



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

**AMERICAN ASSOCIATION OF PORT AUTHORITIES**

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**Submitted for the RecordThe United States House of Representatives  
Ways and Means Committee**

**Hearing on *Harbor Maintenance Funding and Maritime Tax Issues*February 1, 2012**

The American Association of Port Authorities (AAPA) is pleased to present testimony for the record of the Ways and Means Committee hearing on *Harbor Maintenance Funding and Maritime Tax Issues*. We would like to commend Chairman Boustany and Chairman Tiberi for their leadership on the maritime tax issues before the Committee today. AAPA represents the leading seaports in the United States through which 95 percent of our nation's overseas imports and exports flow. In addition to supporting millions of U.S. jobs for the nation, efficient seaports expand market access for existing and new business by providing the capability to export their products. Ports also provide import capabilities for raw materials, parts, fuel stocks, and other inputs for American business.

**Full Use of the Harbor Maintenance Tax**

In 1986, Congress instituted the Harbor Maintenance Tax (HMT) in order for the users of these federal channels to pay for the maintenance dredging required to keep channels at their authorized depths and widths. Prior to that time, maintenance of federal channels was totally a federal expense. The new system imposed the HMT to pay for the federal share of maintenance, with local sponsors also at times paying a cost-share based on the depth of the channel. Unfortunately, when devising this new "user pay" system, Congress did not tie the receipts to spending. The subsequent low Appropriations levels have resulted in chronic underinvestment in channel maintenance.

H.R. 104 aims to resolve this inequity. This legislation requires appropriations for harbor maintenance dredging to be equal to the prior year's receipts plus interest. The bill provides a point of order against future appropriations bills that do not ensure this level of funding. Currently, the bill has 166 co-sponsors, which is evidence of the strong support for this bill.

Today, America's federal navigation channels have available their authorized dimensions (depths and widths) less than 35 percent of the time, which means channels may be restricted to one lane of travel, and the ships that are moving may not be able to carry full loads of cargo because of depth restrictions. At the same time, the current surplus in the trust fund stands at \$6.4 billion with annual revenue of about \$1.4 billion and growing. The annual need for maintenance dredging, which is in the range of \$1.3 to \$1.6 billion, according to the Army Corps of Engineers, is comparable to the funds collected. However, over the past five years, annual expenditures for channel maintenance have averaged less than \$800 million, creating the surplus and leaving users with inadequately maintained channels. The net result is increased costs for waterborne transportation users, higher prices to consumers, and reduced competitiveness of U.S. exports in the global marketplace. Jobs, tax bases and income produced are adversely impacted as well.

We ask that Congress honor its pledge to maintain the nation's ports and harbors with the revenue provided by users. This can be accomplished through a shift in funding priorities in both the Congress and the Administration, given that annual revenue is available, or through legislation like H.R. 104, being considered today, that would require that the annual Harbor Maintenance Tax revenue be made fully available to the Army Corps of Engineers for maintenance dredging and related purposes in its annual appropriation. We applaud the efforts of Representative Boustany in pressing for full use of the annual revenue and urge the Ways and Means Committee to voice support for passage of this legislation.

While H.R. 104 is an important step in securing full use of the Harbor Maintenance Tax, critical work remains to gain support for full use among the leadership of both chambers and the chairmen of the committees of interest — Budget, Rules, and Appropriations. A solution needs to be found to correct an unfair allocation system in which harbor maintenance taxes are used to offset other federal spending by allowing the Trust Fund balance to grow, rather than using it for its intended purpose. Such an agreement was reached in the past for the highway and aviation trust funds, and it should be done now for maritime. The Harbor Maintenance Tax requires the same level of general accord and treatment to assure that the funds are applied annually as intended.

### Encouraging Short Sea Shipping

AAPA has a long-standing policy in support of tax policy that supports short sea shipping, which has the potential to alleviate highway congestion and improve environmental sustainability. AAPA supports tax and program incentives for shippers and certain exceptions from the HMT to encourage more movement of cargo on the water.

AAPA strongly supports repealing the Harbor Maintenance Tax for certain domestic port-to-port movements of cargo to encourage more short sea shipping within the United States. This would eliminate the current tax disincentive to move containers and certain other cargo by water and off our overly congested roads, which are expensive to maintain. Europe has an extensive short sea shipping industry. By eliminating current federal tax disincentives, the Congress can help spur this fledgling industry in the United States.

### Conclusion

Seaports are a vital component of our nation's infrastructure, and modern, navigable seaports are critical to our international trade and our nation's economic prosperity. Our trade partners are investing in their water infrastructure in order to address the needs of both today and tomorrow. In order to continue to be a strong maritime trading partner and support our nation's economic growth, we must look closely at the current disincentives and budget inequities that must be corrected in order for us to continue to maintain a world-class transportation system that encourages full utilization of our maritime assets.