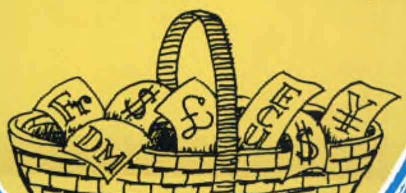
NOVEMBER 1992

American Shipper

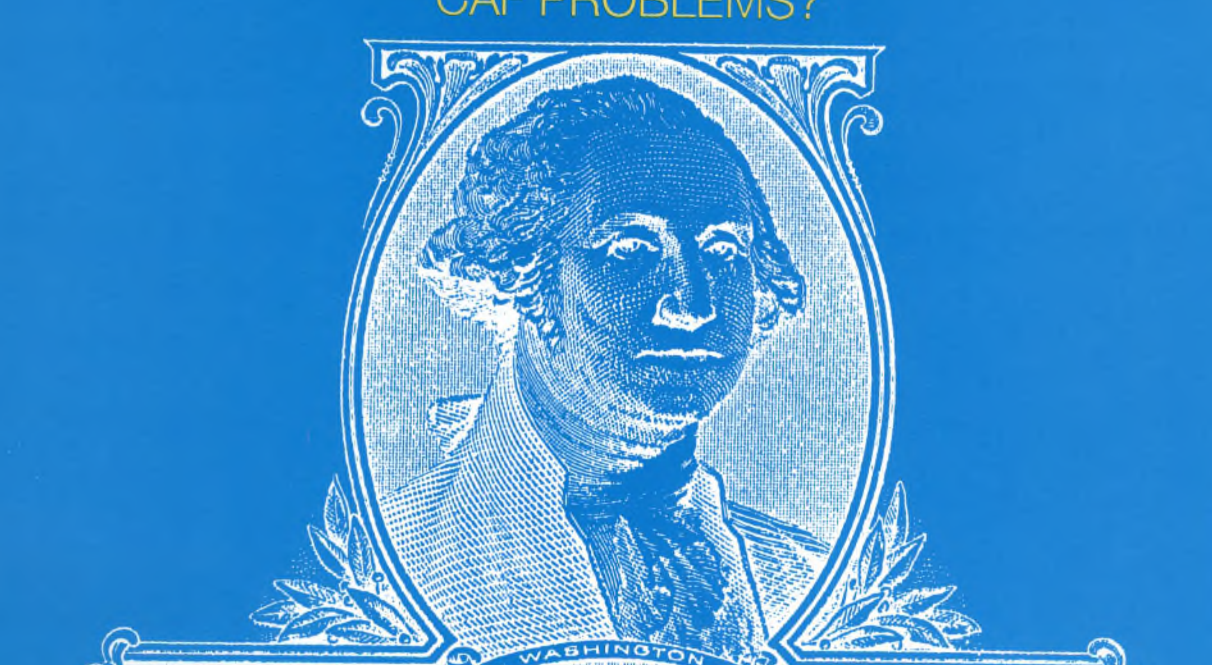
NTERMODAL EDITION

Dance of the Dollar

New Tariff Currency



WOULD IT SOLVE
CAF PROBLEMS?



A Shipper's Perspective by John Dean

THE ULTIMATE SAILING MACHINE

American Shipper
November 1992

SHIPPERS

REGULATORY

CARRIERS

INTERNATIONAL LOGISTICS

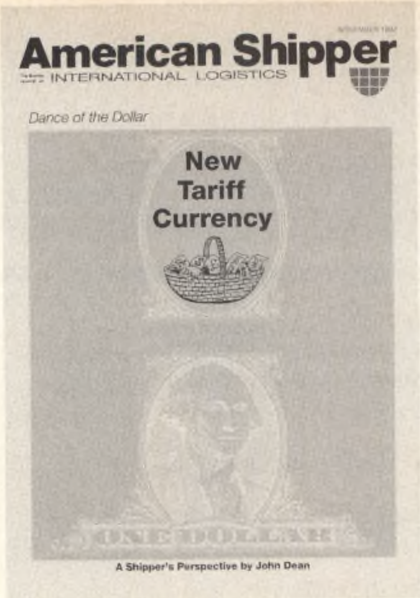
(International Edition only)

BROKERS, FORWARDERS

MARITIME

PORTS

DEPARTMENTS



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Notes and Comments

By Joseph Bonney
and Tony Beargie

■ ***If the experience of Montgomery Ward is typical, Central America and the Caribbean could soon give Asia a run for its money as a supplier of textiles and apparel to U.S. importers.***

Chicago-based Montgomery Ward still gets upward of 98 percent of that merchandise from Asia, said Lee J. Heisler, the company's international transportation manager, but a variety of factors make such countries as Guatemala, Honduras, Costa Rica, El Salvador and the Dominican Republic increasingly attractive as sourcing points.

Although shipping rates are higher from Latin America than from Asia, other elements give Latin America the advantage in total landed cost, Heisler said.

On the average, rates are about $500 to $600 per FEU higher in the Latin America-U.S. trade than in the Asia-U.S. trade, he said.

But the transit time is four or five days from Latin America, versus three weeks or longer from places such as Indonesia, he said. That can spell a difference in inventory costs.

In addition, goods sourced in Latin America often carry lower duty rates than those brought from Asia, he said.

Furthermore, textiles and apparel from Asia are more likely to run up against import quotas than those from Latin America, he said. (RK)

■ ***Peter Friedman, co-counsel to the Alliance for Competitive Transportation (ACT), is taking a piece of the credit for sending the maritime reform bill down the tube.***

Congress was barely out of town when ACT sent out a press release over Friedmann's name declaring:

"The Alliance for Competitive Transportation, which represents more than 98,000 companies, in virtually all economic sectors, was disappointed that the views of the shippers were not included ....

"Because he (DOT Secretary Andrew Card) chose not to address American industry's concerns about the growing anti-competitive practices of international steamship cartels, among other issues, we opposed it. Ultimately, and we believe predictably, his proposal failed." (DH)

■ ***If Gov. Bill Clinton takes the White House, a "new approach" on maritime reform is expected. When asked what that "new approach" will be, no-one could give an answer.***

Democratic spokesmen predict that a Clinton Administration will be "more sympathetic" than previous Republican administrations to the problems facing the U.S. maritime industries.

While there are reports that APL and Sea-Land may initiate procedures to "flag out" in the next few months , the nation's two largest multimodal containership operators discount any speculation that they are "giving up" on winning a reform package in 1993. On the other hand, they warn that "time is growing short" since both operators "face near-term decisions" regarding future investment in their liner operations.

"We are impressed with the response our original call for action evoked," American President Companies chairman and chief executive officer John Lille said. "Under the leadership of the (Bush) Administration and both houses of Congress, we were able to establish the framework of a program to maintain a viable U.S. container shipping fleet that could compete with foreign-flag carriers in the international marketplace."

John Snow, chairman and chief executive of Sea-Land's parent, CSX Corp., expects that the momentum on maritime reform "will continue into the new Congress." (TB)

■ ***Without any doubt, the biggest "joke" of the year was Congress' decision to require fees for using the Federal Maritime Commission's Automated Tariff Filing and Information System.***

Barring any unexpected developments (such as a pocket veto by the President), the law will be on the books. So, "officially" the FMC will have to "enforce" the statute.

FMC chairman Christopher Koch has already gone on record as saying that the new law is basically unenforceable.

But just how the commission will handle enforcement responsibilities is a major question.

For example, those refusing to pay the fees will have to cough up $5,000 per violation for the U.S. Treasury. And, to add even more fuss, the law contains a "criminal" provision. Parties who refuse to pay the user fees will have committed "a class A misdemeanor" under the new law.

Many shipping lines and conferences are now in the process of trying to find a way to avoid the ATFI fees.

Transax Data, which claims to have 50-60 percent of all the tariff business in the U.S. foreign commerce, and other major firms are expected to get together to find a way of pooling their information.

However, this may pose anti-trust problems, according to Peter Cass, president of Transax Data.

"We can offer retrieval services at a lower cost than the FMC, minus the user fee," Cass said. "We don't like the idea of the government competing with us by using tax dollars."

An industry-wide meeting may take place in November, Cass indicated. (TB)

■ ***U.S. shipbuilders will try again next year for legislation to end excessive shipbuilding subsidies in foreign shipyards.***

"We ran out of time," Shipbuilders Council of America president John Stocker said. "All our ducks were in line," and if Congress had been in session just for another week, the bill would have passed, the SCA president said.

Now that a compromise has been worked out with the ship operating side of the maritime industry, the legislation has strong support in Congress, Stocker said.

In fact, Bush Administration officials quickly warned U.S. trading partners *not* to interpret Congress' inaction as a defeat for the legislation.

"The issue of ending excessive foreign shipbuilding subsidies will not go away," Stocker said.

The Administration is still strongly committed to a long-standing effort to end these unfair subsidies, and was in the process of trying to get international negotiations back on track, Stocker said.

"Don't be surprised if the negotiations resume in the very near future." If resumed, the talks will be held in Paris in late October or early November.

All in all, 1992 is being viewed as a "good year for us," Stocker said. "We moved our big bill through the House and we got serious attention in the Senate."

Stocker is also encouraged by the Navy's recent decision to move forward with its $2.5 billion shipbuilding and conversion program.

Bids are now being solicited from U.S. shipyards to build approximately 20 new roll-on/roll-off ships, he noted.

And, the program also calls for the conversion of up to five ships to roll-on/roll-off tonnage. (TB)

■ ***All but overlooked in the organized confusion surrounding the end of the 103rd Congress was demise of the shipper-backed bill by Rep. Thomas Carper, D-Del., to revise the 1984 Shipping Act.***

Among other things, the bill would have allowed direct contracting between shippers and carriers. It also would enable carrier conferences to keep antitrust immunity but require Justice Department approval if their market share on a trade route exceeds 60 percent.

The Carper bill's chief proponents were members of the Alliance for Competitive Transportation, an organization whose ranks include many of the nation's largest shippers.

The failure of the Carper bill surprised no one, because no one ever expected it to pass this session. Several shippers said it was meant as a shot across the bow of carriers — a warning that if carriers abuse efforts like the Trans-Atlantic Agreement, shippers may mount a real effort to pass a Carper bill next session. (JB)

■ ***Look for an effort in the next Congress to restore the "Subpart F" provision that allowed U.S. owners of foreign-flag ships to defer U.S. taxes on profits and dividends.***

The provision was eliminated by the 1986 tax reform act. The 1986 act prohibited U.S. shareholders from deferring U.S. taxes on income of their foreign shipping corporations, even when the income was reinvested in shipping assets.

U.S. owners of foreign-flag ships say the change has put them at a disadvantage against foreign-owned competitors and is largely responsible for a 40 percent decline since 1986 in the U.S. share of open-registry tonnage.

Philip J. Loree, chairman of the Federation of American Controlled Shipping, which represents U.S.-owned, foreign-flag shipping, said time is running out.

Unless the Subpart F provision is changed, he said, "the American-controlled fleet will virtually disappear, along with any future U.S. tax revenues that might otherwise be derived from the fleet's future earnings."

The administration's cabinet-level working group headed by Transportation Secretary Andrew Card has included Subpart F as a subject to be reviewed by the Treasury Department during the coming months. (JB)

■ ***With its new entry in the non-vessel-operating common carrier business, Norton Lilly International is reviving a bit of company history.***

The new NVO, which is operating between the U.S. and Europe and the Mediterranean, is called Norton Line. That was the name of the original sailing-ship service that was founded in 1841 and later grew into Norton Lilly.

During Norton Lilly's long history, the Norton Line has been used for several services, the most recent of which was between the U.S. and South America until the 1960s. (JB)

■ ***What is logistics?***

It's a word that has been stretched to mean almost anything. Malcom McLean, the father of containerization, said he became curious and checked his dictionary. "It's right in front of 'logjam,' he said. (JB)

Maritime program down the tube

Government infighting, industry division, election-year politics, and the lack of time kill it.

By Tony Beargie

The Bush Administration's ambitious proposal to overhaul the nation's 56 year-old maritime promotional program is all but dead.

Whether or not the program will be revived next year depends on a number of unpredictable factors.

But, in the near term it appears there will be little if anything on the horizon when it comes to commercial maritime reform.

In the short time of four months, official Washington and the maritime community went from a state of cautious optimism to a mood of uncertainty, frustration, and division.

What went wrong?

In the first place, despite all of the initial cheering and fanfare which accompanied the program, there was very little time for the legislation to work its way through Congress.

Secondly, the long-standing divisions between the shipbuilders and ship operators and between the larger and smaller U.S. flag carriers resurfaced.

Then, to complicate matters even more, the question of adequate funding cropped up and was never resolved.

Finally, in-fighting between the Department of Defense and the Department of Transportation over money, turf, and even the need for the 74 ships (from a national security standpoint) was a major blow to the legislation.

Last-Ditch Effort Fails. A last-ditch effort by Sen. John Breaux, D-La., to find funding for the program was aborted after the Department of Defense shot it down.

As Congress neared adjournment, DOT informed Breaux that it would find a way to pay for 57 of the 74 Contingenecy Retainer Program ships, if DOD would relinquish $300 million to pay for the operation of approximately 17 vessels.

DOT's share would have been $800 million of the $1.1 billion program. But DOD would not cooperate, and this was the final straw that killed chances for the Bush program to clear Congress this year.

While Breaux's attempt to get some $300 million out of the Defense Authorization bill to help pay for contingency retainer fleet funding appeared to be the final straw, it also showed that the Department of Defense was in no mood to cooperate.

Heated conversations were said to have occurred between Transportation Secretary Andrew Card and Deputy Secretary of Defense Donald J. Atwood over Breaux's amendment to the DOD legislation.

It is understood that Atwood said that DOD would give in and back the strategy to excise $300 million from the authorization bill if DOT and the Maritime Administration would turn over the Ready Reserve Fleet to DOD. Card refused and that was the end of it, *American Shipper* was told.

"It is very apparent that at this stage that the Department of Defense wants a free ride," Breaux said. "They want the ships, but they do not want to have to pay for them out of their budget."

It will be remembered that the Administration rolled up its sleeves and went to work in earnest on a new program soon after American President Lines and Sea-Land threatened to leave the U.S. flag unless major policy reforms were enacted.

APL and Sea-Land buried the hatchet, warning they would leave U.S. registry and take their ships with them in 1995 if the government and Congress failed to come up with a new policy.

> ***"Therefore, the issue of the two major U.S.-flag containership operators disposing of their U.S.-flag fleets is primarily an economic issue, rather than a national security issue, and should be treated accordingly."***
>
> *Department of Defense memo*

Newly appointed DOT Secretary Andrew E. Card took the warning very seriously. After a great deal of infighting within the Administration he won support for a new maritime program, which was unveiled in June and sent to Congress in legislative form in July.

But while DOT viewed the APL and Sea-Land warning with alarm, DOD in effect said "so what?"

DOD's handwriting was already on the wall back in early June. In a memorandum, Assistant Secretary of Defense for Production and Logistics Colin McMillan informed Administration policy-makers the U.S. would not need the APL and Sea-Land ships for "surge shipping" and sealift requirements even "in the most demanding scenario."

"Therefore, the issue of the two major U.S.-flag containership operators disposing of their U.S.-flag fleets is primarily an economic issue, rather than a national security issue, and should be treated accordingly," McMillan wrote in the DOD memo.

Another Setback. Although the funding issue presented the major roadblock for congressional action, another behind-the-scenes development didn't help matters very much.

This involved the Bush Administration's proposal to relax U.S. citizenship requirements so that foreign interests could come into the program.

According to an industry source who was keeping a close eye on the situation, the immediate objective was to bring Maersk Line into the contingency retainer program.

DOD has experience with Maersk, which operates 23 ships for DOD, and backed the idea but most of the U.S.-flag shipping lines were opposed. The provision found its way into the revised House bill, but it was shot down by the Senate.

What Will APL And Sea-Land Do? In a joint appearance before the House Merchant Marine & Fisheries Committee this past summer, John Snow, chairman of Sea-Land's parent, CSX Corp. and John Lillie, chairman of American President Cos. (parent of APL) said they needed the reform legislation "this year."

What will the two companies do now that the legislation is dead for the foreseeable future. Will they begin to make plans to flag out beginning in 1995?

The situation as it now stands "certainly points us in that direction," *American Shipper* was told. ■

EC logistics: 'No magic formula'

Few companies have integrated logistics strategies for unified Europe. Big obstacle is companies' organizations.

By Joseph Bonney

It all sounded so easy: Removal of trade barriers in Europe would enable companies to set up nice, neat logistics systems for continent-wide manufacturing, distribution and sales.

It hasn't gone that smoothly, according to a new study commissioned by the Council of Logistics Management.

Although many companies have found ways to cut costs or improve service within European nations, only a handful have come up with a continent-wide strategy for integrating the various elements of corporate logistics.

"Progress has been slower than was predicted four or five years ago," said James Cooper, director of the Cranfield Centre for Logistics and Transportation in the U.K. "Companies have put a lot of effort into change, but they have not gotten far because they've focused on the wrong things."

Only a few firms have reorganized their management structures to take advantage of the opportunities presented by a single European market, according to the CLM-sponsored study.

The biggest obstacles are not legal or political barriers but are internal corporate barriers, the study found.

Many shippers — and many third-party logistics providers — are still organized on a nation-by-nation basis. A number of companies have moved to eliminate duplication in their manufacturing operations, but that generally is as far as they've gone.

'No Magic Formula.' It's logical that manufacturing would be the first place to start, because the savings there can be simplest and quickest to achieve. But many firms could realize further savings — perhaps up to 30 to 40 percent of total logistics costs — by improving their distribution, the study indicated.

That's where internal corporate structures tend to get in the way. Some company officials feel that at least for now, it makes more sense to put up with inefficiencies in the inventory pipeline than to jeopardize marketing and distribution relationships with customers.

Companies must be flexible in designing logistics systems, the study emphasized.

"There is no magic formula for effectively integrating production and distribution," said Kevin A. O'Laughlin of Anderson Consulting. Each company operating in Europe has its unique products, processes, organizational structure and competitive factors to consider.

Developing a European logistics strategy requires a company to consider the tradeoffs of savings and costs in production, inventory, warehousing and transportation, as well as in customer service.

Several companies have moved to consolidate distribution among multiple countries within Europe. Bosch-Siemens, for example, plans to centralize its distribution for four Scandinavian countries at a single site in Stockholm.

Others still use country-by-country distribution systems. Japan's Fuji finds it desirable for marketing reasons to have the local language on each box of film that it sells, and is willing to pay more in inventory costs to ensure that.

In many other companies, sales and marketing staffs remain uneasy about relying on supply from another country, at least until the reality of a unified Europe more closely matches the dream.

Despite the ballyhoo over a single European market, the ECs 12 nations will remain separate, with their own cultures, languages and approaches to doing business. Even so, the CLM study said, there's a general feeling that the change in Europe will turn out to be an inexorable force driving logistics integration.

Look Within. The first order of business for any company involved in Europe must be to figure out what it wants to accomplish, and to adjust its approach accordingly, O'Laughlin said.

Too many firms operating in Europe lack the analytical tools to properly evaluate their options, he said.

The changes in Europe have expanded the options available to companies, but it's not easy to figure out the best approach. "Often it feels like working on a jigsaw puzzle without the benefit of the picture on the box," O'Laughlin said.

Firms that have been most successful in developing a unified logistics strategy for Europe are those that have been able to step back and look at the entire picture, he said.

More and more companies are doing that, and are making logistics strategy a boardroom concern. O'Laughlin said a Johnson & Johnson official told him that while a few years ago, logistics management wasn't among the company's top ten concerns in Europe, now it may be among the top three.

Sometimes the benefits can be startling. Digital Equipment said that although its transportation costs may increase slightly as a result of its European logistics integration, total logistics costs of inventory, warehousing and transport are expected to drop by $40 million to $50 million over the next two years.

Also cited as a success story by the CLM study was Ciba-Geigy, which has shaved its logistics costs by restructuring its production and distribution system in France, Spain and Italy. Others include Johnson & Johnson's Vistakon unit, Smith-Kline-Beecham and Whirlpool Corp.

Yearlong Project. The CLM study on European logistics was conducted by Cranford and Anderson Consulting. Its results will be published in a book to be issued in January.

The report , using original research and case studies, ranged broadly over the logistics challenges and opportunities presented by a single European market.

The report found that in addition to the obvious things such as lowering of trade barriers and tariffs, change in European logistics is being driven by several forces:

- High interest rates in Western Europe are encouraging companies to trim inventories and improve supply-chain management. (In the former Eastern bloc, however, negative real interest rates still encourage overproduction as firms build inventories in advance of expected inflation.)
- Transportation rates within Europe may decline during the next two or three years because of increased efficiency, but will rise toward the end of the decade as carriers face higher taxes and costs resulting from environmental regulations aimed at reducing road congestion. This will affect location of plant and warehousing operations and may discourage centralized distribution.
- Increased environmental awareness in Europe will have far-reaching effects on logistics. Besides increasing the cost of transportation, environmental concern will force companies to concentrate more on "reverse pipeline flows" — the tracking, removal, recycling and disposal of used

products and materials.

• Information and communications technology, although still in varying stages of development across Europe, will become more important in coordinating and controlling logistics operations.

Vision. To minimize the problems and take advantage of the opportunities in Europe, companies need to have a clear vision of what they want to accomplish, O'Laughlin said.

A company involved in European logistics should evaluate its options as if it were building a new system from scratch, and should not be constrained by traditional thinking, he said.

Companies also must focus on goals and adapt their organizations to reach those goals, he said.

Some of that, he said, is just basic good management — being open to new ideas and tapping knowledge within the company ("Most of us forget that for every pair of hands that we hire we get a brain thrown in to the bargain.").

Companies that have established long-term visions for logistics have developed organizations in which responsibilities are aligned not by function or geography, but by process, the study said.

Third Parties. Many U.S.-based companies have long been accustomed to performing many of their logistics operations in-house, while European firms have relied more on third parties.

But the CLM report found that only a few third-party providers are considered by their customers to be innovative in the way they design and delivery transport, warehousing and other services to their customers.

The report said most European third-party logistics companies are organized along national lines, and that their ability to develop effective pan-European services is hindered by their organizational structures and internal reporting relationships.

That is beginning to change, the report indicated. Freight forwarders, who have seen their documentation work decline with the reduction of cross-border paperwork, are becoming more aggressive in offering third-party logistics packages.

"By the mid-1990s we expect a better fit between the third-party logistics services available and the needs of manufacturers and retailers," said Cranford's Cooper. "One direct result will be a consolidation of the logistics services sector in Europe."

Flexibility. If there is any overriding theme to the study, it is that there is no template that can be applied to solve the European logistics problems of all companies.

The creation of a single market on the continent "is a process, not an event," O'Laughlin said, and companies must be flexible in how they deal with it.

While there is danger in moving too slowly, there is equal danger in being too bold, the study indicated.

The most important drivers of European logistics — transportation pricing, inventory carrying costs, labor rates, system and administrative costs, and performance issues — will likely move in different and offsetting directions for at least the rest of the decade, the report said. Environmental and social regulations are even more unpredictable.

The CLM study reported that some of the companies that were surveyed indicated that their initial attempts at logistics restructuring may have been overly aggressive, and that now they're reassessing their approach.

Firms seeking to integrate logistics operations across Europe must be careful not to get so caught up in pursuing economies of scale that they lose their ability to react quickly to a changing business environment, the study warned.

The key is to deliver what the customer wants, and there probably are as many ways to do that as there are companies to do it, O'Laughlin said. "There is no magic formula," he emphasized. ■

Camp becomes CLM president

Robert C. Camp, manager of benchmarking competency at Xerox Corp., was elected president of the Council of Logistics Management at the organization's annual conference in San Antonio.

Camp had been first vice president of the organization. As president he succeeded Ira M. Ross, hazardous materials transportation manager of Bristol-Myers Squibb in New York.

Elected first vice president was Gary J. Sease, senior vice president, operations services, of American National Can Co. of Chicago. Until recently, Sease had been with Servistar Corp. as its vice president, MIS inventory, inventory control and quality. Sease will be in line to be CLM's next president.

Other officers elected at the organization's annual meeting in mid-October were:

• 2nd vice president, Franklyn C. Hathaway, vice president, logistics, Van den Berg Foods, Lisle, Ill.

• Secretary and treasurer, Nancy Haslip, international marketing manager, supply chain systems and consumer package goods, Digital Equipment Corp., Acton, Mass.

George A. Gecowets of the CLM staff was re-elected executive vice president of the Oak Brook, Ill.-based organization.

Committee chairmen for the coming year are: annual conference, David A. Tarr, vice president, distribution, Pet Inc.; planning, William C. Coppacino, managing partner, Northeast strategic services, Anderson Consulting; roundtables, James S. Keebler, vice president, distribution services, Hill's Pet Products; professional development, Kathleen Strange, vice president, logistics, Stride Rite Corp.; research, Joel L. Sutherland, vice president, logistics, Curtin Matheson Scientific Inc.; current projects, Robert E. Bowles, distribution director, PPG Industries Inc, and Kenneth E. Novak, director, logistics services, W.W. Grainger Inc. ■

Emmett to head NIT League as EVP

Edward M. Emmett, an Interstate Commerce Commission member since 1989, will leave the ICC to head the National Industrial Transportation League.

The NIT League post became unexpectedly open last summer when James Bartley, the Washington head of the organization for 20 years, suffered a stroke.

Bartley, who is recovering at home, will remain president, with Emmett taking the title of executive vice president.

Emmett's departure from the ICC will leave the commission with a 2-2 split between Democrats and Republicans.

Emmett is expected to leave the commission in mid-November, but said he would not participate in pending cases in which the NIT League is involved.

Before his appointment to the ICC, Emmett served three years as executive director of the Texas Association to Improve Distribution (Texaid), an organization dedicated to ending intrastate trucking regulation in the state.

From 1979 to 1987, Emmett was a Republican member of the Texas Legislature, where he was chairman of the House Energy Committee and a member of the House Transportation Committee.

His earlier government experience includes a stint in 1975-76 as special assistant to the U.S. secretary of health, education and welfare.

Emmett, 43, has a B.A. in economics from Rice University and an M.A. in public affairs from the University of Texas. ■

Multiple-shipper contracts

FMC votes 3-1 to issue proposed rule allowing two or more shippers to make service contracts without having to set up third-party shipper association.

The Federal Maritime Commission may make it easy for two or more shippers to "pool" their cargo to get better deals on service contracts with carriers.

Affiliated companies already are able to do it, but unrelated companies were compelled to set up a shipper association to realize the benefits of pooling.

Assuming the proposed rule goes through the FMC's comment and hearing process without change, it could take effect this year.

Multiple-shipper contracts would be attractive, for example, to companies such as Eastman Kodak and Xerox, both of which are based in Rochester, N.Y. and have cargo movements that closely mirror each other. A joint effort by the two companies was actually considered several years ago but was dropped following staff changes in Rochester.

The proposed rule also could be useful to small shippers who do not have enough business of their own to exercise any clout with carriers but can muster substantial volumes by working together, much as non-vessel-operating common carriers engage in co-loading of cargo.

The proposal for multi-shipper contracts is strongly opposed by shipper associations, liner conferences and transportation middlemen.

The shipper associations say multi-shipper agreements would hurt their businesses. They say the effects would be felt most by associations that concentrate on rate negotiations and don't provide a broad range of other services.

Conferences also have criticized the proposal. They said it would create legal and practical problems. They cited possible difficulties in collecting freight charges or damages when one shipper defaults and there is no shipper association to turn to.

But the change was endorsed by the National Industrial Transportation League, the nation's largest shipper association. The NIT League said the change would expand shippers' opportunities to participate in international trade.

Staff Opposed. The proposal for multiple-shipper contracts was opposed by the commission staff, which contended that such arrangements weren't provided for by the 1984 Shipping Act.

"It seems clear Congress intended service contracts to be single service entities," a staff report said. The staff also asserted that smaller shippers can easily form shipper associations.

FMC Chairman Christopher Koch, however, persuaded a majority of his fellow commission members to disregard the staff recommendation and move forward with the proposed rule.

Commission members Ming Hsu and Francis Ivancie voted for the proposal. Commissioner William Hathaway dissented, saying that Congress had rejected the "joint venture" approach to service contracting when it passed the 1984 act.

Ivancie's vote for the proposed rulemaking was reluctant. He joined Koch and Hsu in voting for the proposal to prevent the issue from dying on a 2-2 tie vote. (The FMC's fifth seat has been vacant since the recent resignation of Rob Quartel.)

With the FMC's approval of the notice of proposed rulemaking, the issue will advance for a final vote after another round of public comments. Ivancie said that if the comments indicate problems, the FMC can still reject the final rule when it comes up for a vote.

Hathaway argued that the proposal should be rejected. "Just sending this out to get more comments would be a waste of time," he said.

Hathaway argued that the commission should leave the rules as they are, "especially when there is no problem" under the existing system of shipper associations.

Koch's arguments in favor of the multiple-shipper contracts echoed those of the NIT League. He said shippers would be afforded more opportunities for service contracting if companies could get together without having to form as shipper associations.

"The ability for shippers to be given the opportunity to freely enter into service contracts that they believe best suits their transportation needs should be encouraged," Koch said.

"This rule will give shippers greater flexibility to participate in the world marketplace and to accommodate changing transportation needs," he said. "There is no policy the commission has identified which supports the federal government telling shippers that they cannot join together to contract for shipping services."

He said that if two or more shippers want to jointly contract with carriers, the FMC shouldn't stand in the way. "There is little apparent reason for the commission to force shippers to establish a non-profit third party to negotiate for them, if they want to do it themselves," he said.

Koch said that under the current system, smaller shippers are at a disadvantage. "The proposed rule will help smaller shippers get the same advantage as larger shippers," he said.

Hsu agreed. She said the commission shouldn't deny small shippers the opportunity to take advantage of service contracts. "The FMC should encourage, not contract, the use of service contracting," she said.

Even if the FMC wanted to restrict shippers from joining forces to deal with carriers, it might not have the legal authority to do so, Koch suggested.

"We may not have the legal authority to stop them, Koch said. The Interstate Commerce Commission allows multiple-shipper contracts for domestic transportation, he pointed out.

He said that in 1986, the FMC considered the issue of multiple-shipper contracts but declined to act. He said, however, that the decision not to act was not because of legal grounds.

Koch pushed for the multiple-shipper proposal this year as part of his broader package of reforms he said aim to removing restrictions on the free market wherever possible. ■

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Time/volume contracts protected

FMC approves rules to prevent conferences from discouraging members' use of independent action.

For a shipper, few things are more frustrating than to negotiate a time-volume rate with a carrier, then watch helplessly as the rate is made available to other shippers.

The copying of a time-volume rate effectively wipes out the advantage that the shipper gained by negotiating the rate.

Now the Federal Maritime Commission has moved to stop that practice and others that the FMC says discourage the use of independent action by conference members.

The 1984 Shipping Act required conferences to allow their members to depart from joint tariffs by unilaterally filing rates under independent action. The idea behind IA was to give conference members more flexibility in dealing with changing trade conditions.

FMC Chairman Christopher Koch said that by giving unanimous approval to a final rule on IAs, the commission has emphasized the right of conference members to file independent-action rates.

"The right of conference carriers to independently price their tariffed services when they choose to do so was a fundamental right of the Shipping Act of 1984," Koch said.

The new FMC rule ensures that IA "will be protected from conference interference, and ensures that carriers will be unimpeded in changing their tariffs to respond to market forces," he said.

Time-Volume Rates. The new FMC rule (Docket 92-16) has several facets. The most significant would prohibit conference lines from participating in a time-volume rate that another line files under IA.

A shipper and carrier are unlikely to enter a time-volume agreement if they know that the carrier's fellow conference members could copy the agreement, the FMC explained.

Although the 1984 Shipping Act required conferences to allow IA, the act was silent on the use of IA to adopt time-volume rates. This was the first time the commission had taken up the issue.

The FMC's position on the issue was supported by the Justice Department, the Transportation Department and shippers.

Other Provisions. The new FMC rule also pins down the definition of the term "adopt" as it applies to IAs.

Under the new rule, if Carrier A files an independent action that Carrier B adopts, Carrier B must meet the identical terms for cargo. (It can't, for example, match the rate only for the more lucrative cargo).

However, if Carrier B doesn't serve all of the geographic area covered by Carrier A's independent-action filing, Carrier B can adopt the independent action for only the area that it does serve.

Other parts of the new FMC rule would:

• Prohibit conferences from assessing fees on individual carriers for taking independent action.

Several conferences have assessed their individual members fees to cover the costs of processing IA and open-rate filings. The FMC feels this discourages participation in IAs.

• Prohibit conferences from requiring notice from member lines for adopting, withdrawing, postponing or canceling IAs.

The 1984 act permits conferences to require notice periods of up to 10 days for filing IA. The FMC felt that if a conference imposed onerous notice requirements for other actions dealing with IA, carriers might shy away from independent action out of fear they'd be locked into a competitive disadvantage.

• Prohibit conferences from imposing expiration dates on member lines' IAs unless the member line hasn't provide one on its own.

This was mainly a procedural move to prevent confusion that might result from the filing of open-ended IAs. ■

Koch's reform scorecard

FMC has approved most of reforms he sought. One was scrapped. Another still being studied.

Federal Maritime Commission chairman Christopher Koch has won approval of most of the regulatory-reform package that he unveiled this year.

The reforms were proposed as ways to meet shipper objections to the 1984 Shipping Act, which Congress has been unwilling to tamper with.

Koch said he believes the effort at administrative reform has been successful. He pointed out that several of the reforms have been approved, and that he hopes the others can be acted on by year end.

The commission's recent actions on multiple-shipper service contracts and independent action on pricing are major elements of the reform package.

The FMC gave final approval to a proposal that prevents conference members from copying time-volume agreements that an individual carrier negotiates and files under independent action.

The proposal was part of a rule that included other steps to prevent conferences from discouraging carriers from filing independent-action rates.

The commission also has moved forward with a proposal to allow two or more shippers to sign service contracts without forming shipper associations. (See related articles, this page.)

During the last several months, the FMC has approved other reform proposals to:

• Allow shippers and carriers to make major changes in service contracts after they are signed and filed with the FMC. (Koch saw this as one of the most important reforms.)

• Allow carriers' certifications that they are not engaged in rebating to be filed every two years instead of annually.

• Exempt marine terminal agreements from having to be filed with the FMC.

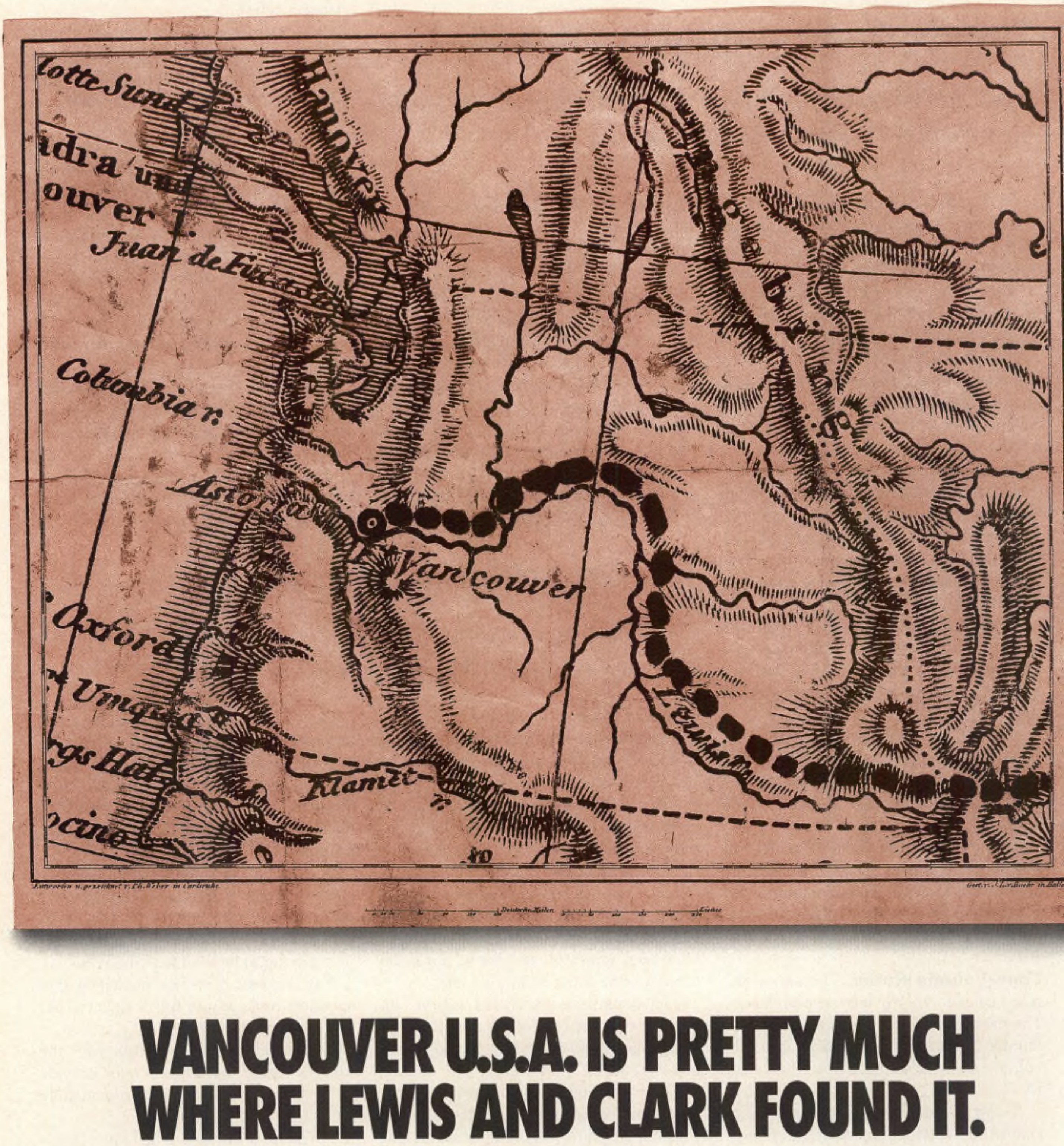
• Reduce the costs that passenger-ship operators must pay to fulfill financial-responsibility requirements.

• Reduce from 30 to seven days the advance notice that carriers must provide for tariff increases in the domestic offshore trades.

• Waive financial filing requirements for domestic offshore operators grossing less than $50 million a year.

Because there was little support from the industry, the FMC scrapped a proposal that would have allowed the voluntary filing of service contracts in the foreign-to-foreign trades.

The major initiative still hanging is a proposal to allow service contract obligations to be stated in percentages of a shipper's cargo as well as in volume. ■



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Norton Lilly enters NVO business

Norton Line is first NVO owned by a major shipping agency. Will focus on Europe, Mediterranean.

By Joseph Bonney

The NVOCC business has attracted all kinds of players — freight forwarders, warehousemen, terminal operators, truck lines, as well as various hustlers whose assets don't extend far beyond a post-office box and a telephone.

Now the ranks of non-vessel-operating common carriers have been joined by a different kind of company — a shipping agency. Norton Lilly International, 161 years old, has launched Norton Line, an NVO believed to be the first one controlled by a major shipping agency.

