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BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON COAST GUARD AND
MARITIME TRANSPORTATION
UNITED STATES HOUSE OF REPRESENTATIVES

March 7, 2012

Mr. Chairman and members of the Subcommittee, thank you for this opportunity to present the President's Fiscal Year 2013 budget for the Federal Maritime Commission.

The President's budget for the Federal Maritime Commission ("the Commission" or "FMC") provides $26,000,000 for Fiscal Year 2013. This represents an increase of $1,900,000 over the enacted Fiscal Year 2012 appropriation and funds 131.6 full-time equivalent employees. It is $265,000 less than requested in the President's budget for Fiscal Year 2012.

Our Fiscal Year 2013 budget request contains $18,940,000 for salaries and benefits to support the Commission's programs. This figure includes funds for all salaries and benefits for the 132 positions expected to be on board at the end of fiscal year 2012 and includes a January 2013 pay increase of 0.5%.

Official travel has been reduced to $230,000. This funding level is $10,000 below the Commission's 2012 funding level and represents a 20% reduction below the Commission's 2010 travel expenses. The ability of our staff to travel to meet with the international industry we regulate and our foreign government counterparts remains an essential part of our effort to provide better service to the ocean transportation industry and to accomplish our oversight duties more effectively.

Administrative expenses to be funded in Fiscal Year 2013 support our customary business expenses, such as for rent, security, telephones, litigation, postage, commercial and government contracts, and supplies and are increased $828,000 from the enacted Fiscal Year 2012 funding level. This includes modest increases for telephones and mobile data services, postage, and supplies, and an increase of $35,000 for printing of documents, including mandatory printing of Commission documents in the Federal Register. It also includes an increase of approximately $100,000 associated with a new GSA lease for office space effective in October 2012. The remaining $650,000 increase is for government and commercial contracts, including the costs of facilities and data security, funding to establish and maintain disaster recovery for IT systems through sharing with another agency's data center, and technology investments to improve efficiencies and maintain mission-critical computer applications. The Commission is working on improved technology to efficiently disseminate public information by providing web-based and social media-based accessibility to enhance Commission services and facilitate public interaction while adding greater efficiencies to internal business processes.

In summary, the Commission's budget represents spending levels necessary to conduct the Commission's basic day-to-day operations and to meet the responsibilities Congress has entrusted to this agency. The Commission will continue its efforts to use its limited resources wisely.

STATE OF THE U.S. TRADES

Since 1916, the Commission and its predecessor agencies have effectively administered Congress's directives for oversight of the liner shipping industry. During its fifty years as an independent agency, the Commission has cultivated a regulatory system that protects competition, commerce, and U.S. exporters and importers while minimizing government intervention and regulatory costs. I would like to give a brief overview of the state of major U.S. trades and then identify some significant current events.

In my testimony to the Committee last year, I reported that from late 2008 to late 2009 the international container shipping industry endured its worst year in its 45-year history, but that in 2010 we saw an almost equally astonishing recovery. In 2011, the industry continued its recovery, but at a slower pace.

Total U.S. container volumes in 2011 expanded by 4 percent to reach 29.5 million twenty-foot equivalent units ("TEUs"), compared to 28.3 million TEUs in 2010. The total volume of U.S. liner exports increased by 6 percent, a bit less than the 8 percent expansion in 2010. But this increase meant that 2011 was a record year for volume of U.S. containerized exports, which surpassed their previous high in 2008 by more than 3 percent. The growth in the total volume of liner imports to the U.S. slowed considerably, increasing by 3 percent in 2011 after a 13 percent increase in 2010. After impressive gains in 2010, modest growth in 2011 left total U.S. container volumes at 1% below their 2007 pre-recession peak.

For ocean carriers, 2010's strong recovery was followed by a disappointing 2011. Vessel capacity growth outstripped relatively weak demand growth. Normally, the peak season for container imports lasts from July through October, as retailers stock up for the Christmas season. But economic softening in mid-2011 meant that last year's import peak season was almost non-existent. Disappointing import demand and weak shipping rates led several carriers in the Transpacific trade to suspend some services during the slack winter months or leave a market entirely. In late 2011 the number of idled containerships worldwide roughly doubled to 246, or 4 percent of global containership fleet capacity. (By contrast, in December 2009, when the worst of the global recession was being felt, over 570 ships were laid up, accounting for almost 12 percent of worldwide containership fleet capacity.)

