

**Statement of
CHAIRMAN Elijah E. Cummings**

7th Annual North American Marine Highways & Logistics Conference

April 6, 2010

Thank you, Bob [Edmonson] for that warm welcome – and for all of your work organizing this event.

I am very pleased to be able to join you for the 7th Annual North American Marine Highways and Logistics Conference here in Baltimore, Maryland.

I have the honor of representing Maryland's 7th Congressional District in the Congress. I also serve as a senior Member of the Committee on Transportation and Infrastructure and chair that Committee's Subcommittee on Coast Guard and Maritime Transportation.

As Subcommittee Chairman, advancing short sea shipping in the U.S. has been a top priority for me.

In fact, the second hearing I convened in the Subcommittee back in 2007 after I assumed the Chairmanship was on short sea shipping – and I have been working since then to create a supportive policy environment for short sea shipping and to ensure that water is more fully integrated into what should be truly multi-modal transportation networks.

Let me review the initiatives that are underway to try to achieve these goals.

Many of those who appeared before my Subcommittee during our 2007 hearing detailed what an impediment the Harbor Maintenance Tax (HMT) is to the development of short sea shipping.

Enacted in 1986, this tax is assessed at the rate of \$125 per \$100,000 of cargo value.

Because the HMT is assessed on an *ad valorem* basis, it must be paid by each shipper with a piece of cargo on a ship, which makes collection impractical and encourages the transportation of freight between domestic destinations or between the U.S. and Canada by truck.

If, for example, a FedEx truck wants to board a ferry in Windsor, Canada, and be off-loaded just across the river in Detroit, Michigan, each of the owners of the 500 packages that are in the truck must pay the HMT.

There is no practical way to collect the tax from so many different packages – and so the truck travels to the United States across a bridge.

At the present time, trucks carry nearly 70 percent of the freight tonnage transported in the U.S.

By contrast, the most highly developed inland water freight transportation routes in the U.S. – those running on the Mississippi River, the Great Lakes, and the St. Lawrence Seaway – carry just 13 percent of freight tonnage in the United States.

In 2009, the first year of the 111th Congress, I introduced H.R. 638, a bill that would exempt short sea shipping from the HMT.

This bill is similar to legislation – H.R. 1499 – that I introduced in the previous Congress.

In 2008, the Congressional Budget Office prepared a preliminary analysis of the costs associated with this legislation. The analysis found that adoption of this exemption would reduce revenues to the Harbor Maintenance Trust Fund by less than \$1 million per year. Unfortunately, this legislation – and similar bills – have been pending before the Ways and Means Committee for several years.

In an effort to try to advance this initiative, last month, I wrote to the new Chairman of the Ways and Means Committee, Congressman Sander Levin, to ask that he consider legislation to exempt short sea shipping from the HMT.

Fortunately, other legislative initiatives have advanced in recent years to support the development of short sea shipping.

In December 2007, the president signed the *Energy Independence and Security Act of 2007*, P.L. 110-140.

This Act established a short sea shipping program within the Maritime Administration (MARAD) and required MARAD to designate short sea shipping transportation routes as extensions of the surface transportation system.

The Act also required MARAD to coordinate with state and local governments and the private sector to support the development of the landside infrastructure necessary to facilitate short sea shipping.

I understand that the rulemaking arising from P.L. 110-140 is in progress. There are many exciting projects being formulated – including one right here in the Mid-Atlantic region – and I hope that MARAD will be as inclusive as possible in its route designations.

The *Energy Independence Act* also made short sea shipping vessels eligible for the Capital Construction Fund program, which would enable ship owners to set aside pre-tax dollars in a capital fund similar to an Individual Retirement Account.

The owners could then draw on the fund when they are ready to construct vessels.

The steps taken in the *Energy Independence Act* represent important first steps in our national effort to support the expansion of short sea shipping. However, to be frank, they will not be adequate to support the development of truly robust short sea shipping networks.

Several additional policy initiatives would be helpful to achieve that goal – and I anticipate these will be considered as part of the new surface transportation authorization.

Since early in 2009, the Committee on Transportation and Infrastructure has been engaged in the effort to draft the next 6-year authorization, which will replace the current bill, commonly known as SAFETEA-LU.

This bill is typically identified as the “highway bill” – but I and many Members believe it is imperative that we look for new ways to ensure that the legislation focuses on achieving our national mobility objectives rather than simply supporting individual modes.

One of these objectives must be ensuring the seamless movement of freight from its arrival at a port through to its delivery at an inland destination – and to achieve that goal, we must better integrate existing modes.

Under the leadership of Congressman Jim Oberstar, the Chairman of our full Committee, a draft reauthorization has been developed that would revolutionize the complicated transportation funding policies we now have.

Importantly, it would also streamline project approval processes while treating projects as tailored responses to mobility needs rather than as initiatives that must fit into the stovepipes created by the existing requirements of individual modes.

To achieve this objective, the legislation would retain and expand the flexibility of existing programs.

