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**BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES**

March 26, 2014

Mr. Chairman, Ranking Member Garamendi, and members of the Subcommittee, thank you for this opportunity to discuss the Federal Maritime Commission's (Commission or FMC) important accomplishments and our planned achievements within the funding provided in the President's Fiscal Year (FY) 2015 budget.

Commission Activities

The Commission continues to have a responsible role in implementing a regulatory system that ensures competition, facilitates commerce, and encourages reliable service to U.S. exporters and importers, while minimizing government intervention and costs. We are focused on supporting U.S. exports and the Nation's economic growth. In its role as a regulator of marine terminal operators, ocean common carriers, and ocean transportation intermediaries, the Commission's mission is to foster a fair, efficient, and reliable international ocean transportation system, and to protect the public from unfair and deceptive practices.

I believe that the two most important ways the Commission promotes economic growth are: (1) working to facilitate the competitiveness of our Nation's ports and maritime transportation system to support growth in exports; and (2) providing maritime businesses regulatory relief so businesses and their customers can hire more American workers. The Commission remains alert to foreign activities that have the potential to harm the U.S. maritime industry, and will remain vigilant on behalf of the American importer, exporter, and consumer. I also continue to look for opportunities, consistent with the Commission's statutory authority, to work with all sectors and users of the international maritime industry to encourage efficient and sustainable growth.

The Commission's strategic plan provides a roadmap to achieve its statutory mission and sets forth two broad goals: (1) to maintain an efficient and competitive international ocean

transportation system; and (2) to protect the public from unlawful, unfair, and deceptive ocean transportation practices, and to resolve shipping disputes. These goals can only be achieved through high-performance leadership and efficient stewardship of resources. Each of my fellow Commissioners understands the importance of the agency's objectives, and we will continue working in an efficient, cooperative, and bipartisan manner to accomplish them.

During the past year, the Commission has taken several important actions to accomplish these goals:

1. Supporting U.S. Exports and Economic Growth

The competitiveness of our Nation's ports rests upon an efficient transportation system, which includes entities the Commission regulates: ocean transportation intermediaries, ocean common carriers, and marine terminal operators. Congestion at ports causes delays and increases in transportation costs that negatively impact our economy. The vast majority of our nation's exports and 80% of international trade travel through a port and by ocean.

The Commission monitors the Nation's ports, including marine terminal operators' efficient stewardship of resources and their focus on productivity. The industry has recently seen innovations aimed at productivity, sustainability, and efficient use of resources. The Commission's mission is to ensure these innovations do not operate to decrease competition in a way that is likely to cause unreasonable disruptions to the supply chain.

One example of such an industry shift involves the chassis that are used for moving international ocean containers in the U.S. In recent years, the ownership and provision of chassis has been migrating from ocean carriers to chassis leasing companies, as ocean carriers have been divesting themselves of their chassis fleets to reduce costs. This has led to increased focus on chassis pools and equipment sharing agreements at U.S. ports and inland terminals.

Equipment sharing agreements filed with the Commission, such as, the Consolidated Chassis Management Agreement (CCM), facilitate chassis pools that aim to enhance the efficiency of intermodal chassis operations in the United States. CCM operates six cooperative chassis pools in the South and Midwest sectors of the United States. CCM pools are owned and managed by the ocean carrier members of the Ocean Carrier Equipment Management Association (OCEMA) agreement, and leasing companies, motor carriers, and others can contribute chassis to the CCM pools. At this stage of the transition, leasing companies are the primary owners and contributors of chassis in the CCM pools. The Commission closely monitors activities under these agreements, particularly with respect to the transition that is taking place in the provision of chassis and the availability of chassis in the marketplace.

The Commission monitors the increasing use of technology to drive industry innovations in the operations of the Nation's international ocean ports. As an example, PierPASS is an agreement originally created in 2005 among terminal operators in the ports of Los Angeles and Long Beach. Filed with the FMC, PierPASS addresses multi-terminal issues such as congestion, security, and air quality. Under this program, all international container terminals in the Nation's largest port complex established new gate hours, with the incentive to use off-peak shifts and to cover the added cost through a traffic mitigation fee collected from peak shift cargo movement.

