

**Testimony of
Anastassis Margaronis, President
Santa Maria Shipping, LLC
452 Derby Lane
Santa Rosa, California 95404
707-484-6805**

**on
The Development of Short Sea Shipping
in the United States**

**before the
House Committee on
Coast Guard and Maritime Transportation
2167 Rayburn House Office Building
Washington, DC**

**held on
Thursday, February 15, 2007**

Subcommittee on Coast Guard and Maritime Transportation - The Development of Short Sea Shipping in the United States

FEB 15, 2007: 2165 Rayburn House Office Building, Washington, DC 20515

A NATIONAL SHORT SEA SHIPPING INITIATIVE

BY STAS MARGARONIS, PRESIDENT SANTA MARIA SHIPOWNING & TRADING, INC.

THANK YOU FOR THE OPPORTUNITY OF APPEARING BEFORE YOU. MY NAME IS STAS MARGARONIS AND I AM THE PRESIDENT OF SANTA MARIA SHIPOWNING & TRADING A START-UP COMPANY ORGANIZED TO BUILD AND OPERATE CONTAINER SHIPS FOR THE US DOMESTIC TRADES. SANTA MARIA RECENTLY SIGNED A LETTER OF INTENT TO LEASE FACILITIES AT THE FORMER BETHLEHEM SHIPBUILDING COMPLEX AT SPARROWS POINT, MARYLAND. SANTA MARIA BELIEVES THAT SHIPBUILDING IN THE UNITED STATES HAS TREMENDOUS POTENTIAL FOR ECONOMIC GROWTH. AS CONGESTION, HIGH FUEL PRICES AND RADICAL CLIMATE CHANGE ARGUE FOR A COASTAL//SHORT SEA SHIPPING ALTERNATIVE.

BUT THE FEDERAL GOVERNMENT WILL HAVE TO PLAY A ROLE IN THE WATER HIGHWAYS JUST AS IT DOES ON LANDSIDE INTERSTATES.

A NATIONAL INVESTMENT IN US COASTAL SHIPPING WOULD SERVICE TWO MARKETS:

- 1) THE FEEDERSHIP MARKET: TRANSPORTING IMPORTS FROM MAJOR PORTS TO END USER PORTS.
- 2) THE SHORT SEA MARKET: TRANSPORTING DOMESTIC FREIGHT BETWEEN TWO US LOCATIONS, SUCH AS ALONG THE I-95 CORRIDOR, THE I-5 CORRIDOR, THE MISSISSIPI RIVER CORRIDOR OR ALONG THE GREAT LAKES.

SUPPORTING A NATIONAL SHORT SEA INITIATIVE CAN:

- 1) MAKE PORTS THE NEXUS OF THE NEW SHORT SEA NETWORK. AND BECOME THE FOUNDATION OF A NEW CONTAINERIZED TRANSPORTATION THAT REDUCES THOUSANDS OF DAILY TRUCK TRIPS AT NUMEROUS CONGESTION POINTS AROUND THE COUNTRY.
- 2) CREATE A NEW GENERATION OF US-MANNED COASTAL FEEDER SHIPS THAT CAN CUT THE NEED FOR TRUCK FUEL BY 50% AND BY SO DOING ALSO CUT TRUCK EMISSIONS THAT CONTRIBUTE TO GLOBAL WARMING.
- 3) RE-ESTABLISH THE UNITED STATES AS A COMPETITIVE SHIPBUILDER AND CREATE THOUSANDS OF NEW FAMILY WAGE JOBS IN SHIPBUILDING COMMUNITIES.
- 4) SAVE SHIPPERS AND CARRIERS MONEY AND REDUCE TRAFFIC CONGESTION AT MAJOR PORTS SUCH AS LA/LONG BEACH, NORFOLK AND NEW YORK.
- 5) SPUR THE DEVELOPMENT OF A NEW GENERATION OF US-BUILT MARINE ENGINES POWERED BY NON-PETROLEUM FUELS TO ADVANCE THE GOAL OF ZERO PETROLEUM IMPORTS.

6) INCREASE EDUCATION AND TRAINING OF MARINERS TO MEET SHORT SEA REQUIREMENTS AT US MARITIME ACADEMIES ALONG WITH NEW RESEARCH PARTNERSHIPS IN MARINE ENGINE DEVELOPMENT, TERMINAL HANDLING AND VESSEL SAFETY.