Shipping agencies have avoided the NVO business, primarily because of fear that such a venture might be seen as a conflict by the vessel operators that the agencies represent. Some carriers view NVOs, who accept and consolidate cargo and book it with carriers, as competitors.

But W. Grove Conrad, president of Norton Lilly, believes a strong agency is a logical participant in the NVO business. He said an agency network can provide the organization that an NVO needs, at a price the customer can afford.

He said small and medium-sized shippers like "one-stop shopping," and that an agency such as Norton Lilly can provide the office network, computers and booking and documentation expertise that a good NVO requires.

Although more than 1,600 NVOs are registered with the Federal Maritime Commission, many are small-time operators — so-called "mom-and-pop" or "telephone-booth" NVOs.

A handful of companies — such as Votainer and Direct Container Line — have developed networks that provide more than minimal services to which many smaller NVOs are limited.

Fritz Bauer, president of Norton Line, said many small NVOs "don't have the networks. On the documentation side, they are improvising."

Europe, Med. Norton Line is concentrating initially on the European and Mediterranean trades. It began handling less-than-containerload cargo Aug. 21 and added full-container loads Oct. 1.

Neither Europe nor the Mediterranean is served by a ship line represented by Norton Lilly. Norton Line expects to add service to other regions, but only with the approval of its principal lines in those areas.

Within the Norton Lilly organization, Norton Line will be handled much the same way as the individual lines represented by the agency. "Norton Lilly International will be the agent for Norton Line," Bauer said.

If a customer calls and wants to move cargo to Europe or the Mediterranean, the call will be referred to the NVO. If the customer wants to send cargo somewhere else, the call will be referred to agency staffers representing the line serving that region.

For example, Bauer said, "If somebody calls and wants to book cargo to South America, Norton Line will pass the call to Pan American Independent Line, and we'll let Pan American sell itself."

Bauer said he believes that as time passes, the agency's carriers will see the in-house NVO as a plus.

Many carriers see NVOs as competitors. These carriers say the NVOs use their bargaining power to negotiate low rates for cargo that otherwise would be booked directly with the carriers.

That view is strongly disputed by Bauer and Conrad. They say that NVOs generate business, especially from small and medium-sized shippers, that carriers otherwise would not get.

> ***"The carriers know we're going to pay them. We're putting the reputation of Norton Lilly on the line."***
> **Fritz Bauer**
> *president, Norton Line*

Like Air, Rails. The NVO is likely to become a more important element in ocean shipping, Conrad said.

Reflecting on the business in an interview at his Secaucus, N.J. office, he said the ship operating business "is going the way of the airlines and railroads."

Rail and air carriers, he explained, rely on agents and third parties for much of their business. By working through NVOs, steamship operators are doing much the same thing, he said.

Ocean carriers do a good job of marketing to the largest companies — the 20 percent that book 80 percent of the freight, he said. They aren't so good on the small and medium-sized companies. "That's what an NVO can do better," he said.

Ocean carriers have been slow to recognize that, but "economics is forcing them to look at it," Conrad said.

'Everyday Low Prices.' Conrad said an agency can operate effectively as an NVO because agencies have lower overhead and are accustomed to hustling for business.

Conrad said Norton Lilly International's costs per employee are 40 percent less than those of major ocean carriers. "We have everyday low prices," he said.

When it comes to computers and automation, Norton Lilly isn't on the leading edge, Conrad adknowledged. At its 25 branches, Norton Lilly leases office space for a maximum of three years — and prefers a one-year lease.

"We're accustomed to living on a variable rate base," he said.

Because an agency such as Norton Lilly represents several shipowners with a variety of business and operating philosophies, flexibility is essential.

"If we have a sick line whose owners, for reasons of their own, don't want to make better, we can shift staff from that line to a healthy line," Conrad said.

Forwarders As Partners. Norton Line views freight forwarders as allies, not competitors, Bauer emphasized. He said Norton Line has pledged not to interfere with shippers' ties to forwarders or customs brokers.

Bauer said the new NVO operation can provide service equal to or superior to that of steamship lines.

He said Norton Line can offer a wider variety of sailings and port calls than an individual ocean carrier could offer.

And he said Norton Line will offer shippers the option of paying a small extra charge for a higher level of insurance coverage under the Hague-Visby international cargo liability rules.

Norton Line's biggest selling point, however, may be the Norton Lilly name, one of the most famous in the industry.

"The carriers know we're going to pay them," he said. "We're putting the reputation of Norton Lilly on the line." ■

NYK, NOL, Hapag-Lloyd form 3 continent alliance

Partnership puts NYK and NOL in transatlantic, Hapag-Lloyd back in transpacific. MOL out.

By Joseph Bonney

The lineup of east-west carriers will shift again next April with the start of a new joint service involving Nippon Yusen Kaisha, Neptune Orient Lines and Hapag-Lloyd.

The three-way alliance brings NYK and NOL into the transatlantic trade and enables Hapag-Lloyd to return to the transpacific after an absence of more than seven years.

The carriers said the partnership will enable them to add a weekly service in each direction in both the transatlantic and transpacific, with only a "minimal" increase in ship capacity. The lines indicated they would join the Trans-Atlantic Agreement and transpacific conferences.

The NYK-NOL-Hapag partnership will involve twelve 2,700-TEU containerships in a a two-way service linking Europe, the U.S. East and West coasts, and Asia via the Panama Canal.

With the web of interlocking space-sharing agreements and joint services among major carriers, it's inevitable such a far-reaching carrier realignment will affect other lines as well.

This one leaves Mitsui O.S.K. Lines without a partner in its Asia/U.S. East Coast service through the Panama Canal. That service now is operated jointly with NYK, but NYK said it will pull out in April when it hooks up with NOL and Hapag-Lloyd.

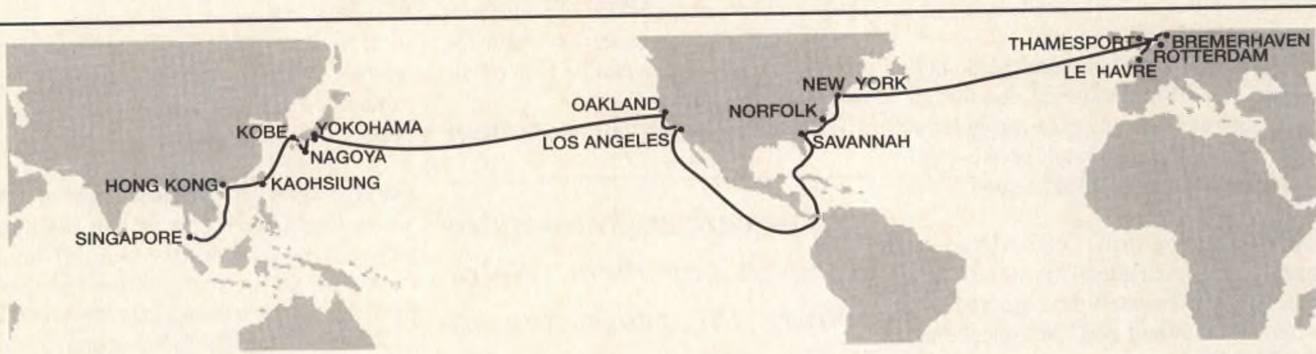
> ***"All of the carriers are conference-minded, and that's not going to change."***
>
> **Don McCallian**
> *general manager,*
> *NYK Line (North America)*

The new partnership also raised questions about the joint U.S. West Coast/Europe service involving Hapag-Lloyd, Atlantic Container Line and Nedlloyd. Those carriers already had been seeking a replacement for a fourth partner, Compagnie General Maritime after CGM's withdrawl from the U.S. trades this fall.

Hapag-Lloyd said, however, that it would continue to cooperate with ACL on routes between Europe and the U.S. East and West Coasts under an agreement extending to 1994. "The cooperation with ACL will continue, with each party exchanging slots on the other's services," Hapag-Lloyd said.

Hapag-Lloyd said that in addition to the alliance with NYK and NOL, it soon will introduce a revised U.S. Gulf service that

Expected Routing of Joint Service Vessels



Hapag-Lloyd
- Will provide six ships.
- Returns to transpacific after 7-year absence.
- Will continue to charter space to Atlantic Container Line between Europe and U.S. East, Gulf, West Coasts.

Atlantic Container Line
- Will continue to charter space on Hapag-Lloyd ships between U.S., Europe.

NYK
- Will provide five ships.
- Will enter transatlantic trade.
- Will add fifth transpacific route.
- Will upgrade Far East/East Coast service via Panama Canal to weekly frequency through partnerships with Hapag-Lloyd, NOL. (Existing partnerships with Mitsui O.S.K. now offers 10-day frequency.)
- Will continue to share space on NOL's Singapore/U.S. East coast service via Suez.

NOL
- Will provide one ship.
- Will enter transatlantic trade.
- Will add fifth transpacific route through space-charters with NOL.
- Singapore/U.S. East Coast service via Suez Canal will remain unchanged.

Mitsui/O.S.K.
- Will lose NYK as partner in all-water service between Asia, U.S. East Coast. Is studying options.

would include service to Mexico.

Service Details. Executives of NYK, NOL and Hapag-Lloyd were still meeting in October to work out details, but the alliance's basic outline is in place.

The two-way service will operate with weekly sailings in each direction on a "pendulum" routing arrangement.

Ports are expected to include Hong Kong, Kaohsiung, Kobe, Nagoya and Yokohama in the Far East; Oakland and Los Angeles on the U.S. West Coast; Savannah, Norfolk and New York on the U.S. East Coast, and Bremerhaven, Rotterdam, Thamesport and Le Havre in Europe.

The service is to be provided with six ships from Hapag-Lloyd, five from NYK and one from NOL.

The carriers said the service will operate separately from the three carriers' existing services, but that there will be "harmonization" of feeder services connecting the new route with existing services.

Details, including possible cooperation in terminal operations, apparently are still being worked out.

Gray Ships. The NYK-NOL-Hapag alliance is the latest in a series of agreements in which competing carriers cooperate by sharing space aboard each other's vessels.

Last year brought a series of vessel-sharing agreements in the transpacific involving Sea-Land and Maersk, American President Lines and Orient Overseas Container Line, and MOL and Kawasaki Kisen Kaisha ("K" Line) (May 1991 *American Shipper*, page 43).

Indeed, hardly a month goes by without some kind of "gray ship" agreement in which competitors share each other's vessels. Sea-Land, for example, recently agreed with Hyundai to share ships in the Europe-Asia trade and to team with P&O Containers and Maersk in the Far East/Mideast trade.

The spread of "gray ship" alliances has implications for both shippers and carriers.

For shippers, it means more frequent sailing schedules, possibly a wider choice of ports, and greater possibilities for developing global service arrangements with a single carrier.

For carriers, it provides access to markets in which they would not otherwise have a presence, and allows them to diversify their revenues through exposure to a variety of trades. Perhaps more importantly, it also allows them to slash operating costs by eliminating duplication in port calls and by reducing expenses for container repositioning.

The possibilities for savings on container repositioning are especially attractive, the carriers said.

Because no trade route ever seems to be perfectly balanced between imports and exports, carriers spend large sums of money to move containers to places where they can pick up revenue-producing loads.

By including both the transatlantic and transpacific routes, the NYK-NOL-Hapag agreement will make it easier for the lines to shift containers to where they're needed. For example, when NYK and NOL need containers in the U.S., they will be able to shift them from Europe instead of leasing boxes in the U.S. or repositioning them from Asia.

Who Goes Where. The new east-west alliance will affect the three participants in different ways. Each, however, will gain access to a new trade at a cost far lower than if the carrier had entered it on its own.

• Hapag-Lloyd will return to the transpacific, which it abandoned in 1985 after heavy losses. That was the main reason the German carrier jooked up with NYK and

NOL, said Michael Jordan, managing director, North Atlantic, of Hapag-Lloyd.

- NYK will gain entry to the U.S./Europe market for the first time. NYK also will add a fifth route to the four it already operates between the Far East and U.S. West Coast. And its all-water Far East/U.S. East Coast service, now operated on a 10-day frequency with MOL, will be upgraded to a seven-day frequency as a result of the alliance with Hapag-Lloyd and NOL.
- NOL, the fast-growing Singapore-based carrier, also will get an U.S./Europe route to go with the transpacific services and Singapore/U.S. East Coast services that it already shares with NYK.

The Singapore/East Coast service through the Suez Canal will continue unchanged. That service, launched a year ago, has enjoyed strong bookings, the line's executives said.

TAA, Conferences. NYK and NOL indicated they would join the Trans-Atlantic Agreement, the carrier group trying to restrict capacity and raise rates between the U.S. and Europe. Hapag-Lloyd, a charter member of the TAA, said it intends to join the transpacific conferences and the capacity-restricting Transpacific Stabilization Agreement.

"All of the carriers are conference-minded, and that's not going to change," said Don McCallian, general manager and assistant to the senior corporate executives at NYK Line (North America).

All three carriers played down the effect of the alliance on containership capacity in the transatlantic and transpacific.

Jordan said that because the transpacific trade is made up of several segments, Hapag-Lloyd doesn't expect to be fully dependent on any one for a large volume of cargo. Therefore, he said, Hapag's return shouldn't upset the marketplace.

He said the entry of NYK and NOL into the transatlantic will produce a small increase in capacity, but that the new alliance "does it in an intelligent way. They are not flooding the market with ships."

Because Hapag-Lloyd already is in the transatlantic, and the new service will replace the vessels that NYK now operates with NOL in the Asia/U.S. East Coast all-water service, the effect on capacity is hard to quantify.

T.D. Foo, Oakland-based regional owner's representative for NOL, said the capacity increase will be "very minimal."

"We do not want to create any more ripples in the trade," he said.

Foo said the partnership with NYK and Hapag-Lloyd meshes with NOL's ambitions to become a global carrier.

He pointed out that a year ago, when Neptune Orient Lines launched its Singapore/U.S. East Coast service via the Suez, NOL said its goal was "to develop a global service to meet the needs of the trade."

Whither MOL? Mitsui O.S.K., meanwhile, said it hopes to continue its all-water service between Asia and the U.S. East Coast after its current partner, NYK, switches to the new east-west alliance.

Separately from its all-water joint service with NYK, Mitsui is involved in two transpacific services in a space-sharing agreement with "K" Line.

Tom McGoldrick, Jersey City, N.J.-based vice president of MOL, said MOL officials are studying several options.

He noted that MOL has operated in the Asia/East Coast trade since 1920, except for a break during World War II.

"It's been a good service for MOL," he said. "We don't want to walk away from it. Our hope and expectation is to stay with it." ■

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OOCL close to agreement with Sea-Land, Maersk

Orient Overseas Container Line has agreed in principle to a deal to begin using space on Sea-Land Service and Maersk Line ships in the transatlantic, company officials said.

However, officials at the three companies were unwilling to say much about the proposed agreement, because discussions on operational and legal details were still under way.

"We're very pleased with the progress of those talks and are optimistic they'll be concluded shortly, but nothing has been finalized," said Jesse Mohrovic, a Sea-Land spokesman.

He added that while the principles have been agreed upon and the companies were "optimistic" that details could be worked out, "there are still some T's to cross and I's to dot."

If the OOCL deal with Sea-Land and Maersk goes through, OOCL would withdraw the four ships it now operates in the transatlantic trade.

Still uncertain was what OOCL would do with the four ships, each of which has capacity of about 1,700 twenty-foot-equivalent units of containers.

OOCL was said to be looking at several options, including the intra-Asia trade, the Far East/Europe trade and the transpacific trade.

In the transatlantic, OOCL would join Nedlloyd Lines and P&O Containers in chartering slots on the former Econships that were built in the early 1980s for United States Lines' unsuccessful round-the-world service. ■

Evergreen orders two 4,229-TEU ships

Evergreen Line has ordered two more containerships with capacities of more than 4,000 twenty-foot-equivalent units each.

The ships, designated R-class vessels, will carry 4,229 TEUs apiece, making them among the largest containerships afloat.

Unlike some other 4,000-TEU-plus ships, however, the Evergreen vessels will still be able to fit through the 110-foot-wide locks of the Panama Canal.

Under a contract signed recently in Taipei, the ships will be built by Mitsubishi Heavy Industries Ltd. in Japan.

The scheduled delivery dates are June and November, 1994.

Three other R-class ships are under construction for Evergreen at another Japanese shipyard, Onomichi Dockyard.

Those three ships are scheduled for delivery in 1993 — the first in late March, the second in late July and the third in late October.

Evergreen said the five new ships are expected to be used on the company's westbound round-the-world service, where they would operate alongside Evergreen's 3,428-TEU GX-class ships.

The Taiwanese carrier said, however, that a final decision on how the vessels will be deployed won't be made until closer to the delivery date.

Evergreen said it is considering placing orders for additional R-class ships but that no contracts have been signed.

The Evergreen vessels will be able to maintain speed of 22.8 knots and handle deadweight tonnage of 56,100 tons. The vessels will have a draft of 12.5 meters and will contain 450 electrical sockets for refrigerated containers. ■

Carriers balk at paying for storage

No longer absorb charges for storing Australian beef imports that exceed quotas.

By Joseph Bonney

Ocean carriers say this is the last year they'll pick up the cost of storing Australian meat shipments that exceed U.S. import limitations.

That means shippers and consignees will have to pay the cost of bonded storage of frozen meat.

Shippers, however, don't appear greatly upset by the development. "The charges are built into the prices. Ultimately they're passed on to the end user, the consumer," said Diane Sinclair, marketing analyst at the Australian Meat & Livestock Corp. in New York.

The storage charges are a result of the U.S. Meat Import Law. The law, enacted in 1979, restricts meat imports. When a nation ships more than the amount allowed by its quota or voluntary restraint agreement, the excess is put into bonded storage until the following year, when it is released into the U.S. market.

In the Australia-U.S. trade, carriers traditionally have absorbed the bonded-storage costs for the excess shipments.

They've done so for competitive reasons: The route between Australia/New Zealand and the U.S. is the world's longest major trade lane. Costs are high and competition is fierce. Frozen meat is the primary northbound commodity, and carriers are willing to do almost whatever is necessary to maintain their volumes.

No More. Shipments don't exceed the meat law's import limitations every year. Historically, voluntary restraint agreements have been needed about every other year.

But 1992 marks the third straight year that the agreements have been put into effect.

And ocean carriers have served notice that after this year, they no longer plan to pay the storage costs.

"It's becoming clear that the trade is going to have to pay those charges," said James T. Jenkins, vice president, northbound trade, for Blue Star Line, a major carrier between Australia/New Zealand and the U.S.

He and other carrier officials said that carriers provided a year's notice to give shippers and consignees time to make other arrangements.

Carriers and shippers have been negotiating over the costs of storage. More than 1,000 twenty-foot-equivalent containers of meat were put into bonded storage last year. This year's total is expected to be substantially less.

In 1991, despite complaints, carriers paid the cost of imports that exceeded voluntary-restraint levels and arrived in the U.S. after Oct. 1.

This year, however, the carriers will pay storage charges only for excess shipments that arrive after Dec. 1. After Jan. 1, the excess shipments can be cleared for U.S. consumption and are counted against 1993 import restrictions.

Import Law. U.S. meat imports are con-

trolled by the 1979 law that pegs imports to a percentage of projected U.S. production.

The U.S. Department of Agriculture monitors U.S. production and uses its projections to estimate the quantity of imports expected during the year. The estimate is made at the start of each year and is updated quarterly.

If the estimate indicates that imports will exceed the "trigger level" set by the import law, exporting nations are assigned quotas or agree to voluntary restraints.

The exporting nations then work out allocation plans under which each producer is allowed to ship a specified quantity of meat to the U.S. In Australia's case, this is done by the Australian Meat & Livestock Corp.

If a producer's shipments exceed its allocation, the excess that arrives in U.S. ports is put into bonded storage.

Although the excess shipments are physically in the United States, they are not released for U.S. consumption until the following year.

Under this year's voluntary restraint agreement, Australia limited its exports to 334,212 metric tons for 1992. New Zealand, another major meat exporter, limited its meat exports to 202,665 metric tons.

More than 1,000 twenty-foot-equivalent containers of meat were put into bonded storage last year. This year's total is expected to be substantially less.

'Distorts Market.' The Meat Import Law is unpopular among shippers and carriers. They call the law a protectionist measure that distorts the market and adds to costs.

Although the law limits the volume of meat imports allowed into the U.S. during a year, the meat and livestock industry has trouble matching its output with arbitrary quotas.

Carriers would like for Australian producers to manage their shipments to avoid excess shipments. But the carriers acknowledge that weather and market conditions force producers to bring cattle to market for slaughter at times that don't fit neatly into annual quotas.

And shippers and carriers agree that the quotas and voluntary restraints distort the market for meat.

Because everybody in the business knows that the bonded shipments are sitting in cold-storage warehouses waiting to be released into the U.S. market after Jan. 1, commodity prices are depressed — not only for imports but for domestic production.

Critics say the meat industry has changed since the law was enacted. They point out that U.S. producers now also have Australian operations and have developed substantial exports to other regions, such as the Far East.

The law doesn't help shippers, carriers, the U.S. meat industry or U.S. consumers, Jenkins said. "It's in no one's interest to have the law in place." ■

Rubber Shipper Association breaks up

Demise blamed on squabbling between manufacturers and inability to get a service contract.

By Joseph Bonney

One of the oldest, best-known and most successful shipper associations — the Natural Rubber Shippers Association — is being dissolved after 21 years.

The organization's breakup is being blamed on industry changes, factional differences between NRSA members, and the association's inability to sign a conference service contract for containerized shipments.

Although several rubber manufacturers and dealers said it's still too early to gauge the effect of the NRSA's breakup, some said it could have a destabilizing effect on rates.

"One thing that is for certain — shipping costs are going up without us," said Charles Baron, general manager of the Washington, D.C.-based association for the last two years.

The NRSA is scheduled to cease operation Jan. 31, at the end of its current fiscal year.

"It was small-sighted to let the NRSA die," said Peter Bierrie, president of the Rubber Trade Association and president and chairman of Andrew Weir Commodities Inc., a Jersey City, N.J.-based rubber trader. "In two years there'll be all kinds of wishes that they wouldn't have allowed it to die."

Since the decision to dissolve NRSA, some NRSA members who also belong to the Rubber Trade Association, representing traders, have formed a new, scaled-down version of the NRSA.

Keeping It Together. The NRSA's problems illustrate some of the difficulties that shipper associations face in representing a diverse membership in dealings with carriers and conferences.

Other shipper associations also have struggled with defections from key members who have bargained with carriers on their own and won better rates outside their association. (For report on Textile and Apparel Shipping Services/West, see October *American Shipper*, page 35).

The NRSA's two dozen members comprise two distinct groups — rubber manufacturing companies, such as Goodyear and Uniroyal-Firestone, and dealers or traders, who buy and sell the commodity.

"If you wanted to carry rubber, you had to go down to Washington and kiss the ring."

The NRSA was formed in 1971 as an adjunct of the Rubber Manufacturers Association. Though autonomous, the two groups still share office space.

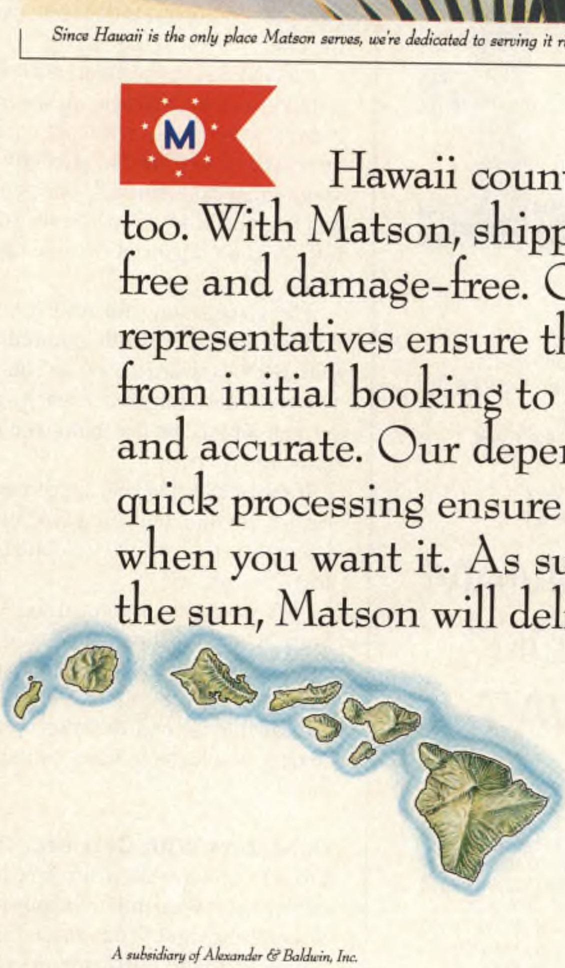
For years, the NRSA controlled bookings of most rubber shipments to the U.S. from Southeast Asia. "If you wanted to carry rubber, you had to go down to Washington and kiss the ring," one carrier executive recalled.

But as the rubber industry changed, the tightly knit association began showing signs of strain.

As demand for automobile tires flattened, rubber manufacturers went through a period of wrenching consolidation. Bridgestone bought Firestone, Michelin acquired Uniroyal-Goodrich, Continental took over General, and there were other combinations.

The surviving manufacturers began buying more of their raw-rubber imports directly with overseas suppliers, bypassing dealers.

For reasons of cost, convenience and damage control, some manufacturers also



shifted from breakbulk to containerized shipments — often outside the NRSA.

"Rubber is a cheap commodity that's very sensitive to transportation costs," Baron said. "It's a traded commodity, priced out to four decimal points. So you can understand the competitive pressures."

Dealers in the NRSA complained that by booking cargo outside the association, the manufacturers forced dealers to pay a larger share of the association's overhead.

NRSA fees are based on each member's volume of shipments booked though the association.

"What you need is discipline in these organizations," Bierrie said. "People have to support it or not. If you don't have 100 percent support, the financial support becomes very fragile."

The non-profit association returned dividends to members at the end of its last fiscal year and is prepared to do so again when it closes its books on Jan. 31.

Containers, ANERA. One point of contention among NRSA members was the use of containers, a shipping method preferred chiefly by manufacturers.

Some dealers reportedly resisted the shift to containerization, which they felt would undercut breakbulk shipment of rubber from Southeast Asia. That encouraged manufacturers to fend for themselves, outside the purview of the shipper association.

The NRSA was unable to negotiate a service contract with the Asia North America Eastbound Rate Agreement, which represents carriers operating from Asia to the U.S.

Dealers agreed that the problems with the conference were a major factor in the breakup of the NRSA.

"ANERA has a limited amount of rubber that they wanted to carry, so there was no incentive for them to negotiate for greater tonnage," Bierrie said. "It was not a case of NRSA not negotiating in good faith."

"ANERA just jerked our chain," Baron said. "ANERA doesn't like to negotiate with shippers' associations. They would not offer us intermodal rates. They offered only port-to-port rates that were well above the other rates that they have."

An ANERA spokesman said conference policy is not to comment on specific commercial negotiations with customers or prospective customers. However, the spokesman said ANERA "strongly denies any responsibility for whatever difficulties NRSA as an organization may be encountering."

The spokesman said ANERA "had extensive back-and-forth communications with NRSA toward a contract" but that "the two parties were unable to reach agreement on mutually acceptable terms within a workable time frame."

If the NRSA had been able to negotiate a service contract with ANERA, the shipper association probably "would still be in business," Baron said.

"We would have retained some business from the manufacturers that we lost. I think that would have satisfied the dealers that they were getting enough support from the manufacturers, and the more progressive dealers would have used containers," he said.

Contracts With Carriers. The NRSA had service contracts with three individual carriers — Waterman Steamship Corp., Hoegh Lines and Wilhelmsen Lines.

The association also had non-contractural arrangements with Sea-Land Service for containerized shipments over the U.S. West

Coast and with Jakarta-Lloyd for shipments to the Gulf and East Coasts.

Some manufacturers in the association also had service contracts with individual carriers. Goodyear, for example, had a contract with Waterman, which operates a LASH (lighter-aboard-ship) service between South Asia and the U.S. Gulf and East coasts.

Richard Adante, vice president at Goodyear, said it would be inaccurate to describe the contracting issue as the only factor in the demise of NRSA. Manufacturers in NRSA have had service contracts outside the association for several years, he pointed out.

One dealer said that if the NRSA was like a Cadillac, the new shipper association for dealers would be a Chevrolet, "but sometimes a Chevy is all you need."

He said the association fell apart because of a combination of factors, some interrelated.

"There was the economic situation of the industry, the competitive environment, the situation with contracts — a whole series of things," he said.

"The NRSA did an outstanding job over 21 years. It served a very useful purpose," Adante said. "But nothing stays the same. The business changed. The competitive environment changed."

Profitable. Others agreed that the NRSA was well-run, although some members said they would have been willing to accept a lower level of services in exchange for lower fees.

The non-profit association returned dividends to members at the end of its last fiscal year and is prepared to do so again when it closes its books on Jan. 31, Baron said.

The association booked 400,000 to 500,000 metric tons of rubber, mostly from Indonesia, in about 7,500 shipments a year, Baron said.

The NRSA was established with a two-fold mission — to reduce cargo damage and to control freight rates.

By all accounts, it was successful with both efforts.

Shippers and carriers said cargo-handling improvements have reduced damage claims, and rates have been stable for several years.

One of the association's most important accomplishments, shippers said, was working with carriers to ensure regular service from more than 20 far-flung loading ports in Southeast Asia.

'Bare-Bones' Association. The new shipper association under consideration by the Rubber Trade Association would be a stripped down version of the NRSA.

The NRSA operated as a full-service shipper association. It negotiated with carriers on rates and service, booked shippers' cargo, paid freight bills and handled documentation and paperwork.

Some dealers said that by offering such a full menu of services, the NRSA helped less-efficient dealers at the expense of others capable of handling their own documentation and billing.

The shipper association for rubber dealers will be a "bare-bones" organization that would bargain collectively with carriers but "will not have all the bells and whistles of NRSA," Bierre said.

Another dealer said that if the NRSA was like a Cadillac, the new shipper association for dealers would be a Chevrolet, "but sometimes a Chevy is all you need." ■

Avon: more than cosmetic changes

Step 1: reorganize the logistic staff
Step 2: never mix quota & non-quota goods
Step 3: solve de-consolidation problems.

By Richard Knee

Next time the Avon Products representative rings your doorbell, chances are that he or she will be much better able to assure on-time delivery of the gift or novelty item that you or your spouse order.

And a big reason is that company traffic personnel have learned which product descriptions not to use on import documents.

Of course, being thorough and accurate with shipment information is equally important.

New York-based Avon was experiencing shipment delays at the Los Angeles gateway, company traffic manager Jon Gray told *American Shipper* recently.

Sometimes, customs documents lacked information, sometimes they contained erroneous information, and sometimes the documents themselves were missing, Gray said.

But the biggest source of delays, he said, was the use of product-descriptive terms that would raise red flags with the U.S. Food and Drug Administration, which scrutinizes many of the goods Avon brings in from the Far East.

Service Is Paramount. "We go to all extremes to get merchandise on time," Gray said.

That is why, even after revamping its logistics, Avon still moves quite a bit of its cargo by air.

Timely delivery is important for gift, decorative and novelty items especially because of seasonality factors, he said.

However, until recently, the company had an on-time delivery rate of 97.5 percent for those goods, versus 99.8 percent for cosmetics, which are non-seasonal, he said.

Avon imports about 1,000 FEUs' worth of gift, decorative and novelty products annually, he said.

Hong Kong and China are the chief sourcing points, and the oceanborne freight moves under a service contract with the Asia North America Eastbound Rate Agreement, he said.

Saving Time And Freight Dollars. Avon was able to solve the documentation-related clearance problems with help from its customs broker, the Castelazo division of the Tower Group, Gray said.

Los Angeles-based Castelazo also advised Avon to avoid mixing goods subject to import quotas with non-quota items.

By making these adjustments, he said, Avon achieved a 99 percent rate in proper, on-time documentation in August and September.

Increasingly, shipments are being cleared before they reach port, he said, "so when the vessel arrives, we can get our hands on the cargo immediately in most cases."

"The amount of delays this fourth quarter, compared to the last fourth quarter, is greatly reduced," he said.

The dialogues with Castelazo were, he said, the latest in a long series of meetings with service providers, which Avon undertook because company personnel realized they needed to do something to speed up shipments — particularly during the pre-holiday season — and cut down on freight costs.

> ***"BPI agreed to start work (on Avon's deconsolidations) Sunday instead of Monday."***
>
> Jon Gray
> *Avon Products*

Eliminating the clearance delays, he said, was a key element in cutting a full week off what had been a four-week shipping cycle, which in turn is enabling Avon to divert a sizable chunk of its cargoes to ocean from air, both across the Pacific and across the United States.

It will, he said, trim the company's annual airfreight bill by about $2 million.

Departments Merged. Avon's logistics restructuring began internally, with the consolidation of the company's transportation and materials-management/purchasing departments early this year, Gray said.

He, in fact, came from the materials-management/purchasing side and had had no involvement with transportation/logistics, he said. He was able to learn the ropes with help from the outside.

The merger of the departments created, in effect, a "new kid on the block," attracting carriers and other companies offering transportation and related services, he said.

"The sales pitch I gave to ... the carriers was that we placed less emphasis on freight rates than on service," he said. "I asked them, 'What can you provide us with to help us decrease (shipment) time?' "

Particularly helpful, he said, was Jill Ivie, an account executive with American President Lines, who gave Avon analysts a thorough grounding in how containers are drayed from dockside to a railhead or container-freight station.

The analysts could incorporate their newly gained knowledge into buying strategy, he said.

Next, he continued, Ivie arranged for him to observe APL's operations.

Finally, Gray said, Ivie brainstormed with him and officials from Buyers Performance Inc. (BPI), Avon's deconsolidation contractor, examining all the elements of the inbound shipment process and looking for ways to improve it.

BPI has a CFS in Dominguez Hills, a stone's throw from Los Angeles Harbor.

They identified two areas where bottlenecks were occurring, he said. One was on the afore-mentioned documentation side. The other involved BPI's work schedule.

"BPI agreed to start work (on Avon's deconsolidations) Sunday instead of Monday," Gray said. That step has helped Avon stay "on top of our timetable."

Less Deconsolidation. In fact, Gray said, Avon is also reducing the number of containers going to the deconsolidator, routing more of them directly to the company's distribution sites in Pasadena, Calif.; Glenview, Ill.; Springdale, Ohio; Newark, Del.; and Atlanta.

The company began in 1990 to route "bulkier" items, such as stuffed animals and teddy-bear slippers, directly to the distribution branches, avoiding deconsolidation on 120 containers that year and on 250 containers in 1991, he said.

Avon hopes to route as many as 350 containers, carrying all its product lines, direct to the branches this year and upward of 400 containers that way in 1993, he said.

"As we get better at this, we can ship fewer containers through the deconsolidator, which will enable us to rely more on rail, and less on truck and air when the goods reach the United States," he said.

The shortened shipping cycle has also enabled Avon to reduce its inventory costs, Gray said.

Avon pays the freight bills, he said, but the company does not take title to goods until they reach the United States. ■

UP, Schneider launch joint service

Rail-truck service covers corridors between Midwest and Mexico, Texas, Northern California, Pacific Northwest.

Union Pacific Railroad and Schneider National, the largest truckload carrier in the U.S., have formed an intermodal partnership.

The UP/Schneider agreement includes corridors linking the Midwest with points in Mexico, Texas, Northern California and the Pacific Northwest.

It will cover all of UP's major service corridors except for Southern California, where Schneider has other arrangements for its intermodal shipments.

The joint rail/truck service started with 500 truck-trailer loads in August. Company officials said they expect the service to grow rapidly, especially after the expected addition of stacktrain service during the coming months.

Executives of Schneider and Union Pacific said the agreement will combine services of leading rail and motor carriers.

"This new alliance takes advantage of long-haul rail economics, consistently high service performance on a door-to-door basis and technological advancements by leaders in the railroad and truckload industries," said Dick Davidson, UP chairman and chief executive officer.

Don Schneider, chief executive of Schneider National, said the partnership with UP "enables customers to meet their delivery requirements at a lower cost."

Union Pacific is the nation's largest-volume intermodal carrier, handling more than 1.2 million intermodal units a year.

The UP/Schneider agreement is the latest in a series of joint intermodal services by railroads and motor carriers.

J.B. Hunt Transport Services Inc., the Lowell, Ark.-based truckload carrier, started the movement in 1989 through a trailer-on-flatcar arrangement with Atchison, Topeka & Santa Fe Railway.

Hunt's intermodal services have since expanded to include seven railroads. Hunt recently announced plans to enter the stacktrain business early next year with its own specially designed containers.

Schneider also is looking into development of a special double-stack container that would match the durability and carrying capacity of a road trailer. The company has been working with trailer manufacturers to develop such a container.

Schneider's TOFC alliance with UP is the fourth that Green Bay, Wis.-based truckload carrier has put together with a railroad. Schneider also has intermodal partnerships with Wisconsin Central Ltd., Consolidated Rail Corp. and Norfolk Southern Corp.

Union Pacific has similar TOFC alliances with other truckload carriers, notably J.B. Hunt in the Chicago-Memphis-Mexico corridor and North American Van Lines in major east-west corridors.

"From our point of view, the agreement with Schneider is a major one," said John Bromley, a UP spokesman. "We look for it to grow substantially, and to become a major part of our intermodal business."

The growth of alliances of rail and trucking companies has expanded the market for intermodal traffic.

In the early years of domestic intermodal services, much of the traffic consisted of cargo diverted from one form of railroad carriage to another. Rails offered piggyback service to keep traffic from moving off the rails to the highways.

Then, beginning with American President Lines' first stacktrain service in 1984, railroads enjoyed explosive growth in international traffic. Now railroads are seeking domestic business by offering price-service combinations that are designed to take traffic off the highways.

The traditional view has been that it intermodal service becomes feasible only for distances of more than 700 miles. That rule of thumb is beginning to be altered, however, as truck-rail partnerships and joint services become more sophisticated. ■

The following pages are edited from the viewpoint of the inland shipper who, because of location, must develop expertise in intermodal operations. Content of this section may vary from region to region, but features are summarized in the Regional Briefs, pages 95-99.

Labor costs must reflect economic realities

Canadian official says unnecessary clauses are bad for business in poor economy.

One of Canada's leading maritime officials said that country's maritime industry cannot afford labor contracts that drive up the cost of loading and unloading vessels.

"By this, I mean things such as artificial sling load restrictions, gang sizes that don't reflect the true needs of the operator to efficiently work his vessel, exorbitant wage rates for certain work periods and work rules that force the operator to hire extra men unnecessarily," said Brian MacKasey, president of the Maritime Employers Association.

MacKasey spoke recently at the annual meeting of the Canadian Port and Harbour Association, held in Saint John, New Brunswick.

MacKasey said cargo volumes passing through Canadian ports have dropped, especially in Eastern Canada. Prices for such commodities as forest products are sagging, and container carriers in the North Atlantic trade are losing money.

"Canadian ports, in my opinion, are currently facing the most difficult set of economic circumstances in the past 20 years," he said. "The first is the economy and the second being the aggressive positions taken by our friends south of the Canadian border."

MacKasey said actions taken by U.S. ports have had an effect. U.S. ports have negotiated labor contracts eliminating "antiquated work rules or benefit packages that could no longer be justified, given the current economic conditions."

