



SJM 8016

Position

The Northwest Seaport Alliance supports SJM 8016, calling on Congress to reform the Harbor Maintenance Tax (HMT) based on the framework recommended by the American Association of Port Authorities (AAPA).

Background

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of harbors through the HMT Trust Fund (HMTF). It is not, however, assessed on importers who route cargo through non-US ports and afterwards move the cargo into US markets by land. In a trade dependent state like Washington, our economy depends on keeping our region's gateways competitive.

A failure to meet existing needs

As a result of federal under-investment, federal navigation channels now have available on average less than 35 percent of the authorized and required channel dimensions. Users have paid sufficient annual revenue into the fund to cover the need, but



Congress has repeatedly diverted funds from the HMTF. Funding for annual dredging requirements falls short of needs and hampers our state's competitiveness. Congress needs to ensure full use of the Harbor Maintenance Trust Fund for harbor maintenance.

Little benefit for some ports

Dredging needs vary from port to port. While one-fifth of HMT Trust Fund dollars are spent in just one state—Louisiana—natural deep water ports like Seattle, Tacoma and Everett require little if any maintenance dredging. In fact, the ports of Seattle and Tacoma get just over a penny for every dollar that shippers who use those ports pay in HMT taxes. Congress needs to provide limited expanded use of the Harbor Maintenance Trust Fund to provide some degree of donor port equity.

A competitive disadvantage

Northwest ports are ready to compete on a level-playing field to efficiently move goods to market. Unfortunately, the HMT creates an unintended incentive for international importers to divert cargo through non-US ports. For Northwest ports and others near our nation's borders, this represents a growing competitive disadvantage and threat to our economy.

The Federal Maritime Commission (FMC) validated that the HMT's cost is a factor in cargo diversion, finding that HMT is responsible for approximately half of the U.S.-bound cargo that passes through Canadian ports. Furthermore, the US government is projected to lose several hundred million dollars over the next 10 years because of cargo diversion to both Canada and Mexico

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AAPA framework

The AAPA has negotiated a nationwide agreement amongst ports for how to reform the HMT. The framework would provide:

- Mandatory full use of harbor maintenance tax revenues (benefiting Washington ports like Grays Harbor, Vancouver, Longview and Kalama);
- Equitable distribution of harbor maintenance tax revenues, including for harbor maintenance tax donor ports that traditionally have received only minimal benefit from the harbor maintenance trust fund (benefiting ports like Tacoma, Seattle and Everett);
- Mitigation of the cost disadvantage that some donor ports face relative to non-United States ports because of the harbor maintenance tax (benefiting the NWSA); and
- Guaranteed funding for our nation's small ports (benefitting ports like the Port of Skagit).