

## New Congress Brings New Challenges for U.S.-Flag Industry, Progress Slow But Steady

**A**s the first six months of the 112th Congress come to a close, we are getting a clearer answer to the question of whether the new Congress—with its overriding emphasis on controlling federal spending—will be receptive to continuing, implementing and funding the programs and policies important to the U.S.-flag shipping industry. This, of course, is not a new challenge: it is the same one we face, to varying degrees, with each new Congress. This time, however, it is magnified by the fact that there are more than 100 newly elected members of Congress who have little if any familiarity with the programs and policies important to the American maritime industry.

It is therefore incumbent on us all to maximize our efforts to educate the new Congress regarding the importance of our industry to the economic, homeland and military security of the United States. It is a challenge we must be prepared to face head-on. As MM&P, MIRAID and others in our industry repeatedly tell our elected officials in Washington, D.C., we have every reason to be proud of the role our industry plays in support of our nation's economic, military and homeland security objectives.

What's more, the U.S.-flag maritime industry provides an important base of employment for American maritime workers—skilled workers whose jobs will be lost if our maritime programs are weakened or repealed and whose skills will be lost to the Department of Defense if U.S.-flag jobs are outsourced to the benefit of foreign maritime workers.

On May 4, 2011, the U.S.-flag maritime industry came together in our nation's capital for the second annual Maritime Industry Congressional "Sail-In." More than 180 men and women from around the country came to Washington to spread the word about the U.S.-flag shipping industry and to meet with more than 160 members of the House of Representatives and Senate and their staffs to discuss the contributions our industry makes to the well-being of our country.

The Sail-In occurred at an extremely opportune time. There is in fact in Washington a growing movement, led by many of the newly elected members of Congress, to cut a variety of federal programs, often without giving sufficient consideration of the benefits they generate for the American taxpayer. As reported in the press, a number of members of the House of Representatives



**C. James Patti**

have announced plans to cut \$122 billion from the President's budget request for Fiscal Year 2012, with their proposed cuts falling particularly hard on agriculture and foreign aid. Under their plan, agriculture, including the Food for Peace/PL 480 Program, would take the second largest "hit" as a percentage of the President's budget request.

As we made clear to the representatives and senators with whom we met during the Sail-In, the Food for Peace Program should not be singled-out for these extraordinary cuts. It is an essential bulwark against global hunger and insta-

bility, and the President's request already represents a substantial cut relative to both Fiscal Year 2008 and historic levels. The need for food aid remains great, while hunger leads to unstable regimes which in turn foster terrorist and other security threats against the United States and its interests abroad.

Many of the world's anti-hunger operations are in places where the United States has vital national security and foreign policy interests, including Afghanistan, Iraq, Pakistan, Sudan, Yemen and Libya. Significant cuts to the Food for Peace budget would undermine American efforts to advance economic development and stability in these and other places. Food insecurity threatens our national security.

According to Secretary of Agriculture Tom Vilsack, America's continued humanitarian efforts are important "because over one billion people worldwide face hunger and malnutrition every day, and we know that failing agricultural systems and food shortages fuel political instability and undermine our national security interests."

At the same time, the Food for Peace/PL 480 Program provides a critical source of cargo for U.S.-flag vessels. Under existing law, at least 75 percent of such government-generated and U.S.-taxpayer financed agricultural commodities must be transported on privately owned U.S.-flag commercial vessels—to the extent such vessels are available at fair and reasonable rates. The 11,500 American jobs that are directly involved in the shipment of Food-for-Peace cargoes support more than 97,000 American jobs in other parts of the U.S. economy.

What is especially important is that members of Congress understand that there is a direct relationship between our industry's ability to fulfill its commercial sealift role in support of the

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Department of Defense and American troops stationed around the world, and the continued availability of Food for Peace and other cargoes covered by U.S.-flag shipping cargo preference requirements. Without these cargoes, and without U.S.-flag commercial vessels and their U.S.-citizen crews, the Department of Defense would be forced to spend considerably more of the taxpayers' dollars to build and operate its own fleet of vessels to replace those lost in the private industry, or to rely on foreign-flag vessels and foreign mariners to protect America's interests abroad.

This thought has best been expressed by Gen. Duncan McNabb, commander of United States Transportation Command. In a letter dated May 4, 2011, he reaffirmed to Congress that, "Maintaining U.S.-flag sealift readiness is a top priority for the United States Transportation Command (USTRANSCOM). Sealift is the primary means of delivering combat forces and sustainment during major and contingency operations. USTRANSCOM's partnership with the U.S.-commercial sealift industry is a vital component in meeting the Nation's strategic sealift requirements."



At the Congressional "Sail-In," (left to right) MIRAID President C. James Patti, Mark Bragale (AAPA), Clint Eisenhauer (Maersk), Rep. Tim Scott (S.C.), Brent Taylor (Bridge Terminal Transport) and Brian Taylor (Horizon Lines).

