AUGUST 1992

American Shipper

The Monthly Journal of INTERNATIONAL LOGISTICS

2-D documents

NEW JOB FOR BAR CODE

Chrysler Export Control

Players in the ATFI project

A Shipper's Perspective by John Dean

August 1992

American Shipper

INTERNATIONAL EDITION

Vol. 34, No. 8

Vol. 34 No. 8 August 1992

Publisher
Hayes H. Howard

Editor
David A. Howard

Managing Editor
Joseph A. Bonney, Jacksonville

Deputy Editor
Elizabeth Canna, New York

Associate Editors
Tony Beargie, Washington
Richard Knee, San Francisco
Mark Voorhees, New York
Bill Drumright, Jacksonville
Gary Burrows, Jacksonville

News Briefs
Lynn Sharpe, Jacksonville

Advertising James W. Stewart, New York
William N. Barrs, Jacksonville
Nancy B. Barry, Jacksonville

Circulation Karyl DeSousa, Jacksonville

Production Larry Allen, Jacksonville

OFFICES

New York **(212) 912-1077**
Facsimile: 212-912-1244
5 World Trade Center, Suite 9259
New York, New York 10048

Washington **(202) 347-1678**
Facsimile: 202-783-3919
National Press Bldg., Rm. 1269
Washington, DC 20045

San Francisco **(415) 495-6748**
Facsimile: 415-495-6750
5 Third Street, Room 910
San Francisco, CA 94103

Jacksonville **1-800-874-6422**
(904) 355-2601
Facsimile: 904-791-8836
33 South Hogan St., Suite 230
P.O. Box 4728
Jacksonville, FL 32201

BPA

American Shipper is published on the 15th of each preceding month by Howard Publications, Inc., 33 South Hogan Street, P.O. Box 4728, Jacksonville, Florida 32201. Second-class postage paid at Jacksonville, Florida, and additional mailing offices. Subscriptions $36 per year of 12 issues; $3.00 for single copies. Telephone (904) 355-2601.

American Shipper
(ISSN) 0160-225 X)

POSTMASTER: Send Change of Address Form 3579 to American Shipper, P.O. Box 4728, Jacksonville, Florida 32201.

Notes and Comments

By Joseph Bonney
and Tony Beargie

■ ***Now that Transportation Secretary Andrew Card has gotten agreement on a program for maritime policy reform, will Congress have time to do anything with it before the fall elections?***

After returning to Washington on July 21, Congress is scheduled to stay in session till Aug. 13, when lawmakers knock off for the Republican National Convention which begins four days later.

Congress will reconvene on Sept. 7, less than a month before the scheduled Oct. 2 adjournment.

What all this means is that Congress and the Administration will have to act very quickly if they want to pass the new program this year.

Some Capitol Hill sources believe there is a chance that legislation can get through if Card continues to push the package. But first, the proposals must be put into bills to be introduced. As of mid-July, that still hadn't happened.

Transportation Department officials were said to be working feverishly to have a bill ready by July 23 when private-sector witnesses were scheduled to testify before the House Merchant Marine & Fisheries Committee. A committee spokesman said if the legislative language is not ready by then, the hearing will be postponed. (TB)

■ ***While time is the biggest hurdle facing the maritime-reform package, the program's tax provisions also present a potential problem.***

The government stands to lose revenue from proposed changes to the Capital Construction Fund, which allows carriers to accumulate tax-deferred savings for ship replacement, and from the proposed repeal of the ad valorem ship-repair tax. Congress is required to find a way to recoup these potential revenues. This is known on Capitol Hill as the "scoring" process.

An unfavorable report from either the Office of Mangement & Budget or the Congressional Budget Office on Capitol Hill could spell trouble for the administration's package.

And the package's tax provisions mean the legislation must be cleared in the House by the Ways and Means Committee, which adds another potential stumbling block.

If the Senate acts on the legislation first, there may be a way around Ways & Means, one congressional expert suggested. Under legislative rules, the maritime package could be attached to any bill in the Senate that contains tax provisions.

One piece of legislation that would fit that category is the House-passed Gibbons bill, which would impose duties on foreign ships built with the aid of subsidies. But with the Gibbons bill facing a likely veto even if the Senate passes it, that may not be an option. (TB)

■ ***Few U.S.-flag ship operators would disagree with a nugget of wisdom passed along recently by Jack Goldstein, president and chief executive officer of OMI Corp.***

Goldstein says a wise man once told him that "if your business is dependent to any appreciable degree upon government policy, eventually you will have difficulties that are beyond your control."

"In the case of shipping, it appears he was right," Goldstein said.

U.S.-flag liner operators are trying to get Congress to revise operating subsidy laws that, in many ways, are less of an aid than a handicap.

And Goldstein, whose company operates U.S.-flag as well as foreign-flag tankers, says the domestic tanker market is being undermined by federal regulatory changes, tax treatment and environmental laws.

He says domestic oil shipping has been affected by congressional refusal to allow exploration for oil in the Alaskan arctic, an uncompetitive tax regime, requirements of the Oil Pollution Act of 1990, and the Clean Air Act, which has affected domestic refining. (JB)

■ ***The Maritime Administration's Title XI program for government ship-mortgage guarantees has been out of the limelight lately.***

The program, whose lending has been curtailed by the Credit Reform Act of 1991, got a little attention recently in a General Accounting Office report. The GAO complained that MarAd lacked formal policies for disposal of vessels that are repossessed after Title XI defaults.

But that was nothing compared to the rocky years of the mid-1980s, when the oil industry's troubles resulted in defaults of hundreds of millions of dollars worth of Title XI mortgage guarantees.

In the 1987 and 1989 fiscal years, MarAd had to get supplemental appropriations of $1.375 billion and $515 billion, respectively, to cover losses by the Title XI revolving fund.

Most of the losses were on drilling rigs, offshore oil support vessels and three large liquefied natural gas carriers.

The program eventually got back on an even keel. During the last fiscal year, the fund paid out $11.8 million on four mortgage defaults, and MarAd wrote off $71 million in Title XI loans.

At the end of last fiscal year, the fund had a balance of $698.4 million — enough to cover costs without borrowing. (JB)

■ ***The title of the bill is the Trade Expansion Act of 1992. The American Association of Exporters and Importers thinks it's a misnomer.***

Peter O. Suchman, a Washington attorney, testified on behalf of the AAEI at a recent hearing on the bill, which passed the House in July.

"Despite its intentions, HR. 5100 is far more likely to reduce rather than expand international trade, and to close rather than open foreign markets for U.S. goods," Suchman said.

Among other things, H.R. 5100 would set new voluntary restraint agreements for Japanese auto imports. But unlike previous agreements, this one would restrict the number of autos assembled in the United States by Japanese "transplant" factories.

"That would be a really startling change in U.S. foreign policy," said Suchman said.

The former H.R. 3935, the Customs Modernization and Informed Compliance Act, has been added as a rider to the bill.

Suchman's prediction: "H.R. 5100 will probably go down and take the Customs Modernization Act down with it." (JB)

■ ***The wheels of justice sometimes turn slowly, but it appears they may be catching up with the trucking-undercharge issue.***

Trustees for bankrupt trucking companies continue to dun shippers for the difference between unfiled negotiated rates and higher tariffs filed with the Interstate Commerce Commission.

But shipper spokesmen say they're heartened by a couple of recent federal appeals-court decisions, and they're still hoping Congress will resolve the issue this year.

Meanwhile, the mainstream press seems finally to be noticing the issue, which the ICC says could involve $32 billion. Recent coverage has included articles in *The Wall Street Journal* and *Washington Post.* (JB)

■ ***For the first time in recent memory, it appears U.S. shippers have a strong ally on the House Merchant Marine & Fisheries Committee. He is Rep. Thomas R. Carper, D-Del.***

Carper's concern over shipper issues surfaced during the House Merchant Marine and Fisheries Committee's first hearing on the Bush Administration's maritime reform package.

Carper noted that the new program failed to recommend major changes in the 1984 Shipping Act that are still being sought by many U.S. shippers. Some major shippers hoped the package would include changes such as confidential service contracts and repeal of the Jones Act and cargo preference laws.

"We believe that maintaining current Shipping Act standards is appropriate," Card told Carper. The transportation secretary added that the administration will continue to encourge the FMC to work for reforms within the guidelines of the Shipping Act. "Some shippers want changes in the Shipping Act, but many do not," Card said. (TB)

■ ***Transportation Secretary Andrew Card had to put up with badgering from freshman Rep. Gene Taylor, D-Miss., while testifying before the House Merchant Marine and Fisheries Committee.***

Taylor, whose district includes Litton's Ingalls Shipbuilding Division at Pascagoula, gave Card a hard time on the shipbuilding aspects of the Administration's maritime package.

After a number of hostile questions, Taylor asked Card to reveal his annual salary in public.

It's $143,000, Card calmly replied.

Taylor, who as congressman makes $123,000 a year, suggested that the taxpayers may not be happy with Card's pay.

"I would be willing to work for less," Card said. "But my salary is set by statute."

Card's reply put an end to the badgering.

For the most part, however, Card was received graciously by the House committee. Rep. Gerry Studds, D-Mass., who naturally is backing his party's presidential nominee, praised Card's performance. "I would strongly recommend to President Clinton that Mr. Card be retained as the Secretary of Transportation," Studds said. "As the old saying goes, he knows maritime." (TB)

■ ***FMC officials, who have decided to keep the commission's Automated Tariff Filing and Information system on track, are annoyed by the lack of support from potential users of ATFI.***

So far, Crowley Maritime Corp. is the only carrier that has urged Congress to fund ATFI, whose financing is expected to be voted on in September by the House Appropritions Committee's subcommittee on commerce, justice, state, judiciary and related agencies.

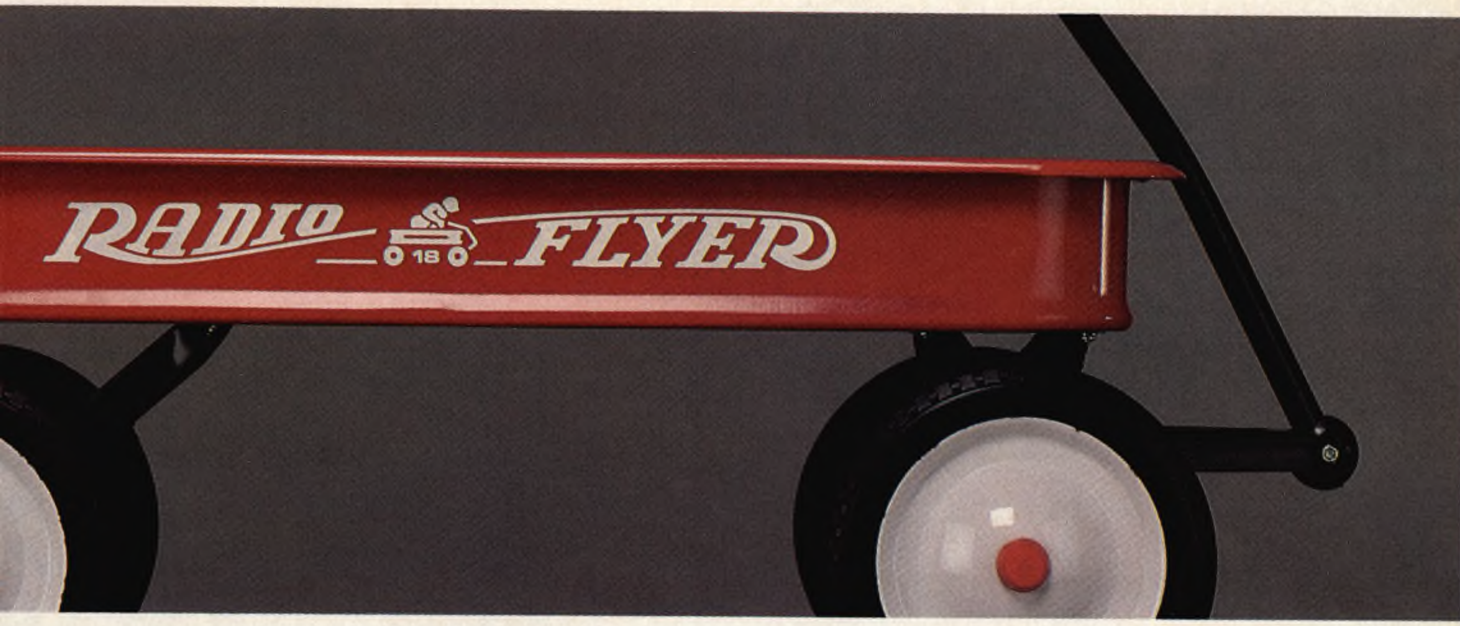
Sources say the House committee is leaning to a cut in the FMC's budget and to a figure for the upcoming fiscal year of $17.4 million. To fund ATFI, the FMC needs $19.1 million.

Some feel that by its silence, the carrier industry may in effect be working against ATFI.

"We need a position from the industry," said one distressed FMC official, noting commission chairman Christopher Koch's support of ATFI. "They can't just sit quietly and let the FMC chairman look like a fool."

While there may be a funding problem in the House, sources feel that the Senate may be more sympathetic to giving the FMC the funds to keep ATFI alive. (TB)

REMEMBER WHEN THE BEST FORM OF TRANSPORTATION WAS BRIGHT RED?

