

MALCOLM E. MCLOUTH

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April 6, 2005

Mr. Connie Mack II
Chairman
The President's Advisory Panel
On Federal Tax Reforms
1440 New York Avenue N.W.
Suite 2100
Washington, DC 20220

PRESIDENT'S ADVISORY
PANEL
ON FEDERAL TAX REFORM
2005 APR 21 A 11:00

Dear Connie:

The President could not have chosen a more qualified man to lead his Advisory Panel on Federal Tax Reform. Your strong desire to serve our country in Congress and now in the Administrative Branch is outstanding. Your son, Connie IV, must have inherited these genes as he is on his way as a member of the 109th Congress.

After 38 years, my continuing services as a Commissioner and then the Executive Director of the Canaveral Port Authority came to an end on December 31, 2004 with my retirement. However, like you, good government is still in my blood. Thus, I continue to pursue innovative procedures and scientific solutions to solve our country's intermodal and environmental needs of the future.

Specific to our mutual interest is the promotion of short sea shipping on our coastal corridors such as I-95, I-10 and I-5 on the East, Gulf and West Coast, respectively. I have long been a proponent of developing the energy efficient, reduced environmental impact water transportation coastal corridors. A copy of a brochure on this subject I had prepared when I was the CEO at Port Canaveral is attached.

As we both know in our free society, alternative solutions are ultimately resolved on a cost basis. Thus, SSS, which has such wide acceptance in the European Union would be an equally attractive solution in the United States if the economical playing field were level.

Unfortunately, the current taxation of coastal shipping via the Harbor Maintenance Tax is in effect a disincentive to development of SSS and needs to be limited to imports from foreign destinations only. Thus, I urge you to consider exempting certain domestic cargo from the Harbor Maintenance Tax so as to encourage the development of SSS in our coastal trade corridors.

Sincerely,



Malcolm E. McLouth

P.S. Also enclosed is a letter from Congressman Dave Weldon, M.D., dated March 7, 2005 on this subject to the WRDA Committee.

MEM:rmb

Enclosures

cc: Cong. Dave Weldon
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Congress of the United States
House of Representatives
Washington, DC 20515

DAVE WELDON, M.D.
10TH DISTRICT FLORIDA
COMMITTEE:
APPROPRIATIONS
SUBCOMMITTEE:
VA, HUD, INDEPENDENT AGENCIES
LABOR, HEALTH AND
HUMAN SERVICES
THE DISTRICT OF COLUMBIA

March 7, 2005

Chairman Don Young
Committee on Transportation and Infrastructure
2165 Rayburn HOB
Washington D.C. 20515

Chairman John Duncan
Subcommittee on Water Resources and Environment
B-376 Rayburn HOB
Washington, D.C. 20515

Dear Chairman Young and Chairman Duncan,

I sent you a letter on March 2 outlining my priorities for my Congressional District in the upcoming Water Resources and Development Act (WRDA) 2005. In addition to those priorities, there is one additional priority that I would like to see included in the WRDA bill this year.

I would ask the committee to include language that would exempt certain cargo from the Harbor Maintenance Tax. Specifically, the provision would exempt from the tax, cargo that is shipped along coastal routes or rivers. To implement this change, I would ask that you include the following language in the WRDA bill:

Under Section 4462(d) of public law 99-662, 100 STAT. 4266 NONAPPLICABILITY OF TAX TO CERTAIN CARGO, add new subparagraph (3):

"(3) The tax imposed by Section 4461 (a) shall not apply to intermodal cargo shipped on coastal routes or rivers between United States ports."

This change would have considerable benefits in that it would ease highway congestion, enhance the use of intermodal transportation, lower the costs of shipping, reduce the wear and tear on our highways, and save energy by lower the use of fuel associated with shipping.

I appreciate your consideration of this request. Please feel free to contact me, or my Deputy Chief of Staff, Stuart Burns, at 225-3671, should you need any additional information.