The Commission continues to monitor this program to ensure its effects meet Shipping Act requirements.

We will continue our efforts to assist U.S. exporters. The Commission will monitor rate discussion agreements in the nation's largest trade lane to ensure that those agreements do not impede U.S. exports and imports through anticompetitive practices that impact rates or services. For small businesses that want to start exporting, as well as for individuals shipping personal goods, we developed a search tool on our website that will help them find a nearby licensed and bonded freight forwarder or non-vessel-operating common carrier (NVOCC).

The United States Department of Agricultural (USDA) Ocean Shipping Container Availability Report (OSCAR) continues to provide shippers, particularly those in the agriculture sector, with the participating carriers' estimates of equipment availability for the current week, and projected weekly container availability for the subsequent two weeks.

The Commission's Office of Consumer Affairs and Dispute Resolution Services (CADRS) assists parties to informally resolve shipping disputes. These services are available to the public without charge and can assist parties in disputes relating to commercial shipments, shipments of household goods, privately-owned vehicles and effects, as well as problems that may arise between passengers and cruise lines.

During Fiscal Year 2013, 1,211 requests for ombudsman services were received. These included 116 passenger complaints about cruise line issues, 857 complaints with respect to household goods shipments, and 229 complaints involving other cargo shipment matters. Cargo shipment complaints continued to be of increasing complexity. In one recent example, CADRS received over 1,000 consumer complaints related to the collapse of a single OTI; the Commission's staff is working diligently with other federal, state and local authorities to assist the consumers harmed in this case

The Commission's CADRS Rapid Response Team (RRT), focuses on assisting U.S. exporters. To accomplish this, the RRT works with ocean carriers and importers. The Commission has received feedback from industry stakeholders that the CADRS' Rapid Response Team has been highly effective. I encourage parties to bring us their issues for informal resolution to avoid the cost and delays of litigation, so that cargo can keep moving.

2. Reducing Regulatory Burdens

The Commission has made regulatory relief and modernization pursuant to the President's Executive Order 13563 a top priority. During the past year, we re-evaluated several of our regulations in the interest of reducing regulatory burdens and identifying potential cost savings and flexibility to the shipping industry and the customers they serve.

Last summer, the Commission issued a final rule that exempts foreign-based NVOCCs from certain publication requirements for negotiated rate arrangements. During that time, the Commission also issued an Advance Notice of Proposed Rulemaking (ANPRM) to its OTI rules to establish a licensing and renewal program that adapts to industry conditions, improves

regulatory effectiveness, enhances transparency, streamlines processes, and reduces regulatory burdens.

The ANPRM process is only the first step in the Commission's consideration of amendments to its OTI applications, and this process provides for public comment on any proposal in the ANPRM. Not only did the ANPRM request comments on the substantive content of the proposed changes, it also requested responses to specific questions seeking information relevant to the analysis required by the Regulatory Flexibility Act (as amended by the Small Business Regulatory Enforcement Fairness Act) (RFA). The RFA-related questions sought information with regard to each OTI's type of business, firm size, and estimated cost of compliance with the proposed rule. The Commission is reviewing the comments that respond to those questions, so that it can determine whether additional information from the industry may be needed to complete the assessment required by the RFA.

Only after the Commission completes its review of the public comments will it be in a position to determine what changes to the proposed draft rule should be made, and whether to move forward. The Commission would then need to publish a Notice of Proposed Rulemaking (NPRM), and commence an additional round of public comments. Parties who previously filed responses to the ANPRM could file new or updated comments; parties not heard from previously may also participate in the NPRM stage.

