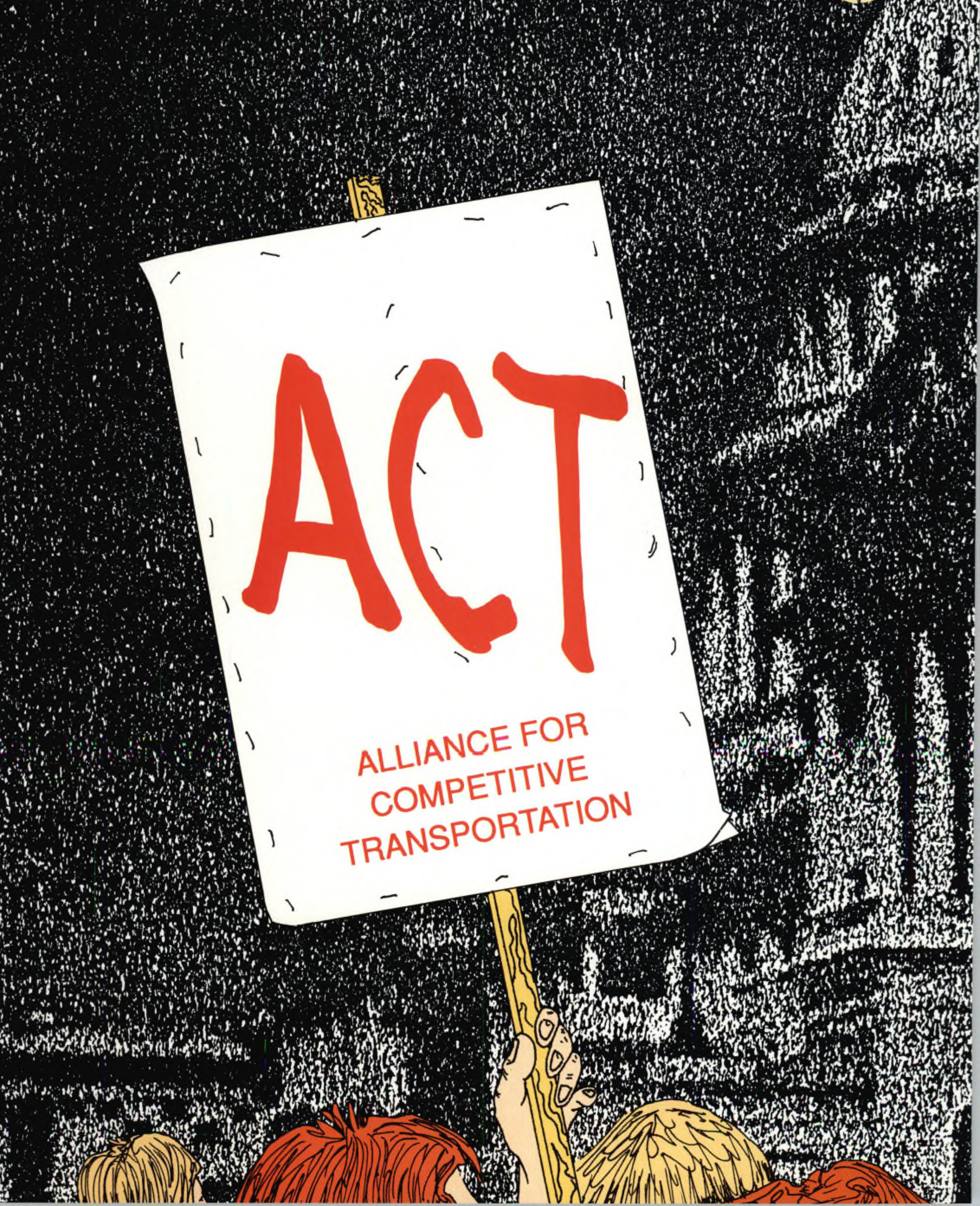
JUNE 1991

American Shipper

INTERNATIONAL



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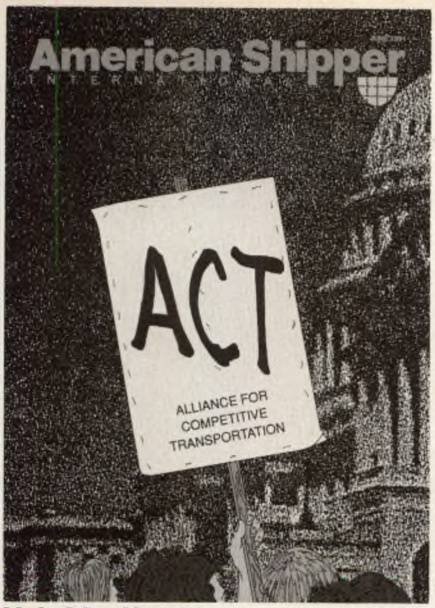

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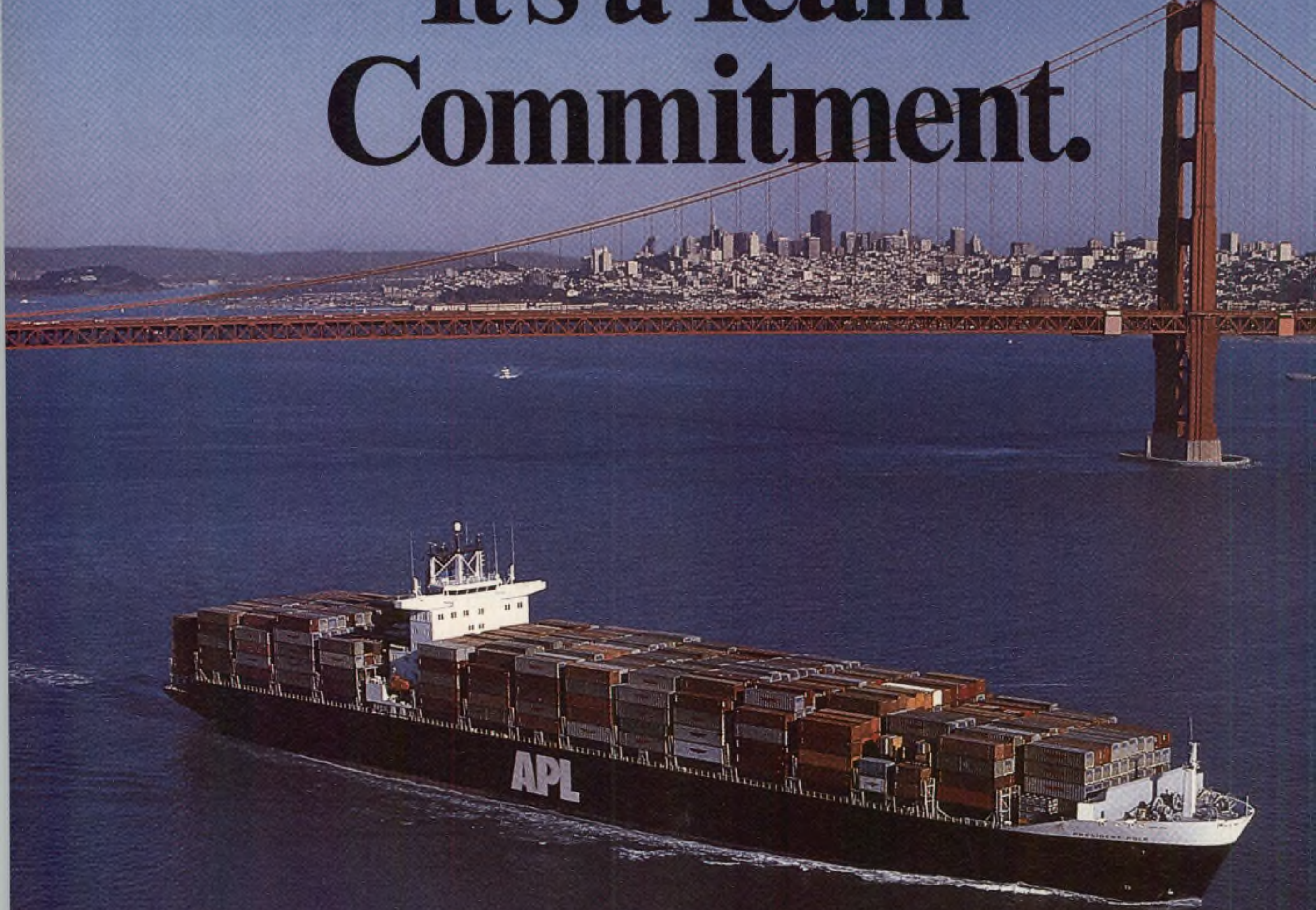

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International Report

by Elizabeth Canna

■ ***The A.P. Moller Group's fledgling third party logistics subsidiary has entered into an agreement with the retailing giant, Melville Corporation, to manage Melville's logistics needs.***

Very little is known about the arrangement. It's so new, neither Melville nor Moller is inclined to discuss it. Both are fearful of giving away their competitive advantage at such an early stage. But from the few details that have come to light, it seems as though the new partnership has all the earmarks of those model cases one hears about at logistics seminars.

For one thing, like many of those textbook examples, Melville's decision to contract out its logistics was made by the corporation's financial managers.

Moreover, it would be hard to think of a more likely candidate for a logistics rethink than Melville, with its 14 relatively independent business divisions operating more than 7,700 retail outlets throughout the country. The names are familiar to anyone who has driven through a suburban shopping district or walked through a mall: CVS, Marshalls, Meldisco, Thom McAn, Kay-Bee Toys, Linens 'n Things, Chess King, Wilsons, Freddy's, Fan Club, Accessory Lady, Bob's Stores, This End Up Furniture Co., and Prints Plus.

In the past, Melville's companies have, for the most part, maintained their own individual supply chains, and negotiated their transportation arrangements separately, with minimal involvement at the corporate level. Now, in taking on a third party logistics provider, Melville has decided to use its considerable collective muscle to its advantage. Economies of scale aren't new to Melville, which has used the volume concept to negotiate favorable leases for retail space by locating several of its shops in one mall. Now it will turn that clout towards supplying those shops.

Which brings us to those transpacific carriers that are wondering which of them will be bringing Melville's import merchandise over from the Far East. Not surprisingly, there is some nervousness and skepticism since a corporate cousin of Melville's third-party agent, Maersk Line, is a major carrier in that trade.

Presumably, carrier selection will be neutral, with cargo going to the most cost-effective operator, just as CSX and Nedlloyd say they run their logistics subsidiaries. It is unlikely Moller will indulge in favoritism if it means added cost. Ocean transportation is only a small segment of the overall logistics service this arrangement will render to Melville.

Besides, the Melville contract is the Danish transportation giant's first big third-party logistics venture. From all indications, the Moller group is a company in transition, looking for new market niches (see related story in this issue). In setting its sights on a role in third-party logistics, it will probably take added care not to discourage other Melvilles.

One thing is almost certain. The programs Moller puts together for Melville will be closely guarded for some time. CSX Logistics was in business for two years before it went public.

And one of retailing's more interesting logistics success stories, Sweden's Ikea, refuses to discuss its operations. Ikea runs some 100 huge retail centers around the world, which carry tens of thousands of globally-sourced products bearing low prices that are guaranteed for one year. Most all of Ikea's products are knock-down, stored in warehouses that double as retail space. The customer rolls a shopping cart right into the warehouse, loads up with chairs, tables, or even beds and sofas, and then pays at a check-out station in grocery-store fashion.

For retailers and third-party agents alike, full service logistics is a last great frontier that offers a competitive edge too sensitive to air in public.

■ ***Things are looking dim for Eurocorde's fate in Brussels.***

Word has it that the European Commission's competition directorate will try to finally render an opinion before the summer recess on the discussion agreements shared by transatlantic conference and non-conference carriers. And it looks as though that opinion will state that Eurocorde is anticompetitive. Sentiment in Brussels has gradually shifted against Eurocorde since Maersk Line joined the westbound Atlantic conference. As long as Maersk was an independent in the Europe-U.S. trade, the EC felt European shippers had sufficient competitive transport choices.

In a rare reference to EC shipping, Sir Leon Brittan, vice president of the European Commission responsible for competition, recently touched on Eurocorde during an address. He left the impression that antitrust regulators were inclined to rule against Eurocorde.

■ ***A recent surprise ruling by France's socialist government could mean some changes in ownership for the state-owned shipping line, Compagnie Generale Maritime.***

Paris did an about-face in April when it decided to allow private investors to take up to a 49 percent shareholding in France's broad range of state-owned companies. The decision was a victory for those who opposed President Francois Mitterand's staunch stand against privatization, which critics charge has blocked the ability of French state-owned companies to attract new capital and broaden their bases.

What does this all mean for CGM?

It could mean fresh capital from outside, even foreign shareholders.

It could also mean mergers or acquisitions that involved stock swaps. All in all, the unexpected decision opens a few doors for CGM and its state-owned colleagues that in the past were shut.

■ ***Some who spend their time in the workaday world of cargo shipping are looking forward to the P&O Group's next cruise ship christening ceremony.***

The naming of the *Crown Princess* last fall by Italian film star Sophia Loren was carried off with great ceremony.

How do you top Sophia Loren? By having Margaret Thatcher as godmother of the next cruise ship, the *Regal Princess.* Since her unceremonious fall from office, Thatcher has been carving out an elder statesman Henry Kissenger-like niche for herself, particularly in the United States where she has a very avid following (and a son who lives in Texas and who is managing her career now).

Of course, it helps that friends like the P&O Group's chairman Lord Sterling can provide her the platform, especially in return for previous favors. He was merely Sir Sterling less than a year ago.

But the former prime minister isn't the only Thatcher with connections to international shipping. Her husband, Sir Denis Thatcher, sits on CSX Corp.'s board of directors as counselor to the board.

It runs in the family

Washington Report

by Tony Beargie

■ ***The outspoken (and some say arrogant) ways of commissioner Rob Quartel have finally gotten under the skin of Federal Maritime Commission chairman Christopher Koch.***

In a terse and sarcastic "Dear Rob" letter sent to the maverick FMC member, Koch made it clear that he has had enough of Quartel's behavior.

What got the FMC chairman so hot under the collar was an initial statement by Quartel tearing apart the commission's decision to reject a plea from a group of foreign-based NVOs to delay the agency's NVO bonding and tariff-filing regulations.

Copies of Quartel's initial statement (later toned down for the public) which irked the FMC chairman and Koch's stinging reply have been obtained by *American Shipper*.

Quartel questioned the FMC's decision to reject a petition from the Zurich, Switzerland-based International Federation of Freight Forwarder Associations, at the same time the agency "effectively exempted" ocean carriers from a "central role in enforcing the provisions of the NVO bill," until final rules are adopted. The dissenting commission member indicated that the whole thing was unfair and that FIATA's petition was turned down "simply because it is useless to argue with the Commission on this issue."

Quartel then took note of the FMC's previous decision to "grudgingly" stay the rules for two months, and charged that the reason the agency acted was that the "weight of reality was overwhelming. But for the most part, the agency's actions have not been governed by facts, but rather by "political entrenchment," Quartel charged.

"Who would have been harmed" if the FMC had held off until a final rule is adopted, Quartel asked. "Certainly not the consumer—or competition, for both of whom the law and our peculiar interpretation of it represent a stab in the back," he continued.

Quartel accused the FMC of having "thumbed its nose at common sense, at due process, at this (Bush) Administration ... at the majority of the industry affected by this rule, at our friends and allies in governments overseas—and, most decisively, at objectivity and fair play."

Quartel disclosed that he had been asked why he has been making "such a big deal" over the relatively small NVO issue. "The answer is that it is in the small issues that government shows its true stripes," he said. "Big issues bring out big interests on both sides. Small ones do not. Today, the special interest pleadings of a few big players have defeated the legitimate concerns of small businessmen and women."

And, while FMC lawyers would undoubtedly argue that "process has been served," Quartel said that he would argue that "justice—a higher standard—has not" been served. "On this issue, the Commission's feet are firmly planted in concrete and its head in the sand," Quartel concluded.

Not so long ago, on these pages, Quartel confidently stated that Koch and he were "on the same wave length" regarding many issues." However, on the NVO issue, the FMC chairman has clearly shown his displeasure with Quartel's behavior.

■ ***The text of the "Dear Rob" letter says it all. Here is the text of the letter, a copy of which was obtained by "American Shipper."***

"Until I read your attached dissent, I failed to realize the burden you bear of being the only person in the (FMC) building who is capable of being correct or properly motivated.

"Your task is indeed difficult, and I extend my sympathy. You do face many unfair obstacles. First, the Congress is replete with people who are either idiots or are politically bought. Next, the administration is not fully on board, with even the President—presumably out of political weakness or lack of intelligence—endorsing idiotic policies like the Jones Act. Then, on top of all that, your four fellow Commissioners have no common sense, objectivity, or concern for facts or for what is right or fair. It is so clear that there can be no legitimate difference of opinion on these issues, that I do appreciate your frustration and marvel at your ability to carry on.

"Your obedient and faithful servant with his head in the sand, (signed) Christopher L. Koch, Chairman."

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■ ***The long-standing and (up to now) non-controversial Capital Construction Fund (CCF) and Capital Reserve Fun (CRF) programs to help American-flag shipping companies and American shipyards may soon find themselves in international jeopardy.***

Troubles surfaced during an early May meeting of the administration's inter-agency Trade Policy Review Group where a majority of policy makers voted to put the programs up as bargaining tools in the U.S./OECD shipbuilding subsidy negotiations.

Department of Transportation (DOT) sought to save the programs from international negotiations but lost by a lopsided vote of 7-1, an industry source said.

The idea to place CCF and CRF on the negotiating table was put forth by U.S. Trade Representative Carla Hills, *American Shipper* was told.

In any event, Transportation Secretary Samuel K. Skinner has appealed the vote to the President's Economic Policy Council.

And while Skinner's appeal drew quick support from the leadership of the House Merchant Marine & Fisheries Committee, the fact that the vote was so lopsided in the inter-agency review group makes it difficult if not impossible to turn the tide.

House Merchant Marine & Fisheries Committee chairman Walter B. Jones and the Republican leadership of the Committee (Reps. Robert W. Davis and Norman Lent) appealed directly to President Bush in a May 10 letter sent to the White House.

"We urge you to instruct the U.S. representatives at the OECD negotiations not to agree to the elimination of our CCF and CRF programs," the bi-partisan leadership said in their letter to the President. However, the maritime legislative leaders said they would not oppose doing away with the longstanding requirement that restricts the use of deposits into the funds to work done in U.S. shipyards, if such requirements are replaced by a provision that limits the use of deposits to shipyards in countries "that do not subsidize their shipyards in accordance with the agreement being negotiated" in the OECD talks.

■ ***The upcoming mark-up of the Maritime Administration's authorization bill by the House Merchant Marine & Fisheries Committee may turn out to be a real hum-dinger.***

It is understood that the committee may have to deal with three controversial amendments which in effect are major pieces of legislation that would be attached as "riders" to the authorization bill.

For starters, Sea-Land Service suspects that Lykes Bros. Steamship Company may again try to sneak its own subsidy reform bill through with a rider that would allow the company to build new tonnage in foreign shipyards. (This was the spark that blew the industry apart last year to the point where it has not yet recovered.)

The second amendment is expected to come from the U.S. shipbuilding industry. The Shipbuilders Council of America will have an amendment offered that would bar the government from using Ready Reserve Fleet funds to purchase foreign ships for sealift purposes. This will undoubtedly meet heavy resistance from the administration, particularly the Department of Defense.

A third amendment expected to crop up would bar foreign repairs on ships built under the Jones Act.

While the Merchant Marine & Fisheries Committee's chief counsel Ed Welch said he had not seen any evidence of the suspected ODS reform amendment, it is understood that Lykes has been testing the waters in this regard.

According to Sea-Land Service chairman Alex J. Mandl, the House Merchant Marine Subcommittee has been asked to amend the law so that the four existing subsidized liner carriers would receive operating subsidy on foreign-built replacement ships and be immediately eligible to carry preference cargoes.

The suspected move by Lykes and others "is an attempt to circumvent the proper legislative process," Mandl charged. "The only reason" backers of the amendment are trying to rush a bill through is to "avoid a full exposure of ... financial and policy liabilities" associated with the amendment, he added.

In a letter sent to the House Merchant Marine Subcommittee, the Sea-Land chairman wrote down some interesting "approximations" of revenues said to be generated by Lykes in 1990 from U.S. cargo preference programs. Sea-Land's breakdown of the $186.7 million in revenue said to be received by Lykes from cargo preference programs is as follows:

- PL480, Title I/III — $32.3 million.
- Section 416-Dairy — $24.6 million.
- PL 480, Title II — $40.5 million.
- Aid, Loans and Grants — $16.98 million.
- Foreign Military Sales — $17.6 million.
- General Services Administration — $450,000.
- State Department — $350,000.
- DOD Components — $6.4 million.
- ITGBL-Household Goods — $16.8 million.
- Military Sealift Command — $18.2 million.
- Others (Eximbank, etc.) — $12.4 million.

Finally, Mandl put in writing what many have been saying is Sea-Land's official position on ODS reform—namely, that Sea-Land feels that the whole ODS program should be phased out "as soon as possible" if comprehensive reform proves to be an impossibility.

This position was also voiced recently by Crowley Maritime Corporation at a seminar sponsored by the Containerization Institute in Washington. (For coverage, see story, page 90.)

■ ***Senate Merchant Marine Subcommittee's senior counsel Hal Creel was amusing in a recent luncheon address before the Washington, D.C., Propeller Club when he singled out various industry representatives in the audience and promised them what they want in terms of legislation.***

To Phil Grill, Matson Navigation's Washington representative, he said: "APL will *never* be allowed into Hawaii!"

To APL representative Mike Murphy he jokingly accused Matson of "just being *stingy of course*" and that "APL should be allowed into Hawaii."

To Gloria Rudmann of the American Maritime Congress he promised that "ODS reform will occur *next week*!"

To Sea-Land's Peter Finnerty he admitted that "ODS reform is a *bad* idea. It will *never* happen!"

To a representative of the Shipbuilders Council of America he said that "*All* ships should be built in the U.S.!"

And, to Lykes Bros. Steamship official Billy Briere he said that the New Orleans-based shipping line should be allowed to "build ships *anywhere*!"

United States Lines Had First Transatlantic Cellular Containership

John H. Griffith, chairman of Norton Lilly International, wrote the following in response to an article in the May issue of 'American Shipper' which recalled the initial sailing of Sea-Land Service's first transatlantic containership 25 years earlier. Mr. Griffith, a former top official of United States Lines, points out that USL had started a transatlantic containership service with the sailing of the 'American Racer' on March 18, 1966, more than a month before the sailing of Sea-Land's Fairland on April 23 of that year.

Mr. David A. Howard
Editor

I was both interested and taken aback by the article in your May issue entitled "Like Columbus Discovering America."

With all due respect to the pioneering work in containerization by Sea-Land, that company did not operate the first containership service between the U.S. and Europe. The honor goes to my old company, United States Lines. Toward the end of 1965, based on an extensive study of containerization possibilities by a task force headed by myself, United States Lines decided to convert its four Racer-class cargo vessels into cellular containerships to operate in the U.S. East Coast to Antwerp/Rotterdam trade route.

The conversion was simplified by the fact that the vessels, which were quite new at the time, had been designed with cellular conversion in mind. Hatch covers and deck openings were sized for 40-by-8-foot containers, and the installation of cellular container guides had been foreseen and planned for in the design. With considerable secrecy, the vessels were cycled through the shipyard, the conversion accomplished, and the announcement made to the public in early 1966 via full page advertisements in the *New York Times, New York Journal of Commerce, Wall Street Journal* and *Washington Post.* The advertisement featured a cutaway profile drawing of the vessel, revealing the cellular construction below deck, as well as container fittings on deck.

Since this was intended to be a complete container transport system, during the early months of 1966 Pier 62 in Manhattan was rebuilt into a semblance of a container terminal by removing the shed and creating trailer parking space under the elevated West Side Highway. At the same time, a fleet of containers to the new ISO standards, 20- and 40-footers, was constructed together with the appropriate number of chassis. The North Atlantic Freight Conference, to which United States Lines belonged, was approached and modifications negotiated for conference freight tariffs to reflect the conditions necessary for container shipping.

On March 18, 1966 a weekly containership service between the United States and the Low Countries started with the sailing of the U.S. *American Racer* from New York.

As an item of interest, it was well known that Sea-Land would be starting its service shortly thereafter. Because of this, the conference designated the writer, who as mentioned above was negotiating tariff rules and regulations for United States Lines' container service, to discuss with Sea-Land conference membership on the basis of the new tariff regulations. These discussions went very well and Sea-Land did, indeed, join the conferences in advance of its first sailing a month after the sailing of the *American Racer*.

Of course, all this is a matter of definition. All lines were carrying containers prior to the sailing of the *American Racer*, including United States Lines. For the most part, these were the well-known Dravo containers but there were containers of approximately 8-by-8-by-8-foot dimensions, and indeed, there were even a few larger containers being handled on deck of some ships.

None of these, however, qualifies as a container service in the present sense of the word. The vessels were not constructed or outfitted to handle containers in a mechanical way, the liner companies did not offer either the commercial or physical elements of inland transportation, and the freight tariffs of the conference and the independent lines did not provide the conditions and incentives necessary to make containerization an attractive proposition for the shippers and consignees. I believe in truth that the sailing of the *American Racer* represented the first CONTAINER SHIP SERVICE offered in the transatlantic trade.

I am sure our good friends in Sea-Land will not mind setting the record straight.

Sincerely,

John H. Griffith
Chairman
Norton Lilly International Inc.

Note: With his letter, Mr. Griffith enclosed an article from a New York Times supplement of January 8, 1967, where some of the story is recited—including the March 18 sailing date.

GATX & Itel To Merge Their 3rd Party Units

$32-million deal unites two major logistics providers.

By Joseph Bonney

There are advantages to being big, say officials at the Unit Companies, which announced May 3 it will acquire fellow contract-logistics provider Itel Distribution Systems Inc.

Unit, a subsidiary of GATX Corporation, paid $32 million for the distribution subsidiary of Itel Corporation.

Under the deal, Unit will take over the leases of 47 warehouses and other facilities with approximately 8 million square feet. Unit already has 80 warehouses, with 13 millon square feet.

The acquisition puts Unit in several new markets, including New Orleans, Kansas City, Philadelphia, Columbus, Cincinnati and Syracuse, N.Y.

It also provides more opportunities for the business that can go with bigness, Unit officials say.

"The most important thing is to provide quality of service, and you don't have to be large to do that," said Tom Scanlin, Unit's vice president, marketing. "But for a customer whose business does require larger systems capabilities or more logistics skills ... it is an advantage."

He cited distribution for the health-care industry. That's one of the businesses Unit has targeted for growth. It's a field that has special demands for security and sophisticated information systems.

"You have to track some products to the individual vial ... and provide recall within 48 hours," he said. "Systems become very important. The more customers you can spread that investment over, the more competitive you can be."

Bill Elston, Unit's president and chief operating officer, agreed. He said shipper demand has encouraged consolidation in contract logistics, an emerging field that he said "has tended to be sort of a cottage industry."

"With the sophistication of users getting better all the time, they're looking for more sophistication among providers," Elston said. "Larger companies are able to provide that with financial resources, system capability resources and management resources."

Rapid Growth. Unit, based in Jacksonville, was founded in 1974 by Warren Powers and Wayne Ottenstrorer, both of whom had worked in distribution for Pillsbury Company.

The company started with a single warehouse in Jacksonville. In 1978 Unit opened a warehouse in Dallas, its first location outside Jacksonville.

Over the years the company has expanded into contract and public warehousing, transportation, just-in-time assembly support, freight consolidation, packaging, sub-assembly, customized information systems for logistics, and inventory management and distribution facilities development.

Unit was acquired by GATX in 1989 for $173 million. Last year the subsidiary had revenues of about $100 million.

Contract logistics providers have proliferated in recent years as companies have turned to outside sources for distribution and other tasks outside the users' area of expertise.

Elston said he sees room for continued expansion. "We expect it's going to continue to be a growth field," he said.

Assembly Support. During the last several years, Unit has become heavily involved in assembly support, which involves work with the flow of components for manufacturers.

With the increased emphasis on just-in-time supply, that's a growing business. The work can take many forms.

Unit has contracted with General Motors to handle the flow of components to GM's Buick City manufacturing complex at Flint, Mich. Unit operates a "flow-through terminal" at which full-truckload shipments are sorted for the assembly plants, using bar-code and radio-frequency tracking systems. The average time from truck arrival to assembly line is 17 hours.

Another Unit assembly-support operation is at the Diamond Star joint-venture plant of Chrysler and Mitsubishi at Bloomington, Ill. Unit picks up components from several suppliers over several days, puts them in the correct sequence for assembly, and delivers them to the assembly plant within a two-hour "window."

Growth, Acquisitions. Most of Unit's growth has been through internal projects such as the assembly-support operations, but the company also has made several acquisitions.

Those include Lentz Warehousing, a Winston-Salem, N.C.-based company, and Dallas Warehousing, two companies that were involved in handling of health-care products.

"Health care is one of our target markets," Scanlin said. "We've developed systems and services for it, and spent time developing a complete package for that marketplace."

Unit officials predict a good fit between their operations and those of Itel Distribution, which is strong in fields such as freight consolidation and just-in-time supply of retail stores.

Management. Unit officials said they expect to keep most of Itel Distribution's management. Unit is splitting operations into eastern and western regions. Robert Dornbush, who was president of Itel Distribution, will be president of western area operations. Reporting to him will be three area vice presidents—William Foltz, west, Don Cote, southwest, and Robert Shaughnessy, central.

Eastern operations will be headed by Sam Kraus, who has been with Unit since the company acquired Lentz.

Reporting to him will be area vice presidents Leonard Sklawer, southeast, Jeff Solomon, northeast, and Alex Miller, mid-Atlantic, as well as Jerry Gray, vice president of transportation operations. Jack MacKenzie, vice president for assembly support operations, will report directly to Elston. ■

Mattel Goes on Line With Customs

Submits entries, payments electronically. Customs wants 30 more firms to try it.

By Richard Knee

Mattel, Inc., the toy-industry giant based in El Segundo, Calif., is using electronic data interface to file its customs entries and entry summaries and it pay its customs duties, and could be on the U.S. Customs Service's Automated Invoice Interface program by year end, according to Frank Gomez, director of import and export operations.

Gomez, who does the hands-on work with the system, said it is working "exceptionally well," though there are a few "bugs" to be worked out.

Customs officials also like the way the program is working so far and plan to add participating importers and customs brokers soon.

Brokers, while favoring the concept, have some reservations about the program.

Factors Preset. Tariff classifications and duty rates for the items Mattel imports are in place for the entire year, Gomez said.

Even though Mattel brings shipments in through five gateways—New York, Los Angeles, San Diego, Dallas and Laredo, Texas—the classifications and duty rates are all standardized by a Customs national import specialist in New York, he said. Customs officials visit the toy industry's big trade fair in New York.

Pre-classifiability is, in fact, a prerequisite for participating in the program, noted Virginia Noordewier, assistant director of commercial operations for Customs' Los Angeles district.

Eligibility requires an importer have a "repetitive," non-varying list of merchandise, a good track record with Customs and, of course, "some level of sophistication" in automated transmission capability, Noordewier said.

Two Years in Planning. Mattel and Customs officials took about two years to work out the details of the program, Gomez said.

The company hooked into Customs' Automated Broker Interface system in December and began filing statements electronically in February, he said.

Customs' regional and district leaders were particularly active in getting the program under way, he said.

While Mattel is not filing its invoices electronically with Customs, he added, the company is receiving them electronically from suppliers in the Orient.

Brokers Concerned. While favorable in principle to what Mattel is doing, customs brokers have some concerns about the program, commented Arthur Litman, president of the National Customs Brokers & Forwarders Association of America.

"The underlying question is, where are the benefits to the importer?" said Litman, who is also president of Castelazo & Associates in Los Angeles.

Brokers wonder whether the program speeds cargo release, reduces the work load for importers and affords the most efficient use of Customs manpower, he said.

The latter-most issue comes into play, he said, because participating importers are visited from time to time by Customs auditors. If the program spreads to other importers, Customs' staff could be stretched thin by having to go out on constant audit visits, he explained.

Other Questions. The program raises some other questions, Litman said, including:

• Whether import specialists have access to commercial invoice information.

If not, they could hold up shipments, he warned.

• How reliable and usable the pre-classification program is.

• The resources necessary to participate in the program.

• How importers and brokers not using the pre-classification system might be affected.

The program does, however, solve some problems, Litman noted.

Specifically, it enables electronic filing of entries and entry summaries without the need to file a full invoice that way.

'Some Bugs.' Gomez acknowledged there are "some bugs" in the program.

Customs' system automatically rejects certain shipments for paperless processing and release—namely those listed as "American goods, returned" and those subject to import quotas, he said.

In addition, he said, Mattel has not worked out paperless release programs with other federal agencies that scrutinize toy imports.

Customs Likes Program. From Customs' perspective, the program is working "very well"—so well, in fact, that the agency has targeted 30 more companies as "likely candidates" for participation in it, Noordewier said.

Noordewier could not provide any names but she said the roster goes across the board in terms of the types of commodities involved.

She noted that Customs aims to process 75 percent of its transactions electronically by 1995. ■

Cargo Interests Fined for Malpractice

By Tony Beargie

The Federal Maritime Commission's transpacific malpractices program is beginning to hit cargo interests heavily.

The most recent settlement of $1,660,639.89 follows on the heels of a whopping $18.9 million-plus settlement package announced by the FMC in April. (For coverage, see the May 1991 issue of *American Shipper*, page 9.)

In the latest settlement, 17 firms, U.S. and Japanese shippers and transportation intermediaries which the FMC refers to as "cargo interests" (as opposed to ocean carriers), agreed to pay $1.6 million-plus in settlement fees for alleged Shipping Act violations.

So far this year, the FMC has collected approximately $21 million under the transpacific program. The sum far exceeds the agency's budget which comes to about $15 million per year. And, there are still more settlements in the offing, *American Shipper* was told. Since the program's August 1988 inception, over $50 million in settlement fees have been collected by the FMC.

The most recent individual settlements are:

1. Benkan Corp., Tokyo, Japan, a manufacturer and exporter of steel fittings — $65,000.

2. Cyprus Minerals Co., Englewood, Calif., an exporter of copper cathode and copper products — $2,000.

3. Emery Distribution Systems, Inc., Palo Alto, Calif., an ocean freight forwarder — $75,000.

4. Foster Electric Co. Ltd., Tokyo, Japan, an exporter of audio equipment and electronic goods — $445,000.

5. Hermann Ludwig, Inc., New York City, a tariffed non-vesssel-operating common carrier — $21,000.

6. Keihin Co. Ltd., Tokyo, a tariffed NVOCC doing business under the name of Keihin Ocean Line — $310,000.

7. Kenwood Corp., Tokyo, a manufacturer and exporter of audio equipment and electronic goods — $275,000.

8. Komatsu Dresser Co., Chattanooga, Tenn., an importer of construction equipment and machinery from Japan — $15,000.

9. Mitutoyo Corp. Tokyo, an exporter of measuring equipment — $58,839.89.

10. Kuraray Co., Otd. and Kuraray International Corp. The former is an exporter of chemicals, based in Osaka, Japan, and the latter is a distributor of chemicals based in Pasadena, Texas — $10,000.

11. Okura & Co. Ltd., Tokyo, an importer of hay and hides — $20,000.

12. Shimano Industrial Co., Ltd. and Shimano American Corp. The former is a manufacturer of bicycle parts, based in Sakai, Japan, and the latter is a distributor of bicycle parts based in Irvine,Calif. — $32,000.

13. Shin Nippon Koki Co., Ltd., Osaka, Japan, an exporter of machinery and machine tools — $150,000.

14. Sugiyasu Corp., Takahama, Japan, a manufacturer and exporter of machinery — $42,800.

15. TKM Limited, Tokyo, an exporter of aluminum — $110,000.

16. Trans-Intermodal Transport, Inc., Long Beach, Calif., a tariffed NVOCC — $15,000.

17. Unifast Inc., Chun Yu Works & Co. Ltd. and Shyh H. Lee. Unifast is an importer of industrial fasteners, based in City of Industry, Calif. Chun Yu Works is a manufacturer and exporter of fasteners based in Kaohsiung, Taiwan. Shyh H. Lee is a resident of Taiwan and an officer of Unifast and Chun Yu Works. Settlement amount — $14,000. ■

A.P. Moller Group Names Future CEO

Maersk McKinney Moller will slowly withdraw from day-to-day operations. Twenty-year company veteran is chosen as heir-apparent. Group profits off 29 percent in 1990.

By Elizabeth Canna

Times are changing at the A.P Moller Group.

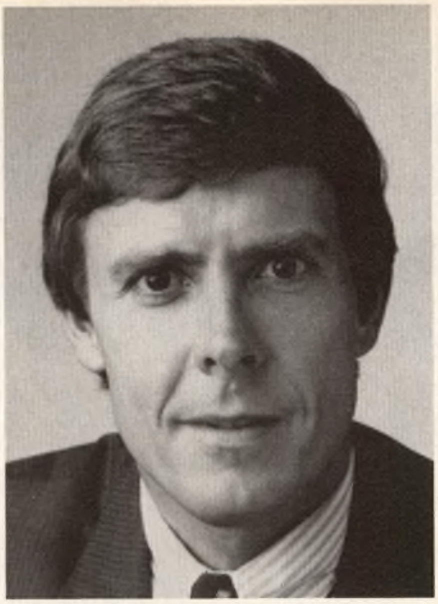
The Danish parent of Maersk Line revealed in April that within a couple of years Maersk McKinney Moller will step back from day-to-day management of the enterprise his father and grandfather founded in 1904. Jess Soederberg, a 46-year old partner in the firm, was named to succeed Moller as chief executive.

In announcing the transition, the company said it considers it "vitally important to prepare long- term, and accordingly to prepare for the seniormost chair a person likely to occupy it for a span of years."

Between now and the time when he assumes the full responsibilities of chief executive, Soederberg will serve as Maersk McKinney Moller's deputy, in a gradually expanding role. Another of the company's executives, Ib Kruse, will also take over several of Moller's current responsibilities.

Although Maersk McKinney Moller (77) will no longer occupy himself with daily management tasks, he is expected to remain actively involved in the overall direction of the group.

Lower Profits in 1990. News of the change of guard at A.P. Moller came as the group released its 1990 financial results,



Jess Soederberg
Sr. Chief Executive-designate
A.P. Moller Group

showing a 29 percent drop in profits from 1989. Net income for 1990 was 1.1 billion Danish kroner ($174 million), compared with 1.6 billion Danish kroner the year before. Revenue in 1990 was 19.8 billion Danish kroner ($3 billion), 4 percent lower than 1989's revenue of 20.7 billion Danish kroner.

Last year was especially tough for Moller's shipping activities.

The group's tanker and liner subsidiary reported earnings of 738 million Danish kroner ($112 million), a full 40 percent lower than 1989's profits of 1.2 billion Danish kroner. Revenue, at 16.8 billion Danish kroner ($2.5 billion) was 6 percent behind 1989's shipping and tanker operating revenue of 17.9 billion Danish kroner.

The tanker and liner division's net income for 1989 included some heavy extraordinary gains from the sale of vessels (374 million Danish kroner). But even without the impact of extraordinary items, shipping returns for the Moller Group were not satisfactory.

Turmoil in Panama, Liberia and the Persian Gulf were cited by Moller as the main causes of uncertainty in the shipping arena. In addition, high fuel prices and the continued weakness of the U.S. dollar took a toll.

"The majority of shipping earnings are fixed in dollars while expenses are in other currencies," the company said in a statement. Currency hedging, however, helped ward off some of the soft dollar's negative effects.

The group's container shipping services offered by Maersk Line were especially hard hit.

"Container services experienced a difficult year of increased competition, continued erosion of rates, and a slight decline in cargo. Earnings consequently went down to a very dissatisfactory level," Moller said

"The first quarter of the year for the liner service was at a seasonal low, but 1991 still constitutes an improvement over the first quarter of 1990," the company said in its statement. Dry bulk rates were lower in 1990 than in 1989.

Moller's bulk carriers started 1991 slowly, then rates rose slightly before falling back again.

Similar ups and downs characterized rates for the group's crude carriers and product tankers during the first few months of this year.

Depending on how oil prices and the U.S. dollar behave over the coming months, the Moller group said its production and sale of gas and oil could exceed 1990's levels.

A Company in Transition. Soederberg's appointment as the heir-apparent is one of a series of signs that the Moller group, like other large companies rooted in shipping, is positioning itself for a future that scarcely resembles its past.

On several occasions in recent years, Maersk Line has startled the shipping world with unexpected strategic moves—moves which inevitably have broad ripple effects and which have often been rued by the carrier's competitors.

Maersk's entry into the transatlantic as an independent carrier operating some of the world's largest containerships created a tremendous upheaval three years ago. The carrier's gradual alignment with that trade's conferences has led antitrust regulators in Brussels to ponder whether the North Atlantic marketplace is anticompetitive.

Last year, as realignments of decades-old partnerships in the Europe-Asia trade lane were being negotiated, Maersk once again caught most industry watchers by surprise when it announced a vessel-sharing agreement with P&O Containers. Maersk's unexpected availability led P&O to walk away from Ben Line, the carrier P&O had previously taken on as a partner.

More recently, in perhaps the biggest surprise of all, Maersk and Sea-Land Service announced their transpacific vessel-sharing plan.

Once again, Maersk's unexpected availability overtook another partnership in the making, this time between Sea-Land and American President Line.

A decade ago few would have predicted Maersk's transformation from a lone-wolf operator to a team player.

But as Moller/Maersk gears itself to compete in a rapidly-changing transportation arena, there are bound to be more surprises yet to come. ■

40-40-20 Cargo Sharing Scheme Still Alive

U.S. has no vote at Geneva meetings May 21-June 7, but maritime nations need U.S. help to kill it.

By Elizabeth Canna

Proponents of cargo sharing on a global scale will finally have their day in the sun, more than two years behind schedule.

After 24 months of squabbling over rules and procedures, maritime diplomats face off in Geneva over whether United Nations-administered cargo-sharing rules should be extended beyond their present limits. Three weeks between May 21 and June 7 were set aside for the debate.

At issue is the Code of Conduct for Liner Conferences, a vehicle sponsored by the United Nations Conference on Trade and Development (UNCTAD) through which contracting countries can legally reserve a share of their national cargoes for their national shipping lines.

The problem, developing countries say, is that the muscle of the UNCTAD Liner Code's cargo-sharing provisions is wasting away.

When the UNCTAD Liner Code was first considered back in the 1960s, non-conference carriers were hardly the mainstream operators they are today. The Liner Code's authors didn't envision a trade environment where independent operators would be hauling large percentages of the world's cargo, as they now do. And so, the Liner Code applies to liner cargo moving on conference vessels.

Developing countries had their opportunity to push through amendments to the Liner Code in 1988 when the statute came up for review. (Article 52 of the Liner Code mandated a review session five years after the Liner Code had enough signatories to come into force. That happened in the fall of 1983).

But shortly after the gavel fell opening the review session, the conference disintegrated in a dispute over whether non-signatories, countries such as the United States, Japan or Australia, should have a say in any votes to extend the code.

Other disputes polarized the so-called Group of 77, the umbrella group of developing countries which presumably wants to extend the Liner Code not only to encompass non-conference ship lines, but to also include multimodal transport, consortia, intermediaries such as freight forwarders and NVOCCs, and possibly non-liner cargo.

The 1988 review conference ended in disarray with the promise that another review conference would be called as soon as the voting rights dispute was sorted out—a task that has taken more than two years.

Group B Gentlemen's Agreement. Why did it take so long to resolve the voting rights debate?

As expected, the Group of 77 dug in its heels, not wanting to give powerful anti-code countries like the United States any opportunity to block extension of the Code's scope.

But, in an interesting turn of events, the developed market economy countries, known as Group B, which had been united in favor of voting rights for non-codist countries, started to lose their cohesiveness when UNCTAD's secretary general, K.K.S. Dadzie, came up with a compromise.

Under the so-called Dadzie Proposal, non-codist countries still cannot vote on proposed amendments to the Liner Code. However, the voting process is structured in a way that amendments offensive to non-signatories can still be voted down if those non-signatories can convince their codist colleagues to do so.

