

**MARINE TRANSPORTATION SYSTEM NATIONAL ADVISORY COUNCIL
(MTSNAC) MEETING SUMMARY
DECEMBER 5-6, 2006
HYATT REGENCY JACKSONVILLE RIVERFRONT HOTEL
JACKSONVILLE, FL**

Attendance

Organization

Alliance of Automobile Manufacturers
American Association of Port Authorities
American Trucking Associations
Association of American Railroads
Bay Planning Coalition
California Marine and Intermodal Transportation
System Advisory Council
Chamber of Maritime Commerce
Coastwise Coalition
Gulf of Mexico States Partnership, Inc.
I-95 Corridor Coalition
Intermodal Association of North America
International Longshoreman & Warehouse Union
International Longshoreman's Association
Lake Carriers' Association
Maritime Information Services of North America
National Association of counties
National Association of Waterfront Employers
National Waterways Conference
Propeller Club of the United States
Rahall Transportation Institute
Sailors Union of the Pacific
Society of Naval Architects and Marine Engineers
South Atlantic Marine Transportation System Organization
U.S. Chamber of Commerce
United States Maritime Alliance, Ltd
Waterfront Coalition

Member

Tom McMillen
Kurt Nagle
Curtis Whalen
Frank Hardesty
Ellen Johnck

Norman Fassler-Katz
Gregg Ward
Paul Bea
Dave McDonald
Marygrace Parker
Ted Prince
Peter Peyton
John Baker
Jim Weakley
Lynn Korwatch
Will Smith
Pat Hall
Worth Hager
John Gaughan
Dana Robertson
Dave Connolly
Paul Mentz
David White
Sam Crane
Carol Lambos
Rick Gabrielson

December 5, 2006

Welcome and Opening Remarks

Mr. John Gaughan, Council Chair, opened the meeting at 8:40 a.m. and introduced **Sean Connaughton**, the recently appointed Maritime Administrator. **Mr. Connaughton** welcomed the new members and thanked the continuing members for their past work. He also relayed the Secretary's regrets, but noted that **Mr. Tony Ceraolo**, the Maritime Advisor to the Secretary was in attendance. **Mr. Connaughton** shared his plan to reorganize the Maritime Administration (MARAD) with the Council. Under this plan, the Agency will focus on four program areas: National Security, Domestic Industry Promotion, Compliance, and Transportation Facilitation. This last area will be MARAD's largest. **Mr. Connaughton** also added that the Agency will be refocusing on Short Sea Shipping. This will include a name change, since the current name does not reflect the nation's inland waterways system.

Mr. Connaughton then opened the floor to questions from the Council. Questions addressed the efficient expenditure of Department of Transportation (DOT) funds, the role of MARAD in technology issues, what other agencies and groups that MARAD will work with on environmental issues, the role of the agency in compliance issues, and the looming maritime labor shortage.

MTS and Waterways Presentation

John Gaughan acknowledged the presence of **CAPT. Paul Thomas**, Captain of the Port of Jacksonville and introduced **Ms. Worth Hager**, Chair of the Council's Waterways Team. **Ms. Hager** then briefed the group on the Marine Transportation System (MTS) and the importance of the inland waterways system. After her presentation, **John Gaughan** noted that this is a draft report of the Waterways Team and will be circulated to all members for their review and comment. **Curtis Whelan** commented on the waterways fatality statistics in the presentation and suggested that any official Council presentation should remain modal neutral. **John Gaughan** replied that in fact, some types of transportation actually are safer than others and that these types of statistics are appropriate. **Peter Peyton** added that the goal is to not to replace one mode with another, but rather to make every mode as efficient as possible.

