



"The Importance of America's Tugboat, Towboat and Barge Industry"

Royce C. Wilken

President, American River Transportation Co. (ARTCO)

Chairman, American Waterways Operators

U.S. Maritime Administrator's Speaker Series

February 26, 2008

1

Good afternoon. Thank you very much for inviting me here today. I consider this a great opportunity to spend some time with all of you to discuss the American tugboat, towboat and barge industry – the largest segment of the modern U.S. merchant marine. That statement usually surprises people. But it's true. The towing industry essentially **IS** the U.S.-flag domestic Jones Act fleet and the major segment of the American Merchant Marine.

America's Tugboat, Towboat, and Barge Industry is . . .

- **The largest single segment of the U.S. domestic fleet**
 - Nearly 4,000 tugboats and towboats
 - Over 27,000 dry, liquid, and general cargo barges
 - More than 30,000 vessel crewmembers
 - Geographically and operationally diverse

America's tugboat, towboat and barge industry consists of nearly 4,000 tugboats and towboats, and more than 27,000 barges of all types, operating in nearly every geographic locale throughout the United States, and employing more than 30,000 men and women aboard its vessels.

America's Tugboat, Towboat, and Barge Industry is . . .

- **A vital part of the U.S. marine transportation system**
 - **More than 800 million tons of cargo moved each year**
 - **Moves cargo on 25,000 miles of inland waterways, Great Lakes, Atlantic, Pacific and Gulf coasts**

- It is a vital part of the U.S. marine transportation system which moves more than 800 million tons of cargo each year.

- The industry moves cargo on 25,000 miles of inland waterways, Great Lakes, Atlantic, Pacific and Gulf coasts.



The towing industry is extremely diverse, operating from Maine to Alaska, along the vast internal waterways system, and in the nation's non-contiguous trades. Let me show you what I mean.

This is an inland tow, carrying coal, grain and other commodities in barges on the Mississippi and Ohio rivers, and their tributaries.



This inland tugboat is pushing a barge full of petroleum or petrochemicals on the inland river system.



This is an Articulated Tug Barge unit, or ATB, that transports petroleum along the coastline.



This offshore tug and barge carries containers on the coast and to our non-contiguous states.



Without the help of these powerful tugs, large container ships would not be able to enter or exit a port to load and unload their cargo.



We even tow aircraft carriers.

AWO is . . .

- **More than 400 member companies that reflect the geographic and operational diversity of the industry**
 - Inland Dry
 - Coastal
 - Inland Liquid
 - Harbor Services
- **The largest maritime trade association in the United States**

I am the current Chairman of AWO, the trade association that represents this industry, with its long history and a membership that is richly diverse. Our members operate vessels on all four U.S. coasts and throughout the interior river system, moving every type of conceivable bulk and containerized cargo. Our members are also engaged in harbor services work throughout America's coastal and inland port network. We are the largest maritime trade association in the country with a staff of 20 in our headquarters and regional offices. I am President of one of those member companies, ARTCO.

AWO is . . .

- **An advocate for its members**
- **A leader in marine safety and environmental protection**
- **A partner with and a resource for the federal government**

AWO has three main roles: as an advocate for our members on public policy issues; as a leader in marine safety and environmental protection; and as a partner with and a resource for the federal government.

Barging is Economical

**1 barge = 60 trailer trucks or
15 railroad cars**

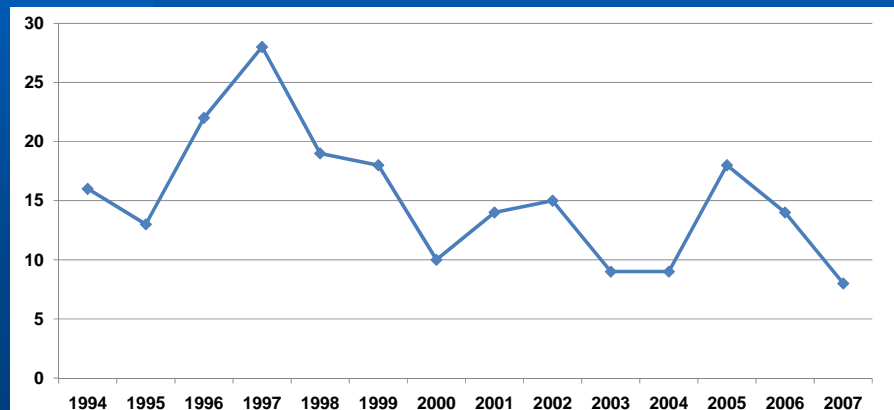
**One large inland towboat
can push 40 barges that
have the carrying capacity
of more than 2,400 trucks!**



The fundamental advantage of barging is that it is incredibly economical. One typical barge has the same capacity as 60 trailer trucks or 15 railroad cars. A large inland towboat can push 40 barges at one time, equaling the capacity of more than 2,400 trucks! That keeps a lot more trucks off the already-congested roads. As we like to point out, you've never been tailgated by a barge!