Signatories to the Liner Code

Country	Date	Country	Date
Algeria	12/12/86	Kenya	2/27/78
Bangladesh	7/24/75	Kuwait	3/31/86
Barbados	10/29/80	Lebanon	4/30/82
Belgium	9/30/87	Madagascar	12/23/77
Benin	10/27/75	Malaysia	8/27/82
Bulgaria	7/12/79	Mali	3/15/78
Burkina Faso	3/30/89	Mauritania	3/21/88
Cameroon	6/15/76	Mauritius	9/16/80
Cape Verde	1/13/78	Mexico	5/6/76
Central African Rep.	5/13/77	Morocco	2/11/80
Chile	6/25/75	Mozambique	9/21/90
China	9/23/80	Netherlands	4/6/83
Congo	7/26/82	Niger	1/13/76
Costa Rica	10/27/78	Nigeria	9/10/75
Cuba	7/23/76	Norway	6/28/85
Czechoslovakia	6/4/79	Pakistan	6/27/75
Denmark	6/28/85	Peru	11/21/78
Egypt	1/25/79	Philippines	3/2/76
Ethiopia	9/1/78	Portugal	6/13/90
Finland	12/31/85	Republic of Korea	5/11/79
France	10/4/85	Romania	1/7/82
Gabon	6/5/78	Saudi Arabia	5/24/85
Gambia	6/30/75	Senegal	5/20/77
Germany	W: 4/6/83	Sierra Leone	7/9/79
	E: 7/9/79	Somalia	11/14/88
Ghana	6/24/75	Sri Lanka	6/30/75
Guatemala	3/3/76	Sudan	3/16/78
Guinea	8/19/80	Sweden	6/28/85
Guyana	1/7/80	Togo	1/12/78
Honduras	6/12/79	Tanzania	11/3/75
India	2/14/78	Trinidad, Tobago	8/3/83
Indonesia	1/11/77	Tunisia	3/15/79
Iraq	10/25/78	USSR	6/28/79
Italy	5/30/89	United Kingdom	6/28/85
Ivory Coast	2/17/77	Uruguay	7/9/79
Jamaica	7/20/82	Venezuela	6/30/75
Jordan	3/17/80	Yugoslavia	7/7/80
		Zaire	7/23/77
		Zambia	4/8/88

Group of 77
(Now numbers 128)

Europe
Cyprus
Malta
Romania
Yugoslavia

Africa
Algeria
Egypt
Libya
Morocco
Tunisia
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Cent. Afr. Rep.
Chad
Comoros
Congo
Cote d'Ivoire
Djibouti
Equatorial Guinea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mazambique
Niger
Nigeria
Rwanda
Sao Tome & Principe
Senegal
Seychelles
Sierra Leone
Somalia
Sudan
Swaziland
Tanzania
Togo
Uganda
Zaire
Zambia
Zimbabwe

Far East Asia
Brunei
Kampuchea
Dem. People's Republic of Korea
Indonesia
Laos
Malaysia
Mongolia
Philippines
Rep. of Korea
Singapore
Thailand
Vietnam

South Asia
Afghanistan
Bangladesh
Bhutan
India
Maldives
Myanmar
Nepal
Pakistan
Sri Lanka

Oceania
Fiji
Papua New Guinea
Samoa
Solomon Islands
Tonga
Vanuatu

North/Central America
Antiqua & Barbuda
Bahamas
Barbados
Belize
Costa Rica
Cuba
Dominica
Dominican Republic
El Salvador
Grenada
Guatemala
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Saint Kitts & Nevis
Saint Lucia
Saint Vincent & Grenadines
Trinidad & Tobago

South America
Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Guyana
Paraguay
Peru
Suriname
Uruguay
Venezuela

Middle East
Bahrain
Democratic Yemen
Iran
Iraq
Jordan
Kuwait
Lebanon
Oman
Palestine
Qatar
Saudi Arabia
Syria
United Arab Emirates
Yemen

On November 1, 1990, all but one of the Group B countries, the United States, agreed to accept the Dadzie proposal, on the condition that their Group B "Gentlemen's Agreement" become part of the official record.

Under the "Gentlemen's Agreement," Group B countries allow the review conference to go forward and the Group of 77 to have their day in court. But the "Gentlemen's Agreement" also states clearly that Group B believes the review conference should leave "unaltered the fundamental objectives and basic principles" of the Liner Code. In other words, no extensions into forbidden territory will be tolerated.

Will the U.S. Attend? As the only Group B country not party to the "Gentlemen's Agreement," the United States continues to stand alone. Two weeks before the start-up of the review conference, the Department of State was still not saying whether it would even go to Geneva, although most of those close to the situation expected to see a U.S. delegate there.

Meanwhile, shipowners from major maritime nations were hoping the U.S. would make an appearance.

"We need the United States there to hold feet to the fire. During a three-week conference the European governments could become more inclined to compromise and negotiate because of developing country politics," said one shipping representative.

Developing country politics do seem to be in fashion. Since the first review conference fell apart in 1988, two more European countries became Liner Code signatories, Italy (May 30, 1989) and Portugal (June 13, 1990). And there are rumors that others, including Switzerland, will soon follow suit.

Will Anything Happen? After all is said and done, will those within the Group of 77 (led by a bloc of African nations) manage to get what they came to Geneva for? Probably not, according to Group B representatives.

But shipowners' fears that their governments may waver and agree to implement some additional cargo-sharing regulations may not be all that far off base.

Western Europeans have a penchant for compromise, especially when it comes to developing country politics.

After all, they found a way to reconcile the Liner Code with European Community shipping law by creating the so-called Brussels Package in 1979. And they have now found a way, along with other Group B countries, to open the floor for debate over the Code's extension.

By contrast, the U.S. wanted no debate, no compromise. ■

Still Waiting on Post-War Boom

More than three months after the liberation of Kuwait, the expected surge in U.S. exports is nowhere in sight.

By William J. Warren

When the Persian Gulf war ended, American companies expected to start supplying the Kuwaitis with everything from Chryslers to carpeting as the oil-rich kingdom scrambled to replenish its plundered cities. More than three months later the post-war Kuwaiti cargo boom has yet to materialize.

What happened?

Some observers place the blame squarely on the shoulders of Kuwait's rulers. Wracked by dissention and crippled by wholesale cabinet resignations, the Kuwaiti government has been unable to restore a sense of normalcy to the country's economy.

"The instability of the government is slowing down the whole rebuilding effort," said Susan M. Coffey, manager for the Middle East and Indian subcontinent for Sea-Land Service, Inc. "They're just not where they should be. It doesn't look like a country that was liberated more than three months ago."

Other observers say that the Kuwaiti government has merely been trying to enforce order on a huge and complex reconstruction effort.

The flow of reconstruction supplies has been closely regulated, with government and emergency cargo given priority, said Ned Brantly, Middle East manager for A.P. Moller Maersk Line. "There appears to be a master plan somewhere," he said.

But isn't it about time for the reconstruction effort go into high gear, providing American shippers with a long awaited export bonanza?

"That's what we thought back in February, and in March, and in April ... and in May," Brantly said. "There is supposed to be this tremendous overhang of cargo ready to be shipped in June and July. It would make sense that there would be an influx of cargo coming up soon."

Some carriers are cautiously preparing for the Kuwaiti reconstruction to commence.

Lykes Bros. Steamship Co., Inc. added a second vessel in April to its container service from the U.S. East and Gulf Coasts to Saudi Arabia and the United Arab Emirates.

Sea-Land temporarily abandoned the Middle-East market to fulfill its obligations to Operations Desert Storm and Desert Shield.

"We hope to be back in the commercial market carrying U.S. cargo this summer," said Coffey.

While the market for consumer goods may increase this summer as Kuwaitis who escaped to Saudi Arabia during the war trickle back, the change will be slight, Coffey said. "I still don't think it'll be the windfall everybody was expecting."

The real reconstruction boom may not get underway until the "third or fourth quarter" of the year, Coffey said. "It may be a year until the government stabilizes and they have free elections before the country gets back on its feet," she said.

Anticipating a possible surge in cargo after July 1, the West Coast/Middle East Rate Agreement (WCME) on May 14 adopted a general rate increase to help meet expanded service requirements, but acknowledged the increase is a precautionary measure to meet FMC advance notice requirements and might be scaled back.

The increase effective July 1 amounts to an additional $565 per 45-ft. box; $500 per FEU; and $400 per TEU.

Extra Break Bulk Service. On the same day, May 14, United Arab Shipping Co. announced a dedicated monthly break bulk service to complement its fortnightly container service between U.S. East and Gulf Coast ports to Red Sea and Arabian Gulf ports.

UASC will use 22,000-dwt ships with heavylift cranes capable of lifting up to 105 tons.

UASC is considering doubling the frequency of its U.S.-Middle East container service to once a week. John Vanna, UASC's director of American services, said he expects "a growing need in the next six months for some added capacity," but added that the line's plan is also intended to enable it to improve service to other markets.

Sea-Land and UASC have initiated a joint relay service between Kuwait and the United Arab Emirates ports of Jebel Ali and Port Rashid using a self-sustaining vessel. The ship carries dock workers and cranes to unload the cargo.

The self-contained mode will have to be used "for at least a month," said Sea-Land's Coffey.

But the physical damage to the ports is only part of the problem, according to a number of observers.

Customs service, communications and other port operations are still in disarray. While cranes may be restored in June and most equipment back in service by August, it is difficult to predict when the Kuwaiti ports will be capable of business as usual, according to UASC's Vanna. ■

Fast Track Down to the Wire

Carriers say 'yes' to fast track but absolutely 'no' to putting shipping on the GATT negotiating table.

By William J. Warren

By the time this issue of *American Shipper* rolls off the presses Congress should have decided whether to grant the Bush Administration's request for a two-year extension of fast-track authority.

For George Bush no news will be good news. The House or Senate must pass a "resolution of disapproval" of the President's request by June 1, according to the fast-track statute, otherwise the extension automatically goes into effect.

The Dorgan Resolution is the mechanism for scuttling fast track, which the administration says it needs to finish the Uruguay Round GATT negotiations, negotiate a North American Free Trade Agreement with Mexico and Canada, and begin talks for an "Enterprise for the Americas Initiative" with Latin American nations.

The Uruguay Round negotiations on the General Agreement on Tariffs and Trade (GATT) broke down in December over agricultural issues. Talks have now resumed.

At this writing the Dorgan Resolution—which was introduced by Rep. Byron L. Dorgan (D-N.D.), on March 6—was still being studied by the House Ways and Means Committee and was expected to go to the floor May 14.

"Right now I'd say it's too close to call," said one Congressional insider of the resolution's chance of passage.

Congress Wants Role. Critics in Congress believe that fast-track authority grants the President too much power to negotiate trade agreements, while leaving Congress with too little say in the process.

Legislators are still nursing hurt feelings and bruised egos arising from the secrecy that surrounded the Administration's free trade negotiations with Canada in 1987. Congress was shut out of the Canadian agreement, contend some members, who are now leery of extending a similar "blank check" for the Administration to negotiate with Mexico.

Fast track permits the administration to negotiate trade agreements, which Congress cannot amend. Congress retains the right to vote to reject or accept an agreement within 90 days of White House submission.

Some Say: GATT Only. Some members of Congress, including Rep. Thomas J. Downey (D-NY), favor granting the administration fast track to complete the 107-nation GATT Uruguay Round negotiations, while denying the authority for negotiations with Mexico.

In a recent speech Downey said he is uncomfortable with the "multiple nature" of the Administration's request for fast-track authority. "Should fast track not be approved," Downey added, "the Administration and Congress would have to sit down and start over. I believe the Administration would then have to consider some of the concerns that Congress raised and structure negotiations with Mexico that would allow them to be addressed."

However, the fast-track statute prescribes no mechanism for granting limited or specific fast-track authority. Congress has the right to pass a disapproval resolution, but it does not have the capacity to alter the scope of fast-track authority.

To limit the Administration's fast-track authority to GATT alone Congress will have to first deny the extension and then write new legislation.

Some Say: Undemocratic. Hard-line protectionists would be happy to see fast track authority denied altogether.

Consumer advocate Ralph Nader wrote in a letter published in the New York Times that "fast-track is a fundamentally anti-democratic procedure." He characterized the Bush administration's request for the authority as "a demand that the legislative body tie its own hands on trade negotiations."

Shipping. The unfettered movement of goods across international boundaries makes good sense to American-flag carriers, and they generally support the President's quest for renewed fast-track authority. But the thought of putting shipping on the GATT negotiating table makes the maritime industry shudder.

"We are strongly supportive of the request," said Peter Finnerty, vice president for public affairs, Sea-Land Service Inc. "If the trade doesn't move we're all in trouble."

Finnerty's American competitors share his enthusiasm for fast track.

"We favor the open exchange of commodities and the free market system and we believe the GATT supports that principle," said Gil Roeder, a spokesperson for American President Companies. "We are actively supporting fast track legislation and we are working directly through our contacts in Congress to urge fast track in both cases: GATT and Mexico."

In its new Double Eagle rail service between the United States and Mexico APC has a stake in promoting free trade, Roeder noted.

But Roeder says that shipping is not an appropriate topic for the GATT talks. "Our feeling is that shipping is a relatively small industry with a relatively unique set of problems and U.S. flag carriers carry a relatively small percentage of total foreign trade and becasue of these factors we bleieve a more focused bilateral approach to industry issues is more effective," Roeder said. As an example, Roeder offered the case of non-tariff barriers in Asian countries.

Quartel: Industry Needs GATT. But Federal Maritime Commissioner Rob Quartel, an ardent and outspoken proponent of free trade, says putting shipping on the table at the GATT talks offers American-flag carriers their only hope for future growth.

"GATT is the only way we're going to get rid of the unfair foreign practices," he said.

"The key point is we bitch and moan about foreign subsidies but we're afraid to do anything about them," Quartel said. "And the only place we can do anything about them is to address them directly in in GATT. We don't deal with them one on one. If we were to deal with them one on one it would take forever."

"What they (American-flag carriers) are afraid of is that they're going to lose their own subsidies. That's the bottom line," he said.

The belief that the American maritime industry needs protection to survive competition with nations with drastically lower labor costs, is misguided, Quartel said.

"It (the American maritime industry) is not going to survive with protection," he said. "People refuse to look at what the finance people are going to look at. The finance guys throughout the industry are saying: no more money. The return on investment is too low and they don't want to put more money in it."

Stock analysts are not following shipping "because its not a decent financial investment," Quartel said.

What are the odds of getting shipping on the table at GATT? "The odds are fairly low," Quartel said. "I think the industry is going to be dead before it happens." ■

Window of Opportunity In Free Trade

Bilateral textile agreements with China, Egypt, Hong Kong, Hungary, India, Korea, Malaysia, Mexico, Pakistan, Peru, the Philippines and Bangladesh expire within the year. AAEI says the White House should seize this opportunity for free trade rather than wait on Uruguay Round talks in GATT.

By William J. Warren

The Bush administration should pursue free trade in textiles and apparel through bilateral negotiations, instead of extending current restrictive trade agreements while awaiting the outcome of the overdue Uruguay Round multilateral negotiations, according to the American Association of Exporters and Importers (AAEI).

With the GATT Uruguay Round negotiations unlikely to produce an agreement soon, the administration is advocating a 29-month extension of the Multifiber Arrangement, which expires July 31. The MFA, which places restrictions on the textiles and apparel trade, was negotiated in 1973 and was most recently extended (as MFA IV) in 1986.

The AAEI opposes the extension and says the administration should view the period between the expiration of the MFA and the implementation of a Uruguay Round agreement as a "transition" to the GATT objective of free trade in textiles and apparel by December 31, 2001.

More than half of the bilateral agreements negotiated by the United States under the auspices of the MFA are set to expire by the end of 1991, including those with China, Egypt, Hong Kong, Hungary, India, Korea, Malaysia, Mexico, Pakistan, Peru, and the Philippines.

An agreement with Bangladesh will expire January 31, 1992.

In a letter dated April 10 to United States Trade Representative Carla Hills, AAEI's president Eugene Milosh urged Hills to seize the initiative on free trade by renegotiating these agreements.

"It is through these bilateral agreements that the U.S. Administration could truly begin the transition toward liberalization in textiles and apparel trade," Milosh wrote. "Increases in base levels, elimination of restraints on "new MFA" fiber products, category consolidation, and improved flexibilities should be the minimum acceptable terms for such renewed bilateral agreements."

"Meeting the ultimate objective of free trade in textiles and apparel also compels the renegotiation, as opposed to simple extension, of all bilateral agreements scheduled to expire between now and implementation of an Uruguay Round agreement," Milosh wrote.

"The original time frame for implementation of an Uruguay Round textile agreement might have meant that there was insufficient time and manpower to renegotiate simultaneously so many bilateral agreements, but with more time available, that explanation is no longer valid."

The Uruguay Round is the current negotiating round of the General Agreement of Tariffs and Trade (GATT), which was supposed to reach agreement last December. Negotiations broke down and have now resumed.

MFA Needs Revision. A 29-month extension of the MFA violates the spirit of the accord, which was negotiated with the 1991 expiration date in mind, said Brenda Jacobs, an attorney in Washington with Sharretts Paley Carter and Blauvelt, counsel to AAEI. "They can call it a 'bridge,' but I call it a whole new agreement," she said. "Two-and-a-half years is a very significant time for a trade agreement."

AAEI Wants No New Restrictions. Officials at AAEI are also concerned that extending the MFA will make restrictions more difficult to dislodge in the Uruguay Round. When the MFA was extended by the 1986 Protocol, the revised arrangement—known as MFA IV—was expanded in scope to include silk blends and other vegetable fibers not covered by the original agreement. AAEI does not want protection of these new fibers extended.

If the MFA must be extended, wrote Milosh, "it should be limited to the terms of the 'Yellow Book.'" The "Yellow Book" refers to the text of the original agreement.

MFA No Longer Useful. Officials at AAEI are clearly growing impatient with the longevity of an agreement they feel is an economic anachronism.

"It (MFA) has served its purpose," said AAEI's vice president and counsel, Robert Leo. The United States and the European nations no longer have significant textiles industries in need of protection, he explained.

Moreover, according to Leo, the agreement goes against the tide of current economic thinking.

"The Multifiber Arrangement is an agreed to exception to GATT and the GATT principle," Leo said. "It's an obvious restriction of trade. It really goes against everything GATT stands for." ■

No Longer an Easy Touch

Uncle Sam may require foreign aid be used to build American exports.

By Elizabeth Canna

The on-again, off-again debate over tying foreign aid to U.S. exports was given new life in March when a bill to tie foreign aid to U.S. exports was introduced in the Senate.

Dubbed the Aid for Trade Act of 1991, the bill mainly seeks to garner for American companies a share of infrastructure development projects such as the building of transportation and telecommunications systems, particularly in Eastern Europe.

Recent presidential administrations have been opposed in principle to the concept of tied aid, but this newest effort could coincide with an about-face in that attitude.

The Bush administration is preparing its own version of a tied-aid bill, signaling a marked change of tune. The effort is being spearheaded by the Treasury Department.

Another traditional opponent of tied aid, the American Association of Exporters and Importers, isn't rushing to lobby against this latest effort. "We're in the process of deciding what to do about it," said AAEI attorney Robert Leo.

Leo said that since the multilateral negotiations held during Uruguay Round of the General Agreement on Tariffs and Trade (GATT) haven't succeeded in eliminating foreign tied-aid practices, AAEI is struggling with how best to approach the issue now that it seems to have new life.

"But I'm not saying we're going to be in favor of it," he warned.

Fred Montgomery, a spokesman for the U.S. Trade Representative's office, said he felt the change of heart was prompted by frustration over the U.S. trade deficit.

The Bush administration's willingness to consider tied aid comes at a time when it has also determined to toughen its stance against foreign subsidy programs. A recent report by the USTR enumerates various foreign practices which could end up on the trade bargaining table.

Level Playing Field. The four Democrats sponsoring the Senate bill say they're just trying to bring America's approach to foreign aid more in line with the aid programs deployed by other major nations.

"In 1988, only 14 percent of our economic aid was used for capital projects. In stark contrast, 61 percent of Japan's, 46 percent of Germany's and 62 percent of Italy's economic aid went to capital projects," said Sen. David Boren, D-Okla., when he introduced the bill.

"Our economic competitors spent five times more than we did on capital projects. Why? Because they understand that capital projects generate exports. They have recognized the commercial value of using foreign aid funds to build roads, phone lines and electrical plants, and we have not," Boren said.

Boren is chairman of the Senate Intelligence Committee. The new bill's three other heavy-hitting sponsors are Lloyd Bentsen, D-Tex., who is chairman of the Finance Committee, Robert Byrd, D-W.Va, chairman of the Appropriations Committee, and Max Baucus, D-Mont., chairman of the Finance Committee's Subcommittee on International Trade.

Boren said the proposed bill seeks to ensure the U.S. realizes a return on the billions of dollars that are handed over each year in aid packages.

"We are not concerned with foreign aid funds that come back to the U.S.," he said. "We are concerned with those funds that are simple hand-outs."

Bill's Provisions. In the unlikely event the Aid for Trade Act of 1991 makes it through the tortuous legislative process unchanged, it will ensure that within five years 35 percent of all bilateral economic assistance will be used to generate foreign capital project opportunities for American companies.

"These economic infrastructure projects not only help the recipient country, but also help the donor since the design, construction and servicing of the projects are done by national exporting companies," Boren said.

The bill also says that by the end of 1993 cash transfers must represent no more than 50 percent of U.S. economic assistance under the Economic Support Fund.

Over five years that percentage would drop to 10 percent.

Last year, according to Boren, cash transfers represented about 60 percent of ESF funds.

The bill limits the ability of the Agency for International Development (AID) to exempt countries from the requirement that all products purchased with U.S. foreign aid must be purchased in the U.S.

Other provisions of the bill are:

- A 15 percent yearly increase in the level of loan guarantees and export insurance provided by the Export-Import Bank;
- Increasing ExIm Bank's special tied-aid fund to $400 million, plus a requirement that ExIm Bank stop ignoring the fund and start using it;
- Expanding the role of the Trade and Development Program to provide engineering and design work for capital projects;
- A $1 billion Eastern Europe Loan Guarantee program to assist U.S. companies expanding into Eastern Europe.

Good for the Fleet? Tied-aid legislation could be an answer for the declining U.S.-flag fleet, according to one American shipowner.

"It is a relatively inexpensive method to insure a constant replenishment of the fleet," said Philip J. Shapiro, president and chief executive officer of Liberty Maritime Corporation and the Liberty Shipping Group, which operate U.S-flag bulk vessels. Shapiro discussed tied aid and other issues affecting the American fleet as the keynote speaker at the State University of New York Maritime College's annual alumni awards luncheon.

"We as a nation have reached the moment in our history to pursue and rigorously adhere to the concept of tied aid.

"Japan and the European Community have thrived by restricting their economic aid packages and government impelled trade to their own national products and carriers," Shapiro said. ■

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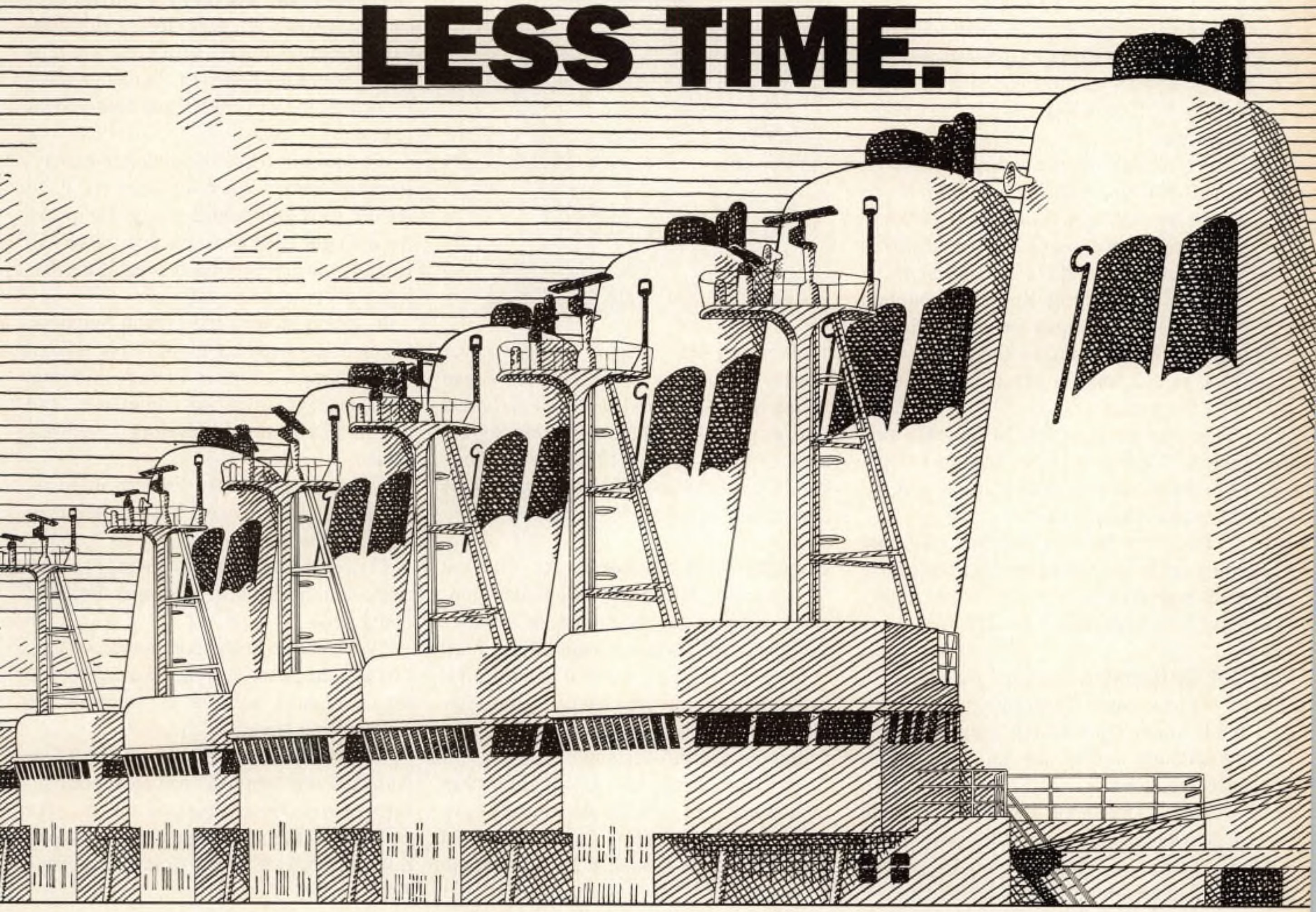

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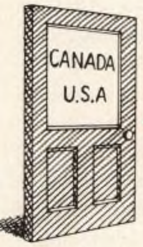

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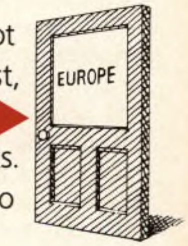

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No Room For Newcomers

Transatlantic trade doesn't need additional ships, especially westbound, says CGM's Bertrand.

By Elizabeth Canna

If there are carriers out there who feel they must play a role in the transatlantic, they'd be well-advised not to bring their ships with them, a French shipping executive warns.

"I'm afraid there is not that much room for newcomers, especially looking at the westbound direction," said Benoit Bertrand, director of Compagnie Generale Maritime's North American and Far East divisions.

Hanjin Shipping of Korea and Nippon Yusen Kaisha of Japan recently indicated they were eyeing the transatlantic (although NYK said it had no immediate plans to enter the trade).

The pursuit of profits in the east-west trade is CGM's biggest frustration right now, Bertrand said during an early-April visit to the United States.

"The rates are too low, and costs are going up. In spite of all the efforts we have made and continue to make, we can hardly make both ends meet," he said.

Not Optimistic. Bertrand was reluctant to express much optimism over current stabilization talks taking place between transatlantic conference and non-conference operators.

There is some hope that the carriers will stick to their plans to raise rates on selective lower-rated commodities moving in the booming eastbound trades, he indicated.

But in the flagging westbound trade 30 to 40 percent of the available space is going unused, which doesn't bode well for carrier unity.

"Not all carriers have the same objectives at the same time," Bertrand explained. "When you have a small market share, volume is more important than revenue."

With the American recession dimming near-term prospects for European exports, the pressure will probably get worse in the coming months, he said.

Can carriers withstand the added pressure and keep from undercutting each other for a shrinking cargo base?

"I don't know how to correct that," Bertrand said. "It takes a lot of discipline and it takes a lot of trust among the carriers."

He said that if other carriers feel compelled to enter the transatlantic, they should note what CGM has done.

After years of serving the transatlantic as part of the old Atlantic Container Line consortium (ACL became a single-owner operator in January of 1990), CGM began plying the trade in its own right early this year as part of the Vessel Sharing Agreement shared with Sea-Land Service Inc., P&O Containers and Nedlloyd Lines. CGM did not add any ships to the partnership.

Europe-Asia Outlook. As with the transatlantic, the Europe-Asia trade is lopsided, with westbound volume at satisfactory levels and eastbound loads falling short.

Stabilization is needed eastbound, Bertrand said, but the chance of this happening is slim because of strict European Community antitrust statutes.

"We have to take into account European regulations," he said. "Some carriers have difficulty understanding them, and out of fear of making a mistake they prefer not to do anything."

CGM's own outlook in the Europe-Asia trade lane will be brighter by year's end when the French carrier will be free to launch its long-planned own service (in cooperation with Nedlloyd Lines and Malaysian International Shipping Company). For years the three lines participated with three Scandinavian carriers in the ScanDutch consortium.

Although CGM, Nedlloyd and MISC revealed their Europe-Asia plans last year, the implementation of the partnership couldn't take place until the ScanDutch consortium was dismantled.

The ScanDutch carriers finally agreed late last year how to wind down the consortium, a process which is now under way.

It hasn't been easy to bring ScanDutch to an end, Bertrand said. The consortium will have to ensure that up until the very last day it honors its commitments to terminal operators, suppliers and shippers, he said.

Vessels have to be rotated out of ScanDutch into other services, some offices will need to be closed and some people will lose their jobs, perhaps the most difficult aspect of bringing ScanDutch to an end.

"There will never be a satisfactory solution to this," Bertrand said. "Some of those people have served ScanDutch for 20 years."

Shippers Vs. Carriers. Bertrand's recent U.S. visit was spent mostly with shippers. He said shipper-carrier relationships haven't been smoothed by the campaign of French shippers to scuttle liner conferences in east-west trades.

"It does not make the dialogue easier," Bertrand said. "We have been trying to restore trust and confidence and improve the dialogue. But when the people we talk to take radical positions, obviously the dialogue becomes more difficult."

In recent months the French Shippers' Council has been soliciting support from other shippers' councils for its position that independent carriers, not conferences, call the shots in the highly developed east-west trades.

For that reason, the French Shippers' Council says, east-west liner conferences no longer serve a purpose.

Flawed though conferences may be, getting rid of them is not the answer, Bertrand countered.

"We believe in the conference system. "It could be better. It could be more open to the commercial needs of the shippers. We have to be innovative," he said.

"If we can improve in this respect," he added, "I hope shippers can agree the conference gives them some guarantees." (For coverage of French Shippers' Council position, see April 1991 *American Shipper*, page 52).

Not All Bad. Bertrand said that despite clashes of opinion, such as the one raised by the French report (and by an earlier, similar position paper issued by the British Shippers' Council), shipper-carrier relations have improved.

He cited the successful effort of the North Atlantic conference to set up a formula for figuring bunker surcharges. The formula was brand new when Saddam Hussein's troops marched into Kuwait last August, sending fuel prices skyward. Even the quick-to-criticize European Shippers' Councils praised the formula for removing confusion over fuel surcharges.

Bertrand said he came away from his visits with U.S. shippers feeling they are not insensitive to carrier concerns.

"They understand what are problems are," he said. "They appreciate the fact that with the present rates we are getting it is extremely difficult, if not impossible, to break even." ■

Japan Refutes U.S./EC Charges

Says its harbor fees are similar to fee assessments in United States. Tells how money is used.

By Tony Beargie

Major Japanese ocean carriers serving the U.S.-Japan trade have refuted a host of charges made by non-Japanese shipping lines and others who claim that fees imposed by Japanese harbor authorities are discriminatory and are unrelated to maritime services performed.

The fees do not favor Japanese carriers since they are applied to "all carriers equally," the Japanese-flag shipping lines said in a paper recently made public by the Federal Maritime Commission.

Responding to charges that the fee schedule authorized by Japanese authorities favors Japanese carriers and that they are paying less than their rightful share was refuted by the Japanese carriers. "There is no truth to either assertion," the Japanese carriers told the FMC. "All carriers, domestic and foreign, operating in Japan's foreign commerce, pay ... fees according to the same schedule."

Furthermore, Japanese shipping lines pay their fees "in full" and have not directly or indirectly received any kickbacks or rebates, the FMC was told.

The Japanese carriers admitted that a lower schedule of fees applies to domestic cargo. They countered by pointing to a similar system in the U.S. which has been in place "for at least 20 years."

For example, in 1970 the FMC ruled that U.S. coastal and intercoastal cargo enjoyed "excepted" status under a 1968 assessment agreement between the New York Shipping Association and the International Longshoremen's Association agreement. FMC held that domestic cargoes were generally low rated and subject to rail and truck competition and should thus not bear the costs of assessments relating to Guaranteed Annual Income and other tonnage and container unit assessments, it was noted. Likewise, in Japan, "there are practical, commercial reasons for assessing lower fees on lower revenue domestic cargo," the Japanese carriers said.

Also, cargoes such as automobiles, grain and cement are assessed lower rates than container cargo. This also has precedent in the U.S. where on the West Coast autos and trucks are assessed at only eight percent of the general cargo rate, while bulk cargoes are subject to an assessment of only two percent, it was noted. The same principle applies on the U.S. Atlantic and Gulf Coasts where bulk cargoes enjoy lower assessments, the Japanese carriers said.

On the West Coast, container cargo bears more than 75 percent of the assessments, and on the East and Gulf Coasts the container assessments reach beyond the 75 percent mark, the Japanese carriers said.

Since international container cargo brings in the highest revenues, "it is not surprising" that this trade provides the highest assessment revenues in both the U.S. and Japan, the FMC was told.

Fees Levied Through Conferences. Since the fees are applied by all three major liner conferences in the U.S.-Japan trade, U.S. and other non-Japanese carriers are not adversely affected by the charges, the Japanese carriers argued.

Since all U.S. and Japanese carriers are conference members, the fees are applied "fairly and equally" to all carriers, the Japanese carriers said. In turn, the carriers recover the fees from their shipper customers, it was noted.

The fees which run approximately $10 per 40-foot container are "minimal at best," especially when they are compared to "far higher" fees imposed at U.S. ports, the FMC was told.

Schedule of Harbor Fees (in Yen)

	International	Coastwise
20-ft. container	Y 830	Y 200
40-ft. container	Y 1204	Y 300
Vehicle	Y 120	Y 30
Bulk grain (to silo)	Y 23/ton	Y 5/ton

Payments by Japanese Lines

	Oct. 1, 1990 to Sept. 30, 1990
"K" Line	Y 571,257,524
MOL	Y 530,086,788
Nippon Liner	Y 132,942,140
NYK	Y 588,987,803

Distribution Centers Open To All. In order to handle an expected surge in import cargoes, the Japanese are building cargo distribution centers at major Japanese ports. These centers are expected to be used by all carriers and relieve port congestion expected to be created with an increase in imports into Japan, the FMC was told.

Initial plans call for the construction of centers at Osaka (under construction), Nagoya and Tokyo.

Approximately nine billion Yen was collected for the fund, between October 1989 and March of this year. The funds represent a small portion of the total construction costs, according to the Japanese carriers. For example, it was noted that in the case of the Osaka center, the 1.5 billion Yen collected represents only about 15 percent of the facility's total construction cost.

All centers will be located "directly" at port terminals near wharves, and carriers who want to make use of the facilities will be provided with warehousing and storage space for their customers' needs. The port site centers close to container yards and storage facilities will "facilitate total transportation systems," according to the Japanese carriers.

The centers will have Container Freight Station facilities which can be rented to carriers as either primary or supplemental facilities for those who lack so-called "backyard space."

Situation In U.S. Compared. The fact that the harbor management fund was imposed on carriers involuntarily mirrors the situation in the U.S. "where threats of strikes and work stoppages are commonplace," the Japanese carriers said.

"Subsidies" negotiated between management and labor in the U.S. have taken on many forms, including guaranteed annual income, it was noted.

Under GAI, dockworkers, "many of whom did not work a day the whole year, have been guaranteed full annual employment at contract rates," the FMC was told. And, more recently, ocean carriers agreed to subsidize container freight stations manned by longshoremen, which will cost carriers an added $9 million in the current U.S. Pacific Coast contract and $.30 per ton under the ILA contract on the Atlantic and Gulf Coasts, the Japanese carriers said.

The Japanese government had nothing to do with the creation of the fund and stays out of private negotations between the Japanese Harbor Transportation Association and the carriers, the FMC was told. However, in response to requests from the European Community and the U.S., Japan's Ministry of Transportation urged the JHTA to address carriers' needs. But "on no occasion ... did MOT do more than act as an honest broker," the FMC was told. ■

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But now we can open at 6 a.m., w through lunch, and not close down until night. Which means that the port with fastest truck processing time on the E Coast can keep on processing an additio 10 hours a day.


PENSKE

New Leader for Europe's Shippers

Birger Nielson considered a moderate. Wants more participation by actual shippers; less bureaucracy.

By Elizabeth Canna

The new chairman of the European Shippers' Councils wouldn't mind seeing less government-like bureaucracy within the ESC and more input from real shippers.

"There are so many good, profitable and skillful shippers in Europe that we think we might attract by doing our work a little differently," said Birger Nielson, logistics manager for the Danish meat exporter, Steff-Houlberg. Nielson, who has served as chairman of the Danish Shippers' Council, was elected chairman of ESC's standing committee in April. By tradition, the chairman of the standing committee is also considered head of ESC overall.

Nielson replaces John Dean of British Steel who plans to retire this summer.

With greater participation from real shippers of all sizes, ESC would less resemble a bureaucracy unto itself, and would give European shippers a more advantageous seat at the consultation table, Nielson indicated.

"We should involve the practical shippers," he said. "When we meet with CENSA, or when we meet with the European Commission, they ask to have shippers on the other side of the table."

CENSA, the Council of European and Japanese National Shipowners' Associations, represents ship operators in policy negotiations with ESC.

Cajoling shippers to give time to ESC isn't easy, Nielson acknowledged. "We all have our normal daily work," he said.

Trying to Build Consensus. Like his predecessor, Nielson comes across as a consensus-builder, someone who favors consultation over confrontation. He indicated that one of his priorities is to encourage a sense of common purpose within the various factions of ESC. "I think we should go for teamwork among European shippers," he said.

Perhaps one of the greater challenges to ESC's team spirit these days is the effort by the British and French shippers' councils to have ESC endorse their position against ocean carrier conferences.

Early this year the French Shippers' Council circulated a position paper among ESC's member councils which says that ocean conferences are obsolete in east-west trade lanes, and therefore their antitrust immunity should be repealed. The French paper echoed sentiments expressed by the British last year. Now the two would like to see ESC adopt the anti-conference stance as formal ESC policy. But Nielson did not offer any sign that would happen soon.

Although slow to find consensus on the future of ocean conferences, ESC members have had little reticence in jointly condemning Eurocorde, a cooperation between transatlantic conference and non-conference carriers.

The ESC recently vented its collective frustration with the length of time the European Commission has taken to review Eurocorde. The Commission had originally determined that Eurocorde was not anticompetitive, but decided to give the pact a second look after Maersk became a full conference member. As long as the powerful Maersk remained an outsider in the westbound trade, the Commission felt there was adequate non-conference competition.

Following a late-April meeting of the ESC Chairmen's Committee (the same meeting that elected Nielson), ESC issued a statement saying "particular concern was expressed at the continuing lack of a decision in several interrelated Eurocorde cases, where issues of principle as well as the competitive situation in the North Atlantic were at stake."

"The committee, whilst recognizing the difficulties facing the commission in terms of a continually changing scenario, pointed to the fact that the original complaint was lodged almost five years ago, and contrasted this situation with the speedy resolution of the *Hyundai* case of alleged unfair pricing practices which was brought by a number of shipping lines," ESC complained.

New Umbrella Group? As ESC tries to sort out a common position on ocean shipping matters, it is working with other European shipper groups to form one umbrella organization which would represent shippers before the European Commission in Brussels.

Yet unnamed, the umbrella organization was first proposed by the British Freight Transport Association and the Dutch transport association, EVO, and is being supported by a number of other national shippers' councils including the French, German and Danish groups.

The new body would represent the full range of shipper interests, air, rail, truck as well as ocean carriage. It would include ESC and its national members as well as the European Air Shippers' Council. All these groups would, at the same time, maintain their separate identity.

Nielson thinks an aggregate association is a good idea. "The future will not only be about sailing from point A to point B," he said. "It is also about international logistics, just-in-time, quality management, etcetera. That involves other means of transport."

An umbrella organization would make up for the lack of intermodal representation within some of the national shippers' councils in Europe, Nielson pointed out.

The promotors of the umbrella group would like to see it in place in Brussels well before the end of 1992.

Avoiding Brussels. While the various shipper groups are working together to ensure they have appropriate representation in Brussels, ESC and CENSA are working on a project aimed at keeping them away from EC headquarters.

The two groups are jointly developing a position paper which will outline a step-by-step consultation procedure, a sort of "what you do next if such and such happens..." primer.

The point of the paper, Nielson said, is to set down clear instructions on how shipper-carrier differences can be resolved without lodging official complaints with the EC.

Since European Community shipping law first went into effect in 1986, both shippers and carriers have made use of the laws' provisions to file formal complaints. It was, in fact, the European Commission that requested CENSA and ESC to come up with a procedure which would make Brussels a last resort in resolving disputes.

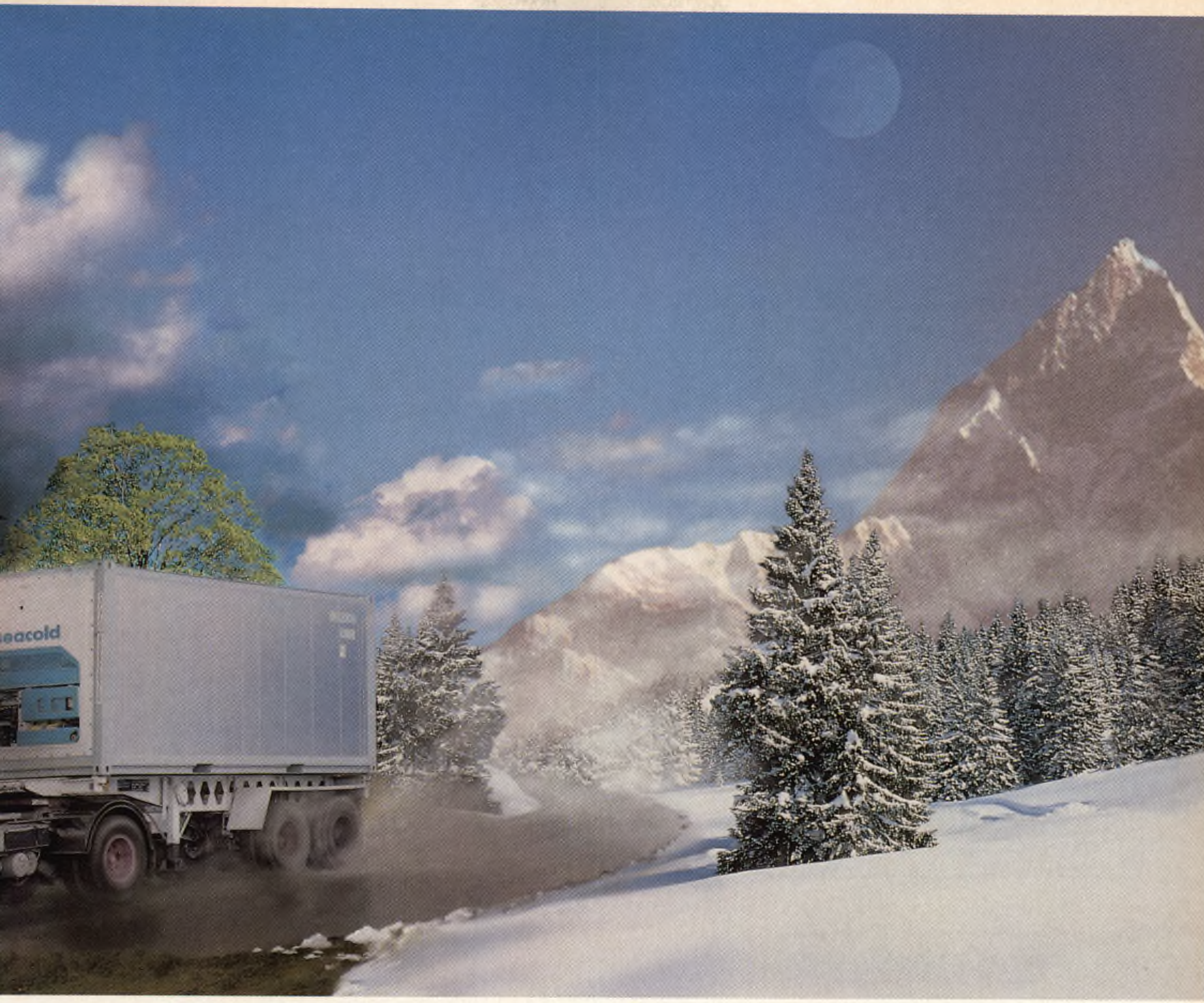
The paper should be completed sometime this year, Nielson said.

"We are going to have the common paper on consultation in order to show the world we can make it ourselves, that we can try to find ways where we have common views and avoid sending complaints to the commission," Nielson said.

Surcharge Dispute. The ESC-CENSA "how-to-consult" guidelines may not be completed yet, but ESC is already showing uncharacteristic restraint in its current dispute over fuel surcharges.

After threatening to file a formal complaint with Brussels against the fuel hikes imposed by the FEFC during the recent Middle East conflict, ESC decided to give consultation one last chance.

A meeting with the FEFC was being sought by ESC as this edition of *American Shipper* went to press. ■



ACT

Shippers Organize A Washington Lobby

Alliance for Competitive Transportation (ACT)

to be represented by Kenneth M. Kastner and

Peter Friedmann in drive to amend Shipping Act.

By Elizabeth Canna

After two years of consensus-building, a group of major shippers thinks it has enough momentum now to launch a formal lobby effort to fix what they think is wrong with the Shipping Act of 1984. The Alliance for Competitive Transportation (ACT) held its debut in Washington, D.C. on April 24. The maiden meeting, which was attended by current as well as prospective supporters, had two main goals: first, to decide once and for all that ACT should go forward, and second, to solicit membership and funding support.

"Today was the day we asked the hard questions," said Kenneth M. Kastner, one of two Washington-based attorneys who will serve as frontmen for ACT.

The other is Peter Friedmann.

ACT's purpose, as its formal mission statement indicates, is to modify the Shipping Act of 1984 in order to create a more competitive ocean transportation business climate.