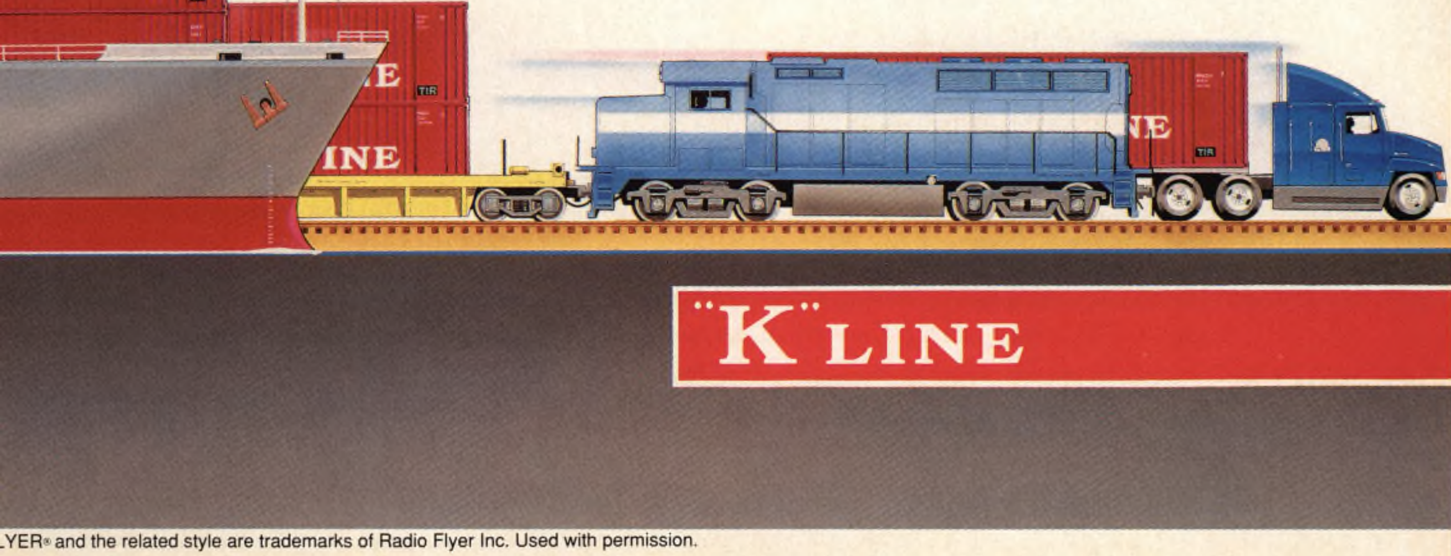


For as long as most of us can remember, the bright red wagon was always something you could count on. It carried just about everything, everywhere. It still does. And so does "K" Line's global intermodal network.

The bright red "K" has been the symbol of innovation in the worldwide transportation industry for three quarters of a century. Always a leading ocean carrier, "K" Line was one of the first to move into containerization and a pioneer in creating a carrier-owned rail "land bridge" in North America.

IT STILL IS..."K" LINE.

Today, "K" Line's fully-integrated system of vessels, terminals, double-stack trains and bright red containers is one of the world's largest. And best. When it comes to world class service, "K" Line is the one you can count on.



It was to be the difference between a fortune won and a fortune lost. And so when the *President McKinley* left Japan with our customer's $10 million cargo that warm August evening, her captain summoned every bit of his nautical know-how to reach Seattle in an unheard-of nine days, fifty minutes.

In port, stevedores took just eight minu per boxcar to load the awaiting train. And t with a cross-country right-of-way all to her

Garment-on-Hanger, and high-capacity stacktrains: it's the most efficient way to ship fashions.

Carriers debate conference issue

Sager would abandon the conference system now. Takahashi would wait until something else is in place.

Speaking at a *Financial Times* conference in Amsterdam last November, Senator Line chairman Karl-Heinz Sager proposed that the conference system be abandoned immediately and that carriers form a Global Club which would become the nucleus for establishing separate Trade Land Agreements along individual trade routes.


Sager

Sager noted that "even the largest and hitherto mainly singly operating lines like Evergreen, Maersk, Sea-Land and American President Lines are joining forces operationally with others in order to better their services and to cut costs and risks."

He described the conference system in the U.S. trades as "useless," something to be disposed of quickly with no shedding of tears.

Optimistically, he predicted that "real shippers will equally welcome such a new order in liner shipping because it guarantees excellent service from the carriers and at the same time allows the individual lines price flexibility in their dealings with the trade."

Hiroshi "Harry" Takahashi, senior managing director for NYK Line, agreed with much of what Sager said in Amsterdam but took exception to part. In a letter to Sager he stated:

"I fully concur with your view that all the carriers of the world, regardless of whether conference carriers or independents, should jointly seek stability through a joint discussion forum, such as 'Global Club,' dealing with trade consideration strategies, operating on a voluntary and non-binding basis and (put a) stop to reckless fighting for additional market shares and (try to) make a profit."

Takahashi continued, stating that he "totally" agreed with Sager that:

"There may be some concern that this type of arrangement could violate antitrust law, particularly in the United States and with the EC in Brussels. But if the old conferences with total price fixing authority were permitted, why shouldn't this also be the case for much looser agreements?"

However, in the same letter, copies of which were sent to top management of 18 other European and Far East carriers involved in the Europe/Far East trades, Takahashi refused to go along with Sager's suggestion that carriers abandon "the useless U.S. conferences" immediately in expectation that "virtually all carriers may be quick in joining" the Trade Lane Agreements as alternatives to the much criticized conference system.


Takahashi

Takahashi recommended "patience" and explained to Sager:

"If we should kill the 'useless U.S. conferences' right away at this moment without any proper remedial measures, it will only entail uncontrollable chaos and confusions."

All Roses At First. Sager's ideas seemed to be coming true when the Trans-Atlantic and Europe/Asia talking agreements were announced this spring.

It will all come tumbling down, however, if the EC in Brussels or the FMC in Washington block efforts by the carriers to proceed with their plan.

Sager believes it is a matter of survival, and he wants to rally the carrier industry to lobby officials in Washington and Brussels to let the agreements come into play.

Face To Face In Tokyo. The two shipping executives went public with their friendly debate at two meetings of the International Propeller Club of Japan in Tokyo on June 1 and June 23.

Takahashi presented his own views about the future of liner shipping at a meeting of the club on June 1 and returned June 23 when Sager was the principal speaker.

As the NYK Line executive stated, the two men agree on 90 percent of Sager's recommendations and differ on the remaining 10 percent. The nature of their difference was apparent in the titles to their speeches.

Sager's was crisis laden: "Container Shipping's Fight for Survival — Test case: The Trans-Atlantic Agreement."

Takahashi's was more moderate: "Container Carriers — Ways for Co-Existence and Mutual Prosperity."

Birth Of A New Era. Takahashi reviewed the history of container shipping through its period of creation (1966-1970); its period of development (1971-1975); its period of maturity (1976-1985); and its period of decline (1985-1991).

"Since 1991, we have been on the verge of a new era, or a renaissance," he said.

Stunned by the losses taken during the period of decline, the transpacific carriers on March 6, 1989 "took a very positive, yet drastic, decision to form an epoch-making talking agreement, the Transpacific Stabilization Agreement, designed to facilitate stabilization of the trade and actively to seek a more reasonable means of coexistence.

"This turned out to be a clever and correct decision for the carriers, who had been taken advantage of by shrewd shippers and NVOCCs and pressured into a corporate mass suicide."

The TSA set the pattern for talking agreements which have already been adopted in the Intra-Asia, Europe/Far East trades — though the Trans-Atlantic (TAA) and Europe/Asia Talking Agreement (EATA) are yet to be approved by the EC in Brussels and, in the case of TAA, by the FMC in Washington.

Whether or not the Trade Lane Agreements are formally sanctioned, Takahashi expects that within the next eight years the lines will voluntarily reorganize themselves into two or three strong groups in Japan, the U.S., Europe, Southeast Asia, the Mideast, Central and South America, Africa and Oceania.

As carriers seek to reorganize into groups which "share the same ideals and goals," the industry will see a number of mismatched groups form, then reorganize to correct the mismatches.

He expects "liner conferences will change, but will nonetheless continue to exist, because the collective pricing mechanism will remain essential for shipping lines plying the same liner routes."

It is on this latter point he and Sager differ, no doubt, by the fact that Japan is a nation in which the conference system is as deeply entrenched today as it was in Europe prior to the emergence of strong independents, such as Evergreen, capable of challenging the old order. ■

For the U.S., Hamburg rules are out

But Congress may go for Visby in '93.

By Tony Beargie

Despite the fact that the Hamburg cargo liability rules will "go international" in November, the United States and other major trading nations are in no hurry to sign on to these new rules.

Rather, the trend in the U.S. and in other major trading nations is to update the international cargo liability system through the more moderate approach known as the Hague-Visby rules.

Despite the official Nov. 1 starting date, the new regime is expected to have very little effect on world trade at this point in time. The reason? While garnering 20 signatory countries, the Hamburg Rules have failed to attract the world's major trading nations. Only the smaller mostly less developed nations, accounting for 1.7 percent of the U.S. trade, have signed on to Hamburg.

On the other hand, U.S. trading partners adhering to Hague-Visby represent 79 percent of this nation's trade, according to information based on 1991 U.S. export-import figures. The other 19.3 percent is represented by nations that haven't adopted any international liability convention. (Many have their own liability rules.)

But the Department of Transportation and several private groups are urging U.S. officials to drop the outdated cargo liability system operating under the COGSA/Hague regime since the 1930s. They aired their views recently at an oversight hearing held by the House Merchant Marine Subcommittee.

Although the consensus appears to be in the direction of the Visby amendments, the issue is not on the front burner either for Congress or the Bush Administration.

On the maritime front, both the executive branch and the Congress have other fish to fry. "We don't see anything happening in Congress this year. At best we could update the Carriage of Goods by Sea Act by adopting the Visby amendments in 1993," *American Shipper* was told.

Japan and Canada are expected go that route next year. Then the Visby regime will cover 39 countries accounting for almost 64 percent of the U.S. trade, according to George Chandler of the Maritime Law Association of the United States. Chandler chairs the MLA's Committee on the Carriage of Goods.

The Maritime Law Association presented a strong statement endorsing the Visby approach, as did a large group of U.S.-flag operators who were represented by the American Institute of Merchant Shipping. The American Institute of Marine Underwriters also backs the Visby approach.

The Bush Administration, through the Department of Transportation, submitted a background paper backing Visby over the short term and then leaving the door open for Hamburg when other major trading partners sign on.

Shippers Want Hamburg Now. However, shippers want immediate ratification of the Hamburg Rules. The National Industrial Transportation League and American Shippers for Hamburg Alliance were on hand to back the Hamburg approach.

Wigen asserted that the current system "belies" modern marketplace realities by indemnifying carriers "from virtually all" of their mistakes, "including those due to negligence."

Speaking for the NIT League, 3M's Roger Wigen said the European Community is considering signing on to the Hamburg Rules. He asserted that if the EC takes this approach, the U.S. will be at a clear disadvantage if it goes for Visby.

Furthermore, implementation of the Hamburg Rules is necessary in the age of intermodal transportation, Wigen said.

"Today's transportation environment is essentially inventory in motion — motion that often is intermodal and performed by a company which owns or controls more than one leg of the journey," Wigen noted.

The so-called "seamless production" concept which permeates today's business environment is based on the belief that transportation is "an extension of the production line," he added. With this in mind, Wigen asserted that the current system "belies" modern marketplace realities by indemnifying carriers "from virtually all" of their mistakes, "including those due to negligence."

In contrast, the Hamburg rules respond to modern transportation requirements, such as the adoption of the "unitary rule" which subjects carriers to employee fault or neglect.

The Hamburg rules also make carriers liable for the total time they have custody over shipments, Wigen noted. This contrasts with the less stringent current regime which holds carriers liable only during the loading/unloading process or when the cargo is physically on board ship.

Furthermore, Hamburg makes carriers responsible for delays in handling cargo, and the liability is limited to 2 1/2 times the freight charges.

NIT League admits that the Visby amendments represent "an improvement" over the current system, but said they fail to address ambiguities over carrier responsibility for goods. Visby would continue to permit carriers to free themselves from responsibilities regarding employee or agent negligence, Wigen said.

"The Hamburg Rules are a proposal whose time is overdue," Wigen concluded. "The competitive forces which sparked shipper interests in these reforms has only intensified. The U.S. can no longer afford to wait for the other nations of the world to set the competitive tone. It needs to adopt this treaty prior to actions by our major trading partners, especially the European Community, so that U.S. businesses are not at an economic disadvantage."

'Your Choice — Lead Or Follow.' American Shippers for Hamburg Alliance also was on hand to push for the Hamburg rules. Speaking for the shippers' alliance, Gloria E.M. Bartholomew said the U.S. has two choices — "lead or follow."

Over the years, the U.S. has maintained a "wait and see" approach over the rules, she said. "Why shouldn't the U.S. lead our trading partners in acceptance and let them follow suit? The U.S. has long been the leader in world trade, not a follower."

She said that last October, Australia passed legislation to accept the Hamburg Rules. This will come into force by October 1994. And, Canada has promised to consider Hamburg within six years, she noted.

"ASHA is dedicated to seeing the end to a 56-year-old COGSA law," she said. "The Hamburg Rules are the 21st century way of doing competitive business world-wide."

ASHA was formed in the mid-1980s to deal with the cargo liability issues. The group has 16 association members and 323 individual shipper members. ■

Clock stops, starts again for TAA

FMC compiles a long list of questions for TAA.

