U.S. Department
of Transportation
**Maritime
Administration**

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1200 New Jersey Avenue, S E
Washington, DC 20590

April 15, 2011

The Honorable Richard A. Lidinsky
Chairman, Federal Maritime Commission
800 North Capitol Street, NW
Washington, DC 20573

Dear Mr. Chairman:

I would like to forward a proposal on Non-Vessel Operating Common Carrier bonding which we received from China's Ministry of Transport. The proposal responds to a request made to the Chinese delegation for a written proposal during bilateral maritime consultations held in Dalian, China, in October 2010. Please let me know if you require assistance from my office in seeking additional information or clarification of any aspect of the proposal.

Sincerely,

James E. Caponiti
Assistant Administrator

Enclosure

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THE PROPOSAL FOR ADJUSTMENT OF THE AMOUNT FOR THE NVOCC BOND RIDER

According to the Agreed Minutes of the 4th United States-China Maritime Consultative Meeting, which was signed in Dalian, China on Oct. 20, 2010, the Chinese and United States sides agreed to work on a specific proposal for the adjustment of the amount in U.S. dollars for the NVOCC bond rider established in the 2003 Memorandum of Consultation to the equivalent amount in RMB.

As provided in the 2003 Memorandum of Consultation, the U.S. NVOCCs, who apply to engage in non-vessel operating services in the China-US trade, are required by the Chinese regulations to provide the evidence of financial responsibility in the total amount of 96,000 USD, the equivalent amount of 800,000 RMB at that time, which is the minimum requirement of cash deposit for the Chinese NVOCCs.

By the constant fluctuations in the exchange rate, the USD and RMB exchange rate has been raised from 1:8.276 in 2003 to 1:6.536 at present, with an increase of about 21.02%. Consequently, the amount of 96,000 USD is inadequate to that of 800,000 RMB at the current exchange rate.

In order to ensure the Chinese and the U.S. NVOCCs operating in the same market compete on an equal footing, the Chinese side would make the following proposal: the amount in USD of the NVOCC bond rider shall be adjusted when the USD and RMB exchange rate has fluctuated 20% higher or lower than that of the last adjustment. Such adjustment shall be jointly approved by both sides at the bilateral maritime consultative meeting of the same year.

If the above proposal is acceptable, the Chinese side would further propose that the existing bond rider amount of 96,000 USD, for the U.S. NVOCCs who wish to apply for engaging in China-U.S. NVOCC services, be increased to 122,000 USD, the equivalent amount of 800,000 RMB at the present exchange rate.