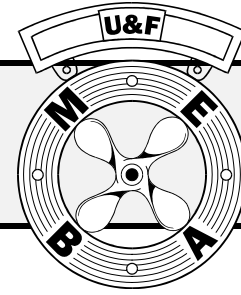


# LEGISLATIVE UPDATE



JANUARY 2008

The House and Senate completed the Appropriations process in December by passing an omnibus spending package that included funding for the majority of the federal government in 2008. Following passage of the omnibus the House of Representatives adjourned while the Senate stayed in pro forma session rather than recess to prevent President Bush from making any recess appointments. The President struck back with a "pocket veto" of the National Defense Reauthorization Bill.

The House returns for the Second Session of the 110<sup>th</sup> Congress on January 15<sup>th</sup> and the Senate resumes work on January 22<sup>nd</sup>.

## **CONGRESS ENDS WORK FOR 2007**

Congress left Washington after passing a variety of legislation benefiting the Merchant Marine. Included in the gift basket was full funding for the Maritime Security Program, language creating a short sea shipping program within the Department of Transportation, and funding for a variety of other important maritime programs including TWIC, Title XI, Port Security grants and the Maritime Administration.

## **H.R. 6, the Energy Independence and Security Act**

The President signed H.R. 6, the Energy Independence and Security Act, into law on December 19<sup>th</sup>. Included in the provisions of this bill was authority granted to the Department of Transportation to create a short sea shipping program, promote the program, encourage federal agencies to use short sea shipping wherever possible, and other incentives designed to expand what MarAd has called "America's Marine Highway". A federal board will be established to identify and seek solutions to impediments hindering effective use of short sea transportation. Members of the board will include representatives from the U.S. Department of Transportation, U.S. Environmental Protection Agency and other federal, state, and local governmental entities as well as private sector entities.

## **Omnibus Appropriations Act**

The House and Senate passed Omnibus Appropriations Act provides \$566 billion in spending, was a conglomeration of a number of appropriations bills that had not made it through the perils of the legislative process. These bills included the Transportation Appropriations bill, which includes MSP, Maritime Administration, Title XI and a variety of other maritime related funding. Thanks to lobbying efforts by maritime labor, funding from the MSP was increased from the \$154.5 million requested by the President in his budget request to the fully authorized level of \$156 million. This was a major victory for maritime, especially given the major restraints placed on spending increases in the 110<sup>th</sup> Congress, and paves the way for a significant increase next year for MSP. The bill also includes \$400 million in port security grants and \$8.1 million for a TWIC card reader pilot program, both of which have the support of the industry. Title XI received \$5 million in appropriations, which was an increase over last year's appropriation. The Omnibus bill is expected to be signed by the President this week.

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## **CONGRESS HALTS EFFORT TO WEAKEN TONNAGE TAX**

The efforts of the M.E.B.A., American Maritime Congress and a maritime labor coalition were rewarded this week as Members of Congress chose to strike out a provision in a bill passed that would have repealed the tonnage tax in the Puerto Rico trades. M.E.B.A. fought the inclusion of this provision within the Technical Corrections Act and was aided by the U.S. Chamber of Commerce which denounced the provision saying it would make American ships less competitive in the trade.

Horizon issued a statement after it was learned that the provision would not be pursued saying that this success was achieved, "in no small part due to the active support of our maritime unions, the U.S. Chamber of Commerce and the government of Puerto Rico."

They hailed the passage of legislation that will provide a boost to short sea shipping. "The recent focus on Congressional action relating to the tonnage tax has overshadowed additional and significant progress toward enabling short sea shipping activity and other progress for the U.S.-flag maritime industry. Contained in the omnibus appropriations legislation passed by Congress is \$5 million in new funds for the Title XI ship building program. The program has a 20-1 guarantee structure that will effectively provide \$100 million in loan guarantees for new ship construction. This represents a reinstatement of funding for the title XI program after years of zero funding and bodes well for the future. In addition, included in the energy legislation already signed into law are reforms to the Capital Construction Fund (CCF) that will allow CCF vessels to operate in coastwise trade. When combined with pending legislation that would provide Harbor Maintenance Tax relief for coastwise trade, we believe that the outlook for short sea shipping, and the accompanying job creation and environmental relief, is very positive and deserves the attention of the maritime and environmental community. Horizon Lines will continue to work aggressively with our maritime unions and the broader business community to secure final passage of this remaining short sea shipping agenda and to make coastwise trade a reality."

## **DEFENSE REAUTHORIZATION BILL VETO DELAYS IMPLEMENTATION OF IMPORTANT LABOR, MARITIME PROGRAMS & PROVISIONS**

The President's controversial "pocket veto" of the National Defense Reauthorization bill was unfortunate for maritime. Included in the bill was a provision regarding vessel leasing that favored American built ships, so this veto temporarily delays the implementation of that new rule. However, also included in the bill was a rewrite of the National Security Personnel System that protects collective bargaining rights that the M.E.B.A. had been fighting for since the original enactment of NSPS in 2003.

The President's veto was based primarily on a non-maritime and non-labor related issue regarding the Iraq War, and it is anticipated that the bill will be rewritten and passed in early 2008, likely with both the vessel leasing and NSPS provisions intact. A bill passed by both Senate and House that is placed on the President's desk to be signed into law – then is not signed by the President for the next ten days while Congress is in session (not including Sundays) is considered law by default. However, if Congress adjourns while the ten days is ticking off (which they did in this case) the President can decline to sign the bill during that period, if desired, thus creating a "pocket veto" situation which allows the President to effectively veto the bill without allowing a Congressional override. The Defense bill was passed with a veto-proof majority in both Senate and House that would have

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overridden a Bush veto if Congress had been in session. The White House objects to a provision in the \$696 billion bill that it feels could be used to help freeze Iraqi assets in the U.S. due to legal action. Congress is scheduled to reconvene on January 15 and the Defense bill is at the top of their agenda.