7) DEVELOP NEW PARTNERSHIPS WITH TRUCKING COMPANIES TO DELIVER SHORT SEA CONTAINERS.

8) DEVELOP NEW, AUTOMATED CARGO HANDLING SYSTEMS, ON - DOCK RAIL AND ALTERNATIVE POWER FOR SHIPS THAT REDUCE EMISSIONS AND FUEL CONSUMPTION.

9) REVITALIZE THE US MARITIME ADMINISTRATION (MARAD) SO AS TO PROVIDE FINANCING AS WELL AS MOBILIZING THE RESOURCES OF THE MARITIME ACADEMIES TO PROVIDE RESEARCH FOR: NEW MARINE ENGINES, NEW TERMINAL HANDLING TECHNOLOGY, BETTER PORT SECURITY, SAFETY AND EMERGENCY SERVICES.

10) IMPLEMENT PARTNERSHIPS BETWEEN MARAD, US COAST GUARD, US CUSTOMS, ARMY CORPS OF ENGINEERS AND THE MARITIME UNIONS. IN ADDITION, OFFER THE NEW COMMERCIAL FLEET TO THE US NAVY AS A NEW MILITARY SEALIFT RESERVE.

SUCH A NATIONAL NETWORK CAN STREAMLINE TRANSPORT ALONG THE EAST, WEST, AND GULF COASTS AS WELL AS THE GREAT LAKES, AND INLAND WATERWAYS SUCH AS THE MISSISSIPPI RIVER.

FEEDERSHIP SERVICE CAN RELIEVE CONGESTION AT MAIN PORTS, SAVE SHIPPERS MONEY AND WON'T NEED TAXPAYER SUBSIDY

THE OBVIOUS STARTING POINT IS TO RELIEVE CONGESTION AT MAJOR PORTS SUCH AS LA/LONG BEACH, NEW YORK/NEW JERSEY AND NORFOLK WITHOUT HUGE INVESTMENTS IN ROADS, BRIDGES AND TUNNELS. A SHORT SEA SERVICE CAN TAKE CONTAINERS DELIVERED AT OCEAN CARRIER TERMINALS AND MOVE THEM DIRECTLY ON TO VESSELS FOR DISTRIBUTION AT NEARBY FEEDER PORTS. THIS TRANSFER CAN BE DONE BY DIRECT CRANE TO FEEDER VESSEL MOVE OR AN ADJACENT GROUND TO CRANE MOVE. THE RESULT WILL BE A SUBSTANTIAL INCREASE IN PORT PRODUCTIVITY.

AS A RESULT, A CONTAINER SHIP CARRYING 150 FORTY FOOT CONTAINERS ON A SEVENTY-FIVE MILE VOYAGE FROM OAKLAND TO STOCKTON OR LOS ANGELES TO SAN DIEGO, CAN SAVE SHIPPERS 10% ON THEIR TRUCKING COSTS. IF OCEAN CARRIERS CONTRACT FOR THE VESSEL SERVICE, NO TAXPAYER SUBSIDY IS REQUIRED.

NEW US SHIPBUILDING NEEDED

A CRITICAL ISSUE IS DEVELOPING A DOMESTIC SHIPBUILDING CAPABILITY TO BUILD SMALL AND MEDIUM SIZE FEEDERSHIPS IN THE UNITED STATES. THE SHIPS NEED TO MEET DEMANDING FUEL AND AIR EMISSION REQUIREMENTS. OPERATING IN US DOMESTIC TRADES, SHIPS MUST BE BUILT IN THE UNITED STATES, OWNED BY US CITIZENS AND OPERATED BY US CITIZENS UNDER THE JONES ACT. THIS MANDATE IS CRITICAL IN AN INCREASINGLY DANGEROUS NATIONAL SECURITY ENVIRONMENT. NEW MARITIME JOBS WILL PAY FAMILY WAGE INCOMES, GENERATE NEW TAX REVENUE AND PROVIDE OUR CHILDREN WITH AN ECONOMIC FUTURE.

ESTABLISHMENT OF A SHORT SEA FUND THROUGH THE US MARITIME ADMINISTRATION'S TITLE XI LOAN GUARANTEE SHOULD BE A TOP LEGISLATIVE PRIORITY IN 2007.