Neither Kastner nor Friedmann was willing to divulge which shippers had attended the first meeting, saying only that it consisted of both individual shippers and organizations representing approximately 7,000 shippers. However, in the two years leading up to ACT's formal launching, large shippers such as the Perrier Group, Union Camp and Minnesota Mining and Manufacturing have actively supported the umbrella group's formation.

What ACT Will Do. ACT's founders hope that the lobby's membership will not be confined to shippers only.

"We believe it is possible some forward-looking carriers could ultimately join with us in achieving our mission here," Friedmann said. "We have good reason to believe that."

It is unclear who those carriers might be, mostly because the specifics of ACT's mission have not yet been clearly delineated. The first item on ACT's agenda is to "develop a united shipper position on key Shipping Act issues."

One key issue certain to fall in that category is the much-debated question of confidential service contracts. Friedmann has spoken out often in favor of service contract confidentiality on behalf of various shipper clients.

As the Shipping Act of 1984 is written, the essential terms of service contracts must be public, although shippers of bulk cargo, forest products, recyclable metal scrap, waste paper and paper waste are already exempt from this requirement.

"Probably the best result of our mission would be to achieve what we want to achieve without even opening up the Shipping Act."
-Kenneth M. Kastner

If service contract confidentiality is likely to be a prime target for ACT's lobbying efforts, then Atlantic Container Line is a possible ally.

It was only a few months ago that Atlantic Container Line stirred controversy in the ocean carrier community by indicating it could be flexible on the subject of service contract confidentiality.

Carrier antitrust immunity is another feature of the Shipping Act that shippers have brandished as a bargaining chip. But if ACT garners other concessions, for example, greater freedom for independent rate action, it is unlikely to go for such a big kill.

"This organization is being driven by the membership who are looking at various ways to gain a more competitive ocean transportation environment," Friedmann said. "Most of the shippers in this country don't feel that carriers are being fully responsive to their business needs."

The Right Climate? Although a review of the Shipping Act of 1984 is mandated by law, there is no requirement that Congress make changes. The carrier community, and some shippers, have lobbied enthusiastically to maintain the status quo.

But two new members of the Federal Maritime Commission, Chairman Christopher Koch and Commissioner Rob Quartel, question the status quo. This has energized those who see it as a window of opportunity.

"In my view it helps," Friedmann said. "For the last number of years, people have been saying Congress doesn't really want to do anything with the Act. But in some cases there are some commissioners that are even ahead of various constituency groups. That helps open the eyes to the reality as we've always seen it: that Congress can be convinced."

Times have changed since the passage of the 1984 Act, according to Quartel.

"There's no question the 1984 Act was an improvement over what went before," he said. "But the world is a very different place now. First, ocean carriage is fungible at the highest quality level, and that's something that did not exist before. Second, leadership in these companies at the highest level is very different."

Quartel cited CSX chairman John Snow as an example of the industry's new breed of corporate leader who expects assets, i.e. vessels, to earn their keep. CSX is the corporate parent of Sea-Land Service, Inc.

While the management and marketing of transportation services may have under-

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ACT's Mission

"ACT's mission is to modify the Shipping Act of 1984 in a manner that will enhance this nation's international trade competitiveness by establishing a competitive marketplace environment, consistent with otther transportation modes, in which a shipper can negotiate with an ocean carrier for mutually beneficial transportation services."

What ACT Will Do

"ACT will serve as an umbrella organization under which companies and associations seeking improved ocean transportation can effectively:

- Develop a united shipper position on key Shipping Act issues;
- Develop a strategy for achieving the positions;
- Focus and coordinate the presentation of those positions to key government officials who will determine the extent and form of changes to the Shipping Act;
- Keep members informed of initiatives by the carriers, other shippers, the Advisory Commission on Conferences in Ocean Shipping, Congress, and the various federal agencies reviewing the Act;
- Influence policy development through coordinated presentations and discussions with the media, carrier groups and shipper organizations abroad. Since the Shipping Act presently allows carriers to provide for a more competitive environment, hopefully many of the shippers' concerns can be resolved through policy discussions with carriers."

Shipper Consensus Position Which Launched ACT (written 12/89)

- The Shipping Act of 1984, as compared to the Shipping Act, 1916, provides opportunities to obtain better service and rates and to improve distribution productivity. Nonetheless, the full intent and potential of the 1984 Act has not been realized;
- Specifically, shippers need the opportunity to meaningfully negotiate with all carriers individually;
- Although the Act does allow for such meaningful negotiation, in many trades conferences prohibit such negotiation. If this persists, the Federal FMaraitime Commission, by regulation, should, whenever possible, provide the opportunity for meaningful negotiation with individual carrier members of conferences or rate agreement groups. To the extent the Commission does not or cannot, Congress should amend the Act accordingly.

The regulatory or legislative remedies to otherwise achieve the opportunity for meaningful negotiation include the mandatory right of independent action for all rates and contracts, or alternatively, elimination of conference antitrust immunity."

gone a transformation in the years since the 1984 Act was legislated, the mindset of the lawmakers has stayed essentially the same, Quartel warned.

"Unfortunately, the Congress is not very different," he said. "Everybody is very proud of what they accomplished in 1984, and they're protective of it."

Quartel expresses enthusiasm and optimism for ACT.

"I think it's extremely important, principally because I think the shippers were under-represented in the 1984 process and I think the 1984 Act clearly shows that," he said.

In expressing his high hopes for the lobby, Quartel did sound a note of caution.

"I hope that in creating a platform they will not settle for the lowest common denominator in their viewpoints, which is always a problem in this industry," Quartel said. "I hope and expect they will be very agggressive. It's difficult to get people to come up with a common position."

Long Preparation. No one knows the difficulty in reaching consensus better than the organizers of ACT themselves.

"Shippers have become a diverse group and it took a little time to get organized. It took time for shippers to get convinced and rally around," Kastner said.

ACT grew out of two shipper summits that took place in 1989. The lobby group first took shape and was given its name in late 1989 after a consensus shipper position was hammered out during the two summits.

Fundraising efforts fell short of expectations back then, but the momentum seems to be gathering now that the Presidential Advisory Commission is open for business and the attitude at the FMC has moved off center in some cases.

What About NIT League's EAC?

During ACT's formative stages, shippers and carriers have been trying to work out their differences under the auspices of the National Industrial Transportation League's Executive Advisory Council (EAC). Formed last November as a replacement for the International Maritime Council (IMC), EAC is a discussion forum where senior carrier and shipper executives meet to thrash out points of contention and other matters of mutual interest privately.

Will the formation of the potentially hard-hitting ACT interfere with what is supposed to be taking place within EAC?

"Probably the best result of our mission would be to achieve what we want to achieve without even opening up the Shipping Act," Kastner said. "To the extent this talking group can do that, that's great."

Strength in Numbers. For both small and large shippers, ACT will provide an efficient venue for lobbying changes to the Shipping Act of 1984, according to both attorneys.

"When you talk to a Fortune 500 or 100 company and ask what percentage of its business revolves around ocean transportation they say that that's just a cost of doing business. They don't have the ability or desire to commit resources to the federal agenda on ocean shipping that a steamship line does. That's what ACT is doing," Friedmann explained.

"I think there were a number of associations here today that are interested in ocean matters, but alone may not have the funds or time to devote to it. For individuals it's a rare opportunity to be involved in developing policy, and developing amendments that policy will require," Kastner said.

Right now, ACT is looking for formal commitments from those who have expressed interest.

Once a steering committee is formed, it will decide on a strategy which will fulfill the policy goals set by the full membership. ■


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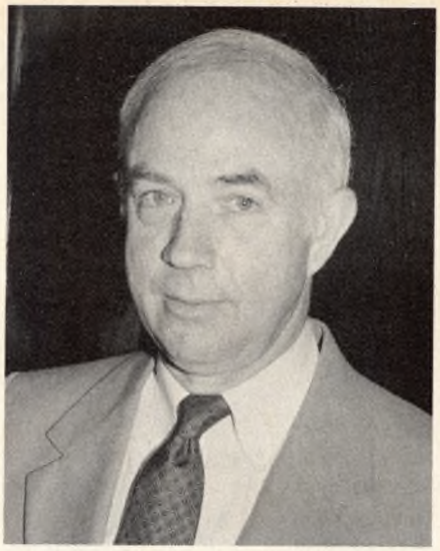

"It was not a threat, but a figure of speech."

-Roger Wigen
Minnesota Mining and Manufacturing

Shipping Act Review Commission

Shippers Seek Confidentiality; Carriers Like the Status Quo

DOT Deputy Secretary Elaine Chao sits in for Secretary Skinner and seems to favor shipper demands to open debate to a review of five outstanding issues.

By Tony Beargie

As the presidential commission on ocean conferences begins its work, the divisions are clear.

Carriers on the 17-member Advisory Commission on Conferences in Ocean Shipping want the panel to limit its deliberations to the desirability of ocean carrier conferences. They don't want the entire 1984 Shipping Act opened for review.

Shippers favor a broad debate that would include the basic concept of common carriage under the 1984 act. They are intent on winning changes that would allow terms of service contracts to be kept confidential.

The job of keeping the commission on course falls largely to its vice chairman, Deputy Transportation Secretary Elaine L. Chao, who presided over the commission's opening meeting in mid-April.

Chao acknowledged that the panel's mission is complex.

"The deceptively simple mandate ... is, as we all know, far more complex and challenging than it first appears," she said.

Chao Lists the Issues. She outlined a number of proposed issues for the commission to address, and asked members to submit letters outlining their positions.

Chao's list of issues covered not only the basic question of whether to continue conferences, but topics such as antitrust immunity for liner conferences; the usefulness and relevancy of tariff filing; transportation middlemen; service contracts, and the principle of common-carriage transportation.

She said that during the coming year, the commission's deliberations will be "very public" and "open to inspection and participation by all interested parties."

Field hearings are tentatively set for New Orleans May 31; San Francisco June 21; Charleston July 12; Portland, Ore. on August 2 or August 9, and New York on September 13.

Jones, Breaux. The chairman of Congress' two key maritime committees, both of whom are members of the presidential commission, called for a narrow view of the commission's responsibilities.

Rep. Walter B. Jones, D-N.C., chairman of the House Merchant Marine and Fisheries Committee, and Sen. John Breaux, D-La., chairman of the Senate Merchant Marine Subcommittee, said it is not the commission's job to rewrite the 1984 act.

They said the commission's duty is to come up with recommendations on whether the United States would be best served by eliminating liner conferences, or by allowing open or closed conferences.

Jones and Breaux warned against a rehash of the years of debate that preceded passage of the 1984 act.

Can of Worms? Carrier spokesmen said the 1984 act has worked, and that attempts to revise it would open a can of worms.

Peter Finnerty, vice president of Sea-Land Service and chairman of the Ocean Common Carrier Coalition, praised the results of the 1984 act.

He said the coalition "believes that when the commissioners review the extensive evidence accumulated to date of declining rates and improved service, they will conclude that the 1984 Act has proven to be a workable and effective balance of interests of shippers and carriers."

Raymond P. Ebeling, executive vice president of Wallenius Motorships Inc., said the debate should focus on whether to continue or disband the conference system.

He said that if the commission were to delve into the possibility of permitting confidential service contracts, that would lead to the issue of tariff filing, which in turn would lead to a debate over the common carriage system.

"We should not be discouraged..."

-Elaine Chao
Deputy Secretary
Dept. of Transportation

The result, he said, would be that the commission would get bogged down and have a difficult time complying with its orders to provide Congress with a clear report on the conference issue.

"We should focus on the key issue — conferences ... and not get into every issue that is now pending before the Federal Maritime Commission," Ebeling said.

William P. Verdon, president of the United Shipowners of America, which represents several U.S.-flag lines, agreed.

"Our mandate is to study and then recommend whether to eliminate conferences or abolish conferences," he said. "The ultimate issue is whether we should or should not continue conferences."

If the commission gets into antitrust immunity, this would signal a "code word" for doing away with conferences, Verdon said. "No maritime official anywhere would go into a conference meeting without antitrust immunity," he said.

What the Shippers Want. Shipper spokesman Roger W. Wigen, manager of transportation policy and industrial affairs for Minnesota Mining and Manufacturing Corp. (3M), was upset by the statements of Ebeling and Verdon.

Wigen said that if the commission limits itself by refusing to discuss contract and common carriage issues, he would consider resigning.

Wigen's statement brought Chao into the exchange. She predicted the commission will witness the exchange of many viewpoints "and we should not be discouraged by that."

Reached a few days after the commission meeting, Wigen said his talk of resignation was only "an example of Midwestern humor ... It was not a threat, but a figure of speech."

Wigen said his resignation comment is a "moot point," because there are strong indications that the commission will conduct a broad review of shipping act issues.

He said shippers are dead serious about seeing that the commission addresses their concerns. He said the top issue facing the commission is "the ability of shippers and carriers to contract for business."

Wigen said that while carriers and others feel the act is working well, he doesn't subscribe to that view. He said the statute "makes it difficult for shippers and carriers to do business with each other."

As things now stand, conferences may bar service contracts and, when they do allow them, conferences require shippers to go through a great deal of red tape, Wigen said.

Conferences O.K., But... Paul L. Crouch, vice president of traffic for Calcot Ltd., a Bakersfield, Calif.-based agriculture shippers' cooperative, indicated he wants the conference system to continue, but with adjustments.

Crouch, who has been active in groups such as the Agriculture Ocean Transportation Coalition (AgOTC), said conference rates generally are "over-inflated and they stay that way until a shipper goes out and negotiates a contract."

"Today, independents know how to compete with conference carriers," he said. "If independents can compete, why can't conferences compete at the same rate?"

Conferences should be more responsive to shippers' needs, Crouch said. "Shippers require flexibility," he said.

FTC, DOJ Throw Darts. The Department of Transportation offered the commission a non-controversial presentation in support of the 1984 act, but two other government agencies favored changes.

The Federal Trade Commission and Department of Justice sided with shippers who favor revision of the act.

FTC spokesman Timothy Daniel supported confidentiality of service contracts and expansion of independent action to cover service contracts.

Daniel disputed carrier arguments that the shipping act is responsible for lower rates. He said rates are not driven by the shipping act, but by "macro-economic forces."

Nevertheless, he acknowledged that rates were lower in 1987 than they were in 1984 when the act was passed. He indicated that this suggests that the "pro-competitive" features of the statute, such as independent action, have contributed to lower rates.

The FTC official also spoke out against requirements that carriers file their tariffs with the Federal Maritime Commission. He said tariff filing has been eliminated for other transport modes.

DOJ on 'Cartels.' Justice Department spokesman Roger Fones used traditional Justice Department terminology by referring to ocean liner conferences as legalized "cartels."

He said the issue of whether the nation is better or worse off since passage of the 1984 act is not a question for the commission to answer. "We've been asked which cartel system (open or closed conferences" is better, he said. "It is hard to reach a conclusion."

Fones said evidence indicates that competition has been harmed under the 1984 act. He cited a "disturbing trend" of broadening conferences' geographic scope. "There are now fewer competing conferences for shippers to choose from," he said.

Another "disturbing" development under the shipping act is the broadening of intermodal ratemaking authority, Fones said. Before the 1984 act was passed, it was common for conference members to compete on intermodal rates, he said.

While he supports independent action, Fones said it does not exist on 14 trade routes.

Noting that service contract rates vary from trade route to trade route, Fones said "there is no reason to think conference service contracts are a pro-competitive device."

But when it comes to independent carriers, a different picture emerges, Fones said. Independents' service contracts are "procompetitive," he said.

Regarding conference rates, the Justice Department official argued that they are higher in markets that operate without antitrust immunity.

He also cited costs associated with tariff filing, and the costs of "rigid ... cartel rates."

The U.S. is the only nation that requires tariff filing in international trade, so international comity is not much of a concern, Fones said. He disagreed with contentions that tariff filings protect shippers from excessive rates.

Carriers, Shippers Debate. After the government officials had their say, carriers, shippers and other private-sector members of the commission engaged in a freewheeling exchange.

Issues discussed included shipper-carrier relationships, the pros and cons of conferences, and the all-important question—defining the commission's mission during

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Private sector members of the Presidential Commission

the next year.

After Wigen's statement, Ebeling and Verdon repeated their calls for the commission to restrict its efforts to a review of the conference system.

"We just don't have the time to get into every issue and come up with a solution," Verdon said. "Congress specifically mandated the FMC and others to report on issues, but asked this commission to report on conferences."

Devil's Advocate. Another commission member, Conrad H.C. Everhard, chairman of Cho Yang Line USA, agreed with Ebeling and Verdon but played the devil's advocate.

While supporting the conference system, he acknowledged that it has shortcomings.

Referring to calls for elimination of conferences, he said that "maybe that's the way to go."

However, Everhard noted that the conference system is accepted internationally, although it "has been challenged by our antitrust friends in the Department of Justice."

Everhard said conferences don't act as barriers to innovation. "We have done some fantastic things ... and what is good for us happens to be good for the world, I hope," he said.

Referring to independent carriers, Everhard asked: "The independents ... who are they? ... Independent from whom?" He said many independent carriers have a larger market share than conference carriers in the transatlantic trade.

Middlemen's Views. Paul F. Wegener, executive vice president of M.G. Maher in New Orleans and representative of the National Customs Brokers and Forwarders Association of America, said his association is "split down the middle" over the conference and antitrust issues.

Raymond P. deMember, executive vice president and general counsel of the International Association of Non-Vessel-Operating Common Carriers, suggested that conference antitrust immunity should be eliminated if it is not granted to NVOs.

DeMember said he wouldn't want to see conferences lose their antitrust immunity, but he said the same privilege should be extended to NVOs so they can take collective action in their dealings with conferences. ■

DOT Mounts Anti-Tariff Campaign

FMC's NVO bonding regulations took effect April 15 against a backdrop of opposition aimed at doing away with the tariff filing system.

By Tony Beargie

What was originally thought to be a simple, straightforward bonding bill aimed at making overseas non-vessel-operating common carriers comply with U.S. tariff-filing requirements may become a lingering headache.

The Department of Transportation has begun using the regulations associated with the new law as a springboard to mount a general anti-tariff-filing campaign.

Although "anti-tariff" statements have so far been confined by DOT to the NVO issue, some DOT policymakers would like to repeal the FMC's tariff-filing and enforcement duties when the Shipping Act comes up before Congress next year.

"The FMC should exempt NVOCCs from tariff requirements," the Department of Transportation's acting general counsel C. Dean McGrath said.

McGrath and several other DOT officials (including director of international trade Arnold Levine) urged the agency to issue an NVO exemption from tariff-filing requirements "as soon as practicable." (Some officials feel that DOT's filing represents a "back-door" move against tariff-filing in general. See the "Washington Report" column.

"Tariff systems ... are very costly to set up and to maintain," the DOT officials said. "In a competitive environment, price and service offerings change rapidly; regulatory mechanisms (like tariffs) can impede innovation and reaction to market forces by imposing financial costs and hampering a firm's ability to act quickly."

On the other hand, deregulating NVOs from tariff-filing duties "will enhance competition" by allowing them "to react quickly to changes in supply and demand, including changes in ocean carrier tariffs," the DOT officials said.

Tariff burdens weigh more heavily on small firms than on larger companies, DOT said. "They may lack the administrative capacity to file tariffs continuously, particularly in a country in which they have heretofore had no real presence. Such firms comprise much of the NVOCC universe. If their number is significantly reduced, competition may suffer."

Regulatory burdens associated with tariff requirements may force shipments to either Canada or Mexico "or prompt boycotts of otherwise qualified and compliant intermediaries," DOT warned.

"FIATA" Jumps on Bandwagon. Members of the International Federation of Freight Forwarders (FIATA) and "others" will soon be requesting the FMC to consider exempting NVOCCs from the agency's tariff-filing requirements, the overseas group's attorney Richard D. Gluck said.

"Many, if not most U.S. and foreign-based operators have concluded that the tariff-filing requirement for NVOCCs serves no useful purpose and should be eliminated," Gluck told the FMC.

In order to avoid the regulations, many foreign forwarders are "seriously considering" diverting cargo shipments through Canadian ports "where there is no tariff-filing requirement," the FIATA attorney said. The use of Canadian ports is "already common ... NVOCCs avoid the expense of filing new tariff pages for each shipment by routing cargo through such ports as Halifax, Montreal and Vancouver," Gluck noted.

Lep Int'l Attacks Tariff Filing. Perhaps the strongest attack on tariff filing (not only from an NVO perspective but from a general perspective, as well) was voiced by Andreas Bauermeister, vice president of operations for LEP International, an overseas firm which has 18 offices in the U.S.

The LEP official rebutted a host of arguments voiced by supporters of tariff filing.

Pro-filing Argument: Since all NVOCC rates must be filed with the FMC, they become public and are transparent to all customers.

Rebuttal: While it is true, the FMC-filed rates become public, there are over 1,600 NVO tariffs which makes it "virtually impossible for the average exporter or importer to cover even a small percentage of the rates available."

Furthermore, Bauermeister continued, "it is possible to disguise certain rates by hiding a 'laundry list' of arbitraries under the various rules and sections of a tariff."

Pro-filing Argument: Because ocean freight rates are open to the public, a stable market will follow.

Rebuttal: "The market continues to be driven totally by the demand for space, service and price.... This means that a carrier has the right and actually will undercut his competitors by any margin he deems suitable to obtain business for his service."

The "best example," according to Bauermeister, is in the Far East eastbound market where eight conference members file for independent action "often offering rates 30 percent lower than service contract" rates offered to large shippers. "Stability will never be improved by the requirement to file tariffs," he said.

Pro-filing Argument; Every customer shipping the same commodity will be subject to the same shipping costs, regardless of the size of the shipper.

Rebuttal: Tariff filing regulations permit the filing of rates according to volume, and service contract rates "become more attractive with higher volumes," Bauermeister said. Also, under intermodal rates, the base port-to-port rates "can be circumvented," he said. "The bottom line is that the small shipper is, under no circumstances, protected by the tariff filing requirement."

Pro-filing Argument: Tariff filed rates become known in the industry which in turn will prevent NVOs from drastic rate hiking. This saves the customer money.

Rebuttal: Tariff filings are expensive and the costs come out of an NVOs budget. "The bottom line is that at the end of the day, it is the customer paying for the freight who will pay for the tariff filing expense," Bauermeister said.

Pro-filing Argument: The tariff filing requirement places all NVOs on a level playing field.

Rebuttal: "The fact is that under the new bonding requirement ... small NVOs with 30 shipments per month will have to post a bond in the same amount as an NVO handling 3,000 shipments per month," Bauermeister said. "The new automated tariff filing (ATFI) will enable NVOs to electronically file their tariffs with the FMC. However, a small NVO will hardly have the financial resources to invest in EDP capabilities as will the large NVOs."

The above arguments show that "there is absolutely no benefit for anyone in the ocean freight industry whatsoever from the tariff-filing requirement and, as a result, I believe that this requirement is completely unjustified and should be stopped as soon as possible," Bauermeister said.

Aside from being filed with the FMC, Bauermeister's views attacking tariff-filing were also forwarded to chairman of the National Customs Brokers and Forwarders Association of America Paul F. Wegener, who sits on the Advisory Commission on Conferences in Ocean Shipping. ■

"The only possible alternative would be to abolish the idea of a combined transport ... and return to strict port-to-port pricing policy. I question if the FMC is willing to accept responsibility for such measures...."

-Uwe Glaser, NVOCC

The NVOCC definition is "so vague that no one (including, we suggest, the Commission) knows how to apply that definition to any given intermediary shipper who avoids issuing a bill of lading and calls itself a forwarder, shipper agent or something else."

-TWRA

FMC Gets Partial Compliance From NVOCCs

Vienna-based NVOCC says firms are already looking, and finding ways to avoid FMC's new requirements.

By Tony Beargie

The new non-vessel-operating common carrier tariff filing and bonding law has produced a number of first-time surety bonds and tariffs which are now on file at the Federal Maritime Commission.

While it is still uncertain as to just how many NVOs are still out there to be reined in under the FMC's new bonding and tariff filing regulations, the controversial law appears to be catching on in the international trading community, according to statistics revealed by the commission to *American Shipper*.

As of May 3, the commission had received 1,249 $50,000 surety bonds and 365 new tariffs, according to the agency's deputy director of the bureau of domestic regulation Bryant L. VanBrakle.

Although the new law seems to be having some effect, current statistics—at least as of this writing—do not show a deluge of new bonds and tariffs in the 10,000-plus range, which is more like the number of foreign NVOs said to be active in the U.S. trades.

In any event, unless tariffs and bonds are filed, freight consolidators will no longer be able to do business in the U.S. foreign trades, Van Brakle said.

As the new bonds and tariffs were coming into the FMC, ocean carriers and one foreign-based NVO in particular continued to voice their displeasure over the still relatively new statute.

One of the most direct complaints was filed by a firm known as Cargonaut, a Vienna, Austria-based firm which specializes in traffic moving into the U.S. from Eastern Europe. The firm's president Uwe Glaser, who apologized to the FMC "for being blunt and undiplomatic," voiced frustration over the whole new tariff-filing and bonding regime.

"There is no doubt" that the foreign NVOs ignored the law, which indeed placed U.S. NVOs "at an unacceptable and unfair disadvantage," Glaser admitted in a letter sent to the FMC.

But while there have been transgressions of the law in the past, Glaser does not feel that the commission's rules will succeed in leveling the playing field between U.S. and foreign NVOs.

"I dare say that they will not" achieve their goal of leveling the playing field, Glaser said.

"It seems to me" that the rules "will increase the number of companies who will try to cope with the law, but these companies ultimately will find out that the law is not able to protect them from unfair competition."

Right off the bat, Glaser brought a tone of frustration over the FMC's posture on the NVO issue. "I am not sure if this letter will affect anything, but I will try to voice my concerns ... nevertheless," he told the commission.

"I question the need to file rates with the FMC in general," he said. "I question if anyone—besides a few tariff filing office, a handful of lawyers and the enforcement staff at the FMC—is benefiting from this regulation at all."

The FMC seems to be under "an illusion" that shippers are able to take advantage of rates filed by NVOs and made public by the commission, Glaser said.

"The reality is ... most customers do not have the expertise to benefit from this tariff material at all. Their way to find out about the best possible rate is to call a number of NVOs and compare the different rate quotations they receive."

Eastern Europeans in the Dark. Glaser's firm is now in the process of licensing several offices spread throughout Eastern Europe, and it has become known that employees in these countries "have a very limited understanding of" forwarding techniques, expectations of U.S. customers, and the newly-imposed requirements of the FMC.

"In the past we tried to package the service according to the individual needs of our customers. We used German or Austrian trucking companies where reliability and accuracy in the shipping schedule was a priority, and we used trucking companies from Eastern European countries which vary in reliability and availability. Of course, the latter options allowed for significant savings," Glaser said.

"Add the question of container availability and allow for mixing all these ingredients with the different rates which are available from steamship lines, and you will get a magnitude of service options which would be difficult and onerous to maintain and keep current.

"To further complicate the rate-filing process, think about the fluctuation of currency exchange rates.

"In the past the tariffs have been negotiated with each client separately and, although we have attempted to follow some general pattern, we have given consideration to loyalty, volume of shipments, credit worthiness, and service required.

"If we are trying to translate our present

price and rate making into the rate filing requirements of the Shipping Act, we will have to forget about individual pricing altogether.

"I question if anyone in the FMC is willing to accept the responsibility if we are going to lose clients or even a market segment, as a consequence of our following the regulations."

Giving Away Secrets. When the firm lays out all its "know-how" in FMC tariffs, "we give away a lot of our expertise to our competition, free of charge," Glaser said.

"The only possible alternative would be to abolish the idea of a combined transport which we have successfully advocated in the interest of our customers and return to strict port-to-port pricing policy," he warned.

"I question if the FMC is willing to accept responsibility for such measures and if the new regulation really serves the interest of the shipping public."

Surveillance Not Required. Since NVOs are not "protected" by the liner conference structure, they do not require government surveillance, Glaser told the FMC.

"There is fierce competition between NVOs which benefits the shippers and the consignees much more than the efforts of the FMC to publish the rates filed by NVOs," Glaser maintained.

FMC Trying "The Impossible." The rate filing requirements of the 1984 Shipping Act have "never worked to anyone's satisfaction," Glaser said, adding that otherwise the new NVO regulations would not be required.

"The FMC—instead of realizing that it is close to impossible to regulate this (NVO) industry—tries for the impossible."

Most of the NVO's Glaser has had conversations with are as busy trying to find ways to "get around the FMC regulations" as they are in trying to comply with them, the Cargonaut president said.

"I apologize for being blunt and undiplomatic. I hope that my arguments will be considered nevertheless," Glaser concluded.

The firm's executive vice president for U.S. operations Peter Michaelsen told *American Shipper* that the new law caught many NVOs off guard. However, Cargonaut is complying with the law, he said. "We have had a tariff and bond on file with the FMC since February 14," he said. "The law is the law so what can we do?"

Michaelsen said that 90 percent of his firm's business originates in Eastern Europe.

TWRA Still Not Happy. Members of the Transpacfic Westbound Rate Agreement (TWRA) are still not pleased with the FMC regulations.

The requirement to state a shipper's status in bills of lading "serves no valid regulatory purpose" and only adds to the cost of doing business, the conference told the FMC.

As far as those NVOs complying with the law, "there is no point in turning the industry's documentation procedures upside down," TWRA told the commission. And, concerning those who are not complying, "it seems obvious that the shipper is not going to tell the carrier that it *is* an NVO and risk rejection of its shipments," the conference said.

Furthermore, the NVOCC definition is "so vague that no one (including, we suggest, the Commission) knows how to apply that definition to any given intermediary shipper who avoids issuing a bill of lading and calls itself a forwarder, shipper agent or something else," the conference continued.

Carriers cannot perform the "judicial function" of determining who is an NVO when any entity claims not to have NVO status. Such a claim could not be adjudicated without a hearing and a determination by the FMC, the conference said.

"To impose law enforcement functions on carriers, including determination of disputed legal status that uses a test for NVOCC status that is so vague that no one can know what it means, seems self-defeating, unrealistic, quite unfair to carriers, and quite pointless from a law enforcement perspective," the TWRA members said. ■

Surcharge Recommendations Roll In

B.F. Goodrich, a major U.S. exporter of specialty polymers and chemicals, feels that ocean carriers use terminal handling charges as a tool to up shipping rates.

So does Hemisphere Forwarding, Inc., an Inwood, New York-based freight forwarder and non-vessel-operating common carrier which specializes in handling export cargo. A Dallas-based transportation intermediary, Purchasing Services, Inc., claims that ocean carriers hide surcharges to shield shippers from "actual cost factors."

As of mid-May, these were the only comments filed in the FMC's surcharge gathering information case which is expected to produce a wide range of views by the June 21 comment filing deadline imposed by the commission.

"We regard the terminal handling charge as a rate increase," B.F. Goodrich's manager of logistics Thomas R. Dirmyer said.

Hemisphere Forwarding's president M. Brautam echoed this view. "We consider the terminal handling charge to be simply another revenue maker for the steamship line," he said. "We have never seen an explanation of what costs and services are covered by terminal handling charges."

The proliferation of surcharges over the years has made it "nearly impossible" to estimate carriers' add-on costs, and has brought "considerable confusion to the terms of sale," Purchasing Services International's founder and chairman Joseph Sekin Sr. said.

"Often ... the shipper gets whacked with surcharges, add-ons, and mark-ups by every party to the shipping transaction," without realizing "that his agents and contractors have conspired to wring every dime they can out of him," Sekin told the FMC. "Rather than imposing a basic increase in the freight rate itself, there appears to be a trend to create revenue generators" which have taken on various names like port congestion charges, terminal handling charges, bunker charges, fuel equalization fees, currency adjustment charges, and special handling charges, Sekin said.

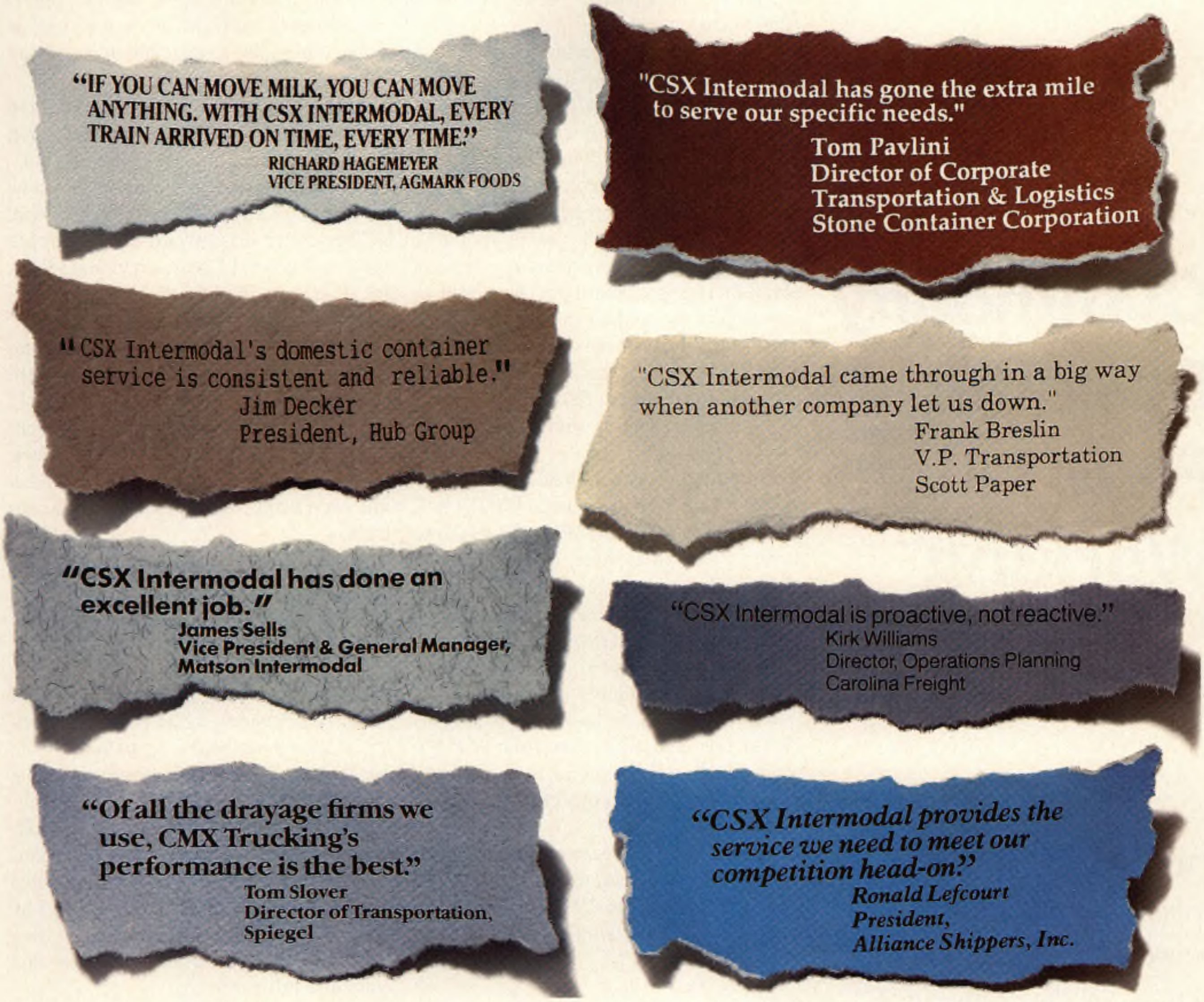
Forwarders' Recommendation. Hemisphere Forwarding feels that terminal handling charges "should be rolled into the actual rate" and that currency adjustment factors (CAFs) should be watched by the FMC since they fluctuate a great deal.

The forwarder agreed with an FMC suggestion that carriers be required to file back-up explanations as to how they compute surcharges.

Imposing terminal charges is far easier than raising the base shipping rate, B.F. Goodrich said. These charges have also permitted the carriers to keep base rates "at artificially low levels" so they can "plead poverty in deflecting rate requests," the large shipper added.

Carriers infer that surcharges are "pass-throughs" of their expenses, Dirmyer said. Also, the B.F. Goodrich official does not feel that the FMC's on-coming Automated Tariff Filing and Information System will help untangle all of the confusion surrounding the surcharge issue.

Surcharges are often addressed during the course of negotiating service contracts, Dirmyer said. "The flexibility some carriers show in this area causes us to wonder about the firm basis for the surcharges in the first place," he added. ■



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Commodity Specific Rate Hikes Working

TWRA's commodity-by-commodity system seems to be working so far, but other actions by the conference have angered shippers.

By Richard Knee

A new, commodity-by-commodity approach to boosting rates seems to be working for the Transpacific Westbound Rate Agreement.

Shippers appear to prefer this to the old practice of general rate increases and the price hikes the TWRA has implemented this year are sticking so far.

There is, however, some question as to whether the TWRA or its member lines could hold onto the increases if their vessels were not running so full.

What is more, in announcing a new round of rate increases to take effect between now and August, the conference has upset some forest-products exporters over the formula it has used to separate container yard terminal receiving charges (TRCs) from the basic freight rates on that commodity group.

Scheduled Rate Hikes. The eight-member, San Francisco-based TWRA announced April 23 it would boost rates on some commodities June 1 and on some other product groups July 1.

Affected, the TWRA said, are forest products, waste paper, resins, hides, building materials, canned goods, dried fruit, animal feeds, vehicles and oil-well supplies.

The increases range from \$40 to \$200 per 40-foot container (FEU) and from \$2 to \$5 per revenue ton (RT), and are in proportionate amounts for cargo otherwise rated, the TWRA said.

In addition, the conference planned a May announcement on the rates for cotton shipments during the 1991-92 marketing season; those rates would go into force Aug. 1.

Congestion Surcharge Postponed. The TWRA reported also that it had again put back, to July 1, a congestion surcharge on shipments to the Indonesian ports of Jakarta and Surabaya.

The conference filed the surcharge with the Federal Maritime Commission last July to recoup some of the "extraordinary" costs stemming from congestion-caused delays at those ports.

Bottlenecks persist but there has been progress toward relief, TWRA managing director Ronald B. Gottshall said through the printed announcement.

New System. The TWRA's new rate-hike method has drawn praise from shippers and carriers alike, though the former have some reservations and one traffic executive said the latest series of increases "couldn't have come at a worse time" for her firm.

"It's better ... than the old general-rate-increase system," commented Laurence J. Stern, director of transportation and special projects for Sunkist Growers, Inc., a citrus producers' cooperative based in Los Angeles.

In the GRI scenario, he said, the conference would "back out by commodity, as each commodity group came forward and moaned."

The new approach "offers hope" that the conference will pay more attention to the needs of each commodity group, he said.

That is not to say, however, that the new method is working as it should, Stern added.

"My concern is toward the conference system in general," he asserted. Rate-making groups are "bulky, unwieldy and insensitive to the needs of the marketplace."

The new rate-increase system does not by itself ensure equitable pricing, Stern said.

It is not clear that TWRA officials are doing their homework before making their pricing decisions, he said, nor do they react quickly enough to changes in market conditions.

"It's a bureaucracy you're dealing with," he remarked.

Stern said he would prefer sitting down with carriers individually.

Increases Stick. If the experience of American President Lines is typical, carriers, at least those belonging to the TWRA, are finding they can hold onto their rate increases.

APL, the ocean-shipping arm of Oakland-based American President Companies, Ltd., saw some 90 percent of its GRI gains in the westward shipping lanes eroded by independent rate actions in 1990, according to George Hayashi, APL's president and chief executive officer.

By contrast, he said, APL this year is able to make between 85 percent and 90 percent of its westbound-rate increases stick, to which the commodity-by-commodity increase system is at least partly attributable.

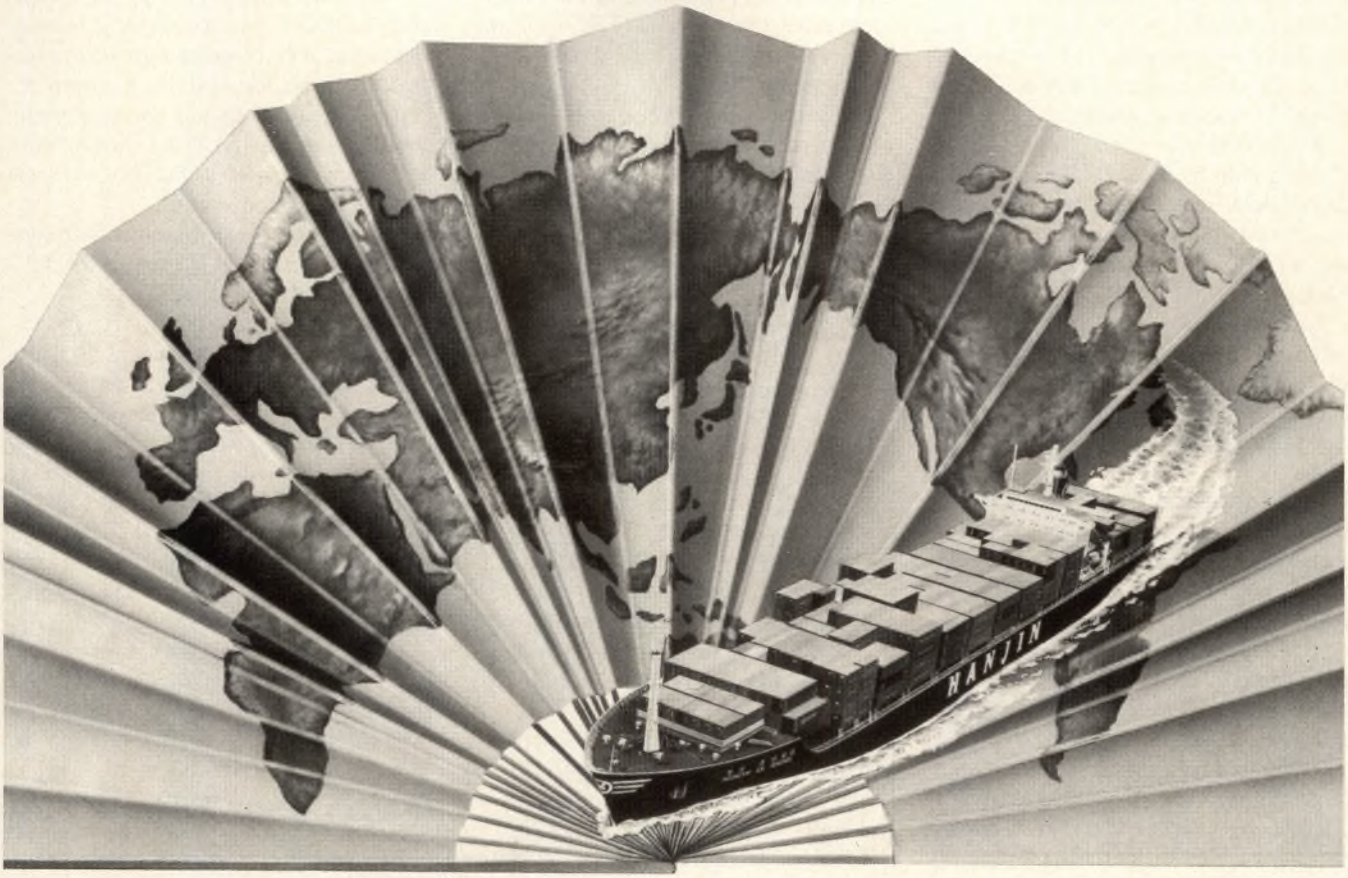
(Stories on APC's first-quarter financial rebound and its long-term outlook—based on conversations with Hayashi and other company executives—appear elsewhere in this issue of *American Shipper*.)

Stern agreed that the new rate-increase method deserves some of the credit for the carriers' ability to hold onto the price hikes.

However, he added, limited vessel space and tight supply of equipment such as containers and chassis are probably the chief reason for the carriers' success.

Equipment has been in tight supply for U.S.-flag carriers especially, because of its use in moving cargo to the Middle East during the recent Persian Gulf war.

Shipper Decries Rate Hike. The latest rate increases are anything but pleasing to Joan McClellan, traffic manager for Weyerhaeuser Corporation in Tacoma,


HANJIN

Wash., who was also sharply critical of the way the TWRA implemented the TRC separation.

The rate increases "couldn't have come at a worse time," McClellan said.

Weyerhaeuser's sales volume is rising, she said, but its margins are down because competition from abroad has forced the company to lower its prices, she said.

Weyerhaeuser competes with suppliers of wood pulp from South America, especially Chile, with producers of bleached paperboard from Scandinavia and with providers of containerboard from Southeast Asia, she said.

Transportation constitutes "a major factor" of Weyerhaeuser's cost structure, she added, though how much would be difficult to quantify because each commodity carries its own price.

TRC Separation. The TWRA's separation of container yard terminal receiving charges from basic freight rates is limited by commodity and geography, though this could change.

Affected commodities include plywood and veneer, fiberboard, wood pulp, kraft linerboard and bleached paperboard (milk-carton stock).

In addition, the separation applies to shipments originating on the West Coast only.

The TWRA took the action at the request of "a particular major customer"—very possibly Weyerhaeuser.

Gottshall refused to identify the shipper but McClellan told *American Shipper* her company had asked the TWRA "to back the TRC amount out of the ocean freight rate to the four areas where a CAF applies," namely Japan, Korea, Singapore and Taiwan.

Shippers of other commodities and in other regions "will be given consideration" if they request TRC separations, TWRA spokesman Niels Erich said.

It could happen.

"I guess we'll consider it," Stern said when asked about it.

Stern said he liked the TWRA's move in principle, though he had not seen the manifestation.

"I think shippers would like to see an unbundling of charges," he remarked.

'Neutral' Result. The long-term result of the TRC separation is intended to be "neutral," Erich said.