By Elizabeth Canna

For all its much-reported length and depth, the controversial Trans-Atlantic Agreement doesn't contain enough details to satisfy the Federal Maritime Commission.

On June 19 FMC secretary Joseph C. Polking wrote a seven-page letter to TAA's legal counsel, Howard A. Levy, requesting additional information.

The response, due in mid-July, was expected to be as complex as the agreement.

TAA was formed last spring by 12 conference and non-conference carriers in the U.S.-Europe trades. They hope their cooperation will end protracted a rate war. TAA goes further than other trade agreements because it includes specific protocols for pricing as well as for supply-demand management.

Critics charge TAA goes too far in trying to control the amount of space deployed in the market, and doesn't give members enough pricing flexibility. Supporters say flexibility is TAA's greatest strength.

Polking's request came toward the end of the agreement's second 45-day review period. The first, which lasted only two weeks, ended April 30 when the pact was withdrawn for rewriting. The third review period was expected to begin as soon as the FMC got the responses to its questions. That would put TAA's earliest possible effective date near the end of August.

The FMC was curious about every facet of TAA, and its questions reflected the concerns voiced by TAA's opponents.

For example, even though TAA's capacity management scheme applies only to the westbound trade at the moment, the FMC wanted details on how tonnage restriction would affect eastbound cargo.

Following the charge by many shippers that TAA's carriers have overstated their losses in the trade, the FMC asked for a three-year rate history.

The FMC also wanted to know what would happen to other trade agreements, such as Eurocorde, if TAA were allowed. Similarly, the agency asked how separate space-sharing agreements by some of TAA's members would interact with TAA.

Not surprisingly, the FMC also questioned whether TAA's 250-TEU minimum volume for service contracts would exclude too many small shippers.

The FMC's questions were expected. Recently, the agency took a similar approach to the 15-carrier Inter-American Discussion Agreement (June *American Shipper*, page 46).

Besides, with the Justice Department, the European Commission, and a host of transportation users voicing doubts about TAA, it was highly unlikely the FMC would approve TAA without deeper perusal. ■

FMC questionnaire — a sampling

The questions put to TAA show the FMC doesn't want any loose ends dangling if TAA takes effect. For example:

Question 9. Vessel Sharing Agreements

(a) "How do the vessel sharing agreements authorized in the P&O Containers/Nedlloyd/Sea-Land Agreement (FMC No. 203-011171) and related agreements including the Space Charter Agreement with Compagnie Generale Maritime (FMC No. 232-011307), factor into each of the involved parties' annualized cargo capacity figures and capacity commitments stipulated in Table A of Article 18.19 of TAA?

(b) "How does the authority in Agreement No. 203-011171, which allows the parties to withdraw vessels from the trade, impact on the implementation and maintenance of the Capacity Management Program?

(c) "Will the parties withdraw vessels from the trade under their authority in Agreement No. 203-011171 in order to implement and maintain their respective capacity commitments under TAA? Explain."

Question 12. Included or Not?

(a) "Define in greater detail what constitutes non-program cargo, and give all the possible classification types of non-program cargo.

(b) "Show and explain how the non-program cargo figures in Table A of Article 18.19 were derived.

(c) "Why are shipments moving from points in Italy to the U.S. under through bills of lading considered non-program cargo?

(d) "Provide information on the actual amounts of program and non-program cargo each party carried in the inbound trade from North Europe to the U.S. in 1991. Show the classification types and amounts of non-program cargo carried by each party for 1991 (i.e., military, charitable/relief, governmental, inter-governmental, cargo from points in Italy, etc.).

Question 15. What about CGM, et al?

"According to recent press reports, Compagnie Generale Maritime (CGM) is planning to discontinue its major service in the U.S./North Europe trade, and Orient Overseas Container Line (OOCL) is planning to withdraw four vessels from the trade and enter into a vessel-sharing agreement with A.P. Moller-Maersk, Sea-Land Service, Inc., and possibly, Nedlloyd and P&O Containers Limited, which will reportedly reduce capacity in both the inbound and outbound trades.

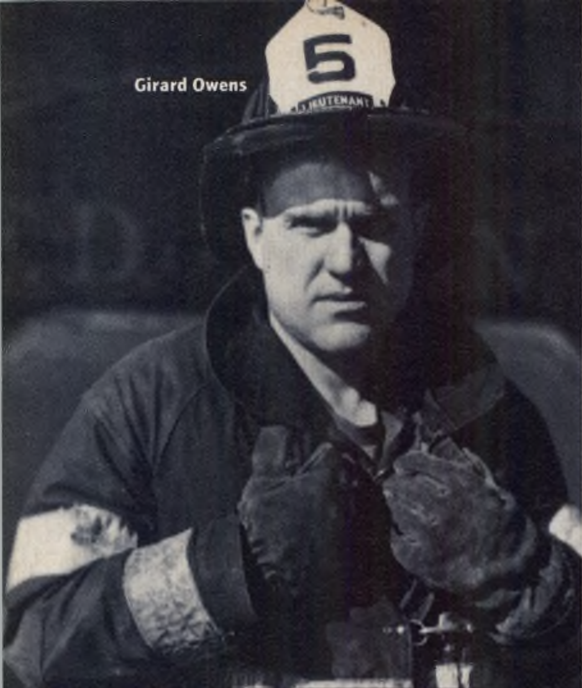
(a) "Address these reports, and give details of the carriers' future plans in the trades between the U.S. and North Europe regarding the withdrawal or redeployment of vessels, changes in the level and frequency of service, and changes in the level of capacity.

(b) "Explain how these changes, if true, will affect CGM's and OOCL's participation in TAA.

(c) "In particular, what would be the impact of such changes on the Capacity Management Program? Does the capacity reduction resulting from these planned changes by OOCL and CGM count toward the maximum capacity reduction allowed by the Agreement? If not, do the Agreement parties intend to amend the Capacity Management Program to reduce the amount of capacity that may be withheld by the amount of capacity that CGM and OOCL are withdrawing from the trade? If not, why not?

(d) "Are the two carriers' changes in vessel capacity and service currently reflected in their respective annualized cargo capacity figures and capacity commitments, as well as those of any other affected parties to TAA, as reported in Tables A and B of Article 18.19? Explain.

(e) "If not, give an accurate accounting of all the parties' annualized cargo capacity figures and capacity commitments resulting from these changes in the same format as the Tables in Article 18.19."


Girard Owens


Joanne Martinez


Yuki Suzuki

IN A PLACE WITH PEOPLE FROM JUST ABOUT EVERYWHERE, THERE'S A PORT WITH CONNECTIONS TO JUST ABOUT ANYWHERE.


Tianna Ho


John Sciancalepore


Gry Tangedal


on Aponte


la Barbas

FMC goes after Korean middlemen

Bilateral negotiations collapse. FMC threatens Section 19 retaliation against Korean forwarders, NVOCCs.

By Tony Beargie

With the collapse of U.S.-Korean shipping talks, the Federal Maritime Commission is ready to move against transportation middlemen in retaliation for barriers against U.S. companies.

The FMC action would mark the first time the commission has targeted transportation intermediaries for retaliation under Section 19 of the 1920 Shipping Act. Section 19, perhaps the most powerful weapon in the FMC's arsenal, allows the agency to suspend tariffs in retaliation for unfair trade practices.

Fifty-four Korean-owned non-vessel-operating common carriers doing business in the U.S. could have their tariffs suspended if the FMC goes through with its retaliation. The FMC also is moving against freight forwarders owned or controlled by Koreans.

The FMC action would prohibit ocean carriers from paying forwarding and brokerage fees to the intermediaries for shipments moving between the U.S. and Korea.

In the past, the FMC has used its retaliatory powers against foreign carriers, but not against NVOs or forwarders.

The FMC proposal for sanctions against the Korean middlemen came just days before the July 10 breakdown in negotiations between U.S. and Korean officials on liberalization of South Korea's transportation rules and restrictions.

The collapse of those talks surprised and disappointed U.S. carriers, who had been optimistic that government negotiators could agree on lifting of restrictions on U.S. companies operating in Korea.

'Total Bust.' The three days of negotiations between U.S. and Korean officials were described by one State Department official as a "total bust."

The talks were the latest in a series dating to 1987. They focused primarily on three issues:

- A U.S. proposal that Korea open its trucking industry to U.S. carriers by the end of 1993.
- U.S. carriers' demands to be allowed to contract directly for Korean rail services.
- U.S. demands that Korea allow U.S. transportation middlemen, such as NVOs, to establish their own operations in Korea by the end of this year.

Trucking, Rail. Sea-Land Service and American President Lines, the two U.S.-flag carriers sailing to Korea, had asked the FMC to hold up on sanctions until the bilateral talks had a chance to work.

Glenn

Earlier this summer, the U.S.-flag carriers said most of the original problems had been solved and that remaining problems could be worked out at the bilateral talks.

Meanwhile, two major Korean carriers — Hyundai Merchant Marine and Hanjin Shipping, said their nation had liberalized its transportation rules that had led to the U.S. complaints.

The Koreans said they had agreed to liberalize their trucking market gradually, beginning with Busan in August 1991 and following with Kyongsang Nam Do this December, Kyong-sang Buk Do next June and other areas, including Kyonggi-Do and Seoul, by January 1995.

Korean officials said the opening of the trucking market was being done gradually to cushion the effect on Korean companies.

Korean officials also say Korean National Railroad already allows U.S. carriers to contract directly for rail transportation.

Sea-Land, however, told the FMC that "despite assurances that there would be no limitations on our traffic and that there would be recognition of volumes previously moved by Sea-Land under the license of our operating agent, we are treated as a new user and the allocation of rail space to Sea-Land has been limited accordingly."

DCL's Complaint. The issue of restrictions on NVOs in Korea was raised with the FMC earlier this year by Direct Container Line, a Carson, Calif.-based NVO that specializes in U.S. exports.

DCL President Owen Glenn complained that he has tried for more than eight years to establish a branch office in Korea, but that Korean laws restricted foreign-controlled operations.

Glenn's complaints won a sympathetic ear from the FMC. Last December, FMC Chairman Christopher Koch indicated there was a strong possibility that his agency would go to bat for DCL. (January *American Shipper*, pages 40 / 4-6.)

Koch said that in proposing sanctions against Korean transportation middlemen, the FMC's objective "is to stop Korea from discriminating against U.S. companies and from protecting its markets by precluding Americans from doing business in that country."

Koch

Noting the 54 Korean-owned NVOs operating in the U.S., Koch said the FMC's goal "is simply for Korea to afford U.S. forwarders and transportation middlemen the same opportunities the United States gives Korean forwarders and middlemen."

The DCL petition won the backing of several organizations representing U.S. transportation intermediaries — the 110-member New York Foreign Freight Forwarders and Brokers Association; the Pacific Coast Council of Customs Brokers and Freight Forwarders, which represents over 7,000 customs brokers, freight forwarders and NVOs; and the National Customs Brokers and Forwarders Association of America.

Foreign interests opposed the FMC initiative. They include Korean International Freight Forwarders Association, which represents 322 ocean freight fowarders in Korea; Hyundai Merchant Marine Co., Ltd., and Hanjin Shipping Co., Ltd.

Comments on the FMC's proposed rule (Docket No. 92-42) are expected to be filed at the FMC in early August. (For additional information, contact FMC General Counsel Robert D. Bourgoin, 1100 L St., NW, Washington, D.C. 20573. Telephone: (202) 523-5740.)

'Korea Inc.' In another facet of the U.S.-Korean dispute, the FMC has decided to hold off on action against a reported move by Korean interests to develop a large customs brokerage and forwarding operation in the U.S.

The Korean Forwarders and Customs Brokers of California has asked the FMC to act against the "Korea Inc" operation, which they say would have government backing and would be supported by $20 million.

The commission indicates that it won't act until the Koreans move forward with their planned venture. "We can't act on something that hasn't happened yet," one FMC official said. ■

Service-contract revisions: Pro & con

Shippers say it would provide needed flexibility. Conferences, most carriers say it would invite abuse.

By Tony Beargie

Shippers have endorsed a Federal Maritime Commission proposal to allow changes in essential terms of existing service contracts, but most carriers remain opposed.

But the two largest U.S.-flag carriers — American President Lines and Sea-Land Service — took a middle-ground position.

Current regulations allow only minor, technical corrections to service contracts. The FMC proposed more substantive amendments with the idea that the change would give the parties more flexibility.

Shippers applauded the proposal, and urged the FMC to go even further by pressing for 1984 Shipping Act changes that would end the need to file service contracts with the commission.

The Department of Transportation also endorsed the FMC proposal.

Conferences and carriers complained, however, that the proposal would invite discrimination, undermine the stability of service contracting and allow shippers to whipsaw carriers through excessive demands.

The National Customs Brokers & Forwarders Association of America also opposed the change, saying it would encourage abuses and prevent small shippers from gaining access to service contract terms.

Sea-Land, APL. Sea-Land said it supported contract amendments as long as both parties agree, the rate-volume relationship between shipper and carrier is maintained, and changes are accompanied by a statement of justification — for example, if a shipper found a new supply source or new products, or wanted to add origin of destination points within the same geographic area.

Sea-Land said, though, that service-contract terms should remain available to similarly situated shippers. Sea-Land said the Shipping Act's legislative history shows that Congress did not want service contracting to undermine basic common-carriage principles.

