

Congress of the United States
Washington, DC 20515

March 2, 2022

Mr. Rolf Habben Jansen
Chief Executive Officer
Hapag-Lloyd AG
Ballindamm 25, D-20095
Hamburg, Germany

Dear Mr. Jansen:

The Select Subcommittee on the Coronavirus Crisis and the Subcommittee on Economic and Consumer Policy (the Committees) seek documents and information on increases in ocean shipping rates. Over the past year, “spot rates”—i.e., short-term prices—for shipping a 40-foot container to the United States from Asia have exceeded \$20,000, up from less than \$2,000 just a few years ago. Average freight rates for a 20-foot container jumped by 66% to \$1,818 as of November 2021. Aside from simple price increases, there are also reports of shipping companies charging allegedly unjustified fees associated with port congestion and container returns.¹ Dramatically increased shipping rates have translated into increased costs ripping through the supply chain, stoking inflation and hurting businesses and consumers.² For example, a November 2021 United Nations report found that the late-2021 surge in container freight rates, if sustained, could increase global import price levels by 11% and consumer price levels by 1.5% through 2023, with the United States seeing a rise of 1.2% in consumer prices.³

¹ *Shipping Companies Had a \$150 Billion Year. Economists Warn They're Also Stoking Inflation*, Bloomberg (Jan. 18, 2022) (online at www.bloomberg.com/news/features/2022-01-18/supply-chain-crisis-helped-shipping-companies-reap-150-billion-in-2021); *Cash-Flush Shipping Companies Just Handed Out Bonuses Worth 30x Workers' Salaries*, Forbes (Jan. 24, 2022) (online at www.forbes.com/sites/greatspeculations/2022/01/24/cash-flush-shipping-companies-just-handed-out-bonuses-worth-30x-workers-salaries); *Hapag-Lloyd Nine-month Net Profit Soars 10-fold on Record Freight Rates*, Reuters (Nov. 12, 2021) (online at www.reuters.com/business/hapag-lloyd-nine-month-net-profit-soars-over-10-fold-record-freight-rates-2021-11-12/); *FMC Fast-tracks Inquiry into Eight Container Carriers' Extraordinary Surcharges*, ShippingWatch (May 8, 2021) (online at <https://shippingwatch.com/carriers/Container/article13179409.ece>).

² *Shipping Companies Had a \$150 Billion Year. Economists Warn They're Also Stoking Inflation*, Bloomberg (Jan. 18, 2022) (online at www.bloomberg.com/news/features/2022-01-18/supply-chain-crisis-helped-shipping-companies-reap-150-billion-in-2021); *Rising Shipping Costs Are Companies' Latest Inflation Riddle*, Wall Street Journal (Sept. 16, 2021) (online at www.wsj.com/articles/rising-shipping-costs-are-companies-latest-inflation-riddle-11631784602).

³ *Surging Shipping Costs Will Drive Up Prices for Some Consumer Products by 10%, New UN Report Finds*, CNBC (Nov. 18, 2021) (online at www.cnbc.com/2021/11/19/surging-shipping-costs-to-drive-consumer-price-inflation-unctad-says.html). See also *Shipping Companies Had a \$150 Billion Year. Economists Warn They're Also Stoking Inflation*, Bloomberg (Jan. 18, 2022) (online at www.bloomberg.com/news/features/2022-01-18/supply-chain-crisis-helped-shipping-companies-reap-150-billion-in-2021) (one economist with the Federal Reserve Bank of Kansas City found that in the past, a 15% increase in shipping costs led to a 0.10 percentage point increase in core inflation after one year).

