

The Commonwealth of Massachusetts

REPORT

OF THE

BOSTON PORT AUTHORITY

ON THE

PRACTICABILITY OF ESTABLISHING A FREE
PORT AT BOSTON, MASSACHUSETTS

JUNE, 1936

The Committee on the Administration of Justice

REPORT

Presented to the House of Commons

IN PARLIAMENT ASSEMBLED

ON THE 11th DECEMBER 1964

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REPORT OF THE BOSTON PORT AUTHORITY.

JUNE 16, 1936.

To the General Court.

1. The Joint Committee on Free Port has made an extensive investigation into the advisability of establishing a free port at the Port of Boston, and, after due investigation, advises against the establishment of a free port at the present time, for the following reasons:

2. We find that the establishment of a free port, as contemplated in Public Law No. 397, passed by the Seventy-third Congress, will not have enough advantages over the present system of bonded warehouses to justify the tremendous expense that would, of necessity, have to be incurred.

3. The limitations of the act are so strict in regard to changes that are permitted in the character of the merchandise brought into a free port that there appears to be no justification for the establishment of a free port, as, in view of these limitations, the free port would not have any advantages over the present operation as permitted by the Customs rules and regulations.

4. We have discussed this matter at length with individuals, firms and corporations at present actively engaged in foreign trade in New England, and the result has invariably been that they all advise against the establishment of a free port at the present time.

The members of the Foreign Commerce Club of Boston, Inc., who comprise a representative cross-section of individuals engaged in some phase or other of foreign trade, are unanimous in advising against the establishment of a free port at this time. All parties contacted

point out that the bonded warehouse system is ample for all purposes at the present time. A distinct advantage of the bonded warehouse over the free port is the fact that bonded goods can be stored in any warehouse at any location within the port area by transfer from the delivering vessel.

5. It is also our opinion that the establishment of a free port would necessitate vessels' shifting from their regular discharging berth to a berth in the free port, and this would result in additional expense to the vessel caused by the delay in shifting, and additional terminal charges, thereby adding a substantial burden to operating costs, which, of course, would have to be reflected in the ocean rate structure. In view of the small tonnages which certain vessels have for discharge at Boston at the present time, it would be practically impossible for them to incur additional terminal expenses by a shifting from their regular discharging berth, which would result from the establishment of the free port system.

6. Water-front real estate in Boston Harbor at the present time is in anything but a healthy condition, due to the small amount of traffic offered for commercial storage, and the establishment of a free port in any particular location in the port would of necessity cause the abandonment of many bonded warehouses located in different sections of the port. This duplication of the more than ample warehouse facilities that are available at the present time would only result in destroying the commercial warehouse business of the port without offering anything of particular advantage in return.

7. When free port legislation was first discussed, it was thought that there would be opportunity for manufacturing in the free port zones, but the act provided that such foreign imports could be stored, refined, graded, cleaned, mixed with foreign or domestic merchandise or otherwise manipulated, without assessment of duty.

8. It was hoped that the act would be amended during the present session of Congress to permit of limited manufacturing, but such legislation was not enacted.

9. While natural conditions favor free ports in Europe because of the number and proximity of different countries, the contrary is the case in the United States, which embraces a territory as large as that of a dozen or more European communities.

10. For instance, Hamburg and Copenhagen, two of the most successful free ports in the world, lie within a short distance of Great Britain, Norway, Sweden, Denmark (Germany), Finland, Russia, Estonia, Latvia, Lithuania, Poland, Danzig, Belgium and France. This situation is entirely different from the situation at Boston, as our nearest neighbors are Canada and Mexico, and Canada is a part of the British Empire and tied closely to it by preferential trade agreements. Also there is ample and frequent steamship service from foreign ports to both Canada and Mexico, and, of course, the United States has not inland countries lying beyond its borders that have not seaports of their own, such as is the situation in Europe.

11. Only 19 per cent of the inbound cargo received at the Port of Boston is from foreign countries, the other 81 per cent being from United States coastwise or inter-coastal ports.

12. Foreign re-export is so small at the present time as to be considered negligible.

13. At the Port of Boston there is a sad lack of international importers and exporters. Such importers as use the Port of Boston are engaged in manufacturing for resale principally in the United States.