Sincerely,



Dave Weldon, M.D.
Member of Congress

SHORT-SEA SHIPPING



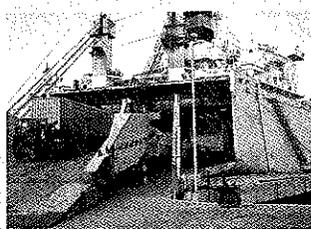
Unlocking America's
Transportation Gridlock

The Key to Unlocking America's Transportation Gridlock

One of the major issues facing businesses today is the timely transportation of goods. Most businesses rely on a steady flow of shipping and receiving goods and materials, with trucking and/or rail playing a major role. But as rail yard and interstate highway congestion grow increasingly worse, "just in time" delivery could soon be "just a memory." Equally critical for the tourism industry in Central Florida is the smooth, uninterrupted flow of commercial and private vehicles carrying vacationers to attractions or cruise ships

One Federal transportation model shows that at the current rate of growth, by the year 2020 the average speed on high-volume stretches of Interstate 95 will be just 23 mph. Further projections from the Federal DOT suggest that over \$375 billion in new highway and rail infrastructure is needed just to keep pace. And that amount won't even address some of the worst areas of gridlock where the infrastructure is built to capacity. As an increasingly significant portion of tax dollars are earmarked for improving traditional transportation infrastructure, can our nation afford to keep pace with the increasing demand? And what impact will escalating transportation gridlock and the increasing cost to address the problem have on the future commerce and quality of life in Central Florida?

There is a transportation alternative that could help alleviate highway and railyard gridlock, ensure reliable shipping and receiving of goods, reduce our nation's dependence on foreign oil, create new job and business



opportunities and help secure Central Florida's position as a global leader — short-sea shipping

The Future Wave of Domestic Transportation

Short-sea shipping uses coastal ocean routes and inland waterways to move cargo. To some extent, bulk cargo, such as liquid petroleum, already uses short-sea shipping. Tug barges are presently used for short-sea shipping in a number of industries, but are not suitable for many types of cargo and are much too slow for long hauls. Bulk cargo

ships are likewise limited in their flexibility due to deep draft restrictions and specialized ship design. One way that short-sea shipping will be able to compete time-wise with land-based alternatives is by use of high speed, roll on/roll off vessels capable of doing a minimum of 30 knots. These vessels are under development and will be able to efficiently haul roll on/roll off, break bulk

and container cargo at over 100 times the capacity of tractor-trailers. It has been suggested that these vessels could be also be designed to carry passengers and their automobiles, similar to the North/South rail service currently in operation along the East Coast. However, smaller vessels exist that can initiate a service *now*.

Short-sea shipping may sound like a novel concept, but there is actually a proven model for the United States to emulate. Europe has been successfully utilizing short-sea shipping for several years, and in fact, 40 percent of European goods are shipped using this mode of transportation.

How Short-Sea Shipping Can Work With Florida's Strategic Intermodal System (SIS) Transportation Plan

Short-sea shipping can be used for the shipping of goods anywhere that deep waterways provide an alternative "highway" route. Florida, a peninsula, is surrounded by a "blue highway" with shallow draft inland waterways making short-sea shipping a viable alternative worth exploring. Florida also has 14 deep water ports, many with non-congested facilities and/or room for growth. To be competitive, a short-sea dedicated water route service must be developed so that even if this route is slower, it provides for a dependable flow of goods to meet the "just in time" delivery requirements of industry and interstate commerce.

Central Florida is in an especially enviable position to take advantage of short-sea shipping routes by utilizing waterways on both the East and West coasts. But in order for Central Florida to maximize the benefits of short-sea shipping, this new transportation alternative needs active consideration in Florida's statewide SIS plan and priority must be given to improving the East/West intermodal corridors at major ports on both coasts. If the East/West corridors are not improved, then Central Florida will miss out on future expansion opportunities.

I P P I N G

Benefits of Short-Sea Shipping Via the Blue Highway

Facilitating transportation expansion – This is perhaps the biggest benefit. If alternative transportation methods such as short-sea shipping are not implemented, our current infrastructure will soon be at maximum capacity along the North/South corridor, stunting future growth and expansion.

Opportunity for Central Florida – The population in Central Florida is projected to grow by 1.3 million in the next 20 years. With a smart, integrated transportation plan that includes new intermodal infrastructure as well as new alternatives, such as short-sea shipping, Central Florida is poised to be a global economic force. Without such a plan, Florida faces a future of accelerated population growth, gridlock and a diminished quality of life.

Reduction of dependence on foreign oil – While short-sea vessels require fuel, the economies of scale as opposed to rail and truck are enormous. Per one ton of freight, one gallon of fuel will go only 40 miles via truck, 200 miles via rail and a whopping 600 miles over sea. Considering the thousands of tons of freight that traverse up and down the East Coast every day, it's a simple mathematical deduction that a robust short-sea shipping industry could translate into tremendous fuel economies for our nation.

