

Deep Water Port *notes*

The News Portfolio of The Connecticut Deep Water Port Community

New London . New Haven . Bridgeport

Good News for the Connecticut Maritime Industry



M/T SWARNA MALA inbound New Haven to the Magellan Terminal, Photo by Captain Charles Jonas

ON DECEMBER 30TH, the President signed the 2012 Energy Water and Appropriations HR 2354 into law. Section 116 of HR 2354 states: The New London Disposal Site and the Cornfield Shoals Disposal Site in Long Island Sound selected by the Department of the Army as alternative dredged material disposal sites under section 103(b) of the Marine Protection, Research, and Sancturies Act of 1972, as amended, shall remain open until completion of a Supplemental Environmental Impact Statement to support final designation of an Ocean Dredged Material Disposal

Site in eastern Long Island Sound under section 102(c) of the Marine Protection, Research, and Sancturaries Act of 1972.

Also, California-based Moffat & Nichol has been retained through the combined efforts of the Governor's Office of Policy & Management, and the Departments of Economic Development, Transportation and Environmental Protection to conduct a strategic study of how to best attract markets to the New London, New Haven and Bridgeport deep-water ports.

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Dismal Global Freight Market Not Just Hurting the Tramp Sector

By Donald Frost, Deputy Editor

After Wall Street's discovery of shipping as an ascendant asset class about 2004, investors have had to watch in horror as day rates for containerships, bunkers and tankers drop, unsteadily at first, but dramatically in the last 2 years. If you read the financial papers you will have noted that several publicly traded foreign flag ship owning companies registered in the US (the companies - not the ships) have already reorganized or their stock was taken off the exchange and moved to Over the Counter trading. Others are about to go the same route in 2012. A few of these companies have been in trouble before and might have to liquidate and go out of business.

Most of the news has been focused on the Tramp Sector and little has been written about the plight of the Liner sector, otherwise known as container carriers. Joe Keefe, Editor of the magazine Maritime Professional wrote about their troubles in a recent blog posting. "Some pundits are predicting significant consolidation in the container shipping industry as it is hit from all sides by falling demand, over capacity and high fuel prices." Most of the warnings have come from European carriers.

Therefore it is interesting that the first move has been made by an Asian carrier, Malaysian International Shipping Corp. (MISC), which recently announced they would exit this market by the middle of next year. MISC

has lost \$790 million in the last three years in the box sector. It isn't just the little guys either. Maersk's container division lost \$297 million for the third quarter this year despite moving 16% more boxes than in 2010.

Joe Keefe suggested that in 5-10 years we will only have 4 to 6 major container carriers providing a UPS-like round the world service with the smaller carriers servicing feeder or niche trades. "It will be Maersk, Neptune Orient (NOL), China Ocean Shipping (COSCO), Evergreen (maybe), one of Japan Inc's Lines and Mediterranean Shipping (MSC) handling 75% of the world's boxes."

Personally I think this dire prediction may be apocryphal. It will take longer than 5-10 years and the penetration may stall around 50+%. However, the UPS-like model seems inevitable as trade in consumer goods increasingly assumes a commodity-like market place. Vertical integration into shipping by shippers of consumer products is unlikely even though many retailers have followed that course in trucking. Vertical integration in the Tramp sector, especially iron ore, is actively progressing.

Many shippers will lose their leverage with box carriers as regulators deprive carriers of rate setting flexibility. This has already started in Europe and the US Maritime Commission seems to be ready to follow, assuming it would seem, that shippers will sustain their leverage. The wild card here is the introduction of container shipping rate indices and derivatives which will have become so opaque as to mask real rate changes. Also, Third and Fourth Party Logistics providers (3PL and 4PL) who have become main stays in the US might replace the shippers at the rate bargaining table as mega-consolidators.

Post Script:

The above is not a forecast but rather a scenario that can be supported by evidence at hand now. I suggest you also read Eivind Kolding (CEO Maersk Lines) Fall 2011 Manifesto "Changing the Way We Think About Shipping".