Barging is Safe

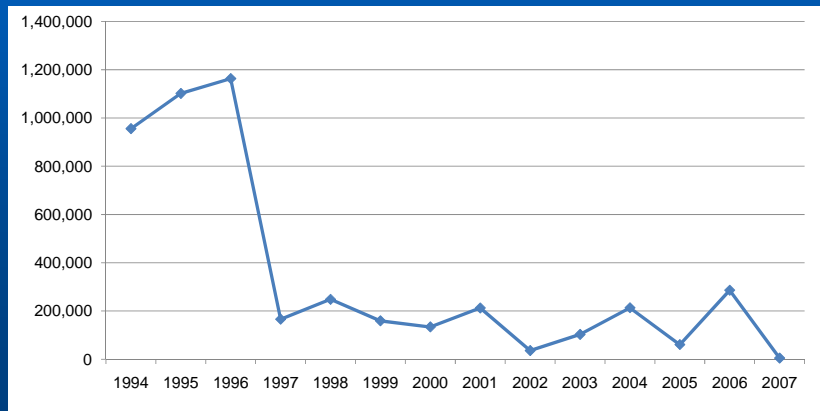
Towing Industry Crew Fatalities 1994-2007



Another advantage of barging is that it is safe. In fact, in 2007 the industry set safety records for crew fatalities (8) and tank barge oil spills (4,527 gallons). (Royce plans on speaking extemporaneously about how this number is lower than the fatality rates for other modes.)

Barging is Safe

Gallons of Petroleum and Petroleum Products Spilled from Tank Barges 1994-2007



Safety Leadership and Environmental Stewardship

- **U.S. Coast Guard-AWO Safety Partnership**

- A first-of-its-kind public-private partnership created in 1995
- Focuses on most pressing issues facing the industry and government.
- Has launched more than 30 Quality Action Teams

- AWO has a formal safety partnership with the Coast Guard. When the partnership was established, it was the first-of-its-kind public-private partnership between a transportation trade association and the government.
- The partnership focuses on the most pressing industry safety issues and over the years it has launched more than 30 QATs to attack these safety issues and develop solutions to them.

Safety Leadership and Environmental Stewardship

- **AWO Responsible Carrier Program**
 - Commitment to the highest standards of safety and environmental protection through this award-winning, third party-audited, Coast Guard-recognized program.
 - Safety code of practice that involves all aspects of a company's operations – management, equipment, human factors.

- To further demonstrate AWO members' commitment to safety and environmental protection, we developed the AWO Responsible Carrier Program, an award-winning, third-party audited safety code of practice that covers all aspects of a company's operations, including management, equipment, and human factors.

- Since 1998, all members of AWO have been required to be in audited compliance with this program in order to remain a member of the organization.

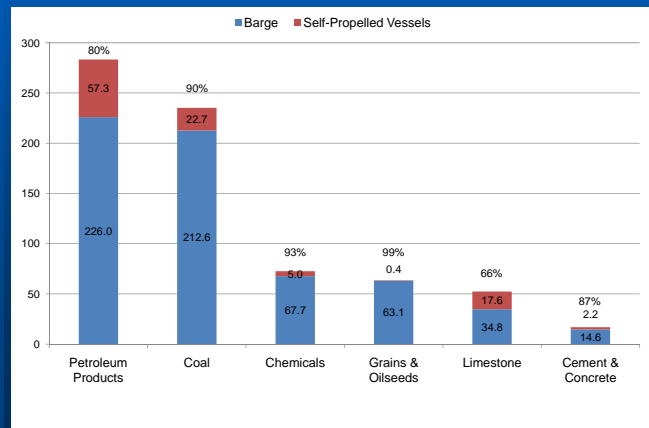
Barges Carry Majority of U.S. Domestic Waterborne Commerce

- **Barges account for 79% of domestic waterborne tonnage**
- **This percentage has steadily increased from a level of 66% in 1985**

You may be surprised to know that barges carry the majority of U.S. domestic waterborne commerce – 79% percent, to be exact. And contrary to popular belief, the percentage of waterborne commerce carried by barge has steadily increased from a level of 66% in 1985 to what it is now.

Moving the Building Blocks of America's Economy

2005 Domestic Waterborne Tonnage for Selected Commodity Groups
(Millions of tons)



This graph depicts the incredible amount and number of bulk commodities – the building blocks of America's economy – that are moved by barge.

80% of the petroleum transported by water

90% of the coal

93% of the chemicals

99% of grain and oilseeds

66% of the limestone

87% of the cement and concrete

Barges Fill Vital Needs

- **Carry 20% of nation's coal to utility plants**
- **Transport ethanol, most of New England's gasoline**
- **Move 60% of America's export grain**
- **Reduce highway congestion – a critical link in America's intermodal network**

In addition, barges are vital to the U.S. energy infrastructure, U.S. trade, and reducing congestion.

Misperceptions

“In 1950, the U.S. flag fleet consisted of 1,000 ships; almost half a century later... there are less than 200...”

