

**Before The Federal Maritime Commission  
Washington, DC.  
Docket Number 12-07**

**GLOBAL MARITIME TRANSPORTATION SERVICES, INC.  
RESPONSE TO SOLICITATION OF VIEWS ON REQUESTS TO  
DEVELOP AND RELEASE CONTAINER FREIGHT RATE INDICES  
FOR AGRICULTURAL EXPORTS BASED ON A SAMPLING OF  
SERVICE CONTRACTS FILED WITH THE FMC**

**INTRODUCTION**

My name is Edward J. Le Blanc and I am President of Global Maritime Transportation Services, Inc. (GMTS) which specializes in the publishing and management of tariffs, as well as, service contracts and nsa's on behalf of both the VOCC and NVOCC community, all contained within the current regulatory environment. GMTS also maintains both software and public website access under its trademark *BOTE AND EZTARIFF* to assist in its role as publisher. In this capacity GMTS would like to offer our view with respect to the solicitation of comments on the matter of trade indices.

## **COMMENTS**

We believe that it would be inappropriate for the Federal Maritime Commission to get involved in the issuance of trade indices using any data collected under the regulatory regime. We do, however, fully support the development of trade indices and their use within service contracts for a basis of establishing rate levels in order to move cargoes. We believe that in the next month commercial products will be introduced in order to satisfy all concerned with their demands for reliant and fluid trade market indicators in a manner that surpasses expectations. This would offer a commercial product, which responds to the shippers need for indices while providing the ability for carriers to opt in or opt out of their use. Should they opt in, the confidential contract aspects of these issues can be dealt with at a commercial rather than regulatory level.

We would further assert that while rate levels contained in service contracts are confidential, the aggregation of information derived from those contracts (providing that information does not reveal the nature of the confidential agreement in any way) is quite permissible. The aggregation of rates should create an entirely different set of rates, which could not be tied to one specific contract. In order to satisfy the parties concern and rather than develop an indices per se, we believe it would be more helpful for the FMC

to develop some simple guidelines on which commercial indices could create aggregate contract rate levels. Perhaps a minimum of three contract indicators contributing to that index before the aggregation could be used in a public index. We believe that the FMC would far better serve the community and industry as a whole by providing these types of guidelines on which collected information could be used.

We have responded to the Commissions specific questions below:

1. Question: Is there anything that prevents private index developers and publishers from developing indices of the kind being sought by U.S. agricultural exporters?

Answer: No there is nothing preventing this from happening and in fact we will be in touch with these organizations in the next several weeks to demonstrate how their needs can be fulfilled in a much more fluid and timely manner.

2. Question: Has your company used or considered using any existing freight rate index to adjust rates in its export service contract or to hedge freight rate risk? If so, what is your company's view on the products it used or considered?

Answer: As a publisher of rates we do not use indices ourselves but are aware of clients who do use them and other clients looking for products to satisfy their indices needs.

3. Would it be appropriate to use service contract data filed confidentially with the Commission to develop indices of the kind being sought by U.S. agricultural exporters (assuming the data is aggregated so as to protect the identity of individual shippers and ocean carriers before being released to the public in the form of an average rate or index)?

Answer: We believe it would be appropriate for commercial concerns to use this information in just such a way but we do not believe it would be appropriate for the FMC to use it in this way as this information has been gathered through regulatory rather than commercial means and the regulation currently does not provide for this type of use of information.

4. Question: Should these indices be optimized for use in service contracts, for use in financial hedging instruments, or both?

Answer: Both

5. Question: What kind of competitive issue would the public release of a broadly based or route and commodity specific rate index create for U.S. export shippers or ocean carriers?

Answer: We believe these types of indicators though not suited to all circumstances could offer a benefit to those trades and certain commodities, which can be at times volatile. They would offer a further transparency to the filing of public rates and allow for better assessment of shipping circumstances.

6. Question: If developed using service contract data filed with the Commission, should a U.S. export rate index be route and commodity specific or should it be more broadly based? If the former type of rate index would be more useful to your business, explain what type of commodity, specific route, publication frequency, or other index-related factors are most needed.

Answer: We reiterate that we believe the FMC should not use the confidentially submitted information for this purpose, however, we do believe that information which is commercially submitted should and

could be used to satisfy all of the elements enumerated in this question.

7. Question: Should either or both parties to a service contract have the option of not having their contract rates incorporated into an index?

Answer: We believe that this should be the case to a point. It would be helpful for the FMC to provide guidelines for the development of indices below which both parties would need to provide their consent but above a certain threshold information could be used in the aggregate to develop these indicators.

8. Question: If made available by the Commission, how would an export rate index affect your company's export sales?

Answer: Not applicable

9. If made available by the Commission, how likely is your company to use an export rate index in its service contract to adjust rates?

Answer: Not Applicable

10. Has your company or related subsidiary traded in freight derivatives?

If so, describe that experience and the outcome obtained?

Answer: Not applicable

11.If a U.S. export rate index is made available by the Commission, how likely is your company to trade in a derivatives market based on that index?

Answer: Not applicable

12.What impact would trading in a freight derivatives market based in a U.S. export rate index have on the physical U.S. export container market?

Answer: Not Applicable

## **CONCLUSION**

To re-iterate our main points

- We believe that the use of indices may become a useful tool for the industry and community as a whole
- We do not support the commission producing such an index as we believe that commercial tools are and will become available which will more than answer those needs
- We would support the FMC providing some helpful guidelines in which they would determine that aggregating information from confidential contracts would not violate the confidentiality of those agreements

- We believe that derivative will be determined by their commercial need

We wish to thank the Commission for the opportunity to express our position on this critical issue and look forward to the stated position on this matter in due course.