At the same time, ten foreign-owned ocean freight carriers controlling nearly 85% of the world's shipping capacity collectively reaped total annual profits of \$150 billion in 2021—nine times greater than a year before—and made sizeable payments to shareholders.⁴ Our Committees are concerned that the world's largest shipping companies—including Hapag-Lloyd—appear to have raised shipping rates far above costs, generating enormous corporate profit at the expense of shipping customers and the broader American economy. The Committees are further concerned that shipping companies may be utilizing this temporary price spike to lock in long-term contracts at inflated price rates, ensuring corporate windfalls continue at the expense of consumers for many years to come.⁵

Hapag-Lloyd, the fifth largest ocean freight carrier in the world, appears to have used its market position to raise shipping revenues by an amount greater than its increase in costs, generating outsized profits. While Hapag-Lloyd's reported transport expenses only increased by 16% in the first nine months of 2021 compared to the same period a year before, the company reported an increase in average freight rates of 66%. For Hapag-Lloyd's Transpacific route in particular—which carries U.S. imports from Asia to the West Coast—Hapag-Lloyd increased freight rates by a startling 75.3%.⁶

Charging these staggering rates, the company's revenues rose by approximately 71% during the first nine months of 2021 compared to revenue growth during the same period a year before, and overall profit generated during this period was roughly \$6.6 billion—approximately 1000% of the amount Hapag-Lloyd generated during the same period in 2020. This presents an even more stark increase in profitability from the approximately €297 million (approximately \$330 million) Hapag-Lloyd generated in overall profit in the first nine months of 2019.⁷ Following these record profits, Hapag-Lloyd shareholders are slated to receive a dividend of €35/share (approximately \$39.18/share)—a payout approximately ten times higher than the dividend of €3.5/share they received approximately a year ago.⁸ Hapag-Lloyd itself acknowledged that its 2021 “revenue growth” resulted from “the rise in average freight rate of

⁴ *Shipping Companies Had a \$150 Billion Year. Economists Warn They're Also Stoking Inflation*, Bloomberg (Jan. 18, 2022) (online at www.bloomberg.com/news/features/2022-01-18/supply-chain-crisis-helped-shipping-companies-reap-150-billion-in-2021); Hapag-Lloyd Group, *Investor Report: 1 January to 30 September 2021* (Nov. 12, 2021) (online at www.hapag-lloyd.com/content/dam/website/downloads/ir/HLAG_Investor_Report_9M_2021.pdf); *Hapag-Lloyd to Raise 2021 Dividend to EUR35 a Share*, MarketWatch (Feb. 25, 2022) (online at www.marketwatch.com/story/hapag-lloyd-to-raise-2021-dividend-to-eur35-a-share-271645789844).

⁵ *Supply Chain Crisis Gives Once Invisible Shipping Industry Record Profits and New Adversaries*, Los Angeles Times (Nov. 10, 2021) (online at www.latimes.com/world-nation/story/2021-11-10/china-global-shipping-supply-chain-crisis).

⁶ Hapag-Lloyd Group, *Investor Report: 1 January to 30 September 2021* (Nov. 12, 2021) (online at www.hapag-lloyd.com/content/dam/website/downloads/ir/HLAG_Investor_Report_9M_2021.pdf); AXS Marine, *Alphaliner Top 100* (online at <https://alphaliner.axsmarine.com/PublicTop100/>) (accessed Mar. 1, 2022).

⁷ Hapag-Lloyd Group, *Investor Report: 1 January to 30 September 2021* (Nov. 12, 2021) (online at www.hapag-lloyd.com/content/dam/website/downloads/ir/HLAG_Investor_Report_9M_2021.pdf); Hapag-Lloyd Group, *Quarterly Financial Report: 1 January to 30 September 2020* (Nov. 13, 2020) (online at www.hapag-lloyd.com/en/company/ir/publications/financial-report.html).

⁸ *Hapag-Lloyd to Raise 2021 Dividend to EUR35 a Share*, MarketWatch (Feb. 25, 2022) (online at www.marketwatch.com/story/hapag-lloyd-to-raise-2021-dividend-to-eur35-a-share-271645789844).

