

**MARINE TRANSPORTATION SYSTEM NATIONAL ADVISORY COUNCIL
MEETING MINUTES
HYATT REGENCY O'HARE HOTEL
CHICAGO, IL
MAY 9-10, 2007**

Tuesday, May 9, 2007

The meeting was convened at 9:00 a.m. by the Chair, **John Gaughan**. After self-introductions, **Mr. Gaughan** made a motion for **Sam Crane** to serve as the Vice-Chair at this meeting, since the elected Vice-Chair, **Rick Gabrielson**, was unable to attend. The motion was seconded and approved unanimously.

Intermodal Capacity and Operations Team Presentation

Sam Crane and **Ted Prince** updated the Council on the status of the team's progress toward gaining a more comprehensive understanding of commodity flow throughout the transportation system. The team last met in Washington and began to identify the information needed to describe the system. They reported that most of the information is available in the public realm. Accordingly, the Maritime Administration does not need to conduct a survey of port and terminal operators to determine assets, productivity measures or throughput capacity. Gaps just need to be identified.

One of the gaps identified by the Team is final U.S. inland destination data. It was reported that the Bureau of Customs and Border Protection (CBP) hopes to capture that cargo destination data within the next year. **Robin Lanier** pointed out that although this new final destination data will be helpful in tracking the commodity flow in the U.S., it will not be on a per container basis, but on an entry basis. Therefore we will not be able to have a total picture of container movements throughout the system. **John Gaughan** asked for more Council member participation on this team. The team will continue its work and meet again prior to the next Council meeting.

John Gaughan then recognized **Joan Patricia Murphy**, Cook County Commissioner, who welcomed the group to Chicago and expressed her support for the work of the Council.

Waterways Team Presentation

Worth Hager briefed the Council on the comments received on the Waterways Team MTS presentation. Many thought that the presentation is aimed at those who are already somewhat familiar with the Marine Transportation System. It was also noted that there was too much emphasis on the inland water system. The water safety statistics also need to be carefully reviewed. The Waterways Team will meet again to refocus the

presentation and report back to the group at the next Council meeting. Meanwhile, the presentation will be posted on the “Members Only” section of the MTSNAC website for members to review and provide comments and feedback within the next month.

Regional Updates (Part I)

Carol Wolosz of the Great Lakes Maritime Research Institute (GLMRI) provided an update on GLMRI activities and accomplishments. GLMRI is designated a National Maritime Enhancement Institute (NMEI) by the Maritime Administration. There are currently eight NMEIs throughout the U.S. GLMRI receives its funding through Congressional appropriations. Its current work includes the development of a Great Lakes Data Center and research work on a ballast-free ship design in cooperation with the University of Michigan.

Malcolm McLouth provided the group with a report of recent activities from the South Atlantic Marine Transportation System Organization (SAMTSO). The major issues for SAMTSO include the Harbor Maintenance Trust Fund surplus, the Atlantic Right Whale, the Water Resources Development Act (WRDA), the Transportation Worker Identification Credential (TWIC), and Congressional legislation to exempt certain domestic shipping cargoes from the Harbor Maintenance Tax. He also emphasized the need for increased appropriate marine sector training and more action on cleaner fuels and ships. It was noted that EPA is working on some environmental issues in the intermodal trucking sector and that the Federal Highway Administration’s Freight Group is exploring diesel truck engine retrofitting.

Lunch Break

Deputy Administrator Remarks

The Maritime Administration Deputy Administrator, **Julie A. Nelson**, was introduced and briefed the Council on the Maritime Administration’s reorganization efforts as well as a new agency initiative to develop a National Port Strategy. This port strategy would:

- Identify projects around the country which, if completed, could relieve congestion in and around our ports,;
- Explore innovative financing mechanisms; and
- Identify data that should be collected for freight volumes and types moving through our seaports now and into the future.

The Maritime Administration is looking to the Council for input on this initiative. Members provided the following comments:

- Since the business model is changing, the focus should be on a freight strategy, not just a port strategy.
- A port strategy will have a short shelf life since the market is rapidly changing.