He went on to say that, "Through programs like the Maritime Security Program and the cargo preference laws, the Department of Defense gains access to U.S.-flag commercial sealift and transportation networks while ensuring the continued viability of both the U.S.-flag fleet and the pool of citizen mariners who man those vessels. The movement of international food aid has been a major contributor to the cargo we have moved under the cargo preference law that our U.S. commercial sealift industry depends on. *Any reductions will have to be offset in other ways to maintain current Department of Defense sealift readiness.*" (emphasis added)

We will continue to make this case to Congress, and we will continue to fight to preserve to the fullest extent practical the Food for Peace Program and the cargo preference U.S.-flag shipping requirements. Any Congressional actions to the contrary would result in an increase in federal spending, an increase in unemployment, and a decrease in our country's ability to protect our troops overseas.

In addition to responding to the challenges we face in protecting and preserving this important source of cargo for U.S.-flag vessel operations, we are working in support of a number of other critically important maritime initiatives. Most importantly, we are striving to ensure that the proposed cuts in federal spending do not affect the funding needed to fully implement the Maritime Security Program (MSP) in the next fiscal year.

To this end, we are working with the bipartisan leadership of the House of Representatives Committee on Armed Services to make sure that Congress approves and appropriates the money requested by the President to support the continued operation of MSP's 60-ship maritime security fleet of U.S.-flag militarily useful commercial vessels.

In a letter being circulated in the House, Committee Chairman Buck McKeon (R-Calif.) and the Committee's Ranking Democrat, Congressman Adam Smith (Wash.) reminded those who are working to cut the federal budget that, "the likely cost to the government to replicate just the vessel capacity provided by the MSP dry cargo vessels would be \$13 billion . . . [and] an additional \$52 billion to replicate the global intermodal system" that is made available to the Department of Defense by MSP participants. They further remind their colleagues that in, contrast, "the commercial maritime industry, through the MSP, will provide the

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Department of Defense with these same vessels and crews and global intermodal system at a cost to the taxpayer of \$186 million in Fiscal Year 2012, a fraction of what it would cost our government to do the job itself.” (emphasis added).

We are also renewing our efforts to achieve long-overdue and much-needed maritime tax reform. For far too long, the tax code has discouraged the construction and operation of U.S.-flag commercial vessels, serving instead to encourage companies to bypass U.S.-flag shipping operations. One such area in the tax code that cries out for immediate action pertains to the application of the existing Harbor Maintenance Tax (HMT) on the waterborne carriage of cargo between American ports.

Today, the HMT is imposed on imported cargo entering a U.S. port. If the cargo is loaded onto a railroad car or truck for transportation to its domestic destination, it is not taxed again. However, if this same cargo is loaded onto a vessel for transportation along our coasts to another U.S. port, it is taxed again upon its arrival at its next domestic destination. The double taxation of waterborne cargo under the HMT discourages shippers from using vessels and impedes the development of a marine highway system.

The use of U.S.-flag vessels for the carriage of cargo along our coasts, inland waterways and on our Great Lakes is 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. The U.S. marine highway system offers shippers an additional means to transport the ever-increasing volumes of imported cargo expected to move between American ports in the coming years. Most importantly, by moving this cargo by vessel, we will not be adding to the congestion that plagues our nation’s surface transportation systems.

Legislation has been introduced to end this double taxation and the resulting economic disincentive to moving cargo by ship along America’s coasts and on the Great Lakes and St. Lawrence Seaway system. Congressmen Pat Tiberi (R-Ohio), Brian Higgins (D-N.Y.) and Steve LaTourette (R-Ohio) have introduced HR 1533. In a letter to their colleagues, the three congressmen noted that enacting HR 3486 “would encourage job creation and continue developing the United States shipping industry.”

Higgins added that, “by enacting HR 1533 and giving cargo shippers an incentive to move cargo by water, Congress would enhance our short sea shipping industry, reduce current highway congestion, improve the flow of commerce, and reduce air pollution generated by ground transportation.”

The legislation to end the double taxation on waterborne cargo under the HMT is pending before the House Committee on Ways and Means, which is the committee that has jurisdiction over taxes and the tax code in the House of Representatives.

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In short, as the 112th Congress continues its work, we will intensify our efforts to educate and inform the members of the House of Representatives and Senate about our industry, the American jobs it supports and the military, economic and homeland security benefits it provides. We will fight to preserve the Jones Act, urge full funding for the Maritime Security Program, make sure that at least a portion of U.S. taxpayer-financed cargoes are transported on U.S.-flag vessels, and advocate for changes in America’s tax laws to encourage—rather than discourage—the operation of U.S.-flag vessels and the employment of American mariners.

Our message has been and will continue to be non-partisan. It is a message that should resonate with anyone concerned about strengthening the economic and military security of the United States, about American jobs, and about the most efficient use of federal resources.

The challenge is great. And there are extremely powerful interests that stand to gain economically if U.S.-flag shipping programs are eliminated and foreign vessels gain total control over the carriage of America’s foreign and domestic commerce. To this end, we must continue to support those who support us and our industry by contributing to the MM&P Political Contribution Fund (PCF).

A contribution to the MM&P PCF by each and every member of our union would go a long way to ensuring that we have the resources necessary to help elect the Republicans, Democrats and Independents who understand the importance of the U.S.-flag merchant marine and who are committed to preserving and creating jobs for American mariners.

We all have a responsibility to get involved and to do the most and the best that we can. Contributing to the MM&P PCF is one of the best ways that we can all be involved.