

National  
Grain and Feed  
Association



North American  
Export Grain  
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For Release  
IMMEDIATE (April 12, 2004)

## **NGFA, NAECA Commend Senate Committee for Rejecting \$2 Billion Maritime Security Tax**

WASHINGTON – The nation’s two major grain trade organizations today (April 12) commended a Senate committee for rejecting portions of a bill (S. 2279) that would have imposed \$2 billion in new security service fees on “commercial maritime transportation entities” to finance wide-ranging port security-related activities.

The National Grain and Feed Association (NGFA) and North American Export Grain Association (NAEGA) previously had urged the Senate Commerce, Science and Transportation Committee to reject the new security fees, saying that they would be used to finance activities through the Department of Homeland Security (DHS) “that are clearly federal responsibilities” and in the broad national interest.

The action came when the committee on April 8 adopted, by a 13-10 vote, an amendment offered by Sen. Trent Lott, R-Miss., striking the original bill’s maritime security user fee and capital fund provisions. The committee subsequently passed the amended bill by a voice vote, absent the security fee.

The wide-ranging maritime security bill, sponsored by committee chairman Sen. John McCain, R-Ariz., ranking member Sen. Ernest F. Hollings, D-S.C., and Sen. John Breaux, D-La., would require DHS to complete planning on several major security initiatives and to set standards to improve other port security efforts. The bill also would require DHS to report on recommendations for conducting background checks for individuals engaged in transportation or transportation-related activities.

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**MARITIME SECURITY TAX**

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But prior to the committee's action on April 8, the bill also had included provisions that would have mandated \$2 billion in port security fees and created a fund to provide grants to port authorities and facility operators; financial assistance to those required to provide security services in compliance with maritime security plans; and funding for federal port security programs. The user fees envisioned under the original bill also could have been used to: 1) establish command-and-control centers for the U.S. Coast Guard at U.S. ports; 2) reimburse costs incurred in implementing a cargo security program and for acquiring and operating screening equipment at U.S. ports; and 3) reimburse DHS's Transportation Security Administration for collecting "commercial maritime intelligence."

While recognizing and supporting the need for port security, the NGFA and NAEGA noted that commercial companies operating port facilities, including exporters of grains, oilseeds and grain products, already are incurring substantial costs associated with improving facility security mandated under the 2002 maritime transportation security law.

"Additional fees would only heap further costs upon an industry that already is paying a significant price to increase security," the two organizations said. They noted that because of the highly competitive nature of the international grain marketplace, those additional costs would either redirect money away from capital investments in infrastructure needed to maintain U.S. grain export competitiveness and/or be passed back to farmers through reduced commodity prices at the farm gate. The United States exports up to 50 percent of its wheat crop each year, while exports of corn and soybeans comprise approximately 20 and 37 percent, respectively, of U.S. production.

The NGFA and NAEGA also cited a 2002 study conducted by the General Accounting Office – the investigatory arm of Congress – that found that maritime commercial entities already pay more than \$16 billion a year in 127 different user fees and taxes, including \$15.2 billion in customs fees that are funneled into the U.S. Treasury general fund, rather than directly offsetting maritime-related government costs. "If Congress must earmark funds for maritime security, the already-substantial existing fees on maritime commerce should be used," the NGFA and NAEGA said.

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Sen. Lott made the same point during committee debate on the proposed new tax, saying that a portion of the \$15 billion-plus customs fees paid by the maritime commercial entities should be earmarked specifically to finance maritime-security needs.

The NGFA, established in 1896, consists of 1,000 grain, feed, processing, exporting and other grain-related companies that operate about 5,000 facilities that handle more than two-thirds of all U.S. grains and oilseeds. The NGFA's membership encompasses all sectors of the industry, including country, terminal and export elevators; feed manufacturers; cash grain and feed merchants; end users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries. The NGFA also consists of 36 affiliated state and regional grain and feed associations, as well as two international affiliated associations.

NAEGA, established in 1912, is a not-for-profit trade association comprised of 35 private and publicly owned companies and farmer-owned cooperatives involved in and providing services to the bulk grain and oilseed exporting industry. NAEGA member companies ship practically all of the bulk grains and oilseeds exported each year from the United States.

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