So far in 2012, carriers' financial outlook remains uncertain, as rates thus far have remained low by historical standards, even in the export market that has shown continued growth. We received isolated reports of container shortages surrounding the Chinese New Year holiday in late January, but otherwise shipping capacity has met or exceeded demand. Ocean carriers in the Transpacific announced they are seeking rate increases in March and May, but it is unclear whether or to what degree rates may rise in the coming months.

Despite a relatively difficult operating environment, liner shipping companies continue to order new vessels. Today, carriers have orders for 621 new containerships worldwide, with an aggregate capacity of 4 million TEUs, equivalent to 28 percent of existing worldwide capacity. Almost all of these vessels are scheduled for delivery over the next three years. Approximately half of this new capacity will be delivered in the form of ultra-large containerships that are 10,000 TEU or larger in size.

Concentration among ocean carriers has increased, most likely as a result of the largest global carriers expanding their share of capacity as they receive delivery of ultra-large vessels ordered a few years earlier. At the end of 2011, the top 10 carriers accounted for 65 percent of the world's containership capacity, compared to approximately 61 percent at the end of 2010.

While still experiencing mainly positive growth, our nation's ports did not enjoy the robust expansion in cargo volumes they experienced in 2010. On the West Coast, Los Angeles increased container volumes by 1 percent, Oakland rose by less than 1 percent, and Tacoma increased by slightly more than 2 percent. Long Beach and Seattle each saw declines of about 3 percent. On the East Coast, the Port of New York-New Jersey increased 5 percent, Savannah rose by more than 3 percent, Jacksonville grew 3 percent, and Charleston and Hampton Roads each grew by just over 1 percent.

Transpacific Trades

In 2011, the Transpacific continued to be the largest of the U.S. liner trades, and China remained our leading overseas trading partner. Trade with nations in Asia continued to account for over half of U.S. containerized imports and exports.

Slower import growth caused the total Transpacific trade to grow more slowly in 2011 compared to 2010, increasing by less than 3 percent. In 2010, trade grew at a much faster clip of 12 percent. Container imports grew by less than 1 percent in 2011, compared to 14 percent in 2010. But container exports continued to grow by nearly 7 percent after a similar increase in 2010. Nevertheless, imports from Asia continue to dominate the Transpacific trade; for every container exported to Asia from the United States, just over two were imported.

Despite modest growth in 2011, Transpacific capacity increased by 14 percent in 2011. With shipping capacity outstripping shipping demand, shippers generally experienced little difficulty booking space on ships. In the larger inbound leg of the trade, average revenue per container fell about 9 percent during the year. Declining rates in the Transpacific, as well as in other major trade lanes, caused most carriers to incur significant losses in 2011. Although sizeable, the carriers' 2011 losses were not as severe as the ones they incurred in 2009.

The ten members of the outbound rate discussion agreement, the *Westbound Transpacific Stabilization Agreement* (WTSA), had a combined market share of around 64 percent. The fifteen members of the inbound rate discussion agreement, the *Transpacific Stabilization Agreement* (TSA), had a combined market share of 89 percent. Following problems with capacity and equipment shortages that U.S. shippers experienced in the Transpacific in 2010, the Commission increased its monitoring of these carrier agreements. In 2011, the Commission extended this heightened monitoring of the nation's largest trade lane through April 2012.

U.S.-North Europe Trades

In 2011, container cargo volume grew in each direction of the trade between the U.S. and North Europe. Compared to 2010, U.S. liner exports grew by 6 percent in 2011, and liner imports from North Europe grew by 12 percent.

Several service and agreement changes added vessel capacity to the trade. Compania Sud Americana de Vapores S. A. (CSAV) entered the trade by launching a weekly loop service with CMA CGM, and Orient Overseas Container Line Limited (OOCL) opted to charter space on the new service. Compania Chilena De Navegacion Interoceania, S. A. (CCNI) also entered the trade by forming a weekly loop service with Hamburg Sud. Hapag Lloyd resumed its suspended Atlantic Express Shuttle. Mediterranean Shipping Company (MSC) upgraded the size of its vessels in both of the service loops that it operates in the trade. By the end of the year, total annualized vessel capacity increased by about 9 percent, and the average utilization for the year was reported in the 80 percent range in both trade directions. With added capacity, freight rates weakened, especially in the outbound direction, and carriers were unable to obtain rate increases they had announced for the fourth quarter of 2011.