APL doesn't support changes relating to minimum volumes, line-haul rates, duration or term, and liquidated damages, but does favor amendments to other areas, such as designated origin and destination ports.

"In APL's experience, the designation of origin and destination port ranges and geographic areas is a fruitful ground for mistake, inadvertence or changed commercial circumstances," the carrier said. Changing those terms "does no violence to the basic commitments of the contract."

APL also saw little problem in commodity-descriptions changes, which "would likely be because of a mistake in drafting or changed circumstances.

The shipper's volume, rate, term, and liquidated damages liability would remain fixed, assuring the presevation of a bona fide agreement."

'After-the-fact Discounts.' Other conferences and carriers vehemently opposed any move to amend service contracts.

The FMC proposal would "allow shippers to coerce ever-increasing, after-the-fact discounts out of carriers," said Michael G. Roberts, counsel for Crowley Maritime Corp. "Initial contracts would become meaningless, illusory commitments on the shippers' part."

They would also turn into mechanisms to allow shippers "to avoid basic common carrier restrictions," Roberts said.

The Trans-Pacific Freight Conference of Japan and the Japan-Atlantic and Gulf Freight Conference said the Shipping Act's legalization of service contracts would be undermined by allowing "freewheeling contract amendments."

"Greater commercial flexibility has one meaning — abuse of the system. Any opening of the floodgates to amendments will enable big shippers and NVOCCs to achieve competitive advantages over their competitiors and, in the process, force lower rates to the extent that they are able to leverage conferences and carriers into altering the terms of their contracts."

"The 'commercial flexibility' intended would also be a one-way street in the shippers' favor," the conferences said.

The need for stability in common carriage "clearly outweighs" the need for commercial flexibility, the conferences said. "Unless both shippers and carriers are both required to weather the storm during the term of a contract, the benefits of stability which service contracting provides would be lost."

Other conferences expressed similar views. The Transpacific Westbound Rate Agreement said the proposal would kill FMC regulation and enforcement.

"Contracts would no longer be contracts that are subject to elementary common carrier standards," TWRA said. "Preferential treatment through contract manipulation after the initial filing would likely spread.

"The most egregious problem is the use of secret or 'pocket' rates or terms which only are revealed well into the contract, after other shippers and carriers have made choices and/or entered other commitments based on what was originally published," TWRA said. "A related problem is that if free amendment is permitted, there is no avoiding amendments whose effect is retroactive."

Hanjin Shipping Co., Ltd. said it is willing to go along with adding origin and destination points during the first half of the contract. "Such changes have much less potential for manipulation and prejudice," the carrier said. But Hanjin remains "firmly opposed" to any changes in volumes, rates or other essential terms.

Shippers Support Change. Shippers and shipper groups said contract amendments are needed to provide them with needed flexibility.

Favoring the FMC proposals were Du Pont, Union Camp, the American Institute for Shippers' Associations, American Import Shippers' Association, National Industrial Transportation League, American Paper Institute and Agricultural Ocean Transportation Coalition (AgOTC).

They were joined by the Department of Transportation, which noted that similarly situated shippers would have the option of adopting a contract's original terms or taking the new ones.

Several shipper representatives said changes should be allowed without limitation.

"Total contract freedom is necessary for contracts to provide maximum benefits to contracting parties, provided the contracts conform to common law principles," said Jack Peluso, international transportation manager at Union Camp. "The vast majority of required amendments stem from unexpected changes not predictable in advance. To succeed in international business today ... a company must have the flexibility to react instantly to changes, opportunities or potential disasters, whenever or wherever they occur."

Several of the shippers echoed comments by the NIT League, which said the FMC proposal, while welcome, should not take the place "of a more thoroughgoing revision of the Shipping Act." ■

Global contract filing draws heavy opposition

But wins qualified backing of DuPont, ConAgra, Cargill and DOT.

By Tony Beargie

If a majority of ocean carriers and shippers have their way, there won't be any voluntary filing of global service contracts at the Federal Maritime Commission.

Except for a few agricultural shippers, DuPont (to a limited degree), and Orient Overseas Container Line, the initiative drew little support from the private sector.

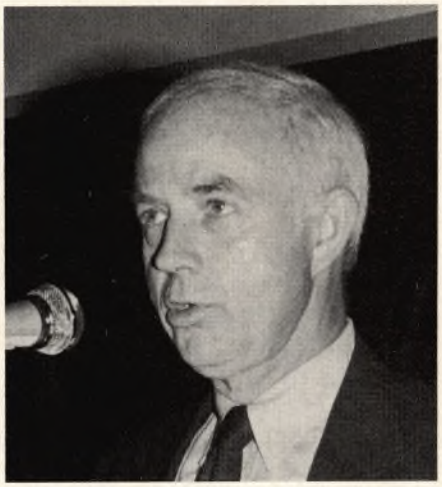
Sea-Land Service Inc. chose to file comments separately from its conference colleagues.

However, the proposal did win qualified support from the U.S. Department of Transportation, provided it will not bring the FMC into new jurisdictional waters.

The verdict from most shipper groups, liner conferences, and transportation intermediaries on the global contract issue is a resounding "no."

Those opposing the proposal are big name "players" who have been lobbying on Shipping Act issues in Washington for years. They include:

- Transpacific Westbound Rate Agreement.
- North Europe Conferences.
- Trans-Pacific Freight Conference of Japan and the Japan-Atlantic and Gulf Freight Conference.
- Asia North America Eastbound Rate Agreement, the "8900 Lines," and the South Europe/United States of America Freight Conference.
- Council of European and Japanese National Shipowners' Associations (CENSA).
- Members of 13 Central, South American and Caribbean discussion agreements.
- Crowley Maritime Corp.
- Hanjin Shipping Co., Ltd.
- National Customs Brokers and Freight Forwarders Association of America.
- National Industrial Transportation League (the nation's largest shipper group).
- American Import Shippers' Association.
- American Paper Institute.
- Agriculture Ocean Transportation Coalition (AgOTC).
- Minnesota Mining and Manufacturing Co. (3M).
- Weyerhaeuser Co.



"Most of our major trading partners do not require contract filing. The net result is that U.S. companies seeking to export must disclose their transportation cost to foreign competitors while foreign entities of the same products benefit from non-disclosure of their costs."

Roger Wigen
3M Co.

Essentially the conferences argue that the proposal is not required by any major business demands for global contracts, and legally, the filing of foreign-to-foreign trade contracts is beyond the FMC's jurisdiction.

Many shippers are against filing service contracts — period. They made that position known over and over again during the long debate over the Shipping Act which wound up a few months ago when the Advisory Commission wrapped up its deliberations in Washington.

Shippers claim that the proposal moves in the wrong direction — toward more regulation, rather than deregulation of service contracts — a long sought goal of many large shippers.

DuPont Support — For Now. Like other shippers, DuPont is pressing for a change in the Shipping Act to knock out the filing of service contracts or their essential terms with the FMC. However, DuPont has many global contracts in effect, and would back a "limited voluntary filing."

Under DuPont's proposal, the carrier would be allowed to voluntarily include in the essential terms publication the total volume covered by the global contract. All other information would either not be filed or would be held in confidence by the FMC.

Like DOT, DuPont is opposed to any extension of the FMC's jurisdiction.

DuPont is a strong backer of global contracts. Not only have they benefited DuPont, but they have also brought benefits to the carriers, DuPont's foreign customers, the U.S. trade balance and the overall economy, the company said.

ConAgra, which describes itself as the second largest food company in the U.S., backs the FMC's proposal. But it also wants to make certain that the proposal does not expand the commission's jurisdiction.

Allowing the voluntary filing of service contracts will eliminate artificial barriers to the free flow of commerce, ConAgra told the FMC.

Mixed commerce contracts "would

greatly facilitate aggregation of volume incentives and simplify scheduling and other service features," the company said.

The proposal also won the backing of Cargill Inc. which is considering negotiating global contracts. "As a business matter, we believe that it would be preferable if worldwide service contracts were unitary documents, rather than having the U.S. and foreign aspects of the agreements treated as separate documents, one filed with the FMC, (and) the other not filed."

Orient Overseas Container Line also backs the FMC's proposal. "The best approach to regulation is one that harmonizes international business practices to the laws of individual countries," OOCL's Washington attorney Brien E. Kehoe said.

3M's View. 3M shipper spokesman Roger W. Wigen said "the filing of service contracts including foreign-to-foreign ocean transportation is absolutely unnecessary and undesirable. From our viewpoint, the filing of any contracts whatsoever is an administrative and cost burden that simply makes it more difficult to do our export/import business."

Wigen said the administration and Congress have received "volumes of testimony from thousands of U.S. shippers" who want contract filing eliminated. "It follows that the addition of foreign-to-foreign contracts to FMC filing voluntarily or otherwise is a step in the wrong direction from the shipper perspective."

Wigen urged the FMC to exempt U.S. ocean transportation contracts from FMC filing if they are a part of a "master worldwide contract that includes foreign-to-foreign shipments."

"Most of our major trading partners do not require contract filing," Wigen said. "The net result is that U.S. companies seeking to export must disclose their transportation cost to foreign competitors while foreign entities of the same products benefit from non-disclosure of their costs. Contract filing is an expensive endeavor without sufficient benefits and justification."

"Absolutely not," was Wigen's reply to an FMC question asking if the filing of voluntary contracts would bring on business benefits. "Is is of 'significant business importance and convenience' that the FMC *not* allow the filing of service contracts between third countries. Any involvement by the FMC will only trigger international jursidictional claims and disputes by conferences and the FMC on matters outside U.S. authority."

Weyerhaeuser. Weyerhaeuser Co.'s vice president for purchasing and transportation, Phillip J. Barr, also spoke out against the FMC proposal.

> ***"We do not believe the Commission has the responsibility to supervise the behavior of shippers and carriers in the foreign-to-foreign trades."***
>
> **Phillip J. Barr**
> *Weyerhaeuser Co.*

"The best way to ensure our competitive viability is to allow the open marketplace to help us develop and maintain efficient transportation," Barr said. "Increasing the FMC's regulatory oversight and intrusion into the free marketplace is going in the wrong direction!"

"We do not believe the Commission has the responsibility to supervise the behavior of shippers and carriers in the foreign-to-foreign trades," Barr said.

"The public disclosure of the terms of contractual relationships and the mandatory sharing of the benefits of such negotiations with our competitors, have already caused injury to exporters under today's regulations. We do not believe that expanding these regulations and forcing these characteristics on the foreign to foreign trades adds any value to U.S. exports and imports," he said.

AgOTC. Agricultural Ocean Transportation Coalition's Jil Morley urged the FMC to drop the initiative. She also used the opportunity to press AgOTC's well-known position seeking the right to contract directly with carriers, rather than having to go through the conferences. She also repeated the shipper community's call for confidential service contracts.

"This arrangement has has worked well in the trucking and rail industries," Morley said. "This is what we seek in ocean transportation."

> ***With the possible exception of "a few large international shippers" there appears to be no major trade demands for foreign-to-foreign contracts, TWRA said.***

Morley called on the commission to replace its filing proposal with a rule that would reduce regulations over U.S.-to-foreign service contracts.

The FMC's proposal would make conferences and superconferences more powerful than they are now, Morley said. In this regard, she singled out the Transpacific Stabilization Agreement and the new Trans-Atlantic Agreement.

"To help them (the conferences) extend their reach even further, to foreign movements, would be a travesty," Morley said.

Brokers And Forwarders. The National Customs Brokers and Forwarders Association of America also voiced opposition.

"The FMC lacks the necessary authority to promulgate the proposed rule ... and if implemented, the proposed rule would result in discrimination, confusion, and enforcement problems," said Edward Greenberg, the association's Washington attorney.

While the FMC's proposal is described as "voluntary," in reality this may not be the case if the commission is faced with deciding 1984 Shipping Act provisions relating to these contracts, Greenberg said.

Opposition was also voiced by members of the nation's largest shipper group, the National Industrial Transportation (NIT) League, which noted that it is not in favor of filing service contracts covering the U.S. foreign commerce, let alone the foreign-to-foreign trades.

Conference Opposition. Liner conferences also opposed the proposal.

Members of the large Transpacific Westbound Rate Agreement called the demand for mixed commerce contracts "very limited. There is no real commercial need for these contacts that cannot readily be satisfied" under current FMC regulations.

"If all terms and conditions, including cargo commitments and rates, were to be separately stated in 'mixed commerce' contracts for U.S./foreign and foreign/foreign cargo, the resulting contracts would closely parallel the status quo," the TWRA said.

On the other hand, if contract terms for regulated and unregulated trades were merged, then this will bring about major "commercial difficulties" for both shippers and carriers, and enforcement of the Shipping Act would be "severely eroded."

Furthermore, the FMC ruled back in 1988 that it lacks jurisdiction over foreign-to-foreign commerce, TWRA said, adding that if the FMC approves the voluntary filing approach, then the entire contract should come under the agency's regulation. ■

Multi-shipper contracts opposed

FMC proposal is criticized by conferences, shipper associations, middlemen. NIT League favors change.

By Tony Beargie

Opposition has emerged to a Federal Maritime Commission proposal to allow two or more shippers to sign ocean-carrier service contracts without forming a shipper's association.

The FMC proposal, part of a package of changes recommended by FMC chairman Christopher Koch, has been criticized by conferences, shipper associations and transportation middlemen. Those organizations include the International Association of Non-Vessel-Operating Common Carriers and the New York Foreign Freight Forwarders and Brokers Association.

