

From:

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### **1) Is there the potential for a Marine Highway Program in the United States?**

There is tremendous potential for marine highways in the United States. It was recently estimated that around 78 million trailer loads of truck traffic moves cargo between origins and destinations at least 500-miles apart that are within a few hours dray of a port at each end. That is about 15 percent of the total road freight market in the US. Most of this traffic is moving up and down the Atlantic Coast and across the Gulf Coast. The situation is akin to that of rail intermodal in the 1980's. Domestic rail intermodal really took off in the 1990's when the trucking industry embraced it. Now it is by far the dominant mode on such lanes as Mid-West/California. This will help start marine highways because the major customers are going to be trucking companies. However, the system needs to be put in place. I don't expect J.B. Hunt and Schneider to be investing in trailer ships. Somebody else is going to have to put the infrastructure in place and then the likelihood is that the truckers will use it if it is a cost-effective alternative to what they are doing today. The key is providing a door to door cost at least 30 percent less than road freight with a transit time and service frequency that is acceptable to shippers.

### **2) What are some of the barriers to making MH a reality on a larger scale?**

The primary and most basic barrier is lack of suitable vessels. The Jones Act requires domestic trading vessels to be built in U.S. shipyards. The Jones Act is not likely to go away as it plays a useful role in maintaining a maritime transportation infrastructure that this country needs for national security purposes as much as economic ones. However, the fact is that U.S. shipyards are much more expensive than their foreign counterparts in producing commercial vessels – in large part due to the limited volume of production of such ships in the U.S. Now it so happens that the U.S. military is soon likely to need scores of roll-on/roll-off vessels to replace the rapidly aging reserve fleets tied up in the James River and Suisun Bay. What we need is a well-organized and directed shipbuilding program in the U.S. that will combine the needs of the military with existing and prospective Jones Act commercial operators to get the cost per vessel down – both for the military and commercial operator. This has been done before. What we need is for a new Henry J. Kaiser to emerge and a Washington Administration prepared to back him.

### **3) Is MH a part of a National Transportation System?**

This is probably a trick question. Certainly it should be part of the NTS. However, we still tend to deal with modal smokestacks when it comes to overseeing transportation from a government perspective. We are definitely in an intermodal age and marine highways should be dealt with on a

planning basis in conjunction with the building of highways and ports. We are running out of real estate in the I-95 corridor to pave over, so marine highways should be evaluated in terms on their cost-effectiveness in providing an alternative.

**John's bio:**

John Reeve is the president and founder of Reeve & Associates. He has over thirty years of experience in transportation and logistics having served in a number of management positions with a major global shipping company and as a consultant. Prior to starting Reeve & Associates in 1998, he was a vice president in the transportation practices of A.T. Kearney and Mercer Management Consulting. Mr. Reeve advises organizations in the public and private sectors on strategy development, economic analysis, operational performance improvement, and public policy involving domestic and international transportation and logistics. He is a graduate of Princeton University and holds an MBA from the Tuck School at Dartmouth College.