



A bold voice for transportation workers

SUPPORT SHORT SEA SHIPPING AND EXPAND THE U.S. MARITIME INDUSTRY

Our nation's early history and sustained economic growth are intertwined with the use of waterborne transportation to move goods and people to both key population centers and rural communities. Yet today, domestic maritime services are significantly underutilized even as our surface transportation network struggles to keep up with demand and as the U.S. maritime and shipbuilding industries seek out new commercial opportunities. By supporting the deployment of a short sea shipping industry—the use of commercial vessels for the carriage of commodities along American's seacoasts and inland waterways—we can create good U.S. jobs, enhance sound environmental and energy policies and relieve congestion on existing highways. All with minimal cost to the federal taxpayers.

A fully developed short sea shipping sector that would supplement and complement the service provided by rail and truck transportation would provide shippers with an additional and viable alternative as they seek to determine how best to direct cargo to its final destination. In most instances, goods arrive at large U.S. ports aboard massive deep sea vessels, are unloaded, and cargo is then transferred to trucks and rail carriers. The domestic movement of these goods via waterborne transportation is rarely considered and generally deemed economically unfeasible. These calculations are based on a misguided aspect of U.S. tax policy and runs counter to the support of a multi-modal transportation network.

Today, cargo entering the U.S. is subject to the Harbor Maintenance Tax (HMT). If that cargo is transported by rail or truck to another destination within the U.S., it is not taxed again under the HMT. However, if that same cargo is then transported by another commercial vessel, it is taxed a second time under the HMT when it arrives at a second U.S. port. This discriminatory double taxation creates a significant economic disincentive for shippers to use waterborne transportation to move cargo from one U.S. destination to another and must be repealed.

In addition to reducing freight congestion, short sea shipping would help rebuild our U.S. maritime industry. As TTD's Executive Committee has previously recognized, the U.S. maritime sector has long suffered unfair competition from foreign-flag vessels that shop the globe for low-cost labor, lax environmental rules, and virtually no oversight from their registered country. However, since short sea shipping would take place between U.S. destinations, the law mandates that these vessels be crewed by U.S. mariners and afforded the fair pay, benefits and safety that comes with a union contract.

Short sea shipping also holds promise for the American shipbuilding industry. The use of waterborne transportation between domestic ports means increased demand for U.S.-built Jones Act-compliant vessels. American shipbuilding companies do not manufacture the type of small to medium-sized container vessels that would be most likely deployed on coastal short sea shipping routes because the consistent demand for this product does not exist. Removing the

double taxation on domestic maritime shipping would create and sustain this market. Shipyards could also see increased orders for new barges to replace many of the 28,000 aging Jones Act barges currently in service.

Increased maritime traffic from short sea shipping would also create new longshore jobs. When cargo is moved from international vessels at hub ports to smaller vessels and then unloaded at secondary ports, demand for longshore work only expands. New jobs at smaller and medium sized ports and harbors would be especially welcome at facilities with capacity but less international traffic.

Short sea shipping also has important and well-documented environmental benefits. When transporting substantial volumes, the utilization of short sea vessels can be highly fuel-efficient per cargo ton-mile and can result in reduced emissions. We also know that delays at ports and on our national road network can result in unnecessary truck idling and wasted fuel. A short sea shipping option would move some traffic away from these chokepoints and reduce negative environmental outcomes.

The benefits of short sea shipping are clear but existing services are minimal. In addition to eliminating the double HMT imposed on waterborne transportation, there are steps that Congress and the Administration can take to promote this shipping model. MARAD must devote resources towards both promoting short sea shipping and determining what administrative and regulatory changes are necessary to achieve the level of service already called for by the agency. Congress should examine how existing loan programs like the Federal Ship Financing Program (Title XI), Capital Construction Fund and Construction Reserve Fund could be developed or modified to encourage the growth of short sea shipping.

It is imperative that our government pursue responsible transportation policies that support our growing population and commercial needs, while also addressing our growing environmental challenges. Short sea shipping will not only help address these needs, it will be an important middle-class job creator in a vital part of our national intermodal transportation network. By removing the double taxation on domestic maritime transport, Congress can take an important step toward developing and sustaining a U.S. maritime industry that will improve U.S. economic competitiveness now and for future generations.

Policy Statement No. F19-02
Adopted October 29, 2019