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A photograph of two men in dark suits and ties standing side-by-side against a light blue background. The man on the left is wearing a light blue tie, and the man on the right is wearing a striped tie. Both have their hands in their pockets.

## Versatility and Vision

Harvey Gulf International Marine, Inc.

Shane Guidry, President & CEO

Chad Guidry, Vice President, Marine Operations

# The Time for Short Sea Shipping Is Now

By Charles "Chuck" G. Raymond, Chairman, President and CEO, Horizon Lines, Inc.



The time is now to explore the viability of coastwise short sea shipping. At Horizon Lines, we recognize the importance of alternatives to a looming transportation infrastructure overload. We are ready to dedicate up to three vessels to an East Coast-Gulf Coast service. However, appropriate actions on the Harbor Maintenance Tax and Title XI loan guarantee program are still required to make deployment of a short sea service for containers commercially viable.

Time is of the essence. America's roadways and railways around our major ports are already overburdened. By 2020, we will face a doubling of imported container traffic to nearly 30 million twenty-foot-equivalent units (TEUs). It's too late to just build our way out of the problem.

Short sea shipping is not the only solution, but is a solution that needs to be tested. As major gateways and intermodal rail and highway networks struggle to support the influx of cargo on larger container vessels – some over 14,000 TEUs in capacity – short sea can lessen the burden by water transport of cargo between ports, moving containers from congested gateways to ready ports.

Ports such as Philadelphia; Wilmington, North Carolina; and Jacksonville could fill available capacity and flow freight into the intermodal system more efficiently. Instead of allowing trade congestion to slow economic growth in the United States, short sea shipping could bring economic growth to new areas. And bring good-paying jobs – \$50,000 per year on average – while at the same time protecting the environment.

This is sustainable industry development and a win-win proposition. We grow the industry. We improve the economy. And we use ocean transportation to protect the environment. Ocean shipping continues to be the most environmentally sensitive and cost-efficient mode of transportation. Let's use it. By shifting commercial transportation away from highly congested port areas and off highways and rail systems, short sea ship-

ping can achieve significant fuel conservation and a substantial reduction of greenhouse gas emissions – considerable environmental benefits. Because ship transport offers higher fuel economy and lower emissions of harmful pollutants, the environmental benefits of short sea shipping over land transport will result in fewer emissions and reduced energy use.

Short sea shipping is commercial innovation that our government should be encouraging. Existing tax law, however, does not support it. Under current laws, when cargo enters a U.S. port from overseas and is transferred to a smaller, shallower draft vessel for an onward voyage to another U.S. port, it is subject to the Harbor Maintenance Tax (HMT) twice – once on arrival in the U.S. before transfer to the smaller vessel and a second time upon completion of the short sea voyage.

This double taxation is a clear disincentive for ocean carriage as compared to truck and rail movements in part because HMT is not packaged into the freight rate, making recovery of these costs unworkable. I think Congress understands this, but more needs to be done. In early August of this year, a bill that included provisions to advance short sea shipping was passed but did not include a waiver of the HMT for coastwise shipping. Since little or no domestic short sea shipping of containers is currently taking place, the impact to the HMT budget of enacting a waiver would be negligible. By creating an amendment to the HMT to exempt intercoastal shipments, the transportation industry could begin to test short sea shipping now.

The Title XI loan guarantee program is also critical to the development and sustainability of a short sea shipping solution. We need funding for this program so it can serve the purpose for which it was established – to promote the growth and modernization of the U.S. Merchant Marine and U.S. shipyards. Failing to fund the program is just not an option.

Short sea shipping is not a new or recent development. In fact, it's a successful mode of

transport currently utilized in Europe. Europe exemplifies the importance of short sea shipping in maintaining its efficient transport system now and for the future. Furthermore, in Europe the competition between modes of transportation does not offer a threat to one another but rather serves as complementary modes in the supply chain to offer door-to-door service. We can learn from the model set in Europe.

Short sea shipping would create jobs for U.S. crews, enhance the U.S. maritime economy and mitigate congestion in crowded corridors. Labor groups support the concept and appreciate the growth opportunities. Short sea service has the potential to benefit everyone. Less congestion at major gateways means more speed and efficiency. Increased business at alternative ports means more jobs for these communities and greater economic prosperity for the entire country. At the same time, we can help to improve the environment using cleaner, more efficient ocean shipping to alleviate some congestion.

The time for short sea shipping is now, and we are ready.

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## About Horizon Lines

Horizon Lines, Inc. is the nation's leading domestic ocean shipping and integrated logistics company comprised of two primary operating subsidiaries. Horizon Lines, LLC operates a fleet of 21 U.S.-flag containerships and 5 port terminals linking the continental United States with Alaska, Hawaii, Guam, Micronesia and Puerto Rico. Horizon Logistics, LLC offers customized logistics solutions to shippers from a suite of transportation and distribution management services designed by Aero Logistics, information technology developed by Horizon Services Group and intermodal trucking and warehousing services provided by Sea-Logix. Horizon Lines, Inc. is based in Charlotte, NC, and trades on the New York Stock Exchange under the ticker symbol HRZ.