

Commissioner Mario Cordero
FEDERAL MARITIME COMMISSION
Remarks at the Global Shippers Forum International Luncheon
Atlanta, GA – November 16, 2011

Thank you for your kind introduction.

It is an honor to be here before you at the annual meeting of the Global Shippers Forum, meeting in conjunction with the National Industrial Transportation League 104th Annual Meeting. Let me specially thank Bruce Carlton, President and CEO of NIT League, and Peter Gatti, Executive Vice President of NIT League, for the invitation to be your speaker today.

I would also like to congratulate the Global Shippers Forum on their incorporation and registration earlier this year as an international trade association representing the interests of shippers. Clearly, there are many challenging issues in the shipping community as well as the world economy which makes it difficult to provide easy solutions.

As you are aware, in June of this year, I became the newest member of the Federal Maritime Commission. Prior to joining the FMC, I served eight years on the Board of Harbor Commissioners for the Port of Long Beach. My service on the Board of the second largest port in the nation was a rewarding experience and has presented me with a unique perspective, not only on management of a port authority, but also on policy questions relating to goods movement and infrastructure.

Before I begin my comments, please note that my remarks and comments today are my personal views and do not necessarily represent the views of the FMC.

- **INFRASTRUCTURE**

One major challenge is the infrastructure we need to remain competitive in the global market. As you know, the issue of infrastructure is a paramount topic for the maritime industry in the United States. Whether you are a shipper or carrier in the goods movement sector, it is imperative to advocate for a 21st Century Infrastructure for our nation's ports and transportation corridors. Approximately 95% of trade produced or consumed by our nation comes by way of our ports, and 90% of global trade is transported by commercial shipping. The American Association of Port Authorities (AAPA) estimates that maritime related trade created \$2 trillion annually in commerce. Given such statistics, if we want to stay competitive in global trade in the coming decades, the shipping and maritime community must be in the forefront advocating for infrastructure investment.

Recently, the Washington Post published an article on the status of our nation's infrastructure where it cited a World Economic Forum study that indicated, not surprisingly, that the United States ranked only number 23 on port infrastructure, ranked number 20 as to the quality of roads, and looking beyond maritime to air transport, it was ranked number 31. In addition, the American Society of Engineers does not give the U.S. infrastructure a favorable review.

Many of you heard the comments delivered by the U.S. Secretary of Transportation LaHood, related to the subject of infrastructure. Both the Administration and Congress have placed a priority on this very important issue. I urge you to work to assure they follow through.

- **ENVIRONMENT**

As to the environment, I would first like to commend your organization for entertaining a dialogue on the need to reduce emissions. Taking this one step further, it is my understanding that the Global Shippers Forum is releasing a maritime emissions briefing note which will outline the climate change challenge for the shipping industry. This suggests that the Global Shippers Forum is taking on responsibility for setting a policy to reduce emissions in the global shipping community.

To have a successful emissions reduction policy, it will necessitate a cooperative effort at all levels of government and a partnership with the private sector. As a point of reference, the international shipping community accounts for approximately 3% of global greenhouse gases. This percentage would translate, if it were a country, to rank 7th in the world for emissions.

It is estimated that over the next four decades, the percentage of global greenhouse gases resulting from international shipping will rise from 150% to 250%. At first glance, the increase may appear somewhat questionable, but if we take into account the changing dynamics of the demand in the consumer market in the coming decades, it would clearly illustrate that there will be a major impact on international shipping. For example, the middle class in China in 2007 was estimated at 80 million. It is forecasted that by year 2020, China's middle class is estimated to grow to 700 million. Moreover, the BRIC nations (Brazil, Russia, India, and China) in 2005 consisted of a middle class which totaled 250 million. It is projected that in 2050, the middle class will increase to reach 3.5 billion in population.

Given this data, the question before us is not whether to support green initiatives, but how to continue to move this important issue forward in a sustainable and cost effective manner within the maritime industry. As such, the expected growth in the international shipping area mandates a cohesive and uniform approach on emission reduction.

Though slow steaming by vessel operators has the support of many stakeholders in the transportation sector, some stakeholders have their concerns. It is undisputed that speed reduction results in both reducing emissions and reduced fuel costs. I am keenly aware of concerns by shippers with regard to the impact of vessel speed affecting products arriving quickly to the marketplace. The developing area of alternative and efficient fuels may mitigate this controversy in years to come.