3. Foreign Shipping Practices, International Activities, and Global Alliances

The Commission continues to watch for restrictive or unfair foreign shipping practices under Section 19 of the Merchant Marine Act, 1920; the Foreign Shipping Practices Act of 1988 (FSPA); and the Controlled Carrier Act of 1978. Section 19 empowers the Commission to make rules and regulations to address conditions unfavorable to shipping in our foreign trades; FSPA allows the Commission to address adverse conditions affecting U.S. carriers in our foreign trades that do not exist for foreign carriers in the United States. Under the Controlled Carrier Act, the Commission can review the rates of foreign government-controlled carriers to ensure that they are not below a level that is just and reasonable.

In December 2013, the Commission held a Global Regulatory Summit at its headquarters in Washington, DC, where it met with regulators from the European Union and the People's Republic of China, to discuss their respective regulatory roles in considering the impact of the changes in the ocean shipping industry. The team of international regulators found the meeting to be illuminating and productive. Although each regulatory regime employs its own standards, the regulators acknowledged that the ocean transportation industry is evolving, and the ability to discuss issues that relate to each regulator is paramount and facilitates the role of each regulator.

The proposed P3 Alliance agreement, which has been filed at the Commission, consists of the world's three largest container carriers Maersk Line, CMA-CGM, and Mediterranean Shipping Company. The three carriers announced they would begin cooperating in 2014 on routes covering Asia to Europe, as well as transpacific and transatlantic routes to the United States. Early estimates by Maersk Line's chief trading and marketing officer put market control of such an alliance at about 42 percent on the Asia to Europe route, 24 percent on the transpacific routes, and 40–42 percent on the transatlantic route. Just last week, the Commission voted to

take no further action to prevent the implementation of the P3 agreement, and imposed alternative monitoring requirements tailored to unique features of the P3 agreement. These enhanced monitoring requirements will provide the staff an early warning system to identify – and be prepared to ameliorate – any conditions that may threaten effective competition in the pertinent trades.

Also in December 2013, the Commission received an amendment to the G6 Alliance Agreement to expand their collective services to include the transatlantic and transpacific U.S. West Coast trades. The original agreement authorizes member lines, among other things, to operate together in the Far East/U.S. East Coast trade and the Mediterranean/U.S. trade. The proposed expansion of the agreement’s geographic scope would allow G6 operational cooperation to extend to the Far East/U.S. West Coast trade and the North Europe/U.S. trade. If the agreement were to become effective, the G6 Alliance would have market shares of 31 percent inbound and 36 percent outbound in the Far East/U.S. West Coast trade, and market shares of 40 percent inbound and 42 percent outbound in the North Europe/U.S. trade. The Commission is examining what anticompetitive effects, if any, would result from this amendment.

The Commission addressed how the People’s Republic of China is implementing its new regulations on a nationwide value added tax (VAT). Maritime industry stakeholders have expressed concerns about the application and scope of the VAT. In response to those concerns, as well as the Commission’s concerns about the VAT, the Commission is working with the State Department in its consultations with Chinese officials and industry stakeholders on the interpretation of the VAT.

4. Protecting American Consumers

As noted above, the Commission’s mission includes ensuring service and providing protection for members of the public. The Commission seeks to provide this protection to all participants in the transportation system — including those who are not sophisticated shippers, or those who may travel on cruise ships or deal with international shipping only infrequently, for example, when they ship personal belongings or household goods abroad. Aggrieved parties can file complaints with the Commission that are heard by Administrative Law Judges, and ultimately reviewed by the Commission. Thus, if parties believe that they have been harmed and the conduct runs afoul of the prohibited acts in the Shipping Act of 1984, the Commission provides a forum for the parties to seek review of the complaint. Through the formal complaint process, and the informal complaint resolution process administered by CADRS, the Commission serves as a knowledgeable, respected source for resolving complaints relating to ocean shipping practices.

CADRS also receives a significant number of requests from passengers and from members of Congress on behalf of their constituents for assistance with cruise lines. The most common examples of these complaints are cruise cancellations, changes of itinerary, difficulties encountered with connecting transportation (*i.e.*, flight cancellations), reports of discrepancies in cruise advertising, and problems with passenger documentation (*i.e.*, refused boarding due to failure to have appropriate type of personal identification). CADRS facilitates discussions between consumers and the cruise lines to resolve such disputes.