On other agreement matters, the *World Liner Data Agreement* (WLDA), a new carrier information exchange agreement, replaced and expanded the scope of the *Container Trade Statistics Agreement* (CTSA). WLDA provides for information exchange among its carrier members in all of the U.S. liner trades worldwide.

U.S.-Mediterranean Trades

Among Eurozone nations in South Europe, U.S. export growth was hampered by the financial turmoil and fears of another recession affecting the region. Overall, the volume of container exports to the Mediterranean declined slightly in 2011 compared to 2010. However, there was increased foreign demand for specific container exports. In particular, U.S. exports of cotton to the region rose due to production losses in other parts of the world. Much of the cotton was shipped to textile manufacturers in Turkey. Container imports from the Mediterranean grew by 12 percent.

A number of notable service and agreement changes occurred in 2011. MSC initiated a new weekly loop service between the U.S. Pacific Coast and South Europe with port calls in Panama. Maersk Line and Hapag Lloyd entered into an agreement to exchange vessel space on their services between the U.S. Atlantic/Gulf and South Europe. But Maersk Line also terminated the U.S. leg of its pendulum service between the U.S. Pacific Coast, Asia, and the Mediterranean, and removed vessel space from the trade.

U.S.-Oceania Trades

U.S. container exports to the Oceania region (Australia, New Zealand and the Pacific Islands) grew by 12 percent in 2011 compared to 2010. In the inbound trade, container imports fell by 3.5 percent. Overall, U.S. exports exceeded imports; for every container imported from the Oceania region, more than 1.7 containers were exported.

Carriers providing direct service in the trade are linked through a network of agreements. Two main rate discussion agreements cover the trade. In the outbound direction, six carriers with a combined market share of 78 percent participate in the *United States/Australasia Discussion Agreement* (USADA), and in the inbound direction, five carriers with a combined market share of 89 percent participate in the *Australia and New Zealand-United States Discussion Agreement* (ANZUSDA). A sizable portion of the trade is made up of carriers who provide service through transshipment arrangements. In addition, five carriers serving the Pacific Islands participate in the *Pacific Island Discussion Agreement*. The carriers that participate in these rate discussion agreements are also involved in a series of vessel sharing agreements.

Given this network of agreements, the Commission closely monitors the activities of the agreement carriers to ensure their compliance with the standards of the Shipping Act. However, positive developments have occurred in the trade. In 2011, the trade attracted a degree of new competition in direct service carriers with the entry of Pacific International Line and MSC.

U.S. – South America Trades

In the U.S. and South America trades, U.S. liner exports and imports increased by about 6 percent over the preceding calendar year. The trade continued to be relatively balanced in 2011, with one million TEUs moving southbound and over 800,000 TEUs moving northbound.

The region can be generally divided into two liner trade sectors: the west coast of South America and the east coast of South America. Carriers operating between the U.S. and east coast of South America do not participate in a broad-based rate discussion agreement. In the western sector, however, most of the major carriers that provide direct service are members of the *West Coast of South America Discussion Agreement* (WCSADA), a discussion agreement with voluntary rate authority. In 2011, CMA CGM, the world's third largest containership company, joined the agreement, while Maersk Line, the world's largest containership company, left it. As a result of those membership changes, the combined market share of WCSADA members fell in from 78 to 69 percent in the U.S. outbound direction and from 66 to 60 percent in the U.S. inbound direction.

COMMISSION ACTIVITIES

In the coming year, the Commission plans to continue its focus on what I believe is our top priority: assisting our economic recovery for job growth — both within our ocean transportation industry and among the exporting and importing businesses they serve. We are a small agency, but every one of our 130 employees knows that we are key stewards of our nation's international supply chain.

I believe that the two most important ways we can aid the economic recovery are: (1) working to ensure our maritime transportation system efficiently supports growing exports; and (2) providing maritime businesses regulatory relief so they and their customers can hire American workers. The Commission will also remain alert to foreign activities that harm the

U.S. maritime industry or their customers, and we will continue to protect the American importer, exporter, and consumer. I will also continue to look for opportunities, consistent with the Commission's regulatory authority, to work with all sectors of our maritime family to help them increase their efficiency and grow sustainably.

