



Federation of German Industries - 11053 Berlin, Germany

Ms Karen V. Gregory,  
Secretary, Federal Maritime Commission  
800 North Capitol Street, N.W  
Washington, D.C. 20573

*Date*  
17 December 2013

*Page*  
1 of 2

### **Assessment of the planned P3 consortium**

Dear Mr Cordero,  
Dear Ms Gregory,

In order to arrive at an assessment of the planned cooperation between the container lines Maersk, MSC and CMA CGM in the P3 consortium, the German Shippers Council (DSVK) has carried out a survey of its members. We would like to convey to you the results of this assessment in the following observations.

A large majority of our members views the planned alliance critically and especially for competition between the carriers fears a major deterioration which on certain routes could lead to monopolistic market conditions and rising prices for the shippers.

The search for potential cost savings by setting up the P3 consortium harbours the risk of bringing about a considerable market shake-out affecting smaller shipping lines or ship owners, since it makes it possible to generate the lowest costs per slot vis-à-vis competitors. This competitive advantage could lead to changes in the market and put the P3 in a position to expand still more its already dominant market shares in the transatlantic (approx. 35%), Asia-Europe (approx. 45%-50%) and transpacific (ca. 29%) trade.

In addition, there is the expectation that P3 will be able to not only restrict competition by controlling capacity within the three partners but even beyond these three partners. For example, on the Northern Europe – Mexico route there are currently three comparable services (frequency and transit time) operated by Maersk, MSC and Hapag-Lloyd. With P3 there will be only the one single service provided by P3, which according to present plans will also dock at various ports in the USA and therefore have a transit time prolonged by 4-5 days. Consequently there will only remain one direct service by Hapag-Lloyd which will have no competition. As a result the shipping rates for customers will increase accordingly. Especially in the case of bookings at short notice, the reduction in departure frequency can lead to serious problems in ensuring an efficient supply chain.

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Member Association of  
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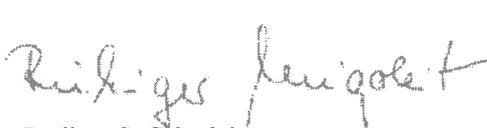
The German shippers also fear that the P3, as the three biggest market operators, will attempt, at the expense of the customers, to bring about an improvement in processes and costs, which will not be passed on to the customers but, on the contrary, will lead to a price rise for the shippers. There are concerns that by adding or removing shipping capacities, there will be an indirect influence on price fixing.

However, in the short term the members also anticipate limited advantages to accrue from the P3 consortium. In particular, qualitative service aspects (such as in stabilizing service frequency or with „special equipment“) could improve in the case of individual members of the consortium. In the past it has proved that the difficult financial situation of many carriers has had an adverse effect on the quality of the service.

Even though on a short-term view isolated improvements in the quality of service are expected, nevertheless the German shippers are convinced that in the long term P3 will have an impact on the market shake-out and that shippers will be confronted with higher prices. As a result, taking a long term view, the market power created by P3 can ultimately lead to deterioration in quality and service. Manifest departments are already being relocated to Asia, a process which could be reinforced by the alliance.

With this critical assessment the German Shippers Council hopes to have made a contribution to the decision-making process and to have laid out what we see as the potentially negative effects of the planned consortium on competition and supply for customers and consumers. We request that the regulatory authorities give a critical scrutiny to the P3 consortium and adopt all necessary measures to prevent any distortion of competition and the consequent disadvantages for customers and consumers. We look forward to the opportunity for a further constructive dialogue.

Yours sincerely



Rüdiger S. Grigoleit  
Chairman of the German  
Shippers Council



Dr. Ben Möbius  
Head of Department  
Mobility and Communications

**The German Shippers Council (DSVK)** is the platform of German industry for forming opinions in matters of maritime economic and transport policy. It represents the interests of German exporters and importers and sees itself as the partner of the total transport chain in maritime transportation. As a contact for the political and administrative authorities, the Council supports political decisions in Germany and the European Union which are based on sustainability.

## Assessment of the planned P3 consortium

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**Sonnenberg, Caterine** <C.Sonnenberg@bdi.eu>  
To: "secretary@fmc.gov" <secretary@fmc.gov>

Tue, Dec 17, 2013 at 5:57 AM

Dear Ms Gregory,

Please find attached the assessment of the planned P3 consortium by the German Shippers Council within the Federation of German Industry.

Yours sincerely

Dr. Ben Möbius

Head of Department Mobility and Communications  
Bundesverband der Deutschen Industrie e. V. (BDI)  
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**Schreiben an Mr Cordero\_Ms Gregory\_P3.pdf**

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FEDERAL MARITIME COMM

Friday, November 22, 2013

Mountaire Farms Inc.  
Michael S. Little  
37 Railroad Ave.  
Selbyville, DE 19975

Karen V. Gregory  
Secretary, Federal Maritime Commission  
800 North Capitol Street, NW  
Washington, DC 20573

RE: FMC accepting public comments on P3

Secretary Karen V. Gregory:

In response to your public call for comment on the proposed P3 Vessel Sharing Agreement, I would like to share my support for the development and implementation of the proposed P3 Network.

