



WORLD SHIPPING COUNCIL  
PARTNERS IN TRADE

Comments of the  
**World Shipping Council**

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Submitted to the  
**Federal Maritime Commission**

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In the matter of  
**Notice of Inquiry**  
**Solicitation of Views on the Impact of Slow Steaming**

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April 14, 2011

The Federal Maritime Commission (FMC) issued a Notice of Inquiry (NOI) to solicit public comment on the impact of slow steaming on U.S. ocean liner commerce. 76 Fed. Reg. 6616 (Feb. 7, 2011). The Commission is seeking public comment as to how the practice of slow steaming has: 1) impacted ocean liner carrier operations and shippers' international supply chains; 2) affected the cost and/or price of ocean liner service; and 3) mitigated greenhouse gas emissions. The World Shipping Council (WSC) felt that these questions would be most appropriately addressed by individual carriers and shippers and did not submit comments of its own by the April 5 deadline.

We have now seen the comments submitted to the FMC by the National Industrial Transportation League (NITL), and find them to be sufficiently erroneous and misguided that we offer the following brief comments and ask that the FMC agree to accept them into the record of this NOI.

With respect to the environment, we note that the NITL comments recognize that there are environmental benefits of slow steaming, and they support "the carriers' efforts to reduce their carbon footprint." Indeed, the principal tool currently available to the liner shipping industry to reduce its CO<sub>2</sub> emissions is to reduce vessel speed.

With respect to the effects of slow steaming on vessel capacity and service, there is no question that slow steaming results in greater transit times. That is not an issue of disagreement. The NITL comments (e.g., at page 4) state, however, that, because of slow steaming, "effective vessel capacity has dropped." This is simply false. Effective vessel capacity – the capacity available on a service for cargo shipments each week – has been maintained or increased by carriers' addition of ships to services to ensure the same frequency of service when instituting slow-steaming. A service string that has added a vessel in order to maintain weekly service will have more vessel capacity on the water at any given time. The transit times will be slower, but the effective capacity has not dropped.

The NITL comments fail to address the fact that customers often have the option to use services that are not slow steaming. Drewry's March 2011 slow-steaming analysis states: "The two Transpacific routes [West Coast (WCNA) and East Coast (ECNA)] have only slowed down on average just over half as much as Asia-Europe, so they still look like they did in pre-slow steaming days (i.e. up to 3Q07.) On the core WCNA sector, five-ship services still predominate. ... Even though the number of six-ship services is growing, it is only six months ago that we waved goodbye to the last of the four-ship shuttles." If there is sufficient shipper interest to pay rates that make faster services profitable despite their higher operating costs, there is no reason to believe that the market will not continue to see such faster services, as well as slow steaming services.

The NITL comments (at page 7) state: "Exporters are finding it harder to compete against foreign companies that are not affected by slow steaming." There is absolutely no evidence to support this allegation. Furthermore, slow steaming is an industry practice around the world affecting shippers globally, not just a practice affecting American exporters. In fact,

slow steaming is more prevalent in some foreign trades (like Europe-Asia) than it is in U.S. trades.

The NITL comments (at page 5) allege that increased transit times adversely affect shippers that operate just-in-time supply chains. This too is not accurate. “Just in time” supply chains are intended to deliver goods to a specified location at a predictable, defined time. Slow steaming can cause goods to be on the water longer, but the scheduled service delivery time is published and known in advance, and is no less predictable for the purpose of calculating when inventory should arrive at a particular location in order to meet “just in time” planning. In fact, at least some carriers have reported that their on-time performance is better with slow steaming, which would provide benefits to those shippers that value “just in time” planning.

The NITL comments go on to state (at page 5) that “the longer transit times associated with slow steaming reduce the accuracy of the forecasts that shippers use to manage just-in-time supply chains.” This statement is not credible. If a few days of known and scheduled extra transit time cause a shipper to reduce the accuracy of its forecasts, it has much bigger problems than slow steaming.<sup>1</sup>

In this regard, one must also note that the few days of extra sailing time caused by slow steaming does not appear to have significantly affected the customer container dwell time at West Coast ports, where on average import containers sit for several days after vessel unloading before they are picked up.

