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Is the US Marine Highway Programme really necessary?

Conducted in cooperation with the US Department of Transportation, Federal Highway Administration, Asaf Ashar, Professor Research, and James R. Amdal, Senior Research Associate, University of New Orleans' Transportation Institute have published an in-depth and thought-provoking study that assesses "exempt coastal shipping" defined by them as exempted from the US-built stipulation of the Jones Act, operating with functional crews and exempted from Harbour Maintenance Tax (HMT). The study focuses on two research questions: (a) the impact of the US-built exemption on the cost of coastal shipping; and (b) the competitiveness of exempt services.

The assessment is based on three typical case studies, the first two involving short and long-range services for domestic cargoes (containers and trailers) provided by Ro-Ro ships; the third, short-range feeder service for international containers provided by Lo-Lo ships.

The study finds that building coastal ships in foreign yards could save about 40% of the capital cost of the Ro-Ro ships and 60% for the Lo-Lo ships. However, due to subsidised financing by the Federal Government for using US shipyards, the savings in capital cost would only amount to 13%, 11%, or the equivalent of a mere 4% reduction in the total door-to-door shipping cost for the three case studies.

Because of this minor cost reduction, along with other structural factors, the study concludes that exempt coastal services in all three case studies are uncompetitive with truck and, especially, intermodal rail services. Intermodal rail services in the US are provided by double-stack railcars and long unit-trains reaching 500+ teu.

The researchers believe that the study's findings can be generalised to conclude that coastal shipping of containers and trailers in the US has dim prospects. These findings call into question the much-publicised Marine Highway Programme of the US Department of Transportation, Maritime Administration, designed to promote coastal shipping; they also undermine the call to modify the Jones Act – as long as subsidised financing is provided by the Federal Government.

Interestingly, the study also compares the US system to Europe, where coastal shipping is quite successful. However it points out that Europe is fundamentally different to the US in geography, shipping systems, competition from land modes of transportation, denser populations and public support. As a result "one should not infer from the success of European short-sea shipping a probable success for US coastal shipping."

Distribution is unrestricted and the 117-page report is available through the National Technical Information Service, Springfield, VA 21161.