The International Maritime Organization (IMO) adopted new standards by way of amendments to Annex VI in reducing noxious emissions. In addition, there are designations of emission control areas planned for implementation in North America. The policy direction is aimed at furthering the use of low sulfur fuels rather than standard bunker fuel and at developing fuel technology.

LNG as a fuel source by carriers is an example of the evolution of the alternative fuels in marine transportation. Just a few years ago, there were many skeptics on the feasibility of low sulfur fuel in maritime shipping, much less the use of LNG as a viable fuel source for commercial vessels. At this time, a major shortcoming centers on availability and cost of LNG as a maritime fuel source. As such, LNG usage is not a mere discussion point, but is a fuel technology being placed into practice by the maritime industry.

For example, Wallenius Marine is one company that is studying the use of LNG fuel and the positive impact on the environment. As reported in *Pacific Maritime Magazine* (August 2010), Per Tunell, the head of environmental management for Wallenius opined as to the use of LNG fuel by Wallenius as a “step closer to its vision of having emission-free vessels. We see LNG as a stepping stone to running ships on biogas in the future”.

I reference the alternative fuel discussion in order to emphasize progress is being made on development of fuel alternatives for commercial vessels. I am optimistic that the question of the availability and cost effectiveness of alternative fuels will be facilitated by market demands. Such developments will mitigate, if not eliminate, the debate on the practice of slow steaming.

I have touched on some important areas related to the environment which require support by the shipping industry in order to seriously promote emissions reduction. The challenge for the shipping industry is to develop market-based mechanisms to achieve these referenced goals.

The Commission continues to serve as a clearing house of information among ports, terminals and carriers regarding effective environmental activities. We will continue to promote best practices in furthering environmental progress and enhancing carbon emissions transparency as well as a strong advocate for the use of sustainable shipping practices.

- **ALTERNATIVE DISPUTE RESOLUTION**

I conclude my remarks today with a brief mention of the Commission’s role in alternative dispute resolution in transportation. As many of you know firsthand of the capacity and equipment shortage of early 2010, the FMC has been continuously proactive in its response to issues faced by the shipping community. With many shipping issues out there, the Commission has recognized that economic conditions play a part in many of the shipping issues, and works to have an immediate, positive impact in resolving shipping related disputes.

The Commission’s Office of Consumer Affairs and Dispute Resolution Services (CADRS) is responsible for developing and implementing the Commission’s ADR program. Through this program, the Commission provides services to assist parties in resolving shipping disputes. CADRS provides a range of services designed to avoid the expense and delays inherent in litigation, and to facilitate the flow of U.S. ocean commerce. Parties to a dispute are encouraged to avail themselves of mediation or other ADR processes to resolve their disputes especially with respect to matters already in litigation, or moving toward litigation.

The Commission makes trained staff available to facilitate resolution at any stage of the transportation process. Commission mediators provide services in a number of matters, especially assisting parties in overcoming obstacles to delivery of transported goods. CADRS also provides ombuds services to participants in ocean shipping transactions.

Typical complaints include when an NVOCC has received cargo from its customer and taken payment for the transportation of the cargo, but failed to deliver the cargo. Urgent resolution often facilitates delivery of shipments to avoid the accrual of additional demurrage/detention/storage charges. With respect to household goods shipments, consumers often use unlicensed entities that demand additional payment and/or abandon the goods and refuse to communicate with the consumer.

On the issues related to service contracts, the Commission continues to reach out to shippers and carriers to educate them with respect to service contract issues. We will make mediators/facilitators available to assist parties in reaching agreement on service contract issues or disputes. Use of the process requires only agreement among the parties to do so, along with their good faith participation. Parties may agree once a dispute arises, or can prepare for such an eventuality by incorporating dispute resolution clauses into their service contracts, CADRS can assist or make suggestions with respect to language for that purpose.

If you would like additional information related to CADRS, please visit the link that is already on the Global Shippers Forum website.

In conclusion, the items that I have raised above are very important to stakeholders in the maritime industry such as you and your members. The continuous open discussion surrounding infrastructure, the environment, and dispute resolution will hopefully lead to furtherance for improvements within the maritime industry.

Thank you for your attention and I thank you for the opportunity to discuss the matters above, and I will be happy to answer any questions that you may have. I also would welcome any comments that you would like to share.