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

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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 activities within the funding provided in the President's Fiscal Year (FY) 2016 budget.

Commission Activities

The Commission continues to play an integral role in implementing a regulatory system that ensures a competitive playing field, facilitates commerce, and encourages reliable service to U.S. exporters and importers, while minimizing government intervention and costs. The Commission is focused on supporting U.S. exports and the country's continued 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. The international industry that the agency oversees is responsible for moving approximately $900 billion annually worth of containerized goods to and from American shores. In this regard, the Commission provides an exceptional return on the taxpayer's investment.

I believe that the three 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; (2) ensuring that cargo moves as efficiently as possible, and addressing nationwide issues such as port congestion; and (3) providing 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, American importers, exporters, and consumers. The Commission acquires information not only through its own monitoring responsibilities and constant contacts with the industry, but also from its relationships with other Federal agencies including the U.S. Coast Guard, the Maritime Administration, the U.S. Customs and Border Protection and other Department of Homeland Security components.

The Commission also continues 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. 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. I will continue to lead the agency to address those goals while making sure the agency's resources are used efficiently.

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

1. Supporting U.S. Exports and Economic Growth

Two of the Shipping Act objectives call for the Commission 1) to foster an efficient and economic transportation system in the ocean commerce of the U.S. and 2) to promote the growth of U.S. exports. The competitiveness of our Nation's ports rests upon an efficient transportation system, which includes entities the Commission regulates: marine terminal operators, ocean common carriers, and ocean transportation intermediaries. The vast majority of our nation's exports and 80% of global trade, in goods by volume, move via ports.

The Commission monitors the Nation's ports, including marine terminal operators' efficient stewardship of resources and their focus on productivity. For example, the Commission has made the ongoing congestion troubling the West, East and Gulf coast ports a particular focus during 2014. The Commission will continue that focus during 2015. Congestion at our ports has had severe adverse effects on U.S. exports, including shipping delays, lost export sales and increased costs for cargo that is moved. U.S imports have also been seriously affected. As you will recall, U.S. imports for the holiday peak season were delayed at U.S. West Coast ports due the inability of the ports to handle the large number of containers that are unloaded from vessels that are able to be carried on 16,000 TEU vessels. The holiday season delays resulted in lost retail sales or sales at reduced prices.

This past fall, the Commission held four congestion forums at major gateway ports to foster dialogue between industry stakeholders, regulators, and the general public on the causes, impacts and possible solutions for the current port congestion experienced around the country. In September 2014, I hosted a forum in Los Angeles. In October, Commissioners Lidinsky and Doyle hosted a forum in Baltimore and Commissioner Khouri hosted one in Charleston, South Carolina. Commissioner Dye held the final forum in New Orleans in November.

There are many factors contributing to the current congestion, including the unavailability of chassis at the ports. Ocean carriers serving Los Angeles-Long Beach, New Your-New Jersey, Baltimore, and other ports have been withdrawing from owning and providing chassis in order to reduce costs. Other companies have been buying chassis and leasing them to merchants or truck drivers. This has led to increased focus on chassis pools and equipment sharing agreements at U.S. ports and inland terminals. Tour many of the nation's ports, and you will hear that there are issues in finding available chassis.

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, which is comprised of ocean common carriers, operates six cooperative chassis pools in the South and Midwest sectors of the United States. Chassis leasing companies, motor carriers, and others can contribute chassis to the CCM pools, but the pools themselves are managed by the ocean common carriers. At this stage of the transition, leasing companies are the primary owners and contributors of chassis in the CCM pools. The Commission will continue to monitor the availability of chassis in the marketplace with an eye toward whether the structure of chassis ownership and management is contributing to congestion.

