

August 4, 2009

Honorable Richard E. Neal, Chairman
Honorable Patrick J. Tiberi, Ranking Member
Subcommittee on Select Revenue Measures
Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

Re: Statement for the Record of the Subcommittee Hearing of July 23, 2009

Dear Chairman Neal and Ranking Member Tiberi:

We are writing on behalf of the undersigned American maritime associations and labor organizations in response to your Subcommittee's hearing of July 23 in which a number of tax measures that could help improve the nation's transportation infrastructure were discussed. We wish to bring to your attention and to convey our strong support for the enactment of a tax measure that has the potential to ease landside congestion, create jobs and improve the environment by encouraging the development of a United States marine highway system.

Specifically, we ask that the record reflect that an exemption from the Harbor Maintenance Tax (HMT) on the waterborne transportation of cargo between American ports will promote the development of a marine highway system that can serve as a cost-effective, efficient and environmentally-sound way to supplement and complement the rail and truck traffic that is already pushed to capacity in most major transportation corridors. It will offer shippers an additional means to transport the ever-increasing volumes of imported cargo expected to move in interstate commerce between American ports in the coming years. At the same time, it is important to note that this proposal does not affect or change the application of the HMT on cargo entering the United States from an overseas market. Rather, it would simply end the discriminatory double taxation on cargo moving along our nation's four seacoasts by vessel.

Today, cargo entering the United States is subject to the Harbor Maintenance Tax. If that same cargo is then transported by rail or truck to another destination within the United States, it is not taxed again. However, if that same cargo is transported by a United States-flag vessel to another United States destination, it is taxed again. This double, discriminatory taxation of cargo moving by water creates a significant economic disincentive to the development of a marine highway system. This in turn discourages the development of the domestic movement of cargo by water which would ease highway traffic congestion, reduce fuel consumption and air pollution, and strengthen the U.S.-flag, U.S.-built domestic shipping industry – all with virtually no loss of revenue to the United States government.

It is important to note that in July, 2008, the National Association of Counties adopted a resolution that calls on Congress "to support the development of a robust short sea shipping system to aid in the reduction of greater freight congestion on our nation's highway systems, with an additional benefit of reducing air pollution." Their Resolution

went on to state that “Water transportation, especially along our coasts and inland waterways, is a sensible, economical, and environmentally sound solution to many of our congestion problems and the related issue of air pollution. . . . Urban and rural counties would benefit from increased use of coastal and inland waterways to move freight and it would lessen the requirement for local investments in highways and reduce the costs associated with air pollution.”

Senator Frank Lautenberg, a sponsor of HMT legislation, recently stated that “The strength of our freight transportation system is being threatened by our overwhelmed roads, bridges and tunnels – and the simple, smart solution is to ship more of America’s goods by sea. . . [it] reduces congestion on roads, cuts emissions and energy consumption and improves safety. Our future competitiveness will greatly benefit if we improve the use of marine highways to ship goods.”

Congressman John McHugh, another sponsor of HMT legislation, has stated that ending the multiple taxation of waterborne cargo within the United States, to encourage the development of a marine highway system, will “give shippers an incentive to move cargo via marine . . . [and] reduce current highway congestion, a burgeoning problem facing our nation’s transportation infrastructure, improve the flow of commerce and reduce air pollution generated by ground transportation.”

Finally, we note that the previous and current Secretary of Transportation, Mary Peters and Ray LaHood, have both spoken out about the benefits of a marine highway system. In July, 2007, Secretary Peters, in a letter submitted to the Committee on Ways and Means on legislation exempting cargo on the Great lakes from the multiple application of the HMT, said that the enactment of such legislation “would remove a market entry barrier. . . . Avoidance of the HMT is a main motivation for shipping cargo from Canada to the United States by trucks instead of water. The predictable result of this diversion is an increase in the external costs of freight transport at ports of entry on our northern border due to fuel emissions and traffic congestion.”

Similarly, Secretary LaHood has recently stated that “The maritime industry is the economic engine of the country . . . the goal is to relieve congestion on the country’s surface highways and rail networks by shifting cargo transportation to America’s coastal and inland waterways.”

The payment of the HMT is the responsibility of the shipper of the cargo, not the vessel operator. Consequently, it creates two obstacles to moving cargo by water between American ports as compared to moving that same cargo by truck or rail. First, the shipper must complete and file multiple forms with the appropriate governmental agencies - a time consuming task. Second, the shipper must pay the tax each time the same cargo reaches another domestic destination. As a result of these serious disadvantages in cost and customer convenience (as compared to land movement of the cargo), the development of a marine highway system has been impeded.

Various legislative proposals have been introduced in 2009 that would eliminate the multiple application of the HMT to the transportation of cargo by water within the United States. The Chairman of the Coast Guard and Maritime Transportation Subcommittee,

Rep. Elijah Cummings, has introduced H.R. 638, and H.R. 3486 has been introduced by Rep. Brian Higgins. Similar legislation, S. 551, has been introduced by Senator Frank Lautenberg.

The Joint Committee on Taxation and the Congressional Budget Office has indicated that the score for such legislation would be approximately \$1-\$2 million annually. As we noted earlier, this is not surprising given that the administrative and financial obstacles to short sea shipping created by the multiple application of the HMT on the domestic waterborne transportation of cargo have thwarted its use. We believe, therefore, that there should be no budgetary objection to the enactment of such legislation.

In conclusion, we appreciate the opportunity to submit this statement for the record. We believe that the benefits of eliminating this barrier to development of the marine highway are considerable:

- Eases landside congestion - highway and/or rail.
- Reduces the need for expensive new landside capacity - highway and/or rail.
- Utilizes the more fuel-efficient, lower polluting maritime mode, easing air pollution.
- Creates U.S. citizen maritime jobs and strengthens the active base of Jones Act vessels and U.S. citizen mariners for national security.

We again ask that language exempting the domestic waterborne transportation of domestic and Great Lakes cargo from the application of the Harbor Maintenance Tax is included in any transportation revenue package developed by the Committee on Ways and Means.

Respectfully submitted by:

American Association of Port Authorities
American Great Lakes Ports Association
American Maritime Congress
American Maritime Officers
American Maritime Officers Service
American Waterways Operators
International Longshoreman's Association
International Organization of Masters, Mates & Pilots
Marine Engineers' Beneficial Association
Marine Firemen's Union
Maritime Institute for Research and Industrial Development
Sailors' Union of the Pacific
Seafarers International Union
Transportation Institute