

LARRY E. CRAIG
IDAHO

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(202) 224-2752
FAX (202) 228-1067
TTY (202) 224-9377

United States Senate

WASHINGTON, DC 20510-1203

September 22, 2003

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

Dear Commissioners:

It is my understanding that UPS has filed for an exemption from the prohibition on Non-Vessel Operating Common Carriers (NVOCCs) from entering into confidential contracts with their customers. Due to the operational characteristics of UPS and recent developments within the ocean shipping marketplace, the antiquated scheme governing NVOCCs should be revised. I write in support of the UPS petition currently pending before the Commission.

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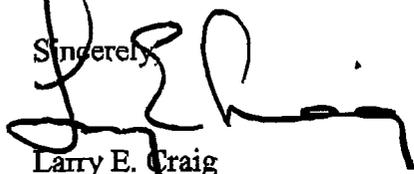
During consideration of the Ocean Shipping Reform Act (OSRA) revisions of 1998, Congress carefully considered all aspects of the ocean shipping industry including the role of NVOCCs. Based on the nature of ocean shipping at the time, Congress determined that NVOCCs should be regulated differently from vessel operators. In that late 1990's, most NVOCCs were small enterprises that neither owned ocean vessels nor the cargo being shipped. To protect shippers and to guarantee liability coverage, Congress determined that NVOCCs should operate under a published tariff system when dealing with their customers.

However, 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 same carriers have created vertically integrated logistics companies that now compete with NVOCCs.

UPS operates a transportation network that includes air, rail, surface and NVOCC transportation, and is deemed a "carrier" in the surface and air freight industries. The UPS petition sets out the kind of circumstances that Congress had in mind when it granted 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.

In this light, it is my hope that the Commission will give the UPS petition careful consideration and render an equitable decision on this matter based upon the merits of the case.

Sincerely,



Larry E. Craig
United States Senator

ROOM 149
304 NORTH 8TH STREET
BOISE, ID 83702
(208) 342-7985

HARBOR PLAZA
610 HUBBARD, SUITE 121
COEUR D'ALENE, ID 93914
(208) 667-6130

846 MAIN STREET
LEWISTON, ID 83501
(208) 743-0792

ROOM 193
801 EAST SHERMAN STREET
POCATSELLO, ID 93201
(208) 236-6817

1232 ADDISON AVENUE EAST
TWIN FALLS, ID 83301
(208) 734-6780

SUITE 101
490 MEMORIAL DRIVE
IDAHO FALLS, ID 83402
(208) 523-5541



UNITED STATES SENATOR . IDAHO

LARRY E. CRAIG



FAX TO: Secretary Bryant VanBrakle

OFFICE: Federal Maritime Commission

FAX #: 202.523.0014

PHONE:

PAGE 1 OF: 2

FROM: Travis Jones - Legislative Assistant

SUBJECT: Letter to Federal Maritime Commission regarding TJPS and NVOCCs.

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 SECRETARY

United States Senate
 Washington, DC 20510-1203
 202/224-2752

1292 Addison Avenue East
 Twin Falls, ID 83301
 2081734.6780

304 North 8th Street, Room 149
 Boise, ID 83702
 208/342-7985

103 North 4th Street
 Coeur d'Alene, ID 83814
 208/667-6130

846 Main Street
 Lewiston, ID 83501
 208/743-0792

801 Sherman Street, Rm 193
 Pocatello, ID 83201
 208/236-6817

490 Memorial Drive, Suite 101
 Idaho Falls, ID 83402
 208/523-5541