One example he cited was elimination of the guaranteed annual income provision for new employees at the Port of New York/New Jersey. Another example has been the reduction of gang sizes.

"U.S. ports have been able to present a united front when it comes to marketing their ports, and we often see promotional material depicting labor, management, port authorities and railways working together

"When you have a major recession, coupled with fierce competition right in your own backyard, it is time to face reality and negotiate a contract that will help the port attract rather than lose precious cargo."

Brian MacKasey
president, Canadian Maritime Employers Association

to sell the positive aspects of their particular port," MacKasey said. "That is something that is sadly lacking in our Canadian port system."

He cited the Port of Montreal, saying that at one time, it was much cheaper to ship Midwest cargo through Montreal than any U.S. port. That edge has been narrowed.

In addition, he said rationalization has led to the loss of shipping lines in Saint John and carriers bypassing the Port of Halifax to ship Canadian cargo through U.S. ports.

"We can have the best facilities, geographic location and equipment in the world, but if we don't have a competitive collective agreement or if we develop a reputation as a port which is prone to labor unrest or poor productivity, then we are forcing cargo to seek alternate ports," he said. "And in today's world, there are many options."

One problem is that Canada's collective bargaining process is slow, MacKasey said. "I have seen negotiations last over 18 months." In contrast, he said some U.S. East Coast ports have signed new collective agreements before the old agreements have expired, eliminating retroactivity payments.

"When you have a major recession, coupled with fierce competition right in your own backyard, it is time to face reality and negotiate a contract that will help the port attract rather than lose precious cargo," MacKasey said.

Role For Labor. Gordon Westrand, president of the Canadian area of the Longshoremen & Warehousemen's Union, agreed with MacKasey that port authorities should stay out of collective bargaining.

"Ports should keep at arm's length in negotiations between private employer groups and unions," Westrand said. "But they should be wise enough to include these groups in the functioning port structure."

He said the Vancouver Port Corp., Fraser Port and the Nanaimo Harbour Commission include unions on their trade missions and encourage union participation on advisory boards and at meetings.

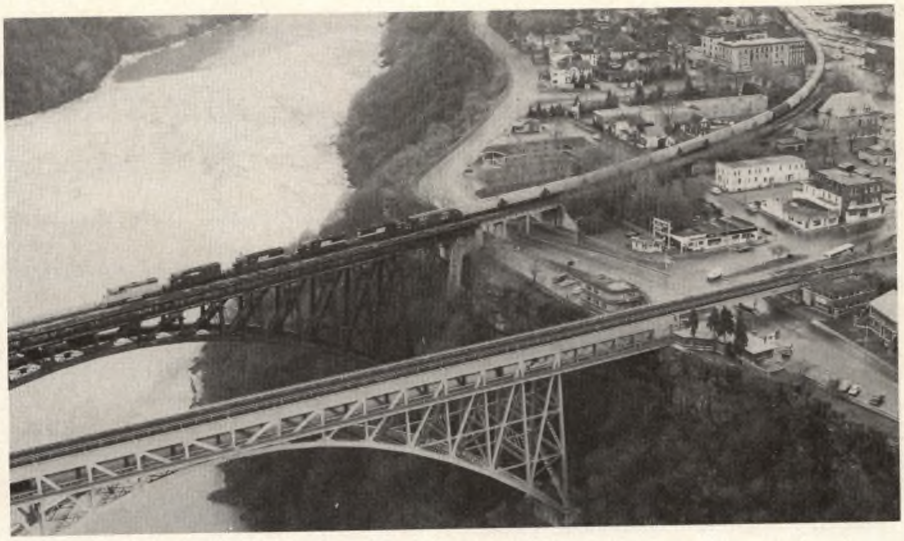
MacKasey said labor relations is an ongoing process and not something that happens when a contract expires.

But Westrand said it would be wrong to say, directly or indirectly, that all problems will be solved without a strike or a lockout.

"We will never eliminate the confrontation in labor relations, but we can bring understanding to the problems in all the players are included in the process," Westrand said.

"Over the last five years, I have observed that many of the disputes arising in rail, grain and trucking have taken place because of an outdated philosophy by employers that unions have no place in the decision-making process. And employers are subject to arbitrary decisions as part of the employer's rights.

"How do you replace dinosaurs?" he said. "In labor, we vote them out. In management, they are promoted or retired and then rehired as consultants." ■



Canada/U.S. transport alliances

Companies must form strategic partnerships to provide better service to shippers, retain business.

Canadian transportation companies are finding that it's better to work together than to fight each other.

At the recent annual meeting of the Canadian Port and Harbour Association in Saint John, New Brunswick, a common theme emerged: Companies that used to compete with one another are forming strategic alliances to provide better and more reliable service to shippers.

"When you think of intermodalism, the word itself suggests cooperation," said Mary Taylor, regional manager of sales and service for CN North America. "It has taken us some years to overcome our mutual hostility as competitors and to develop the kind of cooperative attitudes that are fundamental to providing top quality intermodal services."

No matter what the transportation mode, companies are forming partnerships to provide a service that single companies cannot provide on their own.

For example, Norfolk Southern operates its Triple Crown service and owns North American, a U.S. truck carrier. CSX owns a barge company (American Commercial Lines), Sea-Land Service Inc. and CSX Intermodal.

In Canada, CP Rail expanded into the U.S. by purchasing the Soo Line in 1990 and the Delaware & Hudson Railway in 1991. Pat M. Lawton, senior manager of marketing for CP Rail, said the railroad now links Pacific ports to U.S. and Canadian East Coast ports under one system.

> ***"When you think of intermodalism, the word itself suggests cooperation."***
>
> **Mary Taylor**
> *CN North America*

Cross-Border Links. CP Rail has also formed partnerships with Burlington Northern, Norfolk Southern and the New York, Susquehanna and Western Railroad.

Lawton said CP Rail's expansion isn't a threat to Canadian markets and ports. "It should be looked upon as an opportunity for Canadians and Canada's ports to access much bigger markets."

CN's Taylor said the goal in the '90s will be to strengthen the North American network.

To achieve that, she said, "It is essential that all the stakeholders such as the port authorities, municipal and provincial governments, terminal operators and dock workers, as well as the railways, understand the importance of working together."

She cited Halifax as an example of making changes in order to stay competitive in the import/export business. Among those are the port starting a double-stack service; Nova Scotia purchasing rail equipment for the port; the city of Halifax reducing taxes to container terminals; and the port authority cutting some handling costs. ■

3rd parties feel the competition

Claims of 'asset-based' companies exaggerated, says Alliance Shippers' vice president.

The claims of superior performance by "asset-based" intermodal companies are exaggerated, according to an official with a third-party transportation company.

Jay C. Hirst, vice president of transportation for Alliance Shippers Inc., said that "asset-based companies are starting to market themselves as inherently superior for no other reason than that they own their own assets."

But Hirst said those claims are wrong, because there is no correlation between ownership of assets and quality of service.

Hirst spoke recently at the National Press Club in Washington, D.C.

History Of Dispute. Hirst said there was no problem for 25 years, because the "traditional model" of business characterized the intermodal industry. That model featured a so-called "agent" or "third party" that was neither a railroad nor a common motor carrier, but a broker of transportation services.

For example, these firms would provide carriage to shippers needing a trailer hauled by rail to an intermodal ramp; a train to haul the trailer to another ramp; and a motor carrier to provide drayage to the consignee.

Some of these traditional third parties were "shipper's associations," non-profit cooperatives owned by a shipper or a syndicate of shippers to conduct business on behalf of its members. Other agents were privately owned companies that packaged and managed intermodal transportation for profit.

In the last two years, some railroads have established subsidiaries which market intermodal transportation directly to the shipper, thus eliminating the third party. Some motor carriers have also been doing this in partnership with the railroads.

Since these companies use their own trailers, containers and chassis, terminals and ramps, they began calling themselves "asset-based" companies to differentiate themselves from traditional third-party companies, who generally do not own the assets they use.

Mistaken Claims. Hirst said there is no correlation between ownership of assets and quality of performance. He said the claims of "asset-based" companies rest on two presumptions:

> ***"There's a suggestion here that the only sure motivator of good performance is fear of foreclosure."***
>
> **Jay C. Hirst**
> *Alliance Shippers Inc.*

- A company that doesn't own assets is "somehow not really serious about business;" and
- If a company doesn't have to pay off assets, it lacks motivation to do a good job.

"Some of the asset-based companies seem to be claiming that if you haven't got a fat principal and interest payment due at the bank on the first of the month, your customers have no way to hold your feet to the fire and force you to work hard," Hirst said. "There's a suggestion here that the only sure motivator of good performance is fear of foreclosure."

Hirst cited railroads as an example. He said up until 1980, the industry's philosophy was to "own everything," such as right-of-way, track, signals, passenger stations and freight yards, locomotives and rolling stock, among other things.

But it wasn't until deregulation in 1980 that railroads began to perform better financially, after years of bankruptcies, consolidations and heavy losses.

Deregulation allowed railroads to sell off assets and go heavily into leasing — everything from operating rights to freight cars to locomotives — to cut costs and improve service.

Service, Quality Factors. The important factors in successful intermodal operations, Hirst said, are skilled employees and providing quality service.

Alliance Shippers does own some assets, Hirst said. Among them are 385 refrigerated semi-trailers, EDI equipment and a 75-door, $17 million truck consolidation terminal in Kearney, N.J.

But the Palos Park, Ill.-based company trains its employees in different jobs, Hirst said, to "help them understand how their own work relates to all of the other tasks the organization performs." ■

CSXI centralizes intermodal pricing

CSX Intermodal has centralized pricing activities at its headquarters in Hunt Valley, Md.

Customers can call there for price quotes on all motor carrier rates. The phone numbers are 1-800-233-8632 or (410) 584-0770.

As part of the consolidation, CSXI integrated its wholly owned subsidiary, CMX Trucking, into CSXI.

The consolidation affects rate quotations for intermodal drayage, port trucking and over-the-road trucking services. Those were previously administered at the Mt. Laurel, N.J. office of CMX Trucking.

Rate requests for other CSXI motor carrier services, performed in conjunction with rail-line hauls, are still handled out of Hunt Valley. ■

Trade association announces two events

The International Trade Association of Greater Chicago announced two programs on global competition and trade with Vietnam.

"Global Competition in the '90s: Observations on Survival," will be held Nov. 18, at 5:30 p.m., at the Midway Motor Lodge in Elk Grove Village. "Report of a Trade Delegation to Vietnam" will be held Dec. 2.

Ronald E. Yates of the *Chicago Tribune* is the guest speaker Nov. 18. Yates is senior writer for international business and trade affairs. Cost is $25 for members and $35 for non-members.

Michael R. Doyle, vice president of The Chicago Group Inc., is the guest speaker for the Dec. 2 program. Cost is $20 for members and $30 for non-members.

The association holds meetings the third Wednesday of each month at a suburban Chicago location. The meetings feature a technical presentation and the chance for attendees to exchange information.

Dues are $200 for corporate, $100 for individual residents and $150 for non-residents — those who live 150 miles or more from O'Hare International Airport. For more information, call (708) 980-4109. ■

What it means for cross-border trade

There'll be winners, and possibly loser, from lifting of barriers to trade between U.S., Canada and Mexico.

Textiles and trucking are among industries with the most at stake in the North American Free Trade Agreement.

NAFTA will lift tariffs and other barriers to commerce between the U.S., Mexico and Canada. The agreement has drawn criticism from U.S. unions and some manufacturers who fear they'll be undercut by cheap Mexican competition. NAFTA supporters, however, say it would be a boon — not only for imports from Mexico but U.S. exports.

The goal of the agreement is to create a single North American market for goods and services. NAFTA would eliminate tariffs on goods produced and traded among the three nations.

The detailed agreement covers various issues ranging from energy to financial services to environmental safeguards. In the area of cross-border trade, however, much of the attention has focused on textiles and apparel and on transportation.

Transportation. In the transportation category, NAFTA applies mainly to trucking. The agreement would end restrictions that prevent U.S. and Mexican truckers from carrying cargoes across the border.

After an initial one-to-three-year period of harmonization of safety and regulatory standards, U.S. motor carriers will get gradually greater access into Mexico and investment restrictions will ease.

At the end of a 10-year phase-in period, U.S. truckers will be able to fully own a Mexican carrier involved in international commerce. Mexican truckers involved solely in domestic movements will be protected from foreign ownership, and for the first few years, Mexican carriers will enjoy sole service to maquiladora operations along the border until access provisions take effect.

Maritime issues were not on the table in the NAFTA talks, but U.S.-flag ship lines won concessions to control of landside activities in Mexican ports. Mexico will allow U.S. ship lines to run private terminals with related stevedoring, customs brokerage and warehousing services.

Textiles, Apparel. The agreement's section on textiles and apparel has drawn opposition from unions and mixed reviews from U.S. manufacturers.

Some U.S. apparel companies fear they'll be hurt by cheap labor from south of the border, and that Mexico will be used as a way for producers in Asia and other regions to circumvent U.S. quotas.

But NAFTA supporters say the agreement's rules on origin of imported material will prevent Mexico from being used as a "platform" for exports to the U.S. from Asia, Central America and the Caribbean.

The agreement's section on textiles and apparels provides special rules for trade in fibers, yarns, textiles and clothing in the North American market. These provisions take precedence over the Multifiber Arrangement and other textile agreements involving NAFTA countries.

The three nations will eliminate immediately or phase out over a maximum of 10 years their customs duties on textile and apparel goods that are manufactured in North America and meet the NAFTA rules of origin.

Blue jeans, blouses and other apparel would have to be made from yarn spun in North American to qualify for tariff benefits, and fabric would have to be made from North American fibers to qualify.

Canada and Mexico will be allowed to ship a specified amount of clothing and textiles to the U.S. each year made from foreign materials. This quota will rise slightly over five years.

Other Points. Textiles and transportation are but two aspects of NAFTA that would affect cross-border trade. Others include:

• Elimination of tariffs. NAFTA provides for the progressive elimination of all tariffs on goods qualifying as North American under the agreement's rules of origin.

For most goods, existing customs duties will be eliminated immediately or phased out in five or 10 equal stages. For certain sensitive items, the phaseout will be stretched to 15 years.

Tariffs will be phased out from the applied rates in effect July 1, 1991, including the U.S. Generalized System of Preferences and the Canadian General Preferential Tariff rates. Tariff phaseouts under the Canada-U.S. Free Trade Agreement will continue as scheduled. NAFTA permits the countries to speed up phaseout of tariffs.

• Import and Export Restrictions. All three countries will eliminate prohibitions and quantitative restrictions applied at the border, such as quotas and import licenses.

However, each country will still be able to impose border restrictions in limited circumstances, such as for health or environmental reasons. Special rules apply to trade in agriculture, autos, energy and textiles.

• Drawback. NAFTA establishes rules on the use of "drawback," which provides for the refund or waiver of cusoms duties on materials used in the production of goods subsequently exported to another NAFTA country. Existing drawback programs will terminate by Jan. 1, 2001, for Mexico-U.S. and Canada-Mexico trade.

• Customs user fees. The nations have agreed not to impose new customs user fees similar to the U.S. merchandise processing fee or the Mexican customs processing fee, which the two nations have agreed to eliminate by 1999. For goods originating in Canada, the U.S. will phase out its merchandise processing fee by Jan. 1, 1994.

• Waiver of customs duties. NAFTA prohibits any new performance-based customs duty waiver or duty remission programs. Existing programs in Mexico will be ended by 2001.

• Export taxes. NAFTA prohibits all three countries from applying export taxes unless such taxes also are applied on goods to be consumed domestically. Limited exceptions allow Mexico to impose export taxes to relieve critical shortages of foodstuffs and basic goods.

• Other export measures. If a NAFTA country restricts export of a product, it can't reduce the proportion of total supply of that product below the level of the preceding three years or other agreed period. It also cannot impose a higher price on exports to another NAFTA country than the domestic price, or require the disruption of normal supply channels. Mexico has insisted on being exempt from this provision.

• Automotive goods. NAFTA will eliminate barriers to trade in North American automobiles, trucks, buses and parts within the free trade area, and eliminate investment restrictions in this sector, over a 10-year transition period.

Each NAFTA country will phase out all duties on its imports of North American automotive goods during the transition period. Most trade in automotive goods between the U.S. and Canada already is conducted on a duty-free basis.

To qualify for preferential tariff treatment, automotive goods must contain a specified percentage of North American content (rising to 62.5 percent for passenger automobiles and light trucks as well as engines and transmissions for such vehicles, and to 60 percent for other vehicles and automotive parts.)

In calculating the content level of automotive goods, the value of imports of automotive parts from outside the NAFTA region will be traced through the production chain.

• Used-vehicle imports. Canada's remaining restrictions on the import of used vehicles from the U.S. will be eliminated Jan. 1, 1994 under the U.S.-Canada Free Trade Agreement. Fifteen years after NAFTA takes effect, Mexico will begin a 10-year phaseout of its prohibition of imports of used vehicles from other NAFTA countries.

• Agriculture. Under NAFTA, Mexico and the U.S. will immediately eliminate tariffs on about half of the bilateral agricultural trade between the countries. Other tariffs will be phased out within 10 years, except for certain sensitive products, including corn and dry beans for Mexico, and orange juice and sugar for the U.S. Tariff phase-outs on these products will be completed after five more years.

To protect domestic producers, NAFTA's agricultural provisions allow tariffs to be imposed when imports reach a "trigger" level during the first 10 years the agreement is in effect. The trigger levels are established by the agreement for a small number of commodities.

• Rules of origin. Goods that are considered wholly North American, and eligible for favorable treatment under NAFTA, would have to originate in North America or undergo a substantial transformation in the U.S., Canada or Mexico.

In some cases, the goods would have to include a specified percentage of North American content in addition to meeting the tariff-classification requirement.

A "de minimus" rule prevents goods from losing eligibility solely because they contain minimal amounts of "non-originating" material. Under this rule, goods that would otherwise fail to meet a specific rule of origin will nonetheless be considered North American if the value of non-NAFTA materials comprises no more than 7 percent of the price or total cost of the goods. ■

APL, CN to U.S.-Canada-Mexico

Intermodal service launched in anticipation of North American Free Trade Agreement.

APL Land Transport and CN North America have started an intermodal service linking the United States, Canada and Mexico.

The service includes two corridors — one between California and Eastern Canada, the other northbound from Mexico and Texas to Canada.

The carriers said that with the joint service, they're positioning themselves to take advantage of increased cross-border trade expected to result from the North American Free Trade Agreement.

With the new service, shippers will be able to move freight within the three nations under a through rate and a single shipping document, APL officials said.

In the past, Mexico-Canada or U.S. Canada container shipments have had to be handled by multiple carriers or service providers, involving handoffs of responsibility and complex documentation.

Tim Rhein, president of APL Land Transport, a subsidiary of American President Cos., said the goal is to provide "seamless, reliable movement of containerized freight across both the Mexican and Canadian borders."

"This capability will be especially important as companies seek to improve the efficiency of their sourcing, production and distribution patterns in an era of growing regional cooperation," he said.

The new service from Mexico will use APL's existing stacktrain service from Mexico City and Laredo, Texas, to Chicago. From there, CN will take the cargo to Toronto, Montreal and Canada's maritime provinces. CN North America is the rail division of Canadian National Railway Co.

The California segment integrates an existing APL stacktrain service between California and Chicago into the CN service to the Canadian points.

APL and CN said schedules and transit times are competitive with over-the-road service. The new services have departures from Mexico City six days a week and transit times of seven days to Toronto and eight days to Montreal.

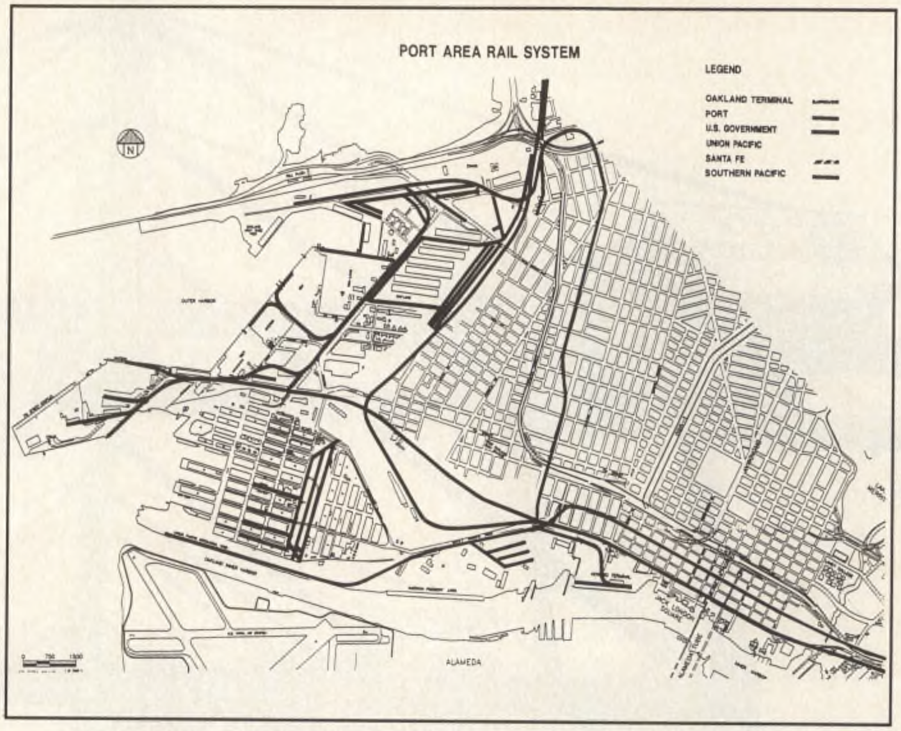
Initially, the carriers are allowing U.S. freight destined for Canada to be tendered at Laredo or any of seven California service points. Other origin points will be added as the service grows, the companies said.

APL and CN officials said the service will benefit from integration of information systems, operations, accounting, marketing and other processes of APL and CN, and between APL and its other underlying rail carriers.

APL and CN officials said they foresee rapid growth in cross-border trade among the U.S., Canada and Mexico as a result of the U.S.-Canadian Free Trade Agreement and the pending NAFTA pact.

Two-way trade between the U.S. and Canada totaled US$179 billion in 1991, an increase of 6.2 percent from 1989. U.S.-Mexico trade reached $65.2 billion, up 24 percent from 1989, and Mexico-Canada trade, while still at nascent stages, grew 29 percent to $2.5 billion in 1991.

It has been projected that northbound trade flows between Mexico and Canada will reach an equivalent of 30,000 containerload shipments by 1995, an 80.5 percent from 1990 levels, and will exceed 43,000 containerload shipments by the year 2000. ■



Oakland seeks SP yard expansion

Port would like facility to host SP, UP and ATSF railroads. There are hurdles, among them finding $15 million.

By Richard Knee

The Port of Oakland would like to see Southern Pacific Lines' near-dock intermodal yard expanded to the point it could accommodate all three railroads serving the San Francisco Bay Area.

The yard, abutting the north side of American President Lines' marine terminal on the Inner Harbor, is on SP-owned land.

San Francisco-based SP is receptive to the idea, as is rival Union Pacific Railroad, according to port officials.

The chief hurdle is finding the money, port officials said. The project would cost about $15 million.

Chicago-based Santa Fe has its intermodal yard in Richmond, some 20 miles north of Oakland. The stretch of Interstate 80 between the two cities is often congested.

Study Urges Project. In a study presented to port officials Sept. 29, the Alameda County Congestion Management Agency urged proceeding with the SP yard revamp and concurrently with the creation of a rail-based commuter service along the I-80 corridor.

"Rail freight consolidation opportunities exist and should be implemented as competitive issues between the carriers permit," said the study, which was submitted to the port authority by Jose Luis Moscovich, the agency's deputy director.

The study also found:

- "Projected rail freight and proposed passenger services can coexist on SP tracks in the I-80 corridor.
- "Additional rail passenger service has the greatest potential to noticeably reduce vehicular congestion in the I-80 corridor.
- "Even though drayage between Richmond and Oakland constitutes only a small fraction of total traffic on I-80, freight consolidation along this corridor is likely to lessen future vehicular congestion cnditions on I-80, and free up capacity to serve future truck activity generated by the port.
- "Because dockside access issues are central to the competitiveness of rail carriers, successful implementation of rail freight consolidation will require a serious look at the concept of an intermodal container transfer facility for the Port of Oakland."

What The Port Envisions. Port officials want to expand the amount of acreage being used at the SP yard and take back for its own use the port-owned land that Omaha-based UP occupies at the Inner Harbor entrance.

Of the 200 acres SP owns, 65 acres are in use, said Mike Beritzhoff, port project analyst.

With the entire site in use, there would be enough capacity to accommodate all three railroads for "a long, long time," Beritzhoff told *American Shipper*.

With UP's operations shifted, the port could convert its 90-acre yard to maritime uses, he noted.

The UP yard abuts the west side of APL's terminal. APL could expand into that area, Beritzhoff said, or a new marine terminal could be built there for another occupant.

Where's The Money? The port is seeking funding sources for the project, Beritzhoff said.

One possible source is the federal Intermodal Surface Transportation (ISTEA) program, he said, but getting money there involves a long, bureaucratic process.

Tentatively, the port has $2.4 million in ISTEA money coming for the engineering and planning phase of the project.

The allocation has gained the approval of the Bay Area's Metropolitan Transportation Commission but must still go through the California Transportation Commission and get final authorization from Congress, Beritzhoff said.

The same machinations would be necessary to get ISTEA funding for the actual, physical work, he said.

A Matter Of Semantics. Oakland port officials would not want an expanded SP yard to be called an intermodal container transfer facility (ICTF), because of the association of that name with the SP-operated yard four miles away from Los Angeles/Long Beach harbor.

The intermodal yard at San Francisco also carries the ICTF designation.

Rather, Oakland officials would call the facility a joint intermodal terminal (JIT).

In logistics parlance, JIT refers to the just-in-time concept of rapid delivery and low inventory.

When that was mentioned, Beritzhoff smiled and said the port could benefit from that kind of joint association of terms. ■

Galveston raises bagged-cargo stakes

Automated terminal hopes to handle 300,000-500,000 tons a year. Will use ILA "technicians" under special contract.

By Joseph Bonney

The scramble among U.S. Gulf ports for bagged cargoes will intensify when a new automated terminal opens at Galveston in late 1993 or early 1994.

ABT Management Inc., which recently failed in a bid to acquire Houston's high-tech Omniport terminal from bankruptcy court, plans to invest $20 million to $25 million to develop an automated terminal at Galveston.

The new terminal will compete with several other Gulf ports that specialize in bagged cargo, and with Omniport, which is scheduled to return to operation under new management this winter. (September *American Shipper*, page 78).

The Galveston terminal will include two gravity-flow shiploaders that ABT officials say will enable workers to load bags into breakbulk ships at a combined rate of 300 tons an hour. The technology will be similar to that used at the Nord Natie terminal in Antwerp.

Allen said that after the Galveston project is running, ABT hopes to develop another automated bagged-cargo terminal in the east Gulf, possibly at New Orleans. ABT also is looking at additional sites in Mexico.

ILA 'Technicians.' Although ABT will employ International Longshoremen's Association labor, it will do so under a special contract that provides management with more flexibility than traditional ILA agreements.

Paul Allen, chairman and chief executive of ABT, said ABT will employ specially trained ILA "technicians" who will come from local unions but won't be bound by traditional craft classifications.

The ILA workers will undergo training paid for by ABT and will be able to maintain the terminal's equipment when there is no cargo to be loaded.

The workers also will receive straight-time wages for any shift except holidays, he said. "You'll be able to bring a ship in at 3 a.m. in the rain, and we'll work it at no extra cost," he said.

The ILA agreed to the contract in an effort to win back some of the cargo that has been lost to non-ILA stevedores along the Gulf Coast.

The Galveston terminal will be open to use by non-ILA stevedores who meet ABT's credit requirements, but Allen said ABT will operate the terminal.

ABT, headed by Allen and former Sea-Land executive Richard H. Sanger Jr., president and chief executive officer, describes itself as a company that designs, installs and operates cargo-handling systems.

Allen said ABT has lined up financing for the Galveston terminal through a combination of equity and debt.

300,000-500,000 Tons. The new terminal is expected to handle 300,000 to 500,000 tons of bagged-cargo exports — mostly foodstuffs, according to ABT and port officials.

"That is about the amount of bagged business that Galveston historically handled until a few years ago, when rates went crazy," said Doug Marchand, Galveston's port director.

Wharfage and handling rates for bagged cargo shipments through Gulf ports plunged three years ago with the debut of Omniport, a $110-million automated terminal at Houston's Jacintoport.

Omniport featured an elaborate system of warehouse conveyors and "spiralveyor" shiploaders. Omniport's promoters predicted the automated terminal would corner the market on bagged-food shipments through the Gulf.

But the system's technology did not work as envisioned, and cargo volume never met expectations. Meanwhile, rival Gulf ports slashed wharfage and handling rates, and Omniport was unable to pay its $700,000 in monthly rent.

After sitting idle for several months, the terminal was sold at bankruptcy auction for $500,000 to the Port of Houston Authority. The port immediately leased the terminal to Houston developers Kenneth and Doug Schnitzer, who said they would reopen it later this year with nonunion labor.

The Schnitzers plan to shift operations of their nonunion Woodhouse terminal to Omniport. They have said they are considering changes to the terminal's spiralveyor technology.

Competition. Because of Omniport's earlier problems, the terminal's reincarnation doesn't appear to be causing the concern that rival ports expressed when Omniport first burst onto the scene.

"We really don't look at Omniport as being competitive," Allen said. "There were probably 40 reasons that they failed, and debt wasn't the only reason."

Nevertheless, shippers and port officials agree it will attract a share of the business — although they say much of it is likely to shift from Woodhouse, which handles 500,000 to 600,000 tons of general cargo annually.

The Galveston terminal will be situated between 244,000 square feet of vacant warehouses and a grain elevator with storage capacity of 5 million bushels.

Marchand said the new terminal will be able to accept rail shipments of bulk grain, bag the grain on site, and load the bags onto vessels at a 1,585-foot-long dock.

The warehouses that will be part of the terminal date to the 1920s, when cotton was king in Galveston. Allen said, however, that "they're clean and neat and the floors are in good shape. The warehouses aren't brand-new, but neither is their debt." ■

Two sides of the Mexican coin

Alabama firms already trading there are upbeat over NAFTA. But there's a flip side.

By Nancy Bereckis

President George Bush's free-trade treaty will make doing business with Mexico and Canada easier, but many Alabama companies already have discovered wealth south of the border.

During the past decade, Alabama businesses, ranging from concrete makers to fire extinguisher manufacturers, have embarked on business enterprises with Mexico. And more are preparing for opportunities to export to their southern neighbor.

The North American Free Trade Agreement, or NAFTA, still needs to be approved by Congress and the governments of Mexico and Canada. But, if ratified, it would create a free-trade zone across the North American continent by phasing out, over a proposed 15-year period, tariffs and various other sorts of barriers to cross-border trade.

Almost immediately after Bush announced in August that the three countries reached agreement on the free-trade treaty, an Alabama company disclosed plans to build a plant allowing it to export more easily to Mexico.

Birmingham Steel Corp. is awaiting approval from federal, state and local authorities before moving forward in building a steel mill near Phoenix, Ariz.

Phil Casey, vice chairman of the Birmingham-based steel mini-mill company, said Birmingham Steel also wants to see the results of a marketing study before proceeding with construction on the Phoenix plant.

If built, the plant would cost between $70 million and $100 million and would have the capacity to produce as much as 700,000 tons of steel.

Although Casey refused to comment on details of the new operation, he did say that a free-trade agreement could make shipping steel from the plant into Mexico significantly easier. His hope for easier exporting was echoed throughout the state by those who have experience working with Mexico.

Heads of Alabama companies that already do business in Mexico say they wholeheartedly hope that the NAFTA would make embarking on foreign enterprises not only less difficult, but less expensive.

"I would like to see the agreement bring down some of the import rates we have to pay because then it will make it more worthwhile for companies to send products (to Mexico)," said Janna Parris, International Sales Manager of Kappler Inc., based in Guntersville.

Kappler makes disposable safety clothes used by workers dealing with hazardous

chemicals. The company has a contract agreement with a sewing factory in Mexico to assemble some of its clothes.

Although the company does not have to pay a fee when it sends the fabric to Mexico to be sewn, it does have to pay a 20 percent "duty" charge if it decides to sell the clothes in Mexico.

"And, we do sell a lot down there — so that fee can be costly," Ms. Parris said. "But overall, we've had a good experience there."

Other Alabama business people also said they were pleased with their dealings with Mexico.

Vulcan Materials. Vulcan Materials Co. has saved money for its clients by entering into a joint venture with a Mexican company to mine limestone from the Yucatan Peninsula, Vulcan spokesman E. Starke Sydnor said.

Vulcan, which is a Birmingham-based producer of construction aggregates, imports the limestone for sale along the U.S. Gulf Coast using vessels which are significantly cheaper than rail and truck transportation, Syndor said. "What we're hoping is that the NAFTA will make doing business even more cost-efficient for us and our clients," he said.

Goldie Paine, President of Amerex Corp. located in Trussville, also said deciding to expand into Mexico has proved financially successful. Since 1975, Amerex, which manufactures fire extinguishers, has been distributing in Mexico and other foreign markets. The company owns distribution centers in Wales and Australia.

Mrs. Paine, who also is an officer of Birmingham's chapter of the World Trade Association, said she worried that wrong perceptions about doing business with Mexico would hurt the chances of Congress approving the free-trade pact.

Although many people complain that opening U.S. borders will hurt the economy, she said her experience has been that Alabama jobs were created because of Amerex's relationship with Mexico. "When we can easily sell our product in Mexico, then we're giving someone here a job to make it," she said.

Nisa Miranda, Director of the Alabama International Trade Center at the University of Alabama, also said the state will benefit overall from the NAFTA. The International Trade Center helps Alabama businesses expand into foreign markets and the NAFTA will make it easier for them to go to Mexico, she said.

"People become afraid that we are going to lose jobs to Mexico, especially since it is so close in proximity to Alabama," she said. "But what they don't realize is that companies will also be exporting products there and that will make jobs."

"We need to make sure." Jim Sizemore, director of the Alabama Development Office, is not so sure. Alabama, like other Southern states, can benefit from NAFTA — but only if state officials and businesspeople are smart, he said. "We need to make sure we export products, not jobs."

The way to do that is to make operating a business in Alabama just as inexpensive as it would be to run that same business in Mexico, he said. The clincher is that Sizemore wants to accomplish that feat without lowering workers' wages. "We have to lower other costs like taxes and power so the total cost effectiveness of running a business here will go down," he said.

What he does not want to see repeat is another company like National Industries going south.

Faced with cutthroat foreign competition, June Collier, a high school-educated moved her National Industries, a $100 million-year maker of auto parts, to Mexico at the end of the 1980s. When she opened three plants in Mexico, she simultaneously ordered shutdowns or layoffs at most of National Industries U.S locations, including four Alabama locations. Early last year, Mrs. Collier, whose ex-husband Ben was the former director of the Alabama Development Office, sold the company to Augat Inc. of Mansfield, Mass.

An outspoken advocate of stronger tariffs, Mrs. Collier recently blasted NAFTA. "How anyone can be dumb enough to say that when you close a plant here and take jobs down there (to Mexico) that it creates jobs in this country ... I mean, that's like looking at the sun and saying, 'Boy, isn't the moon bright today?' "

But Sizemore is confident Alabama and the South can profit from free trade. In December, the governors of the Deep South states will be visiting with officials from Mexico in an effort to push the trade effort with Mexico. "We could benefit from exporting the high-tech stuff, such as computers and software," he said. "We just have to be careful in what we're doing." ■

Grain group urges NAFTA passage

The National Grain and Feed Association supports the agricultural provisions of the North American Free Trade Agreement. The Washington, D.C.-based group urged Congress to approve the accord.

"NAFTA is vitally important to the future economic growth of U.S. agriculture," said Kendell W. Keith, association president, in testimony before the House Agriculture Committee. "We applaud our trade negotiators for reaching an agreement that enhances market access for U.S. agricultural commodities, and take the view that all parties to the agreement should continue to work toward the elimination of market-distorting domestic supports and export subsidies."

Under NAFTA, Mexico would eliminate its 15 percent seasonal tariff on U.S. sorghum imports. Mexico's import licensing system for U.S. wheat and wheat flour would change to a 15 percent tariff — which would be phased out over a 10-year period.

Mexico would permit duty-free imports of 2.5 million metric tons of U.S. corn, and that figure could increase based on domestic requirements. U.S. corn imports exceeding that figure would be subject to a 215 percent tariff, or $206 per metric ton. The tariff would be phased out over 15 years.

The long phase-out period would likely be counterbalanced by higher imports. Sparks Co. Inc. of Memphis, which provides agricultural analysis, projects that Mexican food and feed-grain imports will reach 12 million metric tons by 1996. That figure is approximately twice that of current levels.

However, the association said a successful GATT agreement is imperative, and that NAFTA is no substitute for failure in the current Uruguay Round of talks. "We would caution against the view that a GATT agreement has become less urgent as a result of the NAFTA," Keith said.

Keith also testified that because of NAFTA, the U.S. must change its farm policies.

"It would be a mistake to assume that the enhanced market opportunities presented by free trade are the sole province of the United States," he said. "We believe that U.S. agricultural policies that limit agricultural production and idle our infrastructure through acreage idling schemes have resulted in lost export business. We need to prepare ourselves to aggressively produce and market agricultural products to take advantage of the trade opportunities that NAFTA will present."

The association also lauded a provision to settle disputes by arbitration, thus avoiding the delays and costs of litigation. ■

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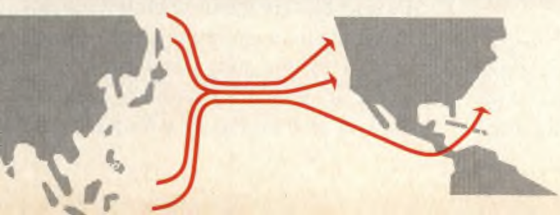

MOL

RoadRailer prepares to cross Hudson

Norfolk Southern has agreement with Conrail, building two terminals to serve New York.

By Joseph Bonney

Norfolk Southern Corp. hopes to bring its RoadRailer service to the New York market next spring.

After 18 months of negotiations, Norfolk Southern has reached an agreement with Consolidated Rail Corp. to allow the combination highway-railroad vehicles to operate on Conrail tracks.

Meanwhile, construction has begun on two Triple Crown terminals for RoadRailer vehicles. One is at the Rutherford yard near Harrisburg, Pa. The other is at the Portside terminal at Port Newark.

The startup date for the extension of service is likely sometime around April, according to railroad officials.

"There are no big obstacles left," said Thomas L. Finkbiner, assistant vice president, international intermodal marketing, at Norfolk Southern's Triple Crown unit. "The terminals will be ready by yearend, but there's no sense in starting a service on Jan. 1. Everybody will still be asleep."

Norfolk Southern has coveted the big New York market for its RoadRailer vehicles for a decade, but needed access over Conrail tracks.

The road to an agreement between the railroads was smoothed earlier this year when Conrail and the United Transportation Union signed an agreement allowing two-person train crews, the same number of workers used on RoadRailer crews.

