

# United States Senate

WASHINGTON, DC 20510

October 6, 2003

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FEDERAL MARITIME COMM

Mr. Bryant L. VanBrakle  
Secretary  
Federal Maritime Commission  
800 North Capitol Street, N. W.  
Washington, D.C. 20573

RE: Petition P3-03

Dear Mr. VanBrakle:

It is our understanding that United Parcel Service (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 recent developments within the ocean-shipping marketplace, the regulatory scheme governing NVOCCs should perhaps be revisited.

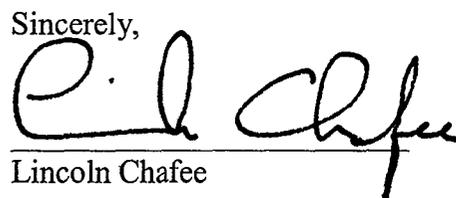
During consideration of the Ocean Shipping Reform Act (OSRA) revisions of 1998, Congress examined all aspects of the ocean shipping industry and determined that NVOCCs should be regulated differently than vessel operators. In the late 1990s, most NVOCCs were small enterprises that owned neither ocean vessels nor the cargo being shipped. In order 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. We understand there has been 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, many carriers have apparently created companies that now compete with NVOCCs.

UPS strongly believes that the existing regulatory scheme governing NVOCCs should be revisited due to the operational characteristics of UPS and the dramatic recent changes within the ocean-shipping marketplace. We are particularly concerned that the NVOCC industry, comprised primarily of U.S. based companies, may not be able to compete fairly with foreign flagged vessel operators

It is our hope that the FMC will give the UPS petition careful consideration based upon the merits of the UPS case and consistent with all other existing regulations. Thank you for your attention to this matter.

  
Jack Reed

Sincerely,  
  
Lincoln Chafee