65.7% and the transport volume of 3.3%.”⁹

Affordable shipping rates are critical to ensuring that small- and medium-sized business owners can continue to make a living and provide goods and services to consumers at reasonable prices. We are deeply concerned that Hapag-Lloyd may have engaged in predatory business practices during the pandemic, making scores of essential goods more expensive for consumers and small businesses.

To assist the Committees in our review of this matter, by March 16, 2022, please produce the following documents from January 1, 2020, to the present:

1. A list of price rates charged to customers, including but not limited to: (i) spot rates for 20-foot containers, (ii) spot rates for 40-foot containers, and (iii) any fees and surcharges charged in connection with shipping materials along Hapag-Lloyd’s Atlantic and Transpacific routes, and/or holding such materials at any port;
2. All documents, including research, analyses, policies, presentations, internal communications, and external communications—including communications with other ocean shipping carriers—related to Hapag-Lloyd’s Atlantic and Transpacific shipping rates, including fees and surcharges, and how the company sets these rates;
3. All documents, including research, analyses, policies, presentations, internal communications, and external communications—including communications with other ocean shipping carriers—related to the impact of Atlantic and Transpacific shipping rate increases, including increases in fees and surcharges, on Hapag-Lloyd’s revenue, dividends, stock buybacks, or executive compensation;
4. All documents—including internal and external communications—concerning communications with customers regarding Hapag-Lloyd’s Atlantic and Transpacific shipping rates, including fees and surcharges;
5. A list of all multi-year contracts that Hapag-Lloyd has entered into with customers, including a specification of the price rates, including fees and surcharges, and duration agreed to as part of such contracts; and
6. A list of all known U.S. investigations of Hapag-Lloyd related to the company’s Atlantic and Transpacific shipping rates, including fees and surcharges, and all documents produced to U.S. law enforcement as part of such investigations.

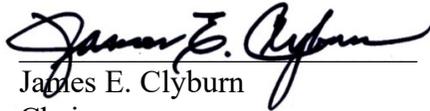
The Committees also request answers to the following questions by March 16, 2022:

⁹ Hapag-Lloyd Group, *Investor Report: 1 January to 30 September 2021* (Nov. 12, 2021) (online at www.hapag-lloyd.com/content/dam/website/downloads/ir/HLAG_Investor_Report_9M_2021.pdf). *See also* Hapag-Lloyd Group, *Investor Presentation: 9M 2021 Results* (Nov. 12, 2021) (“Very strong revenue increase (USD +7.4 bn) due to higher freight rates and volumes.”).

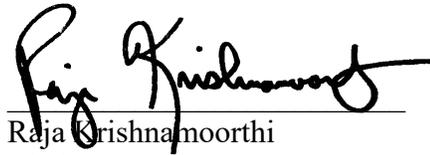
1. Please explain why your company's recent shipping revenues have significantly exceeded your increases in operating costs.
2. Please explain what steps your company is planning, if any, to lower Atlantic and Transpacific shipping rates, including fees and surcharges, in the coming year.

The Committee on Oversight and Reform is the principal oversight committee of the House of Representatives and has broad authority to investigate "any matter" at "any time" under House Rule X. The House of Representatives established the Select Subcommittee on the Coronavirus Crisis "to conduct a full and complete investigation" of "issues related to the coronavirus crisis," including "reports of waste, fraud, abuse, price gouging, profiteering, or other abusive practices related to the coronavirus crisis."¹⁰ An attachment to this letter provides additional instructions for responding to the Committees' request. If you have any questions regarding this request, please contact Committee staff at (202) 225-5051.

Sincerely,



James E. Clyburn
Chairman
Select Subcommittee on the
Coronavirus Crisis



Raja Krishna moorthi
Chairman
Subcommittee on Economic and
Consumer Policy

Enclosure

cc: The Honorable Steve Scalise, Ranking Member
Select Subcommittee on the Coronavirus Crisis

The Honorable Michael Cloud, Ranking Member
Subcommittee on Economic and Consumer Policy

Hapag-Lloyd America LLC
399 Hoes Lane
Piscataway, NJ 08854

¹⁰ H. Res. 935, 116th Cong. (2020); H. Res. 8, sec. 4(f).

