



Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

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December 22, 2005

The Honorable Dave Weldon
U.S. House of Representatives
Washington, DC 20515

The Honorable Christopher Shays
U.S. House of Representatives
Washington, DC 20515

Dear Representatives Weldon and Shays:

The American Association of Port Authorities (AAPA) is writing to voice its strong support for H.R. 3319, to amend the IRS Code to exempt domestic intermodal cargo containers and cargo loaded on a vessel by means of wheeled technology from the Harbor Maintenance Tax. AAPA thanks you for your leadership in introducing this important bill, and pledges its assistance in ensuring its timely passage.

This nation is at the forefront of a huge increase in international trade. Projections are that by 2020 trade volumes will double, with maritime transportation to increase from 2 billion tons to 4 billion tons. Most of that cargo will transit through seaports. A key challenge and priority for the Association is helping our members address port development and growth needs related to this huge projected increase of trade.

Ports are looking strategically at how to accommodate this growth, especially in terms of transporting cargo out of the port facilities in a way that will not overload our current highway and rail transportation systems. As evidenced in the recent debate over SAFETEA-LU, current congestion of our highway systems are already at a crisis point. Current and future road congestion and projected increases in trade volumes have spurred many in the maritime industry, including the Maritime Administration, to try to encourage the use of short sea shipping to carry some of the domestic load. As you know, this industry is well developed in Europe, and maritime transportation is underutilized in the U.S. for domestic shipping.

In the United States, most cargo imported or exported through seaports is transported by truck or rail. Congestion is evident at most large U.S. ports, many of which are also located in heavily congested urban areas. A March 2003 report from the U.S. Chamber of Commerce, *Trade and Transportation: A Study of North American Port and Intermodal Systems*, highlighted this growth in trade and the need to "proactively address the current crisis in the capacity of our intermodal system." AAPA believes short sea shipping is one part of this solution.

Domestic short sea shipping would also allow this country to accommodate the increase in cargo trade by providing an alternative to the already overburdened highways and railroads. Unfortunately, the Harbor Maintenance Tax has been identified by experts as a cost disincentive to the development of this new industry. Trucking rates and rail rates are very competitive with short sea shipping. Exempting certain domestic cargo from the Harbor Maintenance Tax would encourage the expansion of short sea shipping. This is why your bill is so important.

Representatives Dave Weldon and Christopher Shays
December 22, 2005
Page 2

As with any tax change, it is important to consider the cost. AAPA asked for some preliminary estimates from the Corps of Engineers, which manages the Harbor Maintenance Tax Trust Fund. Preliminary estimates put the cost of this new exemption at under \$2 million a year. The Corps of Engineers reports that for FY'02 (the most recent report on the Harbor Maintenance Trust Fund) the total of all HMT domestic payments was \$28 million. Also, total domestic cargo was only 4.3% of the total HMT collected in 2002. This provision would be only a small subset of the domestic total. With a \$2.6 billion surplus in the trust fund that continues to grow each year, adding this exemption to the law would not harm the trust fund.

Short sea shipping is an exciting opportunity that shows great promise for helping the U.S. address the cargo congestion brought on by growth of trade in this country. By recommending a change in the tax law to provide an additional exemption for certain domestic cargos, passage of your bill would be doing a great service to this nation by promoting the transportation solutions for tomorrow.

The time for passing this legislation is now. AAPA stands ready to help you and your staff pass this bill in 2006.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt J. Nagle", with a long horizontal flourish extending to the right.

Kurt J. Nagle
President