Unlike conventional intermodal equipment, RoadRailer vehicles could fit through Amtrak rail tunnels under the Hudson River between New Jersey and New York. However, Amtrak officials have balked at allowing the freight vehicles to use the passenger-train tunnels.

Even without the tunnels, the RoadRailer vehicles could be drayed between the city and intermodal rail yards in New Jersey, Finkbiner said.

With its Triple Crown unit, Norfolk Southern is the only railroad operating RoadRailers, which ride on rails but can be switched easily and quickly to highway trailers at intermodal terminals.

RoadRailer's manufacturer, Wabash National Corp., has been developing new designs that more closely resemble regular over-the-road trailers. The latest unit, the Mark VI, has a cubic capacity that is comparable to that of conventional, over-the-road, 53-foot dry vans.

Triple Crown operates 2,332 RoadRailer vehicles and hauls 3,300 loads weekly, mostly in the Midwest and Southeast. The company has a RoadRailer hub at Fort Wayne, Ind.

Triple Crown recently took delivery of 350 new 53-foot RoadRailer vehicles and expects to place a "substantial" order for more vehicles this year, Finkbiner said.

Triple Crown also operates 350 domestic containers, which Finkbiner said are operating at good utilization rates and turn times.

He said the company operates the domestic containers mainly to become more familiar with operating details in case a container is developed with the carrying capacity of an over-the-road trailer. ■

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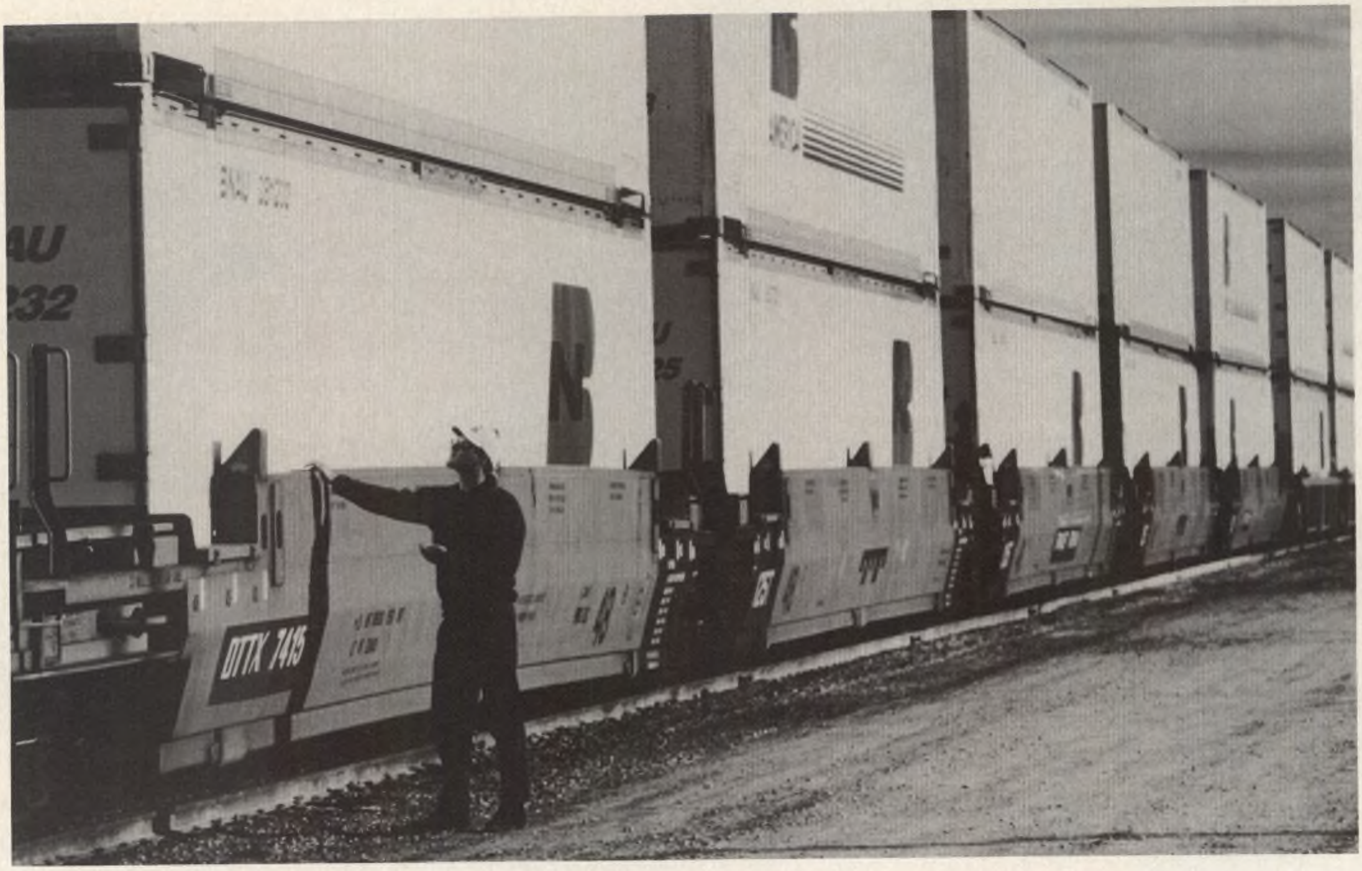

On the average, Burlington Northern operates 50 intermodal trains per day.

BN sets up intermodal division

Splits it from merchandise unit, reshuffles management. Focus on intermodal.

By Joseph Bonney

Burlington Northern Railroad has reorganized its intermodal department into a single business unit responsible for both marketing and operations.

The new arrangement is similar to the structure used by Southern Pacific Lines and Atchison, Topeka & Santa Fe Railway. Other railroads have found that they can get a better handle on pricing and equipment supply by combining operations and marketing into a single unit.

BN's intermodal staff now "will be able to focus exclusively on intermodal," said Jim Sabourin, a spokesman for the railroad.

Coal and other bulk commodities still dominate Burlington Northern's cargo mix, but intermodal shipments now account for 15 percent of the railroad's traffic.

For years, Burlington Northern's intermodal staff has had additional responsibilities for "merchandise." The merchandise category covers uncontainerized cargo besides agricultural commodities, coal, automotive and industrial products. (Each of those is in a separate business unit.)

The decision to split the intermodal and merchandise units followed an extensive internal review of Burlington Northern's management.

The change resulted in a reshuffling of several management positions.

William Greenwood, BN's chief operating officer, now is responsible for the railroad's sales and marketing. Greenwood came out of the operating department in 1981 to head a new integrated intermodal department.

He pushed development of an intermodal network that combined rail shipments between hubs with highway shipments by truckers.

825,545 Shipments. BN now operates intermodal hub centers in 29 U.S. cities. Last year the railroad originated 825,545 intermodal loads and operated an average of 50 intermodal trains a day.

BN America, Burlington Northern's domestic container marketing operation, will remain part of the new intermodal unit.

John Q. Anderson, former executive vice president of sales and marketing, moved over to head the company's coal marketing unit. Coal accounts for one-third of revenue at BN, whose service area includes the Powder River Basin mining area in Wyoming.

Mark Cane, who had been vice president, equipment management, was named vice president of marketing,.

Thomas D. Perdue, an intermodal operating executive, will report to Cane in the marketing department.

Intermodal marketing will be divided between Jim Kelly, who is in charge of international business, and Donald Meyer, in charge of domestic marketing.

Meyer has been responsible for intermodal marketing since April, when William Berry left to become vice president of intermodal and automotive operations at Southern Pacific.

Intermodal marketing had reported to Gerald K. Davies, vice president, merchandise/intermodal. Davies now is in charge of merchandise carload marketing. ■

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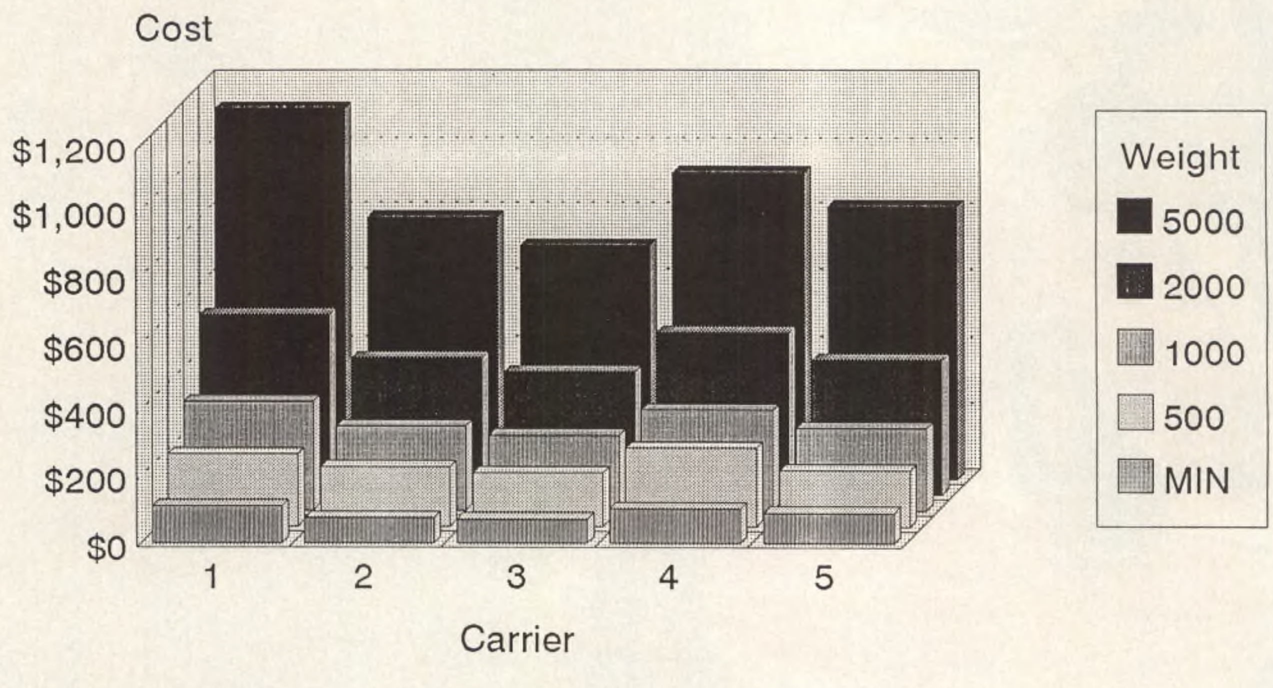


Source: CTI Logistics Inc.

Making book on freight

Manufacturers shipping fewer goods, paying smaller freight bills, says Cass Logistics.

By Mark Voorhees

Psst. Want to know a juicy piece of inside information that is reliable and perfectly legal?

The nation's manufacturers are still slumbering in deep recession, and don't let anybody tell you otherwise.

They are shipping fewer goods and paying smaller freight bills.

That tidbit comes from Cass Logistics, Inc., the nation's largest processor of freight bills. St. Louis-based Cass's freight volume index measures freight expenditures and shipments of its 900-plus clients, Sears, Roebuck & Co., Westinghouse Corp., and Dow Chemical Corp., among them.

According to the index, freight expenditures in July were 89.6 percent of the January 1990 level and shipments were at 85.6 percent, levels lower than in April, when the index was launched.

Freight payment sounds like a dull, boring business, and it is. But this hidden corner of the transportation puzzle can offer some fresh and startling views of transportation as usual. The flow of freight bills is one of the best plumb lines into the waters of macroeconomics and logistics.

KLS Logistics, Inc., of Pleasanton, Calif., for example, is constantly on watch for trends in its clients' freight bills. The bills might show a shipper relying heavily on carriers with poor performance records or using overcongested traffic lanes. KLS may be able to step in and provide consulting services.

Freight payment "is the cash register that allows us to go out and sell consulting services," said Michael Goldsmith, KLS president.

In fact, most freight-payment vendors say that paying the bill is just the start of their services. They want to be known as logistical experts, able to divine better ways of moving goods by analyzing big trends in small bills.

Among the services they offer are: rating bills of lading, auditing freight bills, selecting carriers, and analyzing routing. Freight-payment vendors are also among the leaders in providing electronic data interchange connections between shipper and carrier and software for the use of internal traffic departments.

Participants. Once the domain of banks searching for easy deposits and cash flow, freight payment has over the last decade fallen mostly into the hands of small, private companies. Bank of Boston and Cass Commercial Corp., Cass Logistics's par-

The flow of freight bills is one of the best plumb lines into the waters of macro-economics and logistics.

ent, are the only two remaining banking organizations with sizable freight payment books.

Other big players are Strategic Technologies Inc. of Iselin, N.J., better known by the name of its subsidiary F.H. Traper; CTI Logistics Inc. of Rahway, N.J.; NTA Inc. of Kent, Wash.; and Tranzact Systems Ltd. of Homewood, Ill.

The biggest of all freight payment vendors actually are shippers themselves. According to Cass's Delaney, third parties pay only about 20 percent of the $120 billion in intercity freight that moves on trucks, trains, and planes. (These vendors seldom pay steamship line bills, leaving the maze of customs and tariff payments to brokers, forwarders and other international experts.)

The small market penetration means there are big opportunities for those vendors who persuade shippers that they can do the job better and cheaper. The current fixation on reducing corporate headcounts could be just the point of entry and selling point that vendors need. "The biggest thing we are fighting is the disposition of people to pay internally," Delaney said.

As the exit of most banks from the business suggests, however, freight payment is not necessarily an easy task to master or highly profitable.

ICC Quick-Pay Rule. The business began back in the easy days of the 1950s. The Interstate Commerce Commission decreed that railroads had to be paid in four days, truckers in seven days.

"The federal government put us in business," Delaney said, on the theory that "the public benefited from paying bills fast because it kept rates down."

Banks such as Chase Manhattan Bank, Citibank, First National Bank of Chicago were all attracted to the "float" in the business — the use of interest-free money while it travels through the payment systems.

"It is a business that generates a tremendous amount of cash flow," said Michael Regan, chief executive of Tranzact and former Bank of America official.

The Float. Anthony Rubico, division executive of Bank of Boston's freight management services division, said back in the old days both shipper and carrier would both have accounts at the bank. The bank would simply debit one and credit the other. Easy-in, Easy-out

"The carrier would send the bill to the bank. We didn't audit it, read it or do anything but pay it," Rubico said.

Even better, the shipper was required to keep a non-interest-bearing balance large enough to pay that week's expected bills. And the carrier could only access its account by drawing a check. The bank generally had use of the money from the time of the shipper's deposit until the carrier's check cleared. "This is what made the business so lucrative," Rubico said.

The Decline. When interest rates hit double digits in the mid-'70s, corporations suddenly became conscious of cash management. The quaint practice of leaving interest-free balances at the bank quickly fell by the wayside. Bank of Boston, for example, handled 14 million freight bills through its debit-credit plan in 1976 but will process about three million this year.

Most shippers now want their bills paid by check. Bank of Boston pays about 12 million to 13 million bills by check each year.

Even when a vendor is paying by check, there are opportunities to take advantage of float. The vendor still has access to the shipper's money from the time of payment until clearance, a process that can take a few days to several weeks.

There are all sorts of ways vendors can hold up payment, like disputing a freight bill. (The ICC now says bills must be paid within 15 days, unless shipper and carrier negotiate otherwise.)

Negotiating The Float. Shippers, however, have started to pay attention to the details. "There is no way you can talk to a shipper without talking float," Rubico said.

Shippers, for instance, know that the larger their average freight bill the better the discount. Bank of Boston might take 20 cents per transaction off a $200 bill and 40 cents off a $400 bill.

Freight payment services range anywhere from 50 cents a transaction to $1.50, depending on volume, level of service, and how long they let the vendor hold onto their money. Some shippers want bills of ladings and freight bills reconciled in advance. Others want their carriers paid quickly.

"There is no way you can talk to a shipper without talking float."

Anthony Rubico
Bank of Boston

It costs Cass about $1.50 to process a freight bill, but it often charges shippers less than $1 because of the float. In one instance, Cass actually paid Phelps Dodge Corp. for its business, so advantageous was the volume of its freight bills.

Not surprisingly, vendors from outside the banking fraternity market themselves as the float-free alternative. Many of them came into being when interest rates were high.

Tranzact, for example, was incorporated in 1983. Strategic Technologies came to life in the late seventies but started in the pre-audit payment and international services business in 1981.

Non-banks obviously cannot play the float game as easily. Although they also can collect interest on funds in transit, they don't have the easy access to financial markets and payment systems of a bank. Strategic Technologies, for example, gets just 10 percent of its revenues from float and the rest from per-bill fees.

Float Income Declines. Float income, as recent history demonstrates, can be a perilous pursuit. Cass Logistics' before-tax income plunged to $2.5 million in 1992 from $4.9 million the year before, despite only a 4 percent drop in the number of transactions. The reason: declining interest rates.

The banks' competitors say that continued low interest rates may flush out all but the most committed of the banks. Some think that even Bank of Boston, one of the grand elders of the business, may make an exit. Not so, says Rubico.

"For at least the next 10 years, we see this business growing," he said.

Regardless of affiliation, all freight-payment vendors must be adept at EDI. More than half of Tranzact's customers submit electronic bills of lading. At Cass, the percentage is about 70.

Strategic Technologies is communicating electronically with companies like General Motors Corp., Firestone Tire & Rubber Co., and Bristol-Myers Squibb, Inc. What began as a clerical function has now gone decidedly high-tech and high-touch. But not all shippers notice the difference.

"You would be amazed at the lack of quality information most shippers have about their freight payments," said one vendor.

In this business, ignorance is not bliss. ■

Work starts on new MOL terminal

Outer Harbor facility will boost Mitsui/Trapac's container handling and storage capacity in Oakland.

By Richard Knee

Dredging and construction work begun in the summer is transforming the 32-acre former Carnation Co. terminal at Oakland's Berth 30 into a modern container facility that Transpacific Container Service (Trapac), a subsidiary of Tokyo-based Mitsui O.S.K. Line, is to start operating in December 1993.

The Outer Harbor facility, to cost upward of $75 million, is more than half-again the size of Mitsui's current terminal at Berth 35 between the Matson Navigation Co. and Howard Street public terminals.

The new terminal will dramatically expand Trapac's container- and chassis-storage capacity at Oakland, and will feature system upgrades that will enhance cargo-control and yard security, operations manager Chris Nussbaumer said.

The port authority and Mitsui held groundbreaking ceremonies at the site of the new terminal Sept. 17.

Features. Trapac's new terminal will feature a single-ship berth of 1,050 linear feet with two 100-gauge post-Panamax cranes built by Paceco, Nussbaumer said.

Dredging started in late August will deepen the draft by Pier 30 to minus-38 feet (mean-low-lower water) from minus-35 feet, he said.

The terminal yard will initially accommodate up to 1,500 wheeled FEUs at a time; should the facility be expanded or renovated to accommodate grounded containers as well, the capacity could go up to 2,700 FEUs, he said.

By comparison, Trapac's current, 20-acre terminal can store up to 700 FEUs, wheeled only, at a time, he said.

Moreover, the new facility will accommodate between 300 and 400 refrigerated containers at a time, versus 120 at the Berth 35 terminal, he said.

In addition, a racking system at the new terminal will boost Trapac's chassis-storage capacity, he said.

Trapac handled 47,000 containers at Oakland in 1991, Nussbaumer said, and "we could probably push to 55,000 or 60,000 gate moves" at the current facility.

At the new terminal, the first year's throughput is estimated at about 80,000 containers, he said.

The new terminal will also have a 12,000-square-foot administration building, a 16,000-square-foot maintenance/repair structure and, at dockside, a 3,500-square-foot marine-operations building, he said.

The maintenance/repair building will include six repair bays and a full-service parts room, he said.

The new terminal will also include six inbound and two outbound truck lanes, and four scales, he said.

Security there will be automation-based, with a video camera installed over each scale, he said. Security at the current terminal involves a manual check-and-balance system, he said.

Mitsui is to foot the $75.1 million bill for work on the new terminal, and the port is to pay the $11.5 million cost of supporting infrastructure improvements, under an agreement they signed in June 1991.

Yard improvements are expected to cost $45 million, and the container cranes will cost $15 million.

The pact calls for Trapac to run the terminal for 25 years, with a five-year renewal option.

In addition, Mitsui is to make an annual rental payment equaling required annual debt servicing and applicable land rental. The land rental is initially set at $10 per square foot of land and $5 per square foot of water, and is to be adjusted in five-year increments as the market fluctuates. The first increase is not to top $2.75 per square foot.

Trapac is also to share its operating revenues with the port — 15 percent the first five years, 20 percent the second five years and 25 percent the final 15 years.

The amount will not exceed 15 percent if tonnage volume exceeds forecasts.

At the same time, Trapac must, starting the sixth year of the contract period, meet an annual tonnage throughput minimum and must pay wharfage on any year's shortfall. ■

Oakland starts dredging to 38 feet

With the first phase of harbor-deepening work in Oakland under way at long last, the maritime community there is preparing to go after the various permits for long-term dredging that would enable the largest containerships to visit the port without having to wait for high tide.

Getting the necessary permits could be a long, difficult process, first because myriad agencies are involved, and second because of the environmental sensitivity surrounding disposal of dredged materials.

The current project had to gain the approval of the Bay Area Water Quality Control Board, the Bay Conservation and Development Commission, and the U.S. Environmental Protection Agency.

Presumably, long-term dredging would require authorization from at least those agencies.

Dredging to deepen Oakland's Inner Harbor Channel to minus-38 feet from minus-35 feet (at mean-lower-low water) was begun in late September. Seattle-based Manson Construction is performing the work under a $1.28 million contract with the U.S. Army Corps of Engineers.

Maritime interests estimate that the work will enable so-called fourth-generation containerships to carry an additional 5,400 tons of cargo per sailing at low tide.

Of the nearly 600,000 cubic yards of dredge material, 565,000 are to be dumped at a site west of Alcatraz Island, which has been a major disposal site for more than 100 years, according to port officials.

The remaining 23,000 cubic yards are to be taken to Port Sonoma for drying, then used as cover material for a landfill in Novato, about 25 miles north of San Francisco.

The latter portion consists of "questionable" materials, and is therefore being taken upland to ensure that any materials dumped into San Francisco Bay poses no danger to fishing or to water quality, port commission president James B. Lockhart said.

The port hopes to begin deepening of all three harbor channels to minus-42 feet in 1994. That would involve dredging 7 million cubic yards of silt from the bay floor.

Testing is under way to determine whether the material is clean enough for bay or ocean disposal.

Dredging to minus-42 feet would generate thousands of new jobs and millions of dollars in additional income from the port's maritime operations, Lockhart said.

Aside from any deepening work, continuous dredging is needed just to keep the channels at current depths. That involves some 10 million cubic yards of silt that washes into the bay each year from the San Joaquin River Delta. ■

Ryan-Walsh molds new endeavor

One of the nation's oldest stevedores enters resin packing business with new Houston center.

Ryan-Walsh, one of the nation's oldest stevedores, has expanded into resin packaging in Houston, the nation's busiest resin port.

The Mobile-based company has operated a polyvinylchloride handling operation at the Port of Houston Turning Basin for nearly three years. Now it has added a new 292,500-square-foot resin packaging and distribution center on 12 acres adjacent to the Barbours Cut container terminal.

Synthetic resins are widely used in the manufacture of plastic items, such as toys. Most U.S. resin exports go to the Far East.

The resin packing center, estimated by one industry official to cost more than $15 million, provides four different types of packaging services: traditional valve-packaging of 25-kilogram bags; form-fill and seal; bulk bagging; and bulk container transfer. A valve-pack system alone, including equipment such as palletizers and conveyors, can cost about $5 million.

The operation will also offer a stretch hooder for palletized cargo, an advancement over stretch wrapping. The stretch hooder system, which stretches a one-piece plastic cover over pallet loads, costs about $500,000.

"There are other facilities with similar technologies, but the stretch hooder machine is the only one in the United States," said Tom Isaly, administrative manager for the resin packaging and distribution center. "It is also rare in the United States to see all of these technologies in one large facility, as opposed to having two or three facilities a half or a third of this size."

The operation also offers container stuffing and computerized inventory control and information services. Only polypropylene and polyethylene will be handled at Barbours Cut.

Andbecause its operation is directly adjacent to Barbours Cut, Ryan-Walsh offers drayage savings and is able to exceed highway restrictions on container weights, Isaly said.

Why Resins? Why would Ryan-Walsh, a stevedore for 125 years, want to suddenly get into resin packaging?

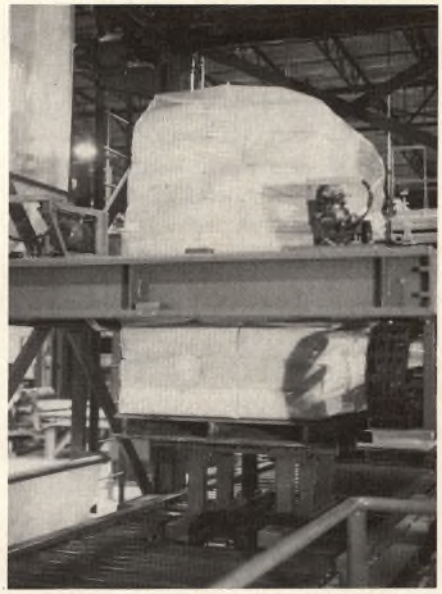
"There's a need in the industry for outside packaging," said Niels Aalund, general manager of the Barbours Cut operation. "A lot of producers are looking at their capital investment costs. They're in the business of producing product and selling. Why invest in keeping up with the technology on packaging equipment and having personnel trained to work on it, if you could find a company to do it as good as you can or better, at a competitive price?"

By providing all these services, plus stevedoring, Ryan-Walsh provides a "cradle-to-grave service," Isaly said. "We can take the bulk material that comes in on rail car, package the product, deliver it to truck — or truck it ourselves — and then load it on a vessel."

Ryan-Walsh coordinates the entire operation and is accountable for any damage or contamination of product, Aalund added.

Soft Market. For now, Ryan-Walsh must be concerned with availability of product. The resin market, a particularly volatile industry, is soft right now, due to overproduction by European and Far Eastern manufacturers.

Port of Houston tonnages have reflected the market's volatility. Resin tonnages leaped 40 percent or nearly a quarter million tons to 800,739 short tons of resins in 1991. That's after falling 17.8 percent to 572,092 short tons in 1990.



Ryan-Walsh's new stretch hooder is the only one in the United States.

"Regardless of it being soft, it is cyclical and people traditionally will go to where the value is," Aalund said. ■

Unlikely commodities help Portland

Straw, onions boost port's export business.

The Port of Portland is posting growth in two unlikely commodities: straw and onion exports.

More than 10,000 containers of straw were exported from Oregon to Asia from June 1991-July 1992. Japan is the biggest importer, followed by South Korea and Taiwan.

Straw is what remains after grasses have been harvested — rye and blue grass, fescue and nine other varieties. Historically, straw has been burned.

But after 15 years of development, straw is a hot product in the Japanese dairy and beef industries. Straw is used as roughage to supplement cattle feeds.

Much of the export straw comes from the Willamette Valley, a major growing area for cool season grass seed.

About half of the straw remaining after harvest is exported. Demand is expected to grow in South Korea and Taiwan as those countries develop dairy and cattle industries.

The straw is cut and baled, then stored in warehouses. Prior to export, the bales are double-compressed then put into containers. An average load weighs between 40,000-44,000 lbs. Most of the containers are exported from Terminal 6.

The port is expecting growth in onion exports, thanks to an onion-processing plant being built by Boardman Foods at the Port of Morrow, located on the Columbia River.

The plant will process frozen and whole peeled onions, and pack fresh ones. Boardman officials declined to give figures on the cost of the plant and the amount of onions processed.

The onions will be shipped by barge from Morrow to Portland. Fresh and frozen onions will be containerized for shipment to domestic markets and for transshipment at Portland for export.

Boardman Foods is targeting Asian markets, specifically Japan. The company markets in the U.S. and abroad under the brand name Westar Foods Inc. ■

Dow's Laman chairs waterways conference

National Waterways Conference elects new officers at St. Louis annual meeting.

J.D. "Johnnie" Laman, Houston-based marine and international operations manager of Dow USA, has been re-elected chairman of the National Waterways Conference.

Harry N. Cook was named to his 15th term as president of the Washington-based trade association, which represents shippers, carriers, ports and others involved in U.S. waterway transportation. The conference held its annual meeting recently in St. Louis.

Also elected to new terms were W. Richard Christensen of Ashland, Ky., vice president of Ashland Petroleum Co., as vice chairman, and Robert W. Portiss of Tulsa, director of the Tulsa Port of Catoosa, as first vice president.

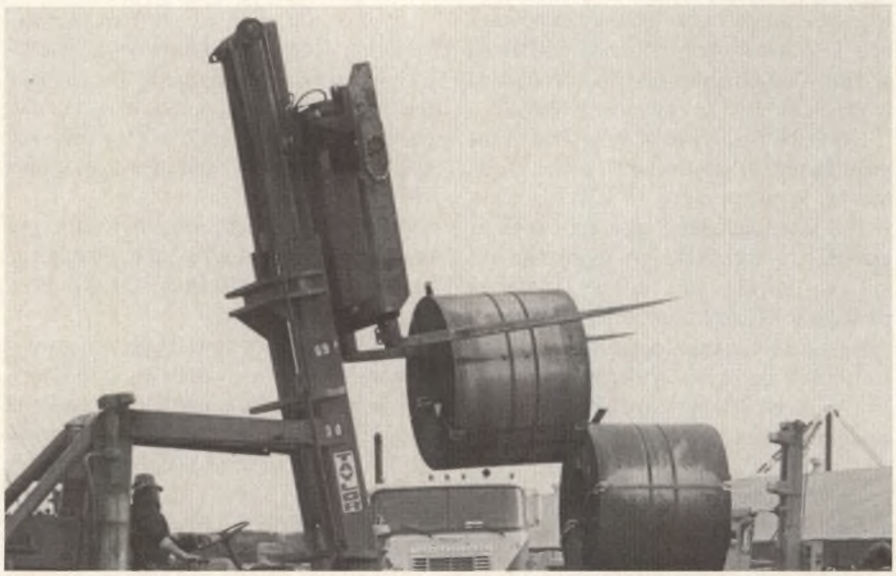
Two new members were elected to the executive committee — William F. Harbison of Greenville, Miss., president of Arkansas River Co., and Thomas D. Murphree Jr. of Memphis, sales and marketing director of Mid-South Terminal Inc.

Seventeen new directors were elected. They were Donald G. Waldon, Tennessee-Tombigbee Waterway Development Council, Columbus, Miss.; Clinton B. Odell, Cargo Carriers Inc., Minneapolis; Stephen T. Sheridan, Peavey Barge Lines, St. Louis; Glen L. Cheatham Jr., Oklahoma Department of Commerce, Tulsa; Raymond L. Massey of the St. Louis law firm Thompson & Mitchell; Alan Willis, Port of Portland, Ore.; Frank A. Castle, Oglebay Norton Co., Cleveland; Peter Chocheles, Agrico Chemical Co., New Orleans; Robert J. Vigna, Ashland Oil, Ashland, Ky; John T. Zick, Continental Grain Co., Chicago; Betty S. Hutto, The River School, Memphis; Robert E. Kenny, Trinity Marine Group, Brownsville, Pa.; John L. McCarron, Ryan-Walsh Inc., Mobile; Charles Douglas McGinnis, McGinnis Inc., South Point, Ohio; Scott McGeorge, Pine Bluff Sand & Gravel Co., Pine Bluff, Ark.; Thomas E. Rollins, Frank B. Hall & Co. of Missouri, St. Louis, and Edward L. Shearer, Shearer & Associates, Metairie, La.

Re-elected to the board of directors were: R. Barry Palmer, Dinamo, Pittsburgh; Jack Thisler, Arkansas-Oklahoma Port Operators Association, Tulsa; Margie Tyler, Mississippi Water Resources Association, Jackson, Miss.; Glenn W. Vanselow, Pacific Northwest Waterways Association, Vancounver, Wash.; Roy E. Barmore, Alexandria, La., Port Authority; Jerry Lavelle, Tri-City Regional Port District, Granite City, Ill.; Walter B. Stevenson, Alabama Department of Economic and Community Affairs; John C. Pearson, Guthrie Corp., Guthrie, Okla.; Steven M. Bradshaw, Dixie Carriers, Houston; and Edward G. Conrad, Compass Dockside, Larry R. Dailey, Canal Barge, and Dominic J. Verona, National Marine, all of New Orleans.

H. Nelson Spencer III of St. Louis, publisher of *The Waterways Journal,* was re-elected secretary.

The association will hold its next annual meeting Sept. 22-23, 1993 at the Peabody Hotel in Memphis. The organization's last Memphis meeting was in 1974. ■



New Orleans steel cargoes down

The Port of New Orleans reported a decline in its steel products shipment during the first half of 1992.

The port exported 179,343 tons of steel from Jan.1-June 30, down 30.9 percent from the same period in 1991. USX Corp. business accounted for more than half of that total, as the biggest drop occurred in mid-stream steel transfers.

New Orleans beat out the Port of Mobile last year for USX's winter export business. Yet exports are down 30.9 percent from 1991.

New Orleans beat out the Port of Mobile last year for USX's winter export business. Every winter, the Pittsburgh-based steel maker exports steel from its Gary, Ind. mill through Gulf ports because the St. Lawrence Seaway freezes up.

Late last year, USX predicted it would export 250,000 tons of steel coils through the port by the end of May.

But New Orleans' experience matches the U.S. trend. The American Institute for International Steel reported a 30 percent drop in export steel volume in 1992 through all U.S. ports of exit.

Imported steel dropped 12.6 percent, to 743,627 tons, through June 30. The decline was attributed to increased competition from smaller U.S. mills, and dumping allegations by 21 foreign nations.

The U.S. Department of Commerce and the International Trade Commission are investigating the dumping allegations against Japan, Brazil and the European Economic Community, among other nations. If the allegations are upheld, countervailing duties could be placed on designated steel products.

The allegations and subsequent investigation have prompted foreign producers to reduce their U.S. import commitments for the second half of 1992 and into 1993. The Commerce Department and the trade commission won't announce their decision until next spring. ■

Cool Carriers (USEC) goes west

Parent company closes Tampa subsidiary; consolidates Australia service into U.S.-Far East calls.

By Gary Burrows

Cool Carriers Inc.'s East Coast subsidiary, Cool Carriers (USEC) Inc., closed its Tampa headquarters and consolidated with Cool Carriers Pacific Coast Inc.

The new company, Cool Carriers (USA) Inc., will move the East Coast subsidiary's monthly U.S.-Australia service from Philadelphia to Port Hueneme, Calif. on an as needed basis. Cargo would then be railed to the East Coast, said Peter Gripenberg, president of Cool Carriers (USEC).

The primary reason for the consolidation is the complications of importing Australian meat, caused by the U.S. Meat Import Law and voluntary restraint agreements with Australian meat exporters in June, Gripenberg said.

The import law sets quotas for meat imports based on projected U.S. production, while the voluntary restraint agreements are negotiated between the U.S. government and importing countries in lieu of imposed quotas.

Australia's agreement this year limits exports to 334,212 metric tons. New Zealand, another major meat exporter, limited its meat exports to 202,665 metric tons.

A newly negotiated voluntary restraint agreement "would only allow so much meat the rest of the year. This volume has to be spread over three maybe four months," he said.

Shipments that exceed quotas or voluntary restraint agreements are stored in bonded warehouses and held until the following year.

Cool Carriers and other carriers in the Australia-U.S. trade, have paid the warehousing costs in order to keep the trade. But the carriers have warned meat exporters that they will no longer cover the costs.

Cool Carriers, the world's largest operator of refrigerated vessels, handled close to 25 percent of the frozen meat trade from down under to Philadelphia. Meat represented about 90 percent of the carrier's volume to Philadelphia. Bananas, however, are by far Cool Carrier's primary business.

Volumes to Philadelphia had grown from 19,600 tons in 1986 to 67,000 tons in 1991. Through nine sailings in 1992, Cool Carriers handled 42,000 tons.

Cool Carriers (USA) will utilize its weekly U.S.-Far East service to provide service to Australia, Gripenberg said.

The primary reason for the consolidation is the complications of importing Australian meat, caused by the U.S. Meat Import Law and voluntary restraint agreements with Australian meat exporters.

"It would be two separate services. We have ships leaving every week from Long Beach to Japan. We can take these vessels down to Australia as needed, load it and then take it back to the United States. Or we can come back empty, or with cars from Japan to the United States or whatever," he said. Initially, the service could be as frequent as every three weeks.

Meat volumes won't be much different next year, Gripenberg said. "The difference will be more frequent, steady flow of meat — 3,500 to 4,000 tons at a time rather than 6,000 or 7,000 tons."

"It will give receivers better service covering all of the U.S. from the West Coast and reduced transit time from the West Coast," Gripenberg said.

The move will also mark the suspension of Cool Carrier's failed Cool Fast service to Tampa, which Gripenberg said failed to draw interest. The service was started in hopes of cashing in on liberalization of the Japanese market for single-strength (non-concentrate) orange juice.

"It never materialized, due to lack of support from shippers and due to very low freight rates that have prevailed in the Pacific," he said. "There were actual shipments involved but never of very large amounts. The freight rates on the Pacific were so low that it didn't make economic sense for Cool Carriers to try to compete with that rate."

Gripenberg will serve as vice president of Port Hueneme-based Cool Carriers (USA). Gerald A. Fountain, head of Cool Carriers Pacific Coast, serves as president.

Cool Carriers Inc. is a subsidiary of Bilspedition AB, Sweden's largest company in the trucking, forwarding and shipping business. ■

World supply of almonds stabilizes

The California Department of Food and Agriculture estimates that this year's crop will be about 13 percent larger than the 1991 yield, despite an abnormally high rate of rejections stemming from worm damage, Blue Diamond Growers said.

Blue Diamond is a growers' cooperative based in Sacramento.

In addition, an unusually early sell-out of the 1991 crop, last August, indicates that the world demand for almonds may soon surpass the supply, which has begun to stabilize after years of steep growth, Blue Diamond said.

Almond consumption is rising because of the emergence of new markets, including the Pacific Rim, India and Latin America, Blue Diamond said, and the dollar's weakening against the deutschemark portends strong sales of California almonds in Germany.

The state projects this year's crop at at 550 million shelled pounds, versus 486 million in 1991, Blue Diamond said.

The harvest was begun in late July, about two weeks earlier than usual, and completion was expected in October.

Although almond-production acreage has shrunk to 380,000 from a high of 408,000 acres the past few years, per-acre yield has increased, the firm said.

Almond kernels in the current crop tend to be unusually dry and light because the six-year-old drought in the state is depriving trees in many areas of water, Blue Diamond said.

The almond-growing region stretches from Chico, north of Sacramento, to Bakersfield, near the southern end of the San Joaquin Valley.

On the flip side, Blue Diamond noted that the dry, warm weather aided the harvest process.

Not counting inedible almonds, this year's crop is estimated at 522 million pounds, Blue Diamond said.

Combined with a record Spanish yield of 165 million pounds, small amounts from other Mediterranean countries and the 1991 carryover, the world supply this year should reach 847 million pounds, the company said. ■

Firm helping companies 'downsize'

Former U.S. Saab executives form own company, offer outsourcing of various logistical tasks.