The Council then recessed for its morning break

Intermodal and Data Team Presentation

After reconvening, **Mr. Ted Prince** presented the Intermodal Team's report. The report was divided into three sections: 1) Setting the scene; 2) Overview of the Intermodal Report; and 3) Data issues. **Mr. Prince** noted that there was a general lack of urgency over the MTS capacity constraints and the increasing cost of logistics across the system. **Mr. Prince** explained that we already have a wealth of MTS data, including vessel size/port calls, labor statistics, port productivity, and productivity for the 10 largest U.S.

ports but that we must measure system capacity and its productivity.. The Intermodal Team suggests an approach that focuses on system performance, or the time to move goods through the MTS. Key Performance Indicators (KPI) and uniform metrics are needed to accomplish this.

Mr. Prince shared some final thoughts with the group:

- The role of the public sector is to encourage investment from the private sector;
- MARAD should more proactively collect MTS data;
- There should be more emphasis on intermodal data collection; and
- Data maintenance is important and should be emphasized.

Mr. Connaughton echoed this disappointment with current MARAD MTS data and felt that it relied too much on public sources. **Ms. Maggie Blum** of the Maritime Administration commented that **Mr. Connaughton** is working to arrange a presentation of the Council's MTS Supply Chain presentation with top White House policymakers. It was agreed that many top policymakers in both the Administration and Congress did not adequately understand how the MTS works and that it was important to get this message to all of them. It was suggested that a presentation be made at the next National Governor's Association meeting in August 2007.

The Council then recessed for lunch at 12:10 p.m.

Address by Mr. Frank McArdle

After the Council reconvened, **John Gaughan** introduced **Mr. Frank McArdle**, a Commissioner on the National Surface Transportation Policy and Revenue Study Commission, which was created by the Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU). **Mr. McArdle** explained that the Commission is charged to review and examine the nation's surface transportation system. He emphasized the need to discuss the economy, freight and goods movement, and how we as a nation will pay for this. **Mr. McArdle** added that there is a need to resolve local land use issues for the greater national economic benefit. He added that getting port issues on the Commission's agenda is crucial. The Commission also needs MTSNAC help in the areas of R & D and data modeling. The U.S. needs to decide how we best use our geographic assets in order to be part of the world economy. When asked about the role of the inland waterways system, **Mr. McArdle** responded that although the Commission is staffed by the U.S. Department of Transportation, there is very little focus on our waterways. **Mr. McArdle** will add this to the issues reviewed by the Commission. He added that the Commission's deliverable will be a report to Congress.

It was suggested that the Council's MTS Supply Chain and Intermodal Reports could be presented to the Commission's national meeting in Washington, D.C. in June 2007.

Panama Canal Expansion Report

Mr. Ted Prince briefed the Council on the planned Panama Canal expansion and its effects on the MTS. On October 22, 2006, a referendum to construct a third set of locks and expand the current Panama Canal was approved by the voters of Panama. The current width of the locks is 106'. The new locks will be 160' wide and will accommodate most of the Post-Panamax vessels from Asia that cannot currently transit the Panama Canal. The project is budgeted at \$5 billion. The benefits to the international trade community include the ability for the larger ships from Asia to call at both U.S. West and East coast ports. One major question is whether U.S. East coast ports can handle the influx of these new and larger vessels. The expansion project is expected to be completed by 2014, with groundbreaking planned in about 1 ½ years.

Emissions Reduction Task Force Report

Mr. Rick Gabrielson presented the report of the Council's Emissions Reduction Task Force. Anything that impedes the flow of cargo through the Los Angeles/Long Beach (LA/LB) area, the nation's largest container port complex, has the potential to negatively impact our economy. Existing air quality issues at the port facilities of LA/LB have adverse impacts on freight movements in Southern California, as well as the entire nation. The Council has been working to address this situation by creating an Emissions Reduction Task Force to recommend creative funding mechanisms that promote using environmentally compliant trucks within the port area. The biggest polluters with the greatest impact on emissions are pre-1994 model year trucks. It is estimated that 60% of the current trucks in operation within the ports are 1994 or older. However, post-1994 trucks can be retrofitted with Diesel Particulate (DP) filters that greatly reduce the level of emissions. The expense for these filters is beyond the reach of most drivers. One of the recommendations is a lease to buy concept, where the trucking company in conjunction with the owner-operator turns in pre-1994 truck and leases a pre-owned vehicle retrofitted with DP filter. The trucking company guarantees the lease, enabling a lower interest rate on the truck. Then the trucking company establishes a separate firm to pass funds onto the lease company to pay monthly lease rate on drivers' behalf. This is but one option that is under consideration. The Task Force hopes to present its findings to interested parties, including the Secretary.