At the Port events, and through additional discussions, the Commission has heard significant concerns with how marine terminal operators and ocean common carriers are assessing demurrage charges when shippers are not able to retrieve containers from the terminals due to congestion delays through no fault of their own. With disappointing frequency, the Commission is receiving complaints by shippers about how shippers are repeatedly told that they may not retrieve a container due to on-dock congestion or delays at the gate. Worse yet, some shippers find out that once the container is finally made available, the carrier and marine terminal operator will not release it until the shipper pays demurrage for not picking up the container before free-time expires. The Commission is currently evaluating these practices, which many shippers allege are unfair, and will continue to watch out for American shippers and consumers.

The Commission monitors some agreements that aim 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 marine 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. A few months ago, I met with PierPASS executives to discuss congestion issues at the Ports of Los Angeles and Long Beach. The managers of PierPASS are aware of the Commission's interest in how the agreement operates and the impact it has on truck congestion in Southern California, and my fellow Commissioners and I will further examine PierPASS in 2015.

We will also continue our efforts to assist U.S. exporters. The Commission will monitor rate discussion agreements in the Transpacific, 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. The Commission will likewise continue to coordinate efforts with the United States Department of Agricultural (USDA) Ocean Shipping Container Availability Report (OSCAR) 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 including those arising from congestion issues at ports. 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 2014, CADRS handled 1,664 requests for ombudsman services, an increase of 453 such requests from Fiscal Year 2013. These included 77 passenger complaints about cruise line issues, 1,449 complaints with respect to household goods shipments, 136 complaints involving other cargo shipment matters, and 2 matters involving other maritime related issues. Cargo shipment complaints continued to be of increasing complexity, especially those involving specific shipments affected by port congestion issues. It is a pleasure to report that the industry has embraced our CADRS objectives.

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.

I am happy to report that the Commission revised provisions from its Advance Notice of Proposed Rulemaking (ANPRM) to its Ocean Transportation Intermediary (OTI) rules, following the comments from industry regarding the ANPRM and members of Congress. Based on that feedback, the Commission issued a Notice of Proposed Rulemaking that would lengthen the time period for OTIs to renew their licenses to three years, free of charge.

The Commission plans to review its Marine Terminal Operator regulations in FY 2015 and review its Carrier Automated Tariff regulations in FY 2016. In the meantime, Commission staff is working on developing recommendations on its regulations governing service contracts and Non-Vessel-Operating Common Carrier service arrangements for Commission review.

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

The Commission continues to watch for restrictive or unfair foreign shipping practices pursuant to Section 19 of the Merchant Marine Act, 1920; the Foreign Shipping Practices Act (FSPA) of 1988; and the Controlled Carrier Act of 1978. Section 19 empowers the Commission to issue 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. The Commission has had substantive discussions regarding activities that may raise concerns under Section 19 and the FSPA, and will continue to pursue informal solutions to potential problems.

Four large carrier operational agreements were established or expanded in 2014. These agreements include the six-member *G6 Alliance Agreement* (G6); the two member *2M Vessel Sharing Agreement* (2M); the three member *Ocean 3 Vessel Sharing Agreement* (Ocean 3); and the five member *CKYHE Vessel Sharing Agreement* (CKYHE).[1] The Commission will continue to closely monitor the impacts of these and other agreement on ocean commerce and the American shipping community.

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. Though not a compulsory process, CADRS facilitates discussions between consumers and the cruise lines to resolve such disputes. The most common examples of these complaints are cruise cancellations, changes of itinerary, difficulties encountered with connecting transportation (*e.g.*, flight cancellations), reports of discrepancies in cruise advertising, and problems with passenger

[1] *G6* consists of American President Lines, Hapag Lloyd, Hyundai, Mitsui O.S.K Lines, Nippon Yusen Kaisha, and Orient Overseas Container Line and serves the transatlantic and transpacific U.S. East and West Coast trades, as well as the U.S. Mediterranean trades. *G6* accounts for 32.6 percent of the U.S. West Coast/Asia trade, 30.7 percent of the U.S. East Coast/Asia trade, 39.9 percent of the U.S./North Europe trade, and 20.1 percent of the U.S./Mediterranean trade.