These priorities are consistent with the Commission's strategic plan and its mission of fostering a fair, efficient, and reliable international ocean transportation system while protecting the public from unfair and deceptive practices. The agency's strategic plan sets forth two goals: (1) to maintain an efficient and competitive international ocean transportation system; (2) to protect the public from unlawful, unfair, and deceptive ocean transportation practices and resolve shipping disputes. We recognize the need to accomplish these goals through high-performance leadership and efficient stewardship of resources. Each of the Commissioners understands the importance of the agency's objectives, and we will continue working in an efficient, cooperative, and bipartisan manner to accomplish them.

During the past year, the Commission has taken several important actions to accomplish these goals:

Supporting U.S. Exports and Economic Growth

Each of us at the Commission comes to work knowing that we play a vital role in the nation's push to increase exports. The vast majority of those exports will travel through a port and by ocean. U.S. exporters must have an efficient, reliable system to deliver their goods to market, and we are working closely with those exporters, the shipping industry, and this Committee to solve bottlenecks or inefficiencies that could hinder growth. Continued vigilance is important when 94 percent of the United States' ocean container trade travels on ships controlled by foreign carriers. Perhaps more often than they like, I remind these foreign ocean carriers that what they call mere "backhaul," we call exports that are crucial to this nation's recovery.

This past year, we watched closely for any signs of a repeat of the problems of 2010, when strong demand growth outstripped vessel and container supplies, causing U.S. exporters and importers to experience supply chain disruptions such as cancelled bookings, cargo rolled to the next sailing, and rapid increases in rates and surcharges. As I reported last year, those problems prompted the Commission to launch a fact-finding investigation into vessel capacity and container shortages, led by Commissioner Rebecca F. Dye. Following the fact-finding team's recommendations, the Commission formed Rapid Response Teams to help U.S. exporters and importers cut through red tape and find prompt solutions to disputes with carriers. And we increased oversight of the TSA and WTSA rate discussion agreements in the nation's largest trade lane by requiring verbatim transcripts of their meetings.

In January 2011 we increased our monitoring of global vessel alliances by requiring them to provide meeting minutes, monthly capacity data, and advanced notice of planned changes in capacity through the end of 2012. These reporting requirements are intended to help ensure that the global alliances are not used as an alternative means to constrain vessel capacity. Throughout 2011, we continued our vigilance and assistance as the previous year's shipping capacity shortages gave way to excess capacity and softening of rates by the summer. In the fourth quarter of 2011, ocean carriers responded to global oversupply by cutting back capacity more aggressively in the Transpacific than in other major world trades, and we extended our increased monitoring of the TSA and WTSA rate discussion agreements through April 2012. Though shipping capacity is currently sufficient, we will continue to watch closely for any signs of a recurrence of the shortages or disruptions we saw in 2010.

Despite abundant vessel capacity in 2011, our Office of Consumer Affairs and Dispute Resolution Services (CADRS) continued to assist shippers with a steady stream of issues. We received 438 cargo-related complaints in Fiscal Year 2011 that resulted in case openings for dispute resolution services. So far, feedback is that our Rapid Response Teams have been highly effective. I encourage parties to bring us their issues for resolution to avoid the cost and delays of litigation, so we can keep cargo moving.

In 2012, we will continue our efforts to assist U.S. exporters. Following requests from several agricultural exporters, our staff is currently exploring the concept of using our data on file to develop a container shipping rate index for a few targeted export commodities such as grains, cotton, hay, and frozen meat. Such indices could give exporters useful information to plan and hedge their transportation costs, which would allow them to make future export sales with less risk of shipping rate increases leaving them unprofitable. We look forward to hearing the views of industry and this Committee as we consider this idea. For small businesses that want to start exporting, as well as for individuals shipping personal goods, we are also developing a search tool on our website that will help them find a nearby licensed and bonded freight forwarder or non-vessel-operating common carrier (NVOCC).

