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February 12, 2001

Mr. John M. Nannes
Acting Assistant Attorney General
Antitrust Division
DEPARTMENT OF JUSTICE
10th and Pennsylvania Avenue
Washington, DC 20530

Subject: Business Review Letter

Dear Mr. Nannes:

This communication will supercede our initial business review letter of November 3, 2000, and our revised letter of November 16, 2000. The only change appears on Page 3, Paragraph 5.

Very truly yours,

TRANSPORTATION SERVICES, INC.

Philip F. Busby
Vice President

PFB:vlm

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10th and Pennsylvania Avenue
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Dear Sir:

Subject: Business Review Letter

In accordance with CFR, Title 28, Section 50.6, Antitrust Division business review procedure, we submit herewith for your review our proposed business conduct and request your enforcement intentions under the antitrust laws.

BACKGROUND

There are five American flag ocean common carriers (CSX Lines, LLC; Crowley Liner Services, Inc.; Navieras NPR, Inc.; Sea Star Line, LLC; and Trailer Bridge, Inc.) providing containerized general cargo transportation service between the continental United States and Puerto Rico amounting to approximately five thousand trailerloads weekly.

These carriers are subject to the jurisdiction of the Surface Transportation Board, with whom they file their individual tariffs covering their rates and services. These tariffs are publicly available. In addition, each carrier is authorized to execute individual service contracts with individual customers for its rates and services. These service contracts generally are for a duration of one year. They constitute an agreement between the carrier and the customer that supersedes the published tariffs. They are not subject to public scrutiny and are not filed with the Surface Transportation Board.

Among the provisions in their tariffs and service contracts are rules requiring consignees to

unload their cargo from the carrier's trailers in Puerto Rico within a specified period of time. When this "free" time expires for the removal by the consignee of its cargo from the carrier's trailer, the consignee is subject to a per diem charge (demurrage) until such time as this has been accomplished.

The billing and collection of demurrage due is currently handled by each carrier individually or by a third party appointed by the carrier. Due to the fact that the transportation service for the customer has been completed, the customer finds the demurrage charges obnoxious. On the other hand, carriers find the collections equally distasteful, difficult and inefficient. The amount collected vs. invoiced is most unsatisfactory. Obviously, the situation needs improvement.

PROPOSAL

TSI proposes to establish a corporation of which it would be a substantial stockholder and active management participant dedicated to perform the invoicing and collection of demurrage in Puerto Rico on behalf of all the common carriers of ocean-borne containerized cargo to be delivered to consignees in Puerto Rico.

It will do this pursuant to contracts that it will execute individually with each carrier. It will invoice and collect demurrage in accordance with the terms and conditions of the tariffs and service contracts of each carrier.

MECHANICS OF PROGRAM

Upon arrival of each vessel in Puerto Rico, carrier will give TSI a manifest and bill of lading of all trailerloads discharged from the vessel that call for delivery to a consignee in Puerto Rico.

TSI will purchase for $1.00 and a percentage of demurrage collections for each trailerload that could potentially be subject to demurrage the right to invoice and collect all lawful demurrage incurred.

Carrier will subsequently provide TSI appropriate documentation to substantiate when the trailer was unloaded and thus subject or not subject to demurrage charges.

TSI will then invoice and collect demurrage due in accordance with the carrier's tariff and/or service contracts.

Upon collection, TSI will remit to the carrier the agreed upon percentage of demurrage collected and retain the balance for its expenses (and hopefully profit) as an independent contractor.

KEY ELEMENTS TO THE PROPOSAL

1. The contract will be between TSI and each carrier individually.

2. Each carrier will continue to publish its own tariff and execute its service contracts without consultation or communication with its competitors.

3. The contract between each carrier and TSI will give TSI the authority to invoice and collect in accordance with the carrier's tariffs and service contracts.

