CONSEIL DES AFFAIRES CANADO-AMERICAINES
CABC
CANADIAN AMERICAN BUSINESS COUNCIL

December 21, 2011

Ms. Karen V. Gregory
Secretary
Federal Maritime Commission
800 North Capitol Street Northwest
Washington, D.C. 20573-0001

RE: FMC Inquiry into U.S. inland containerized cargo moving through Canadian and Mexican seaports

Dear Ms. Gregory:

The Canadian American Business Council ("CABC") appreciates the opportunity to offer written comments on a Notice of Inquiry ("NOI") published by the Federal Maritime Commission's ("FMC") on November 8, 2011. In this NOI, FMC requested views and information regarding factors that may cause or contribute to the shift of containerized cargo destined for U.S. ports to Canadian or Mexican seaports.

The U.S. and Canada share the world's largest border of 5,525 miles and have long-standing and mutually beneficial cultural, economic and security ties. Over 300,000 people cross the U.S.-Canadian border each day. Trade between the U.S. and Canada is valued at $517 billion annually, making it the largest bilateral trading relationship in the world. Trade with Canada supports eight million U.S. jobs, while one in five Canadian jobs depend on trade with the U.S.

The U.S. and Canada also cooperate and coordinate closely on transportation and trade security measures. On December 7, 2011, President Obama and Prime Minister Harper issued a Joint Action Plan for the Beyond the Border Initiative ("BTB Initiative"). This plan provides a framework for increasing the flow of people, goods and services between the U.S. and Canada, while also providing for closer coordination of border security measures. As part of the BTB Initiative, the U.S. and Canada committed to developing an Integrated Cargo Security Strategy ("ICSS") to identify and resolve security concerns as early as possible in the supply chain or at the perimeter. The BTB Initiative will also assess existing border fees and charges and their cumulative economic impact on trade competitiveness for several economic sectors. The BTB Initiative builds upon Canada's partnership with the U.S. in the Joint Targeting Initiative and the Container Security Initiative.

The efficient and reliable integrated transportation and supply networks between the two countries help U.S. and Canadian businesses compete globally. Canadian ports provide access to Asian markets for U.S. products; for instance, approximately four million metric tons of U.S. coal was shipped through Prince Rupert. Projections are that number could reach 10 million metric tons per year by 2015. Canadian exporters also depend on U.S. markets to access export markets. For instance, Canadian company Canpotex shipped 2.5 million tons of potash through the Port of Portland in 2010. Competition among North American ports allows U.S. shippers to diversify their supply chains in order to ensure they have various options to deal with disruptions such as inclement weather, labor strikes and lockouts, and congestion.

With regard to North American ports, there are a number of factors that affect the overall competitiveness of an individual port. Some ports enjoy natural advantages such as closer proximity to major and growing Asian markets, which result in significant reduced sailing times. Efficient and reliable infrastructure such as multimodal/land side connections also offer competitive advantages to ports. To the extent that competition has increased between North American ports, this competition should be viewed by policymakers and stakeholders as a good thing for the North American economy as it drives down costs for businesses and consumers.

Given the integrated and mutually beneficial transportation network between the U.S. and Canada, CABC is opposed to the imposition of the harbor maintenance tax ("HMT") on U.S.-bound cargo that transits through Canadian ports. First, the HMT is a relatively minor factor in shipper's overall calculations of where to route their cargo. Secondly, the imposition of the HMT on U.S.-bound cargo routed through Canadian ports is contrary to the vision outlined by President Obama and Prime Minister Harper in the BTB Initiative. Specifically, the BTB Initiative aims to reduce costs associated with border fees and charges in order to improve the trade competitiveness of both countries. There are also significant concerns that the imposition of HMT on cargo at the border could be inconsistent with U.S. obligations under both the North American Free Trade Agreement ("NAFTA") and the General Agreement on Trade and Tariffs ("GATT").

The CABC is the voice of business in the world's most prosperous relationship. Established in 1987 in Washington, D.C., the Council is a non-profit, non-partisan, issues-oriented organization dedicated to elevating the private sector perspective on issues that affect our two nations, Canada and the United States. Our members are key business leaders and stakeholders from both sides of the border. The Council's activities include high-level briefings on issues of current concern, assistance with practical trade and policy challenges, significant networking opportunities, and informative seminars. CABC member companies include, for example: Air Canada, Amgen, Campbell Soup Company, Canadian National Railway, ExxonMobil, Ford, Lockheed Martin, RIM, Royal Bank of Canada, Shell Oil, Thomson Reuters, TransCanada and UPS.

Thank you again for the opportunity to submit comments. Please feel free to contact Emma Rigby at 202-496-7906 should you have any questions.

Sincerely,

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Amgad Shehata
Chair

Emma Rigby

Emma C. Rigby
Executive Director