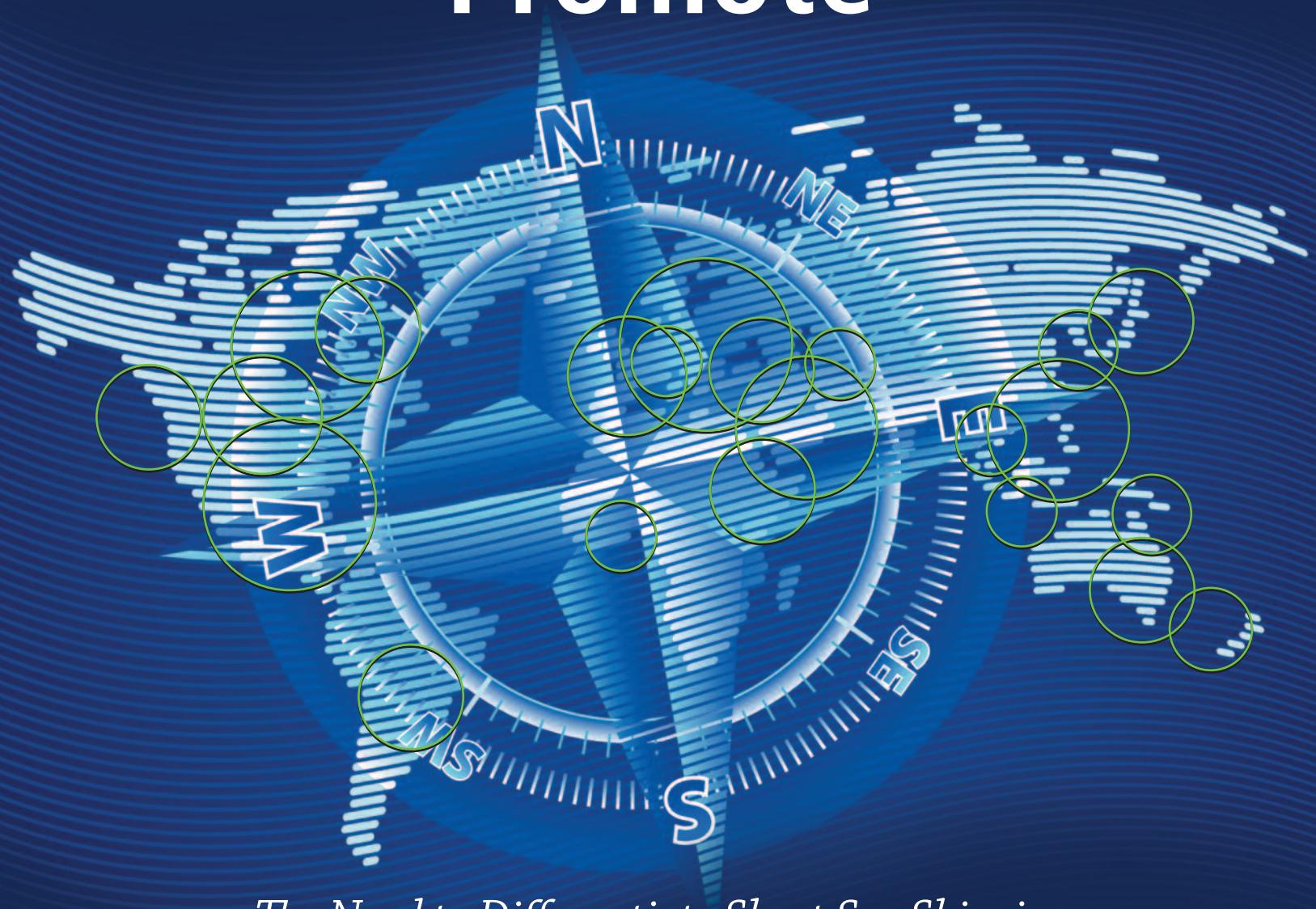


Define, Defend *and* Promote



*The Need to Differentiate Short Sea Shipping
from International Shipping in the Application and Development
of IMO Conventions and National Regulations and Policies*

Prepared for the CSL Group – September 2013

Research and Traffic Group
www.rtg.ca

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About the Study Authors

The report *Define, Defend & Promote: The Need to Differentiate Short Sea Shipping from International Shipping in the Application and Development of IMO Conventions and National Regulations and Policies* was commissioned and produced in collaboration with CSL Group. Transportation consultants Research and Traffic Group conducted the research and analysis presented in this study. IMEAS Corp. made contributions to, and edited, the final report.

CSL Group

The CSL Group is the world's largest owner and operator of self-unloading vessels. Headquartered in Montreal with divisions based in the United States, the United Kingdom, Norway, Singapore and Australia, CSL delivers more than 70 million tonnes of cargo annually for customers in the construction, steel, energy and agri-food sectors.