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Maritime Administration Releases New Designs for Shipping Vessels on America's Marine Highways

The U.S. Maritime Administration recently released a report detailing new designs for shipping vessels specifically engineered for America's Marine Highways. Production of these efficient, environmentally-friendly vessels could bolster the domestic shipbuilding industry by creating new jobs and strengthening regional economies.

"This is another step in helping America's Marine Highways move our economy and relieve congestion on our roads," said U.S. Transportation Secretary Ray LaHood. "The U.S. maritime industry is vital to our economy and our security. These vessel designs will bolster both in a way that maximizes efficiency while minimizing environmental impact."

The new vessel designs also meet a portion of the U.S. military's sealift needs in times of war or during national emergencies.

Eleven designs have been created for new shipping vessels that can transport cargoes that would otherwise be trucked over congested roadways. The innovative designs focus primarily on roll-on roll-off vessels intended to carry wheeled cargo such as automobiles, trucks and trailers or railroad cars that are driven on and off the ship on their own wheels.

The designs include six roll-on roll-off (RO/RO) vessels, three combination RO/RO-container carriers, a feeder container ship, and a RO/RO-passenger ferry. The RO/RO and RO/RO-container vessels carry various types of vehicles, but are primarily intended for tractor-trailers and stackable containers. The feeder container ship can support standard-sized containers stacked both below and above deck, and the RO/RO-passenger ferry can transport tractor trailers along with their drivers.

"These designs are a road-map to a brighter future for the men and women who serve our nation at sea," said United States Maritime Administrator David Matsuda. "By bringing cutting-edge technology

to America's maritime workforce, our country can be a global leader in shipbuilding."

MARAD has also signed a Memorandum of Agreement with the U.S. Navy under which MARAD and the Navy could provide up to \$800,000 to advance two or three of these new concept designs to the next stage of design development, with the ultimate goal of constructing multiple vessels in U.S. shipyards. Transportation Secretary LaHood formally launched the America's Marine Highway program in 2010, a new initiative to move more cargo shipments onto U.S. waterways. Since that time, the Department has designated 18 marine highway corridors and provided \$215 million in funding for marine highway and port projects.

Maritime Matters In Washington

by Mr. Paul Bea

Well, here we are at the end of 2011. The 112th Congress is about half over. Overall the "complete" column compares rather poorly with the "incomplete" tally of major and minor issues. While that can be true of many congresses at the halfway point it seems especially representative of this one. Here is a quick rundown of the year.

Coast Guard Authorization – This annual measure is the routine bill for authorizing USCG funding and tinkering with Coast Guard programs and other related matters. While the House gave approval to its version (H.R. 2838) the Senate counterpart is slow out of the gate and it will be February at the earliest when the two versions will meet in conference.

Ballast Water Discharge – Again, the House completed action on its bill (H.R. 2840) whose provisions include an industry supported resolution to the yet unresolved issue of ballast water regulation. The House version is both a compromise on agency jurisdiction—agreeing to the EPA having a standards setting role under the Clean Water Act but retaining the USCG enforcement role—and, importantly, sets the

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initial, national standard for discharge in keeping with the IMO standard. Also important, it would preempt State-level regulation of ballast water. The preemption provision will be fought in the Senate.

Surface Transportation Authorization – The Senate has bragging rights, but not by much. Two of four committees of jurisdiction in the Senate voted in the past two months on their respective measures and both include first-ever national freight programs for trucking and intermodal projects including port connectors. Congress has until March 31, 2012, to finish the bill, long mired by tax issues, or extend the current authorization levels, yet again. The bet is that Congress will get the “job-creating” bill done sometime in 2012 so they have something positive to report once home and heading into the election.

Water Resources Development Act – WRDA legislation continues to look like The Little Engine That Can't. House committee leadership has offered no reason to think a separate, projects bill will emerge from the panel. As if to underscore that poor prospect the chairman intends to include a few WRDA-type provisions in the surface transportation bill (above). Deadlines for senators to propose provisions for a still-to-be-written Senate WRDA have evaporated several times.

