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CHAIRMAN, FEDERAL MARITIME COMMISSION

BEFORE THE
UNITED STATES SENATE
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

May 6, 2015

Chairman Thune, Ranking Member Nelson, and Members of the Committee, it is a pleasure and an honor to be here today to discuss my nomination for a second term as Commissioner of the Federal Maritime Commission. Having served nearly four years at the Commission, I appreciate the Committee considering my reappointment to continue leading the Federal Maritime Commission – a small independent agency with large global responsibilities.

I want to acknowledge my fellow Commissioners, Rebecca Dye, Richard Lidinsky, Michael Khouri, and William Doyle. As Chairman, I have the administrative responsibility to keep our agency headed in the right direction, but the full Commission, as a collegial body, is the engine that propels it forward. In that respect, the advice, support, and committed participation of my fellow Commissioners has been key to the FMC's success. Also, let me express to the Commission staff my deep admiration for each of them and the work they do, day in and day out. The FMC does excellent work and will continue to do so, despite federal workplace challenges. Recognizing the importance of working in a positive atmosphere, facing these challenges has been my priority for the FMC since I joined the Commission in June 2011. By taking substantive steps to address employee engagement, I will continue to build on the FMC's organizational strengths.

I referred to the Commission as a small agency with large global responsibilities, and so it is. The FMC has 119 employees and operates on a very lean budget. The FMC's work includes monitoring more than 300 active liner shipping agreements in the trans-Pacific, Latin American, trans-Atlantic, and other U.S. trades; vetting and licensing thousands of ocean transportation intermediaries; enforcing the prohibited act provisions of the Shipping Act; providing mediation services and assistance with cargo shipment problems and cruise passenger issues; and overseeing the activities and impacts of government-controlled foreign carriers and foreign shipping laws and practices.

Those activities advance two strategic goals: to maintain an efficient and competitive international ocean transportation system in U.S. trades; and to protect the U.S. shipping public – American exporters, importers, consumers, and producers – from unlawful, unfair, and deceptive ocean transportation practices. In effect, the FMC exercises a role similar to that of the Federal Trade Commission but in the international liner shipping arena, and I am pleased to report that we have the in-depth expertise to accomplish those goals.

Ultimately, the Commission works to protect American importers, exporters, and consumers. Our Bureau of Trade Analysis is responsible for monitoring agreements among some of the world's largest vessel operators to ensure that carriers do not abuse the limited antitrust immunity that they receive pursuant to the Shipping Act. I will add that our Bureau of Enforcement does have a no-nonsense reputation in dealing with unlawful, unfair, and deceptive practices. Also, our Bureau of Certification and Licensing ensures that ocean transportation intermediaries have the experience needed to handle international shipments competently and that they maintain the required financial responsibility to protect U.S. consumers of their services.

The importance of the Commission's regulatory role is imperfectly measured by the number of agreements we review and monitor, the number of transportation intermediaries we vet, the number of enforcement actions we take, and the number of American shippers we assist each day. Its impact is large but mainly unseen by the American consumer and shipper. Last year, roughly 11.9 million twenty-foot equivalent units (TEUs) of U.S. exports and 19.2 million TEUS of imports transited U.S. ports, a large portion going to or coming from Asia but with considerable volumes moving to and from Europe and Latin America as well. The Commission's efforts to ensure a fair, efficient, and competitive liner shipping system is felt in the family budgets and overseas trade opportunities of all Americans and many American industries.

Last week, a trade journal attributed an interesting comment to the chairman of a major European shippers' organization. In discussing changes taking place in the liner shipping industry, he reportedly "expressed regret that the European Commission did not have the same resources as the FMC to devote to the oversight of the ocean shipping industry." That is a sentiment I understand and appreciate. On the same journal's annual list of the most influential people in container shipping, the Commission was ranked as number ten as we continue to keep a close eye when considering the interests of the U.S. public during a period of consolidation in the container shipping trades.

The liner shipping industry is currently involved in a dynamic series of major changes – occasionally bordering on the chaotic – as it adjusts to the financially challenging market situation that has existed for the past several years and is likely to continue for several more. Not just in U.S. trades, but globally. Following the world-wide recession of late 2008 through 2009, the growth in international trade has been slower than the on-going expansion of liner fleets. Carriers' revenues have been negatively affected. To reduce costs and enhance efficiencies, carriers are ordering larger, fuel-efficient vessels that can provide economies of scale and lower fuel costs. The expense and risk of investing in and operating these huge vessels, coupled with the lines' expansive service networks, could easily have led to significant merger and acquisition activity – and, thereby, resulted in greater market concentration. That has not happened. Instead the lines established cost-reducing, multi-carrier, operational agreements, informally known as "alliances," that preserve the member lines' independent marketing and pricing. Significantly, such market concentration did not occur as these agreements were required to be filed, reviewed, and monitored by the Commission in order to operate.

In addition, many lines cut costs by exiting unprofitable, non-core businesses. In particular, they have largely divested their truck chassis assets – the trailers used to carry ocean containers between seaports and inland distribution centers, warehouses and rail heads. What chassis ownership and provisioning to its customers will ultimately look like is still a work-in-progress.

Given China's slowing economic growth, the precarious financial situation in Europe, and the poor GDP growth forecasts for some of Latin America's largest economies, the lines are expected to continue to face market-driven revenue pressures – despite the reduction in their fuel costs from low oil prices. In short, incentives for alliances to intensify their operational cooperation – and concerns about the competitive consequences – are unlikely to diminish soon.

The Commission has had, and will continue to have, multiple roles with respect to these on-going industry changes. We evaluate the potential effects of the new, large, multi-carrier alliances and closely monitor their competitive behavior once they take effect so that the Commission can react early to adverse changes if necessary.

We also oversee agreements under which various stakeholder organizations work out ways to ensure that enough chassis are available at U.S. ports when and where they are needed, and discuss other steps to help reduce marine terminal congestion. FMC staff also works with shippers, truckers, and other affected parties to help them address issues related to shipment delays and associated charges which result in increased and/or unforeseen costs.

As you may be aware, congestion at U.S. ports has increased significantly which negatively impacts our import and export communities. The Commission has been involved in pro-active outreach efforts to reduce the likelihood of future port-related congestion. We are working with our nation's ports, shippers, trucking companies, and carriers to identify likely problem issues and encourage cooperative efforts among those stakeholders to mitigate or correct them. In light of the challenges related to alliances, the Commission has engaged with its fellow global regulators, the European Commission and the Chinese Ministry of Transportation, to exchange views on the global liner industry. That outreach process began with the Global Regulatory Summit in December 2013. A second discussion is being planned for this summer.

If confirmed, I look forward to working with the Committee to ensure that our nation benefits from a fair, efficient and competitive ocean transportation system.

Thank you for your consideration. I will be happy to answer any questions you may have.