Research and Traffic Group

For more than two decades, Research and Traffic Group has provided advice and assistance to clients, and undertaken important studies in transportation.

Gordon English (B.Sc., M.B.A., P. Eng.) has been a partner since 1999, and an active associate since 1994, leading projects focused on energy, safety and techno-economic feasibility evaluations. Mr. English has more than 37 years' experience conducting transportation-related research. He previously worked as the Director of Research for the Canadian Transportation Safety Board Act Review Commission and in various positions at the Canadian Institute of Guided Ground Transport at Queen's University.

David C. Hackston (B. Comm, B. Arts, FCILT) has been a partner since 1988, assisting clients with analyses related to rail transportation, intermodal and Great Lakes-Seaway issues. He has more than 40 years' experience in the transportation sector, including providing the *Canada Transportation Act Review* with expert advice on rail freight and passenger issues. He previously served with the Canadian Transport Commission as Executive Director, Traffic and Tariffs, advising on rates and public interest issues for rail, motor vehicle and marine. This followed a nine-year career at CP Rail.

James Frost, (MA, MBA, CMC) has been an Associate for 5 years and has over 30 years of experience in the North American marine sector. He has been President of MariNova Consulting Ltd. since 1995 and prior to that, managed a container feeder/transhipment service operating between the traditional trading links of Halifax and Boston, and was marketing manager for a large ferry company operating on Canada's East Coast.

IMESA Group

As founder and President of IMESA, **Gary Croot** has over 25 years of experience in the fields of marine safety, environmental protection, and international regulatory compliance and enforcement. He retired from the U.S. Coast Guard in 2011 as Chief of the Environmental Standards Division where he developed a wide variety of environmental regulations including ballast water management, control of marine debris, and dry cargo residue. He also administered the Coast Guard's innovative Shipboard Technology Evaluation Program (STEP), which has facilitated the development and installation of effective ballast water treatment technologies. Gary led and participated in numerous Congressional briefings focusing on the intricacies of ballast water regulation and legislation and served on joint panels with representatives of the U.S. EPA's Office of Water.

Executive Summary

As this report demonstrates, short sea shipping (SSS) requires an internationally accepted “**definition**” and a sizable segment of the world’s fleet of shipping vessels needs to be strongly “**defended**” and “**promoted**” in the international regulatory arena and within adopting IMO Member national regulations.

Vessels engaged in short sea shipping are an important component of the global fleet. Analysis by Research and Traffic Group (RTG) estimates that the worldwide SSS fleet contains close to **16,000 vessels** with a combined deadweight tonnage (**DWT**) of **77 million tonnes**.

Short sea shipping makes a significant socio-economic contribution to many nations. Promoting SSS trade contributes to the social good, by supporting a transportation mode that is safer in terms of injuries and fatalities and produces lower emissions than land modes. The economic value of SSS is also considerable in many countries in North America, Europe and the Far East, creating large numbers of direct and indirect jobs, and generating significant tax revenue for governments.

There is currently no clear advocate for the various SSS trades at the International Maritime Organization (IMO) or within the International Chamber of Shipping (ICS), and issues specifically affecting SSS are typically handled on an ad hoc basis. The trans-oceanic trades, on the other hand, are strongly represented at the global level and well-organized around key issues. Consequently, international maritime conventions best represent the interests of the ocean-going trades and frequently produce negative impacts for short sea shipping.

As detailed within this report, such is the case for two recent environmental IMO Conventions: the proposed Ballast Water Management Convention and parts of Annex VI to the International Convention for the Prevention of Pollution from Ships (MARPOL) — the components dealing with Emission Control Areas (ECAs) and the technical components of the Energy Efficiency Design Index (EEDI).

Although these conventions are well-intentioned, aimed as they are at reducing the environmental impact of shipping, they threaten the interests of short sea shipping and are creating risks that could shift trade away from SSS to the rail and truck modes.

The unconsidered consequences of these conventions are negative to the environment in that they promote a negative modal shift to land transportation. They have come about in part because there is no mechanism at the IMO to analyze the impacts of impending regulations on the SSS sector, in order to advise member delegations before adoption.

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Recommendations

1. DEFINE: IMO should establish a common definition of Short Sea Shipping.

Several countries and regions throughout the world have established their own unique — and sometimes geo-political — definitions of short sea shipping. In order to better focus and consolidate the interests of SSS globally, a widely accepted and broadly inclusive definition must be adopted — one that encompasses all aspects of SSS, and that would be acceptable to national and international governing bodies. While typically, short sea shipping primarily competes with road and rail, not all instances of SSS meet this absolute definition due to present infrastructure. Therefore, the definition should be broader as the same socio-economic benefits exist prior to the road and rail sectors being induced to set up for these additional tonnes. The following definition is recommended:

Short sea shipping (SSS) is defined as the commercial shipment of cargo or passengers by domestic and international maritime transport. In general, this subsector of marine transportation operates in coastal and inland waterways, does not cross an ocean and often competes with road and rail networks.

