Tax change proposed to help Puget Sound ports compete

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After bristling for years about a federal tax that adds $109 to each import container through Puget Sound, and is diverting cargo to Canada, some politicians think they have a fix.

Sens. Maria Cantwell and Patty Murray, both D-Wash., proposed on Thursday a new way to raise money for ports that wouldn’t give Canadian ports an edge. They’ve dubbed the proposal the Maritime Goods Movement Act for the 21st Century.

The legislation, which the senators said they would introduce in September, is intended to replace the Harbor Maintenance Tax in effect since 1986.

The current tax is imposed on all inbound cargo containers arriving at U.S. ports, and is supposed to be used for dredging. But it has been a handicap for Puget Sound's deepwater ports, because they don’t need that kind of dredging. Moreover, the extra cost from the tax has been one of several factors diverting U.S.-bound cargo to Canadian ports to the north.

Under the Cantwell-Murray proposal, funds collected could be used by ports nationwide for a wider variety of maritime infrastructure projects than just dredging, and all of the money collected would be used for ports — instead of just half, as is now the case.

“We can’t make the investments in our infrastructure our ports need to make to be competitive,” said Murray. “It’s hurting our ports and holding the economy back.”

The two senators, surrounded by the executive directors of the ports of Seattle and Tacoma, and local labor and commercial leaders, announced the new proposal during a drizzly press conference on the rooftop overlook of the Port of Seattle’s Bell Harbor Conference Center.

“The biggest challenge is that the HMT (Harbor Maintenance Tax) creates an incentive to divert...
U.S. cargo to non-U.S. ports, at the expense of U.S. jobs,” said Tay Yoshitani, CEO of the Port of Seattle, during the press event.

He estimated that about 300,000 to 400,000 containers are now being diverted from Puget Sound to Canada primarily due to the Harbor Maintenance Tax.

In particular, Puget Sound port directors are watching the Prince Rupert Port Authority, north of Vancouver. This relatively new port offers a direct rail connection to the upper U.S. Midwest and attracted the equivalent of 565,000 containers in 2012, nearly all of it going to U.S. destinations.

The key to the proposed legislation is that it would levy a fee on all cargo coming into the U.S., whether it came through a port on the coast or an inland rail crossing. This is intended to erase the advantage now enjoyed by Canadian ports, and by ports in Mexico, which are aided by the cost differentials generated by the tax, in their efforts to attract some U.S. cargo.

Cantwell said that while Canada and Mexico are making major federal investments in their port infrastructure, equivalent federal money isn’t available for U.S. ports, which she added the Maritime Goods Movement Act could provide.

“We need to have a level playing field here for our ports and protect jobs in Washington,” she said. “And we need to be competitive.”

Cantwell estimated that diverting containers from Puget Sound costs the economy $1.3 billion and cuts state tax revenue by 27 percent.

The issue also is important for fruit exporters, said Jon DeVaney, executive director of the Yakima Valley Growers and Shippers Association. That’s because growers need strong import cargo to bring the ships and containers to the Puget Sound area, which in turn provide cheap cargo space heading to Asia, called backhaul.

And will the tax pass?

Yoshitani, who is to become chairman of the American Association of Port Authorities in October, said he believes a majority of big U.S. ports will support the legislation, partly because it will double the amount available for ports. Half of the current revenue goes into the U.S. general fund.