Harbor Maintenance Trust Fund – Bills to try to force the full use of Harbor Maintenance Tax revenues for channel maintenance have fared pretty well. The so-called RAMP bills, H.R. 104 and S. 412, have 148 House and 29 Senate co-sponsors. Prospects for floor action look pretty good next year.

Corps Funding – At a time of overall spending cuts the Army Corps of Engineers civil works budget is doing comparatively well. Just this month Congress sent to the White House a spending measure that includes \$5 billion for the Corps, which is more than both House and Senate approved levels and exceeds the White House request for FY2012. However the fairly good level of funding for the overall program masks the fact that channel maintenance funding is reduced from last

year's levels, notwithstanding the abundance of user fee revenue in the HTMF, and new project feasibility studies for port improvements continue to be starved for funding.

I will close with some minor developments of potential value. First, USDOT finally resumed the Marine Transportation System National Advisory Council—after a break of nearly 2 years—with newly appointed representatives from freight transportation providers, ports, terminals and shippers. MTSNAC is chaired by Tom Simmers of Ceres Terminals and a port council subgroup is newly chaired by Rick Larrabee of PANYNJ. (No New Englander is among the appointees.) A new House Port Caucus was organized with Reps. Janice Hahn (D-CA) and Ted Poe (R-TX). Third and last, the Department of Commerce, in conjunction with USDOT, is soliciting nominations for a new Advisory Committee on Supply Chain Competitiveness. The deadline was extended to January 6th.

Happy New Year.

Paul Bea is a government relations and policy advisor in Washington, DC. He chairs the marine highway advocacy group, The Coastwise Coalition, and discusses the MTS at www.MTSMatters.com.

Statewide Dredging Update

by Mr. Joseph R. Salvatore, Dredging Project Coordinator for the State of Connecticut, Joseph.Salvatore@ct.gov

The Department of Transportation requested an Allocation and Bond Authorization from PA #57, 2011 Section 13(f) Total \$1,800,000.00

These funds are requested to finance Phase 1 would include the following components: Literature Search, Preliminary Studies includes data compilation of previous surveys, Physical Oceanographic Study of Eastern LIS, Cultural and Archeological study, Economics, Sediment Chemistry, and Bioaccumulation/Tissue Analysis.

The eastern basin extends from Mattituck Sill, (NY), Mulberry Point, Guilford (CT) to the Race at the eastern

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end of Long Island Sound including portions of Block Island Sound.

This effort will build on studies conducted as part of the 2004 Long Island Sound Environmental Impact Statement and it will compliment work conducted as part of the US Army Corps of Engineers led Long Island Sound Dredge Material Management Plan (LIS DMMP).

On June 5, 2005, EPA designated the Central and Western Long Island Sound dredge material disposal sites for long-term use. As part of this process, the eastern portion of the Long Island Sound was characterized. The focus of the EIS was for western and central portions of the sound and did not include in-depth studies of the eastern portion of the sound. Therefore, data gaps do exist.

The New London and Cornfield Shoals sites are closed as of October 5th and November 2013 respectively. One of the first 2009 LIS DMMP studies completed in October 2009 was the Dredging Needs Assessment Report. A continued need for dredging in CT, NY and RI was identified (Battelle, 2009). In addition to this report, the Economic Analysis (completed 2010) and Transportation Report (to be finalized 2011) also add supporting documentation to help assess the need for one or more open water options and alternatives for dredging proponents in Eastern CT. For more information on the LIS DMMP go to: www.lisdmp.org

Connecticut Department of Transportation News Release on an RFP issued for State Pier Management and Operations. DOT is entertaining proposals from interested qualified parties for the management and operation of the State Pier Facility located in New London. The Departments objective is to provide a port facility that enhances business and commerce in the State of Connecticut, and realizes acceptable revenue generation to the state that are consistent with good business practices and will be in concert with the ongoing Study for a Strategy for the Economic Development of the New Haven, New London and Bridgeport ports, also know as the Port Study. For the complete RFP and other related material please go to: www.ct.gov/dot



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