In addition, the Commission has been closely following the ocean carriers' move out of the business of providing chassis to U.S. shippers, and has given the related agreement filings close review to ensure that the transition does not cause disruptions or anticompetitive harms for U.S. shippers. The Commission also continues to work with the U.S. Department of Agriculture and the International Trade Administration on projects aimed at better understanding and finding solutions to container shortages that plague U.S. exporters in rural areas.

Reducing Regulatory Burdens

The Commission has made regulatory relief and modernization a top priority. During the past year, we have taken several steps to reduce regulatory burdens and bring costs savings and flexibility to the shipping industry and customers they serve.

In February 2011, the Commission issued a final rule that relieved more than 3,500 licensed NVOCCs from the costs and burdens of publishing in tariffs the rates they charge for cargo shipments. Most NVOCCs are small businesses who could see significant savings from the exemption. Commission staff worked with NVOCCs to implement the new rule, and in December we issued a Notice of Inquiry seeking comments on ways to make the exemption more useful, including a possible extension of the exemption to include foreign unlicensed NVOCCs. The comment period for that Notice of Inquiry runs until March 26th.

The Commission has also been working hard on a project to reduce burdens on parties with administrative cases by modernizing the Commission's procedural rules to make them more clear and efficient. In February 2011, the Commission issued a rule that reduced filing burdens on parties and clarified its procedures for informal small claims proceedings. Last month, the Commission issued a proposed rule to streamline and update its procedures for pleadings, motions, and discovery in administrative cases. The comment period runs until April 30th, and we hope to finalize the rule shortly afterwards.

During the same period, the Commission amended its rules to give shippers and carriers flexibility and certainty if they want to enter into contracts with rates that adjust based on an index. The Commission began seeing these contracts in the Spring of 2011, and some in the industry began engaging in derivative transactions based on containerized freight indices. In response, the Commission launched a Container Freight Index and Derivatives Working Group that studied how index-based contracts and derivatives impact the ocean transportation industry and comport with Commission statutes and regulations. Following recommendations by the Working Group, the Commission issued a proposed rule in October 2011. After a comment period, last week we issued the final rule clarifying that the Commission allows service contracts with rates that adjust based on container frieght rate indices.

Foreign Shipping Practices

The Commission continues to address restrictive or unfair foreign shipping practices under Section 19 of the Merchant Marine Act, 1920; the Foreign Shipping Practices Act of 1988 (FSPA); and the Controlled Carrier Act of 1978. Section 19 empowers the Commission to make rules and regulations to address conditions unfavorable to shipping in our foreign trades; FSPA allows the Commission to address adverse conditions affecting U.S. carriers in our foreign trades that do not exist for foreign carriers in the United States. Under the Controlled Carrier Act, the Commission can review the rates of foreign government-controlled carriers to ensure that they are not below a level that is just and reasonable. The Commission is carefully monitoring these state-owned carriers to ensure that U.S. trades remain substantially free of unfair trading practices of foreign governments.

The Commission's most significant action in this area was last month's release by our Bureau of Trade Analysis of its *Study of the 2008 Repeal of the Liner Conference Exemption from European Union Competition Law.* The primary issue addressed in the multi-year Study was: What negative impact, if any, might Europe's repeal of the liner conference block exemption have on U.S. liner trades? The Study's primary finding is that through 2010, "The repeal of the block exemption does not appear to have resulted in any negative impact on U.S. liner trades." Rates "declined to the same degree in both U.S. and EU import trades," and "increased to a similar degree in both U.S. and EU export trades being compared." The Study also found that, following the EU repeal, rates in the Asia-Europe trade fluctuated slightly more than in the Transpacific. The Study recommended further review of trends following the 2006-2010 time period examined. I support that recommendation to look at 2011 and 2012, when market swings have been less extreme than those of 2009-2010. We will be happy to answer any questions the Committee may have about this Study. One decision we made early in the process is that, for the time being at least, objective facts and staff analysis would be more valuable to you than our policy opinions.

In November 2011, the Commission responded to requests from several West Coast Members of the House of Representatives and Senate by launching an inquiry into whether the Harbor Maintenance Tax and other factors may be causing U.S.-bound containerized cargo to be diverted from U.S. ports to Canadian or Mexican ports. The Commission solicited public comments and data, and has received 78 submissions on the issue as of last month. A team is currently working to gather additional data and information from industry and government sources, and we hope to be in a position to report back in late Spring or early Summer.