As a shipper of poultry moving hundreds of FFE per year, I certainly appreciate the opportunity to comment.

I see the P3 as potentially positive for my company and the container shipping industry overall because it provides:

- Enhanced ocean services including greater port coverage
- Increased overall stability in the market
- Service stability
- Consistent and competitive transit times
- Increased number of weekly sailings

I support P3 as a positive step for the industry and my business.

Thank you,

A handwritten signature in black ink, appearing to read "Michael S. Little". The signature is written in a cursive style with a large, sweeping flourish at the end.

Michael S. Little  
Director of Sales - Export

Mountaire Farms Inc.  
P.O. Box 710, Selbyville, Delaware 19975-0710  
(302) 988-6289; (800) 441-8263  
Fax: (302) 436-9456, Email: [mlittle@mountaire.com](mailto:mlittle@mountaire.com)



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2013 DEC 17 PM 12:55  
OFFICE OF THE SECRETARY  
FEDERAL MARITIME COMM

November 26, 2013

Karen V. Gregory  
Secretary, Federal Maritime Commission  
800 North Capitol Street, NW  
Washington, DC 20573

RE: FMC accepting public comments on P3

Secretary Karen V. Gregory:

In response to your public call for comment on the proposed P3 Vessel Sharing Agreement, we share our support for the development and implementation of the proposed P3 Network.

As a supplier of logistical services for both import and export refrigerated cargoes and moving thousands of FFE per year, we certainly appreciate the opportunity to comment.

We see the P3 as potentially positive for MTC Logistics and the container shipping industry overall because it provides:

- Enhanced ocean services including greater port coverage
- Increased overall stability in the marketplace
- Service stability
- Consistent and competitive transit times
- Increased number of weekly sailings

We support P3 as a positive step for the industry and our business. Thank you.

Sincerely,

F. Brooks Royster, III  
President

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AMY PORTER  
Chief of Staff

THOMAS RY BERT  
Staff Director

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JASON B. TERNBAUM  
Democracy Staff Director

December 19, 2013

The Honorable Mario Cordero  
Chairman  
Federal Maritime Commission  
800 North Capitol Street, N.W.  
Washington, D.C. 20573

Dear Chairman Cordero:

Thank you for your responsiveness to the December 4, 2013 letter from Senator Mazie Hirono, four of my colleagues in the House of Representatives, and me concerning the proposed P3 Alliance between the largest shipping companies in the world – Maersk, MSC, and CMA-CGM. As mentioned, the proposed alliance is a serious concern, particularly to the Asia Pacific region and our congressional districts and constituencies in the Pacific states and territories, where our lives and welfare depend on effective and efficient shipping.

I appreciate the fact that you responded to our request to extend the deadline for comments and the period for consideration before a final decision is made, particularly as I felt that the first deadline may have unintentionally limited full engagement falling, as it did, during the holidays. In fact, I am still concerned that the most recent comment period, scheduled to expire on December 27, does not provide optimum time for concerned parties to provide comments, nor to consider the potential and lasting consequences that may arise with such an alliance.

I am taken by the fact that there may even be interested and important parties whose expertise and counsel would be necessary to hear but who are concerned about commenting, as these three large shipping companies carry significant weight and influence in their operations. Indeed, it is difficult to raise concerns or offer a contrary position if one or more of these major cargo carriers happens to be a client or otherwise influences a business' welfare. For these reasons, I believe careful consideration must be given this matter, and the process must be conducted in a way that facilitates and encourages comment, and perhaps even invite open hearings by the Federal Maritime Commission or Congress. Unfortunately, I do not believe these can be accomplished between now and December 27, again with the comment period falling during the holidays and at a time when Congress is set to recess.

Trade publications have indicated that industry groups, including shippers and unions are expressing concerns about the P3 Alliance. According to the Asia Shippers' Council, the Alliance will be too big. "With 255 vessels totaling 2.5 million TEU, the P3 will be dominant in the east-west trade," representing "forty-two percent of the Asia-Europe trade, 50 percent of the Asia-Mediterranean trade, and 24 percent on the transpacific trade." According to John Y. Lu of the Asia Shippers' Council, "Such concentration of capacity is untenable. We fear for the worst should the regulatory authorities give its approval."

Along with the Asia Shippers' Council, the National Industrial Transportation League, the largest shipper group in the U.S., has "expressed concern about the potential for competitive impact due to the size and operational scope of this vessel-sharing agreement," emphasizing that, "with its global reach and relatively large market shares resulting from the combined operations of the three carriers, the P3 Agreement represents a new level of cooperative behavior among competitors. Moreover, the creation of a 'Network Center' to coordinate and manage a large range of operational aspects of the P3 Agreement is unprecedented."

