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Karen V. Gregory
Secretary
Federal Maritime Commission
800 North Capital Street, NW
Washington, D.C 20573
e-mail: Secretary@fmc.gov

Dear Ms Gregory:

This letter is in response to the FMC Docket No. 11-19 "Notice of Inquiry: US Inland Containerized Cargo Moving Through Canadian and Mexican Seaports."

I am the Director of the Center for Supply Chain Management and Logistics at the University of Illinois at Chicago. I am also affiliated with the Urban Transportation Center also at UIC.

My opinion, based on the transportation and logistics literature, is that the US Harbor Maintenance Tax (HMT) will not make much of an impact on port choice. This is especially true if the tax actually is used for harbor improvements and not a way of funding the government deficit. There are many different factors affecting port choice and here are a few:

- Port selection is a very important part of the international logistics strategy.
- Different ports often specialize in different types of shipments.
- Selecting the wrong port can add miles, time, and therefore cost to a shipment not appropriately routed.
- Overall door-to-door transit time and variability most important factors.

As an example, a study done by Murphy, Daley and Dalenberg¹ found that factors affecting port choice are in order of importance:

1. Has equipment available
2. Provides low frequency of cargo loss/damage
3. Offers convenient pickup and delivery times
4. Allows large shipments
5. Allows flexibility in special handling needs
6. Has low freight handling charges
7. Provides information concerning shipments
8. Has loading/unloading facilities for large and/or odd size freight
9. Offers assistance in claims handling

¹ Paul Murphy, James Daley and Douglas Dalenberg, "Some Ports Lack Shipper Focus," *Transportation and Distribution*, February, 1991, p. 48.

As can be seen by this list, the HMT would only affect #6. But, if the proceeds of the tax are actually spent on port improvements, this may actually improve the competitiveness of the port by affecting some of the other factors affecting port choice.

Thus, the ports of Long Beach and Los Angeles should be very little if at all affected by the HMT, as long as it is used for port improvements, and both ports receive a fair share of the tax proceeds.

Sincerely,



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Director
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Cc: Stephen E. Schlickman, Executive Director, Urban Transportation Center, UIC

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