The *2M* Vessel Sharing Agreement is comprised of Maersk Line and Mediterranean Shipping Company, the top 2 largest container carriers in the world, and accounts for 15.2 percent of the U.S. West Coast/Asia trade, 23.5 percent of the U.S. East Coast/Asia trade, 31.4 percent of the U.S./North Europe trade, and 48 percent of the U.S./Mediterranean trade. *Ocean 3* is composed of CMA CGM, China Shipping Container Line, and United Arab Shipping and accounts for 12.1 percent of the U.S. West Coast/Asia trade, 13.6 percent of the U.S. East Coast/Asia trade, 5.8 percent of the U.S./North Europe trade, and 12.6 percent of the U.S./Mediterranean trade. *CKYH*E contains China Ocean Shipping Company, K-Line, Yang Ming, Hanjin, and Evergreen and accounts for 36.9 percent of the U.S. West Coast/Asia trade, 27.4 percent of the U.S. East Coast/Asia trade, 8.6 percent of the U.S./North Europe trade, and 4.2 percent of the U.S./Mediterranean trade.

documentation (*e.g.*, refused boarding due to failure to have appropriate type of personal identification).

5. Sustainability and Efficiency

Environmental 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 seek best practices and environmental initiatives in the industry to highlight innovation in this area that benefit the bottom line.

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, unlawful 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 2014, the Commission collected $2,400,000 in civil penalties for Shipping Act violations.

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 central 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.

The FMC continues to share Automated Commercial Environment-International Trade Data System (ACE-ITDS) data pursuant to the memorandum of understanding it signed with U.S. Customs and Border Protection (CBP) in 2013. The data sharing between the FMC and CBP strengthens 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.

The FMC is a also partner with the National Intellectual Property Rights Coordination Center, a Department of Homeland Security lead partnership comprised of 21 Federal and international agencies targeting crimes related to intellectual property and trade. Counterfeit goods can cause serious, life-threatening consequences to American consumers, and the Commission is proud to play a role in attempting to combat these issues with our partner agencies.

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, the Federal Bureau of Investigation and the U.S Coast Guard.

8. Modernization and Technology

On behalf of the Commission, I thank Congress for providing the Commission with funds allowing it to update its outdated computer systems. Increased funding for fiscal years 2014 and 2015 allowed the FMC to make significant progress in enhancing cybersecurity and information technology infrastructure. The Commission's dated systems were taking a toll on its ability to communicate and interact with regulated entities and the shipping public. With Congress' support, we have been able to take the first steps toward creating a modern, user-friendly, and (most importantly), efficient system that can make the agency more productive. As reflected in the Commission's FY2016 Budget Request, in fiscal years 2015 and 2016, the FMC will continue the multiyear enhancement of its IT systems. Much of this work involves a transition to the use of Enterprise Content Management or ECM technology. The new technology will greatly streamline the Commission's internal business processes, research and analysis capabilities, external user's filing processes, and public access to FMC information. In connection with increasing the public's accessibility to FMC information, the Commission will begin implementing a plan to upgrade its website and document repository in fiscal year 2015.

Planned FMC IT actions for FY 2015 and 2016 include efforts to:

- Continue transitioning infrastructure components to a cloud environment;
- Further develop and deploy ECM technology, which will enhance the ability of applicants to file electronically, which will result in faster processing times for license applications;
- Build and deploy a new Service Contract Filing System;
- Design and deploy an updated Automated Tariff Registration System (Form-1);
- Automate the filing of applications for certificates by passenger vessel operators;
- Continue to implement an updated CADRS case tracking system for responsive handling of consumer complaints;
- Migrate IT security standards from the Certification and Accreditation process to the FedRAMP process for all applicable systems;
- Streamline internal business processes with enhanced IT systems with respect to agreement filing and trade monitoring programs; and
- Establish the FMC Disaster Recovery (DR) infrastructure in order to meet recovery points, times, and objectives.

9. Human Capital Management

Like all agencies, we understand that employees are a critical asset. Over half 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. In addition to providing training opportunities to develop a new generation of leaders, the proposed 2016 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.

