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OFFICE OF THE SECRETARY  
FEDERAL MARITIME COMM  
EUROPEAN SHIPPERS' COUNCIL

Monday, 15/09/2014

Federal Maritime Commission  
800, North Capitol Street, N.W  
Washington, DC 20573

Re: 2M vessel sharing agreement

Dear Sir or Madam:

The European Shippers Association is writing to you to express its concerns about the 2M agreement.

The submission of a Vessel Sharing Agreement between Maersk and MSC goes in the direction of the current maritime history. Indeed, ship owners are very fond of cooperation agreements to cut costs and try to improve a sector plagued by overcapacity.

However, following to the submission of the project to FMC, shippers would like to pull the alarm bell about the excesses that could cause such VSA. Operators might set up an extremely damaging situation to world trade.

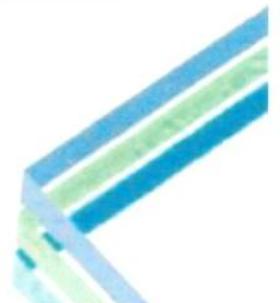
Firstly, so called 2M should not be seen as a downgrade of the P3 (and thus considered positively) but as a huge upgrade of the individual ship owner position. The gathering of the two first ship operators will create a huge player that will be in a position to have such a power that they can distort the market for the purpose of price increase.

Allowing these two operators to discuss and agree on some core parameters of the services can lead to a decrease of the competitive environment of the trade concerned by this agreement. Indeed, it will lead to a decrease in the number of direct call, a decrease of service quality and surely an increase of price.

As an example, the fact that "parties are authorized to discuss and agree on the allocation of terminal costs" (5.4 (a)) gives them the freedom to increase relevant surcharges with harmonization of pricing as consequence. According to shippers, this should be avoided.

Furthermore, accepting that operators can blank sailing can clearly be seen as market manipulation to restore freight rate if needed (by playing on the supply side).

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## EUROPEAN SHIPPERS' COUNCIL

The exchange of commercially sensitive information is forbidden except if they are "strictly necessary". Shippers would like to have a much more precise definition of the scope of this "necessity".

Then, operators are able to discuss and agree on administrative matters and implementation (5.7). This provision has a potential negative impact on differences and the service levels of both carriers. It will lead to less competition and more harmonization between the carriers. European Shippers Council cannot agree with such provision.

In order to avoid such competition problems, European Shippers Council would be very supportive to the creation of a control system held by FMC that will monitor the link between the capacity available on the trade and the freight rates (as well as the creation of surcharges). Advance notification for any service modification (either in capacity or any other) should be required from the operators. Furthermore, an observatory of the service quality should be created. Indeed, the risks of "extremism" in rationalization will lead to reducing the number of direct called ports, to the detriment of shippers. Limiting transshipment ensures shorter transit time more economical freight rates and greater security for the goods. FMC's proposal regarding the P3 could be used for this situation, and for all new alliances in maritime transport.

In the end, we acknowledge the objective of the agreement to « maximize operational and cost efficiencies », however, it would have been great for shippers to hear about how these efficiencies would be, partly at least, transferred to customers. Nowhere in the agreement are mentioned the customers and the possible improvement that this agreement will bring to the market. We are facing here a partnership whose only objective is to increase profit but not improve service.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Choumert", is written over a light blue horizontal line.

Denis Choumert, Chairman  
European Shippers Council

