Public Comment of
John Keeling, Executive Vice President, National Potato Council
On Behalf of the Alliance to Keep US Jobs
To the Motor Carrier Safety Advisory Committee
May 20, 2009

Good afternoon. My name is John Keeling and I am the Executive Vice President and CEO of the National Potato Council. I am here today on behalf of over 140 manufacturing and agricultural interests to share our concerns regarding the need for an immediate resolution for the U.S.-Mexico cross-border trucking program. I have also submitted for the record a letter from all of the companies and organizations to the Obama Administration on this very important issue.

The companies and organizations which have signed the letter have a singular concern – resolving the cross-border trucking issue in order for Mexico to end their retaliatory tariffs. In the response to these tariffs, we have joined together to form the Alliance to Keep U.S. Jobs, to make legislators, federal agencies and the Administration, aware of the devastating effect the tariffs are having on a number of different U.S. industries.

US manufacturing and agricultural interests were troubled when Congress de-funded the cross-border trucking program and effectively ended the program as part of the omnibus spending bill on March 18, 2009. This, as you know, triggered Mexico to impose tariffs on 89 different classes of products exported to Mexico from 41 states. While under WTO rules, Mexico has the right to apply these tariffs, they could not have come at a worse time for U.S. companies. Nearly every sector of the U.S. economy is already suffering from the economic crisis, and these tariffs hit industries that were in a desperate situation before the implementation of the tariffs.

As a coalition, we certainly understand that a resolution to this issue will require a tremendous amount of political sensitivity and finesse. Others possess the expertise to negotiate the perceived safety issues, in particular. I am here to draw your attention to the stark reality of what continued tariffs will do to our companies and industries. The tariffs threaten U.S. jobs – desirable, high-paying jobs – in communities that can ill-afford expanding their unemployment roster.

These tariffs are hitting exports from approximately 41 states throughout the U.S. Let me give you a couple examples of how the tariffs translate into dollars and jobs. The exports from California that are hit with the tariffs have an estimated value of $850 million. In the best case scenario, the tariffs of 10%, 15% or 20% on each of the products means that California companies are on the hook for $127.5 million this year. That is money that is NOT going to California companies to keep people employed, to invest in companies. In the worst case, California companies lose their entire market share in Mexico for the products subject to the tariff. That means California would be out $850 million in jobs.

The hardest hit states are California, Texas, Washington, Wisconsin, New York and Illinois. The tariffs affect both manufacturing and agricultural industries, and, by extension, will have a significant impact upon the entire U.S. economy. Just over $2.4 billion worth of U.S. products are subject to the retaliatory tariffs. That translates into 12,000 agricultural and another 14,000 manufacturing jobs on the line. The U.S. Government needs to respond to the jobs crisis that was created when the cross-border trucking program was eliminated

It is not simply that a trucking program ended. Let me give you a clearer picture of the impact of these tariffs. These tariffs are hurting US companies to the point of no return. One of the industries subject to the tariffs is carbonless paper – also known as self copying paper and inkless paper – you know it from the receipts you get at ATM machines and other places. That product has been hit with a 10% tariff.

The profit margins for carbonless paper are slim: in the single-digits. The 10% tariff is devastating in a couple ways. One, it wipes out contributions to the retirement funds of the employees, who in the case of one of the producers also happen to be the owners. Two, it diminishes the competitiveness of US companies in Mexico -- a market where they've operating for over three decades. U.S. companies supply 75% of the market-share of carbonless paper in Mexico; there is no domestic producer in this market. The foreign companies who make up the rest of the market are more than willing grow their tiny shares by taking over the US share. These tariffs essentially provide a wind fall to the competition.

Let me give you an example of how the tariffs are affecting agricultural products, too. US frozen potatoes have 75% to 80% of the market share in Mexico. The major companies that operate in the US also operate in Canada. To avoid the tariffs, many are shifting their processing operations to Canada. In the longer run, that production will stay in Canada. Further, companies are considering moving their growing operations to Canada, too. Declining acreage. Declining jobs. Once gone, these won't come back.

I have companies in my council that have already lost truckloads of orders, because they are no longer competitive in the Mexican market with a 20 percent tariff. The entire U.S. potato industry faces the very real possibility of losing the Mexican market to Canadian producers who are more than willing and ready to step-in and sell their product without the tariffs.

If these tariffs had been imposed during rosy economic times, companies would survive. Today, however, as you well know, the economy is tough. Companies that might have absorbed the losses are now facing vey dire situations. Here's another part of the story: 95% of the US exporters under NAFTA are small and medium enterprises which have fewer than 500 employees. They have little access to credit to see them through. So, the tariffs threaten jobs: high-paying, steady jobs. The loss of these jobs has a ripple effect through the local economy. The impact of the tariffs goes far beyond the products – it will hit entire communities.

We are here today, in front of the Motor Carrier Safety Advisory Committee, because we know that the Department of Transportation has the power to move toward an expeditious resolution to this issue and we urge you act swiftly. We understand DOT is currently in the process of finishing up final principles for a new trucking program and we would encourage DOT to release these principles as quickly as possible, in order for Congress and the Administration to support a new program and bring about an end to these tariffs. We hope that reason will prevail above all, and that Congress, the Administration and the Department of Transportation work in tandem to save U.S. jobs. The longer it takes for an agreement to be reached, the more U.S. jobs are at risk – at a time when our country can least afford it.

Thank you.