Reduction in air pollution – Less fuel being burned on our highways translates into cleaner air.

Economic stimulation and job creation – New infrastructure must be built to support a short-sea shipping industry. In addition to construction jobs, the new industry could create thousands of jobs portside and on the vessels, and eventually revive the commercial shipbuilding industry in America.

Faster deployment of military equipment – Our nation's military is dependent upon the efficient deployment of equipment and personnel. The Defense department currently utilizes truck and rail for domestic transport and has expressed interest in utilizing short-sea shipping as more efficient means of deployment.

New transportation alternative – Florida businesses would have a viable addition to their transportation mix.

Future cost reductions – The success of short-sea shipping will depend on volumes. Depending upon the size of the ship, anywhere from 100 to 500 truckloads would need to be loaded and moved at one time to make this service feasible. Once the short-sea industry is thriving, shippers may realize a reduction in overall transportation costs.

I reiterate what the Europeans stated when they first began exploring the short-sea shipping concept, 'It is utopian to expect this concept can succeed without public/private partnerships.'

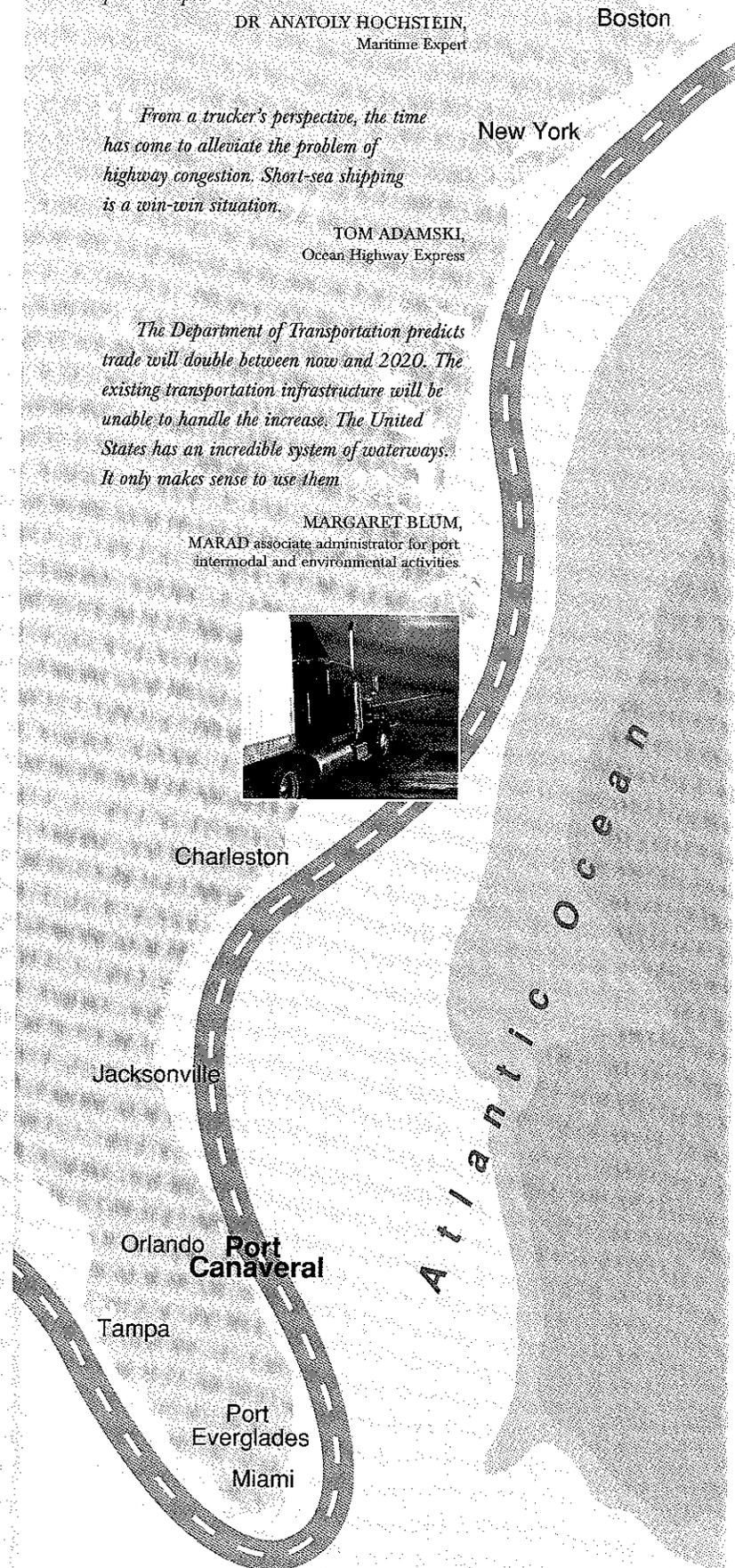
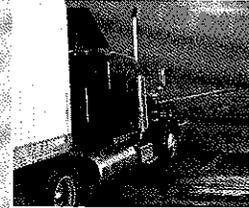
DR. ANATOLY HOCHSTEIN,
Maritime Expert

