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September 29, 2003

The Honorable Bryant L. VanBrakle
Secretary
Federal Maritime Commission
800 North Capitol Street, NW
Washington, DC 20573

RE: Petition P3-03

RECEIVED
03 SEP 30 AM 9:23
FEDERAL MARITIME COMMISSION

Dear Secretary VanBrakle:

It is my understanding that United Parcel Service (UPS) has filed for an exemption from the prohibition on Non-Vessel Operating Common Carriers (NVOCCs) from entering into confidential contracts with their customers. Due to the operational characteristics of UPS and recent developments within the ocean shipping marketplace, I believe the Federal Maritime Commission (FMC) should debate whether or not to revise the antiquated regulatory scheme governing NVOCCs. In this case, I write in strong support of the UPS petition currently pending before the FMC.

During consideration of the *Ocean Shipping Reform Act (OSRA)* revisions of 1998, Congress carefully considered all aspects of the ocean shipping industry including the role of NVOCCs. Based on the nature of ocean shipping at the time, Congress determined that NVOCCs should be regulated differently than vessel operators. In the late 1990s, most NVOCCs were small enterprises that neither owned ocean vessels nor the cargo being shipped. In order to protect shippers and to guarantee liability coverage, Congress determined that NVOCCs should operate under a published tariff system when dealing with their customers,

However, many individuals maintain that the state of the U.S ocean shipping industry has changed dramatically since passage of OSRA. There has been unprecedented consolidation among ocean carriers resulting in the loss of major U.S. flagged carriers. In an effort to offer customers a full range of services, these very same carriers have created vertically integrated logistics companies that now compete with NVOCCs.

UPS is proud to say they operate the most sophisticated, integrated, intermodal transportation network in the world, which includes air, rail and surface and NVOCC transportation, and is deemed a "carrier" in the surface and air freight industries. Furthermore, UPS makes significant annual capital investments to its asset-based transportation infrastructure. These facts alone set UPS apart from the companies that first raised concerns about the regulatory status of NVOCCs.

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The UPS petition, citing the recent evolution of the ocean shipping marketplace, is precisely the reason Congress **granted** such broad exemption authority to the FMC. While anticipating dramatic changes in the ocean shipping industry with the passage of **OSRA**, Congress did not **contemplate** how fast or how smoothly the market could adapt to these changes. By granting this petition, the FMC will acknowledge these changes and hopefully level the playing field between NVOCCs and vessel operators. This could ultimately benefit ocean shipping consumers around the world.

I am hopeful the FMC will **give** the UPS petition its utmost consideration and render an equitable decision based upon the merits of the UPS case. Should you have additional questions, please do not hesitate to contact me directly or instruct your staff to contact my Legislative **Director**, Linda Valter, at 202-225-5330.

Sincerely,



MARY BONO
Member of Congress

MB:lmv