

**Comments submitted by Tyson Foods, Inc. to the Federal Maritime Commission evaluating the affects of "Slow Steaming" on the US Shipping Public.**

**Shipper Background:**

Tyson Foods is a major producer of refrigerated protein products from poultry, beef & pork. Tyson also has a significant presence in animal skins, hides & leather products. Our total sales in 2010 were \$28.4 Billion. We produce poultry, beef & pork for the domestic retail & foodservices markets within the US and export to over 90 countries. Tyson operates 63 poultry, 12 beef, 9 pork & 23 prepared food plants in the U.S.

We have a significant export business including all three major proteins as well as hide and leather raw materials. Our 2010 export container shipping vols. exceeded 33,000 TEU's of refrigerated meat products and 7,500 TEU's of hide & leather products.

**History on Bunker S/C's:**

Bunker fuel is one of the larger 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 yrs. more shippers have agreed to allow carriers to bill an Emergency S/C for bunker to help carriers recover the cost for fuel during times of "run-away" increases. The innate problems with fuel S/C's stem from no *science based formula* being used to determine and administer these fees. These charges are not adequately tied to a carrier's costs of operation and fuel consumption. The WTSA carriers have opted to jointly collaborate in developing their fuel S/C rate structure. By definition all carriers must be made whole at a minimum under this type of S/C recovery process using a single formulation mechanism. The natural 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 jumps we just don't like the creation of another carrier revenue stream for profit.

**"Slow-Steamng" mitigation of the Emergency Fuel Costs:**

With the advent of this "Slow-Steamng" concept, carriers are actually saving money off the incremental fuel S/C's they continue billing shippers. Further, carriers such as those participating in the WTSA agreement continue driving the resulting Fuel S/C billed the shipping public based on an outdated non-science based formula.

"Slow-Steamng" greatly reduces fuel consumption thereby creating a significant revenue stream back to the carrier. With no reduction in the calculation of the emergency fuel S/C

the carriers get a “wind-fall” at shipper’s expense. There needs to be a defensible science based formula developed by each carriers seeking emergency fuel cost recovery.

**Service impacts due to “Slow-Steamming:**

There is also a problem with carriers changing vessel rotations to more effectively deploy their vessels while at the same time delivering worse transit service for the US Export market. Instead of implementing a universal vessel speed for the round trip voyages, many carriers only apply the “Slow-Steamming” to the export trip from the US. 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. US exports are being used to cross-subsidize fuel related costs for foreign imports.

Another serious negative impact of “slow-steaming” is the affects it has on shelf life for perishable food items like chilled beef, pork and produce. 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 the “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.

We urge the Commission to perform a thorough 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. Shipping cartels should be prevented from pooling their cost numbers in determining formulas to be used across all carrier members.

If Tyson can be of further assistance in discussing this issue or potential solutions, please contact us.

Respectfully submitted

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