Several pages of the NITL comments, entitled “Decreased Service Frequency Compounds the Effects of Slow Steaming” (at pages 6-7), are devoted to speculation about what might happen if carriers reduced service frequency in conjunction with slow steaming, but the comments admit in a footnote that “most carriers appear to have maintained service frequency,” so the predicate for the concern is nonexistent, and the point of the discussion unclear. NITL cites no examples of where carriers have reduced service frequency as a result of slow steaming, so it is unclear why it is even mentioned.

The NITL comments go on to state (at page 7): “While some shippers are able to find ocean carriers that offer normal [sic] steaming, others have turned to air transportation, at a much higher transportation cost.” If a shipper has a choice between slow steaming and non-slow steaming services, and chooses air transportation instead, it is not likely that a few extra days of ocean sailing time caused such a decision.

The NITL comments (at page 7) imply that because of slow steaming “shippers must increase the amount that they ship.” This too is false. Shippers increase the amount of goods

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<sup>1</sup> Almost all Trans-Pacific services that have converted to slow-steaming have done so by adding 7 days to the total round-trip voyage, in order to maintain weekly service frequency and consistency – i.e. same day of departure and same day of arrival. This means that transit time will likely increase by 3.5 days in each direction.

that they ship only if demand for their goods requires such an increase. If a shipper uses slow steaming services, it must plan on the effects of the slower vessel transit time from slow steaming, and its goods will be in transit for a few extra days, but there is no aggregate increase in cargo volumes that it must ship as a result.

With respect to cost savings that vessel operators derive from burning less fuel and their effects on rates, the NITL comments recognize both that the effect of any particular operational cost item on rates is hard to determine, and also that there is no requirement for carriers to transfer any particular set of operational cost savings to shippers. Further, it should be recognized that, while slow steaming produces significant fuel savings, it also requires additional carrier expenses for more ships, more containers, technical modifications to engines, and often higher engine maintenance requirements.

The NITL comments seem to suggest that rates should be lower, but the trade press is full of reports that rates are down worldwide.

Conclusion: The NITL comments (at page 7) conclude with the statement that due to slow steaming, “shippers and consumers have transferred economic well being to carriers.” This is truly an astonishing piece of reasoning, in essence arguing that when carriers decide to undertake slow steaming as a way to reduce their substantial operating costs arising from rapidly growing fuel bills, shippers are “transferring economic well being to carriers.”

This is economic nonsense. When carriers deploy larger vessels to obtain the economic benefit of lower container slot costs per voyage, are shippers transferring economic well being to carriers? When a carrier moves its service to a less expensive marine terminal operator, or stops offering chassis, or transfers a customer service center to a lower cost location, are shippers “transferring economic well being to carriers”? In all of these cases, carriers are trying to create their own economic benefit by reducing their cost of operations. This is sound business practice.

The NITL comments (at page 8) conclude that the FMC should “consider collecting data from ocean carriers on a periodic basis that will assist in analyzing the effects of slow steaming on U.S. commerce, including whether there is a reasonable balance between the cost and benefits of slow steaming.” While the WSC has no objection to the FMC’s current inquiry to better inform itself about slow steaming, ongoing and continued FMC data collection is simply unwarranted.

The decision by a vessel operator about the speed at which it operates its ships is a matter for that vessel operator and only the vessel operator. The market may reward or may punish the vessel operator for its choice, but it is not a decision to be second guessed by some ill defined, external cost/benefit analysis.

The FMC has no rate regulatory authority, and no authority to tell vessel operators what speed they should operate their ships. The NITL recommendation appears to envision ongoing

FMC data collection as a prelude to a regulatory wild goose chase. The FMC should not follow it.

Slow steaming reduces vessels' fuel costs. Slow steaming results in fewer greenhouse gas air emissions. It is true that slow steaming produces slower transit times. It is true that shippers must adapt to such slower transit schedules, including several days of additional inventory carrying costs, if they use slow steaming services. It is also true that there are vessel services that do not slow steam. Slow steaming, however, is a practice that is probably here to stay for both cost and environmental reasons. As fuel prices continue to rise, there is no reason to think otherwise.

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