5. Sustainability and Efficiency

Environmental and sustainability concerns continue to play an important role in the agreements and shipping practices the Commission regulates. As ports and ocean common carriers modernize their business practices, equipment, and facilities to increase efficiency and grow in a sustainable manner, the Commission will work diligently to be a helpful partner.

Today, “slow steaming” continues as a widespread industry practice that is beginning to affect future engine designs and carriers’ service network configurations. Sustainable practices are part of a business model in the maritime industry. As a result, the Commission has monitored changes to fuel surcharges made by the major rate discussion agreements in the Transpacific trades. The Commission’s internal Maritime Environmental Committee continues to study environmental initiatives in the industry and to highlight the innovations and work being done in this area.

6. Enforcement: Stopping Fraud, Market Distortions, and Threats to Safety and Security

The Commission’s Bureau of Enforcement, Area Representatives, and investigative staff continue to address shipping practices that are unfair or deceptive. Targeted violations have included illegal or unfiled agreements among ocean common carriers; unfair or fraudulent practices affecting household goods shippers; and misdescription of cargo, which not only affects shipment costs, but can also pose a serious safety and security risk by preventing vessel operators and port officials from knowing what goods are being transported on vessels into the United States. In FY 2013, the Commission collected \$3,027,500 in civil penalties for Shipping Act violations, more than \$2 million over the \$838,000 it collected in FY 2012.

7. National Security

The Commission’s oversight of ocean common carriers, ocean transportation intermediaries, and marine terminal operators is an important element in the effort to protect our Nation’s seaports. Unique among federal agencies, the FMC regulates virtually all entities involved in liner shipping that receive, handle, and transport cargo and passengers in foreign commerce. The FMC’s unique mission affords it the opportunity to assist front-line security efforts by providing information regarding the backgrounds of parties using our Nation’s supply chain, including those with direct access to our seaports.

Last summer, the FMC signed an Automated Commercial Environment-International Trade Data System (ACE-ITDS) memorandum of understanding with U.S. Customs and Border Protection (CBP). That memorandum allows the FMC to share the ACE data in order to strengthen the balance of facilitation of commerce with enforcement of the regulation of ocean carriers and other entities involved in ocean trade and ensure compliance with the SAFE Port Act.

Cooperation with other agencies has expanded into joint field operations to investigate entities suspected of violating both agencies’ statutes and regulations. Such cooperation often involves local police, U.S. Citizenship and Immigration Services officers, Immigration and Customs Enforcement officers, and the Federal Bureau of Investigation.

8. Modernization and Technology

In fiscal years 2014 and 2015, the FMC must continue the multiyear enhancement of its IT systems. Much of this work will involve a transition to the use of Enterprise Content Management or ECM technology. In connection with increasing the public's accessibility to FMC information, the Commission will begin implementing a plan to upgrade the website and document repository in fiscal year 2015.

Planned FMC IT actions for FY 2014 and 2015 include efforts to:

- continue to develop and deploy ECM technology, which will consolidate all OTI applications and renewal processes, enhancing the ability of applicants to file electronically, reducing errors and enabling staff to significantly increase efficiency in processing applications and renewals for approximately 6,000 licensed/registered OTIs;
- build and deploy a new Service Contract Filing System for ease of filing, and optimize the internal architecture of SERVCON, particularly the search functionality needed to keep pace with the rapid accumulation of records;
- modernize and expand the Regulated Persons Index (RPI), a critical database that contains up-to-date records of licensed OTIs (ocean freight forwarders and NVOCCs), ocean common carriers, MTOs and other entities, which is used by both FMC staff and the shipping public;
- develop and implement an updated CADRS case tracking system for responsive handling of consumer complaints;
- design and deploy an updated Automated Tariff Registration System (Form-1) for VOCCs, NVOCCs, conferences, and MTOs;
- migrate IT security standards from the Certification and Accreditation (C&A) process to the FedRAMP process for all applicable systems;
- modernize the FMC IT infrastructure to enhance the user experience and availability of mission-critical software applications;
- enhance IT systems with respect to agreement filing and trade monitoring programs in order to streamline internal business processes;
- develop a partnership to establish shared services with other Federal agencies to provide disaster recovery and continuity of operations support; and
- develop and implement a plan to upgrade the FMC's current internet hosting, maintenance, and public document repository solution.

