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U.S.-FLAG DISCUSSION AGREEMENT

FMC AGREEMENT NO. 203-010050-012
2nd Edition

A Cooperative Working Agreement
Among Ocean Common Carriers

NOTE: This Agreement is herein republished.
It does not contain an expiration date.

EFFECTIVE
DEC - 6 2003
UNDER THE
SHIPPING ACT
OF 1984
Federal Maritime Commission

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ARTICLE 1: NAME OF AGREEMENT

The name of this Agreement is the "U.S.–Flag Discussion Agreement" (hereinafter, the "Agreement").

ARTICLE 2: PURPOSE OF AGREEMENT

The purpose of this Agreement is to permit common carrier by water offering service on U.S.-flag vessels to establish a cooperative working arrangement for joint consideration of and action on transportation matters of mutual interest, pursuant to the Agreement's terms, to assure the availability of efficient and economically sound U.S.-flag liner operations at fair and reasonable rates, terms and conditions, and to promote an efficient, stable and economic transportation system in U.S. foreign commerce.

ARTICLE 3: PARTIES TO AGREEMENT

The Parties to this Agreement are U.S.-flag ocean common carriers engaged in freight transportation services:

American President Lines, Ltd.
1111 Broadway
Oakland, CA 94607

A.P. MOLLER-MAERSK A/S trading
under the name of MAERSK SEALAND
50, Esplanadan
DK-1098, Copenhagen
Denmark

Lykes Lines Limited, LLC
401 E. Jackson Street
Suite 3300
Tampa, FL 33602

P&O Nedlloyd Limited
1 Meadowlands Plaza, 14th Floor
East Rutherford, NJ 07073

Farrell Lines Incorporated
1 Meadowlands Plaza, 14th Floor
East Rutherford, NJ 07073

ARTICLE 4: GEOGRAPHIC SCOPE OF AGREEMENT

This Agreement covers the trades and various sub-trades (collectively, the "Trade") between ports and points in the Far East, Africa and the Eastern European countries listed below,[1] and ports in the United States (including its commonwealths, territories and possessions) and interior and coastal points in the United States via such U.S. ports. For purposes of this Agreement, "Far East" means the foreign countries, and portions thereof, included in the Pacific Basin, Indian Ocean, Persian Gulf and Red Sea regions that extend from Japan and Eastern Russia in the north, to Southern Asia, the Philippines and Malaysia/Indonesia in the south, and to Southwest Asia from the-Suez Canal to Burma, inclusive, and Sri Lanka. The Eastern European countries within the scope of this Agreement are Belarus, Ukraine, Georgia, Russia, Kazakhstan, Turkmenistan, Uzbekistan, Croatia, Bosnia and Herzegovina, Yugoslavia, Albania, Macedonia, Moldova, Tajikistan, Kyrgyzstan, Armenia and Azerbijan. "Africa" means all countries on the African continent, Madagascar, and the Cape Verde Islands.

[1] Notwithstanding anything to the contrary in this Agreement, nothing herein shall authorize the parties to discuss or agree upon inland transport services within the European Economic Area ("EEA"). Any discussions and/or agreements hereunder with respect to Eastern Europe shall relate solely to all-water service to/from Eastern Europe, whether direct or by transshipment (including transshipment at ports in the EEA).

ARTICLE 5: AGREEMENT AUTHORITY

5.1 This Agreement authorizes the Parties to discuss, consider, exchange information and data and, where possible, agree upon and/or present, jointly and/or separately, U.S.-flag positions pertaining to the following matters of mutual interest:

(a) Cargo movements, seasonality and other fluctuations of traffic flows and related data bearing on the level and frequency of liner services, particularly U.S.-flag liner services, required by the shipping public.

(b) Practices in connection with the receipt, carriage and delivery of cargo, including cargo classifications and cargo space accommodations, and, the operation by the Parties and other carriers, of vessels, equipment and facilities in the Trade.

(c) Performance of joint surveys of Trade conditions and needs, present and future, including, for example, exchange of operating cost data.

(d) Effectiveness and responsiveness of self-policing systems and related costs and contracts; development of specific evidence of suspected illegal pricing activities, and other means of identifying and eliminating malpractices in the Trade.

(e) Cooperative working arrangements; liner pools; fuel and energy requirements; environmental controls; economic, political and fiscal policies; port development; and commercial and governmental practices affecting U.S.-flag liner services or access to cargo in the Trade.

(f) Cost of service relating to cargo moving in the Trade and transportation rates, including through rates, and surcharges, conditions of carriage, rules, practices and tariffs and service contracts therefor; provided, however, that the Parties do

not intend to discuss rates, rules, costs, or conditions of carriage of cargo shipped within the Defense Transportation System or offers to perform transportation services within that system.