The National Industrial Transportation League supports the change, but no individual shippers had filed commments by the FMC's deadline for statements.

The NIT League said the change is needed to expand shippers' opportunities to participate in international trade and to accommodate changing transportation needs.

The league said it supports "the unrestricted right to enter into service contracts, the confidentiality of those contracts, and the ability of parties to modify existing contracts."

Opponents argued that legal and practical problems would result from allowing service contracts by multiple shippers that aren't part of a shipper's association.

The Transpacific Westbound Rate Agreement said the proposal would create problems with space allocations and shipper responsibilities. "If unaffiliated shippers are to be parties to a single service contract, to whom would carriers look to payment of freight charges or damages if one shipper defaults?" TWRA asked.

"In the case of space shortage and allocation of space guaranteed under a contract, how would allocations be made within the same contract? Further, it seems highly unlikely that shippers would be willing to be responsible, as guarantors, of other shippers' responsibilities."

The Trans-Pacific Freight Conference of Japan and the Japan-Atlantic and Gulf Freight Conference predicted that multi-shipper contracts would "destroy the attractiveness and viability of shippers' associations."

Allowing non-vessel-operating common carriers to jointly enter service contracts outside shipper's associations would "add insult to injury," the conferences said. NVO bargaining power "is already overwhelming" carriers, the conferences said.

The FMC proposal could produce "an enforcement nightmare," said Carlos Rodriguez, counsel of the New York broker-forwarder association.

The NVO association said the proposed rule would create problems in protecting the rights of similarly situated shippers, apportioning liabilities among shipper parties to a contract, and determining the rights of shippers who continue performing under a contract after another shipper defaults.

The NVOs said shippers have had no difficulty entering service contracts as individuals or shipper association members. ■

FMC votes to save ATFI

Congress to decide on funding and user fee issues. Use of Harmonized Code to be voluntary.

By Tony Beargie

The Federal Maritime Commission has decided to keep its Automated Tariff Filing and Information (ATFI) project on track.

Assuming ATFI clears congressional hurdles this fall, including adequate funding, the FMC has set a January 1993 start-up date for tariff automation. Total phase-in time is expected to take one year.

The commission's unanimous vote to save ATFI puts to rest — at least for now — reports that the agency was on the verge of scrapping the project because of numerous problems, including some dissatisfaction over the automated tariff filing system.

Although ATFI has been rescued by the commission's action, the project's future still remains clouded due to circumstances beyond the FMC's control.

First of all there is the funding problem. Without necessary funding the project will be in serious jeopardy.

Secondly, there is the user tax legislation that would place revenue-producing fees on those wishing to access the system.

Harmonized Code Optional. Industry dissatisfaction may have been eliminated, or at least alleviated, by the FMC's decision to knock out the required use of the Harmonized Code by tariff filers. Instead, use of HC will now be voluntary.

The decision to knock out the mandatory use of HC was done with reluctance on the part of the commission, and the agency urged the industry to use standardized filing "to the extent possible."

FMC officials feel that at some point in time, the industry will have to adopt the coding system designed for global use.

FMC commissioner Francis J. Ivancie urged the industry not to brush aside HC, and to take the agency's offer of voluntary use "seriously." Harmonized coding "is certainly the wave of the future."

Commissioner William D. Hathaway urged his fellow commissioners to continue the mandated use of HC, noting that without some form of standardization "we will lose a great advantage" in the ATFI system.

Crowley Maritime Corp. has had no trouble with HC, Hathaway noted. And despite strong ocean carrier industry opposition, the FMC member said his "impression is that the carriers will find a way to go along with the Harmonized Code" if the agency mandates its use.

Noting the high degree of carrier opposition to the mandated use of the code, FMC chairman Christopher Koch said that even under "the best of circumstances" that carrying ATFI to fruition will be a difficult task.

"We need carrier cooperation and carrier confidence in the system," Koch said. "I think we're asking for trouble if we proceed with HC."

Making HC voluntary is "the most prudent approach," Koch said, adding that the voluntary route "will ease implementation of ATFI for the FMC and the industry."

The commission agreed with Koch's assessment and reluctantly went along with putting HC on a voluntary basis.

Koch Issues Strong Warning. The FMC chairman went out of his way to emphasize that at some point in time, HC or something similar will come on line and that the industry better get its act together on this point.

Koch noted that throughout the debate over the future of the 1984 Shipping Act, ocean carriers demanded that the government retain tariff filing at the FMC. "If carriers want tariff filing continued, they must cooperate and work for standardized tariffs," the FMC chairman warned.

At this point in time, "we recognize the difficulties" associated with HC, Koch said.

The FMC then gave the ocean carrier industry a short lecture. Most liner conferences, he said, want to maintain "non-standardized, obtuse, highly variable, and inconsistent commodity descriptions and at the same time they want to continue tariff filing." Such an environment will not set well in the near future, he warned.

Like his fellow FMC members, Koch urged the industry to change its attitude towards harmonized coding, noting that the road chosen by the agency to allow voluntary filing paves the way for carriers to latch on to HC. In the months ahead, Koch hopes they would.

In view of the overwhelming carrier opposition to HC, the FMC's compromise decision "was the best we could do, while promoting flexibility," Koch told *American Shipper*.

'Things We Can't Control.' There are "things we can't control," Koch continued. "And we can't control Congress."

During the summer months, funding for ATFI will be "up in the air," with action expected sometime in September, Koch said.

User fee legislation also poses a major problem, he added. "I can guarantee you, if we comply with the (user fee) legislation's schedules, U.S. foreign commerce will be thrown into a real mess," Koch said in an interview.

The FMC chairman urged the industry to work on Congress for adequate funding, which Koch feels is a "must" for the system to come on line. He said he refuses to lay off FMC personnel — a step which would be necessitated if Congress refuses to fund ATFI.

And, if the industry does not like ATFI, then it should "ask Congress to pull the plug," Koch said. "ATFI is here to serve commerce, not just the FMC."

Ivancie: 'The World Will Key In.' Despite the FMC's decision to make HC voluntary, Ivancie predicted that the major maritime nations of the world will sit up and take notice of the agency's vote to retain ATFI.

"ATFI will set the standards for world shipping," Ivancie told *American Shipper*. "We are setting the world standard. The world will key into what we did here today."

If the FMC had not acted to preserve tariff automation ocean carriers and others would have gone off on their own," Ivancie said.

The FMC voted to retain the required use of algorithms. However, the requirement will be limited to tariff assessorials which can be determined prior to shipment.

For assessorials which cannot be so determined, ATFI will use a new provision for "null linkage" or "dummy algorithm" to label and link assessorials in non-algorithm format to time-line items and commodities.

Essential Terms. The FMC also retained the requirement to electronically file essential terms of service contracts.

However, the commission will ask for additional comments on various options for the most appropriate format requirements, including the current format requiring algorithms; the full database requirement without algorithms; eliminating all database requirements; or providing for another format.

In an apparent move to accomodate the ANERA conference, which had 472 service contracts with 817 shippers on file June 30, the FMC placed these filings on the final phase of the ATFI phase-in. And, then only new contracts will be required to be filed, Koch said.

It was noted that the ANERA conference negotiates new contracts in the spring. "The first round of new service contracts won't come on line until the spring of 1994," Koch said.

Nine Other Changes. The FMC also voted to make the following changes in the ATFI system, ranging from the filing of terminal tariffs to service contract filings:

- ***Terminal Tariffs:*** FMC retained the requirement that maritime terminal operator tariffs be filed electronically. However, if they are in a format totally different from ocean freight rates, they can be filed in full-text format.

The Organization Record and Tariff Record of Marine Terminal Operator filers would continue to be in the special ATFI database format.

- ***Military Rates:*** The FMC proposed rule contains special procedures for the filing of military rates to track the current special permission for paper tariffs.
- ***"Filing Date" Definition:*** The definition of when tariffs are filed was revised in response to public comments received at the FMC.

For interactive and on-line batch filing, the time of filing is when the electronic transmission begins. For in-bulk (tape) batch filing, the filing time is when the tape is actually received at a commission drop box, within normal FMC business hours.

- ***Emergency Tariff:*** There is a new provision for an "emergency tariff" for filers to use when electronic access to ATFI becomes impossible.
- ***One-Day Notice:*** Notice periods and accompanying symbols have been revised to allow the filing of certain domestic offshore tariff items on 24 hours' notice, as recently provided by the FMC for paper tariffs.
- ***Project Rates:*** As requested by public commentators, there is new flexibility to provide for a project rate which is a specific discount on certain tariff line items for any or all commodities.
- ***Remote Retrieval Restrictions:*** In response to shipper concerns, the FMC refined the restrictions on remote retrieval to control user access solely by the duration of access time, rather than attempt to differentiate inseparable governing tariffs in continuation of the cumbersome and artificial "one-tariff-at-a-time" limitation.
- ***Filer Access:*** There is a new provision stating that filer employees with "write" privileges may access the filers' own tariffs without limitation or use charge, but that other filer employees with "read only" privileges will be considered "retrievers" in assigning passwords.
- ***Service Contract Implementation:*** There is a new provision which, at the request of commenters, relaxes requirements by allowing the implementation of a service contract as soon as its essential terms are electronically filed (without waiting for the physical receipt by the FMC of the service contract itself.) ■

Sorting out the players

While the FMC wrestles with ATFI, tariff-automation vendors jockey for business. Here's a guide to who's who.

By Mark Voorhees

There are a few things to understand about tariff automation, and then everything else becomes perfectly clear.

While all eyes are dizzily trained on the Federal Maritime Commission's ever-changing, kaleidoscopic policy toward automation, Washington, D.C. is simply the site of a small foot skirmish in the larger war.

The real battle is being waged among automation vendors. These warriors are now clashing in the market to win the hearts and minds of steamship executives. The FMC is simply setting the rules through its Automated Tariff Filing and Information system. "If ATFI didn't exist, this would still be happening," said James Olsson, president of the Pacific Coast Tariff Bureau.

Once the view shifts from regulators to the marketplace, ATFI-watching is a much easier task. The market, after all, has a nasty habit of identifying winners: those vendors, in this instance, best able to live in the world of databases and algorithims rather than texts and footnotes.

The ultimate winners, of course, are steamship customers who will benefit from the end game of automation: more accurate customer quotes and bills of lading and sophisticated logistical analysis. "Errors cost everyone money," said Timothy Wiggenhorn, manager of tariff services at Sea-Land Service, Inc.

The final piece of wisdom is that things are not always as they appear.

Transax Data, *The Journal of Commerce* subsidiary, ought to be cleaning up. Transax and its tariff-publishing clients now handle 55 percent of the 900,000 pages filed each year with the FMC. It was the first large vendor to start automating tariffs by converting paper pages into word-processed files. But two large Transax customers, Sea-Land and Crowley Maritime Corp., have chosen a competitive product by vendor D.X.I., Inc.

D.X.I., on the other hand, ought to be able to parlay its experience as the FMC's automation subcontractor into a white-hat role. But the Pittsburgh-based firm's reputation took a hit earlier this year when it settled a nasty copyright and trademark suit with competitor Mariner Systems, Inc.

D.X.I. agreed to make a cash payment to Mariner, stop marketing a text-based tariff publishing system, and stop supporting existing customers of that program, Tariff Master.

Mariner and Pacific Coast Tariff Bureau ought to have a practical edge. They have a major conference client, the Transpacific Westbound Rate Agreement, which has been using their automated database software for more than two years. But an ongoing test of the software's ability to communicate with ATFI has been, PCTB's Olsson admits, "a painful process."

Finally, Rijnhaave Information Services Inc., is so little known that it ought not even be a player. And yet the company, founded by a Dutch version of Ross Perot, has deep-pocketed European investors and can't be ignored.

Indeed, ignorance is dangerous in automation. According to the FMC's latest timetable, starting in January, lines in the Asian trade must begin to file tariffs in database form. The rest of the trade lanes will be phased in. The days of scissors, paste, and white-out will soon be nostalgic relics fit for display in maritime museums.

What follows is a brief assessment of the five companies certified by the FMC to file large batches of tariffs with the FMC.

D.X.I., Inc.

D.X.I. became the company to watch in 1989 when it teamed up with government contractor Planning Research Corp. to win the FMC contract to develop ATFI. The contract gave D.X.I. an instant bolt of credibility, clout — and short-term commercial advantage.

Think of tariff automation as writing a term paper, only in reverse. The rates, surcharges, and footnotes now contained on a tariff page are converted onto computerized index cards. A database, after all, is nothing more than a huge stack of index cards sorted and arranged in exacting, specific ways.

D.X.I.'s advantage is that it designed the method by which tariff filers must sort and arrange their cards. As Olsson put it, "It's changing your data to their specifications."

Moreover, D.X.I.'s specifications only became available for others to see in final form in November 1991. Earlier, the steamship industry was expecting FMC to adopt a simpler, text-based automation system.

It is not all that surprising then that the two first large steamship lines to convert to a database tariff system chose D.X.I's RateMaster system. As Robert Ryan, president of D.X.I., said about his competitors' products, "If the clone is better, shame on Bob Ryan and D.X.I."

Even so, D.X.I.'s five-year life has not been easy. The company was formed from the ashes of Starcom Systems, Inc., a tariff automation firm that went out of business when its parent, National Intergroup, Inc., formerly National Steel, lost interest in the business.