Education Team Report

Carol Lambos reported that the MTS Supply Chain Report has been reproduced, and a printed copy is in each Council member's packet. A CD-ROM version will be available at the meeting tomorrow. **Ms. Lambos** then asked for additional volunteers for the Education Team.

The meeting then adjourned for the day at 3:45 p.m.

December 6, 2006

The meeting was convened at 8:30 a.m.

Public Comment Period

The first speaker was **Mr. Mark Yonge** of Maritime Transport and Logistics Advisors. **Mr. Yonge** provided the Council with a presentation, entitled “Food for Thought”, which highlighted the importance of Short Sea Shipping and the obstacles and issues facing it.

The next speaker was **Mr. Don Lewis**, of the Jacksonville Marine Exchange. He gave the group an overview of the Exchange, noting that it is an industry-led organization. **Mr. Lewis** added that the proposed rules to protect the Atlantic right whales would definitely have an impact on the Port of Jacksonville. **John Gaughan** asked if **Mr. Lewis** had any suggestions on how best to get MTSNAC information to local and regional groups such as the Marine Exchange. **Mr. Lewis** replied that PowerPoint presentations and sound bites would be helpful. **David White** added that the development of a standard presentation format for use by local groups would help. **Paul Bea** noted that the U.S. Army Corps of Engineers was holding up the dredging permit for the Port of Charleston due to the right whale issue and suggested that MARAD be involved in this. This concluded the public comment period.

Great Lakes Vessel Emissions Study Presentation

Jim Weakley briefed the Council on a recently completed report by the Lake Carriers’ Association which challenges a study on vessel emissions that was used by the U.S. Environmental Protection Agency (EPA) and the State of Ohio EPA to assign emission numbers to various generators and to set emission reduction goals. The Lake Carriers’ Association completed an independent research project and presented a technical paper to the Society of Naval Architects and Marine Engineers (SNAME) for peer review and publication. The EPAs used a study based on the Port of Los Angeles and Long Beach to determine the maritime industry’s emissions for Northeast Ohio. The EPAs concluded that the marine sector was a major producer of Nitrogen Oxide and other air emissions in the Cleveland area. **Mr. Weakley** emphasized that the emission calculation methodology, the vessel engine types, and the fuel quantity and types used by the EPAs were inaccurate and grossly exaggerated the vessel emissions in the Great Lakes area. They also grossly underestimated the air emission contributions by the rail and truck modes of transportation for the Greater Cleveland area. The Lakes Carriers’ Association is hopeful that the technical paper will be published by SNAME this spring.

Regional Reports

Great Lakes Maritime Research Institute (GLMRI)

Ms. Carol Wolosz, of the Great Lakes Maritime Research Institute (GLMRI), briefed the group on GLMRI activities. GLMRI is one of nine National Maritime Enhancement Institutes in the U.S. GLMRI is a University of Wisconsin-Superior and University of Minnesota- Duluth Consortium and is dedicated to developing and improving economically and environmentally sustainable maritime commerce on the Great Lakes through applied research. Among the projects that GLMRI is currently pursuing is a ballast-free vessel demonstration. One of the main recurring issues is the validity of data.

South Atlantic Marine Transportation System Organization (SAMTSO)

Mr. David White gave an overview of recent SAMTSO activities, which included a presentation to the South Atlantic and Caribbean Ports Association at its meeting in Charleston, SC, a letter from SAMTSO to the National Oceanic and Atmospheric Administration (NOAA) stating SAMTSO's position on the right whale, and the formation of a South Atlantic Consolidated Chassis Pool by the Georgia Ports Authority (GPA). SAMTSO also supports the use of more Harbor Maintenance Tax Funds (HMTF) to fund dredging needs along the Atlantic Intracoastal Waterway, which has the potential for more cargo movements. **Mr. White** also updated the group on the Virginia Maritime Association (VMA) plans to hire full-time dray truck drivers by the end of 2006. Funding for this initiative comes from the Virginia Tobacco Settlement to help retrain unemployed tobacco workers in the state of Virginia.