- This is in reality an import strategy and tracking the U.S. Special Trade Representative (USTR) efforts could help in this.
- National port strategy sounds very much like port planning and many stakeholders may be put off by this.
- This effort should be a multi-faceted program to address a wide variety of port issues.
- Development of a port strategy provides an opportunity to incorporate the concept of MTS forecasting which will enable us to get out ahead of the curve for the future.

Julie Nelson thanked the members for their comments and input and added that the Maritime Administration will be reaching out soon to many other groups for their input.

When asked about the current status of the agency's American Marine Highway Initiative (formerly Short Sea Shipping), **Ms. Nelson** responded that there seems to be a misconception that there is no domestic or coastal shipping service currently in operation, when in fact there are several examples of existing and new services, such as a new barge service in the Houston area which was launched in response to air emission levels in that region. In addition, The Maritime Administration has a new short sea shipping website and the agency is working with both shippers and carriers through a series of workshops to identify new opportunities for domestic shipping services. The United States also has a tripartite agreement on Short Sea Shipping with Mexico and Canada.

National Dredging Team Initiative

Due to time constraints, the Chair revised the agenda so that the Council could receive an update on the National Dredging Team's review from the Co-Chair of the National Dredging Team (NDT), **Craig Vogt**, of the EPA. He explained that the National Dredging Team is a federal interagency group established in 1995 to promote national and regional consistency on dredging issues, provide a forum for conflict resolution and information exchange early in the dredging process, and facilitate creation and operations of Regional Dredging Teams (RDTs) and Local Planning Groups (LPGs). Members of the NDT include the Army Corps of Engineers (Co-Chair), the Environmental Protection Agency (Co-Chair), Maritime Administration, National Oceanic and Atmospheric Administration, Fish and Wildlife Service, and the U.S. Coast Guard. The team produced an Action Plan for Improvement in 1994, which included a National Dredging Policy and 18 recommendations. In 2001 the NDT held a public workshop for stakeholders and developed an Action Agenda for the Next Decade, which was issued in 2003. The Committee on the Marine Transportation System (CMTS) recently requested the NDT to review the National Dredging Policy (and the 2003 Action Agenda) to assess its adequacy in support of the MTS. Input from the Council will assist the NDT in its review process.

The Council members responded that although the policy appears sound, there is not enough money to carry it out. It was noted that the Army Corps of Engineers' dredging

budget has remained flat over the past several years and the long lead time needed to resolve local issues, although improved, still is an issue. The members were asked to provide specific comments on the NDT Policy to **Mr. Vogt** as soon as possible.

The meeting was then adjourned for the day.

Tour of distribution center and rail ramp.

Wednesday, May 10, 2007

The meeting was convened at 9:00 a.m.

Intermodal Report Recommendations

Ted Prince provided the group with an update on the Council's progress toward the ten specific public and private sector recommendations from the Intermodal Team report

Public sector recommendations:

1) Make intermodal freight movement a national priority

Status: The Department of Transportation has initiated its "National Strategy to Reduce Congestion on America's Transportation Network." In addition, the Committee on the Marine Transportation System (CMTS) is drafting a national Strategy with input from many stakeholders, including members of MTSNAC

2) Protect system reliability by preserving freight infrastructure

Status: The Department of Transportation has begun to address this through its National Freight Framework.

3) Enable timely, consistent, and accurate measurement of capacity and productivity

Status: Much data already exists that can be used to measure the system. The Intermodal Team is reporting on data sources and how to improve availability. More feedback from the CMTS data group would also be helpful.

4) Encourage private sector investment through tax incentives

Status: Freight Rail Infrastructure Capacity Expansion Act has been introduced in Congress. American Association of State Highway and Transportation Officials (AASHTO) is proposing tax credit bonds for infrastructure funding, and the Administration is proposing public-private partnerships.

5) Recognize and support regional freight solutions

Status: Federal Highway Administration (FHWA) is trying to identify significant projects in SAFETEA-LU. DOT has unveiled its Congestion Relief Initiative.

Private Sector recommendations:

1) Even the flow of freight across the existing system

Status: Ocean carriers are now scheduling mid-week arrivals of new West Coast

services. Railroads have introduced similar scheduling methods also.

2) Improve attractiveness of harbor trucking for owner-operators

Status: PierPass has been implemented and terminal turn time has been improved. The ports of Los Angeles and Long Beach have initiated efforts to replace older tractors, but there are many details to be resolved. The advent of the Transportation Worker Identification Credential (TWIC) is expected to result in the loss of 20-50% of the current drivers.