The Commission has also continued to work with our largest overseas trading partner, the People's Republic of China, to address potential obstacles to commerce between our nations. The Commission continued an ongoing dialogue in 2011 with key officials at the Shanghai Shipping Exchange and China's Ministry of Transportation. In April 2011, I met with Transport Minister Li Shenglin to discuss the interaction of our maritime regulations. In October 2011, the Commission hosted a delegation from the Shanghai Shipping Exchange led by President Zhang Ye. President Zhang provided the Commission and U.S. shipping community with assurances that the Shanghai Shipping Exchange would protect the confidentiality of sensitive rate information that must be filed with the Exchange. We agreed to share certain information to encourage compliance with licensing, bonding, and filing rules for NVOCCs and Freight Forwarders in both the China and the United States. The Commission also exchanged views with China's Ministry of Transport to address exchange rate and bonding issues for U.S. NVOCCs. Finally, the Commission's General Counsel was a member of the U.S. delegation hosting bilateral maritime discussions with Chinese officials in January 2012, where she discussed ways to ameliorate regulatory burdens U.S. NVOCCs encounter at Chinese ports. The Commission will continue to follow developments closely and work with our fellow U.S. Government agencies and major trading partners to ensure that no unreasonable conditions impair U.S. commerce.

Protecting American Consumers

The Commission's Mission includes service and protection for members of the public — including those who are not sophisticated shippers, but who may travel on cruise ships or deal with international shipping once or twice when they ship personal belongings.

After receiving and responding to more than 2,500 complaints between 2005 and 2009 from individuals experiencing problems shipping their personal household goods overseas, the Commission in 2010 launched a fact-finding investigation led by Commissioner Michael A. Khouri. In May 2011, the Commission voted to adopt the fact-finding team's final report and recommendations. The Commission is working to implement the report's recommendations to strengthen consumer education by enhancing website content, leveraging social media technology, enhancing local community outreach, increasing FMC visibility on the internet, and encouraging NVOCC and freight forwarder websites to provide links to FMC consumer information. The Commission is also working with the industry and consumers to develop best practices, model shipping forms, update Commission licensing requirements for household goods shippers, and promote alternative dispute resolution services.

Commissioner Khouri's team recommendations led to an announcement this week that the Commission and the Federal Motor Carrier Safety Administration signed a Memorandum of

Understanding to leverage our resources and coordinate our efforts to protect household goods movers across the different modes of transportation we regulate. In April, the Commission will begin considering rulemaking updates for NVOCCs and freight forwarders that will include changes to address abuses in marketing and operations that often victimize household goods shippers.

In addition, the Commission has been working to strengthen financial protections for cruise passengers in our jurisdiction. Last fall, the Commission issued a Notice of Proposed Rulemaking to increase the maximum coverage requirement for larger cruise lines from $15 million to $30 million, adjust the maximum coverage requirement automatically to account for inflation in future years, and relieve smaller vessel operators by reducing their coverage requirements to account for alternative forms of financial protections available to their customers. The Commission has received comments on the proposed rule, and staff is gauging the likely small business impact before the Commission considers moving to a final rule.

Sustainability and Efficiency

The FMC has seen environmental issues continue to play an important role in the agreements and shipping practices it reviews. As ports and ocean common carriers adjust their business practices, equipment, and facilities to increase efficiency and grow in a sustainable manner, the Commission works to be a helpful partner.

After the Commission voted in 2010 to allow TSA members to discuss slow steaming deployments and environmental initiatives, the Commission in early 2011 solicited public input on how slow steaming has impacted ocean carrier operations, shippers' international supply chains, shipping costs, and greenhouse gas emissions. After the Commission received comments in April 2011, TSA and WTSA members announced that they were revising their formulas for bunker fuel surcharges so that they could pass some of the cost savings from slow steaming back to their customers. The Commission continues to monitor slow steaming trends for their effects on the nation's supply chain.

The Chairman's staff committee on environmental issues is also studying environmental initiatives at the nation's ports and is working to highlight the work being done in this area. In addition, the committee is following international climate change negotiations that could have a significant impact on the international maritime industry.