California Marine and Intermodal Transportation System Advisory Council (CALMITSAC)

Mr. Norman Fassler-Katz updated the Council on the activities of CALMITSAC. California Governor Schwarzenegger directed CALMITSAC to submit a report that recommends ways to better manage the growth of ports in California. This report is due by February 1, 2007. CALMITSAC has also been active in several statewide events. **Mr. Fassler-Katz** stressed the need for better communication of CALMITSAC's goals and accomplishments to all maritime stakeholders throughout the state and the region.

Gulf of Mexico States Accord (GOMSA)

Mr. Gary Springer briefed the Council on the group's recent activities. Research has continued on Phase I of the Gulf of Mexico Trade Corridor Transportation Study. This phase will include current security, critical infrastructure, policy and environmental inventories, infrastructure & financial gap analysis, economic foundations analysis, key issues, and investment opportunities and background data and analysis. This phase should be completed by the mid-2007. Input from MTSNAC is welcomed.

CMTS Update

Mr. Richard Lolich updated the Council on the progress of the Committee on the Marine Transportation System (CMTS). There are four active Integrated Action Teams (IAT). The MTS Strategy IAT is led by the Coast Guard and is developing a strategy document. The final document is expected by April 2007.

The MTS System Assessment IAT is led by the Corps of Engineers and will concentrate on a risk and reliability assessment of critical infrastructure and other key MTS components. The effort will begin during this current fiscal year. The MTS Data Collection and Information Management IAT is led by MARAD and has completed a federal MTS data inventory. The next phase will identify MTS data gaps and address them. These results should be completed by mid-2007. The Disaster Response/Recovery IAT was originally led by DOT, but is being reconstituted and the Coast Guard is canvassing the efforts of several departments/agencies to develop a matrix. Disaster response/recovery coordination efforts will then be identified. A new IAT, Navigation Safety Technology, has been created and is led by the National Oceanic and Atmospheric Administration (NOAA). This IAT's goal is to enhance navigational safety and efficiency of maritime operations.

Maritime Security Council MTS Education Day Report

John Gaughan then briefed the Council on the one day workshop which the Maritime Security Council (MSC) dedicated to the Marine Transportation System on October 16th in Washington, DC. The purpose of this one day workshop which was added on to MSC's annual conference was to educate Congressional members and their staffs on the MTS and its importance to our nation's economy and security. Both **Mr. Gaughan** and **Mr. Lolich** participated in this one day workshop and acquainted the attendees with MTSNAC and the work of the Council.

Approval of July 2006 Meeting Minutes

It was moved that the draft minutes from the July 2006 meeting in Norfolk, VA be approved. The motion was seconded and the minutes were unanimously approved.

Action Items

The following actions were adopted by the Council:

- Status report on the Council's request to the Secretary that the Government Accountability Office (GAO) report on short sea shipping be withdrawn
- The Education Team will work with MARAD to improve and enhance the MTSNAC website
- A cover letter from both **John Gaughan** and **Sean Connaughton** will be drafted to accompany the distribution of the Education Presentation

- The Waterways presentation will be distributed to the Council for review and comments/edits
- Request to MARAD Administrator to address the right whale issue
- Request for MARAD Administrator to address the creative funding issue from the California Truck Emissions Task Force
- Draft letter from the MTSNAC Chair to the Secretary requesting support for increased spending of the Harbor Maintenance Tax (HMT) of \$1.3 billion

John Gaughan suggested that the next meeting be held in Savannah, GA in March 2007, to which the Council agreed. The meeting was adjourned at 12:15 p.m.