

December 22, 2011

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

Subject: Docket No. 11-19, U.S. Containerized Cargo Flows - Response to NOI

Dear Secretary Gregory,

Please consider these comments on behalf of the Great Lakes International Trade and Transport Hub initiative in response to the Federal Maritime Commission's Notice of Inquiry on factors that cause or contribute to the shift of cargo destined for the U.S. inland from U.S. to Canadian and Mexican seaports.

While freight flows into Canadian and Mexican seaports have increased significantly in recent years, it is not clear that this increase constitutes a shift in imports destined for inland ports in the U.S. away from domestic maritime ports. Further, even if such a shift is occurring, its magnitude is not practically significant, and depends on factors which no potential policies can alter.

Several factors contribute to the port choices of freight shippers, all fundamentally involving the expedience and reliability with which containerized cargo can move from its point of origin to a particular port in turn to its inland destination.

Expedience is itself dependent upon certain variables. In particular, it is related closely to such things as the distance from respective North American ports to major Asian and European export cities, congestion of routes out of the port city's surrounding metropolitan area and congestion, and congestion of the port itself.

The distance factor is one area in which the Canadian port of Prince Rupert has a significant advantage as the closest port to Shanghai in North America. At a distance of 4,642 nautical miles, Prince Rupert is over 1,000 miles closer than, for instance, Los Angeles.

Landside congestion is an important factor, since, according to the Bureau of Transportation Statistics "Most U.S. seaports are sited in or near major metropolitan areas that have infrastructure challenges and roads that need upgrades to allow them to accommodate large and heavy commercial trucks." This congestion is a natural feature of major port cities, since international trade and the logistics sector both tend to generate a great deal of related economic activity. Accordingly, statistics produced by the BTS indicate that of the top 15 U.S. port cities, 8 are also among the 15 most congested metropolitan areas in the country. This congestion imposes delay costs on shippers that are often significantly greater than the costs associated with the Harbor Maintenance Tax.

Congestion at major ports themselves is often also a factor which in turn depends upon the physical capacities of these ports. Herein is the underlying problem with focusing on the Harbor Maintenance Tax: it's not a major determinant of port choice, and reducing or eliminating the tax would only lead to a decline in available funds for the very kind of infrastructure investments needed to ensure that U.S. ports continue to operate efficiently.

This is also an area in which a Canadian port, namely Halifax, has an advantage over its U.S. counterparts. As the Triple-E class of container ship becomes more common, ports with the depth to accommodate them will become increasingly important links in the global supply chain. Halifax is one of only two North American Atlantic ports with the harbor depth to handle these ships, a fact that the neither the Harbor Maintenance Tax nor any other policies will likely change.

Further, the implementation of a Canadian equivalent of the federal HMT would not induce a shift back toward the use of U.S. ports from Price Rupert or East Coast ports like Halifax, but may instead lead to a reduction in maritime shipping overall.

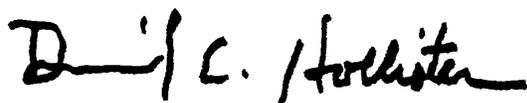
In sum, the HMT is not a major factor in port choice for maritime shippers, and reducing it or pressing for the adoption of a similar Canadian tax will not likely have an impact on reversing the current trend toward increased use of Canadian ports, and may decrease freight flows overall and especially through non-coastal states.

This is a salient worry for those in the Midwest with an interest in developing logistics and international trade activity in the region, for which approximately \$627 billion annually depends on trade with Canada, as do approximately 237,100 jobs in Michigan alone.

Accordingly, the Great Lakes International Trade and Transport Hub initiative encourage the Federal Maritime Commission to exercise care in adjusting existing policies like the HMT, and to be cognizant of the truly immense degree the economies of North America, especially the United States and Canada, are intertwined.

Thank you for your consideration and for including these remarks in the public docket for this proceeding.

Sincerely,

A handwritten signature in black ink that reads "David C. Hollister". The signature is written in a cursive, slightly slanted style.

David C. Hollister

Chair, Great Lakes International Trade and Transport Hub Executive Committee

Senior Vice President for Strategic Initiatives, Prima Civitas Foundation