



# Pacific NorthWest Economic Region

2011 - 2012  
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December 22, 2011

## Federal Maritime Commission

### Docket No. 11-19

### Notice of Inquiry: US Inland Containerized Cargo Moving Through Canadian and Mexican Seaports

Response from Pacific NorthWest Economic Region (PNWER)  
December 22, 2011

**Background:** The Pacific NorthWest Economic Region (PNWER) is a public-private partnership chartered by statute in 1991 by the states of Alaska, Idaho, Montana, Oregon, and Washington; the western Canadian provinces of Alberta, British Columbia, and Saskatchewan; and Yukon and Northwest Territories. PNWER is dedicated to encouraging global economic competitiveness and preserving our world-class natural environment. PNWER is recognized by both the United States and Canada as the "model" for regional and bi-national cooperation because of its proven success. PNWER is a respected voice and resource for our region. It provides the public and private sectors a cross-border forum for unfiltered dialogue that capitalizes upon the synergies between business leaders and elected officials working to advance the region's global competitiveness.

### Response to FMC's Notice of Inquiry

PNWER exists to "To increase the economic well-being and quality of life for all citizens of the region." We see the ports in both the US and Canada as vital links to the economy of the region, and of North America. On December 7<sup>th</sup>, just 2 weeks ago, President Obama said this, **"My top priority as President....is creating jobs faster and growing the economy faster. And in this mission, Canada has a special role to play. Canada is our single largest trading partner, our top export market, and those exports -- from cars to food -- support some 1.7 million good-paying American jobs. Canada, in turn, is one of the top foreign investors in the United States, and that creates even more jobs and prosperity. "Canada is key to achieving my goal of doubling American exports and putting folks back to work." - President Obama**

\*Partial listing

## Key Issues for the FMC Inquiry

### 1. Enhance overall competitive advantage of our Northwest economy

Tay Yoshitani, Director of the Port of Seattle, said when speaking to the issue of HMT and Canadian Ports last month, "We should have a program like the Canadians do with their Asia-Pacific Gateway Strategy; the problem in America is that we have no comprehensive gateway strategy. I applaud Canada for their strategic thinking in developing the infrastructure that serves their west coast ports."

PNWER believes that the US should take a page from Canada's playbook and develop a comprehensive strategy for infrastructure development that supports our trade corridors and our ports. However, this does not mean that we should add a 'tax' on goods coming across our land borders from Canada or Mexico. Canadian ports levy their own maintenance fees on all containers coming through their west coast ports, which they use to support their port's infrastructure which includes in some cases dredging. The HMT was devised to help fund harbor and channel maintenance for users of US ports. However, currently there is little or no relationship between where the HMT is collected and where the money is spent. The Congressional Research Service report issued last year on the HMT states, "a significant portion of the annual Harbor Maintenance Trust Fund disbursements are directed toward harbors which handle little or no cargo." For example, Yaguina Bay and Harbor in Oregon has received more than \$25 million in HMT funds but no cargo has been shipped through the harbor in years. We should examine how these funds are currently being spent, and how they could be invested to make our entire trade **system** more competitive. It makes little sense to charge a harbor maintenance fee to containers coming to the US from Manitoba to Minnesota.

### 2. US – Canada trade relationship is the largest in the world – with one million dollars in goods and services crossing the border every minute – Beyond the Border Action Plan

On December 7<sup>th</sup> President Obama and Prime Minister Harper met and announced the 'Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness', which in its opening lines states, ***"To preserve and extend the benefits our close relationship has helped bring to Americans and Canadians alike, we intend to pursue a perimeter approach to security, working together within, at, and away from the borders of our two countries to enhance our security and accelerate the legitimate flow of people, goods, and services between our two countries. We intend to do so in partnership, and in ways that support economic competitiveness, job creation, and prosperity."***

In the spirit of bi-national cooperation and economic competitiveness that the President has so recently announced, PNWER would submit that competition between ports is essentially a good thing to consumers in both countries, and to the creation of jobs, and the overall economy itself. It makes no common sense to penalize Canada for the fact of geography that the Port of Prince Rupert may be closer to Asia than some of our US Ports, nor that there may be less congestion in northern British Columbia than there is in Seattle. We cannot change these facts, and PNWER submits that if cargo is moving through these northern ports, it is not because of the HMT, but because of the accident of geography. Many US companies depend on Canadian ports for import and export of their goods and services, as well as commodities. Canadian and US Businesses depend on efficient supply chains on both sides of the border to compete in the global economy. Shippers make routing choices, and manage risk, based on many factors, including proximity to market, reliability, cost, and efficiency. To add an artificial HMT to these imports will only hurt US companies and cost jobs, and this is not the time to be harming US competitiveness.

**3. Any Unilateral Fee on cargo from Canada to the US will delay Just-in-Time cargo and could have serious unintended consequences.**

Our experience has shown that a unilateral fee being applied at a land border is very problematic to collect. Every time the US government or the Canadian government tacks on a new fee for goods or services that needs to be collected at or near the border, serious unintended delays occur. This is totally counter to the above mentioned "Beyond the Border Action Plan" where the President and Prime Minister have committed their agency staff to a full series of action steps with deadlines to expedite legitimate goods crossing the land border between the US and Canada. The Department of Homeland Security does not like being a tax collector, and has repeatedly told us in meetings that whenever they are tasked to do this it detracts from their prime mission of safety and security of the nation. The added cost of setting up a system for the collection of such a fee could be significant, and the enforcement and regulatory oversight could hamper the movement of goods that are essential to our economic recovery. Indeed, again on December 7, the President said in the context of the US-Canada border, *"We're ramping up our effort to get rid of outdated, unjustified regulations that stifle trade and job creation."*

**4. What if Canada wanted to counter a land border 'HMT' by adding a similar 'tax' to commodities and shipments coming from within the US to export through Canadian ports?**

Currently Montana and Wyoming ship over 300 train cars of coal per day through Seattle to the Port of Vancouver, BC. There is not sufficient commodity capacity on the west coast of the US to handle this volume. If Canada decided to impose a 'Harbor Maintenance Fee' on each of these coal cars, the impact would surely be felt in Montana, and in Wyoming, impacting the entire supply chain. Consider the automotive industry, which ships cars back and forth across the border up to 7 times before they are complete and ready to market. Any disruption or delay in the process could be very costly to US jobs, and the US economy.

**Conclusion**

We urge the Federal Maritime Commission to review the recent 'Beyond the Border – Perimeter Security and Economic Competitiveness Action Plan' released by the President on December 7, 2011 and to take note of the specific principles, goals, and action strategy outlined by the President. We further recommend to the Inquiry that a study be undertaken to examine Canada's Asia-Pacific Gateway strategy and to suggest how a similar strategy could be applied through the Gateways and Trade Corridor program at US DOT to examine our trade dependent transportation infrastructure, and what mechanisms could be put in place to enhance our global US Port competitiveness.

Sincerely,



Rep. Mike Schaufler  
PNWER President 2011-2012  
Oregon State Representative



Matt Morrison  
Chief Executive Officer  
PNWER