Some automobile executives who lost their jobs due to cutbacks are helping automobile companies "downsize," or cut back.

The company is outSource America Inc. of Westport, Conn., a consulting firm made up of former executives from Saab Cars USA Inc. The men lost their jobs this past spring when the company moved from Connecticut to Georgia.

outSource America is headed by Andrew F. Lugris, former national distribution and sales administration manager for Saab.

Other participants include Stephen Hinchey, formerly Saab's volume planning and car administration systems manager; and John Phelps Clark, previously corporate counsel for Saab Cars USA and presently chairman of Saab-Scania's Scania Truck operations in the U.S.

Stan Gembala is Customs consultant. He oversaw customs matters for Saab and Saab-Scania for nearly 20 years.

outSource America offers Command-Auto, a freight management tracking service. Command-auto tracks automobiles and automotive parts in transit to or from production and distribution centers. It tracks rail and/or truck shipments daily.

"Command-Auto installs on your own PC," Lugris said. "It provides answers to two of the most frequently asked questions in the automotive distribution field: 'Where is my car?' and 'Where are my parts?' "

Other services include designing and implementing dealer and customer incentive plans; dealership personnel retention programs; and customs service for both import and export. ■

Australian Safari winner

Blue Star Line carried this 220-horsepower Nissan Pathfinder from Los Angeles to Sydney for this year's Australian Safari. The event is a nine-day cross-country motor race that covers 4,000 miles. The vehicle was stripped, redesigned and reconstructed for the race. The vehicle finished first in its division.

Airport executive named deputy chief of Port of Seattle

For the first time, an official from the aviation side is in the number-two administrative post at the Port of Seattle.

Port executive director Mic Dinsmore named Andrea Riniker deputy executive director. She was managing director of the port's aviation division since April 1988.

In her new position, she is to oversee day-to-day operations on the maritime, aviation, logistics and support-services sides, and assist the executive director in the port's overall management.

The latter includes taking the administrative reins in the executive director's absence.

Riniker is credited with a leading role in forging a noise-mediation agreement, the first of its kind in the nation, at Sea-Tac International Airport and in helping the airport plan for meeting the region's future air capacity needs.

She has served as director of the Washington state Department of Ecology and as city manager in Bellevue, Wash. ■

APL adds domestic boxes, chassis

American President Lines has taken delivery of 300 new 48-foot containers from Korea and 275 new extendable chassis from Monon, Ind., for its domestic equipment fleet.

APL's domestic container fleet is the nation's largest, with more than 18,000 high-capacity 53-, 48- and 45-foot units.

The new containers were built by Jindo Corp. By using an exterior post structure and cutting down on the amount of inside plywood lining, the manufacturer was able to reduce the containers' tare weight.

The new chassis, built by Monon Corp., are designed to carry 48-, 45- and 40-foot containers. Container-and-chassis units are 900 pounds lighter than the current industry standard, increasing payload capacity. ■

Information Systems

German ports, NY/NJ establish EDI link

The ports of Bremen/Bremerhaven and New York/New Jersey have their electronic data interchange link in operation.

The EDI link connects these systems: NY/NJ's Automated Cargo Expediting System (ACES) and Bremen/Bremerhaven's Datenbank Bremische Hafen (Teleport dbh).

The link was announced recently at a ceremony in New York. Among those attending were Stanley Brezenoff, executive director of the NY/NJ port authority, and Hans H. Poehl, chairman of Teleport dbh.

Officials from both ports said the time saved by paperless transmissions will lead to better service.

The first users include Braurei Beck and Co., an exporter of beer based in Bremen.

Other firms involved with Braurei Beck are using the EDI link. They are Bremer Lagerhaus-Gesellschaft, the port operating company for Bremen/Bremerhaven; Hapag-Lloyd, the carrier for Braurei Beck; Hudson Shipping, customs broker; and Dribeck Importers, the U.S. importer of Beck's beer.

According to Lillian C. Liburdi, NY/NJ port director, this is the first time the ports have provided an EDI link to a chain of companies. This has enabled "information from origin to destination to flow electronically. With the participation of each company involved in transporting cargo, the full benefits of time and cost savings may be realized."

Liburdi estimated that the EDI link will help expedite the shipment of 750,000 metric tons of cargo annually between the ports.

"We are using this connection to speed the transmission of data on export consignments," said Josef Hattig, general manager of Braurei Beck. "Our office in Bremen sends invoices, packing lists and bills of lading via this EDI link to Hudson Shipping," the customs broker for Dribeck.

"Before EDI, critical information had to be updated repeatedly, typed and sent to one or more of the companies — a time-consuming process," Poehl said. With the EDI link, "information can be amended and electronically conveyed quickly and effectively. Accuracy is enhanced, paperwork and transmittal time is reduced, and staff utilization is improved."

Both ports plan to expand their EDI network, and develop similar links with other ports.

Reebie Associates upgrades barge software

Reebie Associates of Greenwich, Conn. has upgraded its Barge Cost Analysis Model (BCAM) software designed for inland and intercoastal waterway shipping.

The Army Corps of Engineers assisted Reebie in the upgrade, which took about two years. BCAM operates on personal computers.

The software includes information on every lock on these river systems: Mississippi, Missouri, Ohio, Illinois, Tennessee/Tombigbee and Columbia/Snake. BCAM allows users to review and adjust barge delay and processing times, adjust tow sizes, and evaluate rates and contracts.

Warehouse software installed at textile facility

Textile manufacturer Fieldcrest Cannon installed warehouse management system software at its warehouse in Charlotte, N.C.

The software was designed by Imrex Computer Systems of Great Neck, N.Y. and installed by Info Systems of N.C. Inc., based in Charlotte.

The warehouse computer system is connected to Fieldcrest Cannon's mainframe computer, located in the company's manufacturing facility in Kannapolis, N.C. The software lets Fieldcrest Cannon receive daily orders and shipment information, and updated inventory information from the Charlotte warehouse. Cycle counting, radio frequency connect and barcode modules are also used at the warehouse.

The 124,000-square-foot Charlotte facility opened in September. It is a distribution center for the company's Institutional Towel business unit, which supplies hotels, nursing homes, hospitals and other institutional organizations.

This was the first installation of the software for Fieldcrest Cannon. The company plans to install the software at three other facilities.

Computer program targets consolidators, NVOCCs

CDM Consulting Inc. of Miami has released CDM Shipping System, software designed for freight consolidators and NVOCCs.

Shipments can be tracked through such means as bookings/dock receipts, cargo manifests, rate calculations and multiple Bill of Lading formats, among others. The software also handles import agent rate calculations, warehouse manifests and delivery orders, among other features.

Tilbury Container Services licenses SPARCS system

Tilbury Container Services Inc. of Great Britain has licensed the SPARCS ship planning system from Navis Corp. of Oakland, Calif.

SPARCS stands for synchronous planning and real time control system. It calculates container size and weight, cargo characteristics, destination and vessel stability to help improve terminal operations. The software runs on Apple Macintosh hardware.

Tilbury Container is the first European container terminal to acquire SPARCS.

Rhode Island company announces software upgrade

Daly & Wolcott has released Version 2.0 of its Application Plus software for inventory management.

The software runs on the IBM AS/400. The software contains such features as random slotting, back-order staging and inventory putaway. It also contains expanded applications in general ledger, order entry and purchasing.

Daly & Wolcott is based in West Warwick, R.I.

Seminar on value-added networks scheduled

An EDI seminar on value-added networks (VANS) will be held Nov. 25 at the Regal Constellation Hotel in Toronto.

Topics include telecommunications opportunities and selecting a VAN. Keynote speakers include Marshall Spence, president and chief executive officer of the Electronic Data Interchange Council of Canada, and Gerry Diamond, president of EDISYS Management Consultants.

The sponsors are the Canadian International Freight Forwarders Association and the EDICC. Cost is $175 for EDICC and sponsor members and $245 for non-members. For more information, call (416) 621-7160.

Sterling announces library, Gentran release

Sterling Software has established two EDI interface libraries for Gentran midrange and mainframe EDI management software products.

The interface consists of maps and intermediate file definitions containing the necessary data for a specific standard EDI document.

All EDI interfaces are document-specific. They include an intermediate file defined by an alliance partner or customer and a Gentran map defining the relationship between the intermediate file and the EDI standard.

Sterling Software has also introduced Gentran for Unix EDI software. The release provides EDI management and translation functions plus a communications module.

The software is designed for the IBM RS/6000 platform, and for the HP/9000 platform.

Sterling Software is based in Dublin, Ohio.

Scanning for two-dimensional symbology introduced

Symbol Technologies Inc. has introduced the Symbol PDF 1000. The hand-held laser scanner can read PDF417, a paper-based communications protocol for transferring data between computer systems without re-entering the data.

PDF417 acts as a portable data file, allowing access to information without referencing an external database. PDF417 can store up to 1 kilobyte of data.

The PDF 1000 scans the PDF417 symbols not in a single line but in a zigzag-type of pattern, which leads to faster scanning. Unlike traditional bar codes, PDF417 stores the whole data file in the code itself.

One application of PDF417 is in shipping and receiving. PDF417 can enter and verify shipping manifests throughout the shipping and receiving process. PDF417 can be used as a paper supplement to EDI transactions.

Symbol Technologies is based in Bohemia, N.Y.

EDI Group announces seminars

The EDI Group Ltd. has announced the dates and sites for two seminars. They will be held Nov. 16-17 in Philadelphia and Dec. 7-8 in San Jose, Calif.

Topics include evaluating EDI software; implementing ANSI X12; helping EDI trading partners; and understanding UN/EDIFACT, the international equivalent of ANSI X12.

The seminars are being sponsored by CANAC Telecom. Cost is $800 U.S. or C$850. For more information, call (708) 848-0135.

Datamatics names Gordon as CEO

Datamatics Inc. has named George M. Gordon as chief executive officer. The Wyncote, Pa. company provides EDI services for companies bidding on government contracts.

Gordon was chairman of SPD Technologies, a Philadelphia-based manufacturer of circuit breakers and other military electronics. He graduated from the Naval Academy and served in the Navy for 10 years.

Datamatics is seeking more government-related business, particularly from the Department of Defense. DOD plans to implement electronic bidding, invoicing and contract payments. Eventually, all DOD procurement will be done electronically.

Datamatics has formed a partnership with IBM Information Network to provide electronic access for companies bidding on government contracts.

ParceLink touts proof of delivery system

ParceLink Systems Inc. has introduced its Proof of Delivery (POD) system. It allows shippers to track the progress of a shipment and receive a reproduction of the recipient's signature.

The system can be operated on a PC-based computer, and is compatible with most existing systems. POD can also be integrated into a current shipping program.

POD uses a bar-coded shipping label called "license plate" that expedites tracing of packages. All shipping information and the recipient's signature is stored for future reference.

Weber offers labels for thermal-transfer printers

Weber Marking Systems of Arlington Heights, Ill. is offering label materials for use with thermal-transfer printers. The labels provide imprinting of alphanumerics, graphics and bar codes.

The company's Transprint material features a smooth surface and a rubber-based adhesive for long-term bonding. This material is also available for cold-weather applications and for label transfer between different surfaces.

The company offers label facestock/adhesive combinations for surfaces ranging from corrugated cartons to circuit boards, and labels for cold temperature, chemical and freezer applications.

Daly & Wolcott announces appointment

Daly & Wolcott has named Tony Morettini as director of professional services. He oversees the company's system integration and consulting service business.

Morettini worked for IBM, most recently as a managing consultant in its professional services company. He joined IBM in 1980 in technical marketing support and was later named branch support manager in Burlington, Vt.

Based in West Warwick, R.I., Daly & Wolcott develops distribution, financial, warehouse and information management software.

Sparks Cos. introduces database manager system

Sparks Cos. Inc. of Memphis, Tenn. has introduced SCIDATA, a database manager designed for time-series data.

SCIDATA offers daily, weekly and monthly agricultural data, ranging from U.S. and world supply/demand information to Department of Commerce data, cash grain prices and barge freight rates. The database is compatible with DBASE III file system.

SCIDATA also contains a Lotus Spreadsheet Add-in (SCI123), which allows access to data items without leaving the spreadsheet system.

SCIDATA requires an IBM PC or compatible system with a minimum of 430K free RAM, a hard disk for program and data storage, and MS-DOS or PC-DOS version 3.3 or higher. Lotus 123 spreadsheet software, versions 2.1, 2.2 or 2.3, is needed to run SCI123.

CLM publishes 1992 software survey

The Council of Logistics Management has published the 1992 edition of its annual *Logistics Software* survey. It has been conducted by Andersen Consulting since 1980.

The 692-page edition includes information on more than 900 software packages of interest to logistics personnel. Each software package has an individual data sheet listing such items as vendor, price, warranty period, maintenance fee and installations, among other items.

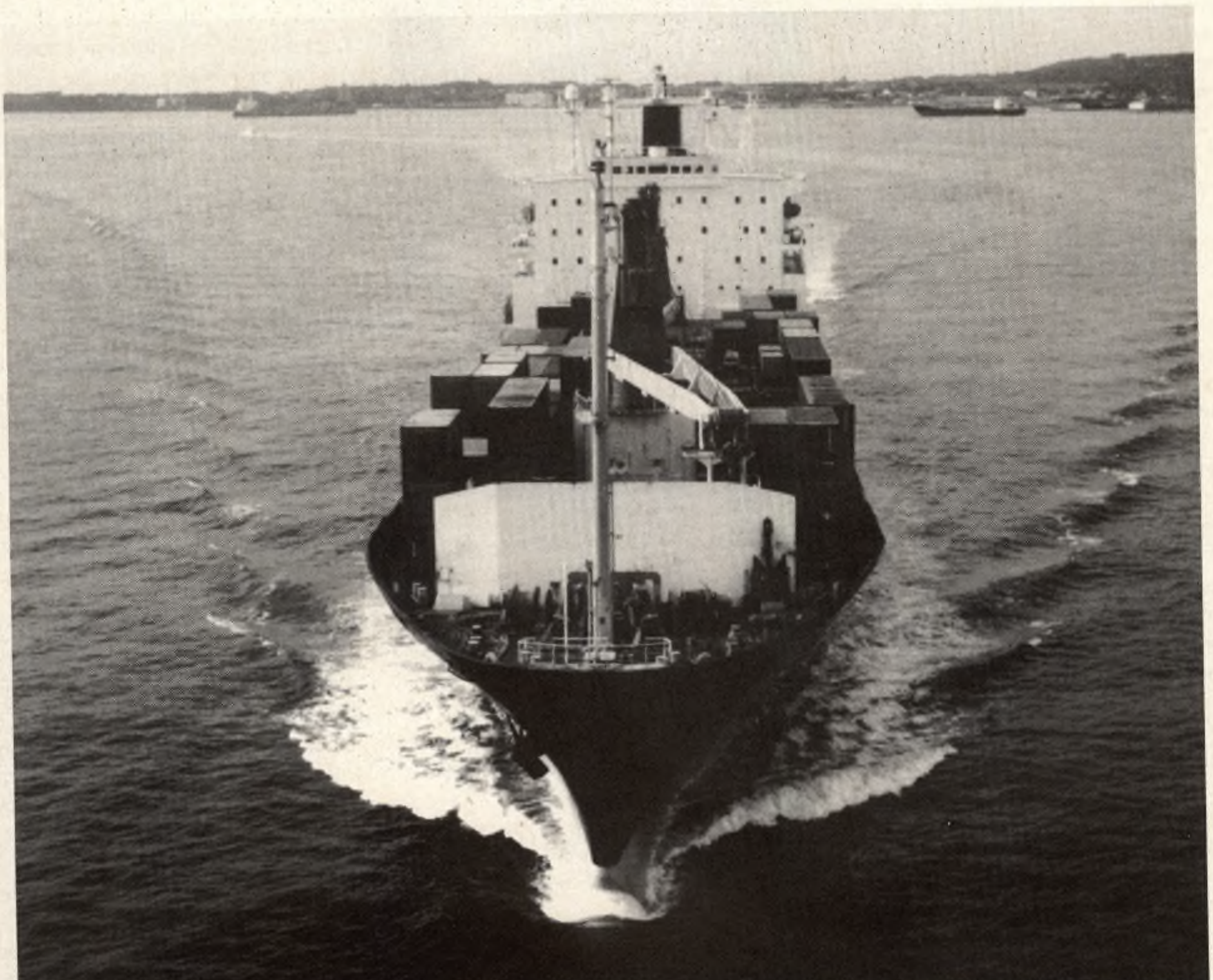
Cost is $50 for members and $75 for non-members. To order, call (708) 574-0985.

Marine computer software guide available

The fifth edition of the *1993 Marine Computing Guide* is available to marine industry professionals shopping for computer software.

The guide lists more than 200 companies and 635 software packages. The guide provides such information as application areas, hardware requirements, operating systems, date of most recent version and price.

Cost is $89 or £45. It can be ordered from Fairplay Publications Ltd., P.O. Box 96, Coulsdon, Surrey, CR5 2TE, United Kingdom. In the U.S., write to P.O. Box 354, Germantown, N.Y. 12526.



Freight forwarding, Russian style

Procedurally, it's much the same as the U.S. version. Biggest need: automation.

By Richard Knee

Of all the changes Vladimir Vorontsov would like for Russia's business environment, computerization tops his list.

Without it, he said, money travels slowly — fund transfers often take a full month — which makes life difficult not only for his own industry, customs brokerage and freight forwarding, but for the entire business community there.

Vorontsov is executive director of Terminal Intertrans in Pushkin, about 16 miles from St. Petersburg. He is also a shareholder in the firm.

He spoke with *American Shipper* during a month-long internship with the Harper Group, a San Francisco-based giant in brokerage, forwarding and other transportation-related services.

Also participating in the conversation was John Kopshever, Harper's export director, who with his family hosted Vorontsov in their suburban Petaluma, Calif. home.

Kopshever plans to visit Vorontsov in December.

The internship program is sponsored by the Center for Citizen Initiatives Economic Development Program.

Currently, Harper coordinates its Russia-bound shipments through an agent in Finland, routing its shipments through Helsinki for transshipment to St. Petersburg, he said.

The post-Soviet Union warming of relations with the United States has created trade and commerce opportunities on both sides.

Russia is hungry for U.S. goods and technology and, as Vorontsov noted, that country is rich in natural resources, particularly wood, metals, oil and coal.

For his company, that spells an opportunity to do more on the freight-forwarding side, he said.

Slow System. The lack of computerization in Russia slows up procedures specific to customs brokerage, said Vorontsov, whose firm employs 20 people and provides trucking, storage and freight handling.

Russia's customs and brokerage system is about where that in the United States had reached in the 19th century, he commented.

Vladimir Vorontsov

Documentation is where the difference is most readily apparent, he said.

It is still a hand-carry process in Russia, he said. Rules and established procedures differ from region to region.

And on the private-sector side, banks have no regular communication with one another, a problem that computerization could readily cure, he said.

Other Problems. Also high on Vorontsov's wish list are currency convertibility and overhauls of Russia's onerous customs-duty and business-tax structures.

Kopshever agreed on the former point especially.

The Russian Government slaps a heavy tax on any payments made in dollars to Russian firms, he said.

For the time being, Harper and Terminal Intertrans deal through "other mechanisms," particularly barter, he said.

"We'll pay Vladimir's company in some easily traded commodity; then he can sell that in Russia," Kopshever said.

Such goods include foodstuffs, tea, coffee, cigarettes and beer — though the two lattermost items are subject to especially heavy taxes and no duty breaks because of Moscow's desire to discourage their use, he said.

U.S. and European products are subject to a 15 percent duty rate, half that for goods from elsewhere, but cigarettes and alcoholic beverages carry the 30 percent rate regardless of origin, Vorontsov said.

Russia also imposes a 25 percent tax on retail-goods profits, he said.

Bureaucracy Remains. An unwieldy bureaucracy and its attendant problems remain in the post-Soviet days, Vorontsov said.

He pointed to a case that arose last summer: A shipment of mathematics and chemistry textbooks, which had been printed in Germany, was held up at Brest because the consignee did not forward duty payment. The consignee was the Russian Government.

Still, It's Gotten Better. Amid all this, Vorontsov added, brokerage and forwarding in the United States and Russia have more similarities than differences, particularly on the procedural side.

What is more, he said, customers are going to get better service from brokers and forwarders in Russia now than they did when the Soviet Union was extant.

"The basic procedures, the sequence of events, transfer of ownership, required customs documents, cargo liability — they're basically the same," Kopshever agreed.

Russian brokers and forwarders today pay close attention to customers' needs because they have a direct stake in client satisfaction, which was not true in the Soviet days, Vorontsov said.

Back then, he explained, any money the brokers and forwarders collected from clients had to be passed along to the government; so they did not worry about shipments that had left their warehouses.

Now, with the brokers and forwarders keeping the money they make, company managements do their best to meet their customers' needs, he said.

Power Dynamics. Vorontsov believes Russia's brokers and forwarders will at some point coalesce as their U.S. counterparts have done.

His own company has talked informally with other firms on the subject, he said.

Kopshever observed that the brokers and forwarders have a golden opportunity, while the Russian Government is young, to influence the shape of legislation and regulations that will affect their industry.

Asked if he thought Russian lawmakers would listen to the industry, Vorontsov replied, "I think they have no choice. The people with the money have the power." ■

Brokers, Forwarders & NVOs

By Richard Knee, (415) 495-6748, FAX (415) 495-6750

IANVOCC looks at its future

Some serious introspection might be in store for the International Association of NVOCCs, which has its fall meeting set for Nov. 19-20 in Chicago.

With the death of Raymond P. deMember, who was the association's executive vice president and general counsel for 20 years, part of this month's gathering is likely to be devoted to charting the group's future course, said deMember's successor, David P. Street.

Street is with the Washington law firm of Galland Kharasch Morse & Garfinkle.

In addition, he said, it would not be surprising if Laurie A. Zack-Olson declined to seek a third term as president when the IANVOCC elects officers at its meeting next spring in Washington.

Aside from the fact she has held the reins for two years, Zack-Olson had a baby in early October and took a new job earlier this year, moving from Sea Cargo International to Votainer, Street noted.

Zack-Olson could not be reached for comment; her blessed event was taking place as this column was written.

The association will conduct internal business the second day of this month's meeting.

The first day will be devoted to examining matters shaping the industry's operating environment, Street said. They include:

- Discussions with Federal Maritime Commission member Ming Hsu on carriers' treatment of NVOCCs with respect to service contracts, and on the legislation to charge a fee for using the FMC's Automated Tariff Filing and Information system.

"We don't like it," Street asserted, and it is unlikely that NVOCCs or anyone else would use ATFI if the 46-cent fee were imposed, since it is available from private-sector sources for roughly half that amount.

The panel will also include NVOCC executives representing both sides of the ATFI-fee issue, and an official with Transax-RATES, the tariff-monitoring arm of the Journal of Commerce, Street said.

- A look at the Trans-Atlantic Agreement, with a representative from Orient Overseas Container Line explaining how the new conference operates.

Other possible topics, Street said, are co-loading and hazardous materials handling responsibilities.

FDA tries to solve West Coast staffing problem

With complaints of uneven enforcement continuing to come in from customs brokers, port officials and inspection-laboratory operators in the Puget Sound and San Francisco Bay areas, the U.S. Food and Drug Administration might start as early as December to redistribute its food-inspection resources along the West Coast.

The beef is that the FDA has insufficient manpower in Los Angeles, meaning many food imports come through that gateway without undergoing inspection.

That has lured shipments there from the ports to the north.

"It's not that you have a crooked importer — he's just taking advantage of a defect in the system," remarked an inspection-laboratory executive in San Francisco, who said his revenues have plunged by more than half over the past two years.

George Gerstenberg, recently appointed deputy regional director for the FDA, began looking into the situation in early October and said coming up with any recommendations might take a couple of months.

But any massive restructuring will take time, he said, because personnel in Seattle and San Francisco will probably not want to relocate to Los Angeles.

What is more, the FDA's overall resources on the West Coast are stretched thin and the redistribution if positions will have only limited effect, according to Donald Healton, the agency's regional director.

"I have stretched my authority to redirect resources from domestic to import work about as far as I can," Healton wrote Sept. 1 to Lorraine Li, a Port of Oakland marketing specialist, who heads a Bay Area task force working with the FDA on the problem.

"The current budget situation simply does not bode well for added resources. My choices are limited," Healton's letter stated.

Healton told *American Shipper* the problem has its genesis largely in a lack of proper, up-to-date information on food imports from the U.S. Customs Service.

The FDA could have a better staffing distribution if Customs reported the number of line entries rather than the dollar value of food shipments at the various ports, he said.

In value terms, he added, food shipments through Los Angeles have shot up while those through Puget Sound and northern California have been flat; consequently, where their market shares were about equal 10 to 12 years ago, Los Angeles now commands an 80 percent to 90 percent market share.

The FDA will not reduce its enforcement on the health and cleanliness side "unless we are forced to — and I don't think we will be," Healton said.

However, he said, the agency might be a bit more tolerant of "economic violations" such as food mislabeling or product "substitutions."

Meantime, food importers in the Los Angeles area have formed an organization to deal with their own complaints toward the FDA, according to Mary Lai, director of marketing for Anresco, another San Francisco inspection-laboratory operator.

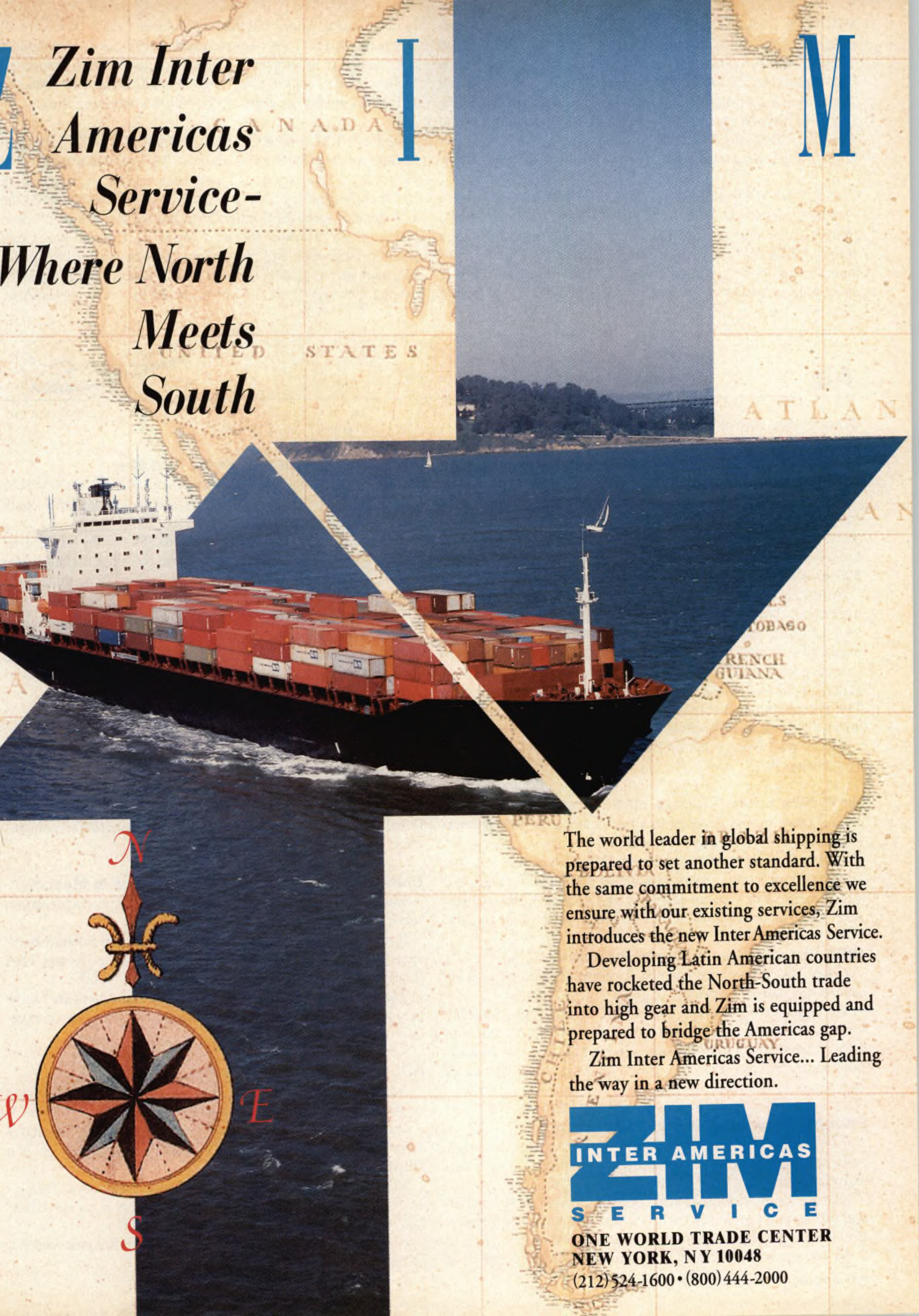
"They feel they're not getting enough assistance from the FDA," she said.

Specifically, they want information on labeling and nutrition-information requirements, and on what types of foodstuffs are subject to automatic detention, she said.

In brief ...

CAROLINA MOVES LA NVOCC. Carolina Freight Carriers Corp. has moved its West Coast NVOCC operation to larger facilities, at 17925 S. Santa Fe Ave., Rancho Dominguez, CA 90220; phone (310) 639-9185 or (800) 537-4015; fax (310) 639-8955.

DCL LIKES ARGENTINA TRADE. Direct Container Line finished its first year in the U.S.-Argentina trade by shipping a record 50 TEUs southward in July, executive vice president Michael Sinclair said.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The world leader in global shipping is prepared to set another standard. With the same commitment to excellence we ensure with our existing services, Zim introduces the new Inter Americas Service.
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MILNE & CRAIGHEAD REALIGNMENT. After a district realignment by Canada Customs, Calgary-based Milne & Craighead followed suit by expanding its central division to encompass Manitoba and Saskatchewan. In addition, the company named Neil Rykiss to manage the division, which comprises offices in Regina, Saskatoon and North Portal, Saskatchewan, and Emerson and Winnipeg, Manitoba. The lattermost city is Rykiss's home base. Milne & Craighead is a subsidiary of Consolidated Freightways.

CONEX NAMES JOHRING SALES DIRECTOR. Conex Freight Systems of Compton, Calif. has named Frederick H. Johring as national sales director. Johring spent more than 20 years with Union Pacific Railroad. He was regional account manager for intermodal sales in Los Angeles and Kansas City, Kan. He was national account manager for intermodal, based in Oakland, before joining Conex. Conex operates a container freight station for all steamship lines at its six-acre terminal in Compton. The terminal also serves as its corporate offices, and as a USDA inspection facility. Conex also is a Customs bonded carrier and container freight station for the ports of Los Angeles and Long Beach.

CONFLO BEGINS RUSSIAN SERVICE. Conflo Lines has begun service to the Russian Far East. The move follows a recent visit to such Russian ports as Vladivostok, Irkutsk and Khabarovsk by Orion Marine executives. Chicago-based Orion Marine is the U.S. general agent for Conflo. Orion Marine also has an office in New York. Conflo provides service from U.S. East and West Coast ports to Nakhodka and Vostochny, and connecting to Vanino, Magadan and Sakhalin. Through bills of lading can be issued for destinations as far west as Alma Ata and Tashkent in central Asia.

Air

Companies name Emery as exclusive carrier

Miller Brewing Co. and truck manufacturer Freightliner Corp. have named Emery Worldwide as their exclusive carrier for air-freight shipments in the U.S.

Under the two-year contract, Emery handles all of Miller's air freight shipments from eight pounds and up between the brewer's production facilities, suppliers and distributors in the continental U.S., Hawaii, Alaska and Puerto Rico. Miller has approximately 800 distributors and more than 500 suppliers nationwide.

Emery also signed a two-year contract with Freightliner, based in Portland, Ore. Emery handles all air-freight shipments between manufacturing plants and from nearly 1,000 vendors. The shipments involve primarily parts and materials for truck assembly.

Emery also provides service for replacement parts and components shipped from Freightliner's six regional distribution centers. The average inbound shipment weighs 94 pounds, and all shipments are designated for next-day delivery.

Emery Worldwide is the air-frieght subsidiary of Consolidated Freightways Inc.

Air France opens Chicago cargo center

Air France recently opened its cargo center at O'Hare International Airport. The facility is located in the south cargo area.

Among those attending were Bernard Attali, chairman of the Air France Group; Camille Allaz, senior vice president for cargo; and Jean-Paul Moreau, vice president of cargo, U.S.A. A press conference was followed by a reception and inauguration of the facility.

CIBA Vision names Airborne for service

CIBA Vision Corp. has named Airborne Express to provide second-day delivery service.

The agreement coincides with CIBA Vision's new Saturday service. Airborne Express guarantees that orders placed with CIBA Vision on Saturday will be delivered by Tuesday. In addition, customers can check the status of their shipments 24 hours a day, seven days a week.

Pilot Air announces two appointments

Pilot Air Freight has named Paul Klepacz as district manager and Paula Savage as sales manager for the company's San Francisco facility.

Klepacz has more than 25 years of experience in air freight. He was service manager in San Francisco for Burlington Air Express. Before that, he spent 23 years with Emery Worldwide.

Savage was with LEP Profit International, where she was district sales manager for San Francisco.

Air cargo conference set for next May

The International Air Cargo Conference & Exposition will be held May 18-19, 1993 at the Ft. Lauderdale/Broward County Convention Center.

The second annual event is sponsored by the Ft. Lauderdale/Hollywood International Airport and will be held at the Bahia Mar Resort. The speakers will be women working in international trade and air cargo.

Conference sessions and exhibits will focus on the theme "Expanding Global Trade." Topics include the future of air cargo in U.S.-European trade; shipper-forwarder business alliances; and increasing cargo business with Far East trading partners.

For more information, call (305) 591-9475.

Federal Express becomes U-Freight tenant

Federal Express has become an occupant of U-Freight's £4 million warehouse complex in the Philippines. The facility is located at Ninoy Aquino International Airport.

Federal Express moved its operations from the airport's International Cargo Terminal Building, citing cargo congestion problems there.

Emery upgrades consolidation service in Moscow

Emery Worldwide has upgraded its air cargo consolidation service at Sheremetyevo Airport in Moscow.

Emery is utilizing a privately operated bonded warehouse operated by Inservice AirFreight of Moscow. Inservice has been Emery's Russian agent-partner since December 1990.

The facility is guarded 24 hours a day, and shipments can be moved directly to the warehouse for customs clearance or expedited forwarding.

ADL announces appointment

Associated Distribution Logistics has named Robert E. DePaolo as director of corporate distribution.

He oversees all sales, marketing and operations of ADL's corporate logistics programs. DePaolo previously worked for Usco Distribution Services.

ADL handles inventory distribution for companies. This includes purchasing, storage, telemarketing, order processing, billing, returns management, and customer service.

Based in Freehold, N.J., ADL is a division of Associated Air Freight Inc. of New Hyde Park, N.Y.

Next 3 steps in Customs automation

- *Air cargo*
- *Government agencies*
- *Foreign counterparts*

By Richard Knee

The "automate or perish" message that then-U.S. Customs Commissioner William vonRaab began sounding nearly a decade ago is taking hold in new import sectors, both private and governmental.

And as customs broker-federal agency dialogs at this year's Western Cargo Conference (WESCCON) revealed, new applications of computer-based communication continue to raise doubts and to meet resistance.

With Carol Hallett at Customs' helm for the past three years, the agency continues to press onward — albeit at a pace somewhat more deliberate than that of the Von Raab days — toward its goal of a paperless documentation environment.

The focus now is on three areas: air cargo, communications between Customs and other federal agencies, and communications between U.S. trade- and commerce-related agencies and their foreign counterparts.

WESCCON, sponsored by the Pacific CoastCouncil of Customs Brokers & Freight Forwarders Associations (PCC), drew some 200 participants to Palm Springs, Calif., Oct. 8-11.

Besides brokers, forwarders and officials from various federal agencies, the gathering included representatives from myriad other quarters: ocean shipping, drayage, insurance, banking, port authorities and the legal profession.

Air AMS. Customs' Automated Manifest System, which has helped speed import cargo through the nation's seaports, has spread to 12 airports as well.

The 22 firms participating in air AMS include not only airlines but also freightforwarders and deconsolidators.

And the growth of AMS on the air-cargo side is likely to accelerate, because Customs aims to have the industry's full participation by 1996, according to Eula D. Walden, chief of the agency's AMS trade support branch in Washington.

Customs can no longer cope with the huge volumes of paper generated by manual filing of manifests, Walden said at a workshop focusing on air AMS.

"You don't want to be on the back side of it," Robert Ehinger, director of Customs' Automated Commercial Systems office, told the attending customs brokers.

When air AMS is implemented nationwide,the competitive advantage will go to those on the system, he said. Air AMS does have private-sector endorsements; still, some aspects of it raise worries.

Mary K. McMunn, assistant director of facilitation in international cargo and trade programs for the Air Transport Association of America, described the ATAA as a "private-sector cheerleader" for AMS.

The AMS environment offers forwarders and deconsolidators the option of transmitting house airway bill data to Customs directly instead of through carriers, she noted.

Direct routing of the information is preferable to both sides, she said, because it saves work for the carriers and it helps the forwarders keep their customers' data private.

By law, Customs may not make airway bill data public. In the case of oceanborne shipments, by contrast, AMS data are open unless the consignee or customs broker makes a specific request for data privacy, Ehinger said.

There is no longer a question of whether air AMS can work, McMunn observed.

Mitsuyo Kosuge, vice president of JapanFreight Consolidators, agreed on the customer-confidentiality advantage that AMS offers.

The forwarder or deconsolidators can avoid giving client names and addresses to airlines, said Kosuge, whose company is the only forwarder on air AMS in Los Angeles.

The other major reason to participate, she said, is the ability to receive delivery authorization documents from Customs electronically, which can cut a half day off the shipment time.

At the same time, communications lapses occur, she said.

For instance, airlines sometimes do not notify Customs immediately after they nominate her firm to transmit AMS data, she said, and the lack of notification causes Customs to reject the data.

Sometimes, a carrier fails to notify her company of a change in the flight number or the routing of an arriving shipment, she said.

And her company often does not know if Customs has received AMS data, because the agency sends no message to that effect, she said.

"We just assume they've gotten the data (if) we receive no error message," Kosuge said.

Another potential problem, mentioned by a member of the audience, is confusion over which participant to a shipment — the consignee, the forwarder/deconsolidator or the carrier — should exercise control over AMS data amendments.

That, said Walden, is a matter that the parties need to work out among themselves;Customs bases its decisions on the latest data it receives.

Economics are a big reason that airlines have been relatively slow to tie into AMS, commented Dan Meylor, imports manager of the Tower Group's Castelazo & Associates division in Los Angeles.

The lifeblood of most airlines is carrying passengers, he said, and the recession is causing airlines to delay making the investments necessary for AMS participation.

"We think we're almost over the hump," Ehinger responded. Non-AMS carriers are starting to show an interest in the system, he said.

Inter-Agency Ties. On the eve of a long-delayed test in the Puget Sound region, in which the U.S. Food and Drug Administration can retrieve import-shipment information via Customs' Automated Broker Interface system, brokers were apparently not satisfied that all the attendant issues had been resolved.