While the affected shipper will pay fewer additional raw dollars when a CAF goes up, that shipper will also save fewer dollars when a CAF declines, he said.

Some Shippers Displeased. While the TRC separation appears on the surface to accommodate the afore-mentioned shipper's request, traffic executives who talked with *American Shipper* voiced extreme displeasure with the way the TWRA implemented the action.

McClellan charged that the amount the conference separated from the basic freight rate was less than the actual TRC—a ploy to keep what the TWRA would have lost in CAF money, she said.

At that time, the TWRA assessed CAFs of 32 percent to Japan, 8 percent to Korea and Singapore, and 10 percent to Taiwan.

The TRC, which the TWRA listed voluntarily in its filings to the Federal Maritime Commission, was $19 per metric ton, but the TWRA broke out only $14.39, McClellan said.

"We're not happy at all with the methodology behind this—but it's legal," she rued.

Because Weyerhaeuser moves heavy volumes of cargo, she said, the company requires a tremendous amount of capacity and therefore employs all the TWRA-member carriers, several outsider lines and some breakbulk-vessel operators.

At Louisiana-Pacific Corporation in Portland, Ore., personnel learned of the TRC separation quite by accident.

"I just found out from my freight forwarder," said Heidi Neubauer of the firm's export sales/composite panels department.

She called the TWRA's action "just another way to jerk around the rates. ... I know very, very few shippers of my commodity that know what they're going to be paying."

What is more, she said, the carriers—independent as well as conference—"won't even discuss business" with small- to medium-volume shippers.

"They've got us right where they want us," Neubauer said of the carriers. "The ships are full and (the supply of) equipment is tight." ■

Affected Rates

Here is a list of the rate increases the Transpacific Westbound Rate Agreement plans to implement this month and next.

Affected June 1:

- Resin - $5 per metric ton (MT).
- Waste paper - $5 per MT.
- Canned goods - to Japan, $40 per FEU, $32 per TEU, $2 per MT; to other destinations, $200 per FEU, $160 per TEU, $10 per MT.
- Household appliances - $185 per 45-foot container, $150 per FEU, $100 per TEU.
- Hides - $80 per FEU, $60 per TEU.
- Animal feeds - $100 per FEU, $80 per TEU, $3 per MT/cubic meter, $5 per MT.
- Tin plate - $120 per FEU, $100 per TEU.

Affected July 1:

- Softwood lumber - $4.20 per MT.
- Plywood and veneer, fiberboard/particleboard - $4 per MT.
- Wood pulp, kraft linerboard, bleached paperboard, newsprint and Japan-destined waste paper - $5 per MT.
- Tires, building materials and auto racks/auto parts - $150 per FEU, $120 per TEU.
- Clay - $125 per FEU, $100 per TEU.
- Dried fruit - $50 per FEU, $40 per TEU.
- Freight-all-kinds to non-Japan destinations - $125 per 45-foot container, $100 per FEU, $80 per TEU.
- Fruit juice - $100 per FEU, $80 per TEU.
- Vehicles - Ch. 86-89, $100 per FEU, $80 per TEU, $3 per MT/CM, $5 per MT; per unit, $80 (Ch. 87) or 8 percent (Ch. 86, 88-89).
- Oil-well supplies - 6 percent, with minimums of $80 per FEU, $60 per TEU, $2 per MT/CM, $4 per MT.
- Asbestos - $100 per FEU, $80 per TEU, $5 per MT.

USDA User Fee Raised

Despite industry protests, the U.S. Department of Agriculture has gone through with a requirement that ships calling at U.S. ports pay user fees of $544 per call for up to 15 calls a year.

The user fee was increased from the previous $150. It is collected for use by the USDA's Animal and Plant Health Inspection Service. When the increase was proposed, several carriers and others argued that it was too high.

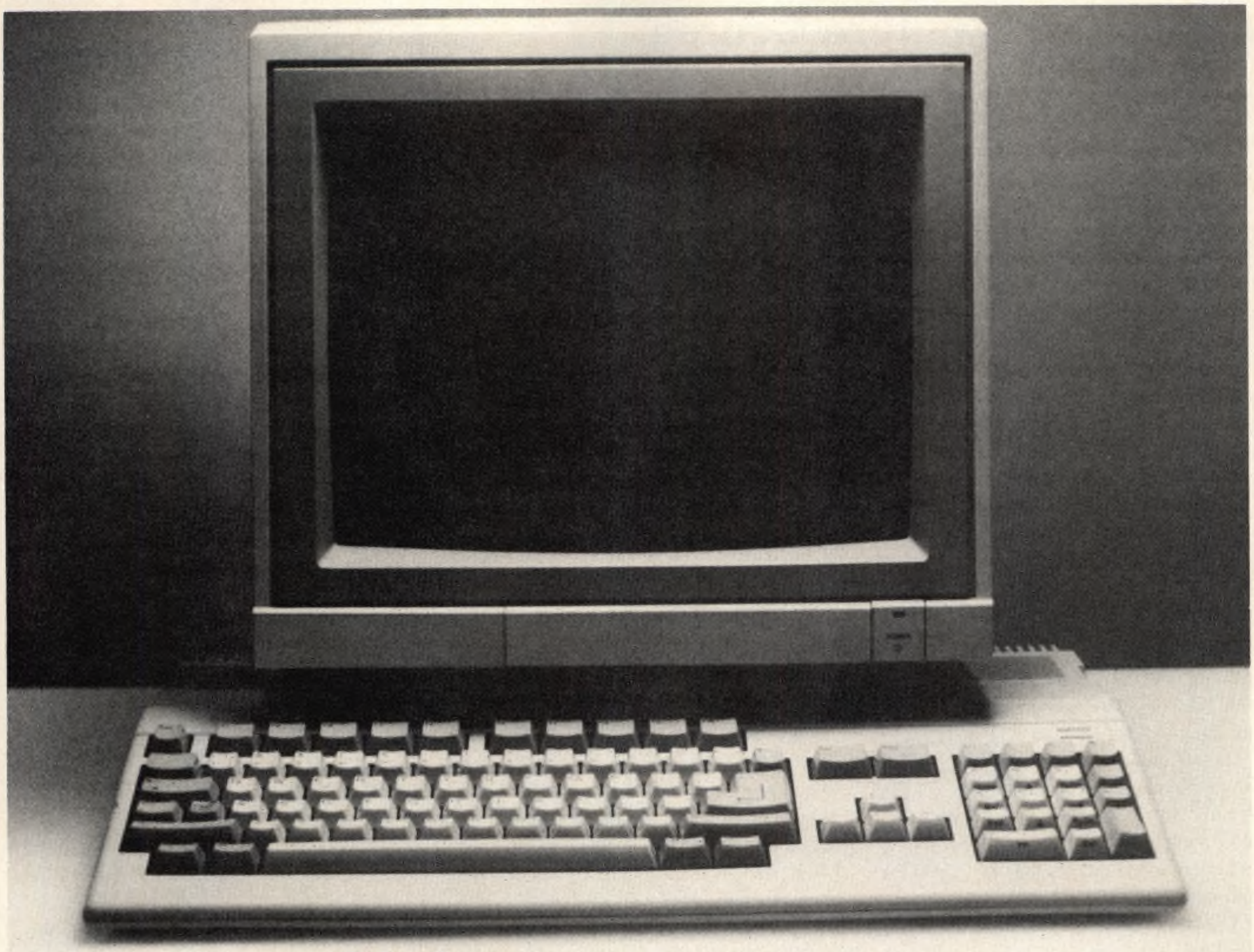
"The fee appears to be a veiled attempt to level a duty against the ocean carriers of the United States and other maritime nations," said George Marshall, senior vice president of Mitsui O.S.K. Lines, speaking for the Steamship Association of Southern California.

"This proposed fee may well be in violation of numerous treaties the United States has with other nations, including the GATT agreements," he told the FMC.

Maersk Line said the fee would "increase the cost of U.S. commerce without a commensurate level of benefit."

The company said the shipping industry has been hit "by a great increase in fee levels and new user fees that are creating a financial hardship in a time of rising fuel costs and lower revenues."

The USDA fee is paid at each port of arrival for commercial vessels of 100 net tons or more. ■



APC Sets Its Future Course

Still looking for a transpacific partner, but is in no hurry. Expanding intra-Asia and Mexico stack trains.

By Richard Knee

Don't look for any major shift in corporate strategy at American President Companies, Ltd.; the plans are now in place.

That advice comes from the man tabbed to become chairman and chief executive officer at the new year—John M. Lillie, who is president and chief operating officer.

W. B. Seaton, the current chairman and CEO, has announced he will retire at year end.

"I don't see any major changes," Lillie said during a brief press conference at the close of APC's annual shareholders' meeting April 26.

Lillie

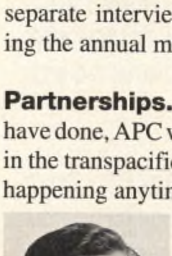
He planned, he said, to "emphasize what has already been started" under Seaton's guidance, particularly the "quality process" that Oakland-based APC launched in 1988.

The top executives of APC's ocean and overland transportation subsidiaries asserted, meantime, that their units are well poised to retain or even strengthen the leadership in their respective markets.

They are, respectively, George Hayashi, president and CEO of American President Lines, and Timothy J. Rhein, president and CEO of American President Domestic Company.

They spoke with *American Shipper* in separate interviews the afternoon preceding the annual meeting.

Partnerships. As a number of its rivals have done, APC would like to find a partner in the transpacific but does not foresee this happening anytime soon, Hayashi said.



Hayashi

"We are talking to several carriers right now," he acknowledged.

At the moment, he said, he had "no idea" as to with which one APC might form an alliance—"if we end up rationalizing at all."

"We're not in the final stage of negotiations with anyone," he said.

Service rationalization by itself produces only limited benefits, he added.

Supportive components such as a comprehensive intermodal network, information systems and customer service are as important as top ocean-shipping "hardware," he asserted.

Customer service is, in fact, the "highest challenge" APL faces over the next few years, Hayashi said.

Other major concerns are the uncertainty over the future of the federal operating differential subsidy (ODS) program and the chronic overcapacity in the eastbound Pacific, he said.

The carrier needs to develop a thorough understanding of its customers' needs and to establish ways to measure its performance, he said.

APC has already established some partnerships in terminal and office operations, Hayashi pointed out.

In Seattle, APC handles containers and breakbulk cargo for Westwood Shipping Line. APC's Kaohsiung terminal hosts Hapag-Lloyd ships sailing between Asia and Europe.

APC and Atlantic Container Line share offices in Columbus, Ohio, and in the Southeast, he said.

In addition, American President Domestic (APD) is relying increasingly on alliances with truckers on the overland transportation side, according to Rhein.

"Last year, we decided to sell our LTL (less-than-truckload) operation and we got out of the direct trucking business," Rhein said.

The 600 trucks APC still owns are used strictly to feed the major centers of APD's stacktrain activity, he said.

More IAs Eastbound. This year could well be the worst ever for overcapacity in the eastbound Pacific, Hayashi said.

His own guess, he said, is that average utilization industry-wide will be in the lower 60s percent range.

Consequently, APL "will have to file some independent actions early in the year in order to protect our customer base."

The westbound picture is much brighter, he said.

The new, commodity-by-commodity approach the Transpacific Westbound Rate Agreement has embraced in increasing its rates is proving highly beneficial to shippers and carriers alike, he said.

The TWRA boosts rates in accordance with commodity traffic cycles, he noted.

Whereas last year the conference lost some 90 percent of its general rate increases to independent actions, the ratio this year is between 10 percent and 15 percent, he said.

Rate-setting practices are part of the customer service equation, he noted, because they affect exporters' competitiveness.

Intermodalism Abroad. APL is strengthening services in Southeast Asia and the Indian subcontinent by building up its intermodal capabilities, Hayashi said.

The company is not seeking entry into the Soviet-Central Europe market via the Pacific as arch-rival Sea-Land Service, Inc., is doing, he said.

"Our approach is to strengthen our existing services," he explained.

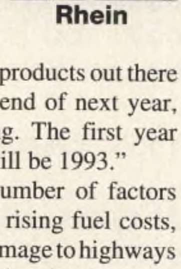
APL runs unit trains between Bangkok and Sattahib, in Thailand, and between New Delhi and Bombay, in India, he said.

The carrier is keeping its eye on the Soviet-Central Europe market but has "no specific project" in the works there, he said.

APC has not involved itself in Siberian landbridge operations, though the Soviets have approached the company on the matter, he said.

"We're not in Europe. We're Asia-based. The vast majority of the Russian population is on the European side," he noted.

APD Wants to Rival Truckers. "We view the next plateau in the east-west (domestic) trade lanes as the conversion of truck," i.e. luring business to stacktrains from motor carriers, said Rhein.



Rhein

Toward that end, the biggest job will be boosting service reliability, he said, but he expects APD to accomplish this within two years.

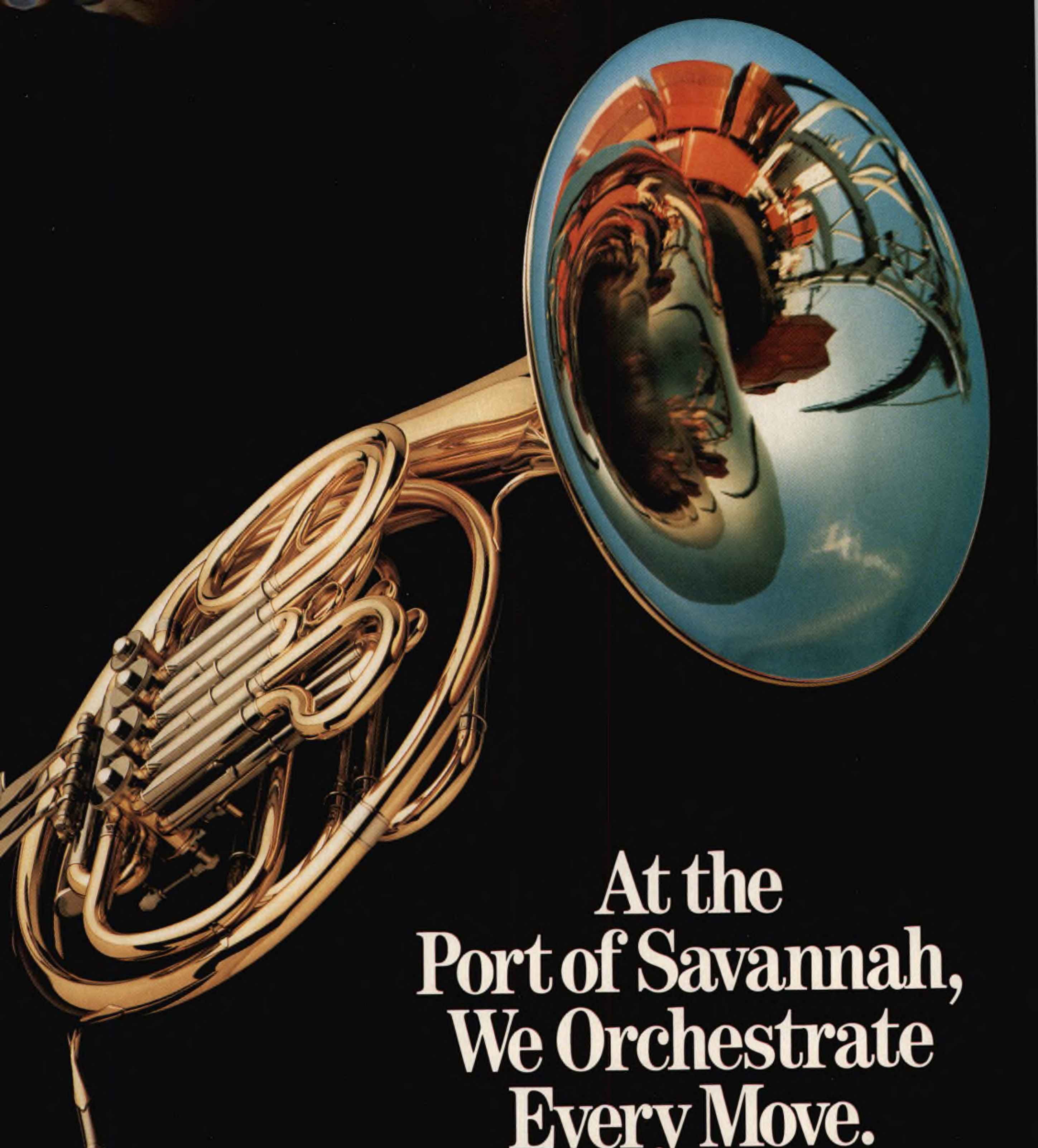
"We have some of the products out there now," he said. "By the end of next year, we'll be pretty far along. The first year we'll achieve our goal will be 1993."

Rhein pointed to a number of factors favoring rail over truck: rising fuel costs, truck driver shortages, damage to highways and environmental considerations.

APD still commands between 35 percent and 40 percent of the stacktrain market, chiefly for two reasons, he said.

First, APL does not offer all-water service between the East Coast and the Far East; the routing there is strictly intermodal.

In fact, between 60 percent and 65 percent of APL's shipments are intermodal, he said, and APL pays APD "probably $300 million" annually for intermodal services.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Every Move.

By contrast, Sea-Land and a number of other carriers do offer all-water service, taking some traffic away from the intermodal side, he said.

Second, "the competition has settled down, too. We're still offering at least twice as much service as anybody else," he said.

"There's only so much intermodal freight that can be converted to stack trains."

The Big Challenges. The major challenges APD faces, Rhein said, are these:

• Solidifying relationships with railroads. "We have to make sure they are commercially sound, market driven and responsive to their markets," he said.

• Putting together a motor-carrier network to serve the stacktrain system. This means establishing service alliances with truckers, he said.

• Increasing accuracy in billings, invoices and receivables.

• Linking all APC computer systems to avoid duplication of efforts.

• Improving the balance between eastbound and westbound traffic.

When east was the headhaul direction in the transpacific, he said, APD was "chasing eastbound business and sending the containers back empty."

APD has been able to improve the balance through partnerships with motor carriers and shippers, and by eliminating runs in cargo-empty lanes, he said.

• Achieving "a high degree of reliability" in meeting schedules.

That reliability is in the high 80s percent range, he said, whereas the ratio for truckers is in the mid to upper 90s percent bracket.

The Mexican Market. APD is moving aggressively in the Mexican market and would welcome a Free Trade Area pact between that country and the United States, Rhein said.

APC is active on the issue, "not to the point of making a lot of noise, but we're certainly supporting it with all our friends in Washington," he said.

APC has set up a Mexican corporation, APC de Mexico, managed by APC personnel and staffed with local people, he said.

In addition, APC has in-bond authorization from both countries' customs agencies.

Already well established southbound, APD expected to start northbound runs in the latter part of May, he said.

These will move manufactured goods and components, electronics, and shipments from the *maquiladora* plants owned and operated by U.S. firms, he said.

The southbound service APD launched in January, running through Laredo, Texas, is "the fastest" to Mexico's major population and industrial centers, he said. ■

APC 1st Quarter in the Black

War shipments and intra-Asia rate spell $7.9 million profit.

By Richard Knee

American President Companies appears to be coming out of its financial doldrums.

Company executives see reasons for what they termed cautious optimism but they refuse to make any predictions on whether their profitability will continue.

Oakland-based APC posted a profit of $7.9 million, or 35 cents per common share, on revenues of $624 million the first three months of this year.

The corporation lost $2.5 million, or 21 cents a share, on revenues of $587 million a year earlier.

APC chairman W. B. Seaton attributed the rebound to wartime business from the U.S. military and to a climb in per-container revenues in the intra-Asia market.

In fact, per-container revenues shot up in all four of APC's trading lanes, though a dip in retail freight volume caused first-quarter revenues from domestic transportation operations to drop, Seaton said.

On the corporate side, APC completed a common stock repurchase program involving 2 million shares and the mid-March buyback of nearly 3.84 million shares, representing 20.9 percent of the stock, from Itel Corporation.

Those transactions cost APC $24.67 per share and $20.50 per share, respectively.

'Desert Storm' and Beyond. Questioned during a brief press conference at the close of APC's annual shareholders' meeting on how much the military business contributed in revenues, company president John Lillie said this would be "very difficult to quantify."

But he told shareholders earlier that APC expected to continue benefiting from the "residual effects" of the allied war effort dubbed Operation Desert Storm.

"There is an ongoing need to supply troops in the Middle East," he said in his speech to shareholders, "and most of this cargo will move by land and sea rather than by air.

"We are beginning to return much of the surplus war supplies to their origins, and we expect growing demand to provide services to the (Persian) Gulf to support the rebuilding of Kuwait as well as for consumer goods to the Middle East."

The shareholders' meeting took place April 26, the morning the quarterly financial report came forth, in the Park Oakland Hotel, across the street from the company's spanking new City Center headquarters.

Short-Term Outlook. "We are cautiously optimistic about the remainder of 1991," Lillie told the shareholders.

He pointed to the Middle East picture and discussed the other trades as well, to wit:

• Exports: "Currently, transpacific westbound vessel utilization for APL and other carriers is at or near capacity, and pricing is beginning to show some improvement. U.S. exports continue to gain momentum and the intra-Asia transportation market is the fastest growing major region in the world."

(APL stands for American President Lines, APC's ocean-shipping arm.)

• Imports: "Industry utilization rates for eastbound shipments ... are at historically low levels. Some help will come from a gradually improving U.S. economy and from the return of military supplies.

"Fortunately, our reputation for superior service continues to produce APL vessel utilization rates that are more than 15 percentage points above the industry average."

First Quarter Results

	1991	1990
Export		
FEU volume	45,900	43,900
Per-FEU revenues	$3,675	$2,954
Import		
FEU volume	50,400	50,500
Per-FEU revenues	$3,786	$3,770
Intra-Asia		
FEU volume	37,100	36,900
Per-FEU revenues	$1,998	$1,699
International stacktrain		
FEU volume	49,600	47,200
Domestic stacktrain		
FEU volume	79,100	81,500
Total stacktrain revenues per FEU	$1,284	$1,233

Shipping-price erosion stemming from declining growth in import traffic "is being minimized by the participation of 13 ocean carriers in the Transpacific Stabilization Agreement," he added.

The TSA, comprising five major non-conference lines and all eight of the conference carriers, has taken a number of steps to stem rate slippage, including a 14 percent reduction of the carriers' aggregate capacity.

- Overland freight: "The reorganization and refocusing of our domestic business is expected to make an increasing contribution as the business grows and productivity improves.

"The brief rail strike had minor effect on our customers and our costs.

"We increased double-stack train service between the U.S. Midwest and Mexico to daily frequency with destinations as far south as Mexico City.

"This places us in the leading position to capture business in this rapidly growing market, which will be further enhanced if the Free Trade Agreement between the U.S. and Mexico is completed."

Capital Spending. APC is involved in a capital-spending program that is expected to total $60 million for the year.

Lillie told reporters the money is going primarily toward replenishment of its container fleet, especially for overland operations. Containers have a 10- to 15-year life cycle, he noted.

In addition, APC is gearing up for a big boost in traffic across the Mexican border, setting up terminals and offices in Mexico, he said.

Stock Fairly Flat. APC's stock was fairly flat, at just above 25, the week leading up to issuance of the quarterly report, though it was up by about six points from when the buyback from Itel took place.

The day the results came out, the common stock rose by a half point to 25 3/4 as 81,500 shares changed hands. APC's trading volume is normally in five figures.

The market overall was down that day, the Dow Jones transportation average losing 4.05 points to 1,166.08 and the DJ industrial average dropping 8.66 points to 2,912.38.

Dividend. In another action April 26, APC's board of directors declared a regularly quarterly dividend of 15 cents per common share, payable May 31 to stockholders of record May 15.

The board also declared a regularly quarterly dividend of $1.125 per share on the company's Series C cumulative convertible preffered stock, payable June 15 to shareholders of record June 1. ■

Navieras Expects Break-Even Year

Says falling interest rates have helped. Major carriers in Puerto Rico trade file for 2.9% rate increases.

By Joseph Bonney

Puerto Rico's government-owned shipping line says it expects to meet its debt-service obligations and break even for the first time in years.

Declining interest rates, the sale of a ship and company-wide cost-cutting have been credited for the improved results at Navieras de Puerto Rico.

"This year we had a good cash management program, and all of our interest expense has gone down because of the reduction in interest rates," said Enrique Delannoy, chief financial officer.

Delannoy said the company projects break-even results on revenue of about $350 million for the fiscal year that will end June 30. A year ago, the company had a net loss of $24.9 million on revenue of $346.7 million.

In the 1990 fiscal year, Navieras had $31.5 million in interest expense, Delannoy said. That figure will drop to about $22 million for the current year, partly because of the sale of a roll-on/roll-off vessel that was carrying a 15.5 percent mortgage, he said.

Debt Problems. From its beginnings, Navieras has struggled under a heavy debt load. When the company was established in 1974, it had no working capital and a fleet of grossly outdated ships.

Ever since, the company has paid a price through debt financing and periodic refinancing. The company's long-term debt now stands at $248.7 million, Delannoy said.

Even in the years when the company has turned a profit in operations, it usually hasn't been enough to offset the debt service. A net profit, including debt service, has been achieved only three or four times in the company's history, Delannoy said.

The results next year should be helped by a rate increase that Navieras has filed with the Federal Maritime Commission and Interstate Commerce Commission, said Lou Gomez, a Navieras spokesman.

"According to the numbers we've been able to develop, it should represent added revenue of about $4.9 million next year," Gomez said.

Exceptions. The increase, effective June 1, was 2.9 percent, with a number of exceptions, primarily for shippers with time-volume rates and time-volume agreements.

Navieras' increase request was followed by similar filings by the two other major carriers in the trade — Sea-Land Service Inc. and Crowley Maritime Corporation's Trailer Marine Transport.

As is usually the case with increases in the Puerto Rico trade, the increase drew protests from shippers.

"This increase will make it more difficult for us at a time when we are facing a recession," said Hector Jiminez Juarbe, executive director of the Puerto Rico Manufacturers Association.

He said the fact that the increases exclude many time-volume rates and agreements probably means that smaller shippers will pay most of the increase.

Carriers Cite Costs. The carriers said the increase, their first since a 12 percent increase in October 1989, was justified by rising costs.

"We have been absorbing for some time increased costs and reached the point where we felt it was necessary to have a small increase," Gomez said.

"We've faced a steady escalation of operating costs in addition to our own capital investments which were required to continue providing quality service," said Bob Vachris, director of Puerto Rico pricing for Sea-Land's Americas Division.

Sea-Land said that effective May 1 it was reducing its fuel charges for ocean shipments to Puerto Rico and for rail and truck container movements in Puerto Rico.

The reductions amount to 10 cents per 100 pounds of containerized cargo. The fuel surcharge on port-to-port movements now stands at five cents per 100 pounds. The minimum fuel surcharge per container was reduced from $50 to $20. The new intermodal surcharge is 15 cents per 100 pounds of cargo, and the intermodal minimum was dropped from $80 to $50 per container.

Ship Shuffling. Sea-Land said it will operate three line-haul vessels, the *Crusader, Challenger* and *Expedition*, this summer on a weekly service between Elizabeth, N.J.; San Juan; Haina, Dominican Republic; Jacksonville; back to San Juan; then Kingston, Jamaica; San Juan; Haina and back to Port Elizabeth.

A fourth vessel, the *Discovery*, will rejoin the service in late summer. ■

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Sea-Land Earnings Up 35%

1st quarter earnings offset downturn in CSX domestic operations. Intermodal in black.

By Elizabeth Canna

CSX Corp.'s chairman and chief executive officer John W. Snow has given Sea-Land Service Inc. much of the credit for CSX's first quarter 1991 earnings of $57 million.

"Sea-Land had a very good quarter, almost twice last year," said Snow during a first quarter earnings briefing held by CSX in New York City on April 18.

"Clearly the Middle East situation was a big plus," he added.

CSX's first quarter income fell $20 million short of 1990's first quarter earnings of $77 million. But if non-recurring items from last year's first quarter are factored out, earnings for the two three-month periods were about the same. Revenue for the first quarter was $2 billion, compared with $1.9 billion last year.

Precisely how much war-related business contributed to CSX's bottom line is unclear since, even before the Mideast conflict began, CSX and Sea-Land have made it a policy not to elaborate on military income.

But at a time when rates in most of Sea-Land's trades are under pressure, and container slots in some of the routes are going unfilled, the container shipping subsidiary of CSX reported a first quarter 1991 operating income of $21 million, compared with a 1990 first quarter operating loss of $42 million. (That loss included a $53 million restructuring charge, which when factored out left Sea-Land with a first quarter 1990 profit of $11 million).

Sea-Land's operating revenue for the first quarter was $747 million, versus $553 million in the first three months of 1990.

Sea-Land's Outlook. How would Sea-Land have performed without the military business boom?

"It's hard to say because it had an effect on so many of its divisions," said James Ermer, CSX's senior vice president of finance. Increased military business also boosted Sea-Land's operating expenses by 22 percent, he pointed out.

Now that the war is over, Sea-Land is hedging on its outlook for continued military traffic, according to the container-shipping subsidiary's chief financial officer Robert Grassi.

"A lot depends on our troops in the Middle East, but we do look for continued benefits," he said. "A lot also depends on reconstruction efforts."

Grassi painted a more definitive picture for Sea-Land's eastbound transpacific prospects when he expressed optimism for a May 1 general rate increase of $200 per forty-foot container. "It looks as though a great deal of that will stick," he said.

One item which Sea-Land continues not to count on is operating-differential subsidy, Grassi said.

"We would love to have operating subsidies. We have been supporting a number of different approaches to get this level playing field, but to no avail. I think the corporate perspective to ODS is 'Don't count on it,'" Grassi said. "We are not prepared to make operating sacrifices to get ODS."

Rail Improvements. In addition to Sea-Land's performance, Snow also singled out CSX Intermodal, calling it "a real success story."

"Intermodal is operating in the black, and making a positive contribution to the railroad, a real tribute to Neil Porter," he said. M. McNeil Porter presides over the intermodal unit that was created in 1988. Its earnings are reported as part of the railroad's.

Sea-Land Operating Statistics
1st Qtr 1991 vs. 1st Qtr 1990

	FEUs	% CH	% CH
Pacific			
Eastbound	34,609	6%	(1)%
Northbound	623	52	(19)
Westbound	24,806	(6)	9
Hawaii/Guam	11,070	11	6
Interport	40,503	15	0
Atlantic			
Eastbound	31,503	14	8
Westbound	23,807	18	(3)
Interport	23,665	34	19
Americas			
Northbound	9,321	2	6
Southbound	18,539	(5)	7
Alaska			
Northbound	9,331	8	11
Southbound	2,225	27	25
Asia/Mideast/Europe			
Eastbound	19,054	149	117
Westbound	15,655	76	25

Vessel Utilization

Pacific		Atlantic	
Eastbound:	78%	Eastbound	96%
Westbound	94%	Westbound	74%

Also contributing to CSX's profit picture during the recent quarter was the ongoing streamlining of the rail unit, Snow noted.

"At a time when carloadings were off 10 percent or so we were able to offset a very significant part of the revenue shortfall and produce earnings that, all in all, were pretty darned respectable," he said.

CSX's rail unit reported earnings of $138 million for the first quarter, down from last year's $155 million. Revenue, at $1.2 billion, was about the same as in 1990.

Other improvements within the rail unit included a 40 percent reduction in personal injuries and a lengthening of the mean time between equipment failures, halving the frequency experienced two years ago.

With the USSR still out of the U.S. grain market, CSX's American Commercial Barge Line Company experienced slightly lower earnings of $7 million, down from $8 million in the first quarter of 1990. Jeffboat, CSX's barge-building subsidiary, is well-positioned to take advantage of an upturn in demand for tanker barges, especially for conversion to double hulls, Snow said. Jeffboat built 243 barges in 1990, 224 of which were sold to outsiders.

Back to Basics. Snow and his team of senior managers delivered their remarks to an audience of 120, mostly skeptical bankers and investment analysts. The CSX executives were clearly eager to convince the group that after several awkward years of restructuring, CSX had found itself and is back on track.

Three basic goals have been established for the group: strong core earnings, improved free cash flow and earning cost of capital, Snow said.

In recent years, extraordinary earnings have had a strong influence on CSX's bottom line as the company divested itself of energy and other non-transportation interests. It's a trend Snow does not expect to continue. "We're pointing towards much cleaner earnings statements," Snow told the audience. "We realize extraordinary earnings are not what count."

As for the second of CSX's corporate goals, improved free cash flow, Snow gave the member companies high marks.

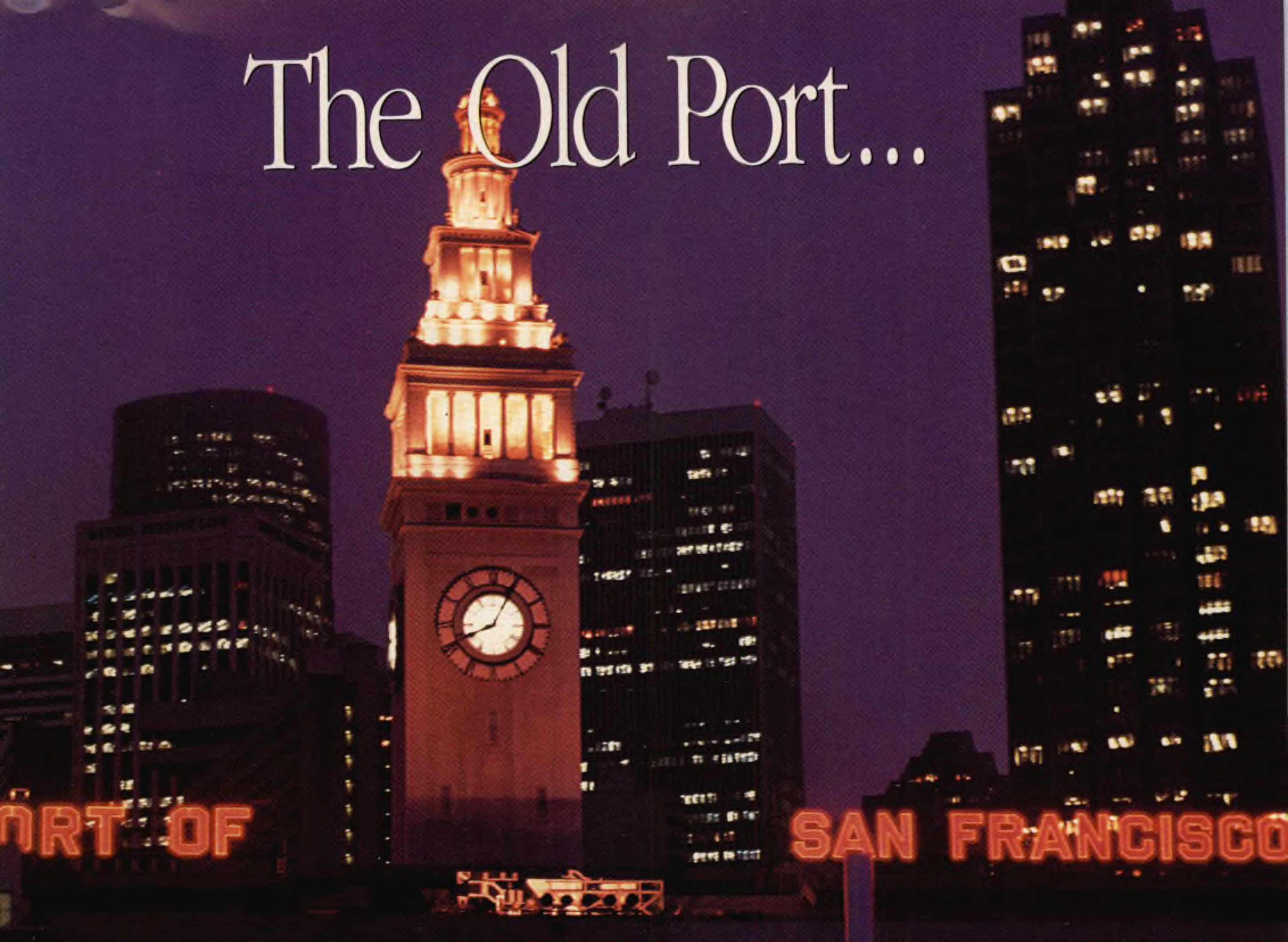
"All the units are reaching their free cash flow targets, I'm happy to say," he reported.

CSX expects to realize about $250 million in free cash flow this year, which it will use to reduce debt load, according to Ermer.

CSX also anticipates reducing its capital expenditures by about one-third this year, down to about $800 million.

Still elusive, particularly at Sea-Land, is the goal to earn cost of capital. But Sea-Land's managers continue to stick to their target date of late 1992, early 1993. ■

The Old Port...



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Announcing the Birth of

Nedlloyd Lost $88 Million in 1990

Tough times in European trucking and container shipping produce first loss in four years. Is the worst over?

By Elizabeth Canna

Poor returns in container shipping and road transport were blamed by the Royal Nedlloyd Group for its 1990 loss of Dfl 148.2 million ($88 million), its first loss in four years.

The 1990 loss, which includes a non-recurring gain of Dfl 90 million ($52 million), contrasts sharply with 1989, when the Dutch transport group earned Dfl 252.3 million. Nedlloyd's revenue for 1990, Dfl 6.7 billion ($4 billion), was up 9.8 percent from 1989's revenues of Dfl 6.1 million.

Nedlloyd's ocean shipping sector lost Dfl 78 million ($46 million), compared with a 1989 income of Dfl 111.3 million. Similarly, Nedlloyd's non-ocean transport sector lost Dfl 45 million in 1990 ($26 million), after earning Dfl 53 million the year before.

News of the loss was not a surprise. Since last fall, the company had issued a series of gradually worsening projections. By the time the financial results were finally published on April 18, Nedlloyd's stock, traded on the Amsterdam exchange, wavered only slightly, hovering around the Dfl 53 ($26) mark. By contrast, it was trading in the high 30s early this year.

Prospects for 1991. Nedlloyd has said it expects that container shipping and land transport will produce better results this year. But better results doesn't mean those sectors will turn a profit.

As for the group as a whole, "It is still too early in the year to predict what results will be achieved in 1991," Nedlloyd said.

One overriding external factor that affects Nedlloyd's earnings is the U.S. dollar exchange rate, which fell about 15 percent last year. If the dollar's recent strengthening trend continues, Nedlloyd will benefit.

Meanwhile, restructurings at Nedlloyd Lines and at Nedlloyd Road Transport, which cost the group so dearly last year, should start to show results this year.

"It appears that a number of the companies concerned have passed through their low point," Nedlloyd said.

What Went Wrong. After predicting in mid-1990 that it would turn a profit by the end of the year, what went wrong at Nedlloyd?

For one thing, Nedlloyd found it was unable to digest its extensive European land transport acquisitions as quickly and cheaply as it would have liked.

"In the course of 1990, it appeared that at Union Transport, a company acquired in 1989, great organizational and operational problems had to be solved, especially in respect to Unitrans. In building up the land transport networks and in restructuring various other activites of the company, extra expenditure was incurred."

Organizational problems were exacerbated by rate erosion and increased fuel costs.

A dissident shareholders' group, which holds about 23 percent of Nedlloyd's stock, has criticized Nedlloyd for its aggressive forays into the European land transport market. But at an extraordinary shareholders' meeting held in March, Nedlloyd's group chairman Henk Rootliep defended the policy, saying it was necessary for Nedlloyd to gain a firm foothold in post-1992 European transport.

Not all of Nedlloyd's trucking and distribution activities fared poorly last year. Van Gend & Loos and Nedlloyd Districenters both improved their operating results.

In Nedlloyd's ocean shipping sector, the performance of Nedlloyd Lines was a big disappointment, despite volume gains of four percent.

"Tariff erosion in the important east-west trades and the fall of the dollar were major causes for Nedlloyd Lines to close the year with a very negative result," Nedlloyd said.

Bulk shipping performed satisfactorily, Nedlloyd said, as did the company's short-sea shipping interests.

Steps have already been taken to improve the state of affairs at Nedlloyd Lines. Older, unprofitable cargo ships deployed in several north-south trades have been sold. Nedlloyd continues in these trades through space charters. In addition, Nedlloyd Lines has implemented significant staff cuts in its offices around the world.

Some Bright Spots. In counterpoint to the disappointing transportation-related returns, some of Nedlloyd's other interests showed more promise.

The group's energy sector turned a profit of Dfl 33.8 million ($20 million), up sharply from 1989's profit of Dfl 7.7 million. Here, Nedlloyd was able to take advantage of higher oil prices. And the turn-around in the North Sea drilling market boosted Neddrill's returns.

Nedlloyd's majority participations, activities where Nedlloyd holds a majority share, contributed Dfl 11.7 million ($6.9 million) in profits, slightly less than 1989's 15.1 million. Within this category, Nedlloyd said it was satisfied with Radio Holland's performance, while its stevedoring activities "dropped sharply."

Profits in Nedlloyd's minority participations fell to Dfl 36.9 million ($21.7 million) in 1990 from Dfl 54.3 million in 1989. Nedlloyd blamed the shortfall on the poor performance of European Combined Terminals B.V., in which it has a 44 percent shareholding. ■

Transport Income Down For Van Ommeren

Operating income from transport activities fell slightly last year for Van Ommeren Ceteco NV, although the Rotterdam-based company's overall profits increased.

"Lower income from dry cargo shipping was partly offset by improvements in inland tank shipping and elsewhere," the company said in announcing the results. Gains from the sale of a product tanker and scrapping of inland tankers also helped.

Van Ommeren's board said that although economic and currency uncertainties make it impossible to forecast 1991 income, the year "has gotten off to a reasonably good start. The strengthening of the U.S. dollar should have a positive effect on income."

The company's transport division reported a decline in 1990 operating income to Dfl 53.9 million ($32 million at the Dec. 31 conversion rate of $1 to Dfl 1.6860) from Dfl 57.1 million in 1989. Overall results for 1990 show that operating income rose to Dfl 127.1 million ($75 million) from Dfl 123 million in 1989.

Net income rose to Dfl 45.5 million ($27 million) from Dfl 37.2 million. Net earnings per share were Dfl 3.02, or $1.79, compared with Dfl 2.53 million in 1989.

The results were compiled on revenues of Dfl 1.713 billion ($1.016 billion), compared with Dfl 1.876 billion a year earlier.

The company said income from tank storage operations rose by 44 percent to Dfl 75.1 million, mostly due to mineral oils.

Profits from trading activities lagged as a result of currency trends in Latin America and provisions for certain Middle Eastern receivables, the company said.

Income from non-recurring operations included Dfl 6.5 million in gains from the sale of the Zeebrugge, Belgium-based stevedoring company CTO. ■

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MOL, "K" Line Set Service Details

Three year pact. Hyundai can take up to 500 TEUs per vessel in PNW routes. No terminal sharing just yet.

By Elizabeth Canna

By early June Mitsui O.S.K. Lines and Kawasaki Kisen Kaisha expect to be deploying 21 containerships in one of several major transpacific space charter agreements to be launched this year. The two Japanese carriers inked their previously-announced ship-sharing pact on April 15 in Tokyo and filed it with the Federal Maritime Commission shortly thereafter. Unless the FMC decides to request additional information, the agreement becomes effective 45 days after the filing.

Under their agreement, MOL and "K" Line have room to grow. They can operate as many as 25 container ships no larger than 4,000 twenty-foot container equivalents (TEUs) in the transpacific trade. The two will also coordinate sailings in the intra-Asia market, where vessel deployment is still being sorted out.

The initial three-year term of the agreement has been likened by some to an engagement period, during which time the Japanese banks and Ministry of Transport will watch developments closely to see if a full-blown marriage is in order. The recently-announced merger of Nippon Liner System into Nippon Kisen Kaisha fueled rumors that a similar fate awaits "K" Line and MOL.

Are "K" Line and MOL engaged to be married?

"No way," declared Oscar J. Abello, president and chief executive of "K" Line America, Inc. "We are engaged to be good partners," he said.

Such speculation, Abello added, is a result of coincidental timing. If the news of "K" Line's vessel sharing with MOL had not coincided with the announcement of the NYK-NLS merger, there wouldn't be any rumors. "Nobody would be asking those questions," he said.

Four Calls Weekly. As the "K" Line-MOL plan stands now, the two carriers will operate 21 ships in four separate services between the North American West Coast and the Far East. Two of the services will follow a Pacific Northwest route, while the other two will be deployed in the Pacific Southwest.

The arrangement enables both carriers to boost their frequency between Japan and North America from two to four calls weekly. Similarly, service from other Asian points will be expanded beyond the current two calls.

A similar vessel-sharing plan between NYK-NLS and Neptune Orient Line will also offer four weekly calls to the North American West Coast. Another partnership shared by Sea-Land Service Inc. and Maersk Line offers five West Coast calls.

In addition to increasing their service frequency, "K" Line and MOL will broaden their Asian port coverage by adding regular service at Hakata, Keelung and Busan. At the moment, the two carriers will not be combining their terminal operations.

"K" Line and MOL will continue as competitors, marketing their services separately. Their agreement filed with the FMC allows them to place joint advertisements, providing they present themselves to the public as separate operators.

