July 22, 2020

Rachel Dickon, Secretary
Federal Maritime Commission
800 North Capitol Street, N.W.
Washington, D.C. 20573

Via email to: secretary@fmc.gov

Subject: Docket No. 20-10, Petition No. P1-20
Comments on Conditions Created by Canadian Ballast Water Regulations in the U.S./Canada Great Lakes Trade

Dear Secretary Dickon:

The American Iron and Steel Institute (AISI), on behalf of its U.S. producer members, is pleased to submit comments on the Federal Maritime Commission’s (FMC) Docket No. 20-10, Petition No. P1-20, Comments on Conditions Created by Canadian Ballast Water Regulations in the U.S./Canada Great Lakes Trade. AISI serves as the voice of the North American steel industry in the public policy arena and advances the case for steel in the marketplace as the preferred material of choice. AISI also plays a lead role in the development and application of new steels and steelmaking technology. AISI’s membership is comprised of integrated and electric furnace steelmakers, and associate members who are suppliers to or customers of the steel industry.

There is significant trade in steel products and steelmaking raw materials across the U.S.-Canadian border, due in part to the North American Free Trade Agreement (NAFTA), which has now been updated by the U.S.-Mexico-Canada Agreement (USMCA). Steel trade between the United States and Canada has more than doubled over the last three decades, increasing by 153 percent on a value basis from 1993 to 2019. This increase in North American steel trade has helped to strengthen North American manufacturing supply chains, particularly with key steel industry customer groups, such as the automotive industry. In 2019, approximately 45 percent of U.S. exports of steel went to Canada alone. In addition, there exists a robust binational Great Lakes trade in raw materials, namely iron ore pellets, that serve as an essential feedstock for the production of iron and steel.

It is because of this integration in North American steel supply chains that the North American steel industry opposes Transport Canada’s (TC) proposed regulations (June
8, 2019, Gazette Part 1, Volume 153, No. 23) that would require vessels to install a ballast water management system (BWMS) in order to serve Canadian ports. AISI supports the March 6, 2020, FMC petition submitted by the Lake Carriers Association (LCA) alleging that the TC proposal is detrimental to shipping in the Great Lakes between the U.S. and Canada.

In effect, the TC regulations would deny entry of vessels to Canadian ports even if they only take on ballast water, which is an essential process for the safe operation of ships. Typically, ballast water standards around the world and in North America are concerned with the discharge of ballast water and whether such discharge can introduce or spread invasive species. In contrast, these regulations would expand such standards to the mere act of taking in ballast water while unloading cargo, with no resulting environmental benefit for Canada. Implementation of such a standard would be unprecedented in the Great Lakes to our knowledge. Additionally, this proposal would run contrary to existing U.S. and Canadian ballast water regulations that do not require vessels that operate solely on the Great Lakes domestic trade to install a ballast water management system (BWMS) to treat ballast water discharged in each country’s waters. Unfortunately, the proposal from TC would create a situation of conflicting regulations between the two nations for practically the same water and environmental practices.

Furthermore, the TC proposal would create a disproportionate burden on U.S.-flagged lake ships, essentially having the effect of leaving all cross-lake trade to Canadian vessels. This government-induced market concentration would result in uneconomic costs for shipping across the Great Lakes for steel producers in both nations. We need the capacity provided by the U.S.-flag fleet and the rate competition they provide.

AISI appreciates the opportunity to provide our comments on this important matter before the Federal Maritime Commission. As stated above, cross-border trade in raw materials and products is essential for facilitating the success of steelmakers in the U.S. and Canada. Unfortunately, the Transport Canada proposal regarding the installation of ballast water systems would serve to limit North American steel producers and the markets they serve. We encourage the FMC to oppose the TC proposal and work with the Canadian government to find a mutually beneficial solution to the matter.

Sincerely,

Kevin M. Dempsey
Interim President and Chief Executive Officer