

# JOINT INDUSTRY GROUP

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September 9, 2002

The Honorable Bill Thomas  
U.S. House of Representatives  
2208 Rayburn House Office Building  
Washington, DC 20515

Dear Chairman Thomas:

The Joint Industry Group (JIG) strongly opposes a current proposal to create a new user fee on imports and exports to fund additional border security. The proposal, which is now being considered by the conference on port security legislation, is an additional burden to a community that already contributes significant revenue to pay for Customs border enforcement activities, estimated to be as much as \$22 billion for all fees and taxes.

JIG is a coalition with more than 160 members including Fortune 500 companies, trade associations, professionals and businesses actively involved in international trade. We examine and reflect the concerns of the business community relative to current and proposed international trade-related policies, actions, legislation, and regulations, and undertake to improve them through dialogue with Congress, the Treasury Department, the U.S. Customs Service, and other government agencies. JIG membership represents more that \$350 billion in trade.

Customs' ability to handle trade will become more critical as the amount of commerce entering the United States continues at a double-digit rate of growth. The JIG fully supports the mission of Customs and their efforts to improve supply chain security. Our members actively support the development of new initiatives and technologies such as the Customs-Trade Partnership Against Terrorism (C-TPAT) and the Automated Commercial Environment (ACE). These initiatives are critical to the U.S. Customs Service and their dual role to guarantee the security and efficiency of trade. However, these programs also require importers to incur higher costs in the short and medium term as they adjust their operations to the new demands of Customs and other agencies. The proposed new fees for port security would be added to the high level of already existing fees and higher costs of compliance to new Customs programs.

The trade is already overburdened by existing government fees at the state and federal levels that are imposed to fund trade and security. However, these fees are rarely dedicated to support the projects they are intended to fund. For example, the U.S. Customs Service collects over \$1 billion annually through the Merchandise Processing Fee (MPF) that is imposed on domestic imports. The MPF is a fee that importers must pay for the privilege of processing imports and paying tariffs (taxes). Essentially, the MPF is a tax imposed to give importers the privilege of paying an additional tax. This money is supposedly dedicated to fund the commercial operations of Customs as well as the development of critical technology and systems such as ACE.

While MPF funds are intended to be used for Customs Operations only, bills were introduced on several separate occasions in the 107<sup>th</sup> Congress, which attempted to use this fee to fund unrelated programs, such

as the Patient's Bill of Rights. To the extent that any fee is not used for its intended purpose, or raises more revenue than is necessary for its intended purpose, it becomes a tax. As you are aware, taxes on exports are not constitutional. Likewise, taxes imposed only on imports may be illegal under our WTO obligations. The user fee MUST be used to fund improvements to Customs commercial operations directly, including the development of tools such as ACE. Careful and efficient use of MPF and other fees which already exist would guarantee adequate funding for security in U.S. Ports and other U.S. Customs initiatives needed to improve trade processes.

Importers and exporters in the trade community are already making significant financial and procedural contributions to border security. Additional fees, like the fee under consideration in the Port Security Bill conference, will raise costs for consumer goods much like security fees have raised costs for air travelers. However, repetitive imposition of newly created fees on importers and exporters is not efficient or desirable.

It is essential for Congress to understand their responsibility to provide for the stability and security of the nation. Congress must evaluate the integrity of the proposed fee and the impact that it will have on the trading community and its ultimate effect on the already fragile economy. To date hearings have not been held on the matter. We believe that if the tax is to be imposed, the most responsible route is to move first to legislative hearings on the matter before Congress enact a significant new tax on the crucial part of the US economy.

The JIG and its members strongly support the efforts of the U.S. Government to preserve our homeland security. However, we strongly oppose the imposition of unnecessary new taxes on America's importers and exporters. Again, we urge you to oppose the inclusion of a user fee in the conference report on port security. We thank you for your consideration and attention.

Sincerely,



Ron Schoof  
Chairman  
Joint Industry Group

Cc: The Honorable Dennis Hastert  
The Honorable Tom DeLay  
The Honorable Dick Armey  
The Honorable Richard Gephardt  
The Honorable Barbara Boxer  
The Honorable John Breaux  
The Honorable Max Cleland  
The Honorable Bob Graham  
The Honorable Grassley Charles  
The Honorable Ernest Hollings  
The Honorable Kay Bailey Hutchinson  
The Honorable Daniel Inouye  
The Honorable John Kerry  
The Honorable Trent Lott

The Honorable John McCain  
The Honorable Gordon Smith  
The Honorable Olympia Snowe  
The Honorable Ted Stevens  
The Honorable Ron Wyden