National Retail Federation®
The Voice of Retail Worldwide

April 5, 2011

Karen V. Gregory
Secretary
Federal Maritime Commission
800 North Capitol Street, N.W. Room 1046
Washington, D.C. 20573-0001

RE: FMC Slow Steaming – Response to NOI

Dear Secretary Gregory:

On behalf of the National Retail Federation (NRF), we are submitting these comments in response to the Federal Maritime Commission's (FMC) Notice of Inquiry (NOI) into "*Views on the Impact of Slow Steaming on U.S. Ocean Liner Commerce*." NRF's members fully support efforts by ocean carriers and others throughout the supply chain to introduce environmental mitigation practices into their businesses to help further sustainability efforts and the "greening" of the supply chain.

With regards to the specific practice of "slow steaming" as conducted by the ocean carriers and the specific questions posed by the FMC as part of this NOI, NRF's members have not realized any benefits from "slow steaming" as conducted by the carriers.

NRF members believe that the major benefits of slow steaming are only realized by the ocean carrier. These benefits include a reduction in operational costs as well as a reduction in CO2 emissions as a result of using less fuel for the sailing. Unfortunately NRF members have not realized any benefits from the practice of slow steaming. As a result of the practice we have seen supply chains extended by several days, which adds costs back into the system for the retailer. The practice results in higher inventory carrying costs for retailers and a decrease in the speed to market, which is critical for a retailer's success. Even before fuel prices began to rise this year, there were no benefits realized by NRF members. Part of the concern is the fact that the bunker formulas used by ocean carriers are based on pre-slow steaming dynamics.

With regards to the question about the impact of slow steaming on a company's supply chain, space availability and container availability NRF members looked to the experiences of 2010. While many carriers took vessels out of rotation as a result of the recession, slow steaming essentially resulted in the removal of additional capacity from the system. This created greater space and container availability issues which resulted in some retailers being forced to ship goods up to one week or later than originally scheduled, thus adding additional time and significant cost to retailer's supply chains. In looking at today's environment, one NRF member noted that "slow steaming" could result in a significant financial impact because of the need to pay vendors further in advance of receiving their products for sale.

When asked about the availability of different services (slow steam vs. normal steam) by ocean carriers in the same trade lane, NRF members responded that those different services are available. With regards to different ocean carriers offering different transit times over the same trade lane, NRF members noted that the carriers do not differentiate between their "slow steaming" and "regular steaming" vessel strings. There is no difference of rates offered by the carriers for "slow steaming" vs. "regular steaming."

Transit times and costs are a critical factor in the ocean carrier/service selection process. Neither transit times nor "slow steaming" provisions had been included in service contracts with ocean carriers. NRF members also responded that "slow steaming" was not consistent with the governing service contract provisions.

As to whether or not "slow steaming" is sustainable over the long run, most NRF members believe it is. However, there needs to be greater transparency and visibility into the true fuel costs per FEU and the correlating fuel surcharges. NRF members have indicated that they do not receive adequate information from the ocean carriers on fuel, cost or emissions savings to enable them to make a decision as to whether or not "slow steaming" would provide a benefit or to determine the carbon footprint of the products they sell.

NRF members are not wholly opposed to the practice of "slow steaming" by the ocean carriers. There is a greater need of transparency and communication by the ocean carrier community with the shipping community as to the true benefits of the practice for the shippers in addition to the correlation to fuel cost savings and bunker fuel surcharges.

As the world's largest retail trade association, the National Retail Federation's global membership includes retailers of all sizes, formats and channels of distribution as well as chain restaurants and industry partners from the U.S. and more than 45 countries abroad. In the U.S., NRF represents the breadth and diversity of an industry with more than 1.6 million American companies that employ nearly 25 million workers and generated 2010 sales of $2.4 trillion.

We thank the FMC for the opportunity to comment on this notice of inquiry. If you have any additional questions, please contact Jonathan Gold in the NRF office.

Sincerely,

Jonathan Gold
Vice President, Supply Chain and Customs Policy
National Retail Federation