The pilot project was to start Oct. 19.

Nationally, 25 percent of all import transactions are under FDA jurisdiction, Ehinger noted.

Brokers in Puget Sound still objected to the FDA's insistence on using its own product code, rather than accepting the Harmonized Tariff Code with "suffixes," said Billy Gwin, vice president of special projects for the Tower Group's Geo. S. Bush division, during a workshop on inter-agency communications.

The brokers are also concerned that the documentation workload reduction effected by the FDA-Customs hookup will mean increased cargo inspections by the FDA, Gwin said.

This, he warned, would accelerate the flight of shipments to Los Angeles/Long Beach, where a relatively low rate of FDA-ordered inspection holds on shipments (caused by insufficient staffing) is luring cargo from both the Puget Sound and San Francisco Bay areas.

Ehinger, addressing the product-code issue, said the FDA was, in fact, working to make its code "more readily identifiable to human beings."

To date, two other agencies access data through ABI, the third and fourth are to start doing it in January, and over the long term, electronics links with some 40 agencies "have to be addressed," he said.

Now on line with ABI are:

- The Fish & Wildlife Service (form 3-177) at the Port of New York/New Jersey, John F. Kennedy and Newark airports, Dallas, Chicago, Miami and, starting in December, New Orleans. In addition, the linkage is to be established at all the West Coast ports during 1993, Ehinger said.
- The Federal Communications Commission (form 740). This tie is being established nationwide after a recently concluded, highly successful test run in the Bay Area.

Due to come on line with ABI in January are:

- The Food Safety & Inspection Service (form 9540-1), a division of the Department of Agriculture. Ehinger did not mention what locations would be involved.

He noted, though, that the FSIS has begun talking about establishing data ties witl counterpart agencies in other countries — specifically, Australia and New Zealand.

Under a pilot program, he said, the agencies in Oceania will electronically transmi to FSIS veterinarians' pre-export healtl reports on U.S.-destined meat.

- The National Highway Transport& Safety Administration (form HS-7), a division of the Department of Transportation in Baltimore. ■

Forwarders split over NVO tariffs

Pacific Coast Council plans again to ask the FMC to allow post-shipment filing.

By Richard Knee

The group representing West Coast freight forwarders plans a new push to get the Federal Maritime Commission to permit post-shipment tariff-filing for non-vessel-operating common carriers.

A sizable number of firms in the freight-forwarding industry conduct NVOCC operations as well.

The decision to renew the effort followed a discussion at the 12th annual Western Cargo Conference on the whole NVOCC tariff-filing issue.

And any action the FMC takes could open a can of worms on tariff filing requirements for vessel operators as well.

WESCCON, sponsored by the Pacific Coast Council of Customs Brokers & Forwarders Associations (PCC), took place Oct. 8-11 in Palm Springs, Calif.

The New Push. Getting the FMC to reopen the NVOCC tariff-filing issue will require lobbying two of its members — William Hathaway and Francis Ivancie — PCC attorney Peter B. Friedmann said during a workshop, in which he and FMC chairman Christopher Koch gave a legislative/regulatory update.

Friedmann is with the Washington law firm Ater, Wynne, Hewitt, Dodson & Skerritt.

Hathaway and Ivancie's opposition seemingly killed a proposal to exempt small NVOCCs — those that move fewer than 1,000 TEUs annually — from the tariff-filing mandate.

With former commissioner Rob Quartel's seat on the panel not likely to be filled before the next presidential term, defeat of any motion takes only two votes.

Discussion at the WESCCON workshop showed forwarders are split on the NVOCC tariff-filing issue.

But the PCC's official position, Friedmann told *American Shipper* later, has been that NVOCCs should have up to 10 days after a shipment to file the tariff on it.

The reason, he said, is that the pricing environment for NVOCCs is highly volatile, and having to file tariffs before shipment restricts their flexibility severely.

According to Koch, the NVOCC tariff-filing issue remains docketed, meaning it is dormant, not dead.

That makes a difference in how Friedmann may approach Hathaway and Ivancie to urge their reconsideration; namely, the communications must be in writing.

Forwarders Split. Freight forwarding executives at the workshop argued back and forth over whether NVOCCs should continue to be subject to the tariff-filing requirement at all.

Kevin Maloney, of Clearfreight in Inglewood, Calif., argued that the critical issue in doing business with NVOCCs is financial responsibility, which can be demonstrated through posting of a bond.

Jeffrey Coppersmith, of L.E. Coppersmith, Inc., in Los Angeles, argued that the tariff-filing requirement is the only way that shippers and forwarders have of detecting pricing discrimination or secret rebating by NVOCCs.

Bruce Meston, of Meston & Brings in Seattle, warned that de-tariffing of NVOCCs would prompt vessel operators to seek similar action for their ranks.

Koch replied that carriers do not file tariffs in other countries "and the globe has not spun off its axis." ■

Koch: 'ATFI will go forward'

Congress lands a near-fatal blow by mandating 46-cent-a-minute user fee, expected to limit usage.

By Tony Beargie

Users of the Automated Tariff Filing and Information (ATFI) system, scheduled to come on line early next year, will have to keep a close eye on their watches since the new law mandates a 46 cent per minute "user fee."

The legislation cleared the Senate during the hectic weekend of activity that always sends Capitol Hill into wheeling, dealing and utter confusion during the closing days of congressional sessions.

Officials familiar with the oncoming ATFI system flatly reject Congressional Budget Office estimates that the user fees will raise some $750 million per year to make up for revenues lost by the repeal of the highly unpopular recreational boat user fee. Privately, high-ranking FMC officials have called the CBO estimate a "joke."

Soon after news broke on the Congressional action, FMC chairman Christopher Koch called the legislation "bad policy" which would be next to impossible to enforce.

Officials who are close to the ATFI system estimate that the fees will bring in no more than $1.5 million per year.

"Congress knows that this bill is not going to raise $750 million," a high-ranking government official said.

Koch, who opposed the user-fee idea from its inception, worked up to the last minute trying to persuade Congress not to require the fee.

The new law contains not only an unpopular user fee, but provisions that, if implemented, would throw U.S. commerce into "chaos," Koch predicted.

What is so troubling to the FMC and the shipping industry is a new requirement that *all* tariffs be filed immediately. This would raise havoc on U.S. foreign trade lanes, Koch predicted. "No one wants to see our liner trades disrupted."

The legislation knocks out an orderly, phased-in filing schedule approved by the FMC and the industry. Under the FMC-approved plan, standing tariffs would be phased in by trade areas beginning in January. All new tariffs and service contracts would not come on line until December of 1993, "at the earliest," Koch explained.

Observers see the legislation as nothing more than "window dressing" put out to show that the unpopular boat tax could be repealed.

Some officials hold out hope that President Bush will not sign the legislation. This is known as the "pocket veto" procedure, which would throw the legislation into the next Congress.

Of course, the White House reaction will depend on just how much the Administration wants the pro-environmental "drift net" legislation to which the ATFI user fee was attached. The legislation bans deep-sea drift nets.

However, it was expected that the President will sign the drift-net legislation and along with it, the ATFI user fees.

"This bill shows why the President should have line-item veto authority," a government source said.

It is within the realm of possibility that the FMC simply may not be able to enforce the new law.

And if the agency finds the law impossible to carry out, the commission could be dragged into court over the issue. This is being viewed as "an unlikely, but possible" scenario.

Koch said the legislation will not kill or delay the FMC's new automated tariff filing system. "ATFI will go forward," he said.

But he did raise the possibility that many potential users simply will not seek information from the new system because of the user fees.

FMC May Lower Its Own Fees. Commission regulations already provide for a 50-cents-per-minute fee for primary users. And, in order to soften the blow a bit, the commission may consider dropping this fee to 46 cents per minute, Koch told *American Shipper*.

Agency staff members estimate that the 50-cents-per-minute fees will bring $88,000 to the U.S. Treasury in fiscal year 1993, and $243,750 in fiscal 1994.

The congressionally-mandated user fees represent the latest in a long line of beatings the ATFI system has taken. ■

Customs Mod Act passed, but ...

Congress tied it to the tax bill Bush was committed to veto.

By Tony Beargie

Through no fault of its own, the Customs Modernization Act got caught up in the political mill as Congress was winding down its session.

The House and Senate completed their action, but left the bill tied to the tax bill which President Bush was already committed to veto. Having come this far, however, the Mod Act should become law reasonably soon.

Remote Entry Dispute. While the Administration and large importers back the new rules, small customs house brokers throughout the nation are far from happy with one key provision — remote entry filing.

Ironically, just 24 hours before the Senate Finance Committee cleared the legislation Customs Commissioner Carol B. Hallett took a great deal of heat over the issue from a number of smaller broker officials attending the annual government affairs conference sponsored by the National Customs Brokers and Forwarders Association of America.

Brokers from Houston and New Oreleans were particularly vocal in their opposition and were in many ways responsible for winning some concessions from Senate Finance Committee chairman Lloyd Bentsen and others just hours before the bill cleared Bentsen's committee.

While remote entry remains in the Customs Modernization Act, smaller brokers succeeded in placing conditions on the remote filing of entry documents. Remote entry filing or "remote location filing" allows cargo to be released from locations hundreds or even thousands of miles away from ports of entry where Customs districts are located. Opponents fear that the new system will destroy local customs service operations and port infrastructures and in turn bring on the demise of the customs borkerage industry. The smaller brokers claimed to have the support of 75 percent of the customs brokers throughout the U.S.

In an effort to accomodate smaller brokers, the Finance Committee attached a number of conditions to the new filing system.

Remote entry filing will be permitted for "core" entry documents which are now all fully automated. However, in cases where the Customs Service requires additional (non-automated) information for the release of cargo, remote filing will be allowed beginning January 1, 1999 *only* for documents which are not required to the release of merchandise. So, the port of release will control all non-automated documents until January 1, 1999.

In addition, the latest version requires Customs to test and evaluate remote filing and take into account the concerns of the brokerage industry before implementing the system. The results are to be reported back to the Senate Finance and the House Ways & Means committees.

At the same time, the U.S. General Accounting Office will be required to prepare an evaluation of remote entry filing and report those findings back to the two congressional committees. Futhermore, the Customs Service will be allowed to implement remote filing on a permanent basis only after a 30 congressional session day waiting period to ensure adequate congressional review. Finally, the system will have to undergo an annual review throughout the transition period which ends on December 31, 1998.

Congressional oversight and the personal involvement of Sen. Bentsen in the matter managed to calm some of the industry's fears over remote entry filing. "Until the personal involvement of Senator Bentsen, we felt more at risk than we do today," the smaller brokers said in a statement issued after the committee's action. However, the smaller brokers remain concerned over the prospects of remote entry filing coming on line, but at the same time are pleased with the congressional oversight role.

Issue Split Brokers Assoc. Aside from failing to remove remote entry filing from the legislation, the smaller firms failed to win over the board of directors of the National Customs Brokers and Forwarders Association. Two days before the committee's vote, the association voted to back the legislation. "The big brokers in New York and Chicago want" remote filing, one official attending the association's Washington meeting told *American Shipper*.

Although the smaller firms remain opposed to the overall position of the national association, there is no move afoot to organize a mass exit from the group.

Customs chief Carol Hallett insisted that remote filing is essential to the survival o the Customs Modernization Act. An over whelming majority of importers want re mote filing, Hallett said, and without tha key provision, the legislation would be "fin ished," she added. "We made a commit ment to support remote filing and we're no backing away from it. The bottom line i that we worked two long years to make thi (legislation) a reality." If the legislatio fails to pass this year, it will pass Congres in "another year," the customs chief pre dicted.

The industry's fears are "more emotiona than logical," assistant commissioner fo commerical operations Sam Banks said Banks insisted that the private sector, rathe than the Customs Service "made remote filing the centerpiece of the legislation."

Hallett appealed to the opponents to come on board and work with the Customs Service. She predicted that the remote entry will not harm smaller brokers.

Banks predicted that many importers will not use the remote filing system, and in effect labeled it as the pet project of a few big importers. These big name companies "have a lot of clout" on Capitol Hill, Banks admitted.

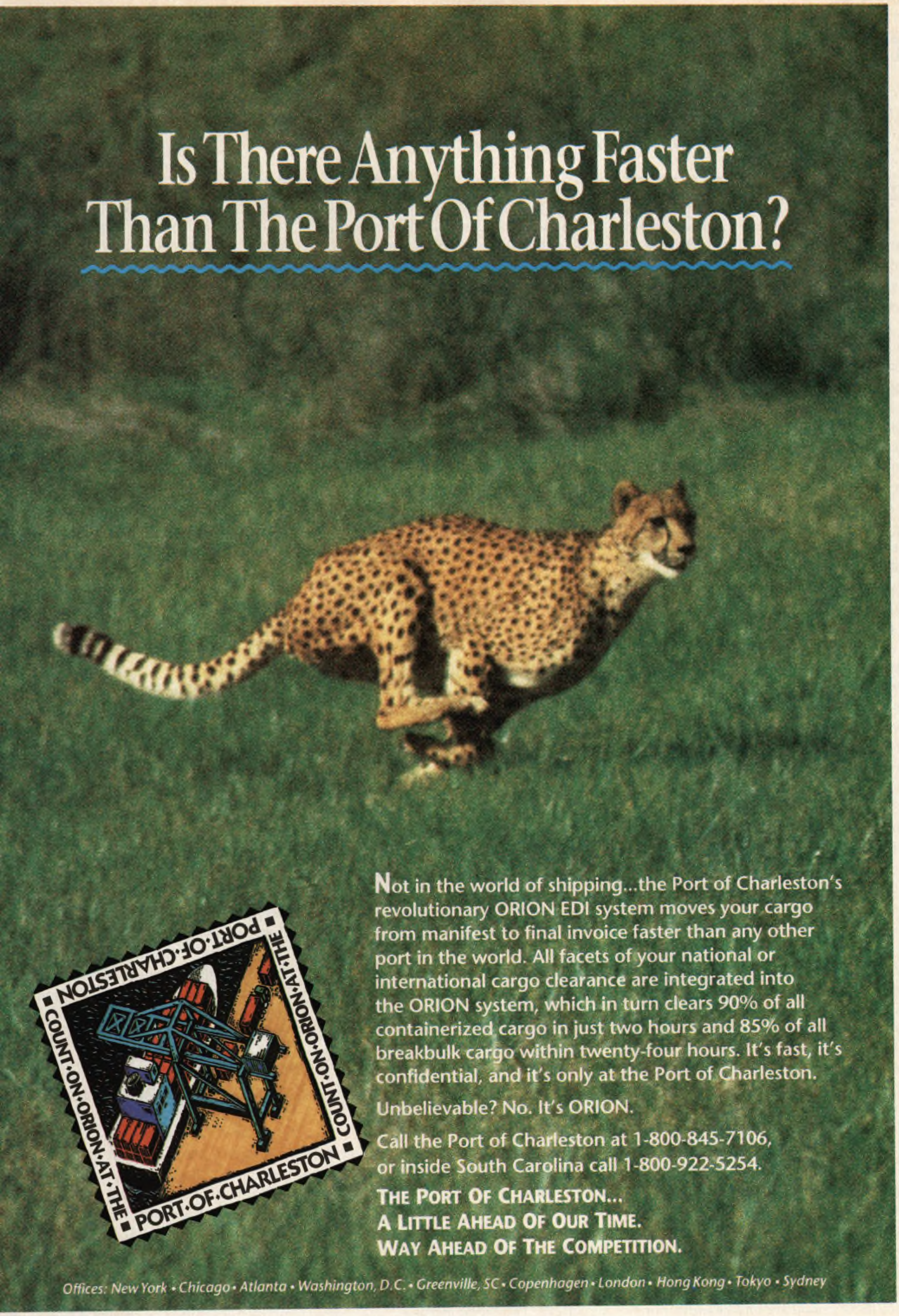
Lobbying Effort. The Houston Customhouse Brokers and Freight Forwarders Association, the International Freight Forwarders and Customs Brokers Association of New Orleans, M.G. Maher & Company, and W.Y. Moberly, Inc. played a major lobbying role against remote filing.

Paul F. Wegener, executive vice president of M.G. Maher & Company, in New Orleans was one of the leading voices against remote entry filing. Immediately after learning of the Finance Committee's mark up session on the bill, Wegener appealed to Louisiana Senator John Breaux for help.

Virtually all of the customs brokers in Louisiana will be "in jeopardy" if the remote entry filing stays in the bill, Wegener warned. "The infrastructure of international trade would be in jeopardy of losing the expertise of customhouse brokers in Louisiana who could be easily replaced by remote filers in New York, California, and Illinois, and other major industrial cities," he said.

Wegener, like other opponents of remote entry filing, Wegener supports the other provisions of the legislation. "We support automation and we support the growth of automation, but we do not support automation that will cause a deterioration of our profession and livelihood," he said.

For additional background regarding the small brokers' position, see the September, 1992 issue of this magazine, page 66. ■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TWRA bunker surcharge doubled; shippers cry foul

Pacific surcharge is now six times what it was at the start of the year. California bunker tax is out as of Jan. 1.

By Richard Knee

The Transpacific Westbound Rate Agreement doubled its bunker fuel surcharge for the current calendar quarter and major independents followed suit, drawing fire from a number of shippers.

With the TWRA having trebled its fuel surcharge April 1, the latest action means that the fee will finish the year six times as high as where it started.

Ronald B. Gottshall, the conference's managing director, said the surcharge increase was necessitated by rising fuel costs worldwide plus an 8.25 percent sales tax on fuel sold in California.

Although California Gov. Pete Wilson signed a bill repealing the tax as of Jan. 1, that portion of the surcharge increase will not be scrapped until April at the earliest, because the surcharge for a given period reflects costs for the previous three-month span, Gottshall said.

Surcharge Range. For this quarter, the TWRA's fuel surcharge is $120 per 40- and 45-foot container (FEU), $96 per 20-foot container (TEU), $60 per vehicle rated by the unit, and $6 per metric ton or cubic meter for cargo rated by weight or measurement.

Major independents in the trade were reportedly following suit.

Ronald Schley, vice president of sales and marketing at the North American headquarters of Korea's Hanjin Shipping Co., confirmed that carrier's fuel surcharge would be the same as the TWRA's.

'It's a Killer.' "It's a killer," Tony Vente, traffic manager of Berg Mill Supply, a wastepaper exporter, said of the Oct. 1 surcharge increase.

Berg Mill Supply was paying about $54 per ton in ocean freight, which accounted for some 90 percent of landed cost to customers, before the fuel surcharge went up, said Vente, whose company is based in Beverly Hills, Calif.

The additional $3-per-ton cost effectively wipes out his company's markets in Taiwan, Manila, Korea and elsewhere, he said. Buyers will likely turn to suppliers in Hong Kong, Europe and other locations.

Equally acerbic toward the conference was Jilian Morley, distribution manager of the Blue Diamond almond growers' cooperative, who called the fuel surcharge increase "outrageous."

Sacramento, Calif.-based Blue Diamond must absorb the extra cost because the company has already executed its sales contracts with buyers across the Pacific, said Morley, who is also president of the Agriculture Ocean Transport Coalition.

Shifting the freight business to non-conference lines will not help much, because they also have boosted their fuel surcharges.

Shifting the freight business to non-conference lines will not help much, because they also have boosted their fuel surcharges, she said.

Typically, the bottom-line difference between conference and non-conference shipping prices in the transpacific comes to about $200 per TEU, she said.

Morley disputed Gottshall's argument on rising fuel costs. China Ocean Shipping Co. is charging only $20 per TEU for fuel, she said. "I don't think COSCO does anything differently from anybody else."

COSCO officials could not immediately be reached for confirmation or denial of the rates Morley quoted.

Fuel Prices. Even absent the bunkering sales tax in California, fuel still costs about $95 per ton, according to one shipping industry source.

Bunker-fuel cost is a weighted-averaging of loading prices at major bunkering locations including Los Angeles, Japan and Singapore, the source said.

Because Los Angeles is logistically a logical place to bunker for transpacific voyages — even with the tax in effect — the TWRA ascribes some 70 percent of the loading price to the cost at that port, the source said.

Morley scoffed at the TWRA's formula, commenting that figures can be manipulated to justify virtually any argument.

She admitted, though, that she did not have any data on which to base an argument against the surcharge increase.

California Tax. What percentage of the bunkering among transpacific carriers takes place at Los Angeles, nobody seemed to know.

But bunkering activity there dropped steeply after the tax was imposed, according to Jay Winter, executive director of the Steamship Association of Southern California.

Winter pointed to a Pacific Merchant Shipping Association study showing that bunker fuel delivered in Los Angeles/Long Beach decreased by about 35 percent between July 1, 1991, when the tax went into effect, and Jan. 1, 1992.

Barge-industry sources were saying that bunkering business as of late September was about half that of the pre-fuel-tax level, he said. "Singapore has really picked up a lot of business."

A top U.S. executive with NYK Line, a TWRA-member carrier based in Tokyo, said repeal of the bunkering tax would certainly put Los Angeles back in a competitive light.

Even so, NYK does most of its bunkering in Japan, said Don McCallian, general manager and assistant to the senior corporate executives of NYK Line (North America), Inc.

NYK calls at seven Japanese ports and bunkers in Japan before crossing the ocean in its Japan-California Express service, he said.

Supply And Demand. Supply-demand factors also affect bunker-fuel prices, both Gottshall and Winter noted.

On the West Coast, heavy use of automobiles, especially during the warmer months, limits the amount of crude-oil residual — what is left over after crude oil is refined into higher grades of gasoline — available for bunker fuel, Gottshall said.

The pinch is heavy pretty much the year round on the East Coast, he said, because while the use of automobiles declines during winter, there is high demand for heating oil, which is about the same grade as diesel fuel, and this also limits the amount remaining for bunker fuel, he said.

In southern California, supplies might never return to pre-bunker-tax levels, Winter said, because the loss of business after the tax took effect caused a number of bunker producers to shut down or to shift production to other oil-related goods. ■

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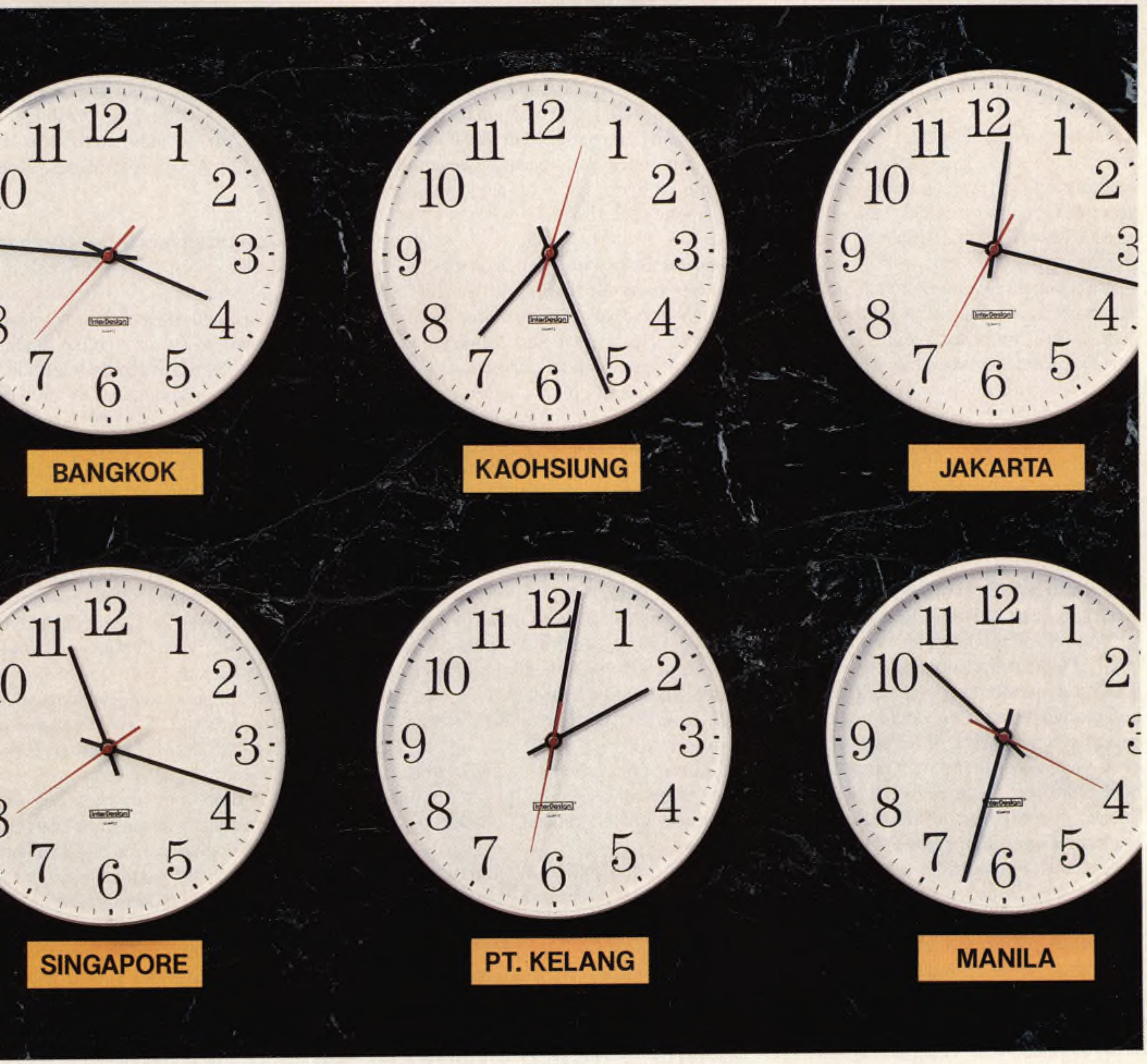

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Reflagging may be around the corner

FMC Chairman Christopher Koch critical of Congress.

By Tony Beargie

Major U.S. flag operators may begin the process of abandoning the U.S. flag registry in a few months, if the new Congress fails to act quickly on commercial maritime reform legislation in 1993, Federal Maritime Commission Chairman Christopher Koch warned.

Brushing aside most political indicators, Koch predicted that the Administration's team will be on board again in 1993, and that Transportation Secretary Andrew Card will have another chance to push maritime reform through the 103rd Congress.

But next year represents the final chance official Washington will have to enact legislation that would keep the U.S. flag fleet in this country, Koch said.

Because of the failure of the last Congress to enact the Administration's maritime package, U.S. companies have no plans to replace their old tonnage, Koch said.

However, these companies, most notably, American President Lines and Sea-Land Service do have plans underway to reflag their vessels. "I would not be surprised if applications to reflag were filed with the Department of Transportation within the next few months," Koch said in an Oct. 9 speech before the 66th Annual National Convention of the Propeller Club in San Juan, Puerto Rico.

After their ships are reflagged, the companies themselves will disappear from U.S. soil, Koch predicted. "Once our carriers flag their vessels foreign, there is little reason for the company to stay American."

While these flagging out plans should be taken seriously, they "are not reversible," the FMC chairman said. However, time is running out and the chance to change the course is diminishing quickly, Koch added. "Military cargo — a key reason to be a U.S. flag carrier — is decreasing rapidly. Excessive regulation by the U.S. government, denial of access to foreign capital, higher vessel costs,
higher operating costs, penalties for foreign repairs, and unfavorable tax laws are no way to encourage an industry competing in an open, world market."

Koch does not view the U.S. carriers' flag out plans absent maritime reform as a "threat." Rather, theses companies "are simply engaged in normal, rational business planning in a highly unfavorable regulatory environment."

The FMC pressed the need for keeping the fleet under the stars and stripes both for national security and economic reasons. "History will not judge us kindly if the U.S. merchant marine dies because we avoided or refused to engage in fundamental maritime policy reform."

Blames Congress. Koch credited APL and Sea-Land for forcing the issue which brought about the Administration's reform package. He credited the Administration for coming up with a "coherent and comprehensive set of policy choices."

But, he blamed Congress for the demise of the Bush package.

Brushing aside the well-known argument advanced by many that the Department of Defense killed the effort by refusing to give in on funding issue during the final days of the congressional session, Koch pointed his finger to Congress which "insisted that it (the funding) be fully paid up front a year early in 1993." Secretary Card's package was not scheduled to begin until 1994, he noted, and furthermore DOD backs the U.S. merchant marine "and is willing to help."

Koch is not bothered by DOD's reluctance to give up funds on things it has not requested and on projects outside of its baliwick.

"The Administration found most of the money for the program a year early and committed to the rest of the year," Koch said.

But, when Congress wants to act, it will find a way, the FMC chairman said, pointing to its success in winning the ATFI us[e] fee debate. (For coverage, see related stor[y] this issue.)

He insinuated the Democratic controlle[d] Congress decided to hold off on maritim[e] reform because of the elections.

In any event, no one should point th[e] finger to the U.S. flag carriers if they a[re] forced to flag out "because Washingto[n] D.C. couldn't or wouldn't reform its de[-]monstrably failed maritime policies," Koc[h] said.

Koch: Congress has three choices

Congress can act on three fronts when [it] returns to Washington next year, Koch sai[d].

- First, it could enact the Bush propos[al] without having to go through the fundin[g] debate if the legislative branch decided that it is not worth paying for U.S. crewin[g] costs. It could then pass the legislatio[n] without its core feature — the contingenc[y] reserve payments. This would require th[e] repeal of the law that requires U.S. fla[g] vessels to employ U.S. crews.
- Secondly, Congress could go the roa[d] of protectionism by approving cargo share[s] for U.S. flag shipping. This option, h[e] warned, would fly in the face of decades o[f] U.S. pro-competitive trade policy and woul[d] harm U.S. exporters.
- Third, Congress could decide that th[e] U.S. doesn't need a U.S. flag fleet, and i[n] that case it could "do what it did this year — nothing," Koch.

The maritime industry has but on[e] mission, and that is to convince Congres[s] to act, Koch concluded. "You — the members of this industry — must change th[e] political landscape in Washington in th[e] next year. You've convinced this Administration. You've convinced Secretary Card[.] Now convince Congress. You've got on[e] last chance." ■

Angus elected Propeller Club president

John W. Angus III, senior vice president and general counsel of the Duberstein Group Inc., has been elected national president of the Propeller Club of the United States.

Angus was elected during the club's final business meeting at its 66th annual convention in San Juan Puerto Rico.

Prior to joining the Duberstein Group, an independent bipartisan analysis and advisory company in Washington, D.C., Angus was a partner with the law firm of Preston Gates Ellis and Rouvelas Meeds, in its Washington office. He served as a trial attorney with the Federal Maritime Commission in the early 1970s.

Other officers elected were:

- First vice president, Peter J. Finnerty, vice president of public affairs of Sea-Land Service Inc., Washington, D.C.
- Second vice president, Jerome E. Joseph, executive vice president, American Maritime Officers, Washington, D.C.
- Third vice president, Dan Wilkins, Port of San Diego, San Diego, Calif.
- Vice president for student ports, Hartwell Ludlow Jr., secretary-treasurer, Page & Jones Inc., Mobile, Ala.
- Executive vice president, J. Daniel Smith, the Propeller Club of the United States, Fairfax, Va.

The Propeller Club, which has 13,000 members was formed to support the American Merchant Marine and promote the maritime industry. ■

Maritime pacts with Ukraine, China

By Tony Beargie

The U.S. has agreed on a bilateral maritime agreement with Ukraine and has agreed to extend its maritime agreement with China for a year while differences are worked out.

Maritime Administrator Warren Leback has been negotiating with Chinese officials in an effort to remove restrictions on operations in China by U.S.-flag carriers.

The curent U.S.-China agreement, in force since 1988, provides for cargo to be divided equally among U.S.-flag, Chinese-flag and third-flag nations.

U.S.-flag container carriers Sea-Land Service and American President Lines have complained about Chinese laws, regulations and practices that they say restrict their operations in China.

In a recent round of negotiations, U.S. representatives won a major concession when they secured China's approval for American-flag carriers to open subsidiary branches in China.

The U.S. wants further assurances that its carriers will be able to directly submit export declarations to Chinese customs authorities.

Several of those issues were discussed in the latest round of negotiations on a new U.S.-China maritime agreement. Specific issues covered included:

- Trucking and intermodal services. U.S. carriers want the right to own or operate inland trucking companies, inland container yards or container freight stations, to provide services as dockside agencies and to engage in domestic cargo transport for repositioning international containers.
- "Doing business" costs. U.S. negotiators complain that U.S. carriers must pay high charges for feeder vessel operations by Chinese-flag operators. The Chinese respond that feeder rates are determined through commercial negotiations.
- Cargo consolidation. U.S. carriers want their wholly owned subsidiaries in China to be able to engage in direct consolidation and forwarding of cargo that doesn't move on their vessels or bills of lading.
- Recognition of tariffs. The U.S. said problems have resulted because Chinese authorities have failed to recognize tariffs filed through the Asia North America Eastbound Rate Agreement.
- Adjustment of tariffs. The Chinese object to requirements that their carriers give 30-day notice for tariff reductions when operating as a cross-trader in the U.S. This requirement is imposed by the Controlled Carrier Act, which puts restrictions on operations of state-controlled carriers.
- Port services. China said that as of April 1, its charges for port and handling services for foreign and national carriers had been equalized.

Unlike the U.S. maritime agreement with China, the bilateral agreements with Russia and Ukraine do not contain cargo-sharing agreements. Cargo-sharing agreements were deleted three years ago and were not resurrected in the agreements with the newly independent nations of Russia and Ukraine.

The agreement with the Ukraine will be based on an agreement signed earlier this year with Russia.

The agreement calls for reliance on cargo forecasting and consultations to ensure that U.S.-flag carriers have fair access to cargoes moving in the trade.

The Russian agreement provides for 24-hour notice of calls by U.S. and Russian ships in each other's ports. Seven-day notice is required for 12 U.S. ports which contain military installations. ■

U.S. keeps the heat on Korea

Holds sanctions in abeyance. EC may follow suit.

By Tony Beargie

To guard against foot-dragging or empty promises on the part of the Korean government, the Federal Maritime Commission has voted to "keep the heat on" the Koreans to make certain they live up to the terms of a bilateral agreement reached with the United States last August.

In that agreement, U.S. negotiators won pledges from the Koreans to open up trucking and rail rights to U.S.-flag carriers by March 31, 1994. The Koreans also agreed to allow U.S. forwarders and consolidators to set up operations in Korea by June 30, 1993.

FMC chairman Christopher Koch took note of the progress achieved in the August talks, but at the same time he put the Koreans on notice that Korean shipping lines (Hanjin Shipping Co. and Hyundai Merchant Marine) will be forced to pay $100,000 per voyage to the U.S. Treasury if they fail to live up to the agreed deadlines for opening up overland rights to U.S. carriers.

And Korean transportation intermediaries operating in the U.S. face the possibility of having their licenses revoked if Korea fails to allow U.S. intermediaries the right to set up businesses on Korean soil.

By its action, the FMC is holding the Korean government to the 1993 and 1994 deadlines.

And in order to keep a close watch over how the Koreans are doing in meeting those deadlines, the FMC is requiring the filing of periodic progress reports. These reports will come from traditional U.S. sources, the Department of State and the Maritime Administration.

The decision to approve sanctions held in abeyance and to monitor the situation generally falls in line with the plan proposed by the two U.S. flag carriers operating in the trade — American President Lines and Sea-Land.

Before the FMC vote, the two carriers urged the agency to keep the heat on the Koreans and to monitor developments closely so the U.S. can measure progress the Koreans are making in meeting their committed deadlines. (October *American Shipper,* page 80.)

Specifically, the FMC found that "conditions unfavorable to shipping" still exist in the trade since restrictions against overland movements and against U.S. forwarders and consolidators are still on the books.

The Korean government will have to pass legislation in order to remove these restrictions.

The Departments of State and Transportation will continue to play a role in the case by gathering information for the commission. These progress reports are to be filed with the commission every six months.

Without the major concessions won by U.S. negotiators in August, the FMC most likely would have voted to impose sanctions immediately. However, the commission wants to give the agreement a chance to work.

"In light of recent commitments made by the Republic of Korea to the U.S. government to remedy these discriminatory practices, the commission suspended the sanctions to allow these negotiated agreements to be fully implemented," the FMC said in a statement.

And if the pledges are carried out within the promised time frame, the FMC will drop the sanctions altogether, the agency added.

"While this (August) agreement would appear to resolve the problems, the Commission's first priority is to ensure that U.S.-flag carriers, forwarders and consolidators are no longer disadvantaged because of Korean laws," Koch said. "By suspending the sanctions ... we are recognizing the good-faith statements of the Korean government that they intend to amend these discriminatory laws in the time frame they have promised to do so."

European carriers and forwarders are encountering the same problems faced by their U.S. counterparts in Korea. The topic was to be discussed by European Community director of maritime policy Wag Blonk during an October vist to Washington.

U.S. officials speculate that the EC may also move forward against the Koreans in order to win more favorable treatment for European ocean carriers and forwarders. ■

NVO insurance plan advances

Proposed FMC rule expected to win final approval. Comment period ends Nov. 15.

By Tony Beargie

In an effort to help small business enterprises, the Federal Maritime Commission is moving quickly the procedure to permit non-vessel-operating common carriers to file evidence of insurance coverage rather than more expensive surety bonds to show they are able to meet their financial responsibility requirements.

The proposal will also make it possible for NVOs to join together so they could pay lower premiums under group policies.

Whether insured under group or individual policies, all NVOs will be required to show they are covered in the amount of $50,000. But, under group coverage, the assets required to be held by the surety, insurer, or guarantor of a group or association of NVOCCs would not exceed $1 million for each group or association.

FMC Sets 7 Conditions. At a minimum, all security "instruments" whether it be a $50,000 bond or proof of $50,000 insurance coverage, must contain the following elements:

- There must be a third party directly responsible for paying claims.
- The third party must be responsible for maintaining acceptable assets in the U.S. in the amount of $50,000 for each NVOCC to cover any claims made against the security instrument.
- Payments must be made only to bona fide claimants for damages, reparations, or penalties incident to transportation-related activities under the Shipping Act of 1984.
- Payment directly to the injured party must be made for any sum or sums for which the surety, insurer or guarantor, in good faith, determines that the NVOCC is liable.
- The third party must agree to give notice to the commission in case of any drawdown or cancellation of the $50,000 protection.
- Claims against the surety, insurance policy or guaranty must be able to be brought in the U.S.
- Each insurance company or guaranty must have a financial rating of Class VII or higher under the Financial Size Categories of A.M. Best & Company or equivalent from an acceptable rating organization.

Firms providing coverage must maintain $50,000 in assets in the U.S. "This would ensure that assets would be available for claims or judgments against an NVOCC made by U.S. claimants," the commission said. However, the domestic asset requirement would not bar parties from suing in or winning a judgment from a foreign court.

The FMC refused to lower the minimum $50,000 coverage, on grounds that neither the agency nor the industry have gathered enough experience to justify a lower figure. However, the FMC left the door open to the possibility of lowering the amount in the future, since it said it was not able to justify the lower amount "at this time."

Plan Enjoys Broad Support. Because the insurance coverage approach enjoys broad support, including Congress, the FMC, the Administration and the private sector, it is expected that the commission will move quickly to finalize the proposal.

Comments on the plan will be due at the FMC by November 15, and it is expected that the agency will approve a final rule by the end of December. "We're shooting for the end of the year," agency chairman Christopher Koch said.