14. This situation is due in great measure to the fact that the Port of New York enjoys lower railroad rates and terminal charges, with the result that two-thirds of the New England export traffic and from 40 to 50 per cent of its import traffic move through the Port of New York.

15. Investigation of the whole question seems to indicate that the percentage of actual imports which would be treated, repacked, blended or otherwise manipulated in the free zone and re-exported is of negligible character,

and far from sufficient to justify the substantial investment required.

16. Complications will necessarily follow from the experimental operation of Foreign Zone in the United States, and there are so many factors which are likely to arise in a situation involving international trade, and national and international economic policies, that it may be the wise thing to see how the Foreign Trade Zone will operate before we make any investment.

17. The Port of Boston at the present time has an adequate supply of bonded warehouses in strategic places, and where this has been the case free ports have been found unnecessary.

18. The terminal situation at Boston is in a deplorable condition, in that different charges apply at the various terminals located in various parts of the harbor, and in all cases terminal charges at Boston are higher than at competing ports. This terminal situation is resulting in considerable diversion of traffic to other New England and North Atlantic ports, more particularly the ports of Providence, New London, New York and Albany.

19. In many cases rail rates to New York are lower than rail rates to Boston, even though the mileage is in Boston's favor. This is brought about by the publishing of commodity rates to New York and leaving in effect only class rates to Boston.

20. In connection with the free lighterage service at the Port of New York, there are certain terminal or accessorial services performed free which have to be paid for at Boston. They are as follows:

(a) Free split deliveries of carload shipments in connection with lighterage delivery to vessels.

(b) Allowances for trucking in lieu of lighterage.

(c) Allowances for various services performed allegedly in lieu of lighterage, such as transfer of vegetable oils by tank barges, etc.

(d) Allowances to stevedores by the trunk line carriers for taking delivery of lighterage free freight from end of ship's tackle, thereby effecting a material reduction in

the stevedoring rate at New York. This is particularly true of the large movements of import traffic moving on chartered vessels, such as sisal, woodpulp, etc., and results in concentration of such traffic at New York.

21. With respect to import traffic destined to New England points, the reasons for such a large percentage moving via New York are as follows:

(a) Storage in-transit privileges at low, non-compensatory rates in connection with the rail carriers serving New York Harbor.

(b) Free storage on steamship piers for unlimited periods of time.

(c) Rail rates lower to many important New England points than from Boston, due to commodity rates being in effect from New York as against the normal class rates from Boston.

(d) Allowances to stevedores by trunk line carriers for taking delivery of lighterage free freight from end of ship's tackle, thereby reducing the stevedoring rate at New York, due to the lighterage subsidy. This is particularly true of the large movement of import traffic moving on chartered vessels, such as sisal, woodpulp, etc.

22. The above deals only with traffic moving to and from New England points naturally tributary to Boston, but with respect to traffic destined to Central Territory points (Middle West points west of the Buffalo-Pittsburgh line), New York, while enjoying equal rates with Boston with respect to the standard line service, has via the so-called differential routes a much lower basis of rates than Boston has. In fact, some of these rates are even lower than the Baltimore basis.

Taking all these factors into consideration there is absolutely no reason why shippers should elect to use what is actually the most expensive port on the North Atlantic, due to the fact of the above-named maladjustment of rates for line-haul and terminal services. Rates control the movement of traffic, and the port with the lowest rail rate and the most favorable terminal situation is bound to attract the business.

It seems to us, therefore, that the duty of those interested in the commerce of New England is to fight these restrictions; and, in addition, to create for the Port of Boston an authority similar to the Port Authority of New York.

Those who desire a fuller statement on the practicability of establishing a free port at Boston, Massachusetts, will find an intricate study in the splendid report made by H. Fugl-Meyer, director of Free Port, Copenhagen, specially engaged to make the study by the Boston Port Authority; it can be obtained at the State House in House Document No. 1950 of 1935.

This report is not signed by Mr. Frank Lyman, who is at home very ill, but I am confident that the recommendations herein contained meet with his approval.

JOHN F. FITZGERALD.