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SUBCOMMITTEE ON SOCIAL SECURITY

SUBCOMMITTEE ON
SELECT REVENUE MEASURES

JOINT ECONOMIC COMMITTEE

September 24, 2003

Bryant L. VanBrakle
Secretary
Federal Maritime Commission
800 North Capitol Street, NW
Washington, DC 20573-0001

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FEDERAL MARITIME COMMISSION

Dear Commissioners:

I am writing to express my support for the United Parcel Service's (UPS) Petition No. P3-03, which is currently pending before the Federal Maritime Commission (FMC). Based on the company's operational characteristics and changes within the ocean shipping marketplace, UPS should be exempted **from** the prohibition on Non-Vessel Operating Common Carriers (NVOCCs) from entering into confidential contracts with their customers. Further, approval of UPS's petition will acknowledge the need to update the antiquated regulatory scheme governing NVOCCs.

During consideration of the *Ocean Shipping Reform Act* (OSRA) revisions of 1998, Congress carefully reviewed all aspects of the ocean shipping industry, including the role of NVOCCs. At that time, most NVOCCs were small enterprises that neither owned ocean vessels nor the cargo being delivered. Due to the unique nature of their operations, Congress determined that NVOCCs required greater regulation in order to protect shippers and to guarantee liability coverage. Thus, a published tariff system was established to be used by NVOCCs when dealing with their customers.

The state of the U.S. ocean shipping industry has changed dramatically since passage of OSRA. There has been unprecedented consolidation among ocean carriers resulting in the loss of major U.S. flagged carriers. In an effort to offer customers a full range of services, these very same carriers have created vertically integrated logistics companies that now compete with NVOCCs.

UPS operates the most sophisticated, integrated, intermodal transportation network in the world, including air, rail and surface and NVOCC transportation, and is deemed a "carrier" in the surface and air freight industries. Furthermore, UPS makes significant annual capital investments to its' asset-based transportation infrastructure. These facts alone set UPS apart from the companies that first raised concerns about the regulatory status of NVOCCs.

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The UPS petition, citing the recent evolution of the ocean shipping marketplace, is precisely the reason Congress granted such broad exemption authority to the FMC. While anticipating dramatic changes in the ocean shipping industry with the passage of OSRA, Congress did not contemplate how fast or how smoothly the market could adapt to these changes. By granting this petition, the FMC will acknowledge these changes, level the playing field between NVOCCs and vessel operators, and ultimately benefit ocean shipping consumers around the world.

I am hopeful the FMC will give the UPS petition its' utmost consideration and render an equitable decision based upon the merits of the UPS case.

Sincerely,

A handwritten signature in black ink that reads "Paul Ryan". The signature is written in a cursive style with a long, sweeping tail that extends to the right.

Paul Ryan
Member of Congress