

OCEANO SHIPPING CO., INC.

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Honorary Bryant L. Van Brakle
Secretary
Federal Maritime Commission
800 North Capitol Street N.W.
Washington, D.C. 20573

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FEDERAL MARITIME COMMISSION

RE: Petition of National Customs Brokers and Forwarders &
Association of America, Inc. for a Limited Exemption From
Certain Tariff Requirements of the Shipping Act of 1984
Petition No. P5-03

Petition of BAX Global Inc. to Request Authorization for NVOCCs
to Enter into Service Contracts
Petition No. P8-03

Dear Secretary Van Brakle:

I am Gary Klestadt, president of Oceano Shipping Co., Inc.

Oceano Shipping Co., Inc., license no. 000477N, is an NVOCC whose only office is located at the address indicated above. We work with approximately 40 agents located in almost as many countries

We wish to support the Petition No. P5-03 based on our experience as follows:

Expenses of Tariff Filing

The initial cost of having our tariff published online was nominal; approximately \$500. We pay a monthly maintenance charge of \$89.00 plus \$15.00 per rate filed. Since this requirement went into effect, our average annual expense for tariff filing and maintenance has been about \$2500.00. In any given year, this is about one percent of our annual expenses.

Tariff Filing is Time Consuming

Rate filing itself is a simple process, taking maybe 5 minutes per rate, and little more than an hour in any given week. The time consuming part of tariff filing is keeping up with changes in rates and, in particular, surcharges among 10 or more carriers operating in five different trade lanes to ensure that our filed rates remain compensatory, if not competitive. We probably spend 4 to 6 hours every week contacting carriers for this purpose alone. While carriers do frequently announce such changes in trade publications, these announcements are easy to miss, not always timely, and often reflect carrier's intentions, rather than what is actually implemented, particularly with respect to service contracts.

The Present Tariff Filing Requirements for NVOCC's are Not Sufficiently Flexible

The vast majority of shipments we handle are full container loads and the rates we pay are, for the most part, are obtained through service contracts with carriers (some signed directly, others accessed through shipper association membership). As a result, while we are bound by a 30 day prior notice provision for rate increases, our underlying carriers are not. We therefore frequently find ourselves in a position where (in spite of our best efforts), there is a gap between the date the carrier's rate increase becomes effective and the date ours does. This gap can be as much as a week. Several times a year, we find ourselves choosing between turning away business or accepting it at a (sometimes significant) loss. Conversely, the present system also prevents us from (easily) correcting a situation where a customer has been overcharged due to a rate that was filed incorrectly or was, inadvertently, not filed.

Our Rate Tariff is Irrelevant

Since we began publishing our tariff on the internet (almost 5 years ago), nobody has ever accessed our tariff electronically. We can verify this since anyone wishing to access our online tariff would have to contact us for assignment of a user name and password. This has never happened, and to the best of my knowledge, nobody has ever contacted us by phone or otherwise to specifically check a tariff rate.

The rates published in our tariff are the result of individual negotiations with shippers based purely on market conditions, service requirements, and, of course, our costs. Rates already on file have never entered into these negotiations (we do not even use them for an internal pricing guideline). Even for "commodities" (steel coils, paper, etc.), service requirements (origin, equipment, transit time, etc.) differ sufficiently that two shippers rarely pay the same rate.

Another reason shippers do not check on line tariffs is that, based on my own experience with online tariffs posted by steamship lines, it can be quite complicated and not a little slow. It seems that on some systems, without knowing exactly how a commodity is described in the tariff, determining that a rate even exists can be difficult, if not impossible.

Summary

We would not file this petition if rate filing cost us only \$2500.00 per year. While not an insignificant amount of money, it is nonetheless a small expense when amortized over one year's worth of shipments. The true cost is reflected by intangibles: time spent and opportunities lost. While it is virtually impossible to place a dollar value on lost opportunities, we would conservatively estimate the cost of time spent (including lost productivity) at \$400 to \$500 per week or over \$20,000 per year. This is a steep price to pay for something no one ever seems to use. Seemingly, the only beneficiary of our continued rate filing is our tariff publishing company.

Should tariff filing be eliminated, our customers will certainly realize some savings due to our decreased costs. More significantly, however, they will benefit from our ability to be far more agile with respect to adjusting our pricing to meet their specific service requirements.

Service Contracts – Petition P8-03

As mentioned earlier, we obtain our full container rates via service contracts with carriers. While our volume commitments under these contracts are firm and binding, those made by our customers (and on which we base our contract commitments) are not. Therefore, in order to avoid any volume shortfall and the associated liquidated damages, our contract volume commitments tend to be very conservative, often as much as 50 percent less than we actually expect to ship. Since contract rate levels are tied to volume commitment, we, and in turn our customers pay higher rates. Having the ability to obtain binding

commitments from customers would enable us to sign for larger volumes, obtain lower rates, and offer lower rates to all of our customers.

Although we support the idea of NVOCCs being able to enter into service contracts with their clients, we are deeply concerned about the petition submitted by BAX Global Inc. Under their proposal, only they and perhaps one or two of the largest transportation companies (not necessarily NVOCCs) would qualify. We believe the advantage gained by this small group would be anti-competitive, placing the rest of the industry at a serious disadvantage.

I, Gary Klestadt declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Executed on September 30, 2003.

OCEANO SHIPPING CO. INC.


Gary Klestadt