WAR OF THE WORLDS

AT A TIME when our nation’s “reset” with Russia has fallen victim to an increasingly frosty relationship between presidents Obama and Putin, it’s easy to wax nostalgic about better days. During the 1985 Geneva summit between President Reagan and General Secretary Gorbachev, Reagan remarked that if the earth faced an invasion by extraterrestrials, the U.S. and the Soviet Union would join forces to repel such an invasion.

Facing competition from other North American ports, the ports of Seattle and Tacoma seem to be demonstrating similar harmony. For years, these ports focused on poaching business from one another. Faced with serious external competition, however, they worked with Washington’s two congressional representatives, Democratic Sens. Patty Murray and Maria Cantwell, who recently introduced the Maritime Goods Movement Act for the 21st Century.

“The legislation would replace the outdated harbor maintenance tax, which is designed to fund the operation and maintenance of American ports, but currently incentivizes shippers to bypass American ports and move U.S. bound goods through Canada and Mexico instead,” the senators said in a press release announcing the bill.

Here, though, our political leadership seems to be misinterpreting the situation, the economics that drive it and (seemingly) global trade. This isn’t the first time government has misfired on our industry. Two years ago, the Federal Maritime Commission undertook a study of this perceived “diversion” — a study that led nowhere.

That study recapped numerous reasons for shippers’ use of ports in Canada and Mexico. Risk mitigation was primary. Although the findings identified “rail rate disparities,” it provided unsatisfying detail that indicated a lack of understanding of the heart of the issue. Rather than the differing fuel surcharges identified by the FMC, which are trivial, the attraction for most ocean carriers involves negotiations with the western railroad duopoly; non-U.S. ports are the only leveraging tool ocean carriers have in their toolbox.

Most shippers, the study also noted, considered diversions a non-issue. Although it may have been new to the West Coast, intermodal service to the U.S. Midwest from Montreal and Halifax had been a market factor for more than 30 years. Geoffrey N. Giovanetti, managing director of the Wine and Spirits Shippers Association, noted in a recent Journal of Commerce interview that FMC Chairman Richard A. Lidinsky Jr. — the prime mover of the study — had raged against Canadian ports when he was with the Maryland Port Administration 30 years earlier.

The claim that the lack of HMT imposition on cargo entering through Canada provides an incentive to divert is nonsensical. The HMT savings are insignificant. In fact, HMT savings are likely more than consumed by the cost of additional customs documentation processing by crossing through Canada.

Cargo diversion implies an ability to handle existing business. The ports of Seattle and Tacoma cite Prince Rupert and Lazaro Cardenas as threats. Although Prince Rupert competes for Chicago-bound cargo, one of its primary markets is Memphis. The primary U.S. destination from Lazaro Cardenas is Houston. Neither Seattle nor Tacoma offers competitive transloading in Southern California.

This Pacific Northwest network deficiency is doubly problematic because the lack of intermodal connectivity makes transloading an ongoing challenge. An importer transloading in Southern California literally has all of North America connected, not to mention an immense local market. Seattle and Tacoma can’t offer that. Neither can Prince Rupert or Lazaro Cardenas, for that matter.

The two PNW ports fail to acknowledge self-inflicted wounds. For years, Seattle was considered to be controlled by SSA Marine, to the detriment of carriers seeking to introduce their own marine terminal operators. Tacoma imposed an onerous intermodal tax with its mandatory payment to the city-owned municipal belt line, for services not needed for intermodal unit trains.

Both ports also suffered from militant factions within the International Longshore and Warehouse Union, perhaps arising from workers displaced from abandoned logging ports. Moreover, neither port took steps to lock in cargo temporarily diverted from Southern California 10 years ago. In fact, PNW ports have lost half their West Coast market share since 1990.

Considering their local constituencies may have induced Sens. Murray and Cantwell to introduce legislation based on fiction, the draft law may, in fact, bring into focus the real issue: America’s infrastructure funding is muddled and insufficient, placing transportation — our nation’s economic lifeline — at risk. If the only way our nation’s leaders can address these challenges is by creating artificial monsters to slay, we have a much bigger problem.

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