THE US MARITIME ADMINISTRATION'S TITLE XI LOAN GUARANTEE PROGRAM CAN PROVIDE THE NECESSARY PUBLIC FINANCING TO ESTABLISH A NATIONAL NETWORK OF MODERN, CLEAN AND FUEL EFFICIENT US-BUILT SHIPS. THIS WILL REQUIRE A DOWNPAYMENT OF ONE BILLION DOLLARS TO THE TITLE XI LOAN PROGRAM. THIS WILL PROVIDE OVER \$20 BILLION IN

GUARANTEES TO FINANCE NEW SHIPS AND SHIPYARD UPGRADES. CONGRESS WILL NEED TO STREAMLINE THE PROGRAM TO INCORPORATE MORE MODERN LOAN PROCESSING METHODS TO ADD A PROVISION TO EXTEND GUARANTEES TO US PORTS FOR TERMINAL HANDLING UPGRADES, SUCH AS NEW CONTAINER CRANES. THE RESULT WILL BE A NEW TRANSPORTATION SYSTEM THAT CAN ALLEVIATE SPENDING FOR ROADS AT A FRACTION OF THE COST TO THE TAXPAYER. LOANS CAN BE GUARANTEED BY PORTS SEEKING TO REDUCE CONGESTION OR SHIPPERS SEEKING LOWER FUEL COSTS FROM MARINE TRANSPORT. BEST OF ALL, NO TAXPAYER SUBSIDY IS REQUIRED AND THE SEAS DO NOT REQUIRE MAINTENANCE SPENDING.

THE MOST FUEL EFFICIENT VESSEL TO TRANSPORT THIS FREIGHT IS BY THE CONTAINER SHIP. THIS VESSEL HAS THE BEST HYDRODYNAMICS TO CARRY TIME SENSITIVE CARGOES IN A COST EFFICIENT MANNER, ALTHOUGH, THERE WILL ALSO BE A NEED FOR TUG/BARGES AND RO/ROS.

PORTS WITH INDUSTRIAL LAND, ZONED FOR INDUSTRIAL USE, SHOULD HOLD ON TO THESE PROPERTIES. THEY ARE VITAL FOR PORT EXPANSION, SHIPBUILDING AND REPAIR. LEGISLATIVE PROTECTION MAY ALSO BE NEEDED TO PREVENT REAL ESTATE DEVELOPMENTS OBSTRUCTING THE NATION'S SEALANES AND MARITIME COMMERCE.

ADVANTAGES TO TRUCKING

SHORT SEA'S DEVELOPMENT OF SHORTER DISTANCE TRUCKING CREATES A NEW GROWTH OPPORTUNITY FOR TRUCKERS, A CRITICAL SUPPLY CHAIN LINK. SATELLITE FEEDER TERMINALS WILL ALLOW TRUCKING COMPANIES MORE TURN TIMES OVER SHORTER DISTANCES WHICH IMPROVES PRODUCTIVITY, AND ALLEVIATES THE DRIVER SHORTAGE PROBLEM.

REDUCED EMISSIONS

BY CONSOLIDATING HUNDREDS OF TRUCKLOADS ONTO ONE SHIP, THE INTRODUCTION OF LOW SULFUR DIESEL FUEL FOR FUEL EFFICIENT MARINE ENGINES CAN FAR MORE QUICKLY REDUCE HARMFUL EMISSIONS THAN THE PHASED IN REPLACEMENT OF NEW CLEAN TRUCK ENGINES.

ALSO, THE POSSIBILITY EXISTS THAT COASTAL SHIPS MIGHT BE ABLE TO ELIMINATE PETROLEUM USE ALTOGETHER BY GOING TO A CLEANER ALTERNATIVE POWER SOURCE, SUCH AS NATURAL GAS OR ELECTRICITY. THIS COULD BE A MAJOR BREAKTHROUGH IN THE EFFORT TO CUT CARBON DIOXIDE EMISSIONS AND THE THREAT OF GLOBAL WARMING.

