

Ladies and Gentlemen:

A quote from Rebecca F Dye from the prelude to a recently published report (Dec 5 2017):

“Our primary responsibility to enforce ocean transportation competition for the benefit of the American consumer extends our commercial understanding beyond the maritime sector to the needs of American shippers.”and From the Federal Maritime’s “Logo/Letterhead” on their official website: **Competition and Integrity for America’s Ocean Supply chain.**

I will give you a very specific example of an event that occurred to my company in the past year as well as previously (several years ago) to demonstrate a rather ‘SAD State of Affairs’ when it comes to the statements and mottos highlighted above.

I will also question the Commission’s support of further development of the Export Teams’ recommendation for a **premium customer option concerning container availability.**

I hope to further present arguments (three fold) **in advancement of a more open and integral management of the Gateways to our Country – THE U.S. Ports themselves**, that would benefit both the American Taxpayer (who probably foots a significant amount of the annual upkeep and maintenance of these ‘semi-private / semi-government’ managed entities) as well as the DEMAND side of Supply Chain equation – The American Consumer. My testimony hopes to address certain “port mentality” and operational issues resulting from same, from 3 perspectives: a) Simple Common Sense and Sense of Patriotism b) From the perspective of the Federal Maritime’s own mandate to protect Competition and Integrity for America’s Supply Chain, and c) From a pure Economic point of view.

My credentials as an expert witness to this Commission include some 35+ years of business mostly in a senior executive role and involved in the Import & Export, Buying and Selling, and international trade of, Natural Rubber = NR. I have been the President of The Rubber Trade Association of North America, the only internationally recognized center of arbitration (in the Americas) for this strategic defense commodity, for many years including the past several years. I have served on the Board of Directors of the Singapore Commodity Exchange and the Singapore International Chamber of Commerce. I am currently the President of R1 International (Americas) Inc.= R1A, which company is managed from Charlottesville Virginia, and operates its own warehouse facilities in Richmond. **We/R1A are (I believe) the second largest user (on the import side) of the Port of Norfolk’s Barge Services to Richmond which service has been a good thing for ourselves and additionally, our patronage of this barge service also helps the Port of Norfolk in its efforts to reduce congestion at the Port itself, which (reduction of port congestion) remains a primary goal for all of our National Port facilities.** Our customer list includes the likes of Tenneco, Goodyear, Michelin, Toyo Tire, Conti-Tech, Berry Plastics, Titan Tire, Alliance Rubber Company, Microporous Products, Airboss, InterTape Polymer Group, Specialty Tires of America, The Griswold Corporation, Hexpol, Gold Key, Vibracoustic, Dawson Manufacturing, American Phoenix, SETCO, Quabaug Vibram,and many more small to intermediate to large consumers of NR at American Manufacturing Locations located throughout North America. **We are a small part of a vast network of ‘supply chain managers’ importing and exporting out of the USA.** Our Company is both ISO and CTPAT certified. **I am a continuous student of Economics.**

Specific Grievance: Recently, R1A imported some 5 containers of NR = 100.8 MT worth of product, from Guatemala using an NVOCC and ultimately shipping on MSC lines. We paid some \$6000 for “the use of

these containers including about a 3 week voyage time”, being the drayage expense from Guatemala to the Port of Norfolk. These containers were pulled over for a routine and random Customs Patrol / XRAY examination of our cargoes which we had no objection to, including having to pay for the XRAY (as much as \$2500) as part of our Patriotic Duty in complying with our Border Patrol’s and Department of Home Security Efforts in the **War Against Terror**. Examination time went 7 days beyond our 4 day period of container free time. MSC detained our cargoes and would not release same (while threatening to pile additional demurrage on same), until we paid them some \$10,000 in ‘detention and demurrage fees’ for failing to return their containers within the 4 day allowed free time period. We are CTPAT certified. (Customs Trade Partnership Against Terror). The Incident is well documented and available upon request.

From a Common Sense and Patriotic Viewpoint – How and Why should American Citizens and importers, while representing and carrying essential imported raw material inputs to the American Manufacturing Process, and while complying with and paying for said compliance with US government mandates on the WAR on Terror, be beholden to (and essentially high-jacked by) Foreign (Saudi) Steamship Companies operating at US ports (in this case the Port of Norfolk) ? How can MSC containers be worth \$10,000 for 7 days when they were only worth about \$6000 for 3 weeks en-route to the USA? How can these containers be worth so much when there is a continuous GLUT of containers sitting at USA ports waiting for Export business? Why should exporters be faced with a **premium customer option concerning container availability** – when most of us know that USA Ports are continuously overstocked with Imported containers awaiting export We – THE USA, are Net importers are we not? Am I missing something here? How can these containers be worth more than the value of MY CARGO within the container (estimated current worth is about \$35,000- \$50,000 per container) and the cargo’s worth to our American Consumers? Are we (steamship companies and importers alike) not all waiting for Customs to release containers in a timely manner....and NOT JUST THE FOREIGN STEAMSHIP COMPANIES? Are we not all obligated under our CTPAT certifications to be a ‘partnership’ against terror?