Responding to Committees' Document Requests

1. In complying with this request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. Produce all documents that you have a legal right to obtain, that you have a right to copy, or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party.
2. Requested documents, and all documents reasonably related to the requested documents, should not be destroyed, altered, removed, transferred, or otherwise made inaccessible to the Committees.
3. In the event that any entity, organization, or individual denoted in this request is or has been known by any name other than that herein denoted, including alternate spellings or transliterations of any names, the request shall be read also to include that alternative identification.
4. The Committees' preference is to receive documents in electronic form (i.e., CD, memory stick, thumb drive, or secure file transfer) in lieu of paper productions.
5. Documents produced in electronic format should be organized, identified, and indexed electronically.
6. Electronic document productions should be prepared according to the following standards:
 - a. The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - b. Document numbers in the load file should match document Bates numbers and TIF file names.
 - c. If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - d. All electronic documents produced to the Committees should include the following fields of metadata specific to each document, and no modifications should be made to the original metadata:

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH, PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE, SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM, CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,

INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION,
BEGATTACH.

7. Documents produced to the Committees should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, zip file, box, or folder is produced, each should contain an index describing its contents.
8. Documents produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.
9. When you produce documents, you should identify the paragraph(s) or request(s) in the Committees' letter to which the documents respond.
10. The fact that any other person or entity also possesses non-identical or identical copies of the same documents shall not be a basis to withhold any information.
11. The pendency of or potential for litigation shall not be a basis to withhold any information.
12. In accordance with 5 U.S.C. § 552(d), the Freedom of Information Act (FOIA) and any statutory exemptions to FOIA shall not be a basis for withholding any information.
13. Pursuant to 5 U.S.C. § 552a(b)(9), the Privacy Act shall not be a basis for withholding information.
14. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
15. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) every privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author, addressee, and any other recipient(s); (e) the relationship of the author and addressee to each other; and (f) the basis for the privilege(s) asserted.
16. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (by date, author, subject, and recipients), and explain the circumstances under which the document ceased to be in your possession, custody, or control.
17. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, produce all documents that would be responsive as if the date or other descriptive detail were correct.

18. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data, or information not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.
19. All documents shall be Bates-stamped sequentially and produced sequentially.
21. Upon completion of the production, submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control that reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committees.

Definitions

1. The term “document” means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, data, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone call, meeting or other inter-office or intra-office communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape, or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term “communication” means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, mail, releases, electronic message including email (desktop or mobile device), text message, instant message, MMS or SMS message, message application, or otherwise.

3. The terms “and” and “or” shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neutral genders.
4. The term “including” shall be construed broadly to mean “including, but not limited to.”
5. The term “Company” means the named legal entity as well as any units, firms, partnerships, associations, corporations, limited liability companies, trusts, subsidiaries, affiliates, divisions, departments, branches, joint ventures, proprietorships, syndicates, or other legal, business or government entities over which the named legal entity exercises control or in which the named entity has any ownership whatsoever.
6. The term “identify,” when used in a question about individuals, means to provide the following information: (a) the individual’s complete name and title; (b) the individual’s business or personal address and phone number; and (c) any and all known aliases.
7. The terms “relating to” and “referring or relating to,” with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is pertinent to that subject in any manner whatsoever.
8. The term “involving”, with respect to any given subject, means sending, receiving, or being copied (CC or BCC), or being the subject matter on any documents or communications described in the request.
9. The term “employee” means any past or present agent, borrowed employee, casual employee, consultant, contractor, de facto employee, detailee, fellow, independent contractor, intern, joint adventurer, loaned employee, officer, part-time employee, permanent employee, provisional employee, special government employee, subcontractor, or any other type of service provider.
10. The term “individual” means all natural persons and all persons or entities acting on their behalf.