

**Passenger Vessel Association**901 N. Pitt St., Suite 100  
Alexandria, VA 22314Phone (703) 518-5005  
Fax (703) 518-5151  
Toll Free 1-800-807-8360pvainfo@passengervessel.com  
www.passengervessel.com

To: Mr. Greg Tarpinian, Obama Transition Team for Department of Transportation

From: Passenger Vessel Association  
John Groundwater, Executive Director ([jgroundwater@passengervessel.com](mailto:jgroundwater@passengervessel.com))  
Ed Welch, Legislative Director ([ewelch@passengervessel.com](mailto:ewelch@passengervessel.com))

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**The Passenger Vessel Association (PVA).** PVA is the national trade association for U.S.-flagged passenger vessels of all types. It represents the interests of owners and operators of passenger and vehicular ferries, dinner cruise vessels, sightseeing and excursion vessels, private charter vessels, whalewatching and eco-tour operators, windjammers, gaming vessels, amphibious vessels, water taxis, and overnight cruise ships. PVA currently has nearly 600 vessel and associate members. Its vessel-operating members range from governmental agencies operating ferries to companies with several large vessels in different locations to small family businesses with a single boat.

**Economic Stimulus Package.** PVA advocates a "Maritime Industry" component to the upcoming economic stimulus package. A concept paper (attached) has been provided to Speaker Pelosi. Such a component would include:

- Funding for ferry boat construction under the Federal Ferry Boat program (described below);
- Funding to assist passenger vessel operators in California to replace (ahead of the state-required regulatory schedule) marine engines by installing new low-air-emission models; and
- Eligibility for all passenger vessel operators to participate in the Capital Construction Fund program (described below).

**The Capital Construction Fund and America's Marine Highway.** To encourage transportation by coastal and Great Lakes routes and to shift traffic from overcrowded roadways, Congress enacted a program to designate water routes as America's Marine Highways. The U.S. Maritime Administration has just initiated the designation process. The law promotes transportation of both cargo and passengers (i.e., ferries).

The Capital Construction Fund (CCF) is an existing federal program permitting an eligible vessel operator to establish a special account in which operating funds are deposited. Federal income taxes are deferred on the deposited amounts. Eventually, the operator can withdraw the funds to construct or acquire a U.S.-built vessel. When the new vessel is built, its tax basis is reduced to account for the amounts derived from the CCF. This tax-favored account allows vessel operators to accumulate capital to replace vessels and replenish their fleets.