9. Human Capital Management

At the FMC, we understand that leadership is a critical asset. At the present time, three-fourths of FMC's executives are eligible for optional retirement. Accordingly, our Human Capital Plan is vital in order to guide our actions in planning for succession. Training and development in leadership competencies, within a technical context, is essential to prepare the next generation of leaders. In addition to providing training opportunities to develop a new generation of leaders, the 2015 funding level will allow the Commission to provide training opportunities to all employees in order to provide better service to regulated parties, and increase the efficiency of each employee's work.

The 2015 funding level will allow us to retain positions backfilled in 2014 crucial to our mission. Vacancies, which currently represent about 10% of the current staff, have compromised the Commission's ability to carry out many of its functions, including responding to shipping disputes, resolving complaints, and addressing industry concerns. Filling those positions will also allow the FMC to provide oversight of the economic impact of marine terminal operators (MTOs) and ocean common carriers (VOCCs), including anti-competitive effects such as higher transportation costs and reductions in transportation service.

FUNDING

The President's Budget for the Commission provides \$25,660,000 for FY 2015. Our FY 2015 budget request contains \$18.4 million for salaries and benefits to support the Commission's programs. This figure includes funds for salaries and benefits for 124 full-time equivalent employees. The President's Budget for 2015 contains a mechanism that would allow the agency to receive user fees that otherwise go to the Treasury, with the intent that the agency could use those additional funds to hasten IT upgrades to avoid a technical disaster, and create staff efficiencies in order to operate at the authorized 124 FTE level.

Official travel has been held at the 2014 enacted level of \$200,000. The ability of our staff to travel is essential to accomplish our oversight, investigation, and enforcement duties more effectively. Travel also enables the Commission to engage with our foreign counterparts, which is an essential part of our effort to provide better service to the ocean transportation industry.

Administrative expenses are funded at \$7.1 million in FY 2015 to support our usual and customary business expenses, such as rent, security, telephones, postage, commercial and government contracts, and supplies. This funding level includes slight increases for office space, telephones, supplies and materials and much-needed IT hardware and software.

The remaining increase of approximately \$200,000 is required for government and commercial contracts, including the cost of facilities and data security, shared government services and technology investments to improve efficiencies and maintain mission-critical computer applications. The Commission is improving technology to enhance Commission services and facilitate public interaction while adding greater efficiencies to Commission business practices.

In summary, the Commission's budget represents minimal spending levels necessary to effectively conduct the Commission's basic day-to-day operations and to meet the responsibilities Congress has entrusted to the agency. The Commission will continue to use its limited resources wisely.

State of the U.S. Liner Trades

Since 1916, the Commission and its predecessor agencies have effectively administered Congress' directives for oversight of the liner shipping industry. The Commission was established as an independent agency over fifty years ago. Throughout those years, we have worked to develop a regulatory system that ensures competition, facilitates commerce, and ensures reliable service for U.S. exporters and importers, while minimizing government intervention and regulatory costs. To recognize the impacts of global commerce, I would like to give a brief overview of the state of major U.S. foreign oceanborne trades, and highlight significant current events.

The recovery in the U.S. liner trades that began a few years ago continued in 2013 with U.S. container exports and imports worldwide reaching 30.5 million twenty-foot equivalent units (TEUs) in 2013, as compared to 29.8 million TEUs in 2012. In 2013, as compared to 2012, U.S. container exports worldwide decreased slightly by one percent, while U.S. container imports grew by two percent.

