Statement by Administrator Stanford E. Parris

Saint Lawrence Seaway Development Corporation

Before Subcommittee on Oversight and Investigations

Committee on Merchant Marine and Fisheries

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I thank the Chairman and the Subcommittee members for the opportunity to testify on the important subject of taxes versus competitiveness in the maritime industry. I commend you for recognizing the need to focus attention on the taxes and fees levied against the industry, which, if done in the wrong way, collectively can have a substantial, long term, adverse impact on international maritime trade everywhere, but in particular on the Great Lakes-Saint Lawrence Seaway system. It is that system, present and future, to which I will direct my remarks today.

At the outset, I wish to make it clear that I endorse the concept of user fees. We should remember, however, that careful analysis and planning is necessary to determine what type of fees are needed, as well as where and when and in what amounts, to avoid a counterproductive impact on a single industry. In such analysis and planning we also should not overlook the counterbalancing effect of incentives where and when they are sensible and fair. Our own Seaway system provides an example of such Congressional foresight. When, in 1986, Congress directed the levying against the maritime industry of a harbor maintenance fee, it concurrently lifted the burden of U.S. tolls for the Seaway through a rebate system. This served to acknowledge the fact that Great Lakes-Saint Lawrence Seaway system ports experience fees not experienced by other port ranges.

The result of the rebate program is that the Saint Lawrence Seaway Development Corporation's operations are no longer a direct cost factor for the industry because the Corporation's portion of the Seaway tolls are rebated to commercial users through the Harbor Maintenance Trust Fund. Nevertheless, we should not overlook the continuing impact of the Canadian portion of the tolls, which are not rebated. Although we still do negotiate these joint tolls with Canada, they continue to fund their portion of the Seaway operations with them and therefore any tolls agreement reached must reflect fairly on their funding needs. Because the Canadian operations are significantly larger, the Welland Canal plus five locks compared to our two locks, it was agreed that for the 1991, 1992, and 1993 Seaway seasons the Canadians would retain 75% of the tolls for the Montreal-Lake Ontario segment of the system, which includes all the locks, and, of course, 100% of the Welland Canal tolls. It was also agreed to raise all tolls 5.75% for the 1991 navigation season, another 5.75% in 1992, and yet another 5.75% in 1993.

I wish to emphasize that this two nation burden is unique to the Great Lakes-Saint Lawrence Seaway system among all of the U.S. port areas. Because of its unique geographical and political situation, it transits the waters of and is jointly operated by two sovereign nations. In this system the economic circumstances of the maritime industry thus are subject to, not only the decisions of the U.S. Government, but also those of the Canadian government. That government is perfectly within its rights to make decisions, enact their own user fees, and impose fees, and impose their own taxes, but these can have a significant, cost impact on the Great Lakes-Saint Lawrence Seaway system. For example, that government is currently considering a new marine services user charge, which will impact directly Great Lakes-Saint Lawrence Seaway U.S. port traffic, but no other U.S. coastal ports. Collectively with U.S. fees and taxes, Canadian taxes and fees are even more significant. Thus, when you consider the series of three Seaway toll raises along with other fees and taxes that may be imposed on users of the Great Lakes-Saint Lawrence Seaway system and add on the recent 212% reported increase in the U.S. harbor maintenance fee and 350% reported increase in the U.S. tonnage tax which affects all U.S. ports, a different impact of fees and taxes is very evident compared to the rest of the nation's port ranges with which the Seaway competes. The coupling of the two nations' fees and taxes may result in adverse economic circumstances for our U.S. Great Lakes ports that is unfairly disproportionate to other, competing U.S. ports that do not face this double burden. We also must be mindful that U.S. taxes and fees directly affect Canadian maritime and Great Lakes commerce as well. It is imperative that we be mindful of this situation when formulating U.S. policy and laws concerning user fees and taxes to be imposed upon the maritime industry.

Congress has recognized the significance of the Canadian factor by actually mandating that the State Department request that Canada consider reduction or elimination of its portion of the joint Seaway tolls. This, however, has not been successful. Moreover, I cannot voice optimism that Canadian elimination of tolls is feasible in the foreseeable future. Unlike the U.S. which has a harbor maintenance trust fund, Canada does not have a cost recovery system other than Seaway tolls to cover its cost of operations.

I will not pretend to be an expert on all the various fees and taxes under consideration through this hearing, but, for the circumstances I just described, I am glad to see it is focusing on the concerns of our maritime commerce on a national basis. The Great Lakes-Saint Lawrence Seaway system is attempting to compete with inherent disadvantages: a limited season; vessel size limitations; Canadian tolls not imposed on traffic to other U.S ports; and the economic impact of maritime industry policies of two sovereign nations, such as user fees and cargo preference. Yet, ironically, the very existence of the Great Lakes-St.Lawrence Seaway system helps keep down the cost to the industry of alternative routes - rail, truck, and barge systems to the U.S. west, east, and gulf coasts and the Canadian coasts. If the chance for competitive advantages for the Great Lakes-Saint Lawrence Seaway system are eroded disproportionately and unfairly through user fees and taxes that do not take into consideration its unique circumstances, cargo will be diverted to the better cost competition. This country has invested too much time and too many resources into this vital part of our national maritime commerce to lose sight of its particular needs.