

July 31, 2008

The Honorable Charles B. Rangel
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC 20515-6348

The Honorable Jim McCrery
Ranking Member
Committee on Ways and Means
1139E Cannon House Office Building
Washington, DC 20515-6348

Dear Chairman Rangel and Ranking Member McCrery:

As part of the Committee on Transportation and Infrastructure's efforts to improve the efficiency and coordination of our Nation's transportation modes, we are committed to expanding the opportunities for and eliminating roadblocks to the expansion of short sea shipping initiatives. America's coastal and inland waterways represent an underutilized alternative to the more common domestic cargo routes that utilize truck and rail. However, waterborne transportation faces several obstacles that have prevented the wider use of short sea shipping opportunities. One of these obstacles is the imposition of the Harbor Maintenance Tax (HMT) on the domestic movement of goods by vessel.

As you are well aware, congestion on highways in the United States is increasing. This leads to delays, increased fuel consumption, increased costs and lost time and efficiency for the U.S. economy. The maritime industry is looking at increased uses of short sea shipping, also known as marine highways, as a possible way to take trucks off our congested highways and move that cargo in a more fuel efficient way via water routes. Marine highways may prove to be an effective way to lessen the growth in congestion without the expense of building more miles of highways. It is estimated that fuel use for moving a ton of cargo by truck is 20 miles per gallon, by rail is 435 miles per gallon, and by barge is as much as 1,000 miles per gallon.

The Honorable Charles B. Rangel
The Honorable Jim McCrery
July 31, 2008
Page 2

Under current law, all cargoes, including passengers that are transported to a U.S. seaport are subject to the imposition of the HMT, a duty equal to 0.125 percent of a cargo's declared value or the value of passenger tickets. For many short sea shipping operations, this means that the HMT is applied twice before the cargo reaches its destination - once at the initial port of importation and again at the port of destination.

Several bills have been introduced during the 110th Congress to exempt the transportation of cargo between domestic ports and, in some cases, between U.S. and Canadian ports in the Great Lakes and along the St. Lawrence Seaway from the imposition of the HMT. These bills have been referred to the Committee on Ways and Means, and we urge your Committee to approve legislation to exempt domestic and Great Lakes-related cargo from the HMT. Such an exemption will encourage the greater use of energy-efficient and environmentally friendly short sea shipping opportunities.

As a result of the HMT, volumes of domestically transported cargo by vessel are fairly low and revenues derived from the imposition of the HMT on such movements are miniscule as compared to receipts from international routes. The exemption of domestic vessel transportation from the HMT will not result in any significant loss of revenues, but it will promote alternatives to heavily congested rail and truck routes.

We urge you to bring these bills before the Committee and to move legislation exempting domestic vessel transportation from the HMT before the end of the year. We look forward to working with you on this and other transportation issues. Thank you for your attention to this important matter.

Sincerely,

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The Honorable Charles B. Rangel
The Honorable Jim McCrery
July 31, 2008
Page 3