The global containership fleet continued to expand in 2013. The fleet's nominal capacity grew by approximately six percent. At the end of 2013, 4,976 containerships, with a total fleet capacity of 17.3 million TEUs, were available to serve the world's container trades. Globally, as of December 2013, there were orders for 507 new containerships with an aggregate capacity of 3.9 million TEUs, which is equivalent to 23 percent of the existing fleet capacity.

As 2013 came to a close, 235 containerships lay idle, representing 4.5 percent of the total fleet capacity measured in TEUs. In comparison, 297 ships representing 5 percent of the containership fleet capacity lay idle at the end of 2012. In terms of concentration, at the close of 2013, the top ten carriers controlled 63 percent of the world's containership capacity, the top five controlled nearly 46 percent; and the top three controlled 36 percent.

In the U.S. trades, proposed major alliance agreements were filed in 2013, which would represent a substantial amount of service cooperation between carriers. In February 2013, carrier members of the Grand Alliance and the New World Alliance agreements formed the *G6 Alliance Agreement* to collectively operate six liner services between the U.S. Atlantic Coast and Asia. After a comprehensive review by the Commission, the agreement went into effect in March 2013.

Subsequently, in October 2013, A.P. Moller-Maersk A/S (Maersk Line), Mediterranean Shipping Company (MSC), and CMA CGM S.A. proposed formation of the *P3 Network Vessel Sharing Agreement* to operate collective services in the transatlantic and transpacific trades. Similarly, in December 2013, the carriers in the G6 Alliance filed an amendment to their agreement to expand their collective services to include the transatlantic and transpacific U.S. West Coast trades. The Commission formally requested additional information on the amendment to the G6 Alliance, while the P3 alliance is scheduled to go into effect on March 24, 2014.

The Commission is also monitoring the growth of chassis agreements, which impact the movement of cargo from the vessel to the truck or rail and ultimately impacts U.S. exports and imports. There are currently six chassis pool agreements filed at the Commission. These supply chassis to marine terminals at nine ports and numerous inland terminals in the United States.

While experiencing 1.1 percent growth overall, U.S. container ports saw very mixed results in 2013. Total container volumes at the Nation's largest and third-largest ports (Los Angeles and New York-New Jersey) contracted by 4.9 and 3.7 percent, respectively. Substantial double-digit percentage decreases in volume occurred in Jacksonville and Seattle, while Tacoma, Long Beach and Norfolk each experienced strong double-digit percentage gains.

Transpacific Trades

In terms of container cargo volumes, Asia is our primary trading region. In 2013, Asia accounted for 62 percent of the total U.S. container cargo volume (export and import containers combined), amounting to 18.9 million TEUs. Northeast Asia accounted for 53 percent of the total U.S. container cargo, and Southeast Asia accounted for 9 percent. In 2013, compared to 2012, U.S. container exports to Asia increased by three percent, and imports from Asia also rose by three percent. Container imports exceeded exports by a ratio of two to one.

The *Transpacific Stabilization Agreement* (TSA) is the major discussion agreement in the trade. Under TSA, fifteen carrier members are authorized to discuss and agree voluntarily on ocean freight rates, charges and other terms.

Under the proposed new alliance agreements, the P3 carriers propose to replace their current operations in the trade with six services between the U.S. Pacific Coast and Asia, along with the four services between the U.S. Atlantic/Gulf Coasts and Asia via the Panama or Suez Canal. Three of these P3 services would also make port calls in North Europe or the Mediterranean. In addition to their existing services under the agreement, the G6 carriers propose to operate 12 services between the U.S. Pacific Coast and Asia, and two pendulum services between Asia, the U.S., and North Europe.

U.S. – North Europe Trades

In 2013, container exports and imports between the U.S. and North Europe both grew by three percent, compared to the preceding year. By the end of the year, vessel capacity in the trade also increased by approximately three percent in each direction, and the average utilization of capacity was reported to have been 78 percent in the outbound direction, and 92 percent in the inbound direction. The volume of container cargo amounted to 3.2 million TEUs, and accounted for 11 percent of the total U.S. container volume in 2013.