As you may know, the City of Richmond, Virginia, has made innovative use of some of the funds provided under the highway authorization through the “Congestion Mitigation and Air Quality” program to provide financial assistance to support the creation of a barge service between Hampton Roads and Richmond.

This type of innovative use of federal funds provided through existing programs needs to be explicitly encouraged through the successor to SAFETEA-LU – particularly because it enables local jurisdictions to respond to their own local needs and capitalize on local opportunities.

Further, the legislation needs to – and I am confident that indeed it will – support national programs that provide funding on a competitive basis to those projects that will best advance innovation and address national priorities.

As you know, the *American Recovery and Reinvestment Act* created the TIGER program to invest in infrastructure and create jobs by funding projects selected on a competitive basis from among all transportation modes, including water.

Among the 51 awards made through the TIGER program, \$30 million was awarded to a partnership formed by the Ports of West Sacramento, Oakland, and Stockton to support the launch of an inland marine highway service.

Critically, a number of other business interests in that region have participated in the partnership and have worked to support the launch of the service, including the local Chamber of Commerce and agricultural interests.

This is the kind of effort that will be necessary to support the growth of short sea shipping – and we must direct our efforts to encouraging the formation of such partnerships.

I believe that we need to expand initiatives like the TIGER program in the next transportation bill. Importantly, we should consider focusing such programs on specific objectives, including freight movement.

To strengthen inter-modal connections, the draft authorization developed by Chairman Oberstar would create an Office of Intermodalism in the Office of the Secretary of the Department of Transportation. This new Office would be headed by an Under Secretary and would be advised by a Council on Intermodalism whose membership would be comprised of the heads of each modal agency.

The Coast Guard and the Army Corps of Engineers would also be non-voting members of the Council.

The Office of Intermodalism would be responsible for implementing a new “Projects of National Significance Program” and a “Metropolitan Mobility and Access Program.”

The Projects of National Significance Program would be a discretionary program that would provide full funding grant agreements – similar to those used in the transit program – to projects selected on the basis of merit. As currently envisioned, projects in a variety of modes would be eligible.

Unfortunately – and here I want to be very honest about the current policy environment – the key thing standing between us and a new transportation authorization – and the kinds of programs that can truly support the expansion of short sea shipping – is a lack of funding, which of course is standing between our nation and lots of urgent goals.

The legislation proposed by Chairman Oberstar has a price tag of \$500 billion – but at the present time, there is not enough revenue flowing into the Highway Trust Fund to support even the funding levels authorized in the SAFETEA-LU bill, which had a price tag of \$286 billion.

Accruing the level of revenues necessary to pay for a \$500 billion bill would likely require a doubling – or more – of the current primary revenue source, the gas tax.

The tax, set at 18.4 cents, has not been raised since 1993.

However, at this time, there is simply not a lot of political will to raise revenue for transportation.

All transportation initiatives – including likely any federal support for short sea shipping – are going to rest on identifying sustainable sources of funding – and that is an issue that has not yet been resolved.

That said, as debate continues, in addition to expanding federal aid programs to encompass all modes, including water, we should also look at what can be done to help expand financing options for short sea shipping vessels, which are and will continue to be subject to the requirements of the Jones Act.

A central goal of short sea shipping is to get trucks off the roadways – thereby reducing congestion and environmentally damaging emissions.

However, freight and logistics companies may be reluctant to sign up for short sea shipping services because they are new and unproven.

At the same time, however, many short sea shipping ventures will be start-ups – and without freight contracts, it will be difficult for them to secure financing.

Further, it will likely take two to three years for a new company to get a new vessel from a ship yard.

To help companies overcome ship financing barriers, MARAD's Title XI loan guarantee program needs to be funded and used to provide ship financing.

The Title XI program currently has \$43 million in carryover funding – but the President's fiscal year 2011 budget request seeks only enough funds to enable MARAD to continue to administer its existing loan portfolio.

Further, I note that the existing terms for Title XI guarantees would make it virtually impossible for new market entrants to receive a guarantee because the program requires a 50:50 debt to equity ratio – a standard that new entrants are not likely to meet.

This needs to be examined to make Title XI a program that is workable for short sea shipping ventures.

Ladies and gentlemen, I believe that short sea shipping is a true “no-brainer.” It just makes sense to move as much cargo as possible on our nation's waterways.

Unfortunately, for a variety of reasons, water is frankly behind the other modes in the level of available services.

Given the projected increases in freight traffic in this nation – and the constraints associated with expanding particularly highway capacity – it is critical that we begin to capitalize on the possibilities offered to move goods and people on the water.

The European Union, which made 75 million Euros available between 2003 and 2006 to support the Marco Polo program, has shown what is possible – and we need to take these lessons and apply them here.

I wish you a wonderful conference as you talk about the particulars of making short sea shipping work – and I encourage you to contact me with your ideas.

You are the practitioners and your insights will be critical to enabling us to shape national policies that will achieve our shared objectives.