

Protectionism at the Border
Canadian Ports and the U.S. Harbor Maintenance Tax

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Canadian and U.S. ports operate in a continental competitive environment. Each country's ports operate in different institutional circumstances. Such differences generate concern as to whether or not ports operate on "level playing fields." This is the case in the highly competitive container trade where ports have made major investments in facilities and equipment to attract and retain shipping lines. Over the past decade, U.S. West Coast ports (USWC) have witnessed a declining market share of the Asia-North America container trade. This decline resulted from many factors, but in recent years USWC ports focused on competition from Canadian and Mexican ports. This focus caused USWC ports to seek legislation to close a perceived "land border loophole" that allows U.S. import containers to come through Canadian and Mexican ports and thus avoid paying the Harbor Maintenance Tax (HMT). The proposed solution was to apply HMT to U.S. import containers crossing the land border. Such a step is the antithesis of the Canada-U.S. Beyond the Border Action Plan that seeks to reduce border restrictions on the movement of goods, people and services. This paper focuses on the proposed changes to the HMT and the responses from Canadian ports and many other stakeholders both countries.