Vacancies, which currently represent about 8% 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 and ocean common carriers, including anti-competitive effects such as higher transportation costs and reductions in transportation service.

Funding

The President's Budget for the Commission provides $27,387,000 for FY 2016. This figure includes funds for salaries and benefits for 135 full-time equivalent employees as well as mandatory rent, interagency services, and critical commercial services. Our FY 2016 budget request contains $19.8 million for salaries and benefits to support the Commission's programs.

Official travel has been held at the 2015 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 $7.4 million in FY 2016 to support our usual and customary business expenses, such as rent, security, telephones, postage, commercial and government contracts, and supplies. This represents a net increase of just $84,000 over 2015. The requested funding level includes slight increases for office space, and commercial and government contracts, including the cost of facilities and data security, shared government services. These increases are offset partially by reduced funding for consulting services. 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 conduct the Commission's basic day-to-day operations and to meet the responsibilities Congress has entrusted to the agency. The continued growth in international trade, the size and complexity of agreements among the largest container carriers in the world, and in the number of Ocean Transportation Intermediaries, present correspondingly greater challenges on the manpower resources of the Commission. The President's Budget for 2016 would allow the Commission to create staff efficiencies in order to operate at the authorized 135 FTE level. 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 developments.

The recovery in the U.S. liner trades continued in 2014 with U.S. container exports and imports worldwide reaching 31 million twenty-foot equivalent units (TEUs) in Fiscal Year 2014, as compared to 30.5 million TEUs in 2013. In Fiscal Year 2014, as compared to 2013, U.S. container exports worldwide rose slightly by 1 percent, and U.S. container imports grew by 4.7 percent.

The global containership fleet continued to expand in Fiscal Year 2014. The fleet's nominal capacity grew by approximately five percent. At the end of Fiscal Year 2014, 5,017 containerships, with a total fleet capacity of 18.1million TEUs, were available to serve the world's container trades. Globally, as of September 2014, there were orders for 488 new containerships with an aggregate capacity of 3.6 million TEUs, which is equivalent to 19.7 percent of the existing fleet capacity.

As Fiscal Year 2014 came to a close, 131 containerships lay idle, representing 1.1percent of the total fleet capacity measured in TEUs. In comparison, 235 ships representing 4.5 percent of the containership fleet capacity lay idle at the end of 2013. In terms of concentration, at the close of Fiscal Year 2014, the top ten container carriers controlled 64 percent of the world's containership capacity, the top five controlled nearly 47 percent; and the top three controlled 37 percent.

In the U.S. trades, several major alliance agreements were filed in 2014, which represent a substantial amount of service cooperation between carriers. Carrier members of the Grand Alliance and the New World Alliance agreements continued the *G6 Alliance Agreement* to collectively operate six liner services between the U.S. Atlantic Coast and Asia. In December 2014, *CKYHE Vessel Sharing Agreement*, comprised of five large carriers formed to operate liner services between the U.S. and Asia, Northern Europe, and the Mediterranean.

The Commission is also monitoring the growth of chassis agreements, which impact the movement of cargo from vessels to the trucks or rails, and ultimately impacts U.S. exports and imports. These chassis agreements supply chassis to marine terminals at nine ports and numerous inland terminals in the United States.

At the close of 2014 there were six such agreements on file with the Commission, several of which are specific to individual ports, states or pairs of states, and one of which operates six regional chassis pools

While experiencing growth overall, U.S. container ports saw very mixed results in 2014. Container volumes in the Port of Los Angeles in 2014 increased 6 percent compared with 2013 levels. At the neighboring Port of Long Beach year-over-year container volumes increased by 1.3 percent despite a 2.6 decline in December volumes. Import and export volumes for Seattle and Tacoma, combined, both declined in 2014. Combined exports fell by 1.6 percent from 2013 levels, while imports decreased by 4.1 percent. Serious concerns have been expressed by ports, the carrier industry, marine terminal operators, importers and exporters regarding the impacts of port congestion on the Nation's port gateways and on intermodal facilities at those gateways. The Commission will continue to assist efforts to find solutions to the current port congestion.

