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OFFICE OF THE SECRETARY  
FEDERAL MARITIME COMMISSION

December 21, 2011

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

Subject: U.S. Containerized Cargo Flows  
Response to NOI

Dear Ms. Gregory:

On behalf of the Massachusetts Port Authority "Massport", I submit the following comments on the Federal Maritime Commission's Inquiry into the factors that may cause or contribute to the shift of containerized cargo for United States inland destinations from U.S. to Canadian or Mexican ports.

Massport is an independent state agency with responsibility for the development, operation and promotion of the Port of Boston facilities. As part of that responsibility, Massport owns and operates Paul W. Conley Container Terminal which is the only full service container facility in New England.

The focus of Massport's comments on the Inquiry relate to the use of Eastern Canadian ports to handle U.S. bound cargo. The key factors in the routing of cargo are cost and reliability. Assuming delivery times are competitive between U.S. and Canadian ports, the overall cost of transportation will be the determining factor in choosing a load or discharge port. The Harbor Maintenance Tax is a significant element of a beneficial cargo owner's total cost of transportation. In anticipation that the Harbor Maintenance Tax could be a factor in diverting New England bound cargo to a Canadian port, the Commonwealth of Massachusetts enacted a Harbor Maintenance Tax Credit so that shippers could reduce their Massachusetts state tax liability by the full amount paid to the federal government in Harbor Maintenance Tax fees.

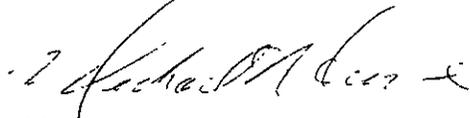
This tax credit has neutralized any financial incentive to move cargo controlled by a Massachusetts company through a Canadian port. Most other states have not enacted similar legislation and the beneficiaries of the state tax credit are only those shippers that have a Massachusetts Tax liability. However, there is a proposed development of the Melford International Terminal ("MIT") on a greenfield site on the Strait of Canso, at the eastern end of Nova Scotia that is targeting cargo to the U.S. Midwest. The developers marketing strategy envisions one third of the cargo moving through the terminal to the U.S. Midwest through Chicago, one third to the Ohio Valley and one third to Canadian destinations. Certainly, the avoidance of the Harbor Maintenance Tax payments can be a marketing advantage for MIT over a U.S. port.

There are several actions the U.S. Government can take to improve the competitiveness of U.S. ports. The full expenditure of the amounts in the Harbor Maintenance Trust Fund ("HMTF") is of primary concern to U.S. ports. As ships become larger, it is imperative that U.S. ports are dredged to their authorized depth. The HMTF has a \$6 billion surplus, yet there are many ports that are functioning with shallow and narrow channels that are in dire need of dredging to service their current customer base. Additionally, the federal government needs to find a way to expedite the review, approval and eventual funding of projects to deepen federal channels. Without an expedited process many ports will no longer be able to handle the larger ships that are now operating in all trade lanes.

The U.S. Government must also reauthorize the Surface Transportation legislation. The new bill must have a strong focus on improving freight transportation. An integral component of the new legislation must be the establishment within the Department of Transportation of a Freight Planning Office that can allocate funds to enhance the efficiency of freight transportation, foster the development of the marine highway system and improve the global competitiveness of exporters.

Regards,

MASSACHUSETTS PORT AUTHORITY

A handwritten signature in black ink, appearing to read "Michael A. Leone", written over a horizontal line.

Michael A. Leone  
Port Director