American Great Lakes Ports Association

Position Paper

Short Sea Shipping

Summary:

Throughout the United States, road and rail congestion threaten the flow of commerce and economic growth. To address congestion, transportation planners are examining how local waterways can play an increased role in accommodating the movement of freight. The Great Lakes navigation system provides our region with a cost effective, waterborne transportation alternative. An impediment to the development of short-distance marine transportation services (short sea shipping) is the U.S. Harbor Maintenance Tax, which is only assessed on cargo if it moves by water.

AGLPA Position:

Congress should enact legislation exempting the movement of non-bulk cargo from the U.S. Harbor Maintenance Tax as a means of encouraging the movement of freight from congested surface transportation systems to marine alternatives.

Additional Background:

In recent years, transportation planners have been struggling to identify ways to move people and goods more efficiently. Congested highways - particularly in urban areas - hinder the flow of commerce and create a drag on the North American economy. Likewise, rail capacity is limited in many areas. The expansion of highway and rail infrastructure is expensive, difficult and time consuming. Today, there is a real concern that our nation's transportation system is constraining economic growth. The European Union confronted these same challenges a decades ago and found relief in greater utilization of its waterways for the movement of freight. America's waterways offer similar opportunities. For example, in the Great Lakes region, our navigation system operates at only 50-60 percent of its capacity. At the same time, many of the region's highways are severely congested.

In concept, the term "short sea shipping" refers to the movement of freight regionally between ports as a means of complementing the nation's highway and rail systems with the goal of relieving congestion. This same concept is also referred to as "marine highways."

In 2007, Congress recognized the potential benefits of short sea shipping and directed the U.S. Department of Transportation to establish a short sea transportation program to stimulate new regional shipping services. Subsequent legislation authorized a marine highway grant program. The resulting "America's Marine Highway Program" is administered by the U.S. Maritime Administration and provides grants to assist with planning and development of new short sea shipping services.

A key impediment to the establishment of new regional shipping services is the U.S. Harbor Maintenance Tax. Because the Harbor Maintenance Tax is only assessed on cargo if it moves by ship, the tax serves as a disincentive to move freight by water. As such, the tax actually encourages greater highway congestion and resulting fuel consumption and air pollution.

The U.S. Harbor Maintenance Tax (HMT) was enacted by Congress in the Water Resources Development Act of 1986 (P.L. 99-662). The HMT is an "ad valorem" tax, meaning a tax on the value of cargo. Originally, the HMT was set by Congress at 0.04 percent of the value of cargo carried on ships. In 1990, the tax was increased to 0.125 percent of the value of cargo. The tax is not paid by the vessel owner, nor the port, but rather, by the owner of the cargo in each ship. While the original tax applied to all cargo transported by ship (with a few exceptions), in 1998 the Supreme Court struck down the taxation of export cargo as unconstitutional.

Thus, today, the Harbor Maintenance Tax is assessed on cargo transported between U.S. ports, and cargo imported to U.S. ports from other countries. The tax is not assessed on export cargo, nor does the tax apply to freight shipped on the Inland River Navigation System.

Between 2006-2012 a number of bills were introduced in Congress to exempt short sea shipments from the Harbor Maintenance Tax. In November 2007, the Senate Finance Committee approved such an exemption for cargo moved between ports in the Great Lakes (S. Rept. 110-228). Unfortunately, the legislation was never taken-up by the full Senate. In February, 2012, AGLPA testified before the House Ways and Means Committee, Subcommittee on Select Revenue Measures, which held a hearing to further examine the issue. Additional efforts to advance an exemption were made by legislators during both House and Senate consideration of "MAP-21," a two-year reauthorization of federal transportation programs. Ultimately, the legislation was blocked due to concerns regarding trade policy.