

Secretary of Transportation Ray LaHood's Marine Highways "Q&A"

Question: The 2011 Budget doesn't include funding for the 'Marine Highway Program', how important is the program to this administration and what resources will USDOT give the program?

Expanding the use of our underutilized Marine Highways, while not the answer to all freight and passenger transportation problems, addresses several of the Administration's priorities. It can help reduce congestion on our surface transportation corridors, improving the delivery of freight and passengers. This is good for economic recovery and jobs. It helps us conserve energy, especially our use of foreign oil, and it can help us reduce greenhouse gas emissions. This is one of the few programs that can contribute to all these objectives without having a downside. While the FY 2011 budget proposal contains no specific line item funding for Marine Highways, other funding mechanisms can help advance this program. For example, the TIGER Discretionary Grants we announced last month included three projects that directly support Marine Highways, which is discussed below. We will also continue to leverage the FY 2010 funding to support the grant recipients and help them demonstrate success of these transportation services.

In addition, we will work at the national level to remove impediments to the Marine Highway, develop and propose incentives, and conduct research that can help us get more sustainable and efficient services in place in the future.

Question: Marine Highway services create and sustain long term high paying jobs. Did the Tiger Grants Program include funding to expand and create Marine Highway services?

Yes. There were 51 projects funded by the TIGER Grants and seven of them were maritime-related. Three projects, totaling about \$58.3 million, specifically support marine highway projects. This money will buy cranes, improve Marine Highway terminals and road and rail connectors and even purchase a barge.

There is another round of TIGER Grants for the current Fiscal Year for \$600 million and I hope to see more competitive Marine Highway applications again – they offer benefits that speak directly to the TIGER Grant criteria.

Question: Your counterparts in Europe are taking an aggressive approach to boosting marine transport as part of a plan to reduce congestion on land and reduce freight emissions. They also are exploring using alternate fuels such as LNG and Fuel cell technologies. This administration has started to emulate the high speed rail investments overseas. Are you in favor of a comparable investment in America's Marine Highways?

There is strong precedent for effective governmental action in this area. The European Union (EU) is faced with many of the same issues as is the U.S. regarding surface transportation congestion, environmental impacts of transportation systems, and energy conservation. The EU recognizes the benefits of greater reliance on waterborne

transportation as an important means of reaching its goals regarding sustainability and competitiveness. It has an active and longstanding policy of promoting short-sea shipping and has invested millions of Euros toward that end. As a result, container and barge transport has seen tremendous growth over the last few decades, with annual European traffic crossing the one million TEU (twenty-foot equivalent unit) level by 1991, two million TEU by 1996, and three million TEU by 2000¹. Estimated barge traffic in 2004 reached four million TEU. Short sea shipping currently represents 40 percent of intra-EU exchanges in terms of ton-kilometers².

But it should also be noted that there are differences between freight transportation systems of Europe and the United States. Europe's freight rail system is less efficient than the U.S. system and many of their largest industrial centers are in close proximity to water. Nonetheless, the remarkable growth of short-sea shipping in Europe highlights both the viability and the potentially high payoff of government support to this mode. We are looking closely at the European example as we consider our own policy and funding options.

Question: The private sector most always is the innovator and principle investor in new vessels. However, one of the challenges for vessel operators, especially new market entrants, is the high cost of getting their designs for more efficient vessels constructed or to finance innovations in fuel and "green" technologies. What can the federal government do to help stimulate those investments and a shift to greener vessels?

Creating demand for water-borne transportation should be the first priority, as it effectively serves an incentive for vessel owners to build new ships, as well as providing incentives for the ports themselves. With increased demand, capacity will follow. And as we build new ships, they will meet or exceed today's emissions standards, making them far more environmentally sustainable than our current fleet of older ships.

Incentives for cargo owners and surface transportation service providers can be aimed at inducing the re-direction of freight and passengers that better utilizes the excess capacity of our Marine Highways. We are looking at potential incentives that do this while we continue traditional programs, like Title XI loan guarantees, to help remove barriers to new vessel acquisition. Additionally, in 2007, Marine Highway vessel owners became eligible to utilize Capital Construction Funds for vessel construction, which also helps make new vessels more affordable.

The Energy Independence and Security Act of 2007 also directs the Secretary of Transportation, in consultation with the Environmental Protection Agency, to conduct research on the environmental benefits of marine highways, including research on new technology and vessel designs. The goal is to reduce emissions, improve energy efficiency and lower transportation costs. While no specific funding has been provided to conduct this research, the Maritime Administration is incorporating Marine Highways into its overall

¹ Rob Konings and Hugo Priemus, Terminals and the Competitiveness of Container Barge Transport, Ports and Waterways, Transportation Research Record No. 2062, 2008.

² European Commission, "Maritime transport: What do we want to achieve?" at http://ec.europa.eu/transport/maritime/index_en.htm.

research and development strategy and will make the most of existing resources and research relationships to advance this important component of the Marine Highway Program.