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# GREAT LAKES MARITIME TASK FORCE

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Transportation Institute

August 7, 2013

Via E-Mail: [parsonsb@michigan.gov](mailto:parsonsb@michigan.gov)

Mr. Robert Parsons  
Public Involvement and Hearings Officer  
Bureau of Highway Development  
Michigan Department of Transportation  
P.O. Box 30050  
Lansing, MI 48909

Dear Mr. Parsons:

Great Lakes Maritime Task Force (“GLMTF”) is the largest labor/management coalition ever assembled to promote waterborne commerce on the Great Lakes. Twenty-two of our members are from Michigan. Some of our Michigan members have just a few employees; others have hundreds, even thousands on their payrolls or in their membership.

We recently reviewed the Michigan Freight Plan and were astounded to read that the state believes “the restrictive provisions of the federal Jones Act hinder the development of short-sea-shipping or other domestic shipping services.” Anyone who believes that is totally misinformed about shipping on the Great Lakes. We want to set the record straight.

Michigan can rightly be called the “Capital” of the Great Lakes shipping industry. The state is home to more commercial ports than the other seven Great Lakes states combined, including some of the largest in the system. Calcite, Presque Isle and Port Inland girder the limestone trade. Year-in, year-out Alpena and Charlevoix ship the lion’s share of the cement moving on the Lakes. Marquette and Escanaba account for 20-plus percent of the iron ore shipped the Fourth Sea Coast.

And of course, without the Soo Locks, there would be no Great Lakes shipping.

These ports, and all the ports in Michigan and throughout the Great Lakes, are well served by the Jones Act. The U.S. Army Corps of Engineers reports that Great Lakes shipping annually saves its customers \$3.6 billion compared to rail and truck.

A U.S. Maritime Administration study says U.S.-flag lakers slash \$10 to \$20 a ton off transportation costs. The 2011 edition of the Corps publication *Waterborne Commerce of the United States, Part 3 – Waterways and Harbors Great Lakes* reports that Michigan ports shipped almost 41 million tons of cargo in U.S.-flag lakers that year. Using MARAD’s findings, the Jones Act fleet saved those shippers anywhere from \$410,000,000 to \$820,000,000. Those kinds of savings don’t hinder the development of shipping services.

These efficiencies are achieved without any compromising of safety and operational standards. U.S.-flag vessels are regulated by the U.S. Coast Guard and no nation on earth demands more of its vessel owners and its mariners than the United States. While we want to stress that the ocean-going vessels that trade to the Great Lakes are operated by reputable companies, there are on the oceans what are called “Ships of Shame.” Their country of registry is chosen for one reason and one reason only: Avoiding taxes and regulations.

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Bringing more Short Sea Shipping to the Great Lakes has been a stated goal of GLMTF for a number of years. Our position on Short Sea Shipping is included. The Jones Act is not considered an impediment. **The biggest hurdle is the Federal Harbor Maintenance tax.**

The recession has taken a toll on Great Lakes shipping, but even in these trying times, the U.S.-flag Lakes fleet has continued to maintain and modernize the vessels. During a typical winter lay-up, more than \$60 million is spent readying the vessels for the coming season.

Even though ships already burn less fuel and produce fewer emissions than trains and trucks, several vessels, including some that regularly load and discharge in Michigan, have been repowered in recent years. One U.S.-flag operator is preparing to run vessels on LNG as soon as 2015 if some engineering and infrastructure questions can be answered satisfactorily. That company is a major player in the coal trade to St. Clair and Monroe and the iron ore trade to River Rouge.

There are three pillars to the Jones Act: U.S. crews, U.S. construction, and U.S. ownership. What is restrictive about that? This is domestic commerce; it should create jobs for American workers and opportunities for American companies. There is no denying the cost of constructing vessels is less in foreign shipyards, but the newest vessel on the Lakes, the tug/barge unit KEN BOOTHE SR./LAKES CONTENDER, launched in 2009 in Erie, Pennsylvania, is a frequent visitor to Marquette and other Michigan ports.

While this letter is Michigan-centric, we must note the construction requirement is the foundation of the shipbuilding industry in this country and the U.S. Navy considers the Jones Act essentially to our national defense capabilities and homeland security.

The volume of cargo moving to and from Michigan's ports clearly illustrates there is no service shortfall. The cargo moves safely and efficiently. It is just beyond us how the Michigan Freight Plan could even suggest the state's waterborne commerce is somehow deficient. Frankly, it's an insult to the men and women of the U.S.-flag Great Lakes fleet who work so hard 24/7 to haul the raw materials that drive Michigan's economy. We hope and trust the statement is the result of a misunderstanding of the domestic maritime industry.

We are aware that the Lake Carriers' Association ("LCA") is offering to come to Lansing and discuss whatever concerns Michigan Department of Transportation may have. LCA has our full faith and confidence, but if you would like to meet with any of us, we too will come to Lansing at your convenience. America has lost too many jobs. Let's keep domestic Great Lakes shipping a source of jobs and opportunity for Americans.

Very respectfully,

Donald N. Cree  
*President*

John D. Baker  
*2<sup>nd</sup> Vice President – Membership*

James H.I. Weakley  
*1<sup>st</sup> Vice President – Positions & Resolutions*

Thomas Curelli  
*3<sup>rd</sup> Vice President – Government Relations*



# *GREAT LAKES MARITIME TASK FORCE*

## **2013 POSITION PAPER**

### **PROMOTION OF NEW SHORT SEA SHIPPING TRADES ON THE GREAT LAKES**

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**GOAL:** Enact a narrow exemption from the Harbor Maintenance Tax for non-bulk cargos moved on the Great Lakes.

**BACKGROUND:** In recent years, transportation planners have been struggling to identify ways to move people and goods more efficiently while reducing the effects on the environment. Congested highways—particularly in urban areas—hinder the flow of commerce and hamper North America’s economic growth. Likewise, rail capacity is limited in many areas. Expansion of highway and rail infrastructure is expensive (more than \$30 million for a mile of 4-lane highway; \$4 million for a mile of rail), difficult, time consuming, and a further reduction in dwindling green space. The European Union faced these same challenges years ago and determined that waterborne commerce offered the best solution.

In the Great Lakes region, new short sea shipping services are likely to take the form of truck ferries and feeder services.

**THE PROBLEM:** The Harbor Maintenance Tax is a key impediment to launching new short sea shipping services. The tax is only assessed if the cargo moves by vessel, so it serves as a disincentive to move trucks and their payloads by water. In reality, the tax actually encourages greater highway and rail use, which leads to more congestion, fuel consumption, and air pollution.

**REGIONAL BENEFITS:** Great Lakes highways and rail lines are struggling to meet the current needs of commerce, let alone handle projected increases in traffic. Increased waterborne commerce on the Fourth Sea Coast will ease some of the burdens on the land-based transportation modes while increasing use of the greenest form of transportation. It is a proven fact vessels burn significantly less fuel and produce fewer emissions than trains or trucks. Increased short sea shipping will also create many new jobs for port workers.

**ACTION:** Support legislation that provides an exemption for the Harbor Maintenance Tax for non-bulk cargo moving between U.S. ports and between U.S. and Canadian Great Lakes ports.