Hyundai Slots. Under the "K" Line-MOL agreement, Hyundai Merchant Marine continues a slot charter it launched with "K" Line in July of last year. Hyundai has the right to take up to 500 TEUs of space on each vessel serving the Pacific Northwest. Hyundai plans to continue its other PNW space-sharing plan with NYK where the Korean carrier contributes one ship. Hyundai also operates a Pacific Southwest service with six of its own vessels. ■

"K" Line-MOL Weekly Services

PSW 1
Six Ships: Singapore-Hong Kong-Nagoya-Tokyo-Los Angeles-Oakland-Tokyo-Nagoya-Kobe-Kaohsiung-Hong Kong-Singapore

PSW 2
Five Ships: Busan-Kaohsiung-Kobe-Nagoya-Shimizu-Tokyo-Long Beach-Oakland-Tokyo-Kobe-Busan

PNW 1
Five Ships: Busan-Kaohsiung-Kobe-Nagoya-Shimizu-Tokyo-Seattle-Vancouver-Tokyo-Kobe-Hakata-Busan

PNW 2
Five Ships: Keelung (or Kaohsiung)-Hong Kong-Kobe-Nagoya-Shimizu-Tokyo-Tacoma-Portland-Tokyo-Nagoya-Keelung (or Kaohsiung)

"K" Line-MOL Vessels Being Shared

Eleven 2,900 TEUs:
Alligator Pride, Alligator Triumph, Alligator Victory, Alligator Columbus, *Alligator America, *Alligator Discovery, George Washington Bridge, Mackinac Bridge, Henry Hudson Bridge, Manhattan Bridge, Brooklyn Bridge

Three 2,600 TEUs:
Alligator Fortune, *Alligator Hope, *Alligator Glory

Five 2,250 TEUs:
Golden Gate Bridge, Bay Bridge, Tower Bridge, Transworld Bridge, Harbour Bridge

Two 2,000 TEUs:
Alligator Joy, Alligator Excellence

*Alligator America and Alligator Discovery will be phased in later this year.

Transit Times - Some Comparisons

"K" Line/MOL		Sea-Land/Maersk
8 days	Tokyo/Yokohama to Sea-Tac	8 days
13 days	Hong Kong to L.A./L.B.	12 days
17 days	Singapore to West Coast	16 days


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Quietly, SP Cleans Up Its Act

Company personnel at all levels acknowledge need to improve service. Their introspection draws praise.

By Richard Knee

Unlike many carriers, Southern Pacific Transportation Company isn't talking up "quality" too much.

Instead, SP is quietly putting the concept into action.

The effort is bearing fruit in some ways, but only time will tell how well it pays off in the long term.

What is certain in the minds of all SP personnel—at the yards, on the trains and in the executive suites—is that they must at least give it the old college try or watch their company perish. Evidence that the people at San Francisco-based SP are aware of the stakes is in a videotape the company produced early this year.

Intended for internal consumption, it was nevertheless shown at an annual conference held recently in Monterey by the Transportation Club of San Francisco and the National Industrial Transportation League.

In the view of conference participants, showing the tape was a good move on the part of Donald Orris, president of Southern Pacific Distribution Services.

For one thing, Orris was the final speaker on the program and attendees were getting edgy; the 25-minute video presentation was a nice shift of media that kept their attention.

More important, however, participants praised SP's willingness to show the tape, on which rank-and-file employees and executives alike — including chairman Philip Anschutz of parent Rio Grande Industries — acknowledged that SP must clean up its act if it is to survive.

Carriers, shippers and other segments of the transportation and logistics community were well represented among the conference's roughly 90 attendees.

Root of SP's Problems. At the root of SP's problems, Orris told American Shipper later, was the disarray caused by the uncertainty over who would wind up owning the railroad.

SP was in trust for five years while federal regulators wrestled with the question of whether the company should merge with arch-rival Atchison, Topeka & Santa Fe, he said, and this did no good for employee morale.

Shortly after the Interstate Commerce Commission turned thumbs down on that application, Rio Grande Industries made its successful bid for SP.

The years-long transitional period sapped the competitive strength of what was once "the cat's meow of the railroad industry," he said.

The immediate goal of SP's "quality" program, he said, is "to bring the company up to a reasonably competitive level."

Surveys. SP started the ball rolling by conducting surveys of its internal as well as external constituencies, Orris said, and the results of those surveys were predictably gloomy.

Reminded of the myriad complaints that shippers aired during the Monterey conference, he declared flatly, "They are right. There are no disagreements."

Customers responding to SP's queries had a variety of complaints, he said. One of the biggest was about the length of time it took for the railroad to respond to rate-information requests.

In the Pacific Northwest, Orris said, 3 percent of the boxcars SP sent to customers were rejected, chiefly because of bad door seals and roof holes.

Customers also complained of inadequate service reliability along the Interstate 5 corridor between Portland and Los Angeles, he said. Billing inaccuracies were another source of customer dissatisfaction.

Also drawing criticism, Orris said, was the long time it took just to answer the phone when customers called. He said about two-thirds of the problem could be attributed on a poor phone system, and the rest could be blamed on "people power," or the lack thereof.

On the inside, he said, SP found employees were not happy; particularly with resolution of the ownership question taking so long, workers fretted about job security.

SP Takes Action. To remedy the problems, SP's management first established a dozen "quality" teams, some of which included customers working specifically on the problems in the I-5 corridor, Orris said.

In addition, the company established a policy of cooperation among its departments, so customer service and problem-solving would be "cross-functional."

Then came a series of actions:

• The company "benchmarked" during the latter half of 1990, using customer input and looking at what competitors were doing to set goals and objectives.

"We're adding people and technical resources," Orris said.

• SP installed new hardware to improve its phone system.

The company has since seen a sharp drop in call "abandonments." In March alone, the rate dropped to 6 percent from 8 percent, Orris said.

What was the rate before that?

"Too high for us to want to say," he said with a smile.

• SP is responding as quickly as possible to rate-information requests.

It's not always easy, especially when a complex matrix of rates is involved, Orris said, but there has been a definite improvement. This is partly because SP personnel take the simple step of asking callers how soon they need the data, he said.

In March, SP was 96 percent to 97 percent "effective" in delivering rate quotes, he said.

• SP has taken a "proactive" posture toward equipment upkeep, performing preventive maintenance on locomotives and repairing cars and other equipment where necessary.

Wide Support. The "quality" program is receiving strong support from all of SP's constituencies, said Orris and company spokesman Mike Brown.

Employees insist on being part of the process, and customers are working with the company, "helping us to understand their requirements and, in some cases, just being patient," Orris said.

Some customers, in fact, are publicly praising SP for its improvements, Brown added. Others, said Orris, "pick up a pen and write you to tell you you've improved. If nothing else, it makes you feel good that day."

The one thing SP is avoiding in all this is making any grandiose promises, Orris said.

The company has done that in the past, he said, and it has backfired when some of the promises went unmet.

What SP has done this time, Orris said, is to set some realistic goals toward fixing problems and meeting customer requirements. ■

How Ford Cut Damage By 70%

Automaker says communication with overland carriers has reduced dings, dents, scratches and other damage to its cars.

By Richard Knee

Ford Motor Company says prompt, continuous communication with overland carriers has helped reduce in-transit damage to autos by 70 percent in the last decade.

In-transit damage used to be a major problem for Ford. Most of the damage was cosmetic—dents, nicks and scratches on car bodies or bumpers, or dirt or grease in the autos' interiors.

Some was more serious — for example, break-ins and thefts of such things as radio sets, hubcaps and wheel covers in rail yards where cars were waiting to be loaded.

In a few cases, cars were destroyed in derailments.

Those problems have been dramatically reduced, said William R. Anderson, manager of transportation analysis and procurement for Ford, and Richard Haupt, Ford's recently retired traffic and transportation director.

They spoke with American Shipper at a recent conference sponsored by the National Industrial Transportation League and the Transportation Club of San Francisco.

Trucks Are Safer. The cars suffer less damage and pilferage on truckborne shipments than they do when moving by railroad, Haupt said.

He was not criticizing the rail carriers, however.

For one thing, he explained, truck hauls are generally shorter than rail movements and involve less handling of the autos.

For another, truck drivers are always on hand, a discouragement to would-be thieves and vandals.

And the expressways and freeways offer some protection through their inaccessibility to thieves and vandals.

On the oceans, the incidence of damage to vehicles is very low, Haupt said.

The roll-on/roll-off ships used to transport the vehicles are well designed and highly efficient, he said, and Ford applies a special coating to most of its export autos to protect them from the salt air.

Talking It Over. Ford officials realized the first step in coping with the problems would be to generate awareness of them among all the parties involved, Anderson and Haupt said.

So they set up meetings — first with carriers; then with personnel at assembly plants, where the vehicles are loaded into rail cars; then with the unloaders at the ramps at the other end of the rail ride; and finally with the dealers, who, it turned out, were having problems of their own, Haupt said.

The dealers had "an adversarial relationship" with some truckers and draymen, who would make deliveries at inconvenient times, he explained. "We got everybody involved in the process (to agree to) the same objectives," he said.

Actions. Then came the actual implementation of solutions.

For openers, Anderson recounted, the railroads agreed to couple their cars at no more than four miles an hour.

That speed has been determined as the fastest at which couplings can be done without jarring the automobiles, he explained.

Then, Ford persuaded the railroads to switch to tri-level rail cars, which are fully enclosed, thereby protecting the autos from stray projectiles, thrown rocks, and vandals and thieves.

Additional steps are planned. These include putting special taping inside Ford-dedicated rail cars and installing door-edge-protection devices on the autos, Anderson said.

Also, scheduling has been revamped to provide for more "run-through" trains, necessitating fewer interchanges and fewer stops at classification yards, he said.

This was in response to a Stanford Research Institute study a few years ago, confirming that delays result in vandalism, Haupt said.

The railroads have also upgraded the classification yards, improving the lighting, paving, fencing and markings, Anderson said.

The improved marking is important in ensuring there is adequate parking and maneuvering room for each vehicle in the yard.

Ford-employed truckers will bring in fully enclosed bi-level trailers by the third quarter of this year, Anderson said.

Ford's Own Measures. Ford has taken some steps of its own.

The company has a railcar simulator at its main plant in Dearborn, Mich., where it can conduct its own tests and call in the railroads to examine the results together.

Ford also applies a special coating to protect the autos during transit. This is important especially in the summer, when humidity can damage paint.

Certain "intangibles" have contributed to this success story, Anderson said.

These have to do chiefly with maintaining high morale among Ford's and its carriers' personnel, he said.

Ford has developed incentive programs to encourage good individual performance. "We have a measurement system that shows the successes of our efforts and it builds on itself," Anderson explained.

Each of Ford's haul-away carriers, for example, gives out a "driver of the year" award, he said.

Ford also furnishes training aids, such as videotapes, to its carriers, Haupt said.

Echoing a point Anderson had made as a panelist during the conference, Haupt remarked that the quest for premium transportation "is a continuous process. We're not there yet."

Litany of Complaints

Shippers let it all hang out at Monterey meeting. Carriers respond. Blind calls especially irksome.

By Richard Knee

Anyone who attends many transportation conferences and exhibitions has seen the slick presentations in which carriers brag about their newfound devotion to quality.

"Quality!" is this year's buzzword in transportation and logistics.

Unfortunately, many shippers contend, those glitzy presentations don't reflect reality.

The situation has improved but service remains unsatisfactory in many aspects, a number of prominent traffic executives told *American Shipper*.

Especially irksome to shippers are "blind" calls from unprepared carrier sales representatives, automated phone systems that make it hard to reach carrier personnel when problems arise, and various equipment-related difficulties.

Like Congress. Richard Collins, president of Draco Marine Ltd., which imports Perrier mineral water and confections and

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Chilean Line, Inc., One World Trade Center, Suite 3147, New York, N.Y. 10048 (212) 432-2500 exports Poland Spring water, likened carriers to Congress.

He said both can act with amazing swiftness in specific instances when they so desire but as a rule they are like "the proverbial rolling stone ... when it comes to run-of-the-mill requests."

From several traffic executives, the sharpest criticism was toward the railroads, which Collins said "are still not the performance-oriented group" they claim to be.

Ocean carriers "have done an OK job of improving customer service, within regulatory bounds," he said.

For example, he said, ocean-shipping regulations require that a shipper pay the amount shown on a given invoice, even when the sum is erroneous, and a subsequent refund from the carrier might cause federal regulators to suspect an illegal rebate.

'Blind' Calls Irksome. Several shippers complained about telemarketing calls from carriers.

Collins said he receives phone queries from carriers already receiving Draco's business and from carriers to whom he has given long lists of reasons for not using their services.

Robert Weber, traffic director of the Safeway Stores, Inc. supermarket chain, has not "been hit with transportation telemarketing in quite a while."

He said he would not spend much time with such callers, some of whom represent themselves as conducting surveys.

"I tell them, `I don't do phone surveys. Mail it and I'll look at it.' "

Paul L. Crouch, transportation vice president of Calcot, Ltd., a Bakersfield, Calif.-based cotton growers' cooperative, sometimes receives "cold turkey" calls from ocean carriers.

He said many shipping lines are hiring inexperienced sales agents. In contrast, he said, a decade or so ago most ocean carriers had "knowledgeable" individuals who were familiar with the freight dynamics of cotton and with Calcot's trade lanes.

Weber agreed. "The people I don't want to hear from are the ones who say, `We'll handle anything, anwhere, for anybody,'" he said. "That's baloney!"

E.I. DuPont de Nemours & Company gets "a tremendous number" of blind calls but handles them quickly by explaining it is under contract with its carriers, said William A. McCurdy, logistics and commerce counsel for the giant chemicals firm.

Accountability. Some shippers said carriers are slow to provide requested information and to respond when problems arise. Part of the blame was put on sophisticated telephone systems.

A traffic manager calling a carrier representative often finds himself put on hold for several minutes until the first available agent comes on the line and, chances are, that agent has no familiarity with this shipper.

"The problem we've seen is the (frequency) of change in assignments of people to our account," Weber said. This is true of the railroads especially, he said.

Crouch said he finds himself waiting three to four minutes at a time when trying to call one of the major shipping lines in Los Angeles.

"I think, many times, steamship lines lose bookings" because of that type of system, he said.

Calcot's president insists on fast, efficient service to customers and sends them company-personnel directories listing direct-line phone numbers, Crouch said. Carriers would do well to do the same for shippers, he said.

Collins said he dislikes having "to deal with four, five, six carrier representatives" within a single company. Many traffic executives deal globally, and there is no reason carrier representatives should not do the same, he said.

"It would make life a lot easier" if a shipper could deal with one agent for all its accounts with a single carrier, he said.

Crouch said dealing with the railroads is a relatively simple matter for Calcot, because they rely increasingly on third parties to generate their business.

In Bakersfield, Crouch said, Calcot deals with a single representative, an outside agent for Santa Fe Railway, who provides excellent service, he said.

Under Contract. Being under contract with a carrier provides advantages by assuring knowledgeable carrier personnel and meeting equipment needs, McCurdy said.

"Our contracts all outline our equipment needs," he said.

Through constant contact with its own customers, DuPont is able to forecast how much cargo it will move in each of its trade lanes over a six-month span, he said, and passing that information on to carriers benefits all the parties. DuPont updates its projections every month or two, he added.

Crouch said that lately, ocean carriers have had equipment shortages because of the demand for containers and chassis to haul cargo during the Persian Gulf war.

Calcot has experienced no maintenance problems with marine equipment, but railroad equipment is another story, he said.

Boxcars are not always clean, he said, and piggyback trailers sometimes have holes or malfunctioning doors. The frequency of problems is higher with boxcars than with trailers, he said.

"The railroads are trying to do a better job than they did, say, a year ago, though they don't have a lot to work with," he said.

Calcot has had a much better experience with domestic stack trains. "The equipment is modern, in good shape and clean," Crouch said. Calcot employs American President Domestic Company for its stacktrain-borne shipments. ■

Breakbulk Service Replaces Boxes

Shipping Corp. of India quits container service to U.S.

Citing heavy operating losses, Shipping Corp. of India is suspending its fully containerized service between the United States and India and between Europe and India.

The suspension will be in effect for at least a year while the state-owned company expands capacity in some of its vessels and acquires larger ships, according to R. Ramakrishnan, owner's representative in the U.S.

"When you consider economies of scale the service was not economical," Ramakrishnan said, adding that the company had lost about 200 million rupees ($10.3 million) from its liner operations so far this year. The carrier last year suspended its liner service to Australia.

The line has been operating its Europe containerized service with 400-TEU ships and has been slot chartering from Sea-Land Service, Inc., Nedlloyd Lines and P&O Containers on its service to the United States.

While the line will carry more boxes on its breakbulk service to offset the suspension, "we can't make it up entirely," Ramakrishnan conceded.

Breakbulk sailings from India to the U.S. will increase from eight to 12 a year, Ramakrishnan said. The line had been making 20 sailings a year from India to the U.S. on its containerized service. Similar increases will be made in the European service, he added.

Under the expansion plan, which Ramakrishnan estimates will take about two years, the company will "jumboize" eight existing combination ships. The process consists of inserting a new middle segment in the vessel, which will expand the capacity of the ships from 400 TEUs to as much as 800 TEUs.

The company also plans to buy an undetermined number of 1,400-TEU containerships.

Shipping Corp. of India has a fleet of 127 vessels, totalling 5 million deadweight tons, of which 12 vessels were employed in containerized liner services. ■


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A Japanese figurine, a gift from Masaharu Ikuta, managing director of Mitsui O.S.K. Lines, has a place of honor in Welch's living room.

Nat Welch's Next Project

Retiring chairman of Intermodal Expo had his first success selling ads to the promoter of Hadacol. He's done race relations and turned Atlanta into the chief gathering spot for the international transportation industry. Now, he wants to write a book and fund a chair of transportation at Georgia Tech.

By Joseph Bonney

Nat Welch's life is written on his face. The lines show a man who has smiled much more than he's frowned.

The smile is genuine, infectious, unforgettable. It starts with a twinkle in his blue eyes and an arching of his bushy eyebrows, then lights up the rest of his features—and those of whomever he's with.

It's a smile that reflects happiness with life, work and accomplishments.

"I'm a B-plus man," Welch said. "I don't try to do A-plus work. I try to do a job well enough, and I try to get three or four things done in a day. If I can do three or four B-plus jobs, I can accomplish more than if I tried to be a perfectionist."

Many would use a far more generous curve to grade Welch's work as chairman of the International Intermodal Expo, the annual Atlanta rendezvous that he's built into the top event of its kind.

With his Southern-fried accent and his clanging of a school bell to open sessions, Welch has become familiar to thousands of Expo exhibitors and attendees.

Most of those who have come to know him in recent years probably assume he's a lifelong transportation man. But assumptions can be misleading, especially with Nat Welch.

Varied Resume. Welch, 71, is a wiry little man with a shock of salt-and-pepper hair and a gift for making new acquaintances seem like lifelong friends.

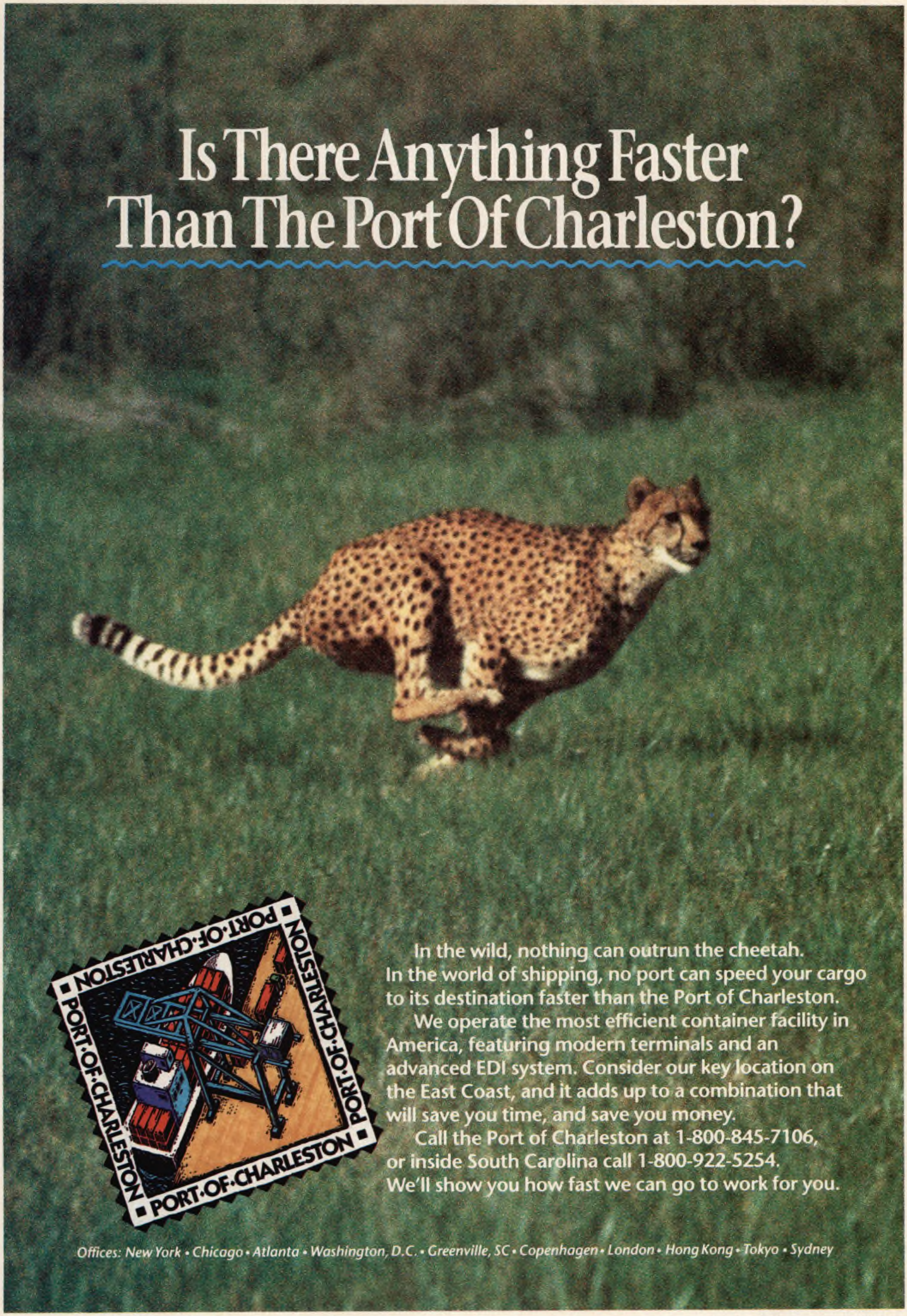
He's an unassuming fellow who favors seersucker suits, lives in a comfortable but unpretentious suburban house, and commutes to work in a Buick Skylark with 91,000 miles on the odometer (his wife uses the Volvo).

And, no, he's not a lifelong transportation man. He didn't get into the business until 1975, when he was hired as executive vice president of the Georgia Freight Bureau.

Earlier, Welch restlessly pursued a variety of careers. Until joining the freight bureau he had never spent more than seven years in a job. All of his careers, however, have shared a common thread—promotion and marketing.

Welch is a born promoter and marketer, one who has sold products and concepts as

The International Intermodal Expo was born after Welch announced plans to make Atlanta the nation's piggyback capital. With Welch, left, in this 1983 photo, are Delton Winship, president of Transus and former American Trucking Associations president; Atlanta Mayor Andrew Young; and a Georgia Department of Transportation official.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Wall display in Welch's den features photos of former Chief Justice Hugo Black (like Welch, an Alabama native); Presidents Kennedy, Johnson and Carter; the late Robert F. Kennedy and Hubert Humphrey; former Atlanta Mayors Ivan Allen, Sam Massell and Maynard Jackson; and Welch in his days as salesman, nuclear-power proselytizer and racial mediator. There's also a $1,400 Confederate bond signed by his great-grandfather, Nathaniel Welch, and a photo of his namesake's home in Selma.

diverse as magazine advertising, magnetic tapes, nuclear power and even racial harmony.

"I'm a businessman by vocation, but my avocation has been the improvement of race relations in the South," he said.

Beginnings. Welch was born and raised in Selma, Ala., where his father was a cotton broker whose business went bankrupt in the Depression. "I grew up in genteel poverty," he said. "We were proud but poor." His mother's kindergarten teacher salary helped feed the family's five children, all of whom graduated from college.

Welch attended Furman University in Greenville, S.C., on a partial scholarship, graduating *cum laude* with a degree in business administration.

While in college, he developed "an intense interest in the social, economic and political issues of the South," which he pursued in a graduate fellowship at the University of North Carolina.

He enlisted in the Navy during World War II, serving on submarine chasers. Back in civilian life in 1947, he enrolled in the University of Alabama law school, but dropped out after a couple of semesters.

He had eye trouble, and said he realized his temperament wasn't suited to the law. "I wouldn't have been comfortable sitting around and waiting for clients to come in. I'd rather go out and get my own business," he said.

Magazine Days. Welch took a sales job in Montgomery, Ala., with *Southern Farmer* magazine, a monthly publication that had

Welch's school bell has become his trademark. The Georgia Freight Bureau presented him a blown-glass replica.

been purchased by Marshall Field to serve the rural South.

His territory covered the entire region—"from San Antonio to Richmond and from Jacksonville to Oklahoma City"—in the heady days when a clever radio campaign boosted the magazine's circulation from 300,000 to more than 1 million.

Welch's biggest sale was to the legendary Louisiana promoter-politician Dudley LeBlanc, who paid $60,000 for 12 cover-page ads touting Hadacol, a cure-all patent medicine.

LeBlanc "was a flamboyant medicine man, but he was a good guy," Welch recalled.

During his days with the magazine, Welch met Gloria Ljunglof, a first-generation Swedish piano teacher at Huntington College. They've been married 41 years.

Hitting A Gusher. In 1952, Welch left *Southern Farmer* to become vice president of sales for Orradio Industries Inc., an Opelika, Ala. company that manufactured magnetic recording tapes.

"We had 50 percent growth over seven straight years," Welch recalled. The company's success attracted the attention of Ampex Corporation, which bought the company in 1958.

Welch saw the value of his stock in Orradio jump from 58 cents to $58 a share. "I was fool enough to think I could do this twice," he said. In 1960 he left Ampex and formed a new company, Electronics for Education Inc., which planned to make a device for electronic grading of standardized tests.

The venture failed in 1963, and Welch suffered what he described as a substantial loss.

"With the tape business, we had hit an oil gusher," Welch said. "I thought we'd be able to drill another one, but it turned out to be a dry hole.

"We were ahead of our time," he said. "What we were doing then was like what they were doing when they were trying to sell typewriters in 1900."

Presidential Appointment. Shortly after the Electronics for Education failure, Welch was appointed by President Kennedy to the Southern Interstate Nuclear Board, which promoted peaceful uses of nuclear energy.

During the early 1960s, Welch also served as a director of the Southern Regional Council, which promoted economic develop-

As staff director of Atlanta's community relations commission, Welch conducted "town meetings" such as this one at Atlanta City Hall in 1972. Seated in right foreground is the Rev. Joseph E. Lowery, now president of the Southern Christian Leadership Conference.

ment in the South, and as president of the Alabama Council on Human Relations.

The human relations council tried to mediate racial antagonisms—not an easy job in the years when legalized segregation in the South was heaving its last, violent gasps. Welch's human-relations work reflected deeply-held beliefs. "When I was growing up in Selma, Ala., they made the mistake of letting me read the Constitution and Declaration of Independence," he said.

On To Atlanta. By 1965, however, Welch "had had a bellyful of George Wallace and the race relations in Alabama." He and his family moved to fast-growing Atlanta, which was promoting itself as "the city too busy to hate."

Welch stayed on the Southern Interstate Nuclear Board until 1968, when he became staff director of Atlanta's city community relations commission.

His efforts there won praise, and Welch is proud of the fact that Atlanta avoided the riots and strife that other cities experienced during the '60s and '70s.

The commission met with community groups, listened to grievances and tried to work out peaceful solutions. "We didn't have subpoena power, but we had hollering power," Welch said.

The work was fulfilling, but physically and emotionally draining. "After six years, my shock absorbers had worn down and I needed to take a sabbatical," he said.

He was between jobs when he was approached about taking over the Atlanta Freight Bureau, an organization that had a six-figure bank account but was about to be dissolved due to lack of interest.

"I didn't know a thing about transportation, but the organization needed a good dose of management and sales promotion, and I knew about that," he said.

Night School At 57. Welch's first encounter with the arcane business of railroad tariffs almost convinced him that he'd stumbled into the wrong line of work.

But he plunged into his new job, calling on members, reviving the organization, going to night school at age 57 to learn to be an Interstate Commerce Commission practitioner.

Quickly he established himself as a well-regarded figure in the industry.

The bureau staff's main function is to quote freight rates to member firms, audit their freight bills, and represent members' interests before state and federal legislative and regulatory bodies.

Welch doubled the bureau's staff and revenues, expanded membership by 50 percent, and led the bureau's adjustment to deregulation of the trucking and rail industries.

In 1978, President Carter named him small shipper representative on the board of the U.S. Railway Association, an 11-member group whose main responsibility was to extend and monitor the government's $3 billion in loans to Conrail.

At first, the Conrail assignment was dispiriting work, Welch recalled.

"I'd go to Washington once a month and vote for a $100 million additional loan," he said.

Things turned around after former Southern Railway chairman L. Stanley Crane ("the smartest man I've ever been around," Welch says) was brought in to run Conrail.

Welch was familiar with the job Crane had done at Southern, which was regarded as the most efficiently run of the nation's major railroads, and helped persuade Crane to take the Conrail job.

Today, Welch counts his role in Conrail's turnaround as one of his proudest accomplishments.

Smoke and Substance. Welch was among those who saw that the deregulation upheaval in the transportation industry had created opportunities. Ever the promoter, he moved to capitalize on them.

"In 1983 we had a big press conference in which we announced that we were going to make Atlanta the piggyback center of the nation," he said. "After blowing all this smoke, we felt we had to do something substantive."

To support the goal, the freight bureau organized an event called the National Intermodal Forum and Piggyback Exposition. Welch said he and other backers weren't sure how well it would go over.

"To our utter amazement, 700 people showed up, and we had 33 exhibitors," he said. "There was a tremendous amount of excitement, and we knew we had a lion by the tail."

The exposition, soon renamed the International Intermodal Expo, grew rapidly, thanks in no small measure to Welch's promotional talents. By 1986 the expo had gotten so big that Welch left his freight bureau job to devote full time to his "baby."

Bells and Awards. Welch's trademark at the expo has been his ringing of a school bell to summon attendees to sessions.

He brought the bell from home, where he and his wife had used it to summon their children from play when they were small. The bell was bought in Williamsburg, Va., for about $20 back in 1964.

When he's not ringing it at the expo, the bell stays on a side table in the Welch's dining room.

The bell's ringer is wrapped in paper, which caused an awkward moment when Welch was called to ring it at a recent awards school.

"I forgot to take the paper off, and when I stood up to ring it, all I got was a dull thud," he said.

Welch's house has been filling up with the awards he's been collecting, one after another, for the last 18 months. "I've been on a glory ride," he said.

The Traffic Club of New York designated Welch its first Transportation Man of the Year. In February, the Intermodal Marketing Association named Welch the first recipient of its Lifetime Achievement Award.

In April he received the Salzburg Honorary Medallion at Syracuse University. Last September he received the first Multimodal Achievement Award by the Pacific Multimodal International Expo.

The awards, which decorate a table and a shelf in Welch's living room and dining room, show the vocation of the man that most expo attendees are familiar with.

The walls of his den show Welch's avocation. The shelves on one wall are crammed with well-thumbed books, mostly dealing with the politics, history and sociology of his native South.

"I grew up believing in international trade, low tariffs and the Democratic Party—the traditional Southern agrarian viewpoint," he said.

The den's main wall is dominated by photographs and letters from the three presidents Welch served under—Kennedy, Johnson and Carter—and Atlanta Mayors Ivan Allen, Sam Massell and Maynard Jackson.

His Favorites. Welch will retire from the Intermodal Expo on July 1 and has been gradually turning over the reins to his successor, Peter Feldbrugge, a 32-year veteran of international transportation.

The expo has gotten so big that its planning starts about 18 months in advance. Much of the exhibit space for the 1992 show already is booked.

Welch said he's enjoyed all of his careers, but that his years with the Expo are among his fondest. He said that of all the people he has dealt with, those in transportation are his favorite.

"They're genuine, real folk. They're basically people of character and integrity. And they're involved in international trade, which I think helps people understand each other," he said.

Welch's den has a treasured Kennedy rocker, but he doesn't figure to spend much time in it.

His plans include travel—he and his wife have vacationed in Europe "every two or three years for the last 30 years"—and writing a history of the Georgia Freight Bureau.

And, ever the salesman, he's signed on to help raise $1.5 million to fund a chair in transportation logistics at Georgia Tech.

The fund-raising project is just getting under way, but you can bet it'll be successful—a B-plus job for Nat Welch but an A-plus job for anyone else. ■

Airline Logistics Subsidiary Seeks Ties With Brokers

Developing alliances with transportation brokers is a goal of AMR Distribution Services, the logistics unit of an American Airlines sister company. "We're interested in forming alliances with brokers to come work with us or form a symbiotic relationship," said George Naftis, executive director of AMR Distribution.

Naftis said AMR wants to develop a nationwide brokerage network and figures that can be done more effectively through partnerships than through acquisitions.

Acquiring a brokerage is tricky because the biggest asset of such a company tends to be the broker and his relationships. If the broker leaves, he may take some of his business with him.

On the other hand, some brokerages may be eyeing expansion but need an infusion of cash or help with automation systems that a larger corporation can provide.

AMR Distribution is part of AMR Services Corporation, which in turn is a subsidiary of AMR Corporation, parent company of American Airlines.

AMR Distribution was established in 1989 to develop new business in the nooks and crannies of logistics. The company has three divisions—brokerage, warehousing and third-party logistics, and trucking. Although AMR doesn't break out revenue and income statistics for the division, Naftis said it has expanded rapidly. He predicts it will continue to do so as more companies "out-source" their logistics activities.

Role of Logistics. Third-party logistics is a broad term that can encompass any or all of the links in a corporate supply and distribution chain.

It can involve not only traditional distribution activities such as transportation and warehousing, but myriad other chores. For one client, AMR Distribution even performs tasks such as rebuilding used computers for one client of its third-party logistics services.

Such an operation requires a broad range of specialized expertise—or the ability to hire specialized expertise cheaper than the client can do so on its own.

"I don't know much about computers," Naftis said. "What I can do is hire people who are computer technicians."

In recent years, many third-party logistics providers—including subsidiaries of big transportation companies such as CSX and Consolidated Freightways—have jumped into the field.

But Naftis said he doesn't think the business is anywhere close to being saturated.

"It's a relatively infant industry," Naftis said. Most of the third-party logistics providers in the United States are relatively small, and major companies are just beginning to explore the possibilities of letting others handle their logistics work.

"Europe is many years ahead of the U.S. in recognizing the value of using third-party logistics providers," Naftis said. He predicted, however, that the U.S. will catch up in the coming years.

Companies face increasing demand for limited capital and are focusing their efforts on manufacturing, marketing, or whatever they do best, Naftis said.

Often that means hiring logistics companies to run warehouses, operate trucks, replenish inventories and perform other logistics tasks.

'Not Cargo Trap.' For logistics providers that are sister companies of transportation carriers, the challenge is to convince customers that they are impartial

"We are not a cargo trap. That's foremost in our minds," Naftis said.

Naftis said AMR Distribution deals with American Airlines as well as other carriers, and that the distribution company's primary goal is to serve its customers. ■

New Joint Service in the Pacific

South Korea's Hanjin Shipping Company and Taiwan's Yang Ming Marine Line have launched their joint service linking the Far East and the U.S. East Coast.

The new fixed-day weekly service combines five Hanjin and four Yang Ming containerships, ranging in capacity from 2662 TEU to 3266 TEU. The new service has an total aggregate capacity of 25,000 TEUs, and reduced transit times, now that U.S. West Coast port calls have been eliminated.

All water Far East-East Coast services are growing increasingly rare as lines prefer to limit ports of call to the West Coast, shipping cargo overland to the East Coast.

Hanjin offers customers both an all-water service and a land-bridge service from the West Coast, explained Ronald Schley, North American vice president of sales and marketing for Hanjin. "Our all-water service has always been well received by the customer," he said. "It offers the customer another mode of service with us."

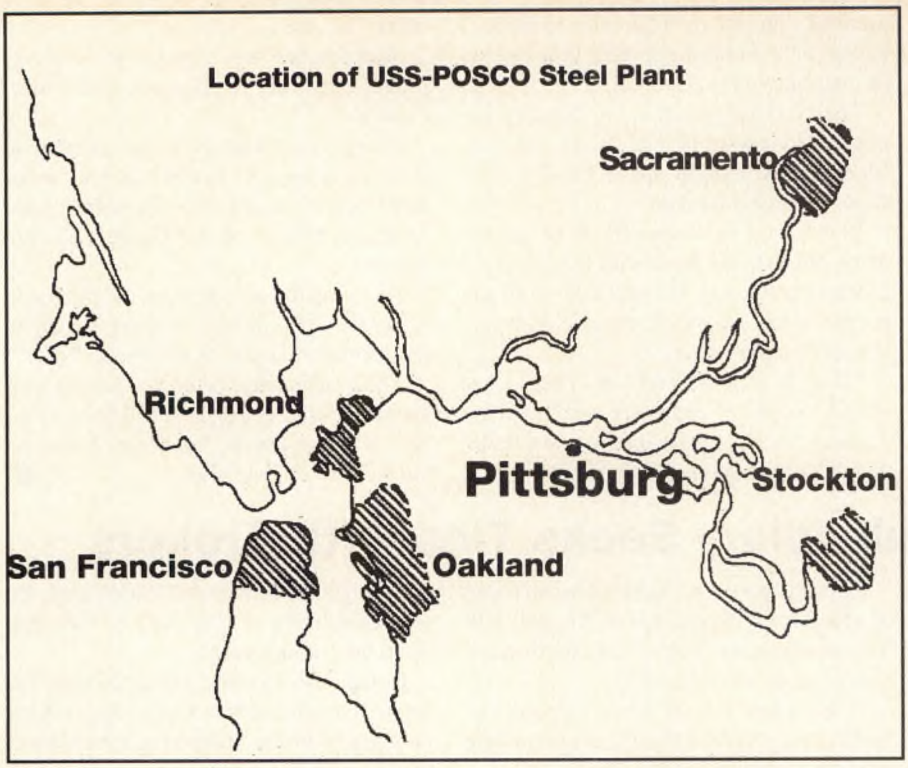
Many shippers with low end commodities such as "knock-down" furniture—furniture that can be packed in flat cartons—have consistently favored the all water service, Schley said.

The shorter transit times are also important for time-sensitive cargos such as footwear, machinery and food products, added Enoch Elvin, assistant inbound traffic manager in New York for Yang Ming.

Ports of call in the Far East include Hong Kong, Keelung, Pusan, Kobe, Yokohama, and Kaohsiung. Feedering services out of Kaohsiung offer links to Singapore, Bangkok, Malaysia, Indonesia, the Philippines, Australia, India and Pakistan.

The service will call on the U.S. ports of Savannah, Wilmington, New York.

The two companies have agreed to a two-year contract. ■



Morrison & Foerster, representing USS-POSCO.

The MOU raised a chorus of protests from environmentalists, with whom the ILWU has allied itself.

Sailings Violate Permit. The direct sailings are illegal, the MOU stated, because they are not authorized in an AQMD permit for USS-POSCO to modernize the Pittsburg plant.

Originally issued in December 1987, the so-called Authority to Construct (ATC) was modified in May 1989.

"Condition one of the modified ATC establishes a baseline cargo emissions limit for transportation of steel to and from (USS-POSCO's) facility," the MOU stated. "Condition one further provides that 'no ship deliveries to the (USS-POSCO) facility are authorized under this permit.'...

"By reason of the hearing board's denial of the variance applications, the voyages of the specially equipped ships prior to said denial violated condition one of the modified ATC."

MOU Irks ILWU. The MOU overturned a unanimous, April 11 decision by the agency's hearing board that had denied the variance under which the company could bring its vessels directly to Pittsburg.

The MOU infuriated the ILWU.

While admitting the ILWU has an economic stake in the matter, president James Herman asserted the union's objections to the MOU stemmed chiefly from environmental concerns.

"The ILWU has never made any bones about the fact that we have an economic interest in this matter. But we are not after anyone else's job," Herman wrote in the April 25 issue of the ILWU's newsletter, *The Dispatcher*.

"Nor," he continued, "are we proposing that the ILWU should handle the discharge operation at the Pittsburg dock.

"The concerns raised by the ILWU before the hearing board were solely in reference to the air quality and other environmental impacts of USS-POSCO's illegal shipping," Herman said.

"The hearing board's decision was also properly limited to these questions. The unanimous ruling of the hearing board confirms that our environmental concerns are real and legitimate," he said.

Maybe. But something else Herman wrote in the newsletter might cast some doubt on that assertion.

"The union," he wrote, "presented testimony from independent air-quality experts that such shipments would, in fact, increase pollution relative to the traditional practice of shipping through public ports, like Stockton or Richmond."

ILWU Just Won't Quit Fight for Steel Dock

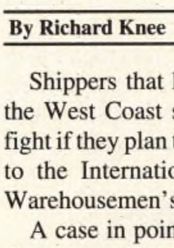
Twice spurned by NLRB in tiff at Pittsburg, Calif., the union tries a new ploy to wrest jobs from steel workers.

By Richard Knee

Shippers that have their own docks on the West Coast should be prepared for a fight if they plan to use labor not belonging to the International Longshoremen's & Warehousemen's Union.

A case in point is the USS-POSCO Industries steel-processing plant in Pittsburg, Calif.

USS-POSCO Industries, a joint venture of Pittsburgh, Pa.-based USX Corporation and Seoul, Korea-based Pohang Steel & Iron Company, took ownership of the plant from USX, then called U.S. Steel Corporation, in April 1986.


Herman

Since 1964, the ILWU has been trying to get a lock on the unloading work for shipments going to the plant. Twice, the National Labor Relations Board has ruled in favor of the United Steel Workers of America.

So last year the ILWU attacked from a new direction, raising the issue of air pollution to argue that ships should not be allowed to go that far into the San Francisco Bay system but should instead be made to transload cargoes to rail or truck at a "public" port such as Oakland or Richmond—where the ILWU has jurisdiction.

USS-POSCO has convinced regional air-quality regulators that direct delivery of steel to the Pittsburg plant is probably less polluting than discharging down river and trucking to the plant.

With this and economic factors in mind, the Bay Area Air Quality Management District (AQMD) is permitting the company to continue unloading the steel at Pittsburg until next March 31, even though this is technically illegal and will cost USS-POSCO a series of fines that will likely exceed $1 million in total.

Memo of Understanding. Under a memorandum of understanding (MOU) signed by USS-POSCO and AQMD attorneys April 19, the firm may use up to 24 direct sailings to Pittsburg through next March 31 but must pay a penalty of $50,000 per voyage plus $25,000 for each of the 17 sailings to the steel plant before the former date.

Signators to the memorandum were Laurence Chaset, AQMD senior assistant counsel, and Zane Gresham of the law firm

Stockton, however, is further in from the Golden Gate than Pittsburg is. Stockton also happens to be an ILWU-worked port. Ships going to Stockton and Sacramento pass the steel company dock at Pittsburg.

'Pay-to-Pollute Policy.' Herman's missive blasted the MOU as a "pay-to-pollute policy that sets a very dangerous precedent." While the penalties for the direct shipments will amount to about $1.6 million, he said, the more-than-offsetting savings to USS-POSCO will add $6.4 million to the company's bottom line.

Hands Off at Pittsburg? The ILWU is not proposing that its members should handle discharge operations at Pittsburg, Herman said in the newsletter.

History might argue to the contrary.

When the ILWU took its case to the NLRB in 1964, the agency ruled in favor of the steel workers.

That decision was upheld by the U.S. District Court and then the 9th U.S. Circuit Court of Appeals, both in San Francisco.

After the ILWU picketed the docks at the USS-POSCO plant in February 1990, the company filed an unfair-labor complaint with the NLRB, which again decided in favor of the USWA, company general counsel Chris Conkling recounted.

Anti-Pollution Equipment. The vessels carrying the steel to Pittsburg have "selective catalytic reduction" (SCR) equipment which, according to the manufacturer of the SCRs, enables the ships to deliver the cargo there without exceeding emission limits set by the AQMD in May 1989, the MOU said.

The district opposed granting the variance, however, because the agency "believed that (USS-POSCO) had failed to advise the district in a timely fashion that the specially equipped vessels were under construction and subsequently being dispatched to the Bay Area," the MOU said.

While the variance application was pending, the MOU said, USS-POSCO "(1) used the specially equipped ships to deliver steel directly to the facility ... ; (2) performed source tests on the specially equipped ships while they traveled to and from the facility, reported the test results to the district and implemented significant improvements to the SCR system; (3) submitted a detailed proponent's environmental review ... ; (4) applied for a modification to its permit by allowing delivery of steel to the facility in the specially equipped ships and provided substantially all the information required by the district for its permit services division to evaluate the application; and (5) applied for a further long-term variance pending issuance of a modified permit."

In noting that the direct sailings violated condition one of the modified ATC, the MOU added that USS-POSCO "used the voyages which occurred prior to said denial to deliver steel, and to perform source tests on and to improve this novel and potentially beneficial application of SCR technology to marine diesel engines."

"Continued use of the specially equipped ships to deliver steel to its facility would allow (USS-POSCO) to continue to perfect this application of SCR technology to marine diesel engines, especially in light of the significant investment made in developing this application of SCR technology," the MOU continued.

"Such direct deliveries by specially equipped ships using SCR will potentially result in less emissions than if steel were delivered to another port and transshipped to the (USS-POSCO) facility." ■

New York ILA Down to 3,500 Longshoremen

By Elizabeth Canna

With four months on the job, the new head of the New York Shipping Association says cost control at home, not coastwide management politics, is occupying his attention right now.

"My priority is the future of this port," said James A. Capo. Capo succeeded Anthony J. Tozzoli as president of NYSA on January 1. NYSA represents various New York-New Jersey management groups in dealings with the dockworker and port security unions.

"Tony Tozzoli and his management group and (ILA president) John Bowers and his group have worked hard over the last couple of years and have made a lot of progress," Capo said.