Unlike Transax, D.X.I. does not have a publicly known corporate parent to give customers comfort. Plus, D.X.I. has refused to name its investor. "I don't want my competitors to know how deep my pockets are," Ryan said.

The winning of the Sea-Land and Crowley assignments obviously gives D.X.I. breathing room. "Before we won the FMC, Crowley, and Sea-Land contract, (Transax) had the opportunity to knock us off the block," Ryan said.

And yet he is well aware that over time


CROWLEY MARITIME

his competitors will eventually master the ATFI conversion. Until then, D.X.I. is racing to win customers. It, for example, has commitments to automate tariffs for the Mediterranean conferences.

The lawsuit settlement, while momentarily embarrassing, does not seem to have slowed D.X.I.'s momemtum. The suit's lineage traces to the early days of automation when Starcom and Mariner were cooperating on a text-based software. Ryan, who is prohibited by court order from talking about the settlement, nonetheless said that Mariner "has none of my clients."

Going forward, of course, text-based software will fade away, and vendors will be judged on their database software but also their ability to smooth the transition from pages to databases.

If D.X.I. has a weakness, it is that its products are too advanced for the industry Luddites who don't want to give up papers, pens, and binders. As one tariff specialist at a steamship line said, "I couldn't learn a lot from D.X.I. because they didn't have the ocean shipping and tariff experience. I started out when we cut, pasted, and glued to make the pages and margins fit."

D.X.I.'s most advanced system — the one chosen by Sea-Land and Crowley — requires the installation of a separate Unix-based computer on the customer's facility. Unix is an operating system (a computer's software environment) more popular in academic than commercial settings.

For smaller users or those who don't want to confront a new system, D.X.I. will also provide time-sharing agreements that allow customers to update and retrieve tariffs through modems or computer-to-computer connections. D.X.I. will also perform tariff publishing on behalf of customers.

(Steamship lines can file automated tariffs directly with the FMC, but in order to file large batches of tariffs at once, they or their vendor must be certified by the FMC. Zim Container Service is the only line now certified for batch filing.)

Transax Data

Transax may be down, but the Bridgewater, N. J. firm is not out. D.X.I.'s early wins have stung, and so has Transax's difficulty hitting the moving target of ATFI specifications. As Peter Cass, president, put it, "When we haven't moved as quickly, people have been concerned. We have to be better, quicker."

Market ownership, however, does not erode overnight. Transax still dominates the tariff publishing business. Its existing text-based ShipRate rate retrieval system was the first of its kind in the market. It is in use at 20 steamship lines. Crowley has actually increased use of ShipRate since purchasing D.X.I.'s competing RateMaster.

"Anyone who thinks the tariff page will disappear doesn't understand the business."

Peter Cass
president, Transax Data

Transax may have some apostates among its flock, but it also has many longstanding, loyal customers. "They know every aspect of the business, and they are always there when you need them," said an official at Lykes Bros. Steamship Co.

The vendor has been selected to convert and automate the North Atlantic conferences and the Asia North America Eastbound Rate Agreement. And it is negotiating with several text-based ShipRate customers to make the transition to its new TradeRate, which will compete against D.X.I.'s RateMaster. Among the clients: Maersk, Inc., OOCL (USA) Inc., Evergreen International (U.S.A.) Corp., and Hapag-Lloyd (America) Inc.

There's only one hitch. Transax does not yet have a finished product to show. TradeRate went on the blink during a recent demonstration of its ability to quote a rate on a container of bicycles from Italy to New York.

Transax was scheduled to start test filing North Atlantic tariffs with the FMC after press time. More than a year ago, the North Atlantic conferences pulled Transax's automation and conversion contract and put it out for a second bid. Transax won the contract again, but it was a humbling experience. Maersk, a line whose automation efforts the industry closely watches, will also be testing TradeRate in the next month or so.

If Transax is able to strut its stuff in those two tests, it will be a tough competitor. Even D.X.I.'s Ryan admits it.

D.X.I., Cass said, is trying to push the industry away from paper and pages too swiftly. "You can't force a technology and big-bang effect on the industry."

Transax, for example, has spent $500,000 to make it easy for publishing clients to produce the traditional tariff page, a capacity D.X.I. does not now have. "It's been a nightmare developing," Cass said. Still, "anyone who thinks the tariff page will disappear doesn't understand the business."

Transax programmers have also tried to make it easier to navigate through TradeRate's computer screens and menus. The system, for example, completes an inital search within eight seconds.

If Transax wins the automation battle, it will be because it paid attention to its customers and guided them into the technology. If Transax loses, it will be because it paid too much attention to its customers and not enough to the looming reality: ATFI is coming.

"D.X.I has an advantage in that they set the standard," Cass said. "We have the advantage of customers who tell us what they want."

Unlike D.X.I.'s top-end version, Transax's TradeRate does not require a separate stand-alone computer. Customers can either run the software on their IBM platform or enter a timeshare agreement

Transax's new publishing software will be known as Compiler III. It will be available on stand-alone or networked personal computers. Transax will also continue to publish tariffs on behalf of clients.

Pacific Coast Tariff Bureau

Pacific Coast Tariff Bureau is in the automation business because its largest client, Transpacific Westbound Rate Agreement, wanted it to be. "We are customer responsive," said Olsson, PCTB's president. "We were afraid if we just bought a software it would not meet our needs."

PCTB has worked closely with Mariner Systems to develop TariffBASE and now has TWRA's tariffs in database form. The San Francisco-based publisher has filed the conference's rules tariffs with the FMC and is now testing its rate tariffs. "The test will prove how well our algorithims work to produce bottom-line rates," Olsson said.

PCTB is not about to rest with just TWRA. Michael Cook, a former Sea-Land executive, has been brought on as marketing director. "We are looking to aggressively sell our services," Olsson said.

Unlike D.X.I. and Transax, PCTB wants to stick to its core skill of tariff publishing and rate-watching. It will not directly be providing steamship lines with the ability to do customer quotations or bill of lading ratings. "We are trying to center our efforts on publishing tariffs, and we think we do that very well," Olsson said.

PCTB's partner, Mariner Systems, however, does want to provide the more advanced services like rate retrieval, customer quotes, and bill of lading ratings. While Mariner is not certified to file batches of tariffs with FMC, the two companies work closely and often refer customers to one another.

Mariner also has access to information contained within TariffBASE to provide those services. "We are able to provide highly structured data to steamship lines," said Carlos Collazo, Mariner's president.

Rijnhaave Information Services

Rijnhaave is the darkhorse in the tariff automation race. Not yet ready to market an automated tariff filing system, the company will be by the end of the year, said company president John Murphy.

At the same time, the company must raise its profile, Murphy said. "We have a cogent story and a lot to tell."

Rijnhaave Information Services is the U.S. arm of the Rijnhaave Group, a Dutch company founded in 1989 by Adrie Reinders. Rijnhaave means Rhine harbor.

Earlier in his career, Reinders founded a computer services company called Microlife that he sold in 1987 to HCS, a public Dutch company. After a spell, Reinders grew restless under the wrap of a large, public company and decided to branch out on his own again. It is the Ross Perot and General Motors story told in a foreign language.

> ***"Customers want integration of tariff automation with the rest of their enterprise."***
> **John Murphy**
> *Rijnhaave Information Services*

Rijnhaave provides data-processing, systems design and integration and network management for a wide range of companies. The transportation industry provides about one quarter of its business and is the fastest-growing sector.

Rijnhaave is now a $110 million company, whose investors include Banque Paribas and Deutsche Bank. Rijnhaave's first splash in the U.S. market came last September when it bought TNT Information Services from Australia's TNT Group. TNT Information comprised World Tariff Services, Inc., a tariff publisher, and Alltrans International Group.

Rijnhaave is working on combining the talents of its tariff publishing and data-processing arms to provide automation services. "Customers want integration of tariff automation with the rest of their enterprise," Murphy said.

In addition to tariff publishing for more than 100 clients, RIS provides management information systems to P&O Containers and Empresa Naviera Santa. Based in Wayne, N.J., RIS is discussing an alliance or merger with Procyon Group, a San Francisco-based technology consultant, that could provide a West Coast foothold. "We intend to be players," Murphy said.

Zim-American Israeli Shipping Co.

Zim-American Israeli Shipping Co. has developed a rate and quote retrieval system for its internal use. Other liners have also developed automated systems. American President Lines and Sea-Land, for example, both have spent millions of dollars on developing tariff and pricing systems, but Zim is the only liner to have received FMC certification to file databased tariffs in batches.

The line developed its own system after it surveyed the vendors and decided, "We could do it better ourselves," said Eitan Kolsky, vice president of management information systems.

The line is now using the system for rate quotations on its Far Eastern trade, which is a large share of its business.

The pricetag for flying solo has not been cheap. Zim spent about $400,000 on a Digital computer and $100,000 on software-related expenses. Manpower costs bumped development costs well over $1 million, according to Joseph Merante, senior vice president.

Executives are considering marketing their software to other steamship lines. "We believe on price and quality we can compete," Kolsky said.

EDI partnership shows what's in a name

Alliances between information systems companies form so frequently these days, they rarely cause more than a ripple of interest.

But shipping's systems insiders took notice recently when EDI Solutions, Inc. and Maersk Data USA announced what they have dubbed an "equity and technology partnership."

Both companies are well-known in their respective fields.

Founded in 1986, the privately held EDI Solutions has made a name for itself specializing in EDI translation software and services. EDI stands for electronic data interchange, the term for the process of interchanging data between computer systems. The beauty of EDI, its proponents say, is that it makes data exchange possible between systems that weren't built to talk to eachother.

Though it has developed software for the transportation industry, EDI Solutions has also served other industries, including manufacturing, retail and financial.

Maersk Data USA is part of the Copenhagen-based A.P. Moeller Group, also parent to Maersk Line. The two companies share office space in Madison, N.J.

Maersk Data oversees data centers in Copenhagen, Madison and Tokyo which link clients in more than 60 countries around the world.

In announcing the partnership, S. Anker Madsen, president of Maersk Data USA said, "Our recognition of EDI and its global business impact accentuated the need to align with an international technology partner. EDI Solutions offers great promise for growth in their field; the synergy between the two firms is excellent both technologically and intellectually."

As for EDI Solutions, company president Dee Thibodeau said, "EDI technology is ever changing. Software products are evolving to better utilize the benefits of EDI. With this partnership we will leapfrog our competition in the development of the best family of EDI software products in the industry."

Neither company offered much beyond these formal statements, but insiders see a potentially powerful partnership emerging.

Maersk Data is known to be interested in growing its business as a third party provider of logistics support, but its famous name could work against that goal.

It's a dilemma similar to the one faced by CSX Intermodal when it operated under the name CSX/Sea-Land Intermodal. Despite the best of intentions, it's hard for a company like Maersk Data, or CSXI, to convince potential clients it operates independently from its more famous corporate siblings.

By teaming up with EDI Solutions, Maersk Data gets a partner with a more neutral trade name under which to develop and market new products. ■

Notes and Comments

By Elizabeth Canna

It seems nearly everyone expects another U.S.-flag carrier, American President Lines, to eventually come into the Europe-Asia trade.

Carriers would do well to pay attention to Koch's compromise plan. Giving a little now could mean keeping a lot more later.

As the writers of the fledgling Europe-Asia Trade Agreement put the finishing touches on their pact, many participants in the Europe-Asia trade figure the stabilization plan is coming in the nick of time, and hope it isn't too late.

The market is due for some shaking up this fall when the Sea-Land/Hyundai partnership begins deploying 2,540 TEUs each week, a prospect that is causing considerable angst.

But Sea-Land/Hyundai isn't the only worry.

It seems nearly everyone expects another U.S.-flag carrier, American President Lines, to eventually come into the Europe-Asia trade. Those expectations are based on the commonly-held theory that the powerful carriers of the 21st century will be global, and APL is too big to remain an Asian niche player. Besides, APL's strong presence in the transpacific and intra-Asia give it a good base to begin serving Asia's other major trade lane.

The expectation is that, like Sea-Land, APL will not come in alone, and may even link up with its tried and true transpacific partner, Orient Overseas Container Line. Now sharing the ACE consortium with Neptune Orient Line and "K" Line, OOCL would have to wait until 1995, or leave ACE early.

That kind of choice hasn't stopped carriers in the past. There's always a way out of carrier partnerships, even if it costs a few dollars.

Column A or Column B?

With word that ACL, Mediterranean Shipping and Polish Ocean Lines are exploring the potential of sharing ships, questions about their future pricing policy come to mind.

At the moment ACL is a conference carrier, while Med Shipping and POL operate independently. While carriers sharing ships compete vigorously among themselves, they normally share the same overall philosophy toward whether to operate conference or non-conference.

If these three carriers get together, and the TransAtlantic Agreement is allowed to exist (a big if), will the three choose to join TAA's rate committee, and become part of the agreement's "structured" pricing group? Or will they price their services individually, as part of the "unstructured" group of TAA members? That would mean ACL would be pricing independently for the first time in its 25 years (with the exception of IA, of course).

There will be a lot of pressure for all three to join the rate committee, but don't count on them bowing to pressure.

Apart from the Crowd

Three separate commentaries submitted to the Federal Maritime Commission in June by the North Europe Conferences have something very interesting in common.

Sea-Land elected not to participate with its NEC colleagues in any of the three, all of which included a footnote to that effect.

The conference commentaries were submitted in response to separate rule-makings the FMC proposed as part of the Shipping Act review compromise. All have something to do with ratemaking.