While this definition may be inconsistent with some entities' definitions that seek to broadly expand geo-political boundaries (e.g., U.S. Marine Highways and the EC Shortsea Shipping Network), or with nations with particular interest in any one trading segment (container shipping, for example), it is consistent with the broad intent of SSS and with existing international conventions such as the SOLAS and Loadline Conventions.

2. DEFEND: IMO Member Administrations should establish a mechanism, either a new Sub-Committee or a Working Group within an existing Sub-Committee, to evaluate and make recommendations for the protection of the Short Sea Shipping sector, prior to adopting International Conventions that include the sector. The Sub-Committee or Working group should work with the SSS industry to identify the disproportionate and hidden impacts of Conventions on the industry.

Nearly all segments of the maritime industry are represented at the IMO by non-governmental organization (NGO) participants. At MEPC-64, there were no fewer than 15 such organizations representing nearly all facets of shipowners and operators. However, none of these organizations purport to solely represent the interests of SSS operators. While it is very important to ensure SSS interests are adequately represented by member administrations, it is equally important for SSS to have its own voice at the IMO. Until such an entity exists, various NGOs with SSS members and administrations with SSS interests should carefully balance these needs prior to the adoption of policies and conventions.

3. DEFEND: A mechanism must be developed within the International Chamber of Shipping (ICS) and/or within an exclusive Non-Governmental Organization, to ensure the interests of Short Sea Shipping are represented at the IMO, exclusive of Administration representation.

As outlined above, the impacts of international conventions — and often the more expansive national implementing regulations for those conventions — have a significant, disproportionate effect on short sea shipping. Thus, SSS organizations must identify agencies within their national administrations that are involved in policy development and convention negotiation, and educate the decision-makers on the socio-economic impacts of the SSS industry. Additionally, they must provide factual input and communicate the likely impacts of existing conventions; conventions that have not yet come into force; and proposed conventions and amendments (along with their national implementing laws and regulations) on the SSS industry. Likewise, federal administrations must be willing to engage SSS interests; make a concerted effort to better understand the impacts of the SSS industry; and understand the impacts of conventions and regulations on the SSS industry.

4. DEFEND: Short Sea Shipping nations should adopt as policy a defence of domestic Short Sea Shipping interests when adopting International Marine Conventions and in subsequent adoption of National Regulations.

In addition to recognizing the disproportionate impacts of international conventions on short sea shipping, administrations and the IMO must fully appreciate and value the public good associated with the continued development of short sea shipping as an integral part of a nation's domestic and international trade policies. To that end, the SSS industry, both regionally and globally, needs to develop quantified data and undertake analyses of the socio-economic impacts of unintended mode shifts from existing vessel routes to road and rail that could result from adoption of IMO policies. These include potential domestic policy disparities across competing modes in the SSS jurisdiction, and undesirable public impacts of unintended mode shifts (e.g., on employment, infrastructure maintenance costs, taxation revenues, transport injuries and fatalities, GHG and local CAC air emissions). While the IMO needs to encourage nations to adopt international conventions, it also needs to allow nations to modify the enabling regulations as applied to SSS operators, such that a fair and equitable representation of public good is realized.

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5. PROMOTE: Short Sea Shipping nations must be clearly identified and targeted by SSS national shipping associations. Clear, concise and up-to-date information on the full socio-economic benefits — including public safety, reduced highway congestion, economic value and environmental footprint — must be fully evaluated and appreciated by political decision-makers and public advocacy groups.

Overall, there is a scarcity of reliable data for the short sea shipping segment of the transportation industry. Thus, many national governments do not have an appreciation for the socio-economic impacts of SSS on their countries or regions. As a distinct example, until the Canadian St. Lawrence Seaway Management Corporation and the U.S. St. Lawrence Seaway Development Corporation jointly sponsored an economic report for the North American Great Lakes region, there was no reliable data upon which governments could rely to make policy decisions. The resulting study reported that the Great Lakes-St. Lawrence Seaway maritime transportation system was responsible for producing 227,000 direct, induced and indirect jobs for the region with a business revenue impact of \$35 billion. In addition, Great Lakes-Seaway shipping has a wider related impact on jobs, income and tax with the shippers (mining companies, farmers, manufacturers etc.) and supporting industries that move cargo through the marine terminals. Related jobs totalled 477,593 with a related business revenue impact of CDN\$119 billion. SSS industry leaders need to advocate aggressively to local, national, regional and international decision-makers who are in a position to effect change.