"We have to keep up at that," he added.

One of the more successful attempts to bring down expenses in the port has been a series of early retirement incentives aimed at reducing the number of dockworkers eligible for the highly controversial Guaranteed Annual Income (GAI). Those enrolled in GAI are paid whether they work or not.

Since late 1989 the ILA and NYSA have cooperated in creating two window periods where longshoremen with at least 25 years of service were able to retire early with benefits. During the first window, which lasted through the fourth quarter of 1989, about 1,500 of the port's 6,000 registered dockworkers took early retirement.

That helped bring GAI costs down to $31.8 million in 1990, 36 percent less than 1989's GAI payout of $49.7 million.

Another 630 have made the same choice during the second window which expired this past February.

By the time the current ILA contract expires on September 30, 1994, the port will employ about 3,500 longshoremen, about 1,000 of whom are on GAI on any given day.

What's the ideal number? That's hard to know, Capo noted. While some would say the ideal number is 2,500 (3,500 minus the 1,000 on GAI), that may be too few, he said.

Benefits other than GAI are being examined for possible cost-savings.

Capo said he is also not ruling out further reductions in New York-New Jersey's cargo assessments.

World is Changing. "During my prior involvement with the United Auto Workers union and in the paper industry, the unions had to come to grips with the fact that the world had changed and their industries had changed. In some ways the ILA is in the throes of that now.

"A lot of the issues I've worked with during the past six or seven years are the same kinds of issues I'm dealing with today," he added.


Capo

But there is a point where the similarity ends, Capo noted.

Unions working within the automotive and paper industries went through tremendous upheavals over a very short period of time. Capo would rather see evolution, not revolution for the ILA.

"I think if we can play our cards right, maybe we don't have to have a revolution. I've been through revolutions. They're not fun," he said.

Part of playing the cards right is realizing you'll have to live with union concessions before you go after them.

"Getting concessions is easy, it's having to live with what you bargained that isn't," he said recalling one of his recent negotiations where the company was on the brink of going out of business.

The company, and its union jobs, were saved, partly because the union gave back a dollar from their wages. It wasn't fun being branded "the guy who took the dollar," he said.

Capo doesn't expect this kind of upheaveal for the ILA because of the efforts of the union and the NYSA. ■

Coffee Jitters

Excess coffee is the result of free market forces suddenly unleashed on a market that had been tightly controlled by international agreement.

By William J. Warren

Coffee is bursting the seams of warehouses from Jacksonville to New York. Exports are up. Prices are down. The big retailers, such as Proctor & Gamble and General Foods Corporation, are sitting on surpluses, hoping to cash in when a bad crop finally comes.

Estimates of coffee stockpiles in the United States range from 6.4 to 7 million bags, a record level. Last year at this time consumer stocks were 5.4 million bags. In 1989, when production quotas still applied, consumer stocks were 2 million bags.

"It's piling up all over the country," said one port official.

In Jacksonville, Fla., coffee is filling warehouse space at a rapid rate, in great measure because of General Food's decision to close its Hoboken, N.J., Maxwell House plant. Vince Kraus, district manager for H & M Warehousing of Jacksonville, Inc., says he is currently storing 100 to 150 million bags of coffee for General Foods and expects his inventory to increase 40 percent by the first of next year when the Hoboken plant ceases operation.

The Port of New Orleans has used up all its 1.15 million square feet of storage space designated for coffee, a crowding situation made more acute by a fire last fall that destroyed many storage sheds, some of which were designated for coffee.

"We've probably had more coffee in the Port of New Orleans than we've had in modern times," said Steven C. Jaeger, director of sales and marketing for the Port of New Orleans.

The Jackson Kearney Group, a warehousing and customs brokerage concern in New Orleans, has more than a million bags of coffee in storage, according to Eric C. Hansen, the company's vice president, sales.

There are about 2.29 million bags of coffee being stored in the Port of New York, but officials say stocks are beginning to dwindle, now that a disappointing coffee growing season is ending and retailers begin to dip into their reserves.

Quotas Collapse, Prices Drop. All this excess coffee is the result of free market forces suddenly unleashed on a market that had been tightly controlled by international agreement.

On July 3, 1989, the International Coffee Organization (ICO) agreement collapsed and quotas on coffee exports were suspended. The ICO is made up of both coffee producer and consumer nations, and all major exporting and importing nations are members.

When the quota agreement disintegrated coffee was selling for $1.20 to $1.40 per pound and production was approximately 90 to 100 million bags (60 Kg) a year. The agreement allowed for exports of 60 million bags.

Freed from restrictions, producers immediately began exporting their coffee reserves, which were more than 47 million bags, close to their highest level in 17 years.

But demand was soft and prices immediately began to slide. Producers tried to maintain profits by growing and exporting more coffee. By the end of the 1988-89 season they had exported 71 million bags.

By January 1990 coffee was selling for 62.75 cents a pound, the lowest level in 14 years and exports had climbed to nearly 79 million bags.

Here in the United States and in other consumer nations, coffee retailers began stockpiling coffee, hoping prices would bounce back.

Supply Has Outstripped Demand. Lower coffee prices stimulated demand for a time, but it did not keep pace with the price slide, according to Sandra Kaul, an analyst who follows coffee for Shearson Lehman Brothers. Whereas the price of world coffee slipped 20.9 percent in 1989, the average monthly rate of use for coffee among the top nine coffee importing nations, who account for 78 percent of imports, rose only 1.2 percent to 4.17 million bags. So far in 1990 coffee prices have dipped an additional 22.1 percent, but consumption has declined to 4.14 million bags.

The top nine coffee importing nations are the United States, Germany, France, Japan, Italy, Spain, the United Kingdom, Netherlands and Belgium/Luxembourg.

Attempts to Resurrect the Agreement. The producers are working to reestablish the coffee agreement, but the prospect of agreement among the squabbling players is remote.

"It will be next to impossible to negotiate new quotas," predicted Judith Ganes, an analyst who follows coffee for Merril Lynch.

On March 21 Brazil announced that it would cease exports while it tried to resurrect the quota agreement. Observers say the move has not meant that much to the market since Brazil had already shipped most of its crop for this season (October-September).

Producing nations, including Colombia, which some believe grows the finest coffee, were unhappy with Brazil's dominance in the pact. Brazil's quota granted it about one-third of exports.

Consumer nations were also unhappy because the quotas did not reflect the increasing demand for mild coffee beans.

But one observer said that political considerations could soften opposition to quotas by consuming nations, particularly the United States. African countries, including Uganda, Ethiopia and Liberia, have been hard hit by the suspension of quotas. Their production consists of Robusta coffee, sharp and bitter beans that are mostly used for blending with superior mild Arabica beans. With quota protections eliminated, demand for these beans has plummeted, threatening the economic stability of these nations.

Prices Seem Certain to Rise. Brazil, the world's largest coffee producer, is likely to have a poor crop in 1991-92. Ganes predicts a yield of anywhere between 23 and 26 million bags, making this the fourth consecutive year for reduced crops in Brazil. A good crop, said Ganes, would be 35 million bags.

Farmers, unable to make their crops pay, are giving up. "I have heard that small farmers are digging up their trees," she said. "They are abandoning their crops."

Overall the 1990-91 crop is likely to be poor, predicted Sandra Kaul. Coffee is a cyclical crop, with tree yields alternating between plentiful and lean years. The current season is the peak year. But with depleted soils inhibiting the crop, Kaul anticipates that the yield will not exceed 90.7 million bags, down from 92.6 million in 1989-90 and 91.7 million in 1988- 89.

Coffee prices are currently hovering at just under $1 a pound. If the 1991-92 crop is as poor as expected, consumer stocks will dwindle and coffee prices may climb to $1.10 to $1.20, according to Kaul. If new quotas are negotiated, Kaul said, coffee prices could exceed $1.35 a pound.

It seems certain that coffee prices will increase soon, but the artificially inflated prices supported by quotas may never return. Said one analyst: "Once the free market genie is out of the bottle it won't go back in very easily." ■

Agencies Slow to Join Customs' ACS

Fish & Wildlife Service plugs into Automated Commercial System. Customs brokers want other agencies to do same.

By Joseph Bonney

Customs brokers now file most of their entries electronically to the U.S. Customs Service. They'd like to do the same with other government agencies, but progress has been slow.

"Excruciating" is the word John Peterson, president of Wirthrow, Zerwekh & Company, a Wilmington, Calif.-based broker, uses to describe efforts to persuade other federal agencies to hook up with Customs' Automated Commercial System.

"It's been a long, slow process," Peterson said. "It will happen ultimately. It's just a question of how quickly."

The Customs Service has been developing ACS—the automated system that includes electronic interfaces with brokers and carriers_since the early 1980s.

After early difficulties, ACS has blossomed. Most carrier manifests and 90 percent of all brokers' entries now are handled electronically. Customs is relying more and more on computers to decide in advance which cargoes require inspection.

But for a shipper, Customs automation doesn't necessarily translate into quicker release of cargo.

If a second government agency must join Customs in clearing an import, delays often occur because the other agency isn't as automated as Customs. "It can add three or four days to the process," Peterson said.

Almost half of all imports cleared by Customs also require the involvement of other agencies, such as the Food and Drug Administration, the Fish and Wildlife Service or the Federal Communications Commission.

In all, about 25 agencies have some control over imports. The drive to connect those agencies with ACS has been hampered by legalities, technicalities and bureaucratic inertia.

Robert W. Ehinger, Customs' deputy director in charge of ACS, said everyone would like for things to move faster. But he said that overall, "the progress has been remarkable."

Fish and Wildlife Test. Since last fall, the Fish and Wildlife Service has been cooperating with Customs in a pilot program that allows brokers to use their Automated Broker Interface to file F&WS data through ACS.

Robert W. Ehinger
Deputy Director for ACS
U.S. Customs Service

Previously, brokers filled out F&WS declaration forms that the Fish and Wildlife Service had to repunch into its computer.

"I think this will help everybody," said Tom Striegler, special agent in charge of investigations at the Fish and Wildlife Service. "It will help the brokers by speeding up clearance. It will help us by freeing us from clerical work so we can do the job we're supposed to be doing, which is inspecting wildlife."

Peterson also have praised the F&WS/ Customs test. The agencies "have been really working hard to make it work. As I understand it, it's going very well,"he said.

The Fish & Wildlife/Customs link has been limited to the John F. Kennedy airport and Port Newark seaport in the New York area. Those two points handle approximately 70 percent of all Fish and Wildlife Service entries. Plans are to extend the system to other ports next year.

Five Get Priority. In developing links to ACS, Customs and the Office of Management and Budget have given priority to five agencies—the Food and Drug Administration, Fish and Wildlife Service, Department of Transportation, Federal Communications Commission and Food Safety Inspection Service.

Ehinger predicts several agencies will be linked with ACS by early next year.

Customs has been negotiating memoranda of understanding with the agencies. While that has been going on, technical work has proceeded on software and programming.

Linking the other agencies into an automated system involves technical challenges, but those have proven less vexing than the bureaucratic, legal and fiscal obstacles.

"Each agency works in a different way and has a different enforcement mission," Peterson said.

Those missions don't necessarily dovetail with Customs' primary interests (revenue collection and enforcement) or with the shipper's interest in getting cargo cleared efficiently.

Some of the other agencies have been more willing than others to plug into ACS. Peterson said that during the late 1980s, when William von Raab was Customs commissioner, relations deteriorated between Customs and other agencies, particularly the Food and Drug Administration.

From all accounts, that situation has improved under the current commissioner, Carol B. Hallett.

Brokers Want Action. When the other agencies are linked to ACS, they will be able to develop computer programs that will allow them to decide in advance which cargoes need inspection.

For shippers that should mean faster cargo release, brokers say.

Brokers have supported interagency computer links with ACS not only to speed clearance, but to allow brokers to get the most from their investment in automation.

By some estimates, brokers spent more than $600 million during the 1980s for the hardware and software needed to interface with Customs.

But they're still filling out paper forms for other agencies and hiring messengers to deliver them.

Although they see benefits in being able to use ACS to file electronically to other agencies, it also will mean added responsibility.

For example, when an import declaration is filed with the Food and Drug Administration, the broker now simply fills out an FDA Form 701 and staples it to a copy of the invoice that lists details of the shipment.

With electronic filing, the broker will be responsible for keying in the line-item details required by the FDA—and for getting them right. Initially, at least, that will mean extra data-entry work for brokers.

As automation and electronic data interchange continue to develop, that work may be passed up the chain to the importer. The system probably will eventually work like this:

The importer would key in the data required by FDA or any other agency, and send it electronically to the broker. The broker would submit it with his Customs entry to ACS. Customs would provide the other agencies with the data they need. When the other agencies give their approval, Customs would relay the information back to the broker. ■

Brokers, Forwarders & NVOs

By Richard Knee, (415) 495-6748, FAX (415) 495-6750

Teaching Free Market Customs To Eastern Europe

Governments in Central Europe are finding the rules and procedures needed for customs in a free-market environment are different from those that were in force under socialism.

Consequently, governments there are inviting public- and private-sector experts from the West to explain how things are done on this side of the Iron Curtain, reported Arthur Litman, president of the National Customs Brokers & Forwarders Association of America.

Litman, president of the Los Angeles firm Castelazo & Associates, is to travel to Budapest for a June 11-13 conference focusing on the brokers' and forwarders' role in international shipments. This is probably the first of several conferences dealing with customs in the free-market environment, he surmised.

Young as capitalism is in Central Europe, Hungary already has some 4,000 individuals registered as international traders, Poland has 40,000 and "they're looking at big increases over the next few years," Litman said.

Under socialism, government trade ministries conducted both purchasing and functions activities, and consequently did not have to deal with such concerns as tariff schedules, duties, value-added taxes and enforcement of other import policies.

Central European governments must take these factors into consideration as their customs agencies adapt to the free-market environment, Litman said.

Coordinating the assistance efforts on the Western side is the Customs Cooperation Council, a Brussels-based federation of customs administrations.

The U.S. Customs Service has invited the NCBFAA's participation in the Budapest gathering and Litman is going on the association's behalf.

Also providing expertise, he said, are government and broker/forwarder representatives from France, Germany, Italy, Switzerland, the European Community, the International Bureau of Chambers of Commerce, the International Federation of Customs Brokers Associations and the international freight forwarders group known as FIATA.

How to Avoid Bad Accounts

Norman Steinberg has some advice on how to keep from amassing too much in receivables_which, he admits, is a bit ironic.

Steinberg, after all, serves as consultant to a collection agency, and the tips he offers can help brokers and forwarders avoid having to hire such a service. The veteran New York-based attorney is consulting counsel to Sea-Air Consultants, which serves brokers and forwarders exclusively.

At a recent luncheon meeting of the San Francisco Customs Brokers & Freight Forwarders Association, Steinberg said constant vigilance, right from the start of every customer relationship, is the key to sound credit practice.

Brokers/forwarders should check the creditworthiness of their potential customers, he said, and should make sure that their actual customers understand their credit policies thoroughly.

Brokers/forwarders should also watch for trouble signs, such as reductions in payment frequency or in the numbers of entries customers file, he said.

And, he said, brokers/forwarders should not wait too long to turn their receivables over to collection agencies.

Sea-Air's customers include some of the nation's largest broker/forwarder firms, Steinberg said, and "we've seen numbers that would make your head spin."

Some brokers/forwarders are reluctant to go after longtime customers for fear of damaging or destroying their relationships, Steinberg observed. However, he asserted, "a good customer is one that pays you—and you have to stay on top of it all the time."

How does one know when to turn an account over to a collection agency?

"It's absolutely a gut feeling," he said.

Debtors often "play a game," waiting until they perceive they are cornered, before paying up, he said. "The rule of thumb is, don't wait too long, because he's going to be dead by the time you go get him," Steinberg said, adding, "If he owes you, chances are he owes somebody else." Companies that go after creditors in court will not necessarily receive collection or attorney fees as part of their awards, especially in major port cities, he said.

"The courts will not add collection and attorney fees ... unless it's in your (written) agreement with your customer," he said. But courts will add interest, accrued from the date of judgment.

CF: No Plans to Quit as Broker/Forwarder

A rumor that Consolidated Freightways plans to abandon the broker/forwarder business is just that and no more, according to Jim Allen, vice president of public relations for the Menlo Park, Calif.-based company.

"There is no truth to it at all," Allen said,

The speculation has been fueled by the report that Emery Air Freight, CF's airfreight-forwarding arm, lost $128 million in 1990.

Harper Group Acquires Sekin

The Harper Group Inc. has agreed to acquire Darrell J. Sekin and Company, a privately held international freight forwarding and customs brokerage firm based in Dallas.

Sekin does business as Sekin Transport International, and has 10 domestic and international offices. The company also operates the foreign trade zone at Dallas-Fort Worth.

When the deal is closed, Peter Gibert, Sekin's president and chief executive officer, will be come president and chief operating officer of Harper. John H. Robinson will continue as Harper's chairman and chief executive officer.

Sekin shareholders will receive 1 million shares of Harper common stock, including approximately 850,000 shares to be received by Gibert and a trust for his family.

All of the stock will be "restricted shares" under federal securities laws, subject to a two-year holding period, although up to 225,000 such shares are expected to be registered for resale beginning six months after the deal.

Sekin expects annual net revenues of approximately $10 million in its fiscal year ending $10 million. Last year the Harper Group posted revenue of $435.8 million, net revenue of $176 million and net income of $17.3 million.

Customs 'Trade Fair' June 11 At S.F.

The U.S. Customs Service is planning a "trade fair" for customs brokers June 11 at the San Francisco Airport Marriott Hotel in Burlingame.

Agency officials, including Commissioner Carol B. Hallett, will participate in a "town hall meeting" to be moderated by Customs ombudsman Kent Foster.

The daylong gathering will also include panel discussions, workshops, exhibits and a mobile customs laboratory.

Previous Customs trade fairs have drawn praise from agency officials and brokerage industry leaders.

To register or obtain additional information, contact trade fair registrar Carolyn Ward, U.C. Customs Trade Fair, P.O. Box 2450, San Francisco 94126; phone (415) 705-3073; fax (415) 705-4334.

Ivancie, Quartel to Talk to NVOs

Federal Maritime Commission members Francis Ivancie and Rob Quartel will speak at the annual spring meeting of the International Association of NVOCCS, June 10-11 at the Washington Court Hotel in Washington.

A highlight of the meeting will be a challenge of Laurie Zack as president of the association. Owen Glenn, chairman of Direct Container Line in Carson, Calif., is running against Zack, who is vice president of Sea Cargo International Inc. of Bensenville, Ill.

At the meeeting, a panel of shipping and conference executives will discuss the relationship between vessel operators and non-vessel-operating common carriers.

Other topics to be discussed include implementation of bonding rules for NVOs, the FMC's Automated Tariff Filing and Information System, and the 1984 Shipping Act as it relates to NVOs.

For more information, contact the association's Washington office at (703) 280-2015.

NCBFAA Offers 'Compilation of Customs Directives'

A comprehensive "Compilation of Customs Directives" in looseleaf form is available from the National Customs Brokers & Forwarders Association of America.

Cost of the compilation is $260 for NCBFAA members and $360 for non-members. Other materials available from NCBFAA include: FMC Index of Forwarder Regulations, Index and Part 510, $8 for members and $15 for non-members; Laws & Regulations/ Enforced or Administered by the U.S. Customs Service, $20 for members, $35 for non-members, and Customs Broker's Exam/ Answer Sheet (10/1/90), $5 for members, $10 non-members.

Shapiro Opens Philadelphia Office

Samuel Shapiro & Company Inc. will open an office in Philadelphia on June 1. Marjorie Brenman will manage the office, which will employ two licensed customs brokers.

The Baltimore-based customs brokerage and freight forwarding firm also has branches at Baltimore-Washington International Airport, Dulles International Airport and Hampton Roads, Va.

The firm was founded in 1915 and now is under the third generation of family management.

Radix Acquires T.D. Downing of Boston

Radix Group International Inc. has acquired T.D. Downing Company, a Boston customs broker and freight forwarder that dates to 1856. Terms were not disclosed.

"By acquiring Downing, Radix expects to establish a strong transportation presence throughout New England," said Pierre Schoenheimer, board chairman of Radix.

Radix, based in New York, has 23 branches in the United States and is involved in a joint venture with Jardine Matheson of Hong Kong for transpacific forwarding.

Dean Acquires RAM-Management

Dean Worldwide Inc. has acquired Houston-based RAM-Management Inc., a transportation and forwarding firm that specializes in restricted articles that must be packaged to meet safety standards.

RAM will retain its name and operate as an arm of Maxxim International, a subsidiary of Dean Worldwide. Charles Strait, president of Dean and Maxxim, will become president of RAM-Management.

Ken Laningham Sr., vice president of Maxxim International, will oversee RAM's operations. John Rulon will be vice president and general manager of RAM, and Ron Johns will be vice presidentof sales and operations.

Fritz Companies Schedules Workshops

Fritz Companies has scheduled a series of workshops on the fundamentals of importing and exporting, preparation for the U.S. Customs exam, and on principles of drawback.

The drawback session will be held June 25 in Atlanta and June 27 in Houston,. For information, contact Madeleine Blanz at (415) 541-8414.

The sessions on importing will be held June 10-12 in Atlanta, June 17-19 in Seattle, July 8-10 in Philadelphia, July 22-24 in Los angeles, Aug. 5-7 in Memphis, Sept. 23-25 in Chicago; Oct. 7-9 in Boston, Oct. 28-30 in Miami and Nov. 18-20 in San Francisco.

The exporting workshops will be held June 13-14 in Atlanta, June 20-21 in Seattle, July 11-14 in Philadelphia, July 25-26 in Los Angeles, Aug. 8-9 in Memphis, Sept. 26-27 in Chicago, Oct. 10-11 in Boston, Oct. 31-Nov. 1 in Miami and Nov. 21-22 in San Francisco.

The customs exam preparation will be Aug. 19-23 in Orlando and Aug. 26-30 in San Francisco.

For information, call 1-800-873-4774.

Western Overseas Moves to Larger Quarters

Western Overseas Corporation has taken expanded quarters with offices and warehouse facilities designed especially for the company, president Michael Dugan said.

Address is 1855 Coronado Ave., Long Beach, Calif. 90804; phone (213) 985-0616; fax (213) 986-1345. Western Overseas' mailing address remains P.O. Box 90099, Long Beach 90809-0099.

The new facility enables the company to expand its export less-than-containerload consolidation services, and its import and export breakbulk freight operations, Dugan said.

Maxxim Opens Chicago Office

Maxxim International has opened a Chicago office and has appointed Carol Orr to manage it. She had been ocean export manager for Fritz Companies.

Regional sales manager for the Chicago office is John Boyle, who had been national account manager for Intertrans Corporation. The new Maxxim office is at 765 North Route 83, Suite 105, Bensenville, Ill. The telephone is (708) 595-8955 or (800) 3-MAXXIM.

Radix Appoints U.S./U.S.S.R. Manager

Nina Mitina has been appointed manager of U.S./U.S.S.R. trade for Radix Group International.

She's a Russian native who holds a degree from the University of California at Berkeley. She will be based in Radix's San Francisco office.

Rudolph Enberg, J.E. Lowden ex-Partner, Dies

Rudolph Enberg, a retired partner of the San Francisco broker/ forwarder firm J.E. Lowden & Company, died April 13. He was 78.

Enberg became partners with William F. Bosque, the company's current president, in 1966. He began working for Lowden in 1946, shortly after returning from wartime military service in Europe.

He was active in many industry organizations. He was a past president of the Pacific Transportation Association.


A fierce pride
Zim professionals always exhibit pride... whether they're charting the most cost efficient routes or loading cargo onto one of the new 3000TEU container ships.
Four decades of intelligent, dependable, reliable service based on our ability to move cargo safely, efficiently...and on time...anywhere in the world.
ZIM
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Caring is in our nature.

He leaves his wife, Louise, two sons, two daughters, six grandchildren and a great-grandson. His son David is vice president of exports for Lowden.

Airmax Opens Cleveland Office

Airmax, an interline cargo system for international airlines, has opened an office in Cleveland to serve northern Ohio and northwestern Pennsylvania. Bill Krabec will manage the office.

Airmax has 10 other sales and service facilities, in Atlanta, Chicago, Dallas, Houston, Los Angeles, Miami, New York, Portland, St. Louis and Seattle.

LEP, Gray Mackenzie Handles Kuwait Cargo

LEP/Profit Freight Systems and Gray Mackenzie have moved some early shipments of equipment and foodstuffs into war-ravaged Kuwait.

The first shipment included 29 Land Rovers. Since then, the companies say they've moved 20 containers of foodstuffs, washing machines and air-conditioning units via truck convoys from Dubai. In addition, Gray Mackenzie has barged 10 generator sets, bagged flour, foodstuffs and construction materials into the Shuaiba port in Kuwait.

Gray Mackenzie is using its Dubai facility as a storage and distribution warehouse and freight terminal. Gray and LEP/Profit have been offering air freight services from Dubai into Kuwait since April 17.

Mosher Elected VP of TITA Group

Rick Mosher has been elected vice president, transportation development, of The International Transport Association, an association of independent freight forwarders and customs brokers.

The association also is parent company of TITA Ocean Transport Inc., a non-vessel-operating common carrier based in Valley Stream, N.Y.

Mosher is operations manager of Carnisco International of New York.

Air Canada Cargo Restructures U.S. Management

Air Canada Cargo has reorganized its U.S. management.

In California, the airline appointed two new area sales managers — Rosemary Aguilar, based in San Francisco, and Jeffrey Hearns, based in Los Angeles. Aguilar reports to Dales Gosney, cargo sales and service manager in San Francisco. Hearns reports to Larry Conway, cargo sales and service manager in Los Angeles.

In Florida, Air Canada Cargo is consolidating its operations under one manager, Jason Troncale, who has been cargo station manger at Tampa.

In the Northeast, Eugene Gonsalves has been appointed to manage operations at Boston and New York. The company also said it is studying Newark airport as a possible international transfer point with trucking links to the airline's Toronto hub.

CF and Canada Customs Begin Pilot Program

CF Motor Freight, the long-haul trucking subsidiary of Consolidated Freightways, Inc., and Canada Customs have agreed to a joint pilot program designed to speed clearance of more than $62 billion of U.S. exports trucked into Canada each year.

A two-month Inland Pre-Arrival Review System (INPARS) pilot program began at CF's Interport Sufferance Warehouse in Toronto May 6. It is to run through the month of June.

If the test is successful, INPARS will be expanded to other Canadian sufferance facilities in an effort to reduce Customs clearance delays and stimulate trade which now amounts to $175 billion a year.

With INPARS, shipping documents are faxed to Canadian Customs brokers while shipments are enroute from the U.S. Upon receipt, the brokers affix a bar code label to the documents and prepare them for Customs clearance.

Airborne Reports Drop in Earnings

Airborne Freight Corporation, which operates Airborne Express, reported its first-quarter net income fell to $3.931 million, or 20 cents a share, from $5.875, or 36 cents a share, a year earlier.

Revenues for the quarter ending March 31 rose 17 percent, to $318.434 million, from $272.029 million a year earlier.

"Weak business conditions and one less business day in this year's business quarter caused a significant decline in growth rates from last year's first quarter, when domestic and international shipments were up 38 percent and 22 percent, respectively," said Roy Liljebeck, chief financial officer.

Rosenbalm Adopts Flagship Name

Flagship Express Inc. says its subsidiary, Rosenbalm Aviation, will operate under the name Flagship Express Services Inc. The company flies and maintains client-owned DC8 cargo planes.

Rosenbalm was founded in 1956 as an Oregon-based aerial spraying and firefighting service, and has evolved into an air cargo carrier focusing on service to the automobile industry.

Rosenbalm was purchased in December 1989 by Westronix Inc., which last summer adopted the name Flagship Express.

Drilling Joins DHL In Air Freight Operations

Michael Drilling has joined DHL Worldwide Express as director of air freight operations.

He had been general manager at Fritz Air Freight in San Francisco, and earlier was in management positions with McGregor Sea & Air Services Ltd.; Trans-Air Freight Systems and Air-Land Freight Consolidators Inc..

At DHL he will be responsible for all operational aspects of DHL's air freight business.

Nike President To Speak to Air Shippers

Richard Donahue, president of Nike Inc. of Beaverton, Ore., will speak at the third annual Air Cargo Shippers Conference, to be held Sept. 17-19 in Portland, Ore.

The educational program at the conference will be headed by Dr. Bernard La Londe, Mason professor of transportation and logistics at Ohio State University.

Registration for the program is $195 per person before Aug. 1. For information, contact Transportation Resources, 600 Healey Building, 57 Forsyth Street, Atlanta, Ga. 30303. Phone (800) 843-3976, fax (404) 524-7776.

Steven's Air Transport Appoints Dziki in Newark

Hank Dziki has been appointed regional vice president in charge of the newly opened Newark office of Steven's Air Transport.

Steven's is a domestic freight forwarder, based in Los Angeles, with offices in Pittsburgh and Newark, that specializes in overnight, second-day delivery.

Lufthansa Breaks Ground for Chicago Facility

Construction has begun on a $42 million building to house Lufthansa's central region management offices and cargo facilities at O'Hare International Airport in Chicago.

The 167,000-square-foot building will open in mid-1992 and will be used by 150 employees. Offices will cover 48,000 square feet and will be above the cargo operations space.

Air France Cargo Moves to New Miami Terminal

Air France Cargo has moved its Miami operations and administrative offices to new space at Miami International Airport. The address is 6015 NW 18th Street, Cargo Building 2203.

Truckers Won't Push Triples This Year

ATA says congressional support is lacking. Railroads campaigned against spread of multi-trailer trucks.

By Joseph Bonney

Bludgeoned by television ads and public-opinion polls, the American Trucking Associations concedes that this isn't the year for legislation to allow bigger trucks on highways.

"We don't see it happening this year," said John Reith, director of highway policy for the ATA.

The ATA favors legislation to allow all states to issue limited permits for trucks weighing more than 80,000 pounds, but doesn't plan to press the issue this year.

"We haven't gotten much congressional support for moving forward in that area," Reith said. "We're not going to introduce a bill just for the sake of introducing a bill."

TRB Report. A fight over whether to open more highways to LCVs—longer combination vehicles, with double or triple trailers—heated up with the release last July of a report by a committee of the Transportation Research Board.

At the request of Congress, the TRB committee spent two years studying the issue of truck weights. The committee suggested that states be allowed to issue overweight permits under designated conditions.

Railroads saw liberalization of truck-weight rules as an opening for nationwide operation of double and triple trailers.

Seventeen states, mostly in the West, allow such trailers with special permits on designated public highways or turnpikes.

The TRB report touched off a bitter debate, with the Association of American Railroads and the American Trucking Associations as the main protagonists, over liberalization of federal regulations on truck length and weight.

A railroad-supported organization called Citizens for Reliable and Safe Highways (CRASH) has denounced LCVs as dangerous and damaging to highways.

Meanwhile, a recent AAR study estimated that the nationwide use of LCVs would divert 13 percent of the rail industry's gross revenues to trucking.

The AAR took its campaign to the airwaves recently with a television commercial that emphasized the safety issue. The commercial featured a mother and three small children who felt menaced by an LCV as they were riding in their car.

Oregon Poll. About the same time the AAR commercial was broadcast, a poll was released showing strong opposition to LCVs by voters in Oregon, where triple 28-foot semitrailers are allowed with special permits on designated highways.

The poll was sponsored by the American Automobile Association, CRASH and The Greenbrier Companies, a group of privately held railroad and trucking equipment leasing and management companies based in Lake Oswego, Ore.

The poll was conducted by T.H. Research, a Portland-based opinion research company, and was based on a telephone survey of 603 registered voters.

Results indicated that 80 percent of the voters opposed changing federal law to allow trucks to pull three 28-foot or two 48-foot trailers, while only 17 percent favored such a change.

The poll reported that 62 percent strongly opposed such a change, while only 5 percent strongly favored it. Men opposed the change 74 to 23 percent, and women 86 to 11 percent.

The poll said that by a margin of 67 to 29 percent, voters said they would favor changing Oregon law to limit the size of trucks in the state to two 28-foot trailers. Of those favoring the change, 84 percent said they would support the change even if it raised the price of food by 1 or 2 percent.

Other poll results: A 55-to-37 percent margin felt longer trucks would cause more highway damage, 77 percent margin said longer trucks would make driving more hazardous, 66 percent said longer trucks wouldn't benefit consumers through lower shipping costs, and 60 percent said longer trucks would not reduce the number of trucks on highways.

The pollsters said opposition to the longer trucks was reflected in all age groups and by voters of both sexes.

A 62 to 36 percent margin opposed longer trucks even if they were restricted to interstate highways. This question produced a 72 percent negative response from women, but only 57 percent from men.

'Crystal Clear.' "Oregon drivers have made it crystal clear — they do not like big trucks," said A. Daniel O'Neal, a director of Gunderson Inc., a Portland-based Greenbrier subsidiary that builds and refurbishes railcars.

O'Neal, a former chairman of the Interstate Commerce Commission, is chairman of Greenbrer Intermodal and president and owner of Tolan-O'Neal Transportation and Logistics.

He said drivers "do not want a proliferation of longer and heavier trucks on the highways they use and pay for. Drivers' concerns about safety are confirmed by many studies showing that danger increases with more trailer combinations."

Given drivers' concerns and given safety and environmental concerns, is there nevertheless an overriding commercial reason for allowing big trucks? No! Are there alternatives? Absolutely!"

O'Neal said that "from a purely business perspective, LCVs don't make sense" and that "the rapid proliferation of LCVs has created a serious threat to the continued viability of rail transportation of merchandise goods."

PR Battle. Trucking-industry spokesmen questioned the poll's findings, but acknowledged that their industry has taken a public-relations beating.

Motor carriers have made an economic argument for permitting states to allow heavier trucks on highways, and they defend the safety record of LCVs.

Reith said LCVs "have an outstanding safety record, despite the furor raised by the railroads and CRASH." He said motor carriers logically would put their best drivers on their biggest trucks.

Reith also said the result of public-opinion polls "probably depends on how you ask the questions. The general public doesn't like big trucks, and I understand that. I don't like them either, sometimes."

He said the ATA hopes that Congress eventually will give states more authority to grant permits to overweight trucks, but that before that happens, the trucking industry will have to somehow reverse its negative public image.

"We've got an uphill battle to go through at this point, but we're not giving up," he said. ■

Triples Operations

A tractor and three 28-ft.-long semi-trailers allowed with special permits on designated public highways in these states:

Arizona	Colorado
Idaho	Montana
Nebraska	Nevada
North Dakota	Oklahoma
Oregon	South Dakota
Utah	

Triples allowed on Turnpikes only by permit in the following states:

- Indiana
- Kansas
- Ohio

ODS Reform Moved to Back Burner

Industry remains divided. House chairman turns his attention to Alaska Wildlife Refuge.

By Tony Beargie

It's now official. A 10-year effort to enact maritime promotional reform legislation has all but been shelved by the leadership of the House Merchant Marine & Fisheries Committee.

The decision to shove maritime subsidy reform in the background followed months of industry division and the administration inaction.

"The industry seems hopelessly divided," the House Merchant Marine & Fisheries Committee's chief counsel, Ed Welch, said in an April 24 address before the Washington, D.C. Propeller Club. "The administration has abdicated a leadership role," he added.

Welch, who has long been a spokesman for House Merchant Marine & Fisheries Committee chairman Walter B. Jones, D-N.C., used the occasion to criticize the Transportation Department's attitude over subsidy reform. "You didn't see the Transportation Department say it wouldn't offer a highway program because there wasn't an industry consensus. Why is that a standard for administration action in the maritime field?" he asked.

In any event, industry division and the administration's attitude is not preventing Jones from one last attempt to revive the maritime. The House Merchant Marine Subcommittee will nevertheless hold hearings in early June so that everyone will have "a chance to have their say," Welch said. The committee counsel said chairman Jones knows "full well" that his initiative is "akin to walking into a swamp."

Committee members will decide after the June hearings to proceed with a bill. And, in making that decision, committee members will know that they will lack any industry consensus to fall back on. "Will the members desire to proceed knowing this hard fact? We'll just have to wait and see," Welch said.

ANWR Given Top Priority. Legislation to develop and explore Alaska's Arctic National Wildlife Refuge (ANWR) is Jones' "highest personal priority for this Congress," Welch said.

Jones was prepared to move forward and make ANWR his chief goal in the last Congress, but the *Exxon Valdez* spill preempted this move and the committee placed

Rep. Walter B. Jones
Chairman
House Merchant Marine & Fisheries Committee

oil spill legislation in the number one spot, Welch said.

While ANWR is "primarily an energy and environmental issue," it also carries signficant maritime ramifications, Welch said. If oil is found in ANWR, it will be transported to the lower 48 states from Alaska in U.S. flag tankers, he said.

"That will keep the bulk of our West Coast Jones Act tanker fleet in business," he said. "If ANWR fails to come on line, Alaskan North Slope oil production will decline steadily, and the biggest portion of our coastwise fleet will lose its cargoes."

While the administration supports developing ANWR, the legislation will have to be made part of a much larger energy package to include conservation initiatives. Also, the Jones bill "will have to attract more Democratic votes," and this was not an easy task in 1988 when Jones guided a previous bill through the committee, Welch said.

Since 1988 there has been a major turnover in committee members, Welch noted. Of the 46 legislators on the maritime committee, 17 have never recorded a vote on ANWR. "So there is a major education effort necessary, and the maritime industry will have to make its position clear very early," Welch said.

Subcommittee hearings on ANWR will begin soon and extend through June and July, Welch said. During the August congressional recess, a hearing will be held in Alaska, and then after Labor Day, the committee will be ready to vote on Jones' bill, Welch said.

Defense Role of Merchant Fleets Still Uncertain

The House Merchant Marine subcommittee tried, but failed, last month to get a clear statement from defense officials about the future role of merchant shipping in defense planning.

One thing was certain. The Department of Defense does not plan to bankroll a merchant fleet as a defense element.

For years, the view of the U.S. merchant fleet as the nation's "fourth arm of defense" went unchallenged.

However, the recent hearing indicated that the Bush Administration may be slowly but surely divorcing itself from giving top priority to using U.S.-flag shipping for military sealift.

Testifying before the subcommittee were Robert H. Moore, director of transportation policy, office of the assistant secretary of defense for production and logistics, Department of Defense; Air Force General Hansford T. Johnson, commander-in-chief, U.S. Transportation Command; Vice Admiral Francis R. Donovan, Jr., commander, Military Sealift Command, and Maritime Administrator Warren G. Leback.

Ro-Ro Acquisitions. The witnesses indicated they will look to foreign sources for much of the roll-on/roll-off tonnage they hope to acquire to build up the military reserve fleet.

But where and how the government will obtain these ships is still an open question.

All of the newly built or newly acquired ro-ros will not necessarily be constructed in U.S. shipyards or purchased from U.S. sources, the witnesses indicated.

As things now stand, the Defense Department would like to build eight to 10 roll-on/roll-off ships and acquire 20 used ro-ros for the Ready Reserve Fleet.

Congress has appropriated $1.3 billion for new tonnage. The big question is whether the ships will be built in the U.S. Shipbuilders are lobbying for such a requirement.

The issue could develop into a big congressional fight, the merchant marine subcommittee's chief counsel, Ed Welch, said in a Washington speech the day after the hearing.

"It wouldn't surprise me to see a major legislative battle develop to require that only U.S.-built ro-ro's are obtained" by DOD, Welch said.

Questions Raised. The Administration witnesses at the subcommittee hearing were questioned sharply by subcommittee members, including Rep. Herbert H. Bateman, R-Va., whose district covers the Newport News Shipbuilding & Dry Dock Company.

Moore could not assure the Virginia congressman that the new ro-ro tonnage would be built in U.S. yards. "We do not know what the Navy's recommendations will be," Moore said.

The Defense Department official said the government wants to obtain the maximum for its investment. A decision on how the ships will be obtained may be revealed by June, Moore indicated.

Bateman said he was not looking forward to the report in view of the fact that DOD officials have been talking about procuring tonnage from foreign sources.

He also cited frustrations he has experienced with the last two administrations over maritime policies in general.

This view was echoed by a number of subcommitte members including Rep. Gene Taylor, D-Miss., whose district includes Litton Industries' Ingalls Shipbuilding Division at Pascagoula, Miss.

Taylor said administrations since the early 1980s have had "a horrible attitude toward the U.S. merchant marine."

He urged the panel of four to "at least endorse the U.S. merchant marine" and if they could not, "then say why."

Rep. Walter B. Jones, D-N.C., chairman of the subcommittee, told the Administration witnesses that the U.S. "cannot afford to have the U.S. merchant marine as the weakest link in our armor of defense."

$50 Million RFP. MarAd's Leback said acquisition of foreign tonnage will be seriously considered in his agency's request for proposals to purchase ships for the Ready Reserve Fleet.

"We hope to get the best bang for the dollar," he said. But the vessels could be all U.S.-flag, if that's the best deal, he said. It could "go either way," he said.

The MSC's Donovan noted that even after the Navy decides on what mix of ships to build under the $1.3 billion program already cleared by Congress, it will be four or five years before the vessels are available.

That leaves an interim period during which there will be a need for tonnage, and foreign ships may be needed to fill the gap, Donovan said.

He said, however, that the MSC does not necessarily have a "foreign price tag" on the purchases.

The fact that the Administration was even considering the use of foreign tonnage in sealift did not set well with subcommittee members.

The Administration's view in general presents the possibility of "a cash windfall for foreign manufacturers," said Rep. Neil Abercrombie, D-Hawaii, a new member of the subcommittee.

"It could be a windfall for U.S. operators," Leback replied.

Abercrombie urged Congress to take a leadership role in supporting the U.S. flag merchant marine. He said the Administration position "sounds like a twisted word for free trade...the world gets a shot at the U.S."

Policy A 'Farce.' Rep. Helen Delich Bentley, R-Md., called the Administration maritime policy "a farce." She got into an exchange with Johnson, who tried to assure subcommittee members that Administration policy isn't centered on foreign-flag ships.

Bentley said that three years ago, the MSC said the U.S. had a policy based on the NATO fleet. Johnson replied that the government's first priority is to look at the U.S. flag sector, followed by the NATO fleet, and finally by the open market.

"So we do have a policy relying on foreign flag shipping," Mrs. Bentley declared.

She said Congress should pass legislation based on recommendations handed down a few years ago by the President's Commission on Merchant Marine & Defense. ■

Leo Collar:

Let ODS Contracts Run Out; Start Over With a Clean Slate

By Tony Beargie

Has the Persian Gulf War had any effect on the Bush administration over the need for a strong, commercially viable U.S. Merchant Marine?

Judging from the tone of pessimism that permeated a three-hour conference hosted by the Containerization & Intermodal Institute at the National Press Club in Washington April 30, the answer to that question is a resounding "No".

Michael Berzon, international transportation procurement manager, materials, logistics and services, at E.I. duPont de Nemours, is president of the Institute and presided over the sessions.

Berzon

Crowley Maritime Corporation president and chief operating officer, Leo Collar, said the fact that no official maritime policy exists in Washington is a "dangerous precedent."

Collar called for the establishment of a military-private industry discussion group that would meet one or two weeks annually to see what the military wants in terms of sealift. The group would be made up of middle level officials from both the government and private sectors. A closer working relationship between the military planners and the industry is essential, Collar said.

Holds Back On ODS Reform. Significantly, Collar urged all to hold back on efforts to push for maritime subsidy reform at the present time. Instead, he called for the continuation of the current program until all of the ODS contracts expire.

"I don't think (any more movement) on ODS reform is practical" at this time. The program should continue "as is ... until the contracts run out," he said.

After the contracts come to an end, Collar called for an "incentive program" which would create new commercial ships that would be useful to the military.

Amoss

"Our past reputation as a maritime nation is eroding, but we still have people who are experts in managing the transportation of goods by sea. That expertise must not be lost," he said.

Amoss:"No Lessons Learned." "There will be no lessons learned from Desert Shield and Desert Storm in my opinion," Lykes Bros. Steamship Company's chairman W.J. Amoss, Jr. declared. Amoss also agreed that without Presidential leadership there won't be any new maritime policy produced in Washington. "There are too many voices out there," Amoss said.

The Lykes Bros. official indicated that they type of leadership that is now required is the style shown by President Franklin D. Roosevelt who produced the 1936 Merchant Marine Act and President Richard M. Nixon who produced the 1970 Merchant Marine Act amendments.

"We need the President to step in or nothing will happen and the U.S. merchant marine as we know it will be gone," Amoss warned.

Sea-Land Offers Points For Future. For future decisions regarding the U.S. fleet's commercial role in sealift, Sea-Land Service's executive vice president (Atlantic Division) Wilford W. Middleton offered the following seven points:

Middleton

1. Healthy commercial ocean carriers make the best partners for the military in wartime.

2. The commercial industry's primary role is in sustained sealift.

3. The role of the RRF is to provide surge (fast breakout) capacity.

4. Possible modification of intermodal equipment when used for military purposes.

5. The establishment of designated cargo transfer points at port facilities.

6. Establish a working relation with the military to make better use of containers and intermodal transportation.

7. Reform the military procurement process.

DOT's Major Question. According to the Department of Transportation's international transportation and trade director Arnold Levine a major question now before DOT is to determine what the commercial maritime sector can contribute to the national defense and the role of various programs such as the subsidy program, cargo preference and the Jones Act.

"When I look at ODS, I say if we are going to have a U.S. citizen crewing requirement ... then the government will have to pay the difference." One question the administration will be asking is "do we need the programs?" Levine said.

Other questions the government is wrestling with include:

• Whether to pack the RRF with Ro/Ros.

• Whether to maintain skeleton crews on RRF ships.

• Whether the government should establish a merchant marine reserve.