One considers the question of service contracts in foreign-to-foreign trades. Another looks at amendments to service contracts. The third looks at conference independent action provisions.

It appears Sea-Land and its conference colleagues have a difference of opinion on how to effect change in these sensitive areas.

Something is Better than Nothing

After his often-grueling and frustrating service as a member of the presidential commission charged with reviewing the Shipping Act of 1984, Raymond P. Ebeling, president of Wallenius Lines North America, thinks carriers should keep an ear open for compromise.

"The case for destroying the whole system was absolutely not made," he pointed out, referring to shipper attempts to dismantle the antitrust privileges carriers enjoy under the '84 Act.

"On the other hand, there was a case for moderate changes made by (FMC chairman) Chris Koch," Ebeling said.

Carriers would do well to pay attention to Koch's compromise plan. Giving a little now could mean keeping a lot more later, Ebeling indicated.

"If we don't make those changes work, we're going to get the radicals back again," he said.

Chicken or Egg?

Once again the service-contracting marathon is over in the eastbound transpacific, and this year's numbers tell a story: ANERA signed 23 percent more contracts in this round than the year before (see story, page 32).

Presumably that's good news for all involved: good for the carriers because it means a commitment for space; good for the shippers because it means they expect to be bringing more cargo into the country, which in turn is good for the U.S. economy because it means an increased expectation that consumers will be spending money.

But what does it mean to put together 472 service contracts in three or four months, with most coming towards the end of the cycle?

Word has it that if it weren't for computerized word processing, there simply wouldn't be 472 individual service contracts negotiated and compiled in such a short period of time.

Correction

Last month's cover story incorrectly described the vessel deployment shared by CGM, ACL and Hapag-Lloyd in the West Coast-Europe trade. The correct alignment, before CGM's withdrawal, is: CGM-two ships, ACL-two ships and Hapag-Lloyd-four ships.

By John B. Dean

Shipper's Perspective

Does anyone love shipping conferences? Shippers' councils over the years have moved their position from benign acceptance to opposition which verges towards hostility. Thirty years ago conferences were seen as traditional and acceptable groupings of lines for the mutual benefit of shipowners and shippers. Conferences would have us believe that this position still holds true. The less well-developed nations saw, and still see, conferences as a way to keep their national flags flying in international waters with UNCTAD still supporting the conference system for this reason.

Away from the legislative scene, what do the players in the shipping game think about conferences present and future?

A number of Western shipowners to whom I have spoken see the traditional conference with strictly observed tariff rates as being outdated but still feel the need for agreed minimum rates among the major lines, associated with limits on capacity.

Shipowners still feel the need for agreed minimum rates ... associated with limits on capacity.

Shippers, on the other hand, have found that their individual needs can be tailored by direct discussions with one or a limited number of lines on any one trade route and that negotiations with the conference as a whole are now outdated and often unproductive.

Conferences continue to exist, with attempts to streamline procedures by means of simplified tariff structures and more flexible rules regarding service contracts. In spite of conferences trying to exhibit a more market-oriented face, shippers through their shippers' councils demand that conferences must lose their antitrust immunity.

It is only a matter of time before shippers win the political argument.

The Canadian Shippers' Council is the latest to join the anti-conference lobby. Recently they wrote to Mr. Gilles Rivard, Chairman of the National Transportation Act Review Commission in Ottawa, enclosing a report calling for the repeal of the Shipping Conferences Exemption Act (SCEA) of 1987.

In brief, the report says that freight rates are a significant factor in product pricing, that SCEA has served Canada's trading interests poorly, and that there is no room for "price cartels operating within artificial and outdated infrastructures and adding substantially to industry's trading costs."

The report calls for freedom to negotiate confidential rates and service with the carrier of their choice who best fills their needs. It quotes similar views expressed in writing by American shippers and by the British and French Shippers' Councils. It asserts that despite of claims to the contrary, "conference cartels do not guarantee service levels nor do they offer even minimal stability in rate levels.

"In many major Canadian trade areas reduction in service calls has been experienced and frequency of adjustments in rates, surcharges and ancillaries announced by conferences has gone up dramatically, all leading to uncertainties and instability to shippers' own pricing and service efforts."

Shippers will challenge trade lane agreements

The current position is that because of the UNCTAD Liner Code, American and European legislation and similar conference support around the world, conferences are exempt, to a large degree, from the normal economic competition which applies to the international trading community.

Increasingly, shippers are voicing their dissatisfaction. Even Western shipowners can see the need for change, perhaps a break-up of large conferences into separate consortia or into so-called trade lane agreements. The question shippers will ask is whether any new forms of cooperation should have automatic exemption from antitrust laws. The answer will always be a resounding 'No.'

I am not suggesting that all forms of combined shipping services are inherently evil but I am saying that each case should be examined on its merits. If there is any possibility of the association of lines dominating the market or setting the market rate by their combined strength, it should not be allowed to operate.

If, however, it could be shown that trade benefits by the joint arrangement and sufficient price and service competition existed to maintain market rates, then the cartel may be acceptable.

Why shippers and owners cannot agree

What then should be done to bring this ideal into practice and can shippers expect shipowners to agree? Unfortunately, the answer to the second part of the question is 'No' because owners, with some justification, believe that shippers' councils who shout loudly about the difficulties industry is facing in the world recession, choose to ignore exactly the same problem faced by shipping lines.

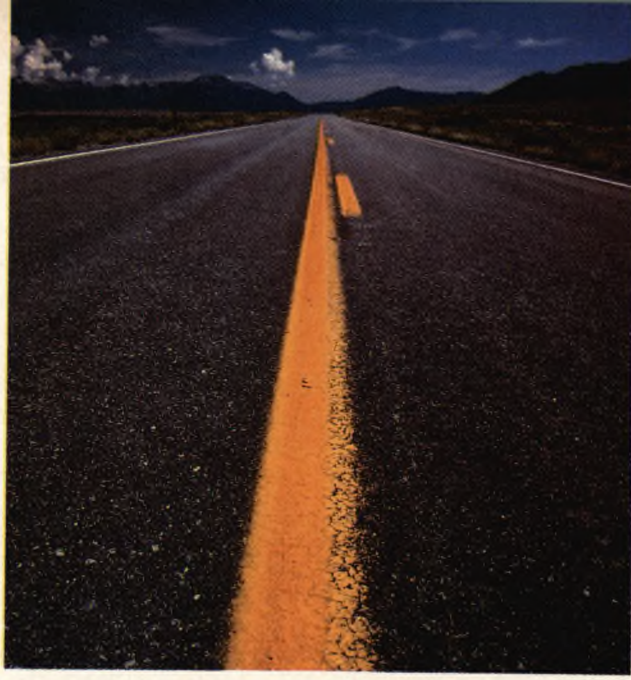
On the other hand, shipowners' associations perpetuate the myth that the mercantile marine industry should be given preferential treatment over manufacturing and agricultural industries.

So far as commercial international trade is concerned, this is nonsense. Any arguments regarding national or international defense or strategic issues are different arguments and should not be allowed to confuse the situation in favor of conferences.

As there seems little chance of a meeting of minds between the two sides at an official level, separate lobbying will continue but surely it is only a matter of time before shippers win the political argument.

There still remains the problem of what should be done to assist the less well-developed countries with their aspirations in the maritime area, but in reality there is no reason why this could not be handled in the same way as assistance is given for other aid programs.

John B. Dean is former chairman of the standing committee of the European Shippers' Councils, and chairman of the British Shippers Council. Before retiring in 1991, he was the corporate manager for export shipping and inland transport for British Steel Plc, and is now working as an independent freight consultant. He now makes his home at 58 Roundwood Lane, Harpenden, Herts AL5 3EP. Telephone is 0582-712727.



One If By Land.

One call is all it takes to send your LCL shipment directly from your door, over land and sea, from thousands of points in the United States. Votainer, the world's largest NVOCC, and ABF, one of America's leading overland carriers, have formed an alliance that provides world-class intermodal shipping to 68 ports in 34 countries through 330 terminals in the U.S. With through rates based on a single factor. A through bill of lading. Integrated electronic shipment tracking from origin to destination. And single carrier liability for your shipment. It's a revolutionary idea whose time has come.

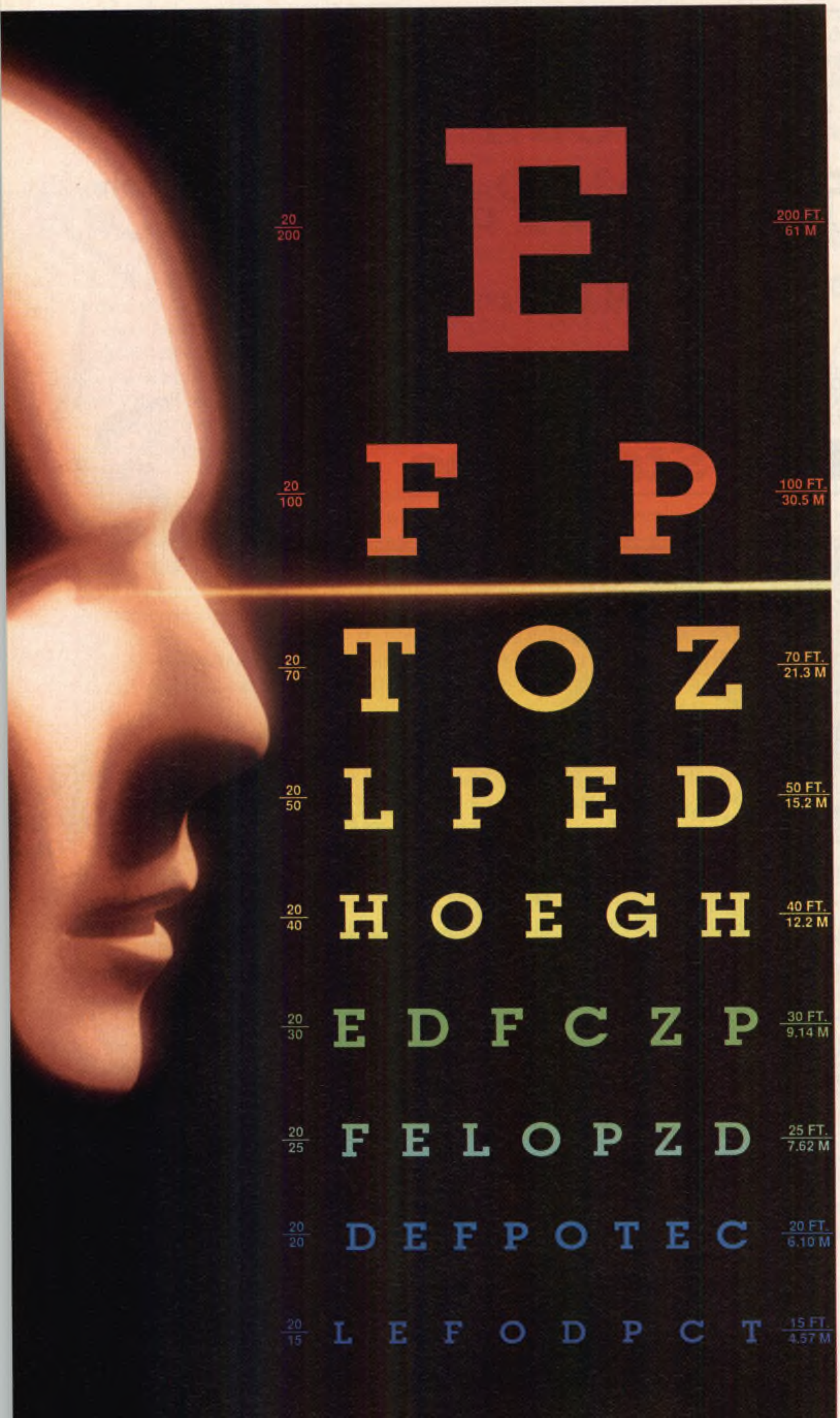
So contact your Votainer or ABF representative, your freight forwarder or call 1-800-4-ABFVOT (422-3868).

If By Sea, Too.

ABF Votainer

ABF/VOTAINER INTERNATIONAL SERVICES

TAKE A LOOK AT HOEGH



Some may think that all steamship lines are the same. Shippers using Hoegh Lines see things a little differently.

We've built our company on providing the best quality service. A the foundation of our company, it's what sets us apart from other steamship lines.

Convenient schedules, including direct calls at the ports you need. Fast transits, so your cargo is where you need it, when you need it.

Multi-purpose vessels, specifically designed with tween decks, bulk hatches, gantry and regular cranes, offering the flexibility required to handle all types of cargoes. Breakbulk, containers, heavy-lift and project cargoes.

When your cargo is moving between North America and the Middle East, India, Sri Lanka or Southeast Asia, take a look at Hoegh Lines. You'll like what you see.

HOEGH LINE

New Orleans' 72-year-old public grain elevator is being converted into a coffee silo and processing center.

The green coffee revolution

By Mark Voorhees

The green coffee bean is about to go through a revolution in the United States. The revolt began in Germany and Italy, and is heading this way.

It has been fostered by computers, conveyer belts, breathable bags, and tall, skinny silos. It will provide cheaper and better transit, trading, and processing of coffee — and a fresher brew.

The revolution goes by the name of bulk shipping — an appellation about as descriptive as word processing. Neither term captures the flexibility, speed, or ease of use of the new order.

For as long as old coffee hands can remember, green beans have traveled in 132-pound burlap bags, either in containers or breakbulk. The operation has been low-tech and labor intensive.