Enforcement: Stopping Fraud, Market Distortions, and Threats to Safety and Security

The Commission's Bureau of Enforcement, Area Representatives, and investigative staff continue their efforts to prevent practices that are unfair and deceptive. Targeted violations include unfair or fraudulent practices against household goods shippers, as well as misdescription of cargo, which not only affects shipment costs, but can also pose a serious safety and security risk by preventing vessel operators and port officials from knowing what goods are being transported on vessels into the United States. In Fiscal Year 2011, the Commission collected nearly $2.2 million in penalties for violations.

National Security

The Commission's oversight of ocean common carriers, ocean transportation intermediaries, and marine terminal operators is an important element in the effort to protect our nation's seaports. The Commission has a wealth of information available to assist our nation's efforts to secure not only our seaports but the entire supply chain. Unique among federal agencies, the FMC regulates virtually all entities involved in liner shipping, receiving, handling, and transporting cargo and passengers in foreign commerce. The FMC's unique mission affords us the opportunity to assist front-line security efforts by providing information regarding the backgrounds of parties using our nation's supply chain, including those with direct access to our seaports.

The Commission continues to exchange enforcement information with the Department of Homeland Security ("DHS"). Within the DHS, the Commission works together with Customs and Border Protection ("CBP") under an existing Memorandum of Understanding. Cooperation with other agencies has expanded into joint field operations to investigate entities suspected of violating both agencies' statutes or regulations. Such cooperation often involves local police, U.S. Citizenship and Immigration Services officers, and Immigration and Customs Enforcement officers, and the Federal Bureau of Investigation.

FMC Area Representatives and investigative staff also confer with other federal agencies regarding ongoing matters of mutual interest, such as inaccurate descriptions of shipments and other malpractices. In one recent example, Commission staff recently assisted the Department of Commerce Bureau of Industry and Security (BIS) with information on additional transportation intermediaries who might be helping parties avoid a BIS temporary denial order seeking to block unauthorized exports destined for Iran. Also, the FMC and U.S. Census Bureau are jointly pursuing closer cooperation, and hope to conclude a Memorandum of Understanding that will memorialize this new working relationship.

Modernization and Technology

The Commission is pursuing several information technology ("IT") initiatives to comply with governing IT statutes and regulations, as well as examining FMC's business functions that require or could benefit from integration with existing data, technology, and systems to increase efficiency, productivity, and communication with the public, particularly in the licensing process. We believe enhanced information systems are essential to efficient identification and licensing of regulated entities and to information sharing with our counterparts at CBP and other federal agencies. These IT systems would also enable our Area Representatives, Bureau of Enforcement, and CADRS staff to have timely and comprehensive access to data needed to tackle ocean transportation intermediary and vessel operator practices that abuse or defraud the shipping public.

Because technology is so central to running the FMC, the Commission proposes to implement new IT solutions that will streamline business processes and facilitate better coordination and communication between the public and the agency. In Fiscal Year 2011, the agency, in response to recent government-wide transformation initiatives, identified a new business productivity infrastructure and application platform that would be incorporated into its new business processes model. The scope and speed of these technology investments will depend on availability of funds. These investments will lead to greater productivity, efficiency, and transparency. They will also reduce burdens for the ocean shipping industry.

Human Capital Management

At FMC, we understand that our leadership corps is a critical asset. At the present time, two-thirds of FMC's executives are eligible for optional retirement. Our Human Capital Plan guides our actions in planning for succession. We provide training and development in leadership competencies within a technical context to prepare the next generation of leaders.

In 2010, we launched a Senior Executive Service Candidate Development Program in anticipation of filling executive vacancies over the next few years. That class of four individuals will complete a comprehensive development program in 2012 that provides a variety of learning experiences to build on their already considerable technical knowledge.

We will continue to use a systematic succession management process that allows us to project our needs, prepare individuals to assume greater levels of responsibility, and evaluate the results. In this way, we expect to continue to maintain a talented and knowledgeable leadership corps that can meet the challenges of the future.

CONCLUSION

Mr. Chairman and members of the Subcommittee, I hope that these comments give you a clear indication of the state of the liner shipping industry serving the nation's foreign trades and the important work to be accomplished by the Federal Maritime Commission. I thank the Subcommittee for its support of the Commission through the years and respectfully request favorable funding consideration for Fiscal Year 2013 and beyond so that the agency may continue to perform its vital statutory functions, and so that the public and shipping industry may continue to be served efficiently and effectively.