3) Improve the management of chassis

Status: The situation is better, but there are still significant problems. The number of chassis pools is increasing, but leasing companies are concerned about asset turnback. Domestic chassis pools are being started. EPA involvement is also being sought.

4) Manage free-time better

Status: Most major ports have reduced free-time from 5 days to 4 days in 2006 and have increased demurrage rates.

5) Recruit, train and retain sufficient personnel to operate the system

Status: American Trucking Associations (ATA) is developing a national advertising strategy to target young drivers and provide financial support for entry level training. In addition, the Alliance for an Experienced Workforce seeks 25 million retirees over the next decade as potential driver population.

Next Steps

- A sense of urgency about the system's problems is still lacking.
- Enhanced stakeholder awareness is also needed.
- The Council should monitor and review initiatives for recommendations to the Secretary.
- Reports on CMTS activity should be incorporated at every MTSNAC meeting.
- MTSNAC should continue its data efforts.

Robin Lanier briefed the Council on recent activities that the Waterfront Coalition has been engaged in on these same issues. In response to the twin issues of infrastructure financing and the improvement of harbor drayage trucks in California, a group composed of the Association of American Railroads, National Retail Federation, Pacific Merchant Shipping Association, and the Waterfront Coalition met earlier this year to discuss possible solutions. The product of this discussion is a paper entitled "*A Program for Establishing Public-Private Partnerships for Infrastructure Financing and the Improvement of Harbor Drayage Trucks in the State of California,*" which is included in the members' meeting packets.

This paper challenges the widely held perception that there is no money available for infrastructure projects, especially in Southern California. In reality very little new infrastructure has been built in Southern California in the last several years not because of a lack of money, but due to the resistance from the environmental community. Until environmental mitigation issues are adequately addressed, no significant new

infrastructure projects will be undertaken. The paper also addresses the issue of air emissions from harbor drayage trucks in California. The industry group feels that the most logical way to deal with this issue is to set emission standards and institute a private pricing mechanism to address “dirty” trucks. The industry proposal for retrofitting and replacing older diesel truck engines is estimated to cost approximately \$100 per container at the ports. Meanwhile the ports of Los Angeles/Long Beach have unveiled a much more costly proposal, estimated at \$300 per container. Since there is no consensus on this issue, both sides are at a stalemate and it is feared that the issue will eventually end up in the courts.

The Council then requested that the paper under discussion be forwarded to the Secretary. **Maggie Blum** explained that this issue had been raised with DOT senior management some time ago and was given to the Maritime Administration to work on. The Maritime Administration has been working with industry groups and MTSNAC in Southern California to address this issue. She added that this is a good example of the type of issue that needs to be addressed and included in the agency’s proposed national port strategy. **Tony Ceraolo**, representing the Secretary, pointed out that this issue is already on the Secretary’s agenda, and asked the Council to give it more clarity and definition.

Public Comment

No public comments.

Expanded Education Outreach Report

Carol Lambos reported that the team’s Education presentation, *The Marine Transportation System and the Supply Chain*, was ready for distribution. **Ms. Lambos** next briefed the Council on the results of the Council’s survey of the MTSNAC website. The general consensus was that the website needs to be more interactive. If government resources are not sufficient to accomplish this, the team has suggested that members might contribute their own resources and asked the Council’s sponsor if this would be permitted. The sponsor will review this and report back to the Council.

Peter Peyton, Chair of the Education Team, emphasized the need to clarify the target audience for the Council’s education efforts. It is critical to include local and government officials in any educational outreach program. Perhaps a graph or snapshot showing the amount of goods every American consumes annually expressed in container equivalents would be helpful. **Mr. Peyton** said that the Education Team plans to develop regional maps showing transportation resources, which should be helpful to individual members as they discuss the MTS with their regional stakeholders. A video from the Port of Long Beach, highlighting the importance of international trade and the value of the MTS, was then shown to the Council.

Tom Wakeman, Education Team Member, made a brief presentation highlighting some of the issues related to human resources issues and the MTS and regional and system-wide concerns regarding the need for workers in supply chain jobs.