Transpacific Trades

In terms of container cargo volumes, Asia remains our primary trading region. In Fiscal Year 2014, Asia accounted for 62.3 percent of the total U.S. container cargo volume (export and import containers combined), amounting to 19.2 million TEUs. Northeast Asia accounted for 53.3 percent of the total U.S. container cargo, and Southeast Asia accounted for nine percent. In Fiscal Year 2014, compared to 2013, U.S. container exports to Asia increased by less than one percent, and imports from Asia also rose by 4.6 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.

Also notable is an agreement among the top 3 largest container vessel operators (Maersk, MSC and CMA-CGM) that was filed in 2014, but never implemented. The agreement formed the *P3 Network Vessel Sharing Agreement*. The P3 Network agreement provided for 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. The P3 agreement would have also enabled the parties to share vessels and have cooperative working arrangements in the trades between the U.S. North Europe, and the Mediterranean.

The agreement was terminated on September 2, 2014, after taking effect March 24, 2014. Nonetheless, it provides an example of the carrier industry's continued desire to achieve further efficiencies of scale that help them. These vessel operator efficiencies are also exacerbating the congestion problems I have highlighted.

U.S. – North Europe Trades

In Fiscal Year 2014, container exports and imports between the U.S. and North Europe both grew by five percent, compared to the preceding fiscal year. By the end of the fiscal year, vessel capacity in the trade also increased by approximately five percent in each direction, and the average utilization of capacity was reported to have been 83 percent in the outbound direction, and 94 percent in the inbound direction. The volume of container cargo amounted to 3.4 million TEUs, and accounted for approximately 11 percent of the total U.S. container volume in Fiscal Year 2014.

In the transatlantic trade, the P3 operated 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, before the agreement ended on September 2, 2014. The G6 carriers expanded their service to North Europe and combined their operations to form 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. The U.S. has eight free trade agreements in the region representing an increase from five such agreements last year. These agreement involve Colombia, Chile, Peru, and several Central American countries. In Fiscal Year 2014, compared to 2013, U.S. container exports to South America declined by 5.7 percent. U.S. container exports to Central America fell by 2.3 percent. U.S. container imports from Central America declined by .16 percent and imports from South America fell by .46 percent. Overall, the volume of container cargo amounted to 3.1 million TEUs for 2014.

Trade between the U.S. and South America comprised about 58 percent of container cargo from the region, amounting to 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).

U.S.-Mediterranean Trades

The liner trade between the U.S. and southern Europe was more robust than other trades. In Fiscal Year 2014, U.S. container exports and imports to and from the Mediterranean grew by ten percent. Overall, the volume of container cargo amounted to 1.4 million TEUs, or 4.5percent of the total U.S. container volume for Fiscal Year 2014.

U.S. – Oceania Trades

The Oceania trade includes the nations and territories of Australia, New Zealand, and the Pacific Islands. In Fiscal Year 2014, as compared to 2013, container cargo growth improved. U.S. container exports improved by 3 percent, and imports from the region grew by ten percent. The ratio of export to import containers in the trade was 1.6 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 474,000 TEUs, which equated to about 1.5 percent of the total U.S. container volume for Fiscal Year 2014.

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.

The Commission's responsibilities under the Shipping Act and its regulations require monitoring agreements among the world's largest container vessel operators and highlights the vital role the Commission plays in today's international trade and globalized world. The importance of this role is reflected in the fact that the four large vessel operator agreements discussed above, the G6 Alliance, 2M, Ocean 3 and CKYHE agreements, account for 96.8 percent of the containerized trade in the Asia – U.S. West Coast trades. The Commission is taking all appropriate steps to obtain information from the parties to these agreements that will provide early warning of adverse effects that may harm the public.

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 2016 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.