(g) Practices, rate structures and policies relating to the interchange of traffic with other carriers; provided, however, that to the extent intermodal transportation is involved, the Parties do not intend to discuss inland divisions (as distinct from inland portions) of through routes within the United States.

(h) Any matter within the scope of agreements effective under the Shipping Act of 1984 and/or other authority relating to the Trade, provided that any Party who is not a member of any such other agreement will not be privy to information or data that are confidential pursuant to such agreement.

5.2 The Parties agree that they will exchange information and data relevant to the purpose of this Agreement as may be appropriate from time to time. Absent objection from any Party, discussion hereunder and exchanges of information may be accomplished by mail, telephone, telex, telecopier and other communications systems. Nothing herein may be construed as obligating any Party to exchange such information or data, or as limiting the right of any Party to continue or to make changes in its present rates, rules and practices.

5.3 Without limitation of the authority described above, the Parties may agree upon common positions and present these, jointly and/or separately, to conferences, rate agreements and other arrangements effective in the Trade, and to United States and foreign governments, departments, agencies and governmental entities; investigate

economic and competitive conditions and cooperate in joint efforts to eliminate rebating and other adverse conditions in the Trade; and, agree upon coordination of vessel sailings, chartering, joint service, pooling and other forms of rationalization of their common carrier services, and uniform or agreed rules, practices and procedures relating thereto. Nothing in this Agreement, however, authorizes the Parties to carry out any agreement that may be reached hereunder which is required to be filed under the Shipping Act of 1984, unless separately filed and effective under the Shipping Act of 1984.

5.4 The Parties to this Agreement are also authorized to meeting together, discuss, consider, exchange information and reach agreements with the parties to the Japanese-Flag Far East-United States Discussion Agreement, FMC No. 203-010905, as amended, upon matters of mutual concern within the common geographic scopes of the two Agreements. No agreement or understanding reached under this Agreement which is required to be filed under the Shipping Act of 1984 shall be implemented until such agreement is filed with the Federal Maritime Commission and becomes effective under the provisions of the said Act.

5.5 The Parties may establish such guidelines and procedures as they deem desirable for the implementation and administration of this Agreement. Any such guidelines and procedures will be consistent with the terms of this Agreement, and will neither expand nor diminish the authority herein. The Parties may establish guidelines relating to the terms and procedures of their individual service contracts. Any individual service contract guidelines shall be voluntary, and shall be submitted

confidentially to the Federal Maritime Commission in the form and manner required by FMC regulations.

ARTICLE 6: OFFICIALS OF AGREEMENT AND DELEGATIONS OF AUTHORITY

6.1 The Parties will from time to time select or designate an Agreement Chairman. The Chairman or his designee will preside at meetings of the Agreement membership and will file minutes and other documents as may be required by the Federal Maritime Commission. The dates and locations of Agreement meetings will be at the call of the Chairman.

6.2 The Agreement Chairman of his designee and Agreement counsel each have authority to execute and file with the Federal Maritime Commission on behalf of the Parties any agreements that may be reached pursuant to this Agreement and, subject to Article 8 hereof, any amendment of this Agreement, and to submit associated supporting materials as may be required.

6.3 The Parties will establish such standing, advisory and *ad hoc* committees as they deem desirable for the furtherance of the purpose of this Agreement. Unless otherwise authorized by the Parties, only duly appointed standing committees will have power to take final action under this Agreement. Other committees will only report and/or recommend to the Parties. Committees will meet at such times and places as they deem necessary and convenient for the performance of their duties. Advance notice will be given to the Agreement Chairman of the dates and (subject to article 5.1(h) hereof) the scope of all committee meetings. The Agreement Chairman will designate a Chairman to preside at committee meetings, prepare reports or

minutes if required, and perform such other functions on behalf of the Parties as may be appropriate.

ARTICLE 7: MEMBERSHIP, WITHDRAWL, READMISSION AND EXPULSION

Any common carrier by water that regularly offers service on U.S.-flag liner vessels in freight transportation service in all or a portion of the geographic scope of the Agreement as set forth in Article 4 may become a Party to this Agreement upon the unanimous consent of all Parties hereto. Any Party which ceases to offer such U.S.-flag liner service for a period of six consecutive months will forthwith cease to be a Party hereto.

ARTICLE 8: VOTING

This Agreement will not be amended or modified without the unanimous consent of the Parties.

ARTICLE 9: DURATION AND TERMINATION OF AGREEMENT

This Agreement will enter into force on the day that it becomes effective pursuant to section 6 of the Shipping Act of 1984. The Agreement will continue in effect so long as membership herein is maintained by two or more Parties.

ARTICLE 10: EXPENSES

Each Party will bear the expenses of its representatives in connection with attendance at meetings of the Parties. All other expenses of such meetings and of the carrying out and amendment of this Agreement, including legal fees and costs of consultants or other services, will be apportioned as the Parties from time to time decide.