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December 15, 2011

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

Docket No. 11-19, U.S. Containerized Cargo Flows

Dear Madam Secretary:

I would like to comment on the Federal Maritime Commission's Notice of Inquiry re factors that might cause or contribute to the shift of cargo destined to/from U.S. ports, and to urge the Commission to refrain from recommending any measures that could harm the competitiveness of the North American logistics system. This system, which includes border infrastructure, the various North American railroad entities, truckers, and the ports in Canada and the U.S. themselves: has continued to increase its productivity while enhancing the competitiveness of U.S. industry.

I am making these comments as a Professor of Supply Chain Management that has been doing research on North American logistics systems across the U.S., Canada, and Mexico for some 20 years. Currently I serve as Editor of the *Journal of Transportation Management*, an academic journal that has been publishing for some 21 years now. Over that time I have written numerous articles on the North American logistics system including ones appearing in Journals such as the *Transportation Journal*, *Journal of Physical Distribution and Materials Management*, the *Journal of Business Logistics*, the *Journal of Transportation Law, Logistics and Policy*, and *Horizons* among others. I have also conducted numerous studies on border issues for U.S. and state governmental agencies. Finally, I have addressed a number of transportation policy issues as a former member of the President's *National Commission on Intermodal Transportation*, and as a member of the *Department of Transportation's Motor Carrier Advisory Committee*.

Open access to multiple ports in both countries is a critical issue to Michigan policymakers and businesses in Michigan and the rest of the Midwest. Trade between the State of Michigan and Canada is critical to Michigan's economy, as is access to Canadian ports. The nature of the inquiry seems to imply that there is "something wrong" with the volume of cargos using U.S. ports instead of American ones. However, selection of Canadian ports is not based on some "unfair advantage" in Canada, but instead on a variety of natural locational advantages, and acquired advantages that are the result of public policy and managerial actions that have enhanced the competitiveness of these routes. While these routes through Canadian ports have gained volume over recent years they still

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represent a very modest percentage of U.S. containerized imports, in the order of 2-3% of U.S. port volumes. Interestingly, Canadian goods transiting via U.S. ports, represent a higher percentage of Canadian imports than is the case for U.S. imports transiting Canadian ports.

Michigan manufacturers, and especially our auto companies, move significant volumes through Canadian ports, but again these volumes currently are not a very large percentage as compared to goods moving through U.S. ports. The automotive industry none-the-less moves finished products and parts through Canadian ports on a daily basis. Michigan auto companies, and other capital goods manufacturers, need the fast/reliable service, and cost-effective transportation that a combination of American and Canadian ports and connecting services offer. Any distortion or impairment of this important bi-national transportation system would add costs to North American trade and would be a serious blow to Michigan's and other Midwestern state's economies.

Canadian seaports are used for a variety of business reasons. If these reasons include uncompetitive U.S. taxes and or unproductive local operating procedures, then federal, state, and local governments, and local port operators, should move to correct those problems here in the U.S. If your Hearings could determine the extent of these issues and recommend corrective actions this would be a very productive exercise in my opinion. These U.S. issues might include the Harbor Maintenance Tax (HMT), although I doubt it is a significant factor in any diversions that are taking place. However, port labor agreements, and restraints on local owner operators at some ports, may play a significant role. As such, other than raise potential concerns about investment in Canadian seaport infrastructure, environmental regulations, security, or customs inspection procedures, we should examine U.S. polices to see what can be improved.

At the end of the day Canadian ports, relative to especially Midwestern and Northeastern shippers, have a natural advantage in that they are closer to destination continent ports in some cases. For instance, Western Canadian ports are closer to the Pacific Rim, while Eastern Canadian ports are closer to Europe. This can mean lower transportation costs and overall transit times for U. S. businesses using the Canadian ports. These benefits are key to the ability of U.S. businesses to compete in a global marketplace. On the other hand, these Canadian ports must deal with certain disadvantages resulting from their location, including limited local markets. At the end of the day, importers and exporters should be given as many options as possible to draw upon, so that they can make choices that increase U.S. productivity and competitiveness.

Thank you for considering these comments. Please include this letter in the docket.

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