



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

July 31, 2007

The Honorable Charles B. Rangel
Chairman, Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This letter provides the Administration's views on H.R. 981, the "Great Lakes Short Sea Shipping Enhancement Act of 2007," introduced by Representatives Stephanie Tubbs Jones and Phil English. The Administration supports this legislation to amend the Internal Revenue Code of 1986 to exempt from the Harbor Maintenance Tax (HMT) non-bulk commercial cargo loaded or unloaded at United States ports in the Great Lakes Saint Lawrence Seaway System.

Revenue from the HMT is used to pay for navigation dredging of ports. Freight ferry shippers—the primary beneficiaries of this legislation—are light loaded vessels that do not require a deep draft nor major dredging, if any, of waterway navigation systems. Accordingly, this proposal would not provide an unwarranted subsidy to freight ferry operators, but would instead remove a market entry barrier. Both the Department of Transportation and entrepreneurs contemplating start-up freight ferry services in the Great Lakes have testified before Congress that the HMT is the most significant impediment under current law to the initiation of such services to Great Lakes ports. Avoidance of the HMT is a main motivation for shipping cargo from Canada to the United States by trucks instead of water. The predictable result of this diversion is an increase in the external costs of freight transport at ports of entry on our northern border due to fuel emissions and traffic congestion. H.R. 981 would remove the incentive towards land transport and provide an opportunity to evaluate the potential yield in public benefits of increased freight transport on the Great Lakes Saint Lawrence Seaway System, including reducing the external costs of freight transport.

Mitigating highway and rail congestion nationwide is a critical goal of the Administration. The Department of Transportation has developed a comprehensive congestion-fighting strategy that targets freight bottlenecks, supports innovative new approaches in major metropolitan areas, and advances major projects along congested interstate corridors. H.R. 981 also offers a means of evaluating whether marine transportation can effectively augment a regional congestion mitigation strategy.

Finally, according to the Joint Committee on Taxation in its scoring letter of May 22, 2007, the impact of H.R. 981 on Treasury revenues is minimal.

The Honorable Charles B. Rangel
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Thank you for the opportunity to present the views of the Administration on this important issue. I look forward to working with you as we develop new ways to alleviate congestion on our nation's transportation system. The Office of Management and Budget has advised the Department that there is no objection to the submission of this views report to Congress from the standpoint of the Administration's program.

An identical letter has been sent to the Ranking Member of the Committee on Ways and Means.

Sincerely yours,

A handwritten signature in cursive script that reads "Mary E. Peters". The signature is written in black ink and is positioned below the typed name.

Mary E. Peters



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

July 31, 2007

The Honorable James McCreery
Ranking Member, Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Congressman McCreery:

This letter provides the Administration's views on H.R. 981, the "Great Lakes Short Sea Shipping Enhancement Act of 2007," introduced by Representatives Stephanie Tubbs Jones and Phil English. The Administration supports this legislation to amend the Internal Revenue Code of 1986 to exempt from the Harbor Maintenance Tax (HMT) non-bulk commercial cargo loaded or unloaded at United States ports in the Great Lakes Saint Lawrence Seaway System.

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The Honorable James McCrery

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Mary E. Peters



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

July 31, 2007

The Honorable Max Baucus
Chairman, Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter provides the Administration's views on S. 1683, the "Great Lakes Short Sea Shipping Enhancement Act of 2007," introduced by Senator Stabenow and cosponsored by Senators Levin and Voinovich. The Administration supports this legislation to amend the Internal Revenue Code of 1986 to exempt from the Harbor Maintenance Tax (HMT) non-bulk commercial cargo loaded or unloaded at United States ports in the Great Lakes Saint Lawrence Seaway System.

Revenue from the HMT is used to pay for navigation dredging of ports. Freight ferry shippers—the primary beneficiaries of this legislation—are light loaded vessels that do not require a deep draft nor major dredging, if any, of waterway navigation systems. Accordingly, this proposal would not provide an unwarranted subsidy to freight ferry operators, but would instead remove a market entry barrier. Both the Department of Transportation and entrepreneurs contemplating start-up freight ferry services in the Great Lakes have testified before Congress that the HMT is the most significant impediment under current law to the initiation of such services to Great Lakes ports. Avoidance of the HMT is a main motivation for shipping cargo from Canada to the United States by trucks instead of water. The predictable result of this diversion is an increase in the external costs of freight transport at ports of entry on our northern border due to fuel emissions and traffic congestion. S. 1683 would remove the incentive towards land transport and provide an opportunity to evaluate the potential yield in public benefits of increased freight transport on the Great Lakes Saint Lawrence Seaway System, including reducing the external costs of freight transport.

Mitigating highway and rail congestion nationwide is a critical goal of the Administration. The Department of Transportation has developed a comprehensive congestion-fighting strategy that targets freight bottlenecks, supports innovative new approaches in major metropolitan areas, and advances major projects along congested interstate corridors. S. 1683 also offers a means of evaluating whether marine transportation can effectively augment a regional congestion mitigation strategy.

Finally, according to the Joint Committee on Taxation in its scoring letter of May 22, 2007, the impact of S. 1683 on Treasury revenues is minimal.

The Honorable Max Baucus
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Thank you for the opportunity to present the views of the Administration on this important issue. I look forward to working with you as we develop new ways to alleviate congestion on our nation's transportation system. The Office of Management and Budget has advised the Department that there is no objection to the submission of this views report to Congress from the standpoint of the Administration's program.

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Sincerely yours,

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Mary E. Peters



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

July 31, 2007

The Honorable Charles Grassley
Ranking Member, Committee on Finance
United States Senate
Washington, DC 20510

Dear Senator Grassley:

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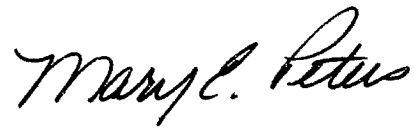
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