From a trucker's perspective, the time has come to alleviate the problem of highway congestion. Short-sea shipping is a win-win situation.

TOM ADAMSKI,
Ocean Highway Express

The Department of Transportation predicts trade will double between now and 2020. The existing transportation infrastructure will be unable to handle the increase. The United States has an incredible system of waterways. It only makes sense to use them.

MARGARET BLUM,
MARAD associate administrator for port
intermodal and environmental activities



S H O R T S E A S H I P P I N G

What's Needed to Keep Short-Sea Shipping Sailing Forward?

While almost everyone in the maritime industry agrees that short-sea shipping is part of the answer to America's transportation woes, there are some issues that must be addressed before short-sea shipping can make the turn from desirable concept to successful reality

VESSEL SHORTAGE

It is currently illegal to introduce foreign-flagged vessels into coast-wise shipping in America. American flagged short-sea vessels do exist, but we are some years away from having a commercial ship-building industry capable of producing the number of vessels needed to meet the demands of a viable short-sea shipping trade.

STRATEGIC PORT ACCESSIBILITY

There is a misconception that our nation's ports are at capacity and thus unable to handle the volume of short-sea shipping. In reality, we have many strategically located niche ports that have the capacity, facilities and desire to serve the short-sea shipping market.

MISCONCEPTIONS

Short-sea industry leaders in Europe faced reluctance from European truckers who were afraid they would be losing business if cargo went via short-sea vessels. In reality, short-sea shipping is feeding up to six deliveries per trucker per day from vessels delivering short-sea cargo. Trucks earn money when they are kept moving... and short-sea shipping is keeping them busy.

“If Florida's economy is to remain competitive in this global economic environment over the next 10 to 20 years, then it must have an efficient international trade transportation network.”

Transportation infrastructure – both its capacity and efficiency – is a sine qua non of economic growth and development.

Florida's seaports are essential for Florida-origin manufactured exports 

A Forecast of Florida's International Trade Flows and the Economic Impact of Florida's Seaports, Washington Economics Group, November 2003

Addressing the Issues

There are many commissions, port authorities, government officials and individuals at work addressing the issues associated with short-sea shipping. Most experts agree that short-sea shipping will not get off the ground and on the open sea without the support of both government and business.

Positioned to be the Southeast U.S. Hub for Short-Sea Shipping

While in recent years, Port Canaveral has become more widely known for its booming cruise industry, the Port, in fact does a substantial cargo business, with an annual volume of more than 5 million tons. Taking advantage of well-developed land and highway transportation systems, Port Canaveral has excellent North/South and Western access.

When the first cargoes were unloaded at the port in 1955, only one cargo pier existed. Today, the Port has two liquid bulk facilities, nine dry cargo berths, two roll on/roll off ramps, cold storage, 120,000 square feet of general warehousing and plans for additional cargo berths. Infrastructure to accommodate short-sea shipping is a big part of the Port's future growth plans, utilizing 50 acres of raw land set aside specifically for this purpose.

Port Canaveral's prime location, accessibility to markets, capacity for expansion and existing facilities position the Port as Central Florida's future hub for short-sea shipping.

Make Short-Sea Shipping your Business

The marketplace will be the final determining factor as to when short-sea shipping develops. Central Florida businesses need to encourage and prepare for the development of an East Coast short-sea shipping corridor so the future transportation needs of our region can be met.

Port Canaveral Taking a Leading Role

The Canaveral Port Authority is actively pursuing development of the concept of short-sea shipping to business, marine and government entities as a way of promoting continued economic growth of our Central Florida trade area. We are helping to bring short-sea shipping to the forefront through active participation in several organizations that have short-sea shipping as a top priority. And, we actively participate in organizations, such as myregion.org, the East Central Regional Planning Council and the Central Florida MPO Alliance that are addressing the regional needs of Central Florida.



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