In the transatlantic trade, the P3 carriers propose to operate three services between North Europe and the U.S. Atlantic and Gulf Coasts, in addition to a pendulum service between ports in Asia, the U.S. Pacific Coast, and North Europe. The G6 carriers also propose to operate three services between North Europe and the U.S. Atlantic and Gulf Coasts, and two pendulum services between ports in Asia, the U.S. and North Europe.

U.S. – Latin America Trades

Economic ties have strengthened between the U.S. and the region of Latin America, which includes nations in South and Central America and the Caribbean. The U.S. has five free trade agreements in the region, including Colombia, Chile, Peru, Panama, and the Dominican Republic/Central America. In 2013, compared to 2012, U.S. container exports to Latin America fell slightly by three percent, while container imports from the region grew by four percent. Overall, the volume of container cargo amounted to 3.8 million TEUs and accounted for 13 percent of the total U.S. container volume for 2013.

Trade between the U.S. and South America comprised about 50 percent of container cargo from the region, amounting to 1.9 million TEUs. South America is divided into two distinct service sectors between the East and West Coasts. Ocean carriers serving the East Coast of South America do not participate in a dedicated discussion agreement for that service sector. In the West Coast service sector, eleven carriers participate in a discussion agreement with voluntary rate authority, the *West Coast of South America Discussion Agreement (WCSADA)*. In March 2013, the country of Peru was removed from the geographic scope of WCSADA due to concerns of a potential conflict with their competition laws.

U.S.-Mediterranean Trades

The liner trade between the U.S. and southern Europe was more robust than other trades. In 2013, U.S. container exports to the Mediterranean grew by four percent, and imports from the region to the U.S. increased by seven percent. Overall, the volume of container cargo amounted to 1.3 million TEUs, or four percent of the total U.S. container volume for 2013.

Under its new arrangement, the P3 carriers propose to replace their current services with three collectively operated services between ports in the Mediterranean and the U.S. Atlantic and Gulf Coasts, with one service operating as a pendulum with port calls in Asia. A separate pendulum service would operate between Asia, the U.S. Pacific Coast, and the Mediterranean.

U.S. – Oceania Trades

The Oceania trade includes the nations and territories of Australia, New Zealand, and the Pacific Islands. In 2013, as compared to 2012, container cargo growth was sluggish. U.S. container exports declined by 3 percent, and imports from the region dropped by one percent. The ratio of export to import containers in the trade was 1.7 to one. The leading export commodities were auto parts, general merchandise, grocery products, paper and tires. The top two container import commodities were meat and wine. The volume of container cargo in the Oceania trade was 449,885 TEUs, which equated to about one percent of the total U.S. container volume for 2013.

Carriers providing direct service in the trade are linked through agreements. Two main rate discussion agreements cover the trade. Six carriers participate in the *United States/Australia Discussion Agreement (USADA)* in the outbound direction, and six carriers participate in the

Australia and New Zealand-United States Discussion Agreement (ANZUSDA) in the inbound direction. Most of the carriers that serve the trade directly operate collective services through several vessel sharing agreements. Further, a number of major carriers serve the trade through transshipment arrangements. In addition, five carriers serving the Pacific Islands participate in the *Pacific Island Discussion Agreement*. Given the extent of cooperation in agreements among a limited number of carriers, the Commission closely monitors the carriers' activities in this trade.

CONCLUSION

Mr. Chairman and members of the Subcommittee, I hope that these comments give you a clear indication of the state of the industry serving the Nation's foreign oceanborne trade, and the important mission of the Federal Maritime Commission. I thank the Subcommittee for its support of the Commission through the years and respectfully request favorable funding consideration for Fiscal Year 2015 and beyond, so that the agency may continue to perform these vital statutory functions, and so that the public and shipping industry may continue to be served reliably, efficiently and effectively.