies to further rationalize their resources and contribute to safer travel on these densely traveled corridors. As noted earlier, in contrast to rail intermodal, trucking companies could opt to have their driver accompany the load on board the vessel, rest, and resume driving when the vessel arrives at its destination. Alternatively, like rail intermodal, the trucking company can use the vessel exactly like it now uses the rail.

Efficient and price-competitive freight and passenger maritime transportation services will foster greater development of modern coastal shipping in the U.S. and thus enhance the national transportation system in the long term. New marine highway networks can move literally, and I do mean literally, billions of vehicle miles per year from these congested coastal corridors by integrating domestic intermodal shipping with land routes.

While SeaBridge believes it can provide a commercially viable, corridor-wide option for the Nation to use its vast coastal maritime assets to relieve road congestion by adding significant new capacity that is sustainable, environmentally sound, and can keep pace with the ever increasing mobility of people and goods along the Eastern and Gulf Coasts, it is but one outlet. There need to be other short sea shipping services, many others, to make a dent in the surface infrastructure capacity challenge facing the nation.

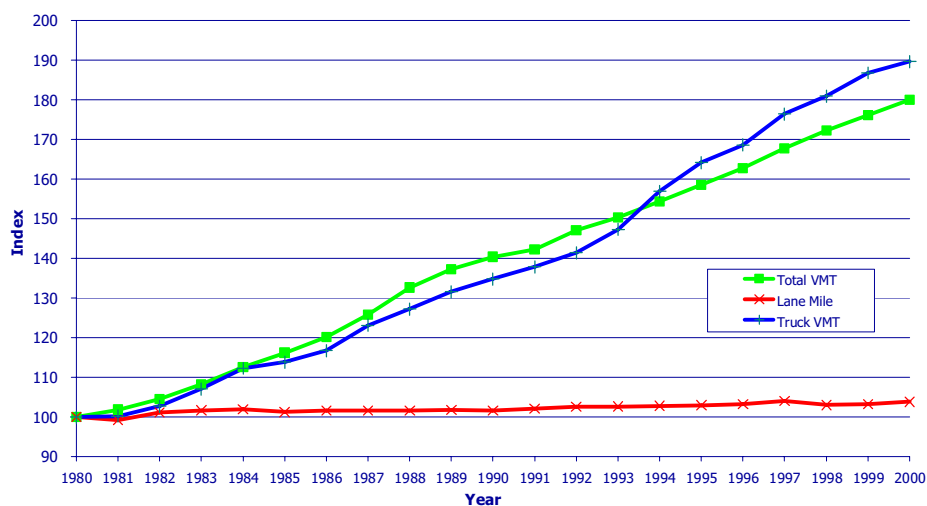
Mr. Chairman, the Nation is facing an economic challenge of unprecedented magnitude, no less daunting than faced our forebears in the previous three centuries. We built the canal systems that served the economy of the early Republic in the 18th Century, the railways that propelled the Nation’s economic growth in the 19th and into the 20th Century, and the Interstate Highway System, airports and the air traffic control system in the second half of the 20th Century that helped spur the creation of one of the most efficient modern economies known to man.

Each of these accomplishments required private initiative and public support. All required substantial capital investment. The challenge we face today is maintaining and adding capacity to these systems but just as importantly, utilizing our existing surface transportation resources – highways, railways and waterways – in ways that optimize their collective ability to sustain our economy. This, too, will be no less a financial challenge than our earlier successes were.



Turning Coastal Oceans into Sea Bridges

Absorbing vehicle miles from highways creates capacity without adding lanes



Source: U.S. Department of Transportation, Federal Highway Administration, Highway Statistics (Washington, DC: Various years).

Advocacy of policies aimed at promoting economic growth and international trade, which inevitably appear as increased freight on our domestic road and rails, without at the same time supporting policies which ensure commensurate growth in the capacity of the national surface transportation system is short-sighted and unsustainable. It is the equivalent of pursuing policies that encourage people to run while at the same time supporting policies that tie their shoelaces together. Yet, this is precisely the flawed path we have been following.

The cost of congestion across our surface transportation infrastructure is a tax – the nastiest kind of tax, hidden and regressive. Worst of all, the impact of this “congestion tax” multiplies as goods move through the supply chain, accumulating until we pay it in the price of everything we buy. Starving our national transportation infrastructure of investment is, indeed, as foolish a policy as can be imagined.

As befits the history of the development of the modes that now form our national transportation system, we have defined our system in modal terms - highways, railways and waterways – each with its own unique set of attributes e.g., ownership, operations, financing, institutions, etc. This has produced a “stove-pipe” approach to infrastructure development and financing, which in turn fostered the creation of institutional approaches that make it very difficult to elevate our view of transportation challenges to a regional or national level and beyond individual modes. As a result, we have balkanized surface infrastructure planning and financing that has limited the role that waterways can play in our national surface freight and passenger transportation system. I, for one, am heartened that this Committee is taking the lead in studying the potential of this long overlooked resource.

As our population and commerce expanded, particularly during the last 25 years, the Federal government began to recognize that this “modal” approach to transportation mobility was not an effective or sustainable way to ensure either the growth or viability of our transportation infrastructure. Passage of the Intermodal Surface Transportation Act (ISTEA) in 1991 began the slow shift Federal transportation policy to view transportation corridors as intermodal and multi-modal pathways upon which flowed goods and people across jurisdictions and modes. That said, we have far to go in implementing the spirit of that landmark law.

The Transportation Equity Act of the 21st Century (TEA-21) continued this policy direction as does its successor, SAFETEA-LU which provided \$286 billion in the last six year highway reauthorization, an amount that the Department of Transportation's own 2002 estimates indicate was almost \$200 billion short of the amount needed just to maintain the existing highway system for the period. This Subcommittee and the full Committee must not shy away from the scale of the financial challenge, nor the fact that in infrastructure terms, the day of reckoning is closing in on us fast.

We know the problem, but must move from diagnosis to treatment, from lamenting the problem to building support for enactment of a comprehensive, modally blind, practical solution that can meet a vital national interest – the ability of an integrated national surface transportation system to meet the needs of our economy in the 21st Century. As a contribution to that process, I am submitting for the record a paper I have prepared which offers as a starting point six principles to guide creation of a comprehensive, unified approach to address the competing demands of maintaining and upgrading the existing system and adding new capacity.

Thank you for your time and attention. I look forward to working with the Committee in any way in which I can be of assistance in its efforts to develop policies that will enable the Nation to take full advantage of its ample coastal and inland water resources to add much needed capacity to our national transportation system.