If the government is to rely on the merchant marine as the backbone of sealift, then this should be taken into account by government defense planners, Levine said.

"It doesn't make a lot of sense to me, in this high technology era" to design (combat) systems that can only be transported on one type of ship, Levine said. He suggested that the government coordinate design and transportation systems.

Levine wanted to make a "key point" which is in a nutshell not to view the merchant marine in a narrow perspective, but rather to find the best way to move cargo from "here to there" in the most cost-effective way.

Seifert: Bad News. The Persian Gulf War did little, if anything, to promote the U.S. merchant fleet as a national defense asset, according to one of the nation's top maritime legislative experts, Gerald Seifert, an attorney with the Washington law firm of Galland, Kharasch, Morse & Garfinkle.

Seifert

Seifert, who has had years of maritime legislation experience on Capitol Hill when he served as the House Merchant Marine & Fisheries Committee's key maritime attorney, noted that the military logisticians in Desert Storm relied on a mixture of ships, both from U.S. and foreign sources. "This doesn't sound like a view of the Merchant Marine" as spelled out in the 1936 Merchant Marine Act "as the nation's fourth arm of defense," Seifert said.

"What we see is a policy developing that negates long-term" objectives, he said. And, it is apparent that the Defense Department is preparing for situations that require a force controlled by the military, with other tonnage coming from "anywhere," Seifert said.

Kanuk

While Congress has approved $1.3 billion to be spent to preserve the U.S. shipbuilding base, it seems that when it comes to the operating fleet Desert Storm has not done much to support the U.S. merchant marine, Seifert said.

The current policy is to use U.S. ships that are available, but at the same time not to disrupt serious commercial operations. "And that is not necessarily wrong," he added.

"What Desert Storm seems to have signalled" is that trying to find ways to build a militarily useful commercial ship for defense purposes "may be a wasteful exercise."

However, Seifert also said that if the government decides there is a need for a sizable commercial U.S.-flag fleet capable of providing vessels and trained crew then "we should pay for that capability from (Department of) Defense funds."

Former FMC chairman Leslie Kanuk said, "I come away with a feeling that the U.S. merchant marine was not appreciated (by DOD) for the excellent job it did during Desert Storm." ■

Joseph T. Lykes Jr. Succumbs, Was 72

Joseph T. Lykes Jr., former chief executive officer and chairman of Lykes Bros. Steamship Co., died April 30 after a long illness. He was 72.

Lykes served as chairman and CEO of the New Orleans-based shipping line from 1967 until his retirement in 1981.

He was the son of Joseph Lykes Sr., one of the seven founding brothers of the shipping line. He started working with the company at age 15 as a deck apprentice and later as a deck cadet.

After graduation from Washington and Lee University in 1941, he served as a Navy officer in World War II, attaining the rank of lieutenant commander.

In 1946 he returned to Lykes, where he worked in the traffic, operations and accounting divisions in Tampa, New Orleans, Galveston and Mobile.

He was named a board member and vice president in 1952 and president in 1962. After becoming chairman, he was active in the 1968 acquisition of Youngstown Sheet and Tube Company, which led to the formation of Lykes Corporation.

Lykes is survived by his widow, Marjorie, nine children and 14 grandchildren. ■

Norway's Fjords No Longer Safe Haven From Taxes

Labor government wants to change depreciation benefits, treat ships like other industries.

By Elizabeth Canna

If the Norwegian government has its way, by next year investors looking for tax shelters won't find that country's shipping and offshore industries nearly as attractive as they have in the past.

A tax reform proposal presented on April 12 to the Norwegian parliament by the minority labor government calls for a partial rollback of certain tax advantages which have enticed risk capital into the Norwegian shipping and offshore industries for a number of years.

Included in the proposal is a reduction in the annual rate of depreciation from 25 percent to 14 percent for ships and 12 percent for drilling rigs. The proposed changes would take effect on January 1, 1992.

The loss of benefits to shipowners would be offset somewhat by a reduction in company tax rates from 40 to 28 percent—a rate which would be shared by all industries.

Not surprisingly, the government's announcement has galvanized Norway's shipowners into action. Under the auspices of the Norwegian Shipowners' Association, they pledged to fight the proposal by lobbying for amendments which would make the scheme more palatable to investors.

"The Norwegian Shipowners' Association supports the basic objective of the tax reform, which is to simplify and restructure the tax system through lower tax rates, while extending the tax base through elimination of certain incentives in the existing system," the shipowners' group said in a statement.

"While supporting this general objective, the association has pointed out, however, that some of the proposals go too far and would weaken the competitive edge of Norwegian companies," the statement continued.

Break With Tradition. Norway has long been viewed as a safe haven for shipping investments, but the government suspects that the attractions of the shipping industry often detracted from other national industries. But making shipping less enticing doesn't necessarily guarantee investors will head for other Norwegian industries, a shipowners' representative pointed out.

"Their opinion is that the shipping industry is too big in Norway," said Arild Wegener, director of the Norwegian Shipowners' Association. "Even if they succeed in keeping some risk capital from being plowed into the shipping industry, there's no guarantee that an equal amount of risk capital would be plowed back into other sectors of the Norwegian economy," he said. "It could go into a banana plantation in Guatemala."

The government should not be trying to manipulate investment decisions, Wegener claimed. "They reflect the old times when Norway was much more of a closed society than it is today. It's not for the government to decide anymore," he said.

A Growing Trend? The proposed cutback of tax incentives brings to mind the effects of the U.S. Tax Reform Act of 1986 which eliminated certain tax deferments on foreign earnings for American shipowners.

It also echoes recent developments in the United Kingdom where the government of Prime Minister John Major chose to ignore shipowners' requests for increased tax advantages, including a 100 percent vessel write-down in the first year.

Norwegian shipowners should not be compared to U.K. shipowners, Wegener cautioned

"What they were asking for is way out of our range," he said. "We have 25 percent today and we're happy with that."

K/S Funds Less Attractive. Among the investors likely to lose interest in Norwegian shipping if the proposed scheme survives are the so-called K/S funds, limited partnerships which had enabled many smaller investors to put their money into shipping.

Originally touted as an investment vehicle for the doctors and dentists of Norway, the K/S partnerships had lately been made up of larger players.

Also in question now is the fate of the Norwegian Shipowners' Association's ambitious plan to create an international shipping stock exchange in Oslo.

The plan called for a wide-scale marketing effort to be launched in mid-1990 to convince shipping companies that Oslo was the exchange of choice for shipping stocks. But the pace has slowed because of disclosure and ownership requirements set by the Norwegian government for companies seeking an exchange listing.

"What we wanted to do is streamline the rules and regulations and enter into an international marketing drive in order to bring in a fair number of foreign control and stocks," he explained.

"Certain green lights from the government are needed, and those have not come yet," he said.

Over the next few months, the Norwegian shipowners hope to gain enough momentum to influence the outcome of the government's tax proposals.

Debates are expected to be resolved by the summer. ■

Singapore Lures Shipowners

A scheme that grants income tax exemptions.

By William J. Warren

Singapore trade officials are promoting a new tax incentive for foreign shipowners that they expect will be instrumental in making the nation a premier maritime center.

Singapore trade officials are scouring Hong Kong, Japan and Europe to promote the Approved International Shipping Enterprise Scheme (AIS), which grants income tax exemptions to shipowners who establish a base in Singapore.

American shipowners may be targets soon, said C.H. Koh, director of the New York office of the Singapore Trade Developmenv Board, the government agency that administers the program.

Several shipowners have made inquiries about the program, Koh said.

Non-Singapore Ships Tax Exempt. Under the new program, which was announced in Parliament in a budget speech by Singapore's Minister of Finance, Dr. Richard Hu, on March 1, selected shipowners enjoy tax exempt income from the operation of their ships. The exemption extends to foreign registry as well as Singapore registry ships. In the past, only income from the operation of Singapore registry ships was exempt.

The program is retroactive to January 1, 1991.

Hong Kong a Target. The Singapore tax program, and a similar proposal unveiled by the Canadian government on February 20, are widely viewed as attempts to lure Hong Kong shipowners who may be looking to relocate before the colony reverts to Chinese rule in 1997.

"I would say yes, the scheme is targeted at Hong Kong, but also other shipowners: Japanese, Scandinavian and Greek. Hong Kong happens to be the closest," said Koh.

Singapore is not counting on a mass exodus of shipowners from Hong Kong as 1997 approaches. While shipowners are concerned about the colony's future, Koh said, the Chinese government has indicated a desire to participate in world trade. "There is uncertainty about Hong Kong," Koh continued. "But uncertainty is always part of the world economic picture."

In any case, Singapore's growth need not come at the expense of Hong Kong, Koh said. "I think it's a large enough market to sustain two trading hubs."

Singapore as a Maritime Center. The tax program is intended to attract to Singapore not only shipowners, but also shipbrokers, surveyors, insurers, bankers and financiers, Koh said. "We expect the scheme to promote growth in all shipping related services," he said.

"When the scheme becomes better known, we believe it will bring us one step closer to becoming an international maritime center."

The government hopes to attract 100 ships to the program in 1991, producing (S)$125 million in spending for such services as marine insurance and finance, ship supplies, crew costs and such items as rental of office space, staff salaries, legal and audit fees.

Not for Small Shipowners. To be approved for the tax incentive a shipowner must be "a significant owner and operator of a fleet of ships," be prepared to spend a minimum of (S)$4 million a year in Singapore and have at least 10 percent of its fleet (a minimum of one ship) under the Singapore flag.

In addition, dividends from approved subsidiaries and associated shipping companies will be exempt. However, freight moved in Singapore by non-Singapore flagged vessels will be taxed. A shipowner's tax-exempt status is guaranteed for 10 years and is renewable. "Regardless of any change in government the shipowner knows that the scheme will be there," Koh said. "It is here with some permanence."

The Singapore government developed the scheme in response to similar programs in other countries, which have helped places such as the United Kingdom remain a maritime center, Koh said. "Tax authorities in the U.K. realize companies are based there for tax reasons," he said. "Authorities in Singapore are very aware of what is going on in the rest of the world."

The scheme is one part of a wide-reaching program, including port improvements and expansion, designed to ensure the health of Singapore as a trading hub, Koh said. "You have to think 30 to 40 years ahead if you want to maintain your position." ■

New Hub in Southeast Asia

Singapore manages to supplant Hong Kong as the world's number one container port.

By William J. Warren

Despite sluggish economic growth this year, Singapore trade officials are confident that the country will continue its rapid rise as a center for international shipping.

Singapore, for the past five years the world's busiest port, has now surpassed Hong Kong as the world's busiest container port. Last year 5.22 million TEUs passed through the port, nearly 200,000 TEUs more than Hong Kong and a 20 percent increase over 1989.

The government of Singapore plans to spend $1 billion over the next two to three years to expand the port's container handling capacity. Construction has already begun on a new container port, Brani Terminal, on an island just off the southern coast, the terminal is slated for completion in 1992.

"If you want to sustain your position you have to think 30 to 40 years ahead," said C.H. Koh, director of the New York office of the Singapore Trade Development Board.

Officials also hope that a new tax break for foreign shipowners will attract a host of related maritime services, enticing new companies to join the 160 international financial institutions that already have offices in Singapore. (See related story.)

While Koh prefers to emphasize Singapore's strengths, he concedes that uncertainty over Hong Kong's future after it reverts to Chinese rule in 1997 has increased Singapore's attractiveness to shipping companies and traders.

Fuel, Repair Facilities. The port of Singapore has major shipbuilding and repair facilities, which Hong Kong lacks, Koh said.

In addition, Singapore is an important supplier of fuel to ships. "We are the world's premier bunkering port," Koh said, adding that Singapore has the capacity to refine a million barrels a day. "Hong Kong is nowhere close."

Singapore is the third largest refining port after Houston and Rotterdam. It produces 12 million metric tons of marine fuels and bunkers annually.

The port of Singapore consists of five terminals: Tanjung Pagar, Keppel, Pasir Panjang, Sembawang and Jurong, covering over 11 miles.

"We have a variety of equipment, including container handling equipment," Koh said. "We have 30 key cranes," he said. "To be the world's busiest port you have to be very efficient and very capital intensive."

Last year, 45,000 vessels passed through the port of Singapore.

Gulf Crisis Hits Singapore. So much for the good news. On the down side, Singapore's economic growth so far this year is running behind the rate for 1989. "We are very much affected by international events, but now that the Persian Gulf crisis is over and confidence is coming back, I think things will improve," Koh said.

"The economy remains fundamentally strong and sound."

He expects a growth rate of 6 to 7 percent for the first quarter of 1991 and a growth rate of about 6 percent for the year. Singapore's economy grew 8 percent in 1990.

"That's a slower rate, but still a credible level of economic growth when you look at the larger picture around the world," Koh said. ■

New Association For Bulkers & Their Agents

By Joseph Bonney

Thirteen regional shipping organizations have formed a national association to promote the interests of ship owners, operators and agents.

"Many problems that affect local carriers and agents cannot be addressed at the local level," said Channing F. Hayden Jr., president of the new National Association of Maritime Organizations.

He said the regional organizations of carriers and agents have been overlooked in discussion of issues such as user fees and Customs regulations.

"The regional offices of Customs and other government agencies are following instructions from Washington. We need a vehicle to use in discussing these issues in Washington," Hayden said.

Hayden also is vice president of the New Orleans Steamship Association, one of the founding members of the national association.

Other members are the Association of Ship Brokers and Agents, Boston Shipping Association, Connecticut Maritime Association, Hampton Roads Maritime Association, Maritime Association of the Port of Charleston, Maryland Maritime Association, Pacific Merchant Shipping Association, Port of Philadelphia Maritime Exchange, Puget Sound Steamship Operators Association, Savannah Maritime Association, U.S. Great Lakes Shipping Association and West Gulf Maritime Association.

The association will meet about twice a year. At its organizational meeting in April, the new group adopted bylaws and a charter and elected officers.

The association has four regional vice presidents, one for each coast.

They are Ted Thorjussen of the West Gulf Maritime Association; James Provo, representing the Hampton Roads Maritime Association; Robert T. Bohlman, of the Puget Sound Steamship Operators Association, and Vera Paktor, of the Great Lakes Steamship Association. S.O. "Tim" Bossier Jr. of the New Orleans Steamship Association is secretary-treasurer.

Several of the regional organizations also are involved in labor relations, but Hayden said the national association's focus will be on issues affecting ship owners, operators and agents.

Although bulk operations figure heavily in most activities of the regional associations, the new national organization will represent both tramp and liner shipping, Hayden said.

The regional groups have been hurt by the absence of a strong voice to represent their interests nationally, he said.

User Fees. Carriers and agents have said they're feeling the pinch from the government's increased reliance on user fees, Hayden said. A current example is the U.S. Department of Agriculture's imposition of a fee of $544 per ship call for up to 15 calls per year.

"Everybody has bought into the semantic obfuscation of referring to these things as user fees," Hayden said. "They're taxes. They're hidden taxes, because the consumer never sees them but ends up paying them."

He said the new association's members are especially galled by government agencies that impose new requirements which are followed by user fees.

"It's like requiring people to pay income tax and then saying that because they use IRS services, they have to pay the IRS a $2[illegible] processing fee. How do you think that would go over?" ■

Volkswagen Tells How to Bargain for Rates

Experience with time charters helps in dealing with liner companies.

Volkswagen's transportation subsidiary has found it useful to employ a combination of time-chartered ships and liner services in its ocean transportation.

Running time-chartered ships lets a company "know what is going on in the market and how costs develop. It helps in negotiations with liner operators," said Johannes Fritzen, president of V.A.G. Transport GmbH.

Fritzen spoke in an interview and speech in Brunswick, Ga., at the recent Brunswick International Trade Conference, which focused on automobile transport.

V.A.G., which brings automobiles into Brunswick, has an annual turnover of $1.5 billion and hauled 3 million vehicles and 9 million tons of general cargo last year.

Fritzen said V.A.G. handles 30 to 35 percent of its ocean shipments in time-chartered vessels. The percentage varies by route. From Brazil and Mexico to the U.S., all of the cargo is time-chartered ships. On other routes, such as Germany to the U.S., most shipments are in liner vessels.

Despite V.A.G.'s heavy involvement in ocean shipping, most of the company's activity is on the land side, Fritzen said.

The company also has used air freight, sometimes on a large scale. Fritzen recounted a shipment of auto windshields that had to be moved from Japan to Europe in 21 days to meet a factory's production requirements.

Regular liner service would have taken 28 days. Air freight would have cost too much. The solution, Fritzen said, was a combination of ocean vessel to Singapore and air freight the rest of the way.

V.A.G. foresees expansion during the next decade. By 2000, Fritzen said, the company expects to haul 4 million automobiles and 12 million tons of general cargo annually.

He said the company's mix of modes will change. V.A.G. now uses rail for 60 percent of its shipments within Europe but hopes to increase that to 80 percent by 2000, partly as a result of post-1992 removal of trade barriers within the European Community.

EC Impact On U.S. Removal of the trade barriers will also create competition among automakers looking to sell to Europe, said John Baisley, director of materials transportation and logistics operations for General Motors Corp.

"We can look ahead to more international competition," he told the Brunswick conference. "It will be a crowded playing field with a new breed of customer; more knowledgeable, more demanding."

With the increased competition comes new challenges for automobile carriers.

Ray Ebeling, president of Wallenius Lines, said carriers are being spurred by the auto industry to be more flexible in planning services to the European market.

"Auto exports from the U.S. to Europe are up while imports have declined significantly," Ebeling said. Wallenius recently contracted with American Honda Motor Co. Inc. to ship about 5,000 U.S.-built Honda station wagons to Great Britain, France, Germany, Belgium, the Netherlands and Switzerland via the port of Jacksonville.

However, Ebeling said increased competiton in post-1992 Europe, along with corporate takeovers and joint production operations between automakers, will reduce the number of players.

"Only about 10 or 12 of the full-line automobile companies will be able to survive in the global market," he said.

Fewer Ports in the Future. Meanwhile, auto shippers will pare down the number of U.S. ports they use, Ebeling said.

"Wallenius uses 16 North American ports. The demand for a regular schedule will likely halve that number as we navigate through the '90s. Ports that want the business must be willing to make a long-term commitment," he said.

Katy Lawrence, manager of national transportation and import operations of Mitsubishi Motor Sales of America, said ports wishing to handle autos must provide additional services. Ports must have more than one rail service, quality processing services and a commitment to provide expansion space.

"We're not containers. We don't stack well," Lawrence said. Some ports are reluctant to provide the vast acreage required for automobiles, she said.

Mitsubishi moves its imports through four U.S. ports: Tacoma, Los Angeles, Brunswick and Baltimore. Port selection is handled by the home office in Japan, although the U.S. subsidiary makes its views known, she said.

"It's inconceivable that the selection would be any better if it was our own," she added.

Providing space is not enough, Baisley said. As in real estate, the location is vital for an auto importer or exporter.

"We look at the proximity of our U.S. plant to the port of export, or the sales zone for imports," he said. GM also looks at distribution patterns and inland transportation. The company uses rail carriers or a combination of rail and truck, so distance of rail ramps or haul-away carriers from the port is considered.

Crystal Ball Gazing. Ebeling listed issues that automakers and carriers will likely face in the next decade. He cited partnerships, logistics, intermodalism and electronic data interchange.

EDI seems a certainty, once a universal system is developed, he said.

"It's like everyone is tunneling under the ocean from different directions, hoping they will all meet at a point in the middle," he said.

In a panel discussion, speakers acknowledged that intermodalism would have some impact on the auto industry but said its success would be limited to smaller shippers.

"It's an opportunity for the carrier industry to deal on a door-to-door rate structure," Baisley said. "The less people you have to deal with, the better. A single bill of lading is the wave of the future as far as I see it."

However, Lawrence said "a shipper needs to control cost in each segment and wants to know who's responsible for damage."

The Next Generation of Ro/Ro

Ships must be able to do more than haul cars.

Emerging markets and shifting trade balances will affect vessel designs as roll-on/roll-off carriers replace their fleets, an industry executive told the Brunswick International Trade Conference.

Jan Eyvin Wang, president of Norwegian Specialized Auto Carriers Inc., said NOSAC has the youngest fleet in the ro/ro industry but is already thinking about its next generation of ships.

"Ro/ro vessel design came about because the industry was able to identify the needs of ro/ro shipping," Wang said. "We need to look at fleet renewal. We need to identify what the needs will be, how cargo flows and what types of cargoes will be moved."

The U.S. has seen an increase in auto exports, particularly to the European market, and a decline in imports from the Far East. Wang said the trade shift should create a need for capacity on ro/ro vessels to handle heavy equipment, breakbulk and unitized cargoes.

"Patterns change," he said. "In the '80s, there was a steady flow of imports. In the '90s, there will be a shift in transportation lanes, with an increase in exports and a decrease in imports. Heavy cargo, such as forest products, will increase. Carriers and shippers will need to work together."

Ray Ebeling, president of Wallenius Lines NA, agreed that carriers must be able to accommodate diversified cargo.

"Carriers must expand new markets. Fifty percent of export business in the near future will be in buses, bulldozers and boats, and trucks, trailers and turbines," he said.

"The industry will need a different form of vessel," Wang said. "A pure car-truck carrier solely handles cars and trucks. In addition, because we don't see an exactly even cargo flow, the vessel should provide additional capacity for other cargoes, such as forest products."

Because pure car-truck carriers are built to handle conventional vehicles, they are unable to hold heavier cargoes, Wang said. They also are nearly impossible to convert to handle other cargo, he said.

The new vessels will still "focus on cars," he said. "The efficiency will come in loading other types of cargo."

Cost of Replacements. Ro/ro carriers are expected to begin replacing their fleets on a large scale in the mid-to late 1990s, when many vessels will begin approaching the end of their 15-year lifespans, he said.

New car-truck carriers can cost from $55 million to $60 million, Wang said. "Right now the prices are high," he said. "Hopefully you will be able to get the same vessel for the same price three years from now. Plus you will be able to get the exchange rate."

With most of NOSAC's vessels built in the 1980s, Wang said the company will not be looking to replace vessels soon.

And though the market has created the need for flexible ro/ro vessels, NOSAC would probably limit its number of such ships to just a few, he said.

Creating Opportunities. Nickel H.S. van Reesema, president of Van Ommeren Shipping Inc., Dock Express Contractors Inc., said creativity in vessels can expand markets.

"Timing is everything in shipping and flexibility is the key," he said. "Many assume no further transportation developments or no further technological breakthroughs exist. But they do."

As an example of creative answers, van Reesema noted that in the 1930s a coal carrier converted into a wine tanker provided Algerian and Tunisian winemakers with an advantage in a market dominated by highly subsidized French winemakers.

"Changes in vessel design have changed completely trade patterns and eating habits throughout the world," van Reesema said. "The effects of those achievements on the economy are far-reaching." ■

Atlantic Conferences Hire Transax Data

Transax Data has emerged the winner in competition for the job of automating the tariffs of the North Atlantic conferences.

The company beat out several competitors, led by a partnership of GE Information Services, a Rockville, Md.-based subsidiary of General Electric, and Data Exchange International Inc., a Pittsburgh-based automation specialist.

The Transax contract covers only the automation of conference tariff data bases. The conferences' seven members are free to select their own vendors for access to the data base, said Harold G. Holden, the conferences' executive director.

He said the real benefit will come when individual lines are able to build on the foundation provided by the data base, and to add services such as automated rating.

"It's moving away from the old way, the green eyeshades and so on," he said. ■

Bulk Liquids in Cardboard Boxes

MacMillanBloedel's SpaceKraft holds up to 275 gallons.

By Joseph Bonney

Some shippers of liquid-bulk food and nonhazardous chemicals are switching from steel drums to seamless corrugated cardboard boxes with an integrated film bag.

The appeal of the recyclable SpaceKraft box, manufactured by MacMillan Bloedel Bulk Packaging of Marietta, Ga., is its efficiency in handling and disposal, according to shippers who have used the container.

"We're very happy with it," said Paul Beaulieu, vice president of sales and marketing at Allied Colloids Inc. of Suffolk, Va. "It's reduced the disposal problems for our end users and saved us quite a bit of money."

The containers are built with eight plies of A-flute corrugated linerboard with a film lining inside. The boxes have no joints or wood or metal components, but have compression strength of up to 48,000 pounds per square inch.

John Falk, general manager of MacMillam Bloedel Bulk Packaging, a subsidiary of MacMillan Bloedel Ltd., the Canadian forest products company, said SpaceKraft was developed to meet demand for a recyclable bulk-liquid container.

"Both here and abroad, there has been considerable pressure ... to develop better solutions than steel drums and lightweight metal totes, which are extremely difficult to dispose of," he said.

Beaulieu said the boxes are less susceptible to forklift damage than the polyethylene-lined metal containers Allied Colloids had used for shipment of liquid polymers.

"You can't stand back 50 yards and run into one full speed with a forklift, but if you bump into one while loading it doesn't puncture as easily as a metal container," he said.

The boxes have been used for shipments of bulk liquid products such as fruit juices, salad oils, artificial sweeteners, and water-based chemicals and emulsions, said David Humphrey, sales manager of MacMillan Bloedel Bulk Packaging.

Humphrey said one shipper of apple-juice concentrate was able to get 38,000 pounds of its product into a 20-foot container with the boxes, compared with only 32,000 in drums.

So far, the boxes have been used mostly for domestic shipments, but there have been a few trial export shipments.

"We're just beginning to get into the export market," Humphrey said. He said it probably will be a few months before the boxes are used for regular ocean shipments.

"It'll be a gradual process. As we find people where there appears to be a reasonable fit, we'll work with them over time to develop a program," Humphrey said.

"The market has expressed a need for an intermediate bulk container that's readily recyclable and doesn't contribute to the solid waste problem," he said. ■

Stacktrains loaded at Maher Terminals at Port Elizabeth will move via Conrail and CP.

Conrail Cuts NY/Chicago Stacktrain Rates; Canadian Link Over CP

NY/NJ Port Authority had to wait on tunnel work.

By William J. Warren

Officials at the Port Authority of New York and New Jersey hope that Consolidated Rail Corporation's new daily double-stack rail service to Chicago will give the port an edge over its Atlantic Coast rivals.

Conrail is offering a 20 percent reduction for westbound loaded containers and 50 percent for empties on the new service, which will run between Burlington Northern's Chicago terminal in Cicero, Ill., and Port Newark in New Jersey.

Conrail's lowered rates, combined with direct Conrail-Canadian Pacific service to Montreal and Toronto, will make New York more attractive to both shippers and the steamship lines, said Don Lotz, intermodal service manager for the port authority.

"It really positions New York as a major East Coast load center," Lotz said. "We are the only Atlantic Coast port with direct and efficient rail and intermodal service to Eastern Canada and Midwestern United States."

During the last two to three years the port has doubled its rail traffic volume, which now accounts for 10 percent of container traffic moving through the port, Lotz said. "The double-stack service has the potential to double rail traffic again over the next couple of years," he said.

Cost-Cutting. Conrail's rate reductions complement recent efforts by the port authority to erase the Port of New York's reputation for expensive labor.

Since 1988 the port has helped negotiate agreements between the New York Shipping Association and the International Longshoremen's Association to drop the tonnage assessments paid by steamship lines on containers moving more than 260 miles to and from the port.

That same year the port authority began offering shippers an incentive of $25 for each import container and $50 for each export container moved through the port by rail. This subsidy will continue through 1991.

Lotz believes that stacktrain service to the Midwest will help New York maintain its role as the largest North Atlantic port. The rail line follows the route of the Erie Canal, which 150 years ago gave New York unmatched connections to the Midwest.

Montreal & Toronto. "The new Conrail-CP Rail service cuts the distance to Montreal and Toronto almost in half when compared to the nearest competing Canadian port," said Lillian Liburdi, director of the port authority's port department.

The Conrail/CP service will originate at Maher Terminals' facility in Port Elizabeth. The service will use Conrail tracks to Albany, N.Y., where CP Rail will take over and deliver the containers to Montreal within 24 hours and to Toronto within 30 to 32 hours after leaving Port Elizabeth.

A Long Time Coming. The port authority has been discussing double-stack service with Conrail for several years, Lotz said.

Before service could be initiated Conrail had to complete a $33 million project to prepare the route between northern New Jersey and Chicago to accommodate high cubic capacity double-stack containers.

The last link, expanding a tunnel under the campus of the West Point military academy, was finished in December 1990. ■

Seattle's Terminal 18 to be expanded.

Seattle Plans 240 More Acres For Containers

The Port of Seattle is proposing to invest $300 million during the next decade on a 240-acre expansion of its container terminals.

The first part of the program is already under way, with the addition of railroad track that will nearly double the stacktrain capacity at Terminal 18.

The $5 million track project is targeted for completion next spring. It will boost stacktrain capacity at Terminal 18, one of the port's main container terminals, to 54 railcars from the current 28.

At the same time, the port is widening the terminal's south gate to allow more trucks to queue up inside the facility, which will reduce congestion on the street outside.

The land on which the new track is to go now houses a container yard and a tank farm.

Terminal 18 is operated by Stevedoring Services of America. Users include Orient Overseas Container Line, China Ocean Shipping Company and Italia/d'Amico Line.

Evergreen Marine Corporation plans to shift its Puget Sound ship calls to Tacoma on July 1.

The port's 10-year plan, which is subject to port commission approval, is a supplement to a 1986 development program. The capital improvements would be financed by income from operations, public funds and tax-exempt revenue bonds.

Zeger van Asch van Wijck, the port's executive director, said trade forecasts indicate that container shipping volume through the Puget Sound region will more than double over the next 20 years.

The port now has about 345 acres of container terminal space. ■

MARITIME ASSOCIATION OF NY/NJ. New officers and directors were elected at the annual meeting of the Maritime Association of New York/New Jersey. W. Grove Conrad, president of Norton Lilly International, Inc., was elected president and chairman, replacing George H. Hearn, executive vice president of Waterman Steamship. Conrad previously worked as sales representative and government marketing manager with Seatrain Lines. After joining Norton Lilly in 1974, he established the first Soviet liner service to the U.S. Gulf and, in 1979, promoted the first containerized service to Brazil. Other officers include Jacqueline Plecas, president of Med-Atlantic Petroleum Corporation, vice president and director; and Leonard Butler, Coastal Marine Transport Lines, treasurer and director. Other directors elected are William Bennett of Bennett Securities Inc.; Capt. Dick Roche of the Sandy Hook Pilots and chairman of the Harbor Operations Committee; Jerry Amodeo of Superior Contractors Network Inc.; Paul Preus of Clean Water, Inc.; James Capo of The New York Shipping Association; David Tolan of Sea-Land Service, Inc.; Charles W. Mathers of Johnson & Higgins; Carl Eklof, Sr. of Eklof Marine Corp.; and Richard Lamoine of American Bureau of Shipping. The Maritime Association of the Port of New York/New Jersey is a 118-year-old, not-for-profit member trade association.


Conrad

DELAWARE RIVER PROJECTS. The Delaware River Port Authority hopes to revitalize the waterfront in Philadelphia and Camden with a new containerized cargo-handling facility. Though the port terminals handle relatively little containerized cargo, the authority agreed to spend up to $790,200 for engineering designs for a regional intermodal transfer facility near Philadelphia's Packer Avenue Marine Terminal. The proposed facility, which would be built in stages, would be served by three railroads, Conrail, CSX Corp., and Canadian Pacific's CP Rail. The authority also decided to consolidate its facilities into a new office building on the Camden waterfront, replacing its 65-year-old headquarters and at least five other buildings in Camden and Philadelphia. The commissioners approved spending up to $5 million for site acquisition and design. The building will be about 75,000 square feet and is expected to be located near the New Jersey State Aquarium being built at Wiggins Park.

TRANSAMERICA LEASING-EUROPE. Transamerica Leasing Inc. has appointed Stuart Downie as director of marketing-Europe. He previously worked for Itel Container Corporation as director of marketing for the United Kingdom, Benelux, Africa and the Middle East.

ACADEMY LECTURE ROOM. The U.S. Merchant Marine Academy (USMMA) at Kings Point, New York, has dedicated a lecture room in its Marine Transportation Department to American President Lines in recognition of the support it has received from the Oakland, Calif.-based shipping company. Eugene K. Pentimonti, APL's vice president for procedures and systems, and a 1964 USMMA graduate, represented APL at the dedication ceremony.

ACL DISTRICT SALES. Michael J. Hicks has been named district sales manager in the Long Island area for Atlantic Container Line, based in South Plainfield, N.J. He is responsible for sales in the states of Connecticut and upstate New York. Hicks previously worked with Velco Enterprises, Ltd. and Mitsui & Company.


Hicks

CANADA MARITIME OFFICE. Canada Maritime Agencies Ltd., Canada Maritime's North American agency subsidiary, has opened an office in Nashua, N.H. to draw New England business through the company's Montreal gateway.

SILVER SHIP'S BELL AWARD. Lillian C. Liburdi, director of the port department of the Port Authority of New York and New Jersey, and Don C. Becker, president and publisher of The Journal of Commerce, will receive Silver Ship's Bell awards at the 14th annual dinner of the Seamen's Church Institute of New York and New Jersey on June 6 at the Windows of the World in New York. Charles I. Hiltzheimer, president of Puerto Rico Marine Management Inc. and dinner chairman, said Ms. Liburdi and Becker are being honored "for their outstanding contributions to our industry, their concern for seafarers and their steadfast support of the work of the Seamen's Church Institute."

VANUATU SAFETY PROGRAM. Vanuatu Maritime Services in New York has appointed Donald Sheetz as vice president for maritime safety. Clayton B. Wentworth, deputy commissioner of maritime affairs for the Republic of Vanuatu, said Sheetz will join Capt. Ed Feldman, who has overseen the registry's safety program since its inception in 1980. Sheetz, a 1966 graduate of the U.S. Merchant Marine Academy, served in the U.S. Merchant marine as a licensed deck officer and port relief officer. He comes to Vanuatu Marine from First National, a crude and products brokering company in Norwalk, Conn.

DIMMLING HEADS ITA. The Intermodal Transportation Association elected officers for the 1991-92 fiscal year at its April 10 meeting in Baltimore. Arno H.F. Dimmling, senior vice president of land operations, Crowley Maritime Corporation, was named president and Steve Vicary, manager of intermodal operations, ABF Freight Systems Inc., first vice president. Elected vice presidents were Steve Bennett, director of intermodal marketing and sales, Conrail; Harold Cerveny, director of business and market planning, Trailer Train Company; Barbara C. Leader, vice president ITSI Management Services; David C. Wenger, president, Eastern America Transport and Warehousing; and Raymond W. Tippit, vice president, rail division, Mi-Jack Products. Albert J. Mascaro was named executive director of Intermodal Transportation Association. ITA also announced that its joint meeting with the Intermodal Marketing Association will be held Nov. 4-7 at Ponte Vedra Beach, Fla.

TRANSPORTATION CLAIMS COUNCIL. The Transportation Claims and Prevention Council Inc. entered its 18th year with the election of new officers at is annual meeting in Nashville. Jessileine Sieczka, Vlasic Foods Inc., was named president; Raymond M. Jacobi, William Wrigley Jr. Co., was named chairman. Other officers are Mildred W. Dockery, Sunkist Growers Inc., first vice president; Betty B. Allen, PPG Industries Inc., second vice president; Gary J. Bean, Nu-Trans Cooperative Ltd., third vice president; Ronald B. Reedy, Phillips 66 Co., treasurer; and Judy Blum, Dracket Co., secretary. Board members are Carol Monis, Digital Westminster; John T. Harvey, Corning Inc.; Phillip Ragone, BellSouth Services; Allen M. Fischer, United States Gypsum Co.; Christopher Kramer, C.H. Robinson Co.; Clark Van Orman, Sysco Corp.; and Ray Kenley, Adolph Coors Co.

SHIPCO APPOINTMENTS. Shipco Transport Inc., a New York-based non-vessel-operating common carrier, appointed Debra Torchio vice president of operations/customer service; Noreen LaSacco, manager of Far East service; Lisa McKay, manager of European service; and Annette Frumenti, customer service representative/corporate assistant.

IVARAN MOVES TO N.J. Ivaran Lines and Ivaran Agencies Inc. moved its corporate headquarters to Jersey City, N.J. in March. The new address is: Newport Financial Center, 111 Pavonia Ave., Jersey City, N.J. 07310-1755. The phone number is (201) 798-5656. The fax number is (201) 798-2233.

HAPAG-LLOYD IN PORTLAND. Hapag-Lloyd (America) Inc. initiated its first weekly container service into the Port of Portland. The *Yankee Clipper* was used for the maiden voyage. The city of Portland invested in a new terminal for Hapag-Lloyd to accommodate trade in upper New England.

NAVIERAS TO SEAGIRT. Puerto Rico Maritime Shipping Authority (PRMSA), owner of Navieras de Puerto Rico, has signed a long-term lease for use of the Port of Baltimore's new Seagirt Marine Terminal. The six-year lease calls for PRMSA to lease 20 acres and makes PRMSA Seagirt's third tenant. Navieras' five new Lancer class containerships, added to its Ro/Ro vessels, give the line a fleet capable of handling all types of containerized cargo, as well as vehicles and heavy-lift machinery.

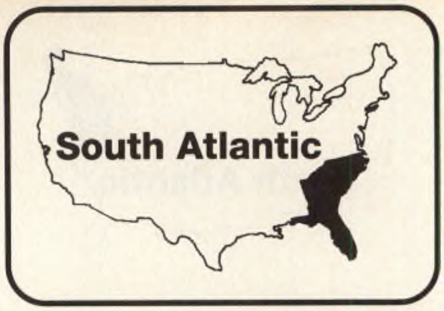
W.N. PROCTOR OFFICE. W.N. Proctor, customs broker and freight forwarder, has opened an office in Pawtucket, R.I., to serve importers and exporters that use the Port of Providence. George James is district manager in the new office. He has 15 years of experience in international trade. The office is located at 24 Commerce Street, Pawtucket, R.I. 02862, telephone (401) 727-0602, FAX (401) 727-2142.

BARWIL AGENCIES. Barwil Agencies has entered into partnership agreements in New York and Baltimore with Asca Marine and will operate under the name of Barwil-Asca. Barwil also entered an agreement9ith Wightman Shipping in Philadelphia, assuming the name of Barwil-Wightman.

ROCHESTER MANAGER. Richard Roche has been promoted to regional manager for Hapag-Lloyd (America) Inc. in the Rochester, N.Y. area. He will be responsible for marketing, sales and operations. Prior to his promotion, he was a sales representative in the Fairfield, Conn. office. He is a graduate of the U.S. Merchant Marine Academy at Kings Point, N.Y. and holds a chief mate's license.

Roche

BALTIMORE CARGO. General cargo tonnage at Maryland Port Administration terminals for the first three months of 1991 increased 6.5 percent over the previous year, reaching a total of 1,311,573 short tons, according to figures reported by MPA. Containers rose by 2.2 percent, automobiles 17 percent, steel 109.4 percent and other breakbulk 15.3 percent. Lumber fell 66.4 percent.



PORT IMPACT STUDY. Port activities at Wilmington and Morehead City generate $1.9 billion in sales and $57 million in state and local taxes while creating 25,888 jobs with $489 million in income, a preliminary report of an economic impact study said. The study was conducted by the North Carolina State Ports Authority and the Babcock Graduate School of Management at Wake Forest University, using methodoloty developed by the U.S. Maritime Administration. Wilmington Terminal accounts for about 75 percent of the total impact, due to its volume of container breakbulk cargo. Wilmington accounted for nearly 20,000 jobs, $370 million in income, $1.5 billion in sales and $43 million in state and local taxes. Morehead City Terminal accounted for 6,000 jobs, $119 million in income, $453 million in sales and $14 million in state and local taxes.

TALMADGE BRIDGE REMOVED. The center span of Savannah's Eugene Talmadge Memorial Bridge — long considered an impediment to maritime traffic — was removed and its replacement opened for traffic. The 355-foot, 690-ton steel center span of the 37-year-old Talmadge was lowered onto a barge April 8. The bridge's replacement, a $70 million concrete cable suspension bridge, has a vertical clearance of 185 feet, compared with 135 for the Talmadge. The new bridge is the first of three harbor-improvement projects at Savannah. The second, widening the channel from 400 to 500 feet, is under way. The third stage, deepening the channel from 38 feet to 42 feet, is being planned.

SAVANNAH OCEAN TERMINAL. Theodore H. Quarterman has been promoted to manager of the Georgia Ports Authority's Ocean Terminal in Savannah. Quarterman, who was formerly the assistant terminal manager, will be responsible for managing personnel and equipment at the breakbulk facility.

FREIGHT CONNECTION OFFICERS. Michael J. Jackson was elected president and chief executive officer of the Freight Connection Inc. William Walsh was named chief operating officer of the Tampa-based intermodal freight transportation management firm. Founded in 1983 as Expert Freight Tampa, Freight Connection operates as a shipper's agent and ICC regulated broker.

Jackson

TAMPA TONNAGE. Cargo figures released by the Tampa Port Authority show tonnage figures down nearly 6 percent for February and off slightly over the first five months of the 1991 fiscal year. Foreign imports and inbound domestic cargoes were down sharply in February compared with last year. Foreign imports fell 32 percent or nearly 147,000 tons. Inbound domestic cargos were off 38 percent, or 223,000 tons less than February 1990. Foreign imports showed a 14 percent improvement with 1,185,000 tons handled. Year-to-date totals were off 0.4 percent, with bulk cargo down 0.5 percent or nearly 93,000 tons.

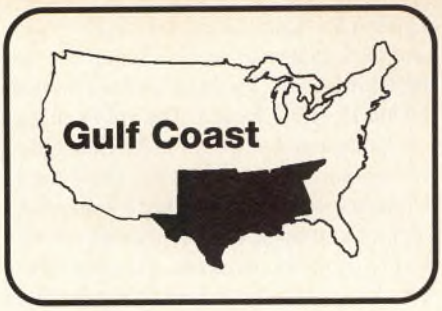
LANPORT YARD MANAGER. Earl "Hank" Readdy, a 15-year transportation veteran, was named container yard manager of Lanport Inc.'s new 16-acre intermodal terminal in Charleston. The facility, at 2045 Austin Ave., replaces the company's previous six-acre site on Azalea Drive. Lanport also has facilities in Savannah and Atlanta.

Readdy

WORLD TRADE CONFERENCE. The Governor's Conference on World Trade and the Enterprise Florida Conference will be held May 19-21 at the Wyndham Harbour Island Hotel in Tampa. The conference is co-sponsored by the Florida Council of International Development, the Florida Chamber of Commerce, the Florida Economic Development Council and the Florida Department of Commerce. Featured speakers include U.S. Rep. Sam Gibbons, State Secretary of Commerce Greg Farmer, State Sen. Lincoln Diaz-Balart, State Rep. Art Simons and Buell G. Duncan, chief executive officer of Sun Banks.

EURO-DISNEY OPERATIONS. Suddath Van Lines in Jacksonville has a contract to crate and move Euro-Disney operations to Paris. Suddath has also has other moving contracts for Disney.

CHRISTENS 'SEABULK AMERICA.' The United States tanker fleet received the first major merchant ship built in a U.S. shipyard in over five years when Hvide Shipping christened their newest vessel, the *M/V Seabulk America* April 28 at Port Everglades. The forebody is the former Barge 4102 and the aft section is the surviving section of the *M/V Fuji*. The two wrecked halves were joined together at Norfolk Shipbuilding in Norfolk. The vessel was then towed to North Florida Shipyards in Jacksonville where she was completed.



GALVESTON CRUISE SERVICE. The Port of Galveston started direct cruise connections to ports in Mexico and the Caribbean with the first sailing of Sun Line's flagship, Stella Solaris, on April 27.

HOUSTON LAND PURCHASE. The Port of Houston Authority has approved a mediated settlement that ended a year-and-a-half-long dispute involving the purchase of 1,300 acres along the Houston Ship Channel. The dispute was over $250,000 the authority put up in an earnest money contract with Stephen C. Jacobs, acting trustee for Niel C. Morgan and Lear Interests Inc., pending environmental and soil analysis. The authority requested return of the money when the land was found to contain wetlands and toxic substances that prevented the port from using the land. In the ensuing dispute, the port sued Morgan and Lear, which countersued. In the mediation agreement, the port authority received its earnest money plus accrued interests while Niel Morgan and Lear Interests settled for $40,000.

LOGISTICS MANAGEMENT. "Integration: The Next Phase" is the topic for the Council of Logistics Management's annual conference, scheduled for Sept. 29 - Oct. 2 in New Orleans. Registration fees are $560 for members, $760 for non-members and $325 for spouses. After Sept. 1, fees go up to $635 for members, $835 for non-members. Registration should be addressed to Council of Logistics Management Annual Conference, 2803 Butterfield Road, Oak Brook, Ill., 60521. For additional information, phone (708) 574-0985.

HONDURAN EXPRESS AGENT. Rice, Unruh, Reynolds Co. is the new northeast region sales agent for Honduran Express Line. E.S. Binnings Inc. of Houston, the national sales coordinating agents for the line, announced the appointment of the company as regional agent. Port traffic, documentation and customer service functions are handled by Honduran Express at its New Orleans office.

CORPUS CHRISTI OIL PORT. The commissioners of the Port of Corpus Christi have approved the study of an inshore, deepwater port near Corpus Christi which will be capable of handling supertankers.

PANALPINA LAREDO OFFICE. Panalpina Inc., an international freight forwarder, has opened an office in Laredo, Texas. It is the 30th office the company has opened in the United States. The telephone number is (512) 725-5101.