Only one commentator — the Customs Bond Committee of the American Surety Association, also known as "TASA" — opposed the insurance coverage option. Alternate forms of financial security will not do the job of increasing the shipping industry's protection, increasing the availability of coverage, or reduce the NVO industry's costs, TASA argued. TASA noted that premiums for $50,000 bonds run between $500 and $750, and that it is "unrealistic" to assume that comparable coverage could be obtained at a lower cost. TASA held that the current bonding system is working and should remain unchanged.

Both the U.S.-based International Association of Non-Vessel-Operating Common Carriers and the European-based International Federation of Freight Forwarders Associations (FIATA) like the idea of allowing group coverage.

The U.S. NVO association said group coverage would provide benefits both in terms of commercial flexibility and alleviating problems some smaller firms may encounter in obtaining a bond.

FIATA said the group coverage approach will lessen the burdens on NVOs all over the world to meet U.S. legal requirements, and will may encourage more firms to participate in the U.S. trades.

Comments on the proposal are to be sent to FMC Secretary Joseph C. Polking, FMC, 800 North Capitol Street, Northwest, Washington, D.C. 20573-0001.

For additional information concerning docket 92-37, contact Austin L. Schmitt, Director, Bureau of Trade Monitoring and Analysis, Federal Maritime Commission, 800 North Capitol St., Northwest, Washington, D.C. 20573-0001. Schmitt's phone number is (202) 523-5787. ■

NIT League to meet in Atlanta

The National Industrial Transportation League, the largest shipper organization in the U.S., will hold its 85th annual meeting Nov. 15-18 in Atlanta.

Kent C. Nelson, chairman and chief executive of United Parcel Service, will be keynote speaker. Lou Dobbs of CNN's Moneyline will be a luncheon speaker.

The meeting, held concurrently with the TransComp '92 trade exposition, will be at the Atlanta Marriott Marquis.

Seminars and moderators will include:

- Regulatory impacts on rail shipping costs, D. Henry Watts, executive vice president, marketing, Norfolk Southern Corp.
- The Federal Maritime Commission's Automated Tariff Filing and Information system, Richard V. Collins, director of distribution, Perrier Group.
- Hazardous-materials safety training, David C. Torrey, manager of transportation, planning and development, Air Products & Chemicals Inc.
- Rail-truck alliances, Dean H. Wise, principal, Mercer Management Consulting.
- Electronic data interchange and transportation, Sue A. Widman, manager, EDI systems, General American Transportation Corp.
- Waterway shipping, John R. Dobrzynski, manager of transportation, Chicago Board of Trade.
- Forging strategic transportation partnerships, William A. McCurdy Jr., legal counsel, Du Pont.

Registration is $345 for a league member or associate company, $320 per additional attendee from the same copmpany, and $545 for non-members. For new members, $200 of the registration fee may be applied toward new membership dues. For information, contact the NIT League at (703) 524-5011. ■

Ports want to control their dredging

They say they could do job quicker and cheaper than Corps of Engineers. AAPA suggests change in system.

By Joseph Bonney

U.S. seaports say that when it comes to harbor dredging, there must be a better way.

Most costs of dredging to deepen harbors and channels are paid by federal funds. With that money comes strings, in the form of management by the Army Corps of Engineers.

Since 1986, local ports have had to share the costs. But the ports complain that although they're putting up part of the money, they have no say in how it is spent. They say giving local officials more control would allow port dredging projects to be finished quicker and more cheaply.

"Many of our members believe they are fully capable of managing these projects themselves," said Erik Stromberg, chairman of the American Association of Port Authorities. "They could do it faster and at less cost."

Several ports across the nation have complained of long delays that add to the costs of port dredging projects.

They say that because the Corps is involved in flood-control and other water-management work, the transportation aspect of dredging sometimes gets short shrift.

Port dredging projects to deepen harbors and channels "are transportation projects, and should be considered as transportation projects," Stromberg said.

AAPA Position. At its recent convention in Anchorage, the AAPA's U.S. members adopted a resolution favoring re-examination of the way channel improvement projects are funded and implemented.

The resolution suggested that the government consider a system such as the one used for airport improvements.

Aviation improvements are funded by the federal aviation trust fund, which is supported by user taxes. The Federal Aviation Administration disburses money from the fund, but allows the actual improvements to be carried out by local airport authorities.

By contrast, funding for waterway projects is paid out of general federal revenues, forcing ports to rely on the vagaries of congressional appropriations.

The AAPA resolution said federal review and management of deep-draft navigation projects should be limited to making sure that the projects comply with federal performance standards.

'No Partnership.' The AAPA resolution said that despite the partnership that the 1986 Water Resources Act envisioned be tween ports and the Corps, "the Corps ha failed to involve ports as full partners."

The result, the resolution said, has bee "project delays and cost escalations whic can frustrate, rather than facilitate, improve ment of our nation's navigation system."

The 1986 law allows ports to manage an plan their own projects, but only if the port put up all the money up front and apply fo partial federal reimbursement later. An even this provision leaves the Corps wit veto power over the project.

Anne Aylward, director of the Massa chusetts Port Authority and last year' AAPA president, established an AAPA committee that recommended a hard loo at the dredging issue. She said many AAPA members believe fundamental change i needed.

"Our goal is to assure the timely and cost effective completion of deep-draft naviga tion projects," she said. "That should als be the Corps of Engineers' goal. Our path diverge in the growing conviction amon AAPA members that the only way to ge more cost-effective and timely projects i to give the ports more control over al aspects of project implementation." ■

NIT League and AAR support new B.L. form

Two transportation organizations are lobbying the Interstate Commerce Commission to adopt their compromise proposal on changing the front portion of the prescribed Bill of Lading.

The proposal was adopted by the National Industrial Transportation League and the Association of American Railroads. It would allow carriers and shippers to depart from the terms of the Uniform Bill of Lading when dealing with private contracts.

The NIT League-AAR compromise involves two parts:

- Retaining the form of the B.L. now published in the *Code of Federal Regulations*, and;
- Allowing changes in the front part of the B.L. as long as the changes conform with approved national standards for electronic data interchange.

Rail and shipper representatives would review any proposed changes to EDI standards under the ANSI process, or to information requirements on the paper B.L. that involve the front portion of the B.L. form.

NIT League officials said the proposal would prevent inclusion of different terms and conditions that would hurt shippers, yet allow railroads to make changes in the front part of the standard form. ■

What will faster EDI cost?

Customs brokers around the nation are being queried by their national association on the costs of adapting to a high-speed communications system that the U.S. Customs Service plans to begin using in February.

Linchpin of the new system will be a modem capable of sending and receiving messages at 9600 baud, double the top speed of the modem now in use at the agency.

But the system will also employ a new set of communications protocols, dubbed SDLC, and that is what has the brokers worried.

For companies with mainframe computers,the cost of software necessary to adapt toSDLC could run well into five figures, according to brokers who have talked with *American Shipper*.

In a written questionnaire, the National Customs Brokers & Freight Forwarders Association is asking brokers whether they have installed or plan to install SDLC; software and hardware costs,and systems used; percentage of entries filed electronically with Customs; how much time they would need to adapt to SDLC; and how Customs could achieve its goal of 100 percent participation in its Automated Broker Interface system. ■

Push for harbor tax rollback

Vew England port/shipper coalition

By Tony Beargie

When Congress returns to Washington iext year, the 103rd Congress will face an rganized campaign to roll back the nation's iarbor maintenance tax from .125 percent lown to the original figure of .04 percent.

The drive will be led by over 130 companies belonging to the New England Shipoers' Advisory Council and the Aassachusetts Port Authority. The prime novers in Congress will be Rep. Gerry Studds (D-Mass.), who is expected to be the oermanent chairman of the House Merchant Marine & Fisheries Committee next vear, and Rep. Joe Moakley, chairman of he powerful House Rules Committee.

The seeds of the legislative effort were olanted approximately two years ago when he shippers group and Massport began vorking closely with the Massachusetts congressional delegation on the harbor tax ssue and other issues such as U.S. Food and Drug Administration inspections and the economic competitiveness of the New England region.

Although the drive to undo the higher harbor fees will be lead by the New England forces, it is expected to win national backing from the U.S. port industry and other concerned shippers and lawmakers from around the country. The legislation, which was introduced earlier this year as an attention-getting vehicle, also is backed by the International Longshoremen's Association.

Tom Carroll, vice-chairman of the New England shippers' group expects the backing of the nation's largest shippers' organization, the National Industrial Transportation (NIT) League, which has voiced a great deal of interest in the rollback. Carroll said, "I expect them to support us."

Carroll said the tax costs shippers of high valued cargo between $300 and $400 per container. Shippers of lower valued cargo have to pay between $100 and $200 per container, Carroll estimated.

The Army Corps of Engineers which has more than doubled its collections under the higher fee structure is expected to oppose the legislation. Before the fees were increased the Corps was getting about $160 million per year, but after the hike in 1991, the collections rose to $382 million.

The fees are particularly hard hitting on port areas close to Canada. For example, the Port of Boston reports it is losing between 10,000 and 15,000 forty-foot containers of cargo to Canadian ports yearly because of the tax. The area is also losing jobs and the fees are playing a role in "fueling the recessionary cycle in the region," according to the New England Shippers' Advisory Council.

While U.S. ports are losing business, Canadian carriers and ports are using the U.S. port fees as a sales and marketing tool to attract New England shippers.

Cargo diversions to Canada not only harm maritime interests, but they also cast a negative impact on the labor market, and on the rail and trucking industries in New England, the shippers group said.

The tax is acting as a major incentive for shippers to route large blocks of cargo moving to points as far westward as the U.S. Midwest through the Canadian ports of Montreal and Halifax, according to the New England shippers. ■

Rationalization has barely begun

Carrier executives look at the '90s.

By Richard Knee

Shipowners "have different ideas on how the world should work," Mogens Lauridsen, corporate vice president for Maersk Line in San Francisco, told an audience at the Western Cargo Conference (WESCCON) in Palm Springs Oct. 10.

He was a panelist on a program designed to look at the coming decade in international shipping.

Other panelists were Mike De Virgilio, general manager of corporate accounts for NYK Line (North America); Mike Bural, Pacific services marketing director for Sea-Land; and moderator Elliot Schrier, president of the San Francisco consulting firm Manalytics Inc.

The Pacific in the 1990s. Predictably, the panelists differed on some points, in terms of the transpacific freight markets in the 1990s.

For instance, Bural said he foresaw an eastbound capacity squeeze most of the May-October period because trade growth will outpace capacity growth, particularly after the middle part of the decade, when the current spate of newbuildings will have concluded.

Schrier, on the other hand, said he thought overcapacity would persist.

He predicted also that the trend toward fewer, larger carriers would continue.

Lauridsen added that the same trend was likely to occur in the broker-forwarder industry.

Bural: Look at 'Attack Points.' Sea-Land's strategy, according to Bural, is to plot "attack points," i.e. to map marketing plans based on regional growth projections.

In Asia, he said, the central part — China, Hong Kong and Taiwan — will account for well over 60 percent of the eastbound market in 1996 and will continue to provide the fastest-growing westbound market through that year.

Northern Asia — Japan and South Korea — remains the biggest westbound market, with a share at well over 50 percent now, he said.

Westbound growth forecasts for 1990-96 are just under 30 percent in northern Asia, 70 percent in central Asia and a "relatively low" rate in the southern region comprising Singapore, Thailand, the Philippines, Malaysia and Indonesia, he said.

"If you don't have a representative (in central Asia) or a contact, start now," Bural exhorted. "It takes time, but that's where the opportunity is."

The trend toward fewer, larger carriers is likely to occur in the broker-forwarder industry.

De Virgilio: '4 Key Issues.' Carriers are plotting their strategies with "four key issues" in mind, De Virgilio told the gathering.

They are the global economy; national and regional economies; competition among ocean carriers; and requirements for hardware investment, he said.

Electronic data interchange will continue to be the area of greatest impact, De Virgilio said.

Rationalization of seagoing and land-based operations are viewed by the carriers as the road to profitability, he said, but that alone will not save those that are unwilling to invest in equipment, technology and people who are well trained and highly motivated.

"The one thing we can say is that there will be fewer of us — and of you," he said.

And, he remarked, shippers, carriers and their intermediaries must end their adversarial relationships.

Lauridsen: Survival Questions. Fc brokers and forwarders, "the 1990s ma prove to be the most challenging years c our times," Lauridsen said.

They must compete not only with on another but also with carriers in some ways he said.

"Integrated, total logistics will be th requirement of the future," he said, and i the long run, ocean carriers might be th only ones capable of meeting that demand

In order to position themselves in th global marketplace, he said, brokers an forwarders must make sizable investment in personnel and technology at home an abroad.

To keep pace economically, he said, som broker-forwarder firms might have to g public or pool capital resources throug mergers or acquisitions.

Lauridsen commented also on question surrounding the future of the shipping in dustry.

"The future of the conference system i anybody's guess," he remarked. "It coul be that there will be one superconferenc regulating trade in and out of the (entire United States.

"There is one thing we can all agree on Barriers must come down," he asserted "Governments must ... remove the obstacle to trade growth, in the industrialized na tions as well as Third World countries."

Also of concern to carriers, he said, i whether landside infrastructures can con tinue to support the growing volumes o cargo-bearing containers.

Even the vaunted highway systems along the California coast, as well as those in Europe and Asia, will be hard pressed on that score, he warned.

With vessels getting larger — the arrival of vessels with 6,000- to 10,000-TEU capacities is probably close at hand -- the ocean side of the picture also is likely to change, he said.

Many ports will not accommodate such behemoths, he explained, and the possible result is that carriers will have few ports of call on their trunk lines, relying heavily on feedering ships to reach small ports with shallow harbors.

Carriers will continue to share vessel and terminal space as a cost-cutting device, he said.

At the same time, relatively low returns on assets/investment might not be as much cause for alarm as they seem, he said.

While the returns might not be as high on a yearly basis, he observed, what must be kept in mind is that their investments must be viewed in the long-term context.

"We build ships to last 20 years," he pointed out. ■


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Maersk begins U.S./Yemen service

Maersk Inc. has begun fixed-day, fortnightly service from U.S. East and Gulf coast ports and Yemen.

Cargo will be relayed by feeders over Jebel Ali, United Arab Emirates, to Aden, Al Mukallah, Hodeidah and Mokha.

Initially, only full dry container loads will be accepted. Oversize and less-than-containerload cargoes will be accepted later, Maersk said.

Maersk's Mideast service operates five vessels that carry containers, roll-on/roll-off and heavy-lift cargo to the Mideast and South Asia.

Lykes converts ship to barge

Lykes Lines has begun using a 17,000-deadweight-ton ocean-going barge converted from the hull of a U.S.-flag breakbulk ship that became too old to receive operating subsidy.

The company, which has been trying to adjust to the expiration of government-operating subsidies, said it may do similar conversions on some of its other old ships.

"This is the first of what could be many barges of this type for Lykes," said Eugene F. McCormick, Lykes president.

"If this venture proves as successful as we think it will, we will be converting more vessels to unmanned barges as they expire their subsidizable lives."

The barge, called the *Lykes Innovator*, was converted from the former *Joseph Lykes*, a 592-foot-long conventional vessel.

The *Joseph Lykes* had passed the 25-year age limit for subsidized operation. Rather than scrap the vessel, Lykes converted it to an unmanned barge. Because the hull was U.S.-built, it is eligible for government preference cargoes.

The ship's engine, steering systems, superstructure, oil tanks, pump room and cargo-handling gear were removed, increasing the cargo-carrying capacity by about 30 percent.

Five Grove mobile deck cranes were installed to serve the barge's seven cargo holds. The decks were strengthened and the tween-decks were retained.

"The conversion operation took approximately six months," said John Ohman, vice president of maintenance and repair for Lykes.

Initial stripping work on the ship was done at Brownsville, Texas, by Transforma Marine. The conversion was done at Port Arthur, Texas, by Gulf Copper Manufacturing Co.

On its first voyage, the barge took 16,000 metric tons of bagged rice from Lake Charles to Monrovia and San Pedro in West Africa. ■

Evergreen Europe-Vietnam service

Evergreen Line has begun regular container service between Europe and Vietnam, with transshipment through Singapore.

Containers moving between Singapore and North Europe will be carried on Evergreen's round-the-world services, which sail every seven days eastbound and every five or six days westbound. Direct ports of call in North Europe are Hamburg, Thamesport, Rotterdam, Antwerp and Le Havre.

At Singapore, cargo will be transshipped to Vietnam on a twice-weekly feeder service linking Singapore with Ho Chi Minh City. Transit time between Singapore and Vietnam is two days.

Containers moving between Singapore and the Mediterranean will be transported on Evergreen's Far East/Mediterranean service, which has sailings every six days. Direct ports in the Mediterranean are Limassol, La Spezia, Fos, Barcelona and Valencia.

Sea-Land consolidates claims offices

Sea-Land Service has consolidated its domestic cargo claims offices in Dallas.

The office will handle all domestic claims previously handled in Seattle, Fort Lauderdale and Charlotte. Each of those offices had been operated by separate Sea-Land operating units.

Sea-Land's claims offices in Hong Kong and Rotterdam will continue to proces claims in their respective regions.

Consolidation of the domestic claims offices comes less than a year after Sea-Land introduced a new bill of lading tailored to the Hague-Visby liability rules.

At the consolidated Dallas office, Sea-Land has introduced an on-line cargo claims system that the company said will be faster and more efficient.

CMA appoints owner's reps in Canada

Compagnie Maritime d'Affretement has appointed owner's representatives in Toronto and Montreal following termination of CMA's agency agreement with Robert Reford Inc.

Vahram Pirjanian has been appointed to the Toronto post. He had been general manager for Kerr Steamship Inc. in Ontario and Manitoba. Muriel de Toledo was appointed owner's representative in Montreal. She had been marketing and pricing manager in Montreal for Compagnie Generale Maritime.

CMA's new owner's representatives are responsible for all sales, marketing and pricing activities in eastern Canada.

Inchcape Shipping Services, CMA's newly appointed agent, will handle all other service and operational functions in eastern Canada, including documentation, customs brokererage, equipment control and inland transportation.

Hanjin adds offices in Germany, U.K.

Hanjin Shipping Co. has added sales offices in Germany and the United Kingdom.

The new German offices in Berlin, Munich and Frankfurt, and an existing one in Dusseldorf, will operate uner Hanjin's regional office in Hamburg.

The U.K. regional office in London will oversee two new business offices in Birmingham and Manchester and a representative office in Felixstowe.

The offices will be under Hanjin's direct management. Officials of the South Korean carrier said that will help Hanjin prepare for pan-European distribution systems following the integration of the European Economic Community.

P&O shares Intra-Europe vessels

P&O Containers will contribute the 1,271-TEU ship Alum Bay o a space-sharing agreement with Sea-Land Intra Europe.

A total of four ships are involved in the agreement, which covers he trade between the United Kingdom and Northern Europe and he East Mediterranean.

P&O operates two weekly services covering the Mediterranean — the U.K./North Continent Service, with calls at Rotterdam, Felixstowe, Algeciras, Piraeus, Izmir and Thessaloniki, and the Iberian service, with calls at Felixstowe, Rotterdam, Lisbon (southbound only), Leixoes (northbound only), Algeciras and Naples. A dedicated feeder service from Pireaus serves the Turkish ports of Istanbul and Mersin.

Frontier Line appoints Kirk agent

Frontier Liner Service, which operates between Miami and Colombia, has appointed Miami-based Kirk Line Inc. as its U.S. general agent.

Frontier sails every 10 days, with a four-day transit time to Cartagena and Barranquilla. The line has operated for a year in the newly deregulated Colombian trade.

Mideast carriers raise fuel surcharge

The West Coast/Middle East Rate Agreement has increased its bunker fuel surcharge.

The surcharge was raised from US$80 to US$120 per 40- or 45-foot container; from $64 to $96 per 20-footer, and from $4 to $6 per revenue ton for other cargo.

WCME administrator William J. Anderson said the surcharge increase was based on a formula that tracks world marine fuel prices and conference members' fuel costs at key loading ports.

He said the increase was partly due to higher prices for fuel in southern California as a result of a new state law imposing sales and use taxes on marine fuel purchases for international voyages.

Israel conference general rate increase

The Israel Trade Conference has announced a 3 percent general rate increase, effective Nov. 1.

All commodity rates will increase by 3 percent. Container rates, per-unit rates and lum-sum rated items will be rounded to the nearest $5. Weight or measurement items will be rounded to the nearest $1.

Conference tariffs affected by the increase are FMC No. 2, (U.S. Atlantic & Gulf ports), FMC No. 3 (U.S. Great Lakes and Pacific ports), and FMC No. 3, (U.S. Inland and Coastal points).

Conference members are Farrell Lines, Lykes Lines and Zim Israel.

CGM & Tropical Shipping joint service

Compagnie Generale Maritime and Tropical Shipping have agreed to develop a joint service between ports in Florida and ports in Trinidad, St. Vincent, Grenada, Dominica, Martinique and Guadeloupe.

The service, which is subject to Federal Maritime Commission approval, will operate under the name Caribbean Maritime Service

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G. TOTAL	12,917	17,000

I certify that the statements made by me above are correct and complete. Signature and title of Editor, Publisher, Business Manager, or Owner: /s/ David A. Howard, Editor 9/24/92

and will offer fixed day weekly service. The service will connec either directly or via transshipment at St. Lucia.

The joint service has initially chartered space on existing vessels between the port of West Palm Beach and the eastern Caribbean island ports. The service is expected to utilize *Jade*-class and *Quest*-class vessels. The *Jade* class has a capacity of 162 TEUs and 50 reefer outlets. The *Quest* class has a capacity of 440 TEUs and 80 reefer outlets. Both classes travel at 14.5 knots.

An inter-island service with a vessel of 62 containers and 30 roll-on/roll-off positions will interconnect with the U.S.-Caribbean service. The service will be operated by Caribbean General Maritime Ltd. (CAGEMA) with its head office in St. Lucia. The service will provide weekly inter-island connections between St. Lucia, Martinique, Guadeloupe, Dominica, Grenada, St. Vincent, Trinidad and Barbados.

Tropical, CGM and CAGEMA will issue respective bills of lading and handle their own sales and marketing. Each partner will provide its own fleet of 20- and 40-foot dry and refrigerated containers.

Concorde Line/Dole Fresh Fruit

Concorde Line and Dole Fresh Fruit Co. have reached a slot charter agreement in which Dole will make container space aboard its vessels available to Concoerde.

The Dole vessel, *Tropical Dawn,* sails every Monday from Gulfport, Miss. to Puerto Cortes, Honduras. The *Tropical Light* sails every Wednesday to Puerto Barrios, Guatemala.

Concorde will also accept northbound cargo at these ports. Nicaragua cargo will be accepted at Puerto Cortes and El Salvador cargo via Puerto Barrios.

Concorde will maintain its service with the *La Minera* calling Houston and New Orleans fortnightly, for cargoes bound for Honduras, Nicaragua, El Salvador and Guatemala via Puerto Cortes, Honduras and Santo Tomas, Guatelmala.

This sevice will call at New Orleans every second Monday and Houston every second Wednesday. Concorde can handle full container loads, LCL, breakbulk, vehicles and heavy lifts.

Concorde's expanded service will now provide shippers six vessels a month from New Orleans, either directly or through Gulfport.

Ivaran U.S. Gulf/Venezuela service

Ivaran Lines is expanding its Gulf service to include direct calls at Puerto Cabello and La Guaira, Venezuela on a fortnightly basis.

Three of the six vessels now calling the Gulf to South America, the *San Pedro, Sao Paulo* and the *Dorothee,* will make direct calls in Venezuela The expanded service to Venezuela commences with the *San Pedro* saling to Houston Nov. 9.

ACE Group adds call at Nagoya

Nagoya will be added to the schedule of the ACE Group's weekly Japan/Far East express service in December.

With eight ships, the Japan/Far EAst Express Service will make direct calls at Nagoya every Thursday on a 56-day round trip schedule. The revised port rotation from Europe is Osaka, Nagoya, Tokyo, Kaohsiung, Hong Kong, Singapore, Suez, Le Havre, Felixstowe, Rotterdam, Bremerhaven, Suez, Singapore, Osaka. Westbound transit times ex-Nagoya will be 25 days to La Havre, 26 days to Felixstowe, 28 days to Rotterdam and 29 days to Bremerhaven.

Eastbound transit times to Nagoya will be 26 days from Bremernaven, 27 days from Rotterdam, 28 days from Felixstowe and 30 lays from Le Havre.

The members of the ACE Group are "K" Line, NOL and OOCL. Services are marketed as the ACE Group's Double-Loop Service.

K' Line Dutch management team

"K" Line (Nederland) BV has appointed Hans C. Voets as nanager of logistics and Henk van Walderveen as financial controller. His immediate task will be to implement a new financial dministration system and integrate this with the line's computer ietwork.

Jan Barendregt has been promoted to manager of marketing and ales.

NVOCC to Israel, Brazil, South Africa

Seabridge Container Transport Inc. of Philadelphia has established NVOCC outbound container services to Israel, South Africa nd Brazil.

Consolidation points will be offered in seven cities, Philadelphia, Baltimore, Newark, Houston, Norfolk, Miami and Atlanta. Previously all consolidation was in Philadelphia.

Service to Brazil will be weekly. Service to Israel and South Africa will be bimonthly. Shipments to these countries had been nade on an as-needed basis.

In addition to its Philadelphia headquarters, Seabridge has offices in New York, Newark, JFK International, Norfolk, Chicago, Atlanta, Miami, New Orleans, Houston, Harrisburg and Baltimore. It offers representation in more than 100 countries.

Seabridge also announced a plan to protect clients from provisions of the recent Trans-Atlantic Agreement affecting the port of Philadelphia, which is no longer a bill of lading port.

Seabridge will pay for the cost of transporting cargo from the arrival port to Philadelphia.

Mark VII adds LCL service to Pacific

Mark VII Transportation Co. Inc. has purchased certain assets of the U.S. operating division of ISS Express Lines, an Australian-based company.

The move allows Mark VII to offer less-than-containerload services to shippers covering Australia, New Zealand and the Far East. The company has moved its Anaheim, Calif. office to Long Beach as part of the change.

Memphis-based Mark VII offers services to Europe, Mexico and the Pacific Rim.

ISS Express operates offices in Sydney, Melbourne, Brisbane and Adelaide.

SP moves marketing groups to Denver

Two Southern Pacific Lines marketing groups were relocated to Denver, effective Oct. 5.

The Food and Agriculture Business Group, under managing director Al Fjeldsted, had been based in SP headquarters in San Francisco. The 34-person staff's new office is in the Anaconda Building at 555 17th St.

Also in the Anaconda Building is the 23-person metals and ores business group, formerly located in Los Angeles. Ken Adams is managing director/ferrous metals and Kathleen Bostick is managing director/non-ferrous metals..

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Bethlehem Steel Corp.

Delmar A. Davis has been appointed manager, transportation, in the steelmaker's materials management organization.

Davis succeeded Richard J. Herbst, who retired. Davis had been manager, materials and utilities, at Bethlehem's Sparrows Point, Md., plant.

He joined Bethlehem in 1970 as a management trainee and was assigned to the production scheduling division at Burns Harbor, Ind.

At Burns Harbor, he advanced to systems coordinator in 1974 and supervisor in 1978. He was appointed superintendent of production scheduling at the Bethlehem, Pa., plant in 1983 and manager of materials in 1984. He was transferred to Sparrows Point as manager materials in 1986.

Davis has a chemical engineering degree from Rensselaer and a master's from Northwestern. He also is a certified public accountant.

CSX Intermodal

Robert V. Allen has been appointed vice president, law and administration for CSXI, the intermodal subsidiary of CSX Corp.

Allen, who had been the company's general counsel, has taken on additional responsibilities for key staff functions, including human resources.

He joined a CSX predecessor company in 1984 and has been general counsel at CSXI since 1988. Before joining CSX in 1984, he held various positions in the U.S. Department of Justice.

Allen has a bachelor's degree from Colgate and a law degree from the State University of New York at Buffalo.

Haight, Gardner, Poor & Havens

Sean T. Connaughton has joined the law firm's Washington office as director of legislative and government affairs.

He will be responsible for monitoring legislative initiatives in maritime, aviation, commercial space and tax and finance.

Before joining Haight Gardner, Connaughton was a senior associate at the American Petroleum Institute. Before that, he was a civilian and a commissioned officer in the Coast Guard's headquarters.

He is a graduate of the U.S. Merchant Marine Academy at Kings Point and has a master's from Georgetown and a law degree from George Mason University.

Landstar System Inc.

Michael L. Harvey has been appointed vice president and general counsel of Landstar, the parent company of five truckload carriers.

Harvey spent 15 years as an attorney with Atlas Van Lines, most recently as senior vice president-law and general counsel and secretary. He also has practiced law with North American Van Lines.

Landstar's carriers are Ranger Transportation and Gemini Transportation Services, Jacksonville; Independent Freightway, Rockford, Ill.; Ligon Nationwide, Madisonville, Ky., and Poole Truck Line, Evergreen, Ala.

Livingston Group Inc.

David E. Wirsing has been appointed vice president, transportation, of the Canadian distribution and international trade services company.

Wirsing has spent 22 years in transportation distribution. He spent five years with Air Canada as general manager, cargo, for the U.S., the Caribbean and Latin America and 17 years with Canadian Pacific Airlines, most recently as director, cargo marketing.

At Livingston, Wirsing will be responsible for the strategic direction of the company's transportation management services.

Mercer Management Consulting

Michael D. Tebay, a former top Sea-Land Service Inc. and CSX Corp. executive, has joined Mercer Management Consulting as vice president. He will oversee the Boston-based firm's liner shipping and aviation practices.

Tebay left Sea-Land in early May. He had been in charge of marketing and development until a management reorganization made him vice president and managing director of Sea-Land's operations in the former Soviet Union.

Tebay held a number of senior management posts with CSX and its Sea-Land and CSX Transportation subsidiaries. Those posts included senior vice president, marketing and development, for Sea-Land; vice president, planning and development, for CSX Corp., and vice president, product development for CSX Transportation's Distribution Services Group.

Before joining Sea-Land, Tebay was executive vice president of Transamerica Interway Inc., the world's largest lessor of intermodal transportation equipment. He also consulted for eight years and has give years of experience with British Aerospace.

He has an M.B.A. from the Harvard Graduate School of Business Administration, and an M.A. in aeronautical sciences from Trinity College, Cambridge University.

Panalpina Inc.

Hans Toggweiler has been promoted to executive vice president, traffic and marketing, at the transportation company's Jersey City, N.J. headquarters.

Toggweiler began his career with Panalpina World Transport, Switzerland, in 1966. In 1970 he was transferred to Panalpina US, where he specialized in ocean export as assistant vice president and later vice president of projects.

In 1981 Toggwiler was transferred to Houston as vice president, ocean export. He later became senior vice president and manager of the Houston operation.

TNT Contract Logistics

C. E. "Chuck" Davis has been appointed vice president and general manager of Canadian operations for TNT Contract Logistics.

Davis brings more than 12 years of warehousing and distribution experience to TNT. His past two years have been spent marketing contract distribution services.

TNT Contract Logistics is based in Buffalo Grove, Ill.

The Unit Cos.

Rex Moody has been named vice president of transportation sales for Jacksonville-based The Unit Cos. Moody coordinates the transportation efforts of Unit's national sales force.

Prior to joining Unit, Moody served as a national account executive and account manager for C.F. Motor Freight. Previously he held various positions with Lee Way Motor Freight and McLean Trucking Co.

The Unit Cos., the nation's largest provider of warehouse distribution services, is a subsidiary of GATX Corp., based in Chicago.

:onferences oppose FMC plan on unpaid charges

Conferences have objected to the Federal Maritime Commission's roposal to let courts rule on shipper-carrier disputes over unpaid reight bills.

The FMC proposal (Docket 92-46) would get the commission ut of disputes in which a carrier seeks to collect an unpaid freight ill.

Several conferences objected to the proposed rule, saying it vould conflict with the 1916 Shipping Act and Section 10(a)(1) of he 1984 Shipping Act.

Under the FMC proposal, the commission would retain jurisdicion in cases involving false measurements or false commodity lescriptions, but would let the courts handle simple bill-collection lisputes.

Several conferences argued that the commisson can't shift its esponsibilities so easily.

Attorneys Nathan J. Bayer, Kevin J. Keeland and G. Michael 3yrner, representing several conferences in the trades between the J.S. and the Caribbean and Latin America, filed comments that eflected several conferences' positions.

"The heart of the common carriage system is the public filing ind enforcement of tariffs," they said. "It would therefore seem ncongruous, at best, for the commission to tell shippers that if they nisdescribe or misdeclare their cargo a carrier can seek reparations out if they just refuse to pay the carrier, the carrier cannot seek eparations."

ANERA defends IAs on service-contract cargoes

The Asia North America Eastbound Rate Agreement has defended its member carriers' right to file independent-action rates on commodities covered by service contracts.

ANERA asked the Federal Maritime Commission to dismiss a complaint by Universal Fixture Mfg. Co. Universal complained that it signed a service contract with the conference, only to see ANERA members file for independent action and quote lower tariff rates rates to Universal's competitors.

The conference's attorneys, the Washington-based Sher & Blackwell firm, said individual carriers have a statutory right to file independent action.

"ANERA's members have the right as a matter of law to take, maintain and apply IA rates despite the fact that IA rates may be lower than service contract rates," the conference's attorneys said.

The conference said that while Universal was understandably unhappy about tariff rates being lower than contract rates, "a service contrct shipper must accept both the benefits and the risks of service contracts."

Wallenius, automakers seek tariff-filing exemption

The Motor Vehicle Manufacturers Association and Wallenius Lines have asked to be exempted from requirements that they file tariffs on large shipments of passenger cars.

The association and Wallenius said tariff-filing is suitable for shipments of individual automobiles or small lots of vehicles, but is impractical for shipments of large quantities of mass-produced cars.

In a petition to the Federal Maritime Commission, the association and Wallenius said shipments of large numbers of cars requires a combination of flexibility and planning that requires a partnership between shipper and carrier.

They argued that for U.S. automakers are at a disadvantage against Japanese competitors whose shipments to the U.S. are unregulated.

The petition, filed by Washington attorney Gerald Seifert, asked the FMC to grant the exemption under Section 16 of the 1984 Shipping Act.

Congress approves money for Title XI

Congress has approved enough money to cover nearly $1 billion in ship-mortgage guarantees under the Title XI program.

The $48 million appropriation was a compromise between the $50 million recommended by the House and the $44 million recommended by the Senate.

The appropriation was required by the Federal Credit Reform Act of 1990, which was designed to help prevent the government from committing itself to open-ended loan guarantees.

Under the Credit Reform Act, loan-guarantee programs such as Title XI must receive up-front appropriations of enough money to cover expected losses.

If the Office of Management and Budget accepts the estimate that Title XI losses will run no more than 5 percent, the $48 million appropriation will be sufficient to cover $960 million in loan guarantees.

AWO president predicts changes in OPA-90

The Oil Pollution Act of 1990 has flaws that will become apparent and will encourage the public to seek changes, predicts Joseph Farrell, president of the American Waterways Operators.

"As the intolerable flaws in this law impact the public, the public will insist that the flaws be corrected," Farrell said in a recent speech to the Houston Marine Insurance Seminar.

Farrell said one of OPA-90's most ominous requirements is that marine insurers be held equally liable with an oil spiller for potentially unlimited damages.

Because of this yet-to-be-enacted provision, marine insurers have threatened to withhold insurance coverage for oil transport companies, a move that would halt waterborne petroleum supply nationwide.

Farrell said OPA-90 "will be a clear benefit to the nation" in helping prevent oil spills, but that a balance must be struck between environmental protection and continued energy supply.

"While our citizens are demanding a higher standard of care to protect our environment, consider how those same citizens would react to any threat to diminish their lifestyle, which largely rests on the consumption of petroleum and petroleum products," he said.

FMC reviews fine against Martyn Merritt

The Federal Maritime Commission has told its chief administrative law judge to reconsider how much the FMC should fine Martyn Merritt for Shipping Act violations.

Merritt and six of his affiliated companies were caught violating the 1984 Shipping Act through unauthorized use of a connecting carrier agreement, failure to charge tariff rates, and trying to conceal those activities.

The commission fined Merritt and his companies $1.4 million and suspended their tariffs.

The $1.4 million in penalties included $395,000 in fines against Merritt personally. Merritt appealed those fines, saing the FMC hadn't considered his ability to pay, and the 2nd U.S. Circuit Court of Appeals sent the case back to the FMC.

The FMC told Administrative Law Judge Norman Kline to figure out how much Merritt should be ordered to pay. But in doing so, the commission said it still believes civil penalties against

Merritt are appropriate.

Dollars-or-pesos case against Sea-Land dismissed

The Federal Maritime Commission has dismissed a case in which Sea-Land's Dominican agent complained that the carrier insisted on paying it in Dominican pesos.

The complaint was filed by Sea-Land Dominicana S.A. against its parent company, Sea-Land of Puerto Rico. The subsidiary wanted Sea-Land to pay it in dollars instead of Dominican currency.

The FMC said it lacked jurisdiction over the case, which the commission said involved "employment relationships" instead of "transportation activities."

Commission member William Hathaway dissented from the FMC decision. He said that under the 1984 Shipping Act, the FMC has jurisdiction.

But FMC Chairman Christopher Koch disagreed. "Simply because the commission has jurisdiction over ocean common carriers for their transportation activities does not mean that we have jurisdiction over all their business relationships," Koch said.

West Gulf association drops Omniport complaint

The West Gulf Maritime Association has withdrawn a Federal Maritime Commission complaint over the Port of Houston's leasing of the Omniport bagged-cargo terminal.

The West Gulf association, which represents employers of International Longshoremen's Association labor, had complained that its members were not permitted to bid on the lease, which was awarded to a nonunion company.

The association said, however, that it decided to abandon the challenge.

FMC reduces notice for domestic tariff increases

The Federal Maritime Commission has reduced to seven working days the notice that carriers must provide for changes in port-to-port tariffs in domestic offshore trades.

The change was made to make FMC filing requirements conform with those of the Interstate Commerce Commission, which regulates intermodal shipments between the U.S. mainland and offshore states and territories.

DOT awards intermodal planning grants

The Transportation Department has awarded $3 million worth of intermodal planning grants to Alaska, Florida, Louisiana, New Mexico, Ohio and a consortium of six New England states.

The recipients are to use the money to develop transportation plans that will serve as models for other states. Each plan will address specific needs and problems within the state or region.

Each of the individual states will receive $454,500 earmarked for intermodal planning that links transportation services, facilities and equipment.

The New England consortium, which encompasses Connecticut, Maine, Massachusetts, new Hampshire, Rhode Island and Vermont, will receive a total of $727,500 to develop a regional program of cooperation on intermodal transportation system.

This is the first intermodal regional planning project in the nation, the DOT said. The grant will be administered by Massachusetts.

Car's owner seeks $16,600 from NVOCC

A dispute over shipment of an Austin Healy vehicle to England has resulted in a complaint seeking $16,600 from Euro Car Transport Inc., a California-based non-vessel-operating common carrier.

Hugh Symington said Euro Car had a contract to pick up the car from the dealer, obtain insurance and ship the vehicle to England.