4. The contract will provide that the carrier will establish reasonable credit rules to ensure payment of the lawful demurrage due TSI involving any carrier it represents that is party to the program. These rules would be published in the carrier's appropriate tariffs and/or service contracts. Such rule could take the form of requiring any customer unreasonably delinquent in the payment of demurrage due, to post a bond or make payment to an escrow account. This arrangement would be used to guarantee payment of any future demurrage due. The concept is that a consignee is entitled to receive its cargo, but not unreasonable "free" use of the carrier's trailer.

5. Alternatively, the customer would have the option of bringing its account current or arranging to remove its cargo from the carrier's trailer at the waterfront and providing its own or hired equipment to move it to its destination.

DESCRIPTION OF PETITIONER

Transportation Services, Inc. (TSI) is a Florida corporation in good standing. It was chartered in 1982 when the two major carriers transporting most of the containerized cargo from Central America to South Florida approached the writer to establish a common demurrage billing and collection agency. The thinking of each was that it was pure and saintly in pursuing its demurrage revenue, whereas its competitor was somewhat deficient. On the other hand, each had complete confidence in the competence and integrity of the writer, who subsequently funded, created and managed TSI.

The program has been quite successful. It has expanded to the point it encompasses in South Florida over a dozen countries and carriers with a gross collections of over two million dollars annually.

A similar program was established by TSI in Nassau, Bahamas, which commenced January 1, 1999. It has been equally successful with collection ratio over 95% as opposed to the prior experience of 30% where the carriers did their own invoicing and collections. Although TSI created, funded, and provides overall management supervision for the Bahamian operation, to

conform to Bahamian law, it owns only 40% of the stock of the billing and collection company.

LEGAL CONCERNS

We have been advised by counsel that carriers operating between Puerto Rico and the continental U.S. (cabotage trade) do not enjoy antitrust immunity. (This is not the situation with carriers operating between the U.S. and foreign countries. These carriers are subject to the jurisdiction of the Federal Maritime Commission and by following prescribed rules and procedures they are granted antitrust immunity).

Therefore, we have been particularly careful to avoid any action that could be in violation of antitrust laws. In our separate and very limited discussions with three of the five carriers involved in the trade, during which we developed our basic facts and approach, there have been absolutely no commitments made by any of these carriers or communications between them of which we are aware regarding this matter – only an expression of interest.

It should be noted that this program is simply one that provides for a central billing and collection agency for the carriers with the authority to take limited action to ensure the payment of FUTURE demurrage incurred as an alternative to the pain and expense of litigation.

BENEFITS OF THE PROGRAM

1. It is a major step forward toward ensuring both the carriers and their customers abide by their separate and individual legal agreements.

2. The ratio of collections vs. invoicing will increase significantly.

3. The "lost time" while loaded trailers sit idle at the customer's place of business will be reduced dramatically. Once customers realize they will have to pay the demurrage penalty for delaying the unloading of their cargo beyond a reasonable period of time, they will be motivated to take action to avoid the delay that results in the demurrage charges.

4. The reduction of "lost time" will reduce the expense the carrier now incurs to provide additional equipment.

5. The economies of scale with a single party performing central invoicing and collection will reduce carrier expenses.

6. The customer will find it administratively more efficient and easier to deal with one knowledgeable party.

7. Economics 101 indicates the savings in expense will ultimately be passed along to the consumer.

SUMMARY

This is a simple proven program for the more efficient invoicing and collection of charges assessed by carriers in Puerto Rico to customers who currently keep their equipment beyond an agreed-upon period of time.

It should be emphasized that each customer and carrier may legally execute or amend at any time by mutual agreement the terms and conditions of demurrage.

The only role the central billing and collection party performs is to invoice and ensure collection in accordance with whatever understanding the carrier and its customer have agreed.

On that basis, before we proceed further, we need and respectfully request your enforcement intentions under the antitrust laws.

Very truly yours,

TRANSPORTATION SERVICES, INC.

Philip F. Busby
Vice President

PFB:vlm