McCARRON APPRECIATION DINNER. Ryan-Walsh, Inc. honored president and chief executive officer John L. McCarron, Jr., with an appreciation dinner on the occasion of his 45th anniversary with the company. McCarron began his career in the maritime industry in 1946, first as a clerk and later steamship agent for Waterman Steamship Company. From 1953 to 1965, McCarron alternated service between Waterman and Ryan Stevedoring Company. Following the sale of Waterman in 1965, McCarron served as general superintendent of Ryan Stevedoring Company. From 1965 to 1970, he was the manager of the Military Ocean Terminal at Sunny Point, N.C., and was appointed vice president of Ryan Stevedoring in 1967. He was elected company director in 1970 and returned to corporate headquarters in Mobile, Ala., where he was responsible for the company's South Atlantic, Mississippi River and inland region operations.

GENERAL STEAMSHIP. Peter van der Tuuk has been appointed district manager of the New Orleans office of General Steamship Corporation, Ltd. He had served with Nedlloyd Lines as operations manager for the past seven years.

STEVEDORE CONTRACT. The U.S. government has chosen Ryan-Walsh, Inc. as the stevedore in the re-deployment of two divisions of Operation Desert Storm through the Port of Houston. Ryan-Walsh will handle various military cargo from the Persian Gulf War including front-line AH-64's, M1 mainline battle tanks, and other support equipment. Ryan-Walsh's experience with military cargoes dates back before World War II.

CHICAGO TRADE CONFERENCE. The International Trade Club of Chicago will host the 53rd Chicago World Trade Conference June 10-11 at the Hyatt Regency Chicago. The theme of the conference is "Automating International Business." Guillermo Jimenez of the International Chamber of Commerce in Paris, will give a general overview of electronic data interchange and standards in Europe.

WATERCOM STATION CHAIN. Waterway Communications Systems Inc. of Jeffersonville, Ind., has expanded its coverage of the Mississippi River and the Gulf coast of Louisiana.The system is completed along the Gulf portion of the Intracoastal Waterway south of New Orleans to Head of the Passes. A new shore station at Venice, La., will provide voice and data coverage to towboats, supply boats, dredges and offshore vessels beginning June 1.

PACIFIC RIM CONFERENCE. A seminar and exposition on Pacific Rim trade opportunities, sponsored by the International Trade Association Greater Chicago, will be held May 22 in the East Ballroom of the Rosemont O'Hare Exposition Center in Chicago. Speakers will include Richard L. Johnston Jr., principal deputy assistant secretary for international economic policy, U.S. Department of Commerce; Robert D. Orr, U.S. Ambassador to Singapore; Mrs. LoRee P. Silloway, director of the Chicago office, U.S. Department of Commerce; and James L. Yuen, representative of the Hong Kong Trade Development Council. Registration before May 25 will be $75 for members and $90 for non-members.

AUTOMATED TRUCK RACK. An automated truck rack system designed for loading petroleum products was recently opened at GATX's Argo Terminal in Chicago. The system has the capacity to load 600 gallons of product a minute. It takes about 20 minutes for a truck to be filled and processed. The four-bay driver loaded rack features automatic bill-of-lading printouts and a key-card automation system for secure access to products. Two bays are capable of blending petroleum products with other products in the terminal, such as natural gas or ethanol.

HUB GROUP BROCHURE. Hub Group Distribution Services, a newly formed division of the Hub Group, an independent shipper agent, has published a new brochure, "Your Customized Distribution Source." The brochure outlines customized, door-to-door distribution services provided by the division for consolidation, distribution and logistics management of multiple shipments of freight throughout the United States. It is available from the division offices at 220 Campus Drive, Suite 101, Arlington Heights, Ill, 60004. The telephone number is (708) 253-6800.

SCHELEEN AWARD. The American Society of Transportation and Logistics will present the 1991 Joseph C. Scheleen Award for Excellence to Lt. Gen. William G. "Gus" Pagonis, the head of the Army's logistics effort during the Persian Gulf war. The presentation will be made at the society's annual meeting Oct. 9-12 at Snowmass Village in Aspen, Colo.

NORTHWESTERN CONFERENCE. A management and policy conference will be held June 17-19 at the Transportation Center at Northwestern University in Evanston, Ill. Speakers will include Travis Dungan, administrator of the Research and Special Programs Administration, U.S. Department of Transportation; Alan Roberts, director of Office of Hazardous Materials, U.S. Department of Transportation; Michael Trentacoste, director of Motor Carrier Field Operations, Federal Highway Administration, U.S. Department of Transportation; Phillip Olekszyk, associate administrator of the Federal Railroad Administration, U.S. Transportation Department; John Badger, director of materials and transportation purchasing, Olin Corp.; Clifford Harvison, president of National Tank Truck Carriers Inc.; Thomas Donohue, president and chief executive officer of the American Trucking Associations Inc.; James Hagen, chairman, president and chief executive officer of Consolidated Rail Corp.; Walter Quanstrom, vice president for environmental affairs and safety, Amoco Corp.; Ernest Ruppe, "Responsible Care" coordinating group chairman, Chemical Manufacturers Association; and C.A. Karstendiek, Stephen Hermann, manager of distribution risk assessment, Dow Chemical. For information, call (708) 491-7287.

LYKES DISTRICT MANAGER. John Petroff has been named district sales manager in Cleveland for Lykes Bros. Steamship Co., Inc. He will oversee all sales operations in Ohio, portions of Michigan, Pennsylvania, West Virginia and western New York. He began with Lykes in 1987 as senior sales representative.

OAKLAND HARBOR DEEPENING. The San Francisco District of the U.S. Corps of Engineers is proceeding with plans to take over the 42-foot Oakland Harbor deepening project from the Port of Oakland. Charles R. Roberts, the port's acting executive director, said the plan will mean savings in both time and money in dredging the port's inner and outer harbor channel, enlarging the outer harbor channel and providing new and expanded turning basins to accommodate fourth-generation container ships. The harbor-deepening project, which has been delayed for almost three years by lawsuits, will be completed in two phases. In the first phase, the inner harbor would be dreged to 38 feet from 35; and in the second phase, the inner harbor channel would be deepened to 42 feet, the turning basin completed, and the outer harbor channel and turning basin would be dredged to 42 feet. The original plans called for the port to complete the first phase and the Corps the the second.

COMPUTER-AIDED DISPATCHING. Consolidated Freightways Inc., has chosen Carrier Logistics Inc., of Rye Brook, N.Y., to provide the software for a compuer-aided dispatch system it is developing for long-haul and regional trucking businesses. The ROUTRONIC 2000 software will automate a number of freight operations, including orders, pickups, delivery routing and driver dispatching. Consolidated Freightways is a $4 billion diversified transportation company .

RECORD CONTAINER LOADING. Cranes at the Port of Portland's Terminal 6 container complex are averaging between 25 and 30 containers an hour, which is "as good or better production than found at any other port in the country," said Bob Hrdlicka, the general manager for the port's terminal operation. The highest shift production during the third quarter of 1990 was 36.6 containers per hour loaded on NYK's California Zeus. The highest shift production in the fourth quarter was 36.8 containers an hour loaded in the NYK/Hyundai Marine joint service vessel, California Apollo. The port has a dockside intermodal rail yard, which can handle two trains at a time.

HAPAG-LLOYD SALES MANAGER. Susan Mischo has been appointed sales manager for the Southern California region of Hapag-Lloyd (America) Inc. Ms. Mischo will have sales responsibilities for Hapag-Lloyd's European and Pacific all-water service.


Mischo

SEAFOOD SALES MANGER. Dan Fay has been appointed to seafood sales manager for North America by the Alaska Division of Sea-Land Service Inc. Fay will move from the company's Anchorage office to Seattle. Prior to joining Sea-Land, Fay was Alaska manager for Southern Alaska Forwarders.

AUSTRALIA SERVICE. Broken Hill Properties Ltd's International Marine Transport Lines, has inagurated service with three ships between Tacoma, Wash., and Australia. The three vessels are self-sustaining, with a heavy lift capacity of up to 135 metric tons. The square-hatch, open-hold vessels handle forest products and machinery, as well as refrigerated and dry containers.

REAL ESTATE MANAGER. Jeffrey K. Stone is the new real estate manager for the Port of Vancouver, Wash. Stone will manage the port's industrial property development activities, which include the development and management of plans and procedures, maintenance of property permits, and environmental compliance. Before accepting the new position, Stone was an independent contractor in Vancouver.

L.A. MARKETING DIVISION. Karen Tozer has been named manager of general cargo and cruise services and Tom Underhill manager of bulk products at the Port of Los Angeles. Before joining the port, Underhill had been marketing manager for the Port of Long Beach. Tozer has previously worked for steamship and import/export companies, and has also taught transportation classes for government agencies and private companies.

PORTLAND FOREIGN TRADE ZONE. The Foreign Trade Committee of the U.S. Chamber of Commerce has approved the application of the Port of Portland, Ore., to expand its foreign trade zone designation. The expanded FTZ ruling covers nearly all of the port's four major operating areas—aviation properties, industrial parks, marine terminals and a ship-repair yard. Prior to the approval, Oregon's only active FTZs were located at the port's Terminal 6, which handles container and automobile shipping , and at a public-use distribution center in Beaverton owned by Tektronix Inc.

EXIMBANK LA OFFICE. The U.S. Export-Import Bank has opened a field office in Los Angeles, headed by West Coast manager Arthur J. Obester. Address is 11000 Wilshire Blvd., Suite 9103, Los Angeles 90024; phone (213) 575-7425; fax (213) 575-7428.

ROBERT CRANDALL RETIRING. Robert Crandall is retiring as general manager of the Oakland Port Authority's marine terminals department. Crandall "has been with the port for 25 years and was instrumental in the growth of Oakland as a major container port," said port commission president Carole Ward Allen.

THOMAS HEWITT DIES. Thomas E. Hewitt, who spent his entire 44-year career in transportation with Southern Pacific Transportation Company, died April 12 in San Francisco. He was 83. Hewitt retired in 1970 as a general freight and passenger agent. He served that year as president of the Pacific Traffic Association. He belonged to the Transportation Club of San Francisco.

CN PROFIT DROPS. Canadian National has reported a net income for 1990 of C$7.7 million, down from $205.8 million in 1989. Ron Lawless, president and chief executive officer, said the company bore the brunt of Canada's economic slowdown, with revenues off 4 percent and costs up 6 percent. Income for rail operations, which produce 94 percent of the company's revenues, fell from $137.7 million the previous year to $110.7 million last year. "Profit margins have shrunk in recent years," Lawless said. "Revenue per ton mile is down some 3 percent since 1985, while inflation has driven costs up by 25 percent in the same period." The railways losses were offset by good returns from Canadian National's Enterprises group, he said. Freight revenues fell $121.3 million from 1989 primarily because of lower traffic. Although grain, sulphur, potash, petroleum and chemicals improved, these gains were offset by less revenues from all other commodities. Expenses in 1990 were $3.498 billion -- $95 million higher than 1989, but $73.1 million lower than in 1988. Factors contributing to the increased costs last year included separation costs as a result of an arbitration award, higher fuel prices, downsizing expenses, higher equipment-leasing expenses, and increases in taxes and interest. As a result of the losses, the railway company has already reduced anticipated capital expenditures of $455 million for 1991 to $327 million, a reduction of 28 percent.

HANJIN SALES MANAGER. Peter E. Rennie has been appointed sales manager for Montreal for the Hanjin Shipping Co. Rennie, who began his career in container shipping as a dock clerk for a steamship agency and freight forwarder in London, came to Hanjin after managing European and Mideastern operations for Seabridge International. He has 25 years of experience.

CANADIAN PACIFIC. Officials at the Canadian Pacific Limited blamed economic recession, a cyclical slump in the forest industry and the high value of the Canadian dollar for first quarter net losses of (C)$5.3 million or two cents per share. In the comparable quarter of 1990, the company had earnings of (C)$76.2 million, or 24 cents per share. Revenues fell to (C)$2.45 billion, down (C)$107 million from the first quarter last year. Operating income of (C)$81.9 million was (C)$139.9 million less than last year's first quarter income of (C)$221.8 million. Non-operating income included a $40.5 million gain on the sale by United Dominion Industries Limited of its packaging equipment division. CP showed depressed results in nearly every segment9f its operations. CP Rail System fared poorly this quarter despite a 3 percent increase in traffic volume, reflecting increased grain shipments. CP Ships came out of the first quarter with an operating loss of (C)$7.2 million, compared with a (C)$0.2 million profit in the first quarter last year. The company blamed low rates and higher expenses resulting from expanded operations, schedule disruptions and vessel repairs for its failure to show a profit in spite of an increase in container volume. Reduced traffic volume and rising costs contributed to CP Trucks operating loss of (C)$2.9 million. During the same quarter last year, the company lost (C)$2.6 million. Canadian Forest Products Limited lost (C)$62.5 million, compared with operating income of (C)$16.9 million in the first quarter last year. The loss reflects a drop in the selling price of pulp, as well as decreased sales of newsprint and pulp.

Washington Briefs

By Tony Beargie (202) 347-1678, FAX (202) 783-3919

Revolving Loan Plan Proposed for Ports

A revolving loan program for port improvements would be established under a bill (H.R. 2135) introduced by Rep. Thomas M. Foglietta, D-Pa.

The proposed loan program would be financed by congressional appropriations and administered by the secretaries of commerce and transportation.

Interest rates on the loans would have to be below market rate while still ensuring that the level of the revolving fund "will increase, not counting future transfers, at approximately the rate of inflation as determined by the secretaries."

Aggregate loans to a port would be limited to $30 million over five years, and could cover up to half of the cost of improvements. Twenty percent of the fund's loans would be set aside for "small deep-draft ports."

Bentley Files Forwarder Compensation Bill

A bill to require minimum compensation to freight forwarders has been introduced by Rep. Helen D. Bentley, R-Md.

The 1986 Tax Reform Act required conference carriers to pay minimum commissions to forwarders who also act as customs brokers.

Since the law took effect, other forwarders have been trying to persuade Congress to extend the minimum—1.25 percent of the freight bill, including surchages—to them.

FMC Would End Filing of Terminal Tariffs

The Federal Maritime Commission has proposed a new rule that would end the requirement for filing of tariffs by marine terminal operators.

The proposed exemption would not apply to rates, charges, rules and regulations developed in marine terminal conference agreements. However, the FMC's proposed rule solicited comments on that issue.

The FMC proposal (Docket No. 91-20) would retain commission authority to judge formal complaints of Shipping Act violations, even if no tariff-filing is required.

Bush Opens All U.S. Ports to E. European Ships

All U.S. ports have been opened to ships flying Eastern European flags under a directive signed by President Bush.

Previously, 12 military-sensitive ports had been closed to Eastern European ships, and 14 days' notice had been required before calls at any U.S. ports by Bulgarian, Czechoslovakian, Hungarian, Polish and Romanian vessels

The Whtie House said the new access policy "represents another step by the U.S. in discarding Cold War restrictions and in welcoming the countries of Eastern Europe into the international community of democratic nations."

The 12 ports opened to Eastern European ships are Charleston; Hampton Roads; Honolulu; San Diego; Kings Bay, Ga.; New London and Groton, Conn.; Panama City, Pensacola, Port Canaveral and Port St. Joe, Fla., and Portsmouth, N.H.

Lexzau, Leschaco Settle for $150,000

The Federal Maritime Commission has agreed to a $150,000 settlement with a German freight forwarder and NVOCC in connection with an investigation into malpractices in the transatlantic trades.

The settlement was with Lexzau, Scharbau GmBH & Company (Lexzau) and Leschaco Inc. Lexzau is based in Bremen. Leschaco, a Delaware corporation, is a wholly-owned subsidiary based at Richmond, Va. Leschaco is a licensed U.S. ocean freight forwarder and tariffed non-vessel-operating common carrier.

The FMC said the settlement resulted from information developed by the New York and Houston offices of the commission's Bureau of Investigations and a commission investigation into malpractices in the transatlantic.

Lexzau and Leschaco allegedly violated Section 10(a)(1) of the 1984 Shipping Act by obtaining or attempting to obtain transportation at rates less than those specified in tariffs and service contracts.

The FMC said its information also indicated violations of the Shipping Act's Section 8, for providing transportation as an NVOCC beyond the scope of filed tariffs; of Section 10(b), for providing transportation as an NVOCC at rates other than those listed in tariffs, and of violating FMC rules on forwarder compensation.

As is customary in such settlements, neither Lexzau nor Leschaco admitted any legal violation.

20 Appointed to Customs Advisory Panel

Twenty members have been appointed to a private-sector advisory group to the Customs Service.

The Treasury Advisory Committee on Commercial Operations of the U.S. Customs Service is designed to provide business input on issues such as the Customs Modernization Act, user fees and operational changes and policies.

Members are William R. Casey, the Myers Group Inc.; Aaron Cross, IBM; Jane A. Beseda, Toyota Motor Sales U.S.A. Inc.; Seth M. Bodner, National Knitwear and Sportswear Association; Fermin Cuza, Mattel; David W. Danjczek, Litton; Alfred De Angelus, De Angelus & Schaffner; Moshe J. Genauer, Genauer Clothiers Inc.; Gail W. Lewis, Aircraft Owners & Pilots Association; Lillian C. Liburdi, Port Authority of New York and New Jersey; Arthur L. Litman, Castelazo & Associates; Michael M. Miles, Rudolph Miles & Sons Inc.; Eugene J. Milosh, American Association of Exporters and Importers; Stanley Nehmer, Economic Consulting Services Inc.; Richard E. Norton, Air Transport Association; Daniel O. Pegg, San Diego Economic Development Corporation; David H. Phelps, American Iron and Steel Institute; Penny Somerset, Watkins-Johnson International; Thomas G. Travis, Sandler, Travis & Rosenberg, and Peter M. Zubrin, General Motors Corporation.

Citibank Offers to Help Shipbuilders

A Citibank representative said his bank is prepared to provide expertise to the U.S. Export-Import Bank in originating, structuring and distributing ship finance for export customers of U.S. shipyards.

"Access to working capital will be key to export sales," Citibank spokesman John Heuss told a recent meeting of Eximbank's Export Finance Group.

He said possible roles for Eximbank in export ship finance include providing loans or guarantees, repossession insurance, or working capital finance.

John Stocker, president of the Shipbuilders Council of America, told the Eximbank Group that U.S. shipyards have opportunities for foreign sales during the 1990s.

He cited demand for newbuildings to replace old ships and said that skills learned in building Navy vessels in U.S. yards will have an advantage in high-technology vessels, high-speed ferries, cruise ships and vessels of new and custom design.

One-Day Notice For New NVO Tariffs

The Federal Maritime Commission extended to May 24 the period during which any new non-vessel-operating common carrier tariff may be filed on one day's notice.

The extension was a procedural action related to new requirements for bonding and tariff-filing by foreign NVOs. The effectiveness of the requirements had been delayed by the FMC, causing some confusion.

The action merely waived the normal 30-day notice requirement for newly received NVO tariffs and did not affect the bonding or tariff-filing requirements.

Truckers Criticize ICC Ratemaking Ruling

A long-awaited decision in the Interstate Commerce Commission's investigation of motor carrier ratemaking fails to address the financial plight of less-than-truckload carriers, a trucking spokesman contends.

"The decision addresses the symptoms, not the disease," said James C. Harkins, executive director of the Regular Common Carrier Conference.

The ICC, by a 4-1 vote in Ex Parte MC-196, received a staff report reaffirming the lawfulness of rate bureau general rate increase procedures and connected independent rate actions by carriers.

Harkins said, however, that the report recommended no change in ICC policies on rate discounting that he said has caused "the financial collapse of the general commodities section of the trucking industry."

Charter Revenue To Be Kept From Pool

Six lines operating between Argentina and the U.S. Gulf have asked the Federal Maritime Commission to allow them to keep space-charter revenue separate from a pool in the trade.

Parties to the proposed amendments to the Argentina/U.S. Gulf Ports Agreement are American Transport Lines, Empresa Lineas, Maritimas Argentinas S.A., A. Bottachi S.A., de Navegacao C.F.I.I, Companhia Maritima Nacional and Companhia de Navegacao Lloyd Brasileiro.

$10,000 FMC Settlement with Stute

The Federal Maritime Commission has entered a $10,000 settlement with a German freight forwarder and its U.S.-based forwarding and non-vessel-operating common carrier subsidiary for alleged malpractices in the transatlantic trades.

The companies, Stute Verkehrs GmbH of Bremen and Stute International Inc. of Hoboken, N.J., were accused of violating Section 10(a)(1) of the 1984 Shipping Act by obtaining or attempting to obtain transportation at rates below those in applicable service contracts. The companies admitted no legal violations.

Customs Narrows Jones Act Loophole

A new Customs Service policy has closed what coastwise tanker operators said was a loophole that allowed foreign operators to carry blended oil in domestic trades covered by the Jones Act.

Prior to the change, Customs had held that blending of fuels automatically created a new product that could be carried by foreign operators between U.S. ports. Customs now says it will make case-by-case reviews before determining whether the blending has produced a new product.

In comments filed after Customs proposed the policy change last November, domestic operators favored the change while fuel oil suppliers and terminal operators opposed the change.

Unions Criticize Customs Modernization Act

Seagoing labor groups have criticized draft legislation that would allow Customs to limit emergency ship repairs that U.S.-flag carriers could have done in foreign yards without incurring a 50 percent tariff.

The National Marine Engineers Beneficial Association and the American Maritime Congress said the proposed Customs Modernization Act contains language that would put a new interpretation on emergency repairs that are exempt from the 50 percent tariff.

The Shipbuilders Association of America has supported a proposal to require payment of the tariff on repairs that result from fraud or negligence by the vessel operators.

U.S.-flag operators have criticized the proposal, saying it would require extensive paperwork and would discourage the reporting of mechanical problems.

C.E. DeFries, president of NMEBA, said the provision in the Customs Modernization Act, which the Customs Service is promoting, gives the appearance that Customs "is carrying the ball for one interest group, the shipbuilders."

Matson Files Appeal for 3.6% Increase

Matson Navigation Company has asked the U.S. Court of Appeals in Washington to grant a 3.6 percent rate increase that was only partially approved by the Federal Maritime Commission.

The FMC voted last October to grant Matson an increase of only 2.68 percent on cargo moving between the Pacific Coast and Hawaii. The commission refused to reconsider its decision.

In its October ruling the FMC held that the lower increase was justified because of Matson's risk in relation to a 10.58 percent rate of return that the higher increase would have produced.

Lykes Questions Filing By Waterman

Lykes Bros. Steamship Company has asked the Maritime Administration to seek more information on Waterman Steamship's request to use a foreign-flag LASH ship as a feeder in Southeast Asia.

If more information isn't provided, the request should be denied, Lykes said. Waterman wants to use the LASH ship *Acadia Forest* as a feeder in the Indonesia/Malaysia/Singapore/Burma area, which is served by Lykes on a subsidized trade route.

Brooklyn's Owner Wants to Reflag

The owner of the 225,000-dwt. tanker *Brooklyn* has asked the Maritime Administration to allow the ship to be transferred to foreign registry and flag.

Wilmington Trust Company, owner-trustee for General Electric Credit Corporation, said the vessel cannot be employed under the U.S. flag and could face scrapping unless its registry is changed.

The *Brooklyn* was built in 1972 with construction subsidy. In June 1986, the ship's owner repaid the unamortized portion of the subsidy so that the tanker could operate in domestic trades.

Wilmington Trust said that if the ship were re-registered under foreign flag, it could remain under effective U.S. control and available to the U.S. in a national emergency.

NY/NJ Retains Intermodal Subsidies

The Port Authority of New York and New Jersey has filed an incentive agreement under which it will subsidize the Bermuda Container Line Ltd.'s container movements through the port.

The agreement filed with the Federal Maritime Commission provides for the port authority to pay the carrier $25 per import container and $50 per export container for cargo loaded on or discharged from a vessel at the port.

Shipbuilders Council Moves Across Potomac

The Shipbuilders Council of America has moved across the Potomac River to 4301 N. Fairfax Drive, Suite 330, Arlington, Va. 22203. The new phone number is (703) 276-1700. Fax (703) 276-1707.

Shipping

By Joseph Bonney (904) 355-2601, FAX (904) 791-8836

Tavrow Resigns From American President

Richard L. Tavrow, senior vice president, secretary, general counsel and a director of American President Companies, has resigned.

The company said Tavrow, who had been with APC for 13 years, left to pursue other interests. "We are sorry to see Dick leave; he has made many contributions to APC," said chairman W.B. Seaton. "We wish him success in his future endeavors."

Enerchem Charters Vessels From Cleveland Tankers

Enerchem U.S.A., a newly created subsidiary of Enerchem Transport Inc. of Montreal, has entered long-term time charters of the Cleveland Tankers Inc. petroleum vessels Gemini and Saturn.

The time charters result from Ashland Oil Inc.'s agreement to sell the assets of Cleveland Tankers to Patriot Shipping Inc., a private U.S. shipping company of which Enerchem Transport is a minority shareholder.

Enerchem said it expects to keep the Cleveland tanker name, and that the vessels will continue to move petroleum products, including asphalt, chemicals and fertilizers, on the St. Lawrence Seaway and Great Lakes.

Companies Promote Ship Management Standards

Representatives of 35 ship management companies attended the initial meeting of the International Ship Managers' Association, an organization that will promote safety standards.

The association is an outgrowth of a group of five ship management companies that have been trying to promote the ship management industry and develop a code of ship management standards.

The five companies are Barber International A/S of Norway; Columbia Ship Management Ltd. and Hanseatic Shipping Co. Ltd., both of Cyprus; Denholm Ship Management of Scotland, and Wescol International Marine of England.

To be accepted into the new association, companies must be certified according to the code of standards developed by the so-called Group of Five in cooperation with three ship-classification societies -- Det Norske Veritas, Germanischer Lloyd and Lloyd's Register of Shipping.

The new association's president is David Underwood of Denholm Ship Management of Glasgow. M. Gjalt Ytsma of Mercury Shipmanagement of Hong Kong was elected vice president.

U.S.-Flag Operations Boost Earnings for OMI

Gains in U.S.-flag operations enabled OMI Corporation to report first-quarter net income of $7.17 million, or 22 cents a share, compared with $4.4 million, or 14 cents a share, a year ago.

OMI, which operates 43 U.S.- and foreign-flag bulk carriers, reported an increase in revenue to $73.684 million from $59.589 million a year earlier.

Norwegians Establish Forest Products Carrier

A new carrier in the North American forest products trade, Saga Forest Carriers Intl. (USA), has been created by two Norwegian shipowners.

The two shipowners, E.B. Assby's Rederi and A/S Borgestad have operated in the European forest products trade as Saga Forest Carriers Intl. A/S. Saga (USA) will operate five ships in two North American services—one from the U.S. East and Gulf coasts to Japan and Korea, the other from the Pacific Northwest to Europe.

The services will officially commence in January, but a few sailings could begin before year end, the companies said.

Wallem (Thailand) Ltd. Agency in Vietnam

The Wallem Group has concluded negotiations with the Hanoi government to open the first foreign-owned shipping agency and service company in Saigon.

Wallem is an affiliate of London-based Wescol International Marine Services. The core activities of Wescol and Wallem are ship management, shipbroking and ship agency.

Soviet Great Lakes Service

Baltic Shipping Company of Leningrad has begun a liner service to the Great Lakes with the sailing of the 12,000-dwt. Novopolotsk to the ports of Detroit, Milwaukee and Burns Harbor, Ind.

The service results in part from the U.S.-Soviet Maritime Agreement of 1990, which allowed Soviet vessels destined to and from U.S. ports to load "cross-trade" cargo for third nations.

Baltic's new service will have monthly sailings by two conventional ships. Detroit, Milwaukee and Burns Harbor will be regular calls. Other ports will be called on inducement, if at least 1,500 to 2,000 metric tons of cargo is available.

Lykes and Deppe Add Charleston to Schedule

Lykes Lines has added the Port of Charleston westbound to its full container service between Northern Europe and the United Kingdom and the Gulf/East Coasts of the United States.

Lykes' weekly East and Gulf Coasts/North Europe service, in coordination with Deppe Lines, includes the port of Miami.

ACL Will Resume Calls at Antwerp

Atlantic Container Line will resume calls at the Port of Antwerp, beginning the end of May, replacing the second Rotterdam call from its North America/Europe service. The first trip is scheduled to be made by the *Concert Express*, ACL's 57,255-ton ro/ro container vessel.

ACL said its decision to return to Antwerp was influenced by the development of the port's new $175-million terminal. The terminal is located outside the port's locks.

TWRA Phases In Higher Rates

The Transpacific Westbound Rate Agreement has filed a new schedule of commodity-specific rate increases, which will take effect June 1 and July 1, as part of its 1991 rate program.

Increases will affect forest products, waste paper, resins, hides, building materials, canned goods, dried fruit, animal feeds, vehicles and oil well supplies. They range from $40-$200 per 40-foot container and $2-$5 per revenue ton, with proportionate increases for cargo otherwise rated.

TWRA also indicated that container yard terminal receiving charges will be separate from basic freight rates for certain commodities such as plywood and veneer, fiberboard, woodpulp, kraft linerboard and milk carton stock.

TWRA Postpones Indonesia Congestion Surcharge

The Transpacific Westbound Rate Agreement has again postponed—until July 1—a scheduled congestion surcharge on TWRA-controlled shipments from North America to the Indonesian ports of Jakarta and Surabaya.

TWRA initially filed the surcharge in July 1990. TWRA managing director Ronald B. Gottshall said, however, that while congestion problems persist, there has been progress. He said TWRA would continue to monitor conditions at Jakarta and Surabaya, and would take further action as warranted.

TWRA Fuel Surcharge Reduced to 1989 Levels

Effective May 1, the Transpacific Westbound Rate Agreement reduced its fuel surcharge to the lowest levels since that surcharge was put into effect in mid-1989.

TWRA said the reduction was made possible by a drop in fuel prices after the Persian Gulf war.

The new surcharges are $20 per 40-foot and 45-foot container; $16 per 20-footer; $10 per vehicle rated on a per-unit basis; and $1 per revenue ton for all other cargo.

ANERA Lowers Fuel Surcharge in Wake of War

The new fuel surcharge for the Asia North America Eastbound Rate Agreement (ANERA) will be $41.25 per FEU and $0.75 per revenue ton, with proportionate charges for other equipment sizes and cargo otherwise rated.

The calculation formula for the surcharge is based on weekly weighted averages of fuel prices paid by member lines in Los Angeles, Seattle, New York and Singapore. The formula further takes into account varying consumption, deployment and fuel purchasing patterns across the agreement membership.

New Company Inaugurates Service to South Pacific

South Pacific Interline Ltd. has started a liner service between North American and South Pacific ports, said Steffan Melin, president of the Bahamas-based company.

South Pacific Interline will operate a 50-day round-trip schedule originating in Vancouver, B.C., and calling at Tacoma, Coos Bay, San Francisco and Long Beach on the West Coast, and Papeete, Pago Pago, Apia, Nukualofa, Noumea and Lae in the South Pacific Islands.

South Pacific is owned by the Gotland Group of Sweden. Hanse Shipping Agency, Inc. of San Francisco has been named managing agent for the company. Sunrise Shipping Agency, inc. was named agent in the Pacific Northwest and Farman Shipping, Ltd. in Canada.

CMB Unit to Call Weekly at Beirut

Merzario Marittima, the wholly-owned subsidiary of CMB Transport, is expanding its UK-North Europe-East Mediterranean services to include direct weekly port calls at Beirut in Lebanon.

This service now offers direct calls from Felixstowe to Alexandria, Beirut, Lattakia and Mersin. CMB (UK) Ltd. is the agent for Merzario Marittima in the Red Sea, Gulf and Mediterranean.

UASC Adds Breakbulk Sailings

United Arab Shipping Company has introduced a monthly breakbulk service from the U.S. East and Gulf coasts to the Red Sea and Persian Gulf.

The service, aimed at project shippers involving in the rebuilding of Kuwait, is in addition to UASC's fortnightly container service.

The service will use 22,000-dwt. ships with gear that can handle lifts of up to 105 tons.

NSCSA Commits Eight Ro/Ros to U.S.-Middle East

The National Shipping Company of Saudi Arabia has expanded its service to the Mideast by entering its entire fleet of eight ro/ro vessels in the U.S.-Middle East trade, offering sailings about every 10 days. Previously, the company's sailings were approximately every three weeks between U.S. and Middle East ports.

The service will connect U.S. ports in Houston, New Orleans, Savannah, Norfolk, Baltimore and New York with Dubai, the United Arab Emirates, Bahrain, Jeddah, and Dammam.

Sea-Land, UASC Begin Feeder Service to Kuwait

Sea-Land Service Inc. and United Arab Shipping Company have resumed a scheduled feeder service for containers and general cargo from the United Arab Emirates ports of Jebel Ali and Rashid to Port Shuaiba in Kuwait.

Both companies will use UASC ships in the weekly service. The lines will market the service through their own networks. The service will accept either UAE-origin or relay cargo.

Lykes Adds Second Ship to Middle East Service

Lykes Lines has added a second vessel, the *Charlotte Lykes*, to its Gulf/East Coast/Middle East service to Saudi Arabia. The expanded service offers full container service, LCL, project cargo and breakbulk cargoes.

Lykes' regular 12-day Mediterranean liner service includes calls at Miami, Houston/Galveston, Charleston, Norfolk, New York, Leghorn, Alexandria, Haifa, Izmir and Naples. Ports for the multipurpose service include Houston, New Orleans, Charleston, Baltimore, Morocco, Tunisia, Turkey and Alexandria.

WCME Conference Adopts GRI

The West Coast/Middle East Rate Agreement has adopted a general rate increase, effective July 1.

The increase has been set at $565 per 45-foot container, $500 per 40-foot container, $400 per 20-foot container, $25 per revenue ton for cargo rated by weight, $13 per revenue ton for cargo rated by measure, and $25 per revenue ton for all other cargo.

WCME administrator William J. Anderson said the agreement's three members—American President Lines, Maersk Line and Sea-Land Service—are operating at capacity in the aftermath of the Persian Gulf war. Anderson emphasized that the planned increase was filed to cover contingencies.

WCME Lines Further Reduce Fuel Surcharge

The West Coast/Middle East Rate Agreement has decreased its fuel adjustment factor surcharge to $20 per 40-foot and 45-foot container; $16 per 20-foot unit; $1 per revenue ton for cargo rated

Caribbean & South America

CAVN Calls At Norfolk

The Port of Norfolk has become a direct port call on the North Atlantic service of Venezuelan Line. The *Carabobo* and *Tachira* will be used on an alternating schedule. Both 250-TEU vessels are capable of carrying refrigerated, breakbulk, heavy-lift and oversized cargo.

The Port of New York/New Jersey is the first direct inbound U.S. port for the *Carabobo*. In Venezuela, the vessel will call direct at La Guaira and Puerto Cabello to discharge and load cargo.

New York is the first inbound U.S. port on the line's Orinoco River Service, served by the *Tachira*, with the Jacksonville as the

by weight; $.50 per ton for cargo rated by measure; and $1 per ton for all other cargo.southernmost direct U.S. port. Matanzas and Puerto Ordaz are served direct in Venezuela for southbound cargo.

T. Parker Host, Inc. is Venezuelan Line's Norfolk agent.

South American West Coast GRI

The Atlantic and Gulf/West Coast of South America Conference announced a general rate increase of 7.75%, effective May 15, applicable to all base tariff rates, including intermodal rates. The conference also canceled its bunker surcharge.

Domestic

APC, UP, Mexican Rail Stacktrain

American President Companies, Union Pacific Railroad and Ferrocarriles Nacionales de Mexico have established a stacktrain service between Mexico City and the U.S. Midwest.

The Double Eagle service provides fixed daily departures and arrivals for freight movements from Mexico City to Chicago. From Chicago, APC's connecting truck services are available to points throughout the Midwest.

Southbound, the Double Eagle carries auto parts to automotive assembly plants in the Mexico City area. The service also is available for a limited amount of general U.S. export freight.

The southbound service features in-bond customs documentation that allows freight to be inspected for customs clearance in Mexico City rather than at the congested border. Northbound traffic also moves in-bond, and is cleared before departure at Mexico City.

Sea-Land Launches Twice-Weekly Honolulu Service

Sea-Land Service Inc. has introduced a four-vessel service linking the U.S. West Coast with Honolulu and Japan. The new schedule doubles the line's capacity and frequency of service to Honolulu, with two weekly calls.

Sea-Land serves Hawaii with two routes. The Hawaii/Guam Express service, including four 1,025-FEU, C-8 class container ships and the *Sea-Land Reliance*, calls Tacoma, Oakland, Honolulu, Guam, Kaohsiung and Tacoma. The Pacific Island Express service, consisting of two SL-18s, the *Sea-Land Spirit* and one C-6 class vessel, calls Oakland, Long Beach, Honolulu, Nagoya, Yokohama, and Oakland.

Auto Parts Train Between El Paso and Detroit

Santa Fe Railway has begun an auto parts train between El Paso and Detroit to link Ford Motor Company's Mexican parts manufacturing business and its Midwestern and Canadian assembly plants.

Three trains a week will operate between El Paso and Detroit—on the Santa Fe Railway between El Paso and Chicago and on the Grand Trunk Western Railroad between Chicago and Detroit. The trains will service facilities in Kansas City; St. Louis; Louisville; Chicago; Detroit; Lorain, Ohio, and Ontario, Canada.

Non-U.S. Canada Trades

OOCL Upgrades Australia/Far East Link

Orient Overseas Container Line Ltd. has begun serving Australian and Far East ports under its own name. The move follows the end of a consortium agreement with Asia Australia Express Ltd., Australian National Line and Yang Ming Transport Corp.

OOCL said it will serve Hong Kong, Keelung, Kaohsiung, Sydney, Melbourne and Brisbane on a 12-day frequency, and soon will shorten that to nine days.

Corporate Appointments

By Lynn Sharpe, (904) 355-2601, FAX (904) 791-8836

Matson Terminals Inc.
Matson Intermodal Systems

Gary J. North has been named president of Matson Terminals Inc. and James F. Sells has been named president of Matson Intermodal Terminals Inc.


North

North joined Matson in 1967 and worked in freight marketing and operations and as fleet operations supervisor before leaving in 1971 to join Seatrain Lines.

In 1977 he moved to United States Lines, where he was executive vice president of USL's Pacific service.

He rejoined Matson in 1987 as vice president, area manager, Hawaii, and in 1987 was promoted to vice president and general manager of Matson Navigation Company.


Sells

Sells joined Matson in 1970 as sales representative in Wilmington, Calif., and the following year was promoted to assistant regional sales manager.

He left Matson in 1974 and spent 11 years as an executive with trucking, warehousing and forwarding firms in Southern California, serving as president of Royal Hawaiian Forwarding and Laerco Transportation. He rejoined Matson in 1985 as general sales manager.

GATX Terminals

Bruce A. Conti has been named vice president of international operations and development of GATX Terminals Corporation, where he will oversee foreign joint-venture operations.


Conti

Conti has held various positions at GATX, including customer representative, director of European operations and development, director of international business development and, most recently, director of Asian operations and development in Singapore.

Steve Denney has been named vice president of finance and accounting. He joined GATX in 1980 and most recently served as general manager of the Calnev Pipeline System in San Bernardino, Calif.

"K" Line (UK) Ltd.

Ken Watanabe has been named managing director of "K" Line (UK) Ltd., and Chris Showell has joined the company as director and general manager.

Watanabe had been general manager of "K" Line's export sales division in Osaka. Showell has worked in senior management for several companies, including P&O, NFC, CP Ships and Canada Maritime.

"K" Line (UK) also appointed three managers. Barry Swinney was named commercial manager. He had been with "K" Line's previous U.K. agency, Canada Maritime Agencies Ltd.. Bob Watford, operations manager, had been general manager, U.K. operations, of Cast Europe UK (1983) Ltd. Alastair Hill, finance and systems development manager, had been general manager, corporate finance and administration of Unifruco.

"K" Line (UK) Ltd., the wholly-owned U.K agency of Kawasaki Kisen Kaisha Ltd., will commence trading on June 1.

Canada Maritime Services Ltd.

Frank Halliwell has been appointed commercial director and deputy chief executive officer of Canada Maritime Services Ltd. He replaced David Temple, who joined Gulf & Atlantic Maritime Services in New Jersey.

Halliwell began his shipping career with ACL as a project manager in 1971. He worked for Barber Blue Sea in Norway and the U.S. from 1977 to 1985, and from 1986 until joining Canada Maritime was a principal specializing in container shipping for Temple, Barker & Sloane.

In a reorganization of Canada Maritime's wholly-owned U.K. agency operations, Dave Dawson will move from Romford to the line's main office in Horley, where he will be responsible for all U.K. marketing, sales and customer service functions.

Three U.K. regional managers have been appointed from within the company. Alan Donaldson will head the Northern region from Liverpool, Maggie Whiston the Midlands from Birmingham, and Allen Steele the Southern region from Romford.

John Griffin, former managing director of Canada Maritime (UK), has been named vice president of Canada Maritime Ltd. in Bermuda.

Lykes Bros. Steamship Co.

James Correnti has been named manager of pricing, South America services, for Lykes. He has been with the company for 16 years in financial analysis and planning.

John F. Ohman has been named vice president, maintenance and repair. He was vice president, vessel engineering, since 1987.

CF Motor Freight

Peter D. Boulais has been appointed executive vice president of operations for C.F. Motor Freight, the long-haul trucking subsidiary of Consolidated Freightways Inc. He had been vice president of terminal operations in charge of CF's North American terminals.

Landstar System Inc.

Donald A. Lucchesi has been named president, James R. Martin chief financial officer, and Jack C. Sanford vice president of sales of Landstar System Inc.'s Gemini Transportation Services Inc.


Lucchesi

Lucchesi had been general manager of Gemini, which recently converted from general hauler to specialized carrier.

GST Corporation

Lanny S. Vaughn has been named president of Memphis-based GST Corporation, a third-party domestic consolidator and forwarder that was acquired by Nippon Yusen Kaisha in 1988.


Vaughn

Vaughn, who had been senior vice president/commercial division, joined GST in 1986 after 21 years with Southern Pacific Company.

Carolina Freight Corporation

Kenneth G. Younger Jr. has been elected chairman of Carolina Freight Corporation. John L. "Buck" Fraley, the previous chairman, will become chairman emeritus.

Both Fraley and Younger have served as president and chief executive officer. Fraley, who has been with Carolina for 42 years, succeeded company founder C. Grier Beam as president and, later, chairman.

Consolidated Freightways Inc.

John M. Kelly has been named senior vice president, general counsel and corporate secretary of Consolidated Freightways.

He had been with the San Francisco law firm of Morrison & Foerster, where he was partner with principal responsibility for CF.

Let's Clean Up the Shipping Act

The place to start, of course, is the exterior. Let's get rid of the excess garbage hung on the Act since it was enacted.

The biggest piece of garbage is the mistaken belief that the Act is really The Intermodal Door-to-Door Through Rate Transportation Act of 1984.

So, what is the Shipping Act of 1984?

Quite simply, it was, and still is, a law enacted at the urging of steamship lines to enable them to rationalize liner shipping services without fear of being sent to the federal penitentiary, and without the burden of regulations which enabled the Department of Justice, a shipper, a competitor, or any John Henry off the street to block any effort to rationalize service simply by filing a complaint, thereby stalling action for years.

American shippers were forced to pay the price.

The Shipping Act of 1984 deregulated all that, but kept in place sufficient antitrust rules to make sure conferences could not take advantage of their new freedom.

The benefit of this action was attested as recently as May 14 by Ernest W. Deavenport Jr., president of Eastman Chemical Company, in an address at the annual steamship night meeting of the Appalachian Traffic and Transportation Club at Kingsport, Tennessee—one of the largest attended shipper functions in the United States. He said:

"So again, walls came tumbling down. Deregulation removed the arbitrary barriers to competition.

"The result in air, rail, truck, and marine transportation has been a dramatic increase in competition. Freight rates have either held the line or actually been reduced, delivery is better than ever, and companies are using their creativity to offer additional services—or to combine with others as in piggyback and modular distribution—to vastly improve their competitive edge.... The benefits of deregulation keep moving on down the road like a 16-wheeler."

That's a powerful endorsement of rationalization.

While accepting the good effect of rationalization made possible by the Shipping Act, Deavenport went a little further, making a pitch for confidentiality of contracts:

"The Shipping Act was only a partial document, which still waits on 17 presidential appointees to decide on the industry's ultimate fate.

"One of its provisions, the confidentiality of contracts, is a key issue in this decision. Rail and truck companies have confidentiality. It makes them more competitive by not exposing rates to a company's rivals.... Eastman Chemical urges the President's Commission to recognize the urgency of shipping deregulation, and to act expeditiously in clearing this barrier to open trade."

That's where the garbage obstructed Deavenport's view. He has come to think of the law as The Intermodal Door-to-Door Through Rate Transportation Act of 1984—completely overlooking the fact that Sec. 7(b) of the law states specifically that it "does not extend antitrust immunity" to agreements involving inland transportation or to "any discussions or agreements" regarding the "inland divisions (as opposed to the inland portions) of through rates within the United States."

The Act does not forbid conferences to publish through rates, but in the absence of "discussion" of the inland divisions, such door-to-door rates must be at a safe level, high enough to cover every conceivable situation and too high to be competitive.

It was originally planned that the Shipping Act would apply only to port-to-port shipping. Conferences would establish the ocean tariff, and individual carriers would be free to deal with the inland portion of the through transport as they saw fit. There is plenty of room for competition on shore. Deals can be struck in private. Nothing about the inland deal has to be published until an *ocean* common carrier or conference enters into a service contract, but this obligation can be side-stepped when the inland contract is with a third-party logistical service which may, or may not, be affiliated with a steamship line.

Once we get rid of the garbage, we discover the Act is not such a bad law after all. Its benefits are unquestioned. Problems can be solved simply by cooling our romance with easy to read door-to-door rates, which are not really door-to-door rates at all but the bottom line of a long list of charges used to construct what has been labelled "door-to-door."