THE CHAMBER
seattle metropolitan chamber of commerce

December 20, 2011

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

RE: FMC Inquiry on U.S. Inland Containerized Cargo Moving Through Canadian and Mexican Seaports

Secretary Gregory:

The Seattle Metropolitan Chamber of Commerce is pleased to write in response to your notice of inquiry regarding the diversion of container cargo from U.S. West Coast ports to those located in Canada and Mexico. The entire metropolitan Seattle business community is gravely concerned about this issue, not only because the U.S. Harbor Maintenance Tax (HMT) is incentivizing shippers to avoid U.S. ports, but also that this loss of shipping services could become a trend that will be difficult, if not impossible, to reverse.

There are two major factors that make this issue of such importance to the Seattle metropolitan region. First, of course, are the jobs that are tied to our two major ports – the Port of Seattle and the Port of Tacoma. The airport and two seaports overseen by these two ports are together responsible for over 200,000 jobs; this figure includes employment by ocean carriers, longshoremen, airlines and in warehouses and distribution centers, as well as truckers, rail operators, freight forwarders and customs brokers. Many of these jobs are family wage, blue-collar jobs – the type of jobs the United States is struggling to maintain. It goes without saying that the increasing diversion of cargo from our ports means less and less of these jobs will be needed.

Second, our state is home to many businesses whose ability to do business here depends on having access to competitive ports, which provide them with lower shipping costs and a dependable global supply chain. Washington state is widely recognized as the most trade-dependent state in the country, with more than one-third of all jobs tied to international trade, and so we see this dependence on regular container shipments in a wide diversity of industries. For example, our major retailers like REI, Costco, Amazon and Nordstrom source much of their products from southeast Asia, while many of our manufacturers – including the Boeing Company – have developed extensive global supply chains that require regular service to get parts for final assembly.

Importantly, diversion of import cargo from our ports also limits our ability to export. Washington is a national leader in the export of over a dozen agricultural products – from apples and cherries to hops and wheat – all of which rely on the availability of empty containers to load and ship their goods. The less cargo coming into our ports quickly begins to limit our capacity to ship our agricultural goods back to Asia.

Our concern with diversion has been steadily increasing. Earlier this year we learned that the Canadian Port of Prince Rupert welcomed two additional trans-Pacific services, doubling the number of vessels calling at its container terminal. The move involves two long-time Port of Seattle customers, COSCO and Hanjin. Cargo volumes at Prince Rupert have grown exponentially since its container terminal opened in 2007, and the new vessel-calling services position Prince Rupert to divert even more cargo away from Puget Sound. This diversion compounds the competitive pressures that our ports will face when the Panama Canal completes its expansion in 2014, enabling larger vessels to bypass the West Coast entirely.

Our business community believes strongly that the Harbor Maintenance Tax and the associated "land border loophole" is a significantly cause of this diversion. At least 70% of the cargo coming into the Ports of Seattle and Tacoma is discretionary, meaning that importers are free to move their goods elsewhere. The land border loophole makes it cheaper for international importers to divert cargo to non-U.S. ports, such as those in British Columbia, to avoid the HMT in Washington – costing revenue and jobs for our state, and impacting exporters who rely on access to the containers that healthy import traffic provides.

The Seattle Metropolitan Chamber of Commerce – and our affiliate program, the Washington Council on International Trade – has been working closely with our business community and elected officials to identify a fair, sustainable solution to the land border loophole issue that maintains the United State's international commitments. In particular, we are encouraging a solution that ensures that all goods coming into this country pay the Harbor Maintenance Tax or an equivalent fee – regardless of which North American port those goods arrive into. We welcome the Federal Maritime Commission's engagement in identifying the most effective way to implement this solution.

Our region's seaports and related transportation infrastructure are a critical element of the formula that has made the Pacific Northwest economy one of the most competitive in the world. Yet, if we fail to respond to this cargo diversion, the consequences for our region will be devastating. At stake are tens of thousands of jobs, both in direct transportation, maritime and related fields, as well as our broad diversity of industries that could not continue to thrive in our region without access to world-class ports.

Thank you for your attention to this issue, and your consideration of prompt action. If you have additional questions, please feel free to contact Eric Schinfeld at erics@seattlechamber.com or 206.389.7273.

Sincerely,

Phil K. Bussey

Phil Bussey
CEO
Seattle Metropolitan Chamber of Commerce

Eric Schinfeld

Eric Schinfeld
Federal Policy Director
Seattle Metropolitan Chamber of Commerce
& President,
Washington Council on International Trade