**E.I. DuPont de Nemours & Co. Spokesman
May 1996**

“Because of the Jones Act, not a single American-flagged coastal freighter serves the entire East Coast and only a single vessel serves the West Coast.”

**Steel Manufacturers Association (1996)
Salt Institute (1999)**

“No vessels over 1,000 tons are available on a regular basis.”

Steel Manufacturers Association (1996)

One misperception that we have had to fight is that journalists and legislators have in the past lauded the construction of a ship as meaningful to the domestic fleet’s vitality, or the absence of ship construction as a signal of the fleet’s demise. Those observations fail to understand that the domestic fleet today is very different from a generation ago and that the measure of its health and vitality must therefore also change. We were very pleased a few years ago when MarAd released the first comprehensive accounting of America’s merchant fleet, a much more accurate description of the scope, breadth and capacity of U.S. flag vessels. The MarAd report was important because it set the record straight on the size and capacity of the U.S. fleet. The misperceptions of that fleet have served to fuel a debate over the years which might not have taken place had the real facts been on the table to begin with. With over a billion tons of cargo moved annually and literally tens of thousands of cargo vessels operating in Jones Act trades, it is difficult for us to understand where statements such as the ones on this slide come from.

Changing Face of the Industry



WHY COUNT
THIS . . .

BUT NOT
THIS?



There have been many changes to the composition of the fleet that have occurred over the last 30 years. The way we previously counted the fleet, we failed to recognize that the important measure of our fleet is its capacity to serve America's shippers. If you accept that, why count ships such as Matson's Pfeiffer but not the Crowley roll on/roll off barge? Issues such as speed, cargo handling ability and the like are real determinants of what type of vessel will be most cost effective in a specific trade or service, but no class of vessel should be ignored simply because its engine room is not permanently attached to the cargo hold.

The Jones Act is...

- **The statutory infrastructure on which our industry is based**
 - The underpinning of a multi-billion dollar capital investment
- **Fully compatible with a deregulated, highly competitive marketplace**
- **Supportive of U.S. national security, safety, and environmental interests**

- As you probably know, the Jones Act (and its predecessor statutes) have been the law of the land since the Founding Fathers wisely determined that it was of importance to the United States' economy and national security that commerce transported between domestic ports be carried by a U.S.-flag fleet.

- Billions of dollars of investments in state-of-the-art vessels have been made based upon the integrity of the Jones Act. It is fully compatible with a deregulated, highly competitive marketplace. The Jones Act supports U.S. national security, safety, and environmental interests by enabling cargo movements between American ports by vessels that meet U.S. safety, tax, labor and environmental laws and regulations.

Labor Issues



- The towing industry provides jobs for over 30,000 Americans, just on our vessels. One estimate says that 800,000 other jobs depend on waterborne transportation.
- As you know, the industry is experiencing a vessel personnel shortage.
- Towing companies are trying to be creative in attracting and retaining qualified vessel personnel. (ADM visiting Kings Point, etc.) AWO developed a towing industry recruitment tool kit, with information on the benefits of a career in the industry, and the needed qualifications, along with testimonials from vessel personnel. We are disseminating that tool kit widely to try to create a higher profile of the industry and its career opportunities.
- What can MarAd do?

Industry Concerns with MarAd

- **Ship focus despite towing industry's overwhelming dominance**
- **Failure to understand towing industry's value to America**

The American tugboat, towboat and barge industry does have some concerns about MarAd.

- We're concerned with MarAd's ship focus, despite the fact that tugboats, towboats and barges, on both blue and brown water, overwhelmingly dominate the merchant fleet.
- We're concerned about MarAd's seeming failure to understand the towing industry's value to America and to promote that to the appropriate audiences, especially within the Government . . .

Industry Concerns with MarAd

- **Need MarAd to give its attention and support to all industry sectors**
- **MarAd must change perspective—stimulate cargo demand rather than vessel supply**

- We need MarAd to give its attention and support to all industry sectors, not just ships above 1,000 gross tons.
- We also believe that MarAd must change its perspective to one of stimulating cargo demand rather than vessel supply.

Summary

- **Towing industry needs MarAd to act as an advocate and a resource**
- **MarAd must understand the industry and its value to the nation**
- **How can we help make this happen?**

- As the largest segment of the U.S.-flag fleet, the tugboat, towboat and barge industry needs MarAd to act as the industry's advocate within the U.S. government. The industry also needs MarAd's resources to help with industry-wide challenges like the vessel personnel shortage.
- In order to act as an industry advocate and provide necessary resources, MarAd must increase its understanding of the industry and its value to the nation.
- We in the industry stand ready to work with you to make the relationship between MarAd and the industry more dynamic and more effective.

For more information . . .

**For more information on the tugboat,
towboat and barge industry:**

www.americanwaterways.com

Questions?

If you would like more information on the towing industry, I urge you to visit AWO's Web site at www.americanwaterways.com.

I would be pleased to take your questions now.

Thank you very much for extending this invitation and for giving me the opportunity to talk about the value of the industry to America.