In documented correspondence, The Port has told us that we/ R1A (and assuming all similar such importers) **should budget such (random) expenses into our operating Budgets?** And that, **The Steamship companies are the Port’s customers, and importers are the Steamship customers, and that as such, there is nothing that they (the Ports) can do about the situation?** Is this to be believed? I should think not, but I can understand why. It is because **the Ports really do think that catering to the Foreign Steamship Company is there mandate (!)** while feigning no responsibility to being able to enforce “integral behavior” on their very own customers - the Foreign Steamship Companies. I do have documentary written evidence of a Port’s clear portrayal of this “port mentality” which is directed toward the interests of Foreign Steamship Interests and away from importer interests –available on request. Meanwhile said Foreign Steamship companies are now allowed to detain cargoes and essentially “Profiteer on the War on Terror” and in a very predatory and egregious manner, AND on their (the Port’s) own doorstep and area of domain! I should footnote that my experience was only with MSC lines, and I cannot say that other steamship companies have acted in such an egregious manner as MSC did to us, although, I understand that the practice is not “uncommon”.

Does this makes sense? No, it does not. Can the Ports control such Behavior? Yes, of course they can! Let us just use some common sense here. They (The Ports) can do this through the Ports’ continuous and ongoing relationships with Foreign Steamship Companies which are dictated by the multi-year

agreements ironed out between Port Management and Steamship Companies. These agreements could easily spell out 'allowable operating behavior' and/or at least insert language preventing "profiteering on the War on Terror" – Could they not? We know these contracts exist and they should be managed in such a way as to certainly avoid incidences such as our particular grievance stated above.....BUT OBVIOUSLY THEY DO NOT and/or, the Port does not want them to? AND unfortunately, you have to ask yourself why. Let me suggest that Ex- Steamship executives appear to be over-weighted in the management of most US Ports (if not all) ...and this may have something to do with the port's 'way of thinking' – i.e. the mentality that the Foreign Steamship Company is their customer and not the importer/exporter !! I ask you, is this akin to the Fox running the Hen House?

NEVERTHELESS, **Simple Economics** also tells us that Supply and Demand need to work together, and that the Demand side of the Equation should be AT LEAST EQUAL TO the Supply Side of the Equation in order to promote the most Competitive and Integral American Ocean Supply Chain. One could argue that it is, in fact, the DEMAND to either import goods or export goods that brings Foreign Steamship Companies to our Gateways (as well as the continuous upgrades that the American People pay for, in order to keep our ports 'attractive' in terms of ease of berthing and port services). Do we (as a country and as a Maritime Commission) really need to WOO Foreign Steamship Companies?, and at the expense of those who represent the demand side of the supply chain?, and then allow them (The Foreign Steamship Companies) 'free reign" while operating in USA waters and at US berths ? The commission should know that the "supply side" of the Supply Chain that they are entrusted to 'regulate and manage' – i.e. the Foreign Steamship Companies, are themselves generally very large and Highly Capitalized organizations operating mostly under International Laws, and now organized into even larger Global Alliances - And ARE Essentially Now operating AS A Very Large Global Oligopoly....Meaning FEW Sellers. Meanwhile, the demand side of the equation is permeated with 10's of thousands of small direct importers such as ourselves. We are rarely the customers of the Steamship Companies because the only real customers of steamship companies (nowadays) are Costco and Walmart and Amazon, while everyone else usually deals directly with "Wholesalers' of Ocean Cargo Spacebeing the NVOCC's.....

SO, if USA Port mentality is such that Foreign Steamship Companies are their (sole) Customers and not the importers & American Consumers that ostensibly have created the demand for imports or the supply for exports, then we are economically misinformed, and who then, is protecting the demand side of the Equation – The American Consumer? Is it not the demand for imports that is practically drawing the Foreign Steamship Companies to our Gateway's? Meanwhile, Importers and Local Manufacturers are footing the bill (in terms of taxes paid) for the upkeep and maintenance of these same National Gateways. SO, I appeal to your common sense, and your sense of Patriotism, as well as a simple understanding of basic economics that would promote the competitiveness and integrity of our American Ocean Supply Chain which appears to now be dictated by the terms of contract between USA Port Management and the foreign steamship companies (that represent the Supply Side of America's Ocean Supply Chain). **Perhaps the Port's Board of Governors should include more representation from Importer Interests?, which appear woefully under-represented basis my understanding of the current situation ?? Does it not make more sense that the interests of both the supply side of the Equation (Steamship Companies) AND the Demand side of the equation (importers / American Consumers) are equally represented ?** Can we not open up the "currently protected" terms of engagement between USA Ports and their Foreign Steamship (Sole) Customers? After all, **these are OUR AMERICAN PORTS and should not be maintained and managed for the exclusive Interests of Foreign Steamship**

Companies but shared equally and managed uniformly between those interests on both the supply and the demand side of our American Ocean Supply Chain.

Sincerely Submitted,

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