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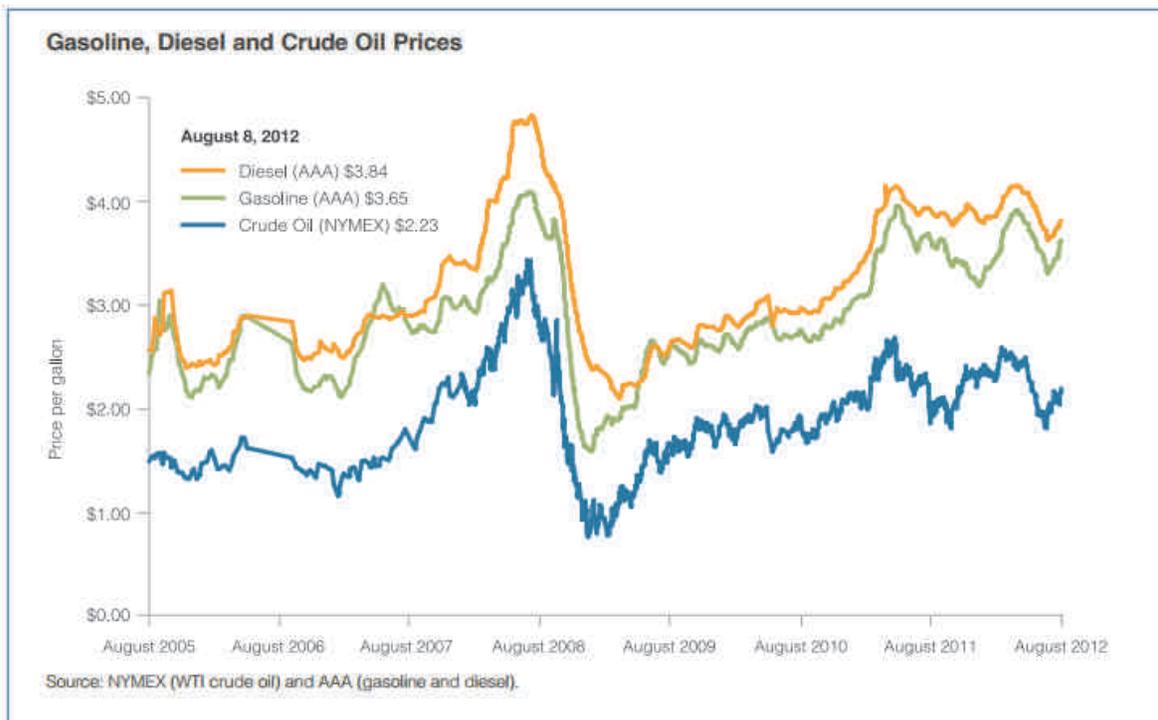
February 26, 2013

The Honorable Duncan Hunter, Chairman
The Honorable John Garamendi, Ranking Member
Coast Guard and Maritime Transportation Subcommittee
House Transportation and Infrastructure Committee
2165 Rayburn House Office Building
Washington, D.C. 20515

