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ASSOCIATION

July 10, 2018

The Honorable John Thune
Chairman, U.S. Senate Committee on Commerce,
Science, and Transportation
511 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Bill Shuster
Chairman, U.S. House Committee on Transportation
and Infrastructure
2079 Rayburn House Office Building
Washington, DC 20515

The Honorable Bill Nelson
Ranking Member, U.S. Senate Committee on
Commerce, Science, and Transportation
716 Senate Hart Office Building
Washington, DC 20510

The Honorable Peter DeFazio
Ranking Member, U.S. House Committee on
Transportation and Infrastructure
2134 Rayburn Office Building
Washington, DC 20515

Dear Senators/Members of Congress:

The Great Lakes-St. Lawrence maritime transportation system (MTS) is the longest deep-draft inland navigation system in the world. It includes the five Great Lakes, their connecting channels, and the St. Lawrence River. The MTS extends 2,300 miles into the North American heartland and serves more than 100 ports in the eight Great Lakes States and the Canadian provinces of Ontario and Québec. The region's maritime sector contributes more than US\$30 billion to the US and Canadian economies and accounts for more than 220,000 jobs.

The MTS is essential for agricultural, mining and manufacturing supply chains; especially for steel, automobiles, power production, and heavy machinery. The main commodities moving on the MTS are highly price sensitive, and without access to low-cost transportation, many regional industries would not be competitive. The economic competitiveness and growth of the Great Lakes-St. Lawrence region - a \$6 trillion powerhouse - is highly dependent on the cost-effectiveness, reliability, and safety of maritime transportation.

Under federal law, ocean-going commercial vessels operating in the Great Lakes are required to engage a registered marine pilot to safely navigate US waters. Pilotage in the US waters of the Great Lakes falls under the authority of the US Coast Guard, though three private companies provide pilotage services. These pilotage services are operated as a regulated monopoly. Unlike in many coastal states, the users of pilotage services in the US Great Lakes are not involved in the governance or oversight of pilotage.

System users are fully supportive of the important role pilots play in ensuring safe navigation. The cost of pilotage, however, has become a major impediment to current competitiveness and future growth. Pilotage costs in the US waters of the Great Lakes have increased significantly in recent years. An independent study commissioned by the US Coast Guard found that the cost of US Great Lakes pilotage increased by up to 91% between 2015 and 2016. Overall, rising pilotage costs, which represent approximately 10% of a typical Great

Lakes vessel voyage, erode the overall cost competitiveness of the MTS, the businesses that rely on this critical transportation system, and the regional and national economies.

Our regional coalition comprising government, industry, and ports calls upon the US federal government to undertake a comprehensive review of the US Great Lakes pilotage system. The overall goal must be maintaining safety and reliability while improving transparency, accountability, and cost competitiveness. Such a review should address key governance considerations, including:

1. Improving transparency of costs borne by system users;
2. Introducing user oversight and involvement in governance;
3. Creating a dispute resolution system;
4. Exploring the benefits of consolidating service providers.

A comprehensive review of the US Great Lakes pilotage system is overdue, and particularly timely. First, recent litigation has created a toxic environment between the Coast Guard, system users, and the pilotage associations. Second, the Canadian federal government has conducted a comprehensive review of pilotage services in the Canadian portion of the MTS. This presents an opportunity for both countries to thoughtfully develop a pilotage model positioned to compete in the global marketplace. Third, the current pilotage system hinders the growth of new markets such as cruising and container shipping which are particularly sensitive to rising pilotage costs.

Regulated monopolies such as electric utilities are subject to a high level of oversight and accountability as part of their monopoly protections. This is not the case, however, for the three pilotage authorities in the MTS. In recent decades, other transportation modes including air and rail have been deregulated, thereby introducing market forces, generating major cost savings for system users, and producing economic benefits for society.

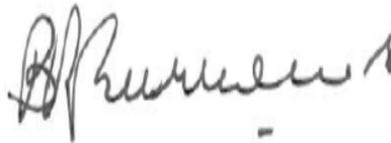
Similarly, the review of US Great Lakes pilotage should analyze the costs and benefits of: eliminating the regulated monopoly system; deregulating the system; and introducing market forces and competition in service delivery. Under any scenario, the US Coast Guard should maintain its traditional oversight role to ensure safe navigation on the US Great Lakes.

As a waterway, the Great Lakes are an economic advantage that benefits our region and the nation. Unfortunately, the navigation system operates at half its capacity. Full utilization of this asset requires that we tackle regulatory barriers and inefficiencies. For this reason, we share an interest in a safe, reliable, and cost competitive pilotage regime. We appreciate your leadership in calling for a comprehensive pilotage review and for collaborating with us on the work ahead.

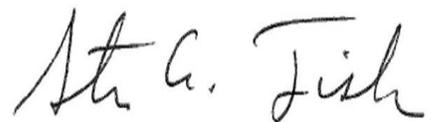
Sincerely,



David Naftzger
Executive Director
Great Lakes St. Lawrence
Governors & Premiers



Bruce R. Burrows
President
Chamber of Marine Commerce



Steve Fisher
Executive Director
American Great Lakes
Ports Association