The need to get the message out **now** as well as the quantification of anticipated industry growth and the accompanying job needs was emphasized. **Ms. Lambos** then requested approval from the Council for the Education Team to pursue this issue with a Sub-Committee. The Team was so authorized by council vote and the Chair suggested that the group look at regional maritime institutions, also known as National Maritime Enhancement Institutions (NMEIs). **Marygrace Parker** suggested that since most state freight representatives are oriented toward the highway or rail modes, the Education Team should also reach out to the American Association of State Highway and Transportation Officials (AASHTO). She offered to draft a letter from the Education Team to AASHTO.

Education Team Minutes: the minutes from the December 2006 and April 2007 team meetings were approved.

Regional Updates (Part II)

Norman Fassler-Katz briefed the Council on recent activities of the California Marine and Intermodal Transportation System Advisory Council (CALMITSAC). The Chair of CALMITSAC recently provided testimony to the Surface Transportation Policy and Revenue Study Commission during its regional public hearings held in February of this year in California. The California Transportation Commission will consider input from CALMITSAC as well as other stakeholders as it decides which transportation infrastructure projects to fund. **Mr. Fassler-Katz** added that California is faced with a number of major transportation issues but the time to solve them is very limited.

Gary Springer provided an update on the final phase of the Gulf of Mexico Trade Corridor Transportation Study. The study has a number of recommendations, including:

- Designating the Gulf of Mexico area a super region;
- Eliminating impediments to short sea shipping;
- Developing regional planning and threat response;
- Bolstering Mexico's infrastructure in the Gulf of Mexico;
- Making environmental security a priority;
- Building a permanent regional caucus; and
- Creating a Gulf of Mexico public policy institute

The study still must be briefed to officials at the Maritime Administration and needs additional input from Council members.

John Gaughan then recognized **Mr. Howard Danley** of the National Oceanic and Atmospheric Administration (NOAA) who briefed the Council on the activities of a NOAA advisory committee, the Hydrographic Services Review Panel (HSRP). Advice from this panel will assist in addressing NOAA's strategic plan to improve the nation's

marine transportation system and NOAA's plans to support commerce with world-class products and services that will help ensure safe, efficient and environmentally sound marine transportation. In March of this year, HSRP presented NOAA with its report on the most wanted hydrographic services improvements throughout the system. The full report can be accessed via the NOAA website: www.noaa.gov.

John Gaughan, exercising the authority of the Chair, then established a new Council Team to address and deal with MTS environmental issues

Richard Lolich, Executive Director of the Council, reported on the action items from the last MTSNAC meeting in Jacksonville, FL in December 2006:

- At the request of the Council the Maritime Administrator has raised the Harbor Maintenance Tax issue to the Under Secretary of DOT, Jeff Shane, and the CMTS.
- The Department of Transportation does not have the authority to request GAO to withdraw its Short Sea Shipping report. In the meantime, the Maritime Administration has unveiled its American Marine Highway Initiative (AMHI) and is working with both Canada and Mexico through a trilateral agreement on short sea shipping.
- At the request of the Council, the Maritime Administrator is personally engaged with the Department of Commerce, NOAA, and other agencies, as well as the highest levels of DOT on the right whale issue. It should be noted, however, that the Maritime Administration is but one voice among many on this issue and the Endangered Species Act is very strong and difficult to counteract.
- The issue of creative funding for California dray trucks was discussed earlier today during the Intermodal Report presentations. The Maritime Administration continues to work through its Southern California Gateway Office to support a reasonable solution to this difficult issue.

Closing comments:

In response to the presentation about MARAD's reorganization, **Carol Lambos** asked where MTSNAC activities reside in the new Maritime Administration organization. **Maggie Blum** responded that it resides in the Office of Intermodal System Development, the successor to the former Office of Port, Intermodal and Environmental Activities.

The minutes of the December 2006 meeting in Jacksonville, FL were reviewed, a motion to approve them was made, seconded and the minutes were unanimously approved by the Council. **Marygrace Parker** requested that each member's Council Team affiliation be added to the Council membership list. The sponsor agreed to make that change.

The Chair announced that the next meeting will probably be in October 2007, at a location to be determined. The meeting was adjourned at 12:40 p.m.