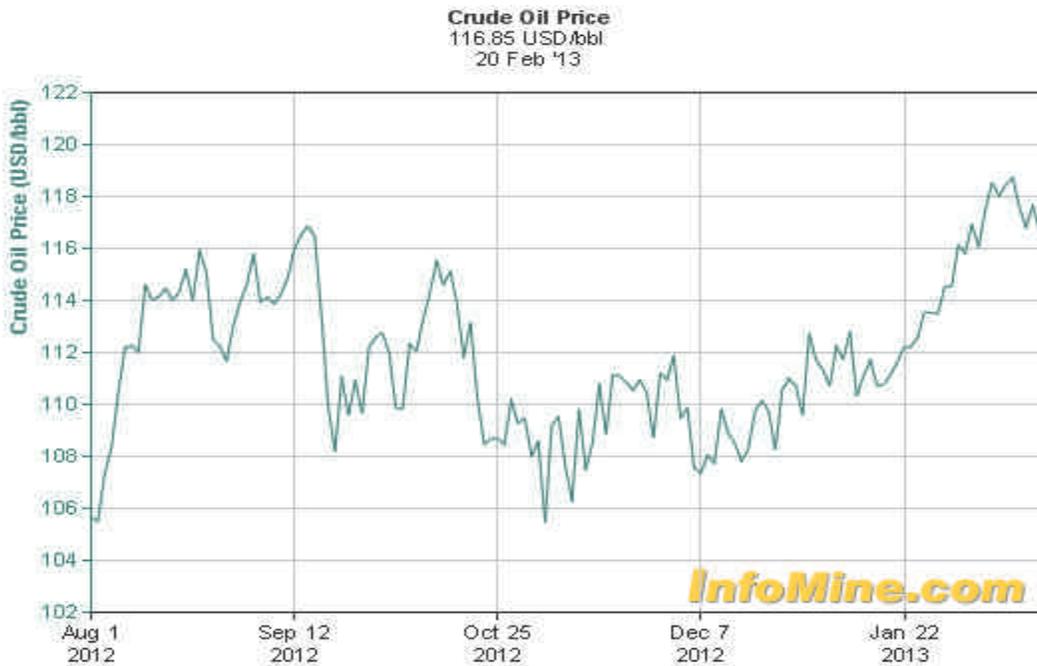
Dear Chairman Hunter and Ranking Member Garamendi:

The spike in the price of gasoline has received national attention as the average price of gasoline had increased every day for more than a month. A small number of misinformed individuals have blamed the increase on American shipping companies. However, we want you to know that the change in the cost of gasoline is not the result of transportation costs. This letter provides some additional information about what causes spikes in the price of gasoline.

Although the Washington Post recently dubbed the increase “a mysterious climb,” in fact the price of gasoline is always heavily tied to the global price of crude oil. Almost 70 percent of the cost of gasoline is linked to the cost of crude oil. The chart below, which was prepared by the American Petroleum Institute, demonstrates the almost absolutely direct connection between crude prices and the price of gasoline at the pump here.

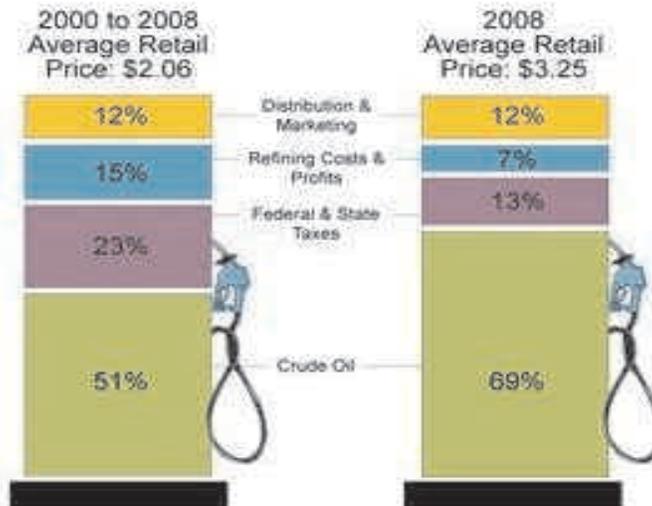


And, as the chart below clearly shows, the price of crude has spiked recently. Not surprisingly, the jump in gasoline has accompanied this jump in crude.



An incredibly complex range of factors impacts the price of crude oil in the global marketplace. Many experts say the recent spike in crude oil prices is tied to more demand in an improving economy throughout the world, particularly in China. Other factors include the value of the dollar, geopolitical issues, global supply/demand, inflation, and weather, just to name a few. However, as the following chart shows, the price of crude is overwhelmingly the driving factor. Crude oil, combined with federal, state and local taxes, accounts for 82% of the ultimate price of gas for consumers.

What do we pay for in a gallon of Regular Grade gasoline?



Source: Energy Information Administration.

Crude oil and gasoline are transported into and within the U.S. on railroads, pipelines, foreign flag vessels, and American vessels. The price of shipping within the United States is a minimal factor in the overall supply chain. Accusations that American shipping is somehow the cause of the recent spike in gasoline prices are pure fiction. Gasoline prices have increased in every part of the country, even in those regions where domestic vessels play no part in the transportation.

Thank you for your interest in this important matter. Please call on us at any time if you need additional information.

Sincerely,

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