



NATIONAL CHICKEN COUNCIL

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April 1, 2011

Ms. Karen V. Gregory, Secretary
Federal Maritime Commission
800 North Capitol Street, NW, Room 1046
Washington, DC 20573-0001
secretary@fmc.gov

Re: "FMC Slow Steaming – Response to NOI"

Dear Ms. Gregory:

The National Chicken Council represents companies that produce/process over 95 percent of the chicken in the United States. Almost 20 percent of the chicken produced is exported, much by ocean-going vessels to destinations in Asia, Eurasia, Africa, and other parts of the world. More than 100 countries around the globe are customers for U.S. chicken. Thus, the cost, services, and related attributes of ocean-going transportation is vital to the economic well-being of the U.S. chicken industry. The National Chicken Council appreciates the opportunity to file these comments on the very important issue of slow-steaming.

Bunker fuel is one of the largest expenses incurred by ocean carriers. For many years most carriers priced their freight rates to include fuel. As fuel has spiked over the last 6-7 years more shippers have agreed to allow carriers to bill an emergency surcharge for bunker fuel to help carriers recover the cost for the fuel during times of very rapid increases. The innate problem with fuel surcharges stems from not having a science-based formula to determine and administer these fees. These charges are not adequately tied to a carrier's costs of operation and fuel consumption. The Westbound Transpacific Stabilization Agreement (WTSA) carriers have opted to jointly collaborate in developing their fuel surcharge rate structure. By definition all carriers must be made whole at a minimum under this type of surcharge recovery process using a single formulation mechanism. The obvious result of a single pricing mechanism is that some carriers cover their costs while other more efficient carriers make money over simple cost recovery. Shippers are willing to do their part to cover unexpected fuel increases, but the National Chicken Council is strongly opposed to the creation of another carrier revenue stream for unjustified profit.

With the advent of ocean-going vessels adopting slow-steaming, these carriers are actually saving money from the incremental fuel surcharges they continue to bill shippers. Further, carriers, such as those participating in the WTSA, continue using the fuel surcharge schedule and invoice the shipping public based on an outdated, non-science based formula.

Slow-steaming greatly reduces fuel consumption, thereby, creating a significant revenue stream for the carrier. With no reduction in the calculation of the emergency fuel surcharge, the carriers get a windfall profit at shipper's expense. There needs to be a defensible science-based formula developed by each carrier seeking emergency fuel cost recovery.

There is also a problem with ocean-going carriers changing vessel rotations to more effectively deploy their vessels while at the same time delivering measurably worse transit service for the U.S. export market. Instead of implementing a universal vessel speed for the round trip voyages, many carriers only apply the slow-steaming to the export trip from the United States. Imports are kept, for the most part at the perma transits from the past while export service is denigrated with no reduction in cost to the shippers. U.S. exports, such as chilled/frozen chicken, are being used to cross-subsidize fuel related costs for foreign imports.

Another serious negative impact of slow-steaming is the affect it has on shelf-life for perishable food items, like chilled poultry, meat, and produce. In a number of markets these items are sold to arrive early in the week so that can enter the market for sale and consumption the same week the vessel arrives. When carriers move arrival dates due to slow-steaming, it alters the delivery date past when customers are willing to accept the cargo which creates fewer sales and/or higher inventories for the receiver and lost shelf-life for the consumer.

The National Chicken Council urges the Commission to perform a thorough policy and economic review of this emergency fuel recovery mechanism and insist that carriers develop a science-based formula that more equitably determines the fee based on price changes +/-, as well as fuel consumption efficiencies. Further, shipping cartels should be prevented from pooling their cost numbers in determining formulas to be used across all carrier members.

Respectfully submitted,



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Senior Vice President