SOUTHERN CALIFORNIA: A REGIONAL SCENARIO

SHORT SEA SHIPPING HAS THE POTENTIAL TO DIMINISH SOUTHERN CALIFORNIA'S AIR QUALITY PROBLEMS CAUSED BY TRUCK-GENERATED ROAD CONGESTION. SHIPS CAN SHIFT CONTAINERS FROM LA/LONG BEACH TO NEARBY PORT HUENEME AND SAN DIEGO REDUCING CONGESTION AND MAKING DELIVERIES DIRECTLY TO END USERS. THIS ELIMINATES THE ADDITIONAL TRUCK TRIPS TO AND FROM DISTANT DISTRIBUTION CENTERS. THE SOLUTION BEGINS WITH THE COOPERATION OF CARRIERS AND SHIPPERS TO STOW CONTAINERS FROM ASIA ON VESSELS SO THAT THEY ARE READY FOR TRANSFER TO FEEDER SHIPS ON ARRIVAL. CURRENTLY CALIFORNIA IS LOOKING AT PLANS TO EXPAND THE LONG BEACH FREEWAY AT A COST OF \$5.5 BILLION TO ACCOMMODATE PORT GENERATED TRUCKING. SHORT SEA SHIPPING REDUCES THIS NEED. INITIALLY, SIX 300 TEU VESSELS OFFER THE POTENTIAL TO ELIMINATE 1,800 TRUCKS FROM THE TWO PORTS AT A TOTAL COST OF ABOUT \$150 MILLION. CURRENTLY, OCEAN CARRIER CONTAINER DEMANDS REQUIRE 14,000 TRUCKS PER DAY TO SERVE THE LA/LONG BEACH PORTS. SO \$150 MILLION BUYS A 13% REDUCTION IN TRUCK CONGESTION. IT IS ESTIMATED THAT SHIPPERS WILL REALIZE A 10% REDUCTION ON DELIVERY CHARGES COMPARED TO ROAD TRANSPORT.

LONG-HAUL TRUCKING BY WATER

IF SHIPS CAN BE COMPETITIVE WITH TRUCKS AT A DISTANCE OF 75 MILES, THEY CAN BE COMPETITIVE ON LONGER HAUL TRIPS ALONG THE I-95 CORRIDOR ON THE ATLANTIC COAST AND THE I-5 CORRIDOR ON THE PACIFIC COAST. ONE TRUCKING COMPANY IS LOOKING TO EXPAND ITS BUSINESS THROUGH SHORT SEA SHIPPING. CALIFORNIA-BASED WESTSTAR TRANSPORT IS LOOKING TO DEVELOP LONG-HAUL TRANSPORT OF TRUCKLOADS BY SHIP, LINKING SOUTHERN CALIFORNIA TO NORTHERN CALIFORNIA AND OTHER PACIFIC COAST PORTS.

IMPROVED PORT SECURITY AND EMERGENCY SERVICES

FEEDER SHIPS CREATE THE ABILITY TO DE-CONSOLIDATE IMPORT VOLUMES INTO SMALLER MANAGEABLE VOLUMES FOR SCREENING AT FEEDER PORTS. NEW TERMINAL DESIGNS CAN BUILD IN IMPROVED CARGO HANDLING WITH AUTOMATED CONTAINER SCREENING TO EASE HAZARDS TO LONGSHOREMEN AND REDUCE THE SCREENING OVERLOAD AT MAIN PORTS.

FEEDER SHIPS PROVIDE A SHALLOW DRAFT ALTERNATIVE TO MOVE CARGOES IN AND OUT OF MAIN PORTS IN CASE OF NATURAL DISASTERS OR TERRORIST ATTACK.

IN THE CASE OF AN EMERGENCY, RIVERS AND COASTAL LOCATIONS CAN BE SERVED BY FEEDERSHIPS WHEN ROADS AND BRIDGES ARE DOWN.

CONCLUSION

SHORT SEA'S ADVANTAGES INCLUDE: NEW CONTAINER BUSINESS FOR FEEDER PORTS, NEW TERMINALS, NEW SHIPBUILDING, NEW SHIPS, NUMEROUS ECONOMIC DEVELOPMENT OPPORTUNITIES, IMPROVED EMERGENCY SERVICES AND PORT SECURITY. OTHER BENEFITS ARE LESS GLOBAL WARMING, LOWER SHIPPING COSTS, LESS TRANSPORTATION SPENDING, LESS DELAYS AND A GIANT STEP TOWARDS ENERGY INDEPENDENCE FOR THE UNITED STATES.

WE HAVE SUCCEEDED AT MUCH GREATER CHALLENGES IN OUR PAST: WE BUILT A NATIONAL RAILWAY SYSTEM, WE BUILT A NATIONAL HIGHWAY SYSTEM, WE PRODUCED A WAR MACHINE THAT HELPED WIN WORLD WAR TWO. OUR SPACE EXPLORATION CAPABILITY HAS TAKEN US TO THE MOON AND BEYOND.

IT IS TIME FOR AMERICANS TO RETURN TO THEIR MARITIME ROOTS... AND GO BACK TO SEA.

THANK YOU VERY MUCH.