

717 N. Union Street, Apt 66
Wilmington, DE 19805

RECEIVED

JAN 17 PM 2:30
OFFICE OF THE SECRETARY
FEDERAL MARITIME COMMISSION

CONFIDENTIAL MATERIALS EXCLUDED

Karen V. Gregory, Secretary
Federal Maritime Commission
800 North Capital Street, NW
Washington, DC 20573-0001

December 13, 2011

Dear Ms. Gregory:

This letter is in to FMC Docket No. 11-19, the Notice of Inquiry regarding US containerized cargo diverted to Canadian and Mexican seaports.

I am writing to you as a private individual with over 20 years of experience in senior management positions transportation and terminal operations; all have been with the same company.

In response to the questions itemized in the NOI, please find my replies:

1. The two most important factors we take into consideration when routing cargo are transit time and total delivered cost to final destination. Each of the factors that are listed in Item #1 are important but are considered only as individual components in the total transportation equation.
2. Carriers would consider calling Canadian or Mexican ports prior to calling US ports for the following reasons:
 - a. Transit time. Depending on where carrier is arriving from, the closest first port of call in North America may be the Canadian or Mexican port.
 - b. Draft. Due to draft limitations in US ports, the carrier may need to unload cargo at the Mexican or Canadian port in order to lighten the vessel.
 - c. Inland transportation cost and time from port of discharge to ultimate destination. Inland costs are often the largest component of the overall transportation cost. Cargo flows (i.e., availability of roundtrip freight opportunities for an inland carrier) are a key driver of inland freight costs. It may be cheaper to service a US inland point via the Canadian or Mexican port if there is two-way cargo.
 - d. Risk of strike or lock-out at US ports. Management-labor relations, particularly on the USWC are notoriously bad and have many shippers and carriers concerned. My company has used, and will continue to use, Mexican ports in the event of labor strife on the US West Coast.

CONFIDENTIAL MATERIALS EXCLUDED

- e. Port congestion issues.
 - f. Labor productivity.
3. Discussed in Item #1 and #2 above.
4. Harbor Maintenance fees play absolutely no role in deciding where we discharge cargo. **The HMF represents only an in significant fraction (less than 0.1%) of our total ocean transport and terminal costs.** Any savings we would realize on HMF by discharging in Canada or Mexico would be more than offset by freight forwarder fees, bond fees for cargo in transit and border crossing fees. Our decisions on where to discharge cargo are based on the following:
- a. Vessel deployment. We want to minimize the number of vessels we operate in a specific tradelane. Adding an additional vessel to a string increases our costs by millions of dollars. This normally means choosing the closest port of entry to our origin locations.
 - b. Port facilities. Does the discharge port have the infrastructure that we need to service our customers (cranes, warehouses, close to highway system)? Is the port willing to give us a berth guarantee? Does the port labor have the productivity we need to quickly load and discharge vessel.
 - c. Competition. Where do our competitors discharge their cargo? Will we be at a cost disadvantage if we are at a different port?
 - d. Transit time. In order to reduce working capital requirements a shipper wants to minimize the time the cargo is in transit. The Canadian port of Prince Rupert is one day closer to Shanghai than Seattle and over 2 days closer than Los Angeles.
 - e. Real estate costs / land values: What are the land values of port property? This drives costs such as port leases and demurrage.
 - f. Port tariffs such as wharfage, dockage, pilotage, tug boats.
 - g. Government regulations, including state and local laws.
 - h. Union contracts. We were able to work a vessel in Mexico with a fraction of the number of people we are forced to employ in the US under the union contracts.
5. I do not have data on the impact on unemployment driven by the cargo diversions; however I do know that the investment in technology at most North American container ports over the last 10 years has resulted in much lower manning requirements.

CONFIDENTIAL MATERIALS EXCLUDED

6. I have no knowledge of any incentives offered by Canada or Mexico to induce cargo to their ports. I do know from experience that the Mexican authorities do not make it easy to discharge a vessel in Mexico for cargo with final destination in the US.
7. Some benefits are higher labor productivity, less port congestion, fewer regulations (security, environment). Some disadvantages are costs associated with in-bond cargo movements and border crossing, transportation issues with Mexican truckers, US border crossing inspections.
8. The main actions that the US can take to improve the competitiveness of the US ports are as follows:
 - a. Address the USWC labor productivity issue. **The relative productivity of the USWC labor is 30% less than the ILA but the cost to the employer is 50% higher.** These add significant costs to the transportation equation and are an important factor in cargo diversions.
 - b. California State and Local Regulations. The regulatory and cost burdens imposed on the carriers, importers and terminal operators by the state and local governments in California are causing many beneficial cargo owners to consider other ports, both US and foreign for their cargo imports.

If you have any questions, please feel free to contact me.

Regards.

A handwritten signature in black ink, appearing to be 'S. Jablon', with a long horizontal line extending to the right.

Stuart Jablon

(904) 614-8611

sjablon12@juno.com