



Paying for harbor maintenance in the US: Options for moving past the Harbor Maintenance Tax



C.R. McIntosh^{a,*}, N.A. Wilmot^a, R.K. Skalberg^b

^a Department of Economics, University of Minnesota Duluth, Duluth, MN 55812, USA

^b Department of Accounting, University of Minnesota Duluth, Duluth, MN 55812, USA

ARTICLE INFO

Article history:

Received 30 November 2012

Received in revised form 25 September 2014

Accepted 13 February 2015

Available online 13 March 2015

Keywords:

Harbor Maintenance Tax

GATT

User fees

Abolishment

Diesel fuel tax

Regression analysis

ABSTRACT

The Harbor Maintenance Tax is a fundamentally flawed maintenance funding mechanism for the critical US port system. Three alternatives were analyzed. User fee rates were estimated for either a national or regional tonnage based fee. Our results indicate that maintenance cost recovering regional fees could vary widely from about 10 cents per tonne to nearly 80 cents per tonne. A national rate would be about 30 cents per tonne. The large regional differences and affects on bulk shippers are likely to make implementing and maintaining cost recovering tonnage based fees infeasible. Two other mechanisms are considered. One possibility is to abolish the HMT without a replacement mechanism. The obvious strength of this approach is its simplicity, the weaknesses is that it is not budget neutral. Another possibility is to increase the federal diesel tax rate. One strength of the approach is the reasonable rate increase required to recover port maintenance costs (estimated between 0.278 and 0.315 cents per liter). An additional strength is that relatively inefficient fuel users will either make the largest share of the additional payments or the freight will shift modes to one that is more efficient. One weakness is that the rate has been unchanged since 1997, this points to the political difficulty involved in passing such a rate increase.

© 2015 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY license (<http://creativecommons.org/licenses/by/4.0/>).

1. Introduction

Approximately 75–90% of global trade by volume is handled by maritime transport (see for example: [Asgari et al., 2013](#); [UN, 2012](#); [WEF, 2012](#)). This volume amounts to between 60% and 70% of the value of global trade. International maritime activity involving the US accounts for roughly 2% of international trade, worth about \$170 billion dollars annually ([USDOT, 2014](#)). Domestic shipping in the US adds an additional \$170 billion dollars annually. Therefore, the total value of maritime shipments involving the US is approximately \$340 billion dollars annually ([USDOT, 2014](#)). Clearly, these cargo movements are very important domestically and worldwide.

Yet the mechanism responsible for generating harbor maintenance funding in the US is fundamentally flawed. The Harbor Maintenance Tax (HMT) has been the subject of Supreme Court rulings and GATT consultations. The former led to exporters being exempt from payment while the later has strained trade relationships between the US and EU members. Both severely challenge the sustainability of the funding mechanism for maintenance of the crucial US port system.

* Corresponding author at: Labovitz School of Business and Economics, 330K LSBE, 1318 Kirby Drive, Duluth, MN 55812, USA. Tel.: +1 218 726 8408; fax: +1 218 726 6509.

E-mail address: cmcintos@d.umn.edu (C.R. McIntosh).

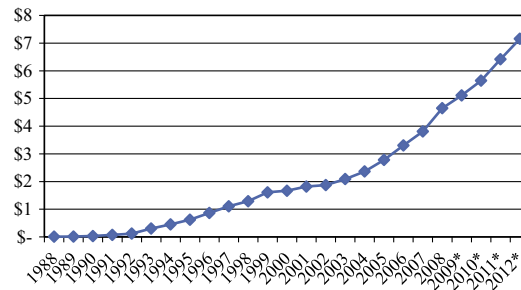


Fig. 1. End of Fiscal Year Nominal Harbor Maintenance Trust Fund Balance 1988–2012 (Billions \$US). Source: Department of Treasury Office of the Inspector General Audit Reports: Reports on the Bureau of Public Debt Trust Fund Management Branch Schedules for Selected Trust Funds <http://www.treasury.gov/about/organizational-structure/ig/Pages/By-Agency-2014.aspx>.

The HMT was enacted as part of the Water Resources Development Act of 1986. The tax was originally assessed at a rate of 0.04% of the value of commercial cargo with the intent of recovering 40% of port maintenance costs (Supreme Court, 1998). In 1990, the HMT rate was more than tripled to 0.125% of the value of commercial cargo with the goal of recovering 100% of port maintenance costs (Supreme Court, 1998). The intent of the value based collection was to limit the impact on US exports, particularly low margin bulk commodities (AAPA, 2006). This intent has succeeded in an extreme way due to the 1998 “Export Ruling” which judged the HMT to be unconstitutional for exporters (Supreme Court, 1998). All export collections ceased in 1998.

The HMT created two major issues under the General Agreement on Tariffs and Trade (GATT), now being administered by the World Trade Organization (WTO). First, due to revenues being based on the value of commodities rather than maintenance costs created, there is little relation between collections and expenditures. The Water Resources Development Act of 1986 also created the Harbor Maintenance Trust Fund (HMTF) which holds HMT revenues from the time they are collected until they are disbursed by Congressional appropriation (Kumar, 2002). The HMTF has grown dramatically and this has not gone unnoticed by European Union (EU) members. The first consultation against the US by EU members occurred in 1992, based on the HMTF surplus of \$70 million (nominal). Prior to the export ruling in 1998, a second consultation took place with EU members claiming that the HMT violated five articles of GATT. Neither of these occurrences led to a formal dispute panel. Meanwhile, as Fig. 1 illustrates, the HMTF surplus reached \$7.16 billion (nominal) at the end of fiscal year 2012 (USACE, 2010).

Second, Fig. 2 demonstrates how the export ruling has led to an imbalance of collections across imports, exports, domestic and other shipment classifications. The most obvious of these is the discrepancy between import and export payments. Prior to the 1998 export ruling, imports accounted for around 65% of the total HMT collections while exports paid in approximately 27% (USACE, 2010). Afterwards, the import percentage has consistently increased to about 80% as export collections quickly receded to \$0 (USACE, 2010).

There has been discussion regarding ways to address the issues surrounding the HMT. However, recent legislation seems to have little to do with addressing both GATT concerns and more to do with rent seeking (see Section 2 for more details). While Kumar (2002) and McIntosh and Skalberg (2010) outline procedures for creating GATT compliant user fees at the port and national level, questions remain regarding implementation on the large US port system. This paper proceeds by seeking to answer fundamental questions regarding user fees. Can reliable user fees be constructed from statistical analysis and are they practical given political realities? If not, what other alternatives are available to move the US past the Harbor Maintenance Tax and its GATT troubles?

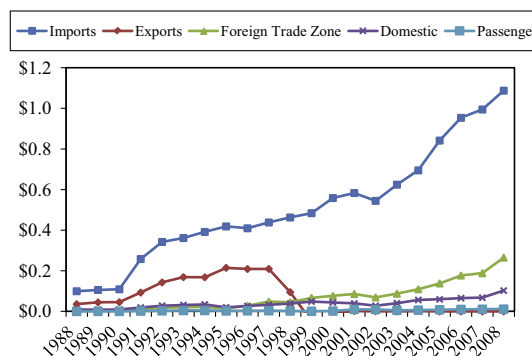


Fig. 2. Nominal HMT collections by source 1988–2008 (Billions \$US).

Download English Version:

<https://daneshyari.com/en/article/6781321>

Download Persian Version:

<https://daneshyari.com/article/6781321>

[Daneshyari.com](https://daneshyari.com)