Symington told the Federal Maritime Commission that th NVOCC didn't fulfill the contract, despite being paid for the cos of the car, the shipping insurance and the ocean transportation.

Seacon seeks hearing in Seattle case

Seacon Terminals Inc. has asked the Federal Maritime Commis sion to allow oral arguments on Seacon's $10-million claim agains the Port of Seattle.

Seacon claimed that the port discriminated against the compan by refusing to renew, extend or renegotiate its lease. FMC Admin istrative Law Judge Charles E. Morgan dismissed the case earlie this year.

NVOs, Sea-Land settle transpacific dispute

The Federal Maritime Commission has approved a settlement o a dispute between 35 non-vessel-operating common carriers and Sea-Land Service.

The NVOs had complained that Sea-Land assessed highe transpacific ocean freight rates on transportation of householc goods for military personnel than for similar commodities shipped by civilians.

An FMC administrative law issued an initial decision in favor of the NVOs, but the parties later reached a settlement and asked the FMC to dismiss the case.

FMC ends financial filing by domestic NVOs

The Federal Maritime Commission has eliminated the financial filing requirements for non-vessel-operating common carriers in the domestic offshore trades.

FMC chairman Christopher Koch said the move was "another step by the commission to simplify our regulatory system and to eliminate outdated regulations and to rid the industry of unnecessary paperwork and cost."

The commission hasn't begun an investigation of a proposed NVOCC rate change in the last 14 years, he pointed out.

MarAd, transit agency to cooperate

The Transportation Department's maritime and transit agencies have signed an agreement to work together to eliminate bottlenecks of freight and passenger movement.

The pact between the Maritime Administration and the Federal Transit Administration followed a similar one between MarAd and the Federal Highway Administration.

The agreements call for coordination of financial assistance programs, planning, research and joint activities with state and local transportation agencies.

Settlement reached in Interlatin case

Attorneys for three carriers in the Central Ameridan trade have settled with Interlatin Produce Co. in a two-year-old dispute over $41,385 in freight and demurrage.

A Federal Maritime Commission complaint had been filed against Interlatin by Seaborad Marine, Crowley Caribbean Transport and Transportation Services (agent for Sea-Land Service) over payments related to 160 shipments of refrigerated cargoes.

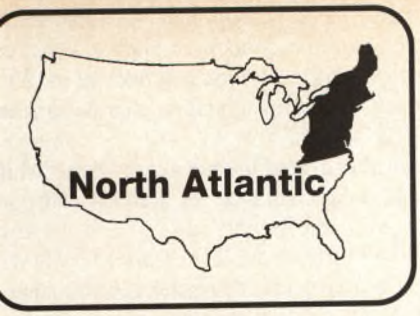
Interlatin disputed the claims and sought $51,183 in countrclaims.

After a confidential settlement, attorneys for both sides asked the FMC to dismiss the case.

MarAd updates publications list

The Maritime Administration has released an updated list of its publications. The 53-page report, prepared by the agency's office of external affairs, is available upon request.

For copies, contact Office of External Affairs, MarAd, 400 Seventh Street SW, Room 7219, Washington, D.C. 20590. Telephone: (202) 366-5807.



ROADRAILER TO NEW YORK. Norolk Southern has reached an agreement vith Consolidated Rail Corp. to allow the RoadRailer combination highway-railroad ehicles to operate on Conrail tracks in the New York market. Meanwhile, construcion has begun on two Triple Crown termiials for RoadRailer vehicles, one at the Rutherford yard near Harrisburg, Pa., the other at the Portside Terminal at Port Newirk. The terminals will be ready by yearend. Startup for the service extension is likely around April.

APL, CN INTERMODAL. APL Land Transportation and CN North American have started an intermodal service linking the U.S., Canada and Mexico. The service includes two corridors - one between California and Eastern Canada, the other northbound from Mexico and Texas to Canada. The joint service was created to position the two carriers to take advantage of increased cross-border trade from the North American Free Trade Agreement. Shippers will be able to move freight within the three countries under a through rate and single shipping document, APL officials said. The new service from Mexico will use APL's existing stacktrain service from Mexico City and Laredo, Texas, to Chicago. From there, CN will take the cargo to Toronto, Montreal and Canada's maritime providences. The California segment integrates an existing APL stacktrain service between California and Chicago into the CN service to the Canadian points. APL and CN will integrate information systems, operations, accounting, marketing and other processes of APL and CN, and between APL and its other underlying rail carriers. CN North America is the rail division of Canadian National Railway Co.

LABOR COSTS. Labor contracts are jeopardizing the Canadian maritime industry by driving up the costs of loading and unloading vessels, said Brian MacKasey, the president of the Maritime Employers Association, at the annual meeting of the Canadian Port and Harbour Association held in Saint John, New Brunswick. MacKasey cited U.S. ports, such as the Port of New York/New Jersey, that have negotiated labor contracts eliminating work rules and benefit packages to remain competitive. The bargaining process is comparatively slow in Canada, he added.

CSXI CENTRALIZES PRICING. CSX Intermodal has centralized pricing activities at its Hunt Valley, Md. headquarters. Customers can call (800) 233-8632 or (410) 584-0770 for price quotes on all motor carrier rates. As part of the consolidation, CSXI integrated its subsidiary, CMX Trucking, into CSXI. The consolidation affects rate quotations for intermodal drayage, port trucking and over-the-road trucking services. Those were previously administered at the Mt. Laurel, N.J. office of CMX Trucking.

FIRM AIDS DOWNSIZING. A group of displaced Saab Cars USA Inc. automobile executives has formed outSource America Inc. to help firms "downsize" or cut back. The men lost their jobs when Saab moved from Connecticut to Georgia. The company is headed by Andrew F. Lugris, former national distribution and sales administration manager for Saab.

ACL DISTRICT SALES MANAGERS. Atlantic Container Line has announced the appointments of Michael J. Hicks as district sales manager in ACL's Chicago office, and James W. McGinness as district sales manager in ACL's Portsmouth, Va. office. Hicks will be responsible for the sales territory of Northern Illinois and Nebraska. Hicks previously was district sales manager for Connecticut and Westchester County, N.Y. in ACL's headquarters office in South Plainfield, N.J. Before joining ACL, he was director of traffic at Velco Enterprises Ltd., Elmsford, N.Y. As district sales manager, McGinness will be responsible for sales in Virginia with the northern most boundary being Culpepper/Harrisonburg, Va. He previously held positions at ACL as customer service representative in ACL's Portsmouth office and logistics coordinator in ACL's Philadelphia office.


Hicks


McGinness

LATIN AMERICAN OFFICE. Ricardo L. Schiappacasse has been appointed assistant director of the Latin American regional sales office at the Maryland Port Administration. Schiappacasse, 39, is originally from Buenos Aires, Argentina, and has been in the Baltimore area for 29 years. His experience includes more than 16 years in the steamship industry. Before joining MPA, Schiappacasse worked two years for Vane Brothers as a sales manager. He has also worked for Mediterranean Shipping and Lavino Shipping Co.

HAPAG-LLOYD MARINE OPERATIONS. Capt. Juergen Gebhardt, vice president of operations at Hapag-Lloyd (America) Inc., announced the appointment of Frederick Coutinho as director of marine operations for the company. He is replacing Michael Hundt who has been reassigned to a position in Hamburg. Coutinho has his masters papers and has sailed as a captain for several steamship lines. In addition, he holds an MBA in international shipping. He will be based at headquarters in Staten Island, N.Y.


Coutinho

COLUMBUS LINE SALES. Columbus Line Inc. has named Thomas A. Pirie assistant vice president, sales for the firm's Northeast and Mid-Atlantic sales territories. He will be responsible for all commercial activities for company and agency offices in Jersey City, N.J., Philadelphia, Baltimore, Norfolk, and Pittsburgh. Pirie previously served as regional sales manager with Crowley Maritime Corp. He reports to Frank Vannelli, Columbus Line Inc. vice president, North American sales.

GENERAL MANAGER FOR DCL. Jeffery H. Hitt has been appointed general manager for Direct Container Line's Eastern region, handling day-to-day management of the region. Previously, he was vice president of sales and operations for Emery Worldwide, a division of Consolidated Freightways Inc. He was responsible for the supervision of 40 terminals, five divisions and 1,500 employees among other activities for the Eastern area.

NETWORK SHIPPING. Network Shipping Inc., the Northeast general agent for Tropical Shipping Co., has opened its new receiving terminal and warehouse at 501-515 Mulberry Street, Newark, N.J. Network's sales and operations staff have moved to new offices at 226 Chestnut Street, Roselle Park, N.J. The phone number is (908) 241-6868 and the FAX number is (908) 241-6969). Tropical Shipping provides regularly scheduled, common carrier services between the U.S. and Canada and numerous Caribbean and Central American locations.

ABS OIL TESTING. ABS Marine Services Inc. (ABS/MSI) and Oiltest Inc. announced the signing of a second five-year contract under which they will provide greatly expanded bunker fuel management, fuel and lube oil analysis, and marine oil test kit services/sales to commercial maritime and government agency customers throughout the world under the trade name ABS Oil Testing Services. The relationship between the firms began in 1987. ABS Oil Testing Services will expand its operations and facilities in other countries as well as domestically, according to the two spokesmen. Headquartered in Roselle, N.J., Oiltest has offices and laboratory facilities in key port locations in the U.S., as well as in Rotterdam and the United Arab Emirates.

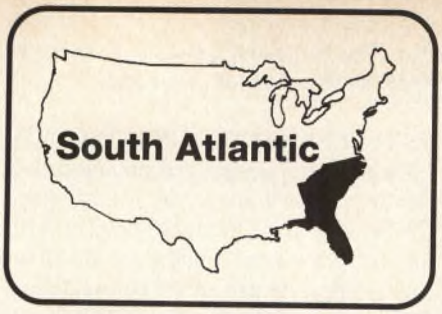
$5,000 SCHOLARSHIP. Commonwealth Shipping Ltd., specializing in intermodal ship brokerage, has announced the contribution of a $5,000 scholarship to be awarded by the Containerization & Intermodal Institute in honor of Crowley Maritime Corp.'s Centennial.

JOSEPH LAND GROUP. The Joseph Land Group Inc., a transportation services company based in Charleston, S.C.,announced the expansion of its container division into the Northeastern U.S. The container group acquired terminal facilities in Baltimore, Elizabeth, N.J. and Harrisburg, Pa. Prior to this expansion, the company's container presence extended north to Norfolk.

AMERICAN LEGION CITATION. The American Legion's Distinguished Service Citation will be presented to Gerhard E. Kurz, president of Mobil Shipping & Transportation, at the 51st Guard of Honor Ball of the legion's Robert L. Hague Merchant Marine Industries Post on Oct. 31.

QUALA SYSTEMS INC. David R. Hamilton, chairman, president and chief executive officer of Chemical Leaman Corporation, announced the establishment of Quala Systems Inc. (QSI) as an independent, wholly-owned subsidiary. QSI's primary focus is environmental tank cleaning for the tank truck, rail and intermodal bulk container market. Michael DiPiano has been named president and CEO of QSI. Prior to this position, DiPiano was chief executive of NuBulk Services Inc., a subsidiary of Chemical Leaman and predecessor of QSI.

NATIONAL CARGO BUREAU. Ron Bohn has been promoted to deputy chief surveyor - hazardous cargo administrator of the National Cargo Bureau. Bohn has been involved in hazardous cargo matters, including documentation, for National Cargo Bureau for eight years.



PORT EVERGLADES CRANES. The Port Everglades Authority anticipates that the delivery of cranes to the Southport container terminal will increase the port's operating revenues to a record $40.8 million in fiscal year 1993. With the delivery of three low-profile, post-Panamax gantry cranes in the spring, the 155-acre Southport will initiate load-on/load-off operations, doubling its handling capacity. Crowley Maritime Corp. is Southport's largest tenant, occupying about 59 acres. Another possible Southport tenant would be Sea-Land Service Inc., which occupies 28 acres at midport, according to David Miller, director of corporate communications.

COOL CARRIERS GOES WEST. Cool Carriers Inc.'s East Coast subsidiary, Cool Carriers (USEC) Inc., closed its Tampa headquarters and consolidated with Cool Carriers Pacific Coast Inc. The new company, Cool Carriers (USA) Inc., will move the East Coast subsidiary's monthly U.S.-Australia service from Philadelphia to Port Hueneme, CA, on an as-needed basis. Cargo would then be railed to the East Coast, said Peter Gripenberg, president of Cool Carriers (USEC). The move will also mark the suspension of Cool Carrier's Cool Fast service to Tampa, which Gripenberg said failed to draw interest. The service was started in hopes of cashing in on liberalization of the Japanese market for single-strength (non-concentrate) orange juice.

N.C. BREAKBULK. Tonnages are up at North Carolina State Ports Authority terminals after the first two months of fiscal year 1993, which began July 1. Frozen poultry and steel billets, two new cargoes being handled at Morehead City, pushed breakbulk tonnage 63 percent over the first two months of fiscal year 1992. "Frozen poultry is being exported out of Morehead City at about 1,800 tons per shipment," said Robert G. Jacobi, director of business development. "And we expect to ship over 30,000 tons of steel billets annually." Container tonnage at the port authority's Wilmington Terminal is up 58 percent compared to the same period last year.

ROADWAY DISTRIBUTION CENTER. Roadway Express Inc., whose principal focus is long-haul, less-than-truck load service, announced plans to construc a state-of-the-art loading dock at its Winston-Salem consolidation/distribution cen ter. Carton freight will be conveye overhead from unload to load doors whil allowing clearance for skidded and non conveyable freight to move freely via fork lift or carts at dock level. Carton freight wil be sorted under computer control using combination of laser bar code readers and static and dynamic accumulation convey ors to maintain shipment integrity. A phased system implementation in Winston-Salem is scheduled to begin in fall of 1993. Total investment, including the automated sorting system, will approach $21 million.

DIVIDEND REDUCTION. Carolina Freight Corp. announced a common stock dividend of 5 cents per share at a meeting held Oct. 5. The dividend is payable Nov. 6 to shareholders of record on Oct. 23. This represents a reduction in the dividend from its previous level of 15 cents per share per quarter. Kenneth E. Mayhew, Jr., president and chief executive officer, said the company has paid quarterly dividends, including the one just declared, for 29 consecutive years. Mayhew stated the company has initiated other cost-cutting measures which will lower expenses without compromising service.

HAPAG-LLOYD STEVEDORING. Hapag-Lloyd is changing its stevedoring operation in the Port of Miami. On Oct 1, the company appointed Florida Stevedoring Inc. to handle Hapag-Lloyd's vessels in Miami. FCL containers will be received at the Lummus Island Container Terminal, Lot No. 2. LCL cargo will be received at Transit Shed "A" on Dodge Island in the Port of Miami. Hapag-Lloyd calls on Miami on a weekly basis as part of its Atlantic/Gulf service to and from North Europe. The line is represented in South Florida by Albury & Co.

HOMEPORT FOR *FANTASY*. Port Canaveral will become the new homeport for Carnival Cruise Lines' SuperLiner *Fantasy* in 1993. The *Fantasy's* first voyage from Port Canaveral will be on Oct. 10, 1993. The megaship will sail on three- and four-night cruises to the Bahamas. The $225 million *Fantasy* holds 2,600 passengers, weighs 70,000 gross registered tons and will double Carnival's passenger capacity from Port Canaveral.

TRANSPORTATION SCHOLARSHIP. The Hub Group, in conjunction with its Atlanta-based Hub City Atlanta Terminals Inc., awarded its fifth annual intermodal transportation scholarship for the study of ntermodalism. This year's scholarship was warded to Linda Hutchenson, a student at e College of Charleston, in Charleston, .C.

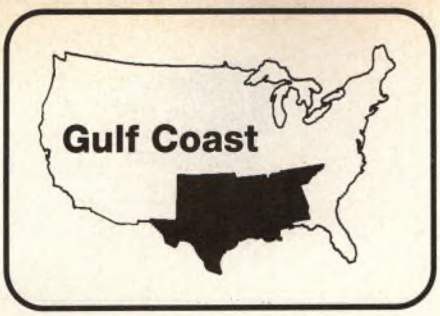
TOP WORK ORDER. Brunswick-based arine systems manufacturer, Jered Brown rothers, received word Sept. 29 from the .S. Navy to stop all work on the recently-warded Elevated Causeway System ELCAS), a modular cargo unloading plat-orm. Jered's ELCAS program director, ob Dluhos, said ,"The stop work order is e result of protests filed with the general ccounting office in Washington, D.C. by vo disgruntled losers in the ELCAS bid-ing competition."

ASTEST YACHT IN THE WORLD. alled the "fastest yacht in the world," the lorwegian built *Moonraker* is lifted off the ierman vessel, *Sina* , at the North Carolina tate Ports Authority's Wilmington Termi-al, on its way to a boat show in Fort auderdale, Fla. The *Sina* is owned by Leda hipping GmBH. The 116-foot *Moonraker* it a top speed of 59.6 knots during her nitial sea trials in Norway. According to wner John Staluppi, she is capable of peeds up to 66.7 knots.

AXPORT HONORED. Capt. Warren G. eback, federal maritime administrator, J.S. Department of Transportation, was in acksonville Oct. 12 to recognize the Jack-onville Port Authority for its performance uring Operation Desert Storm. The mili-ary used the port to ship military equip-nent and supplies to and from the Persian iulf. Approximately 100 ships and 1.5 nillion tons of military cargo was trans-orted through Blount Island Marine Ter-ninal.

PROPELLER CLUB AWARDS. At the 6th annual convention of the Propeller Club of the United States, national presi-lent Kenneth A. Wheeler announced the ollowing awards: Propeller Club member of the year award went to Michael J. "Jerry" Hogan of Savannah; maritime person of the ear went to Capt. Edward O. Sanchez, Jr., general manager of Sanchez Marine Ser-ice Inc.; and the Propeller Club port of the ear award was given to the Jacksonville hapter.

CONSULTING SERVICES. Miami-based Maritime Transportation Services Inc. announced the opening of its new offices on Oct. 5. The new firm , headed by Armando Jacomino, president, will encompass all ypes of transportation consulting services. The firm's primary interest will be centered around its tariff publishing/management services.



RESIN PACKING. Ryan-Walsh, one of the nation's oldest stevedores firms, has expanded into resin packaging in Houston, the nation's busiest resin port. The Mobile-based company has operated a polyvinylchloride handling operation at the Port of Houston Turning Basin for nearly three years. Now it has added a new 292,500-square-foot resin packaging and distribution center on 12 acres adjacent to the Barbours Cut container terminal. Synthetic resins are widely used in the manufacture of plastic items, such as toys. Most U.S. resin exports go to the Far East. The resin packing center, estimated by one industry official to cost more than $15 million, provides four different types of packaging services: traditional valve-packaging of 25-kilogram bags; form-fill and seal; bulk bagging and bulk container transfer. A valve-pack system alone, including equipment such as palletizers and conveyors, can cost about $5 million. Port of Houston tonnages have reflected the market's volatility. Resin tonnages leaped 40 percent or nearly a quarter million tons to 800,739 short tons of resins in 1991. That's after falling 17.8 percent to 572,092 short tons in 1990.

GALVESTON BAGGED CARGO. The scramble among U.S. Gulf ports for bagged cargoes will intensify when a new automated terminal opens at Galveston in late 1993 or early 1994. ABT Management Inc., which recently failed in a bid to acquire Houston's high-tech Omniport terminal from bankruptcy court, plans to invest $20 million to $25 million to develop an automated terminal at Galveston. The new terminal will compete with several other Gulf ports that specialize in bagged cargo, and with Omniport, which is scheduled to return to operation under new management this winter. (September *American Shipper*, page 78). The Galveston terminal will include two gravity-flow shiploaders that ABT officials say will enable workers to load bags into breakbulk ships at a combined rate of 300 tons an hour. The technology will be similar to that used at the Nord Natie terminal in Antwerp. Allen said that after the Galveston project is running, ABT hopes to develop another automated bagged-cargo terminal in the east Gulf, possibly at New Orleans. ABT also is looking at additional sites in Mexico. The Galveston terminal will be situated between 244,000 square feet of vacant warehouses and a grain elevator with storage capacity of 5 million bushels. Doug Marchand, Galveston's port director, said the new terminal will be able to accept rail shipments of bulk grain, bag the grain on site and load the bags onto vessels at a 1,585-foot-long dock. The warehouses that will be part of the terminal date to the 1920s when cotton was king in Galveston.

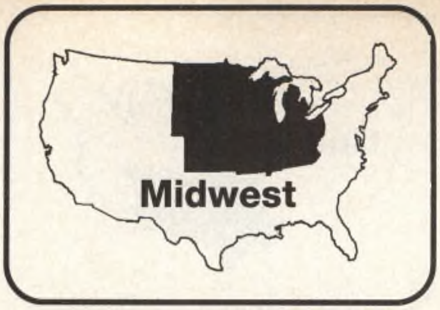
NATIONAL WATERWAYS CONFERENCE. J.D. "Johnnie" Laman, Houston-based marine and international operations manager of Dow USA, has been re-elected chairman of the National Waterways Conference. Harry N. Cook was named to his 15th term as president of the Washington-based trade association, which represents shippers, carriers, ports and others involved in U.S. waterway transportation. The conference held its annual meeting recently in St. Louis. Also elected to new terms were W. Richard Christensen of Ashland, Ky., vice president of Ashland Petroleum Co., as vice chairman, and Robert W. Portiss of Tulsa, director of the Tulsa Port of Catoosa, as first vice president. Two new members were elected to the executive committee - William F. Harbison of Greenville, Miss., president of Arkansas River Co., and Thomas D. Murphree, Jr. of Memphis, sales and marketing director of Mid-South Terminal Inc.

NOLA STEEL CARGOES DOWN. The Port of New Orleans reported a decline in its steel products shipment during the first half of 1992. The port exported 179,343 tons of steel from Jan. 1-June 30, down 30.9 percent from the same period in 1991. USX Corp. business accounted for more than half of that total, as the biggest drop occurred in midstream steel transfers.

COASTAL CARGO CO. Coastal Cargo Co. Inc., a division of The Jackson Kearney Group based in New Orleans, announced the appointment of Louis Bontly to the position of manager and general superintendent of the company's stevedoring and terminal operations in Pascagoula, Miss. Bontly brings to Coastal Cargo 30 years of experience in the stevedoring field, having embarked in this field in 1963 with Lykes Lines. He joined Ryan-Walsh in 1983. In 1985, he became superintendent for Ryan-Walsh's Pascagoula operations.

ALABAMA STATE DOCKS PROJECT. Alabama State Docks is launching a new construction project that will add additional warehouse space, a new pier and more concrete open storage area. The announcement was made by John B. Dutton, docks director. The new construction, to cost about $19.5 million, will be done at Pier E, which is located on an open expanse of property just north of the grain elevator on the west side of the Mobile River. Included in the project that will take up to two years to complete, will be two warehouses containing 126,900 square feet each, a 400-foot-long dock and 47,000 square feet of improved open concrete storage. All of this will have direct accessibility to an additional 35 acres of open storage area. They anticipate this new space will be able to handle an additional 600,000-plus tons per year. That expected tonnage is in forest products as well as steel, Dutton said. Funding for the project will be from the Dock's income, with half of it from the operating cash reserves.

GULF PORTS ASSOCIATION. The Gulf Ports Association will hold its annual meeting Oct. 28-30 in Panama City. Activities include committee meetings and a session of the Gulf Seaports Marine Terminal Conference on Oct. 29, and a full membership meeting Oct. 30. All meetings are scheduled for the Marriott Baypoint Resort. Also, H.R. "Rudy" Etheredge, port director of the Panama City Port Authority, will step down as president of the association. He will be replaced by Bill Edwards, executive director of the Port of Gulfport. The association was founded in 1944 and today has 24 corporate members representing port authorities from Texas to Florida, including inland ports. For more information, contact the Panama City Port Authority at (904) 763-8471.



UP, SCHNEIDER JOINT SERVICE. Union Pacific Railroad and Schneider National, the largest truckload carrier in the U.S., have formed an intermodal partnership. The agreement includes corridors linking the Midwest with points in Mexico, Texas, Northern California and the Pacific Northwest. It will cover all of UP's major service corrdiors except for Southern California, where Schneider has other arrangements for its intermodal shipments. The joint rail/truck service started with 500 truck-trailer loads in August. Company officials expect the service to grow rapidly, especially after the expected addition of stacktrain service during the coming months. UP is the nation's largest-volume intermodal carrier, handling more than 1.2 million intermodal units annually. Schneider's TOFC alliance with UP is the fourth that the Green Bay, Wis.-based truck-load carrier has put together with a railroad. Schneider also has intermodal partnerships with Wisconsin Central Ltd., Consolidated Rail Corp. and Norfolk Southern Corp. Union Pacific has similar TOFC alliances with other truckload carriers, notably J.B. Hunt in the Chicago-Memphis-Mexico corridor and North American Van Lines in major east-west corridors.

TRADE ASSOCIATION EVENTS. The International Trade Association of Greater Chicago announced two programs on global competition and trade with Vietnam. "Global Competition in the '90s: Observations on Survival," will be held Nov. 18, at 5:30 p.m. at the Midway Motor Lodge in Elk Grove Village. "Report of a Trade Delegation to Vietnam" will be held Dec. 2. Ronald E. Yates, of the *Chicago Tribute* is the guest speaker Nov. 18. Yates is senior writer for international business and trade affairs. Cost is $25 for members and $35 for non-members. Michael R. Doyle, vice president of The Chicago Group Inc., is the guest speaker of the Dec. 2 program.

3RD-PARTY COMPETITION. The claims of superior performance by "asset-based" intermodal companies are exaggerated, according to an official with a third-party transportation company. Jay C. Hirst, vice president of transportation for Alliance Shippers Inc., said that "asset-based companies are starting to marke themselves as inherently superior for n other reason than that they own their ow assets." But Hirst said those claims ar wrong because there is no correlation be tween ownership of assets and quality o service. Hirst spoke recently at the Nationa Press Club in Washington, D.C.

BN INTERMODAL DIVISION Burlington Northern Railroad has reorga nized its intermodal department into a singl business unit responsible for both market ing and operations. The new arrangement i similar to the structure used by Souther Pacific Lines and Atchison, Topeka & Sant Fe Railway. Other railroads have found tha they can get a better handle on pricing an equipment supply by combining operation and marketing into a single unit. BN' intermodal staff now "will be able to focu exclusively on intermodal," said Jir Sabourin, a spokesman for the railroad Coal and other bulk commodities still domi nate BN's cargo mix, but intermodal ship ments now account for 15 percent of th railroad's traffic. BN now operate intermodal hub centers in 29 U.S. cities Last year the railroad originated 825,54 intermodal loads and operated an averag of 50 intermodal trains a day. Intermoda marketing will be divided between Jir Kelly, who is in charge of internationa business, and Donald Meyer, in charge o domestic marketing.

BLUE STAR CHICAGO OFFICE. Blue Star Line has relocated of its Chicago office, the its Midwest regional headquarters. The new address and telecommunications numbers are: 8501 West Higgins Rd., Suite 615, Chicago, Ill. 60631. The phone number is (312) 714-8300 or (800) 222-9906. The FAX number is (312) 714-8316.

GATX ARGO TERMINAL. Joe Sylvester has been appointed sales manager for the GATX Argo Terminal. Sylvester is responsible for overseeing sales management activities in the midwestern region for GATX terminals. He joined GATX after holding a variety of positions with Exxon Co., including operations coordinator, industrial sales engineer and operations engineer.

WHAT IT'S ALL ABOUT. The Council of Logistics Management has released the 1993 version of "What It's All About," a 16-page booklet which outlines the purpose, objectives, programs and policies of this association of logistics personnel. Single copies are available to interested persons who call or write the Council of Logistics Management, 2803 Butterfield Road, No. 380, Oak Brook, Ill. 60521-1156. The phone number is (708) 574-0985.

P OAKLAND YARD EXPANSION? he Port of Oakland would like to see outhern Pacific Lines' near-dock ntermodal yard expanded to the point it vould accommodate all three railroads servng the San Francisco Bay Area. San-Franisco-based SP is receptive to the idea, as is val Union Pacific Railroad. Chicago-based ante Fe has its intermodal yard in Richnond, some 20 miles north of Oakland. ort officials want to expand the acreage eing used at the SP yard and take back for s own use port-owned land that Omahaased UP occupies at the Inner Harbor ntrance. About 65 acres of SP's 200 acres re in use.

IOL TERMINAL WORK STARTS. Vork has begun to transform the 32-acre ormer Carnation Co. terminal at Oakland's erth 30 into a modern container facility hat Transpacific Container Service Trapac), a subsidiary of Tokyo-based Iitsui O.S.K. Line, is to start operating in December 1993. The $75 million Outer Iarbor terminal is more than 50 percent arger than Mitsui's current terminal at Berth 5 between the Matson Navigation Co. and Ioward Street public terminals. The new erminal will feature a single-ship berth of ,050 linear feet with two 100-gauge postanamax cranes. Dredging started in late August to deepen the draft by Pier 30 from ninus-35 feet to minus-38 feet. The terminal yard will initially accommodate up to ,500 wheeled FEUs at a time. When fully xpanded capacity could reach 2,700 FEUs. Trapac handled 47,000 containers at Oakand in 1991. First-year throughput at the ew terminal is estimated at about 80,000 ontainers, a Mitsui official said.

OAKLAND DREDGING. With dredging nder way to deepen Oakland's Inner Haror Channel to minus-38 feet from minus5 feet, the maritime community is preparing or a long-term dredging project. Current redging began in late September and is eing completed by Manson Construction nder a $1.28 million contract with the U.S. Army Corps of Engineers. Most of the nearly 600,000 cubic yards of dredge mateial will be dumped at a site west of Alcatraz sland, a major disposal site for more than 00 years. While the present dredging will enable fourth-generation containerships to carry an additional 5,400 tons of cargo per sailing at low tide, dredging to minus-42 feet would enable the world's largest containerships to visit the port without having to wait for high tide.

UNLIKELY COMMODITIES. The Port of Portland is posting growth in two unlikely commodities: straw and onion exports. More than 10,000 containers of straw were exported from Oregon to Asia from June 1991-July 1992. Japan is the biggest importer, followed by South Korea and Taiwan. Straw is what remains after grasses have been harvested — rye and blue grass, fescue and nine other varieties. Onion exports are expected to grow, thanks to an onion-processing plant being built by Boardman Foods at the Port of Morrow, located on the Columbia River. The plant will process frozen and whole peeled onions, and pack fresh ones. The onions will be barged from Morrow to Portland. Fresh and frozen onions will be containerized for shipment to domestic markets and for transshipment at Portland for exports. Boardman is targeting Asian markets, specifically Japan. The company markets in the U.S. and abroad under the name Westar Foods Inc.

SEATTLE'S DEPUTY CHIEF. Andrea Riniker has been named the Port of Seattle's deputy executive director. She was managing director of the port's aviation division since April 1988. She will oversee day-today operations on the maritime, aviation, logistics and support-services sides, and assist the executive director in the port's overall management.

MAERSK LONG BEACH TERMINAL. Work is nearing completion on Maersk Pacific's new container terminal on the Port of Long Beach's Pier J expansion site. Maersk's new terminal will occupy 107 of the 147 acres that were created in the south end of the Pier J container complex. The wharf construction was completed in June and utility contracts are nearing completion. The terminal is scheduled to open in March 1993.

EXPORT REGULATORY CHANGES. The Department of Commerce's Bureau of Export Administration will hold its third annual West Coast conference on new export regulatory changes Dec. 9-10 in San Jose. The agenda will includes a briefing of changes to the U.S. export licensing regulations, the exporter's legal responsibilities for licensing and Commerce Department export enforcement policies. Workshops will cover munitions licensing and defense trade.

OAKLAND MARKETING MANAGER. The Port of Oakland has named Theresa M. Nardi maritime division marketing manager responsible for all carrier and cargo marketing programs. Nardi, 39, has 14 years' experience in shipping sales, pricing and marketing management. She was most recently senior marketing officer for the Port of Seattle. She has also held marketing and sales posts with American President Cos. and Sea-Land Service Inc.

JONES OREGON STEVEDORING. Peter N. Beckett has retired as a director of Jones Oregon Stevedoring Co., of which he was president from 1976 to 1985 and chairman from 1985 to 1991. Beckett joined the parent Jones Group in Seattle in 1967, as vice president of sales with Rothschild International Stevedoring Co., predecessor to Jones Washington Stevedoring Co.

HIGH-SPEED PASSENGER RAIL SERVICE. Southern Pacific Lines is offering to sell 424 miles of trackage between the Los Angeles and San Francisco Bay areas to local public agencies for creation of a high-speed passenger rail service. A preliminary engineering study by Wilbur Smith & Associates estimates that $360 million worth of track improvements would accommodate trains traveling at up to 110 miles an hour, which would transport passengers between San Jose and Los Angeles in about six hours, SP said.

Global Village, not yet

Will some new currency, or basket of currencies, displace the dollar as the tariff currency of choice in the major trade lanes? It's possible, you know. The dollar can be pushed aside just as the pound sterling was pushed aside when the dollar became the standard of international trade after World War II.

It's easy (and popular) to complain about the flood of adjustment factors (CAFs) brought into play following the September currency storms in Europe, but difficult to come up with anything better. And if the dollar recovers, as some predict, a shift in tariff currencies today may only compound the problem tomorrow. Don't count on anything happening very soon.

So why did I feature the question on this month's cover? Because there is serious talk by some executives in the Europe/Far East trade who believe they should abandon the dollar right away and state their tariffs in the ECU basket of currencies, the yen, the deutsch mark, or some new basket of currencies not yet devised.

Any time you talk about a "basket" of currencies, you are assuming that the world has, in fact, become a Global Village and the world will be a better place to transact business if we mandate the village concept by creating a "basket" which, over time, will become a single, global currency. A pleasant idea.

People who live in villages have a common heritage, speak a common language, know all about each other, cheer for the village athletic team and proudly defend their village against any comparison. Most importantly, they are closely bound into a single economic framework. Rich or poor, they are closely bound.

That's not what we have in the world today. Just look at the Balkans, and the Commonwealth of Independent States. Those people were as closely bound as their governments could make them - and couldn't wait to break away into fragmented societies.

But, you say, their problems are social, religious. Money is more impersonal. Computers can deal with the problem and solve it.

Don't be misled.

In its September 19 issue, London-based *The Economi* magazine published a special survey report on the world econom under the title "Fear of Finance". Two statements from th report seem relevant to what we are discussing here ar emphasize the extreme difficulty of dealing with any aspect the currency problem. According to economic editor Cliv Crook of *"The Economist"*:

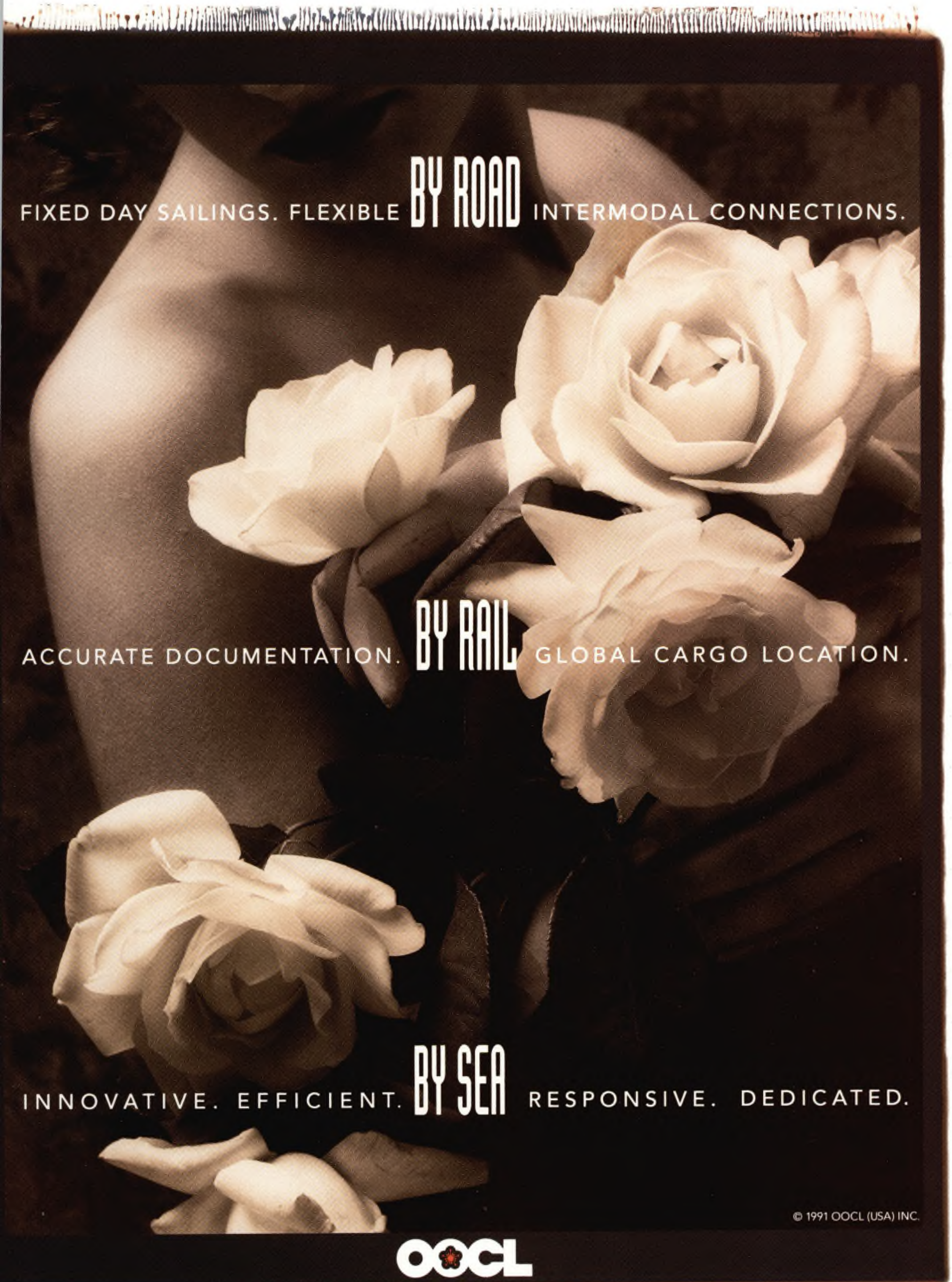
> *"A truly global capital market began to emerge (in the 1980s). It is for this that the past decade will be remembered. And, in all likelihood, the next one will be remembered for the world's struggles to cope with it."*

The CAF problem is one of those many struggles. Furthe along, Crook stated:

> *"Acting separately, innovation, technology and deregulation would each have spurred rapid financial change during the 1980s. But they came together, interconnected, each multiplying the effects of the others. As a result, there has been little time for the capital market, or the governments that regulate it, to learn.* ***Both have made big mistakes and will continue to do so.*** *If, for no other reason, the transition to the new world of finance is likely to be hazardous. So for some time yet, the mystery and the threat will remain."*

Change just a few of those words, and you have the maritim problem in a nutshell.

So, why not stay with the dollar a while longer? It sti represents the largest single currency market in the world. And while individual carriers can do as they please, I see no grea wisdom in changing the entire system. Yet.



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