According to the League, the "P3 Agreement clearly is designed to permit future agreements between the carriers on a wide variety of matters that have the strong potential to impact competition and the rates and services provided to shippers. These matters include, by way of example, vessel capacity; ports to be called, port rotation, itineraries, service speed, and all other aspects of the structure and scheduling of the services; rules governing the time and place of phasing-in and phasing-out of tonnage; and vessel utilization thresholds; among many other issues." The League has also cited the need to fully examine the impact the Network Center that would be created by the Alliance.

Along with the League and Asia Shippers Council, Global Shippers' Forum (GSF), is also asking for "careful scrutiny," highlighting concerns about the Network Center. According to media reports, GSF Secretary General Chris Welsh said, "Our initial assessment raises concerns about how the P3 partners can compete because of the 'commonality of costs,' which gives strong grounds for assuming common pricing. The more the costs are common, the greater the need for the P3 partners to demonstrate how they are going to compete on price. The key question is: are the P3 carriers able to demonstrate that the items that they refer to in the FMC filing — sales and marketing, EDI, back office, paperwork and customs — sufficiently significant to allow competitive pricing?"

Concerns have also arisen that the P3 Alliance will "accelerate the demise of smaller players." This is of great concern to states, territories, and congressional districts in the Pacific. According to the ASC, "With fewer service providers, we can only imagine what effect this will have on freight rates and service levels." According to the ASC, if competitors attempt to match P3 by ordering bigger ships and expanding their fleets, "it would worsen the supply-demand imbalance, with all the negative implications. Rather than bring stability, we fear P3 will bring about more price wars and rates volatility."

You can understand, Chairman Cordero, that these issues must be carefully measured and considered. Likewise, sufficient time and transparency must be given this process. In these last few weeks, as this issue has been raised with my colleagues, it has been apparent that key congressional leaders are not aware of what is taking place. This concerns me. The P3 Alliance is the most significant combination of horizontal market power on liner shipping markets since the Transatlantic Conference Agreement, which was outlawed in Europe 10 years ago. The Alliance will have an immediate and significant impact on shippers and stevedoring markets, given that P3 members each have financial interests in terminal operations and they have agreed that their collective terminal choices will be determined in part by these interests.

There will be an effect on choice, the frequency of services and number of stops for shippers; the financial viability of independent terminals; the terminals and prices available to competing shipping lines; and, in the long run, on competition for new terminal concessions. It is possible that customers will experience a reduction in service frequency and calls. P3's terminal choices will be driven in part by financial interests which could have a deleterious effect, as Alliance members steer volume to family terminals, undermining other container terminals that must operate on high fixed costs and can ill afford any loss of volume. A consequent reduction in the number of independent terminals will further reduce choice for shipping lines and shippers and may oblige them to use terminals controlled by the P3 Alliance.

It is also possible that channeling Alliance volume to family terminals will, in turn, increase the market power of those family terminals. That market power could be leveraged to obtain additional volumes from non-P3 shipping lines currently served by independent terminals. Having an assured volume will give the family

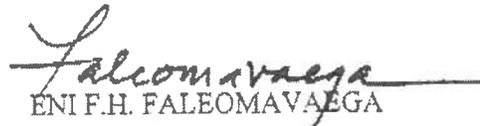
terminals a cost advantage over independent terminals that could be used to attract third party business. Independent terminals, facing a loss of volumes from the P3 Alliance would need to recover their costs over a smaller base of consumers, resulting in higher charges to other, smaller shipping lines.

The scale advantages of the Alliance and its ability to negotiate deep discounts from ports and terminal operators may force other container lines to form similar alliances to compete. This could drive further consolidation amongst shipping lines. There are several reports in the press of further consolidation of the shipping industry. For example, G6 and the Green Alliance could expand their membership further. Ultimately, there is the possibility of having only two or three main alliances sharing the bulk of worldwide volumes. If regulators accept P3 today, would they also allow P3 to become P4, P5 or P6? How can regulators prevent the creation of a duopoly or collusive oligopoly on liner shipping, with a long-term increase in prices for shippers?

Chairman Cordero, the creation of the P3 Alliance marks a significant change in the structure of the container shipping market and will have profound consequences for shippers, terminal operators and port authorities. Shippers will see a reduction of choice and frequency of service, with significant doubt as to whether they will benefit from the efficiency savings through lower prices. The Alliance members will be able to leverage their market power as shipping lines into their terminal operations, weakening independent terminals, which in turn will put pressure on smaller, competing shipping lines. The long run consequence could be significantly increased concentration amongst shipping lines and terminal operators. For these reasons, I request that the FMC proceed carefully, cautiously, openly, and with sufficient time and input to examine in detail the short-term effects on shippers and terminal operators and the long-term consequences for the whole industry before allowing the Alliance to proceed.

I ask that this letter be included and printed per the Federal Register request for public comment and review.

Sincerely,



ENI F.H. FALEOMAVAEGA

Ranking Member

Subcommittee on Asia and the Pacific