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U. S. DEPARTMENT OF TRANSPORTATION
BEFORE THE SUBCOMMITTEE ON MERCHANT MARINE
HOUSE OF REPRESENTATIVES
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Mr. Chairman, Members of the Committee, Good Morning.

It is a pleasure to be here to present the views of the St. Lawrence Seaway Development Corporation on the administration of cargo preference laws as they affect the Great Lakes.

I think that the best way for me to proceed is to first present what we at the Corporation have been working towards for the past two years and how U. S. Government cargo affects our efforts.

My major priority since my appointment by President Reagan in November 1983 has been the establishment of a marketing and trade promotion program at the Seaway Corporation.

I would like to emphasize that the Seaway Corporation supports cargo preference as it applies to the P.L. 480, Title II program. Through careful management and planning, the government agencies concerned should make every effort to assure that diversion of cargo from one coast to another is avoided.

In order to make our marketing efforts pay off, Great Lakes Ports must be able to guarantee good service to shippers. This is where the administration of cargo preference laws comes into play.

At the Seaway Corporation, we refer to P.L. 480, Title II and other government cargoes as "magnet cargoes." The reason for the designation is that government cargo attracts ships to the Great Lakes which, in turn, attract additional non-government cargo. The importance of Government Aid cargoes to the system is reflected by the special tariff class which treats P.L. 480, Title II (a general cargo commodity) at bulk grain rates.

Canadian / 10.2% increase minimizes impact.

An example of the magnet cargo concept is the new U.S. Flag service between the Great Lakes and Western Europe.

Fed Nav, the new U.S. flag operator, started its Great Lakes service on the basis of the availability of Department of Defense import and export cargo between the U.S. and Western Europe.

Since initiating service in the Spring of 1985, Fed Nav's cargoes have consisted of 80 percent Department of Defense cargo and 20 percent commercial cargo. The new commercial cargo had previously moved by rail to east coast for shipment to Europe.

In addition to generating new commercial cargo as well as government cargo, Fed Nav is now planning a second ship to serve the lakes in 1986. Now that's what I call a magnet cargo effect!

The administration of cargo preference laws, in particular, the allocation of P.L. 480, Title II Food for Peace shipments, has a major impact on the total amount of traffic on the Great Lakes St. Lawrence Seaway system.

In 1983, the Great Lakes moved 23 percent (322,872 tons) of the total P.L. 480, Title II program. In 1984, we received only 16 percent (251,772 tons) while the overall program increased 10 percent.

Again, P.L. 480, Title II cargo is magnet cargo for the Great Lakes St. Lawrence Seaway system. In 1983, ships carrying P.L. 480, Title II cargo also carried 153,000 tons of additional cargo. In 1984, P.L. 480, Title II ships carried 151,000 tons of commercial cargo.

The overall ratio of P.L. 480, Title II to commercial cargo is approximately 60 percent to 40 percent.

Since the Great Lakes only have one U.S. flag operator participating in P.L. 480, Title II from their ports, the P.L. 480, Title II cargo that moves on foreign flag vessels is the major source of magnet cargo to encourage regular liner service through the Seaway.

If P.L. 480, Title II cargo which would move through Great Lakes ports moves through other coasts to meet the cargo preference requirement, the entire Great Lakes St. Lawrence Seaway system loses more than just the P.L. 480, Title II cargo, we lose carrier service, and lake port employment and economic activity generated by vessel calls and cargo handling.

P.L. 480 labor intensive in Lakes.

Adequate management of the cargo preference requirement by the shipper agencies could, in the view of the Maritime Administration, enable this requirement to be met without diversion of cargo from the Great Lakes. This would necessitate maximizing use of U.S.-flag vessels from coasts where they are available for cargo moving through that coast on a lowest landed cost basis. This policy, particularly considering that the Great Lakes are closed from December through March, should enable sufficient cargo to be shipped on U.S.-flag vessels to meet the cargo preference requirement.

I've said this many times, but I feel it bears repeating. Business won't just come knocking at our door. We have to go to business. And we intend to do so aggressively.

One step we've taken is to open regional trade and traffic development offices.

Our Toledo, Ohio office serves the ports and industry located in the States of Michigan, Ohio, Pennsylvania and Western New York.

Our Deerfield, Illinois office serves the ports and industry located in Indiana, Illinois, Wisconsin and Minnesota.

These offices, staffed by trade and traffic development specialists, serve as operation bases for promotional activities such as business outreach, trade fairs and export seminars.

Another major initiative was our highly successful Seaway trade mission to Western Europe in January 1985.

Co-sponsored with our sister agency, the Seaway Authority of Canada, the mission put our port directors in direct contact with importers and exporters in the European cities of London, Paris, Le Havre, Antwerp, Rotterdam and Hamburg.

Incidentally, our mission marked the first time two nations have sponsored a joint trade mission.

We are following up on the trade mission through our Washington-based Embassy Outreach Program to acquaint foreign ambassadors and commercial officers with Seaway trade opportunities.

Our Embassy Outreach Program is not only directed at European countries.

We're also targeting African and South American countries with emerging economies and growing trade needs.

The ports in many of these smaller countries are perfectly suited to Seaway-size ships.

That gives us a market "niche" that we want to expand upon.

We are now in the early stages of planning Seaway Trade Mission 1986 which will go to the Mediterranean area, touching countries in Southern Europe.

The Mediterranean area was targeted for us by an exciting marketing tool we've just acquired from the Journal of Commerce.

It's called PIERS, and it's a detailed breakdown of all import and export cargo moving to and from the Great Lakes region.

This is the greatest marketing tool we've ever had because our port directors can now pinpoint opportunities for more Seaway cargo, and go after them.

The final activity I'd like to tell you about is the Great Lakes-Seaway Grain Export Task Force. The task force group provides an excellent forum for continued exchange of information and ideas, and potential involvement in future grain shipping promotional activities.

During the 1984 shipping season, the St. Lawrence Seaway handled 47.5 million tons of cargo generating an estimated $3 billion in port based economic activity. P.L. 480, Title II and related commercial cargo activity account for an excess of $100 million of the $3 billion in port based economic activity.

In order to maintain or increase the level of economic activity, we must successfully market the Great Lakes St. Lawrence Seaway system and continue to have access to government impelled cargo shipments.

Thank you for the opportunity to present the Corporation's views on this issue.

I will be pleased to answer any questions that you may have.