In simplest form, bulk shipping is the movement of coffee in a 33-cubic-yard polypropylene bag within a container rather than in 250 or more individual burlap bags. That coffee is blown or stuffed into the containers rather than manually loaded in the country of origin.

Once in the U.S., the coffee can then be emptied and moved through production on hydraulic and conveyer systems. No more heavy lifting. No more slicing bags open.

> ***The big three roasters, who control 70 percent of the U.S. market, are preparing to bulk up.***

The revolution is touching these shores, first at New Orleans, Jacksonville, and Norfolk. The two largest roasters — Kraft General Foods, maker of Maxwell House coffee, and Procter & Gamble Co., maker of Folgers coffee — are the early foot soldiers, while Nestle, the third largest, is bringing up the rear. It's no wonder the big three roasters, who control 70 percent of the U.S. market, are preparing to bulk up.

Roasters can fit the equivalent of 350 132-pound bags in bulk into a container, or 50 more bags than traditionally carried. From Brazil, where coffee transit is priced per container, the freight savings alone are considerable — about $325 a container at the current $1,950 shipping rate. From Colombia, where coffee shipments are priced in tons rather than containers, there are still considerable labor cost savings at both ends.

But freight and labor costs savings only tell the first act of the story. Inside the Silocaf project in New Orleans, the benefits of bulk become clear. Silocaf is owned by Pacorini Finanziaria of Trieste, Italy, that nation's largest coffee processor.

Processing is the preparation of beans for roasting by, among other things, sorting, cleaning, and blending them. Pacorini is spending $14.5 million to convert an abandoned grain elevator, circa 1920, into the world's largest green coffee processing plant. While the facility can handle bagged coffee, it is faster and more efficient to process coffee in bulk.

Upon completion of the renovation in December, the 203 silo bins will hold 42,000 tons of beans, or the equivalent of nearly 650,000 132-pound bags. Its annual processing capacity will total 4 million bags a year, or nearly one-quarter of U.S. coffee imports.

But it's the computerized processing that sets this silo operation apart.

A container of loose beans will be tilted into a hopper. An elevator will lift the beans up seven floors, where they will be cleaned, sorted and pulled into one of the silo bins. Coffee can be blended by mixing the beans from different silos.

Upon completion of the processing, beans will be poured into a tank container or loaded into 1,000- or 2,000-pound super sacks or even burlap bags for delivery. "All the roaster then has to do is roast the beans," said Roberto Gambini, president of Silocaf.

The company is also building a $25 million facility in Vitoria, Brazil to process coffee for domestic and export markets. However, Vitoria mostly handles lower-quality robusta beans rather than the arabica beans generally imported into the U.S.

The system effectively collapses into one location processes that now occur in the country of origin, like cleaning and sorting; at warehouses and roasting plants, like blending; or not at all.

Pacorini, for example, has developed a proprietary washing and softening process that removes the harsh taste from the bean. Processing costs will range from $2-$5 per 132-pound bag or its equivalent, depending on the roaster's needs.

Silocaf is not really a warehouse. Gambini does not expect to hold coffee more than 30 days. But it's more than just a run-of-the-mill processing plant. It is a link in the supply chain that adds value through speed, efficiency, and innovation.

If time is money, bulk processing is gold plated. New Orleans' Dupuy Storage and Forwarding Corp., which has been processing coffee for 50 years, recently established the nation's first bulk coffee facility, a smaller version of Silocaf.

The facility will eventually be able to handle 80 tons an hour, compared with four tons an hour before. Silocaf, meanwhile, will eventually handle 150 tons an hour.

Unlike many better mousetraps, this is not technology in search of a customer. Folgers has committed to take about 55 percent of Silocaf's annual production. That works out to about 2.5 million bags a year.

Maxwell House is shipping 40 percent of its Brazilian beans in bulk and working with H&M Warehousing in Jacksonville, Fla., on a small-scale bulk facility.

"Bulking of coffee is the future," said Ronald D'Ambrosio, national sales manager for Latin America for Norton Lilly International Inc.

Negatives. Not everyone is enamored of bulk. Even Silocaf and Dupuy executives don't expect bagged coffee to disappear. "We haven't put our warehouse up for sale," said Allen Colley, Dupuy president.

One of the biggest concerns is freight damage. Now, if a container leaks water or lets in frigid air, the shipper can generally isolate a few bags of damaged beans and keep the rest. Some executives worry that bulk shipping doesn't allow for that.

"If there is a contamination problem, what do you do with 44,000 pounds of loose beans?" said Robert Durrenberger, commodity manager at Nestle Beverage Co.

Gambini dismisses those concerns. The polypropylene bags both repel moisture and wick condensation away from the bean. His company ran experiments for a year measuring temperature and humidity within containers and never detected a problem.

Containerized steamship lines must also compete for coffee business with charter and tramp operations. Since the liberalization of regulations in Brazil and Colombia in recent years, they have taken a mountain of business (and driven down rates).

Joseph Carroll, president of Gateway Chartering Co., estimates that the Brazilian trade went from nearly all containers to 60-65 percent breakbulk after deregulation in 1990. Coffee is now returning to liner companies, which have cut their rates below $2,000 a container from about $3,600.

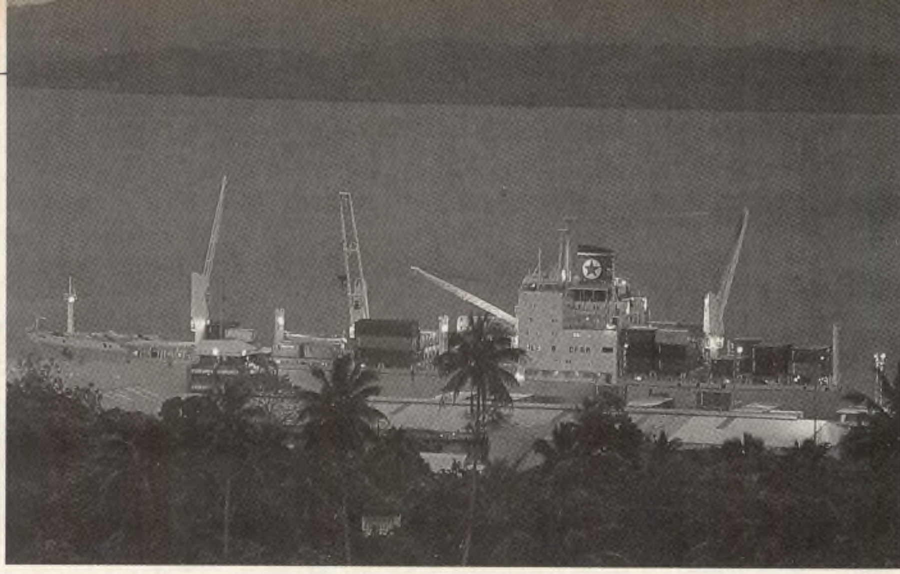
Countries like Colombia, the second-largest coffee exporter to the U.S., have only recently installed the equipment needed to stuff coffee into containers. In Brazil, coffee has not traditionally been handled by longshore labor. But it is handled right on the pier in Colombia, making the introduction of automation more difficult.

Quantities. Bulk shipments aren't for everyone, especially small roasters. Silocaf's Gambini says he would process an order as small as five tons but would prefer to handle 50-ton minimum orders, or 2 1/2 containers.

That's way too big for many small roasters who compete for one-third of the U.S. market not taken by the big three. David Olsen, coffee buyer for Starbucks Coffee Co., a specialty roaster in Seattle, for example, imports about 50,000 bags a year, often in lots as small as 40 to 100 bags.

Individual bags allow for close inspection of the beans at journey's end, said Olsen. "It is possible to erode the quality of the bean at every one of a dozen points."

Dupuy's Colley understands that mentality. "The coffee trade centers around a very singular quality: a good cup of coffee," he said. "The people who do it are a very small group of whose expertise is on their tongue. That is the mystique of coffee." ■



Blue Star PACE's *California Star* sits dockside at the Fiji Port of Suva.

Enchanted islands

South Pacific shipping is an exotic trade with plenty of personal contact. Business is small but steady.

By Mark Voorhees

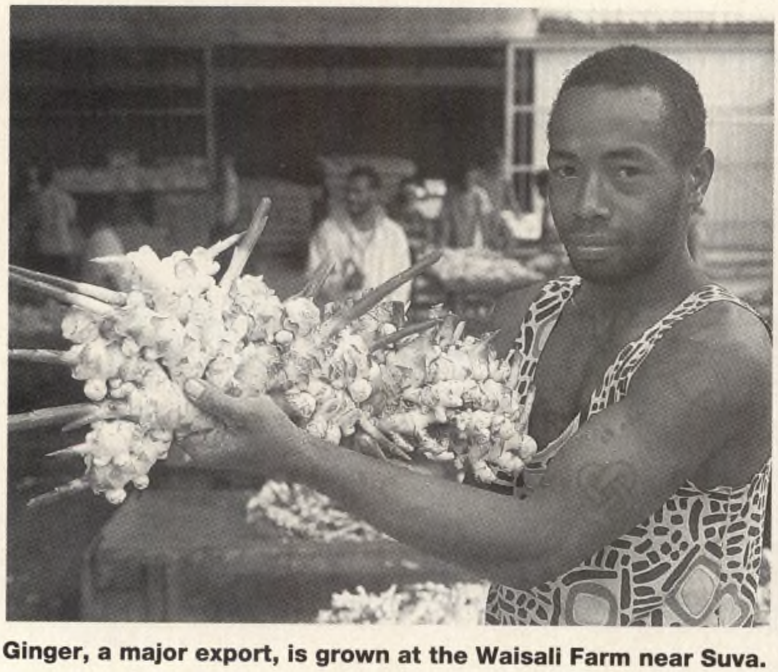
Next time you are anxiously wondering whether your United Parcel Service package made it to mom in time for the holidays, consider yourself lucky. You could be fretting over whether your 20-foot container of sweet potatoes and other gifts made it to Tonga in time for King Taufa'ahau Topou IV's July birthday.

The king's birthday is a festive time in the tiny South Pacific kingdom. And Tonga natives living in California often take the opportunity to send home a care package. It's the next best thing to being there.

Four steamship companies have made a business out of plying the South Pacific waters, making direct calls on exotic lands from the U.S. West Coast While it may not be high-volume, the South Pacific trade offers an unusual chance to press the flesh and tell tales about Tonga.

It is not unusual for a husband and wife to show up in Blue Star PACE Ltd.'s San Francisco office with a couple thousand dollars in cash to pay for a container's journey. "They want to see who they are giving their money to," said Ray Tilley, Blue Star's president.

Mark Tanelli, a Blue Star sales manager, has met the king in Tonga. "It carries a lot of weight to have an audience with the royal family," he said.



Ginger, a major export, is grown at the Waisali Farm near Suva.

A textile worker works at a plant near Suva.

On a less regal front, he also advises ginger growers in Fiji on world market conditions. But more often he is visiting local grocers and store owners who need to stock their shelves. The South Pacific is mostly an importing market. Said one carrier executive, "We carry almost anything you can get into a grocery store."

Blue Star provides monthly service to Tonga, Fiji, American Samoa, and Tahiti. The islands are quick stopovers on voyages to Australia and New Zealand. "It doesn't make sense as a stand-alone business," Tilley said.

Blue Star begins the trips by picking up lumber and building supplies in Vancouver, Coos Bay, and Seattle before heading down to California for containerized and refrigerated cargo.

The other three carriers, not nearly so large as Blue Star, take slightly different approaches to these faraway places.

Polynesia Line Ltd. and South Seas Steamship Co., both single-ship lines, rely on the canned tuna trade from American Samoa.

Polynesia Line, for example, usually carries about 500 containers on the return trip from American and Western Samoa and Tahiti, most of them filled with Starkist tuna. South Seas has a contract with the Van Camp tuna cannery in American Samoa and also visits Tahiti.

South Pacific Inter Line, the newest entrant, joined the trade in April 1991 just before the the bankruptcy of American-Niu Guinea Line.

Like Blue Star, it brings lumber and forest products from the Northwest. South Pacific also goes on to New Caledonia, Papua New Guinea and northern Australia. It is the only carrier making direct visits to Papua New Guinea from the West Coast.

South Pacific's 65-day round trip is much slower than the other carriers' monthly service, so the line recently added a sister ship, a 10,000 ton twin-deck vessel that can carry 450 containers.

Fish canning is big business in the South Pacific. Here, workers at the Pacific Fishing Co. process and can tuna for export to Canada. The company is located on the island of Ovalau in Fiji.

"You can't take the islands of the South Pacific and lump them all together. You have to be conscious that these are separate nations with their own pride and their own way of doing things."

Ray Tilley
Blue Star PACE Ltd.

The trade, however, isn't the answer to a shipping maiden's prayers. It isn't about to soak up the overcapacity on the North Atlantic anytime soon. Moreover, Pacific Forum Line provides regular service from Australian and New Zealand, and the islands receive goods indirectly through transshipments.

Small Markets. Tonga, population 29,000, imported \$5.1 million in goods from the United States in 1991. Its \$4.9 million in exports included vanilla, squash and taro root, hardly high-value items over which carrier marketers drool.

French Polynesia, a scattering of islands the size of Western Europe with Tahiti as its commercial center, brought in \$79.8 million of U.S. goods in 1991 and shipped just \$12.5 million.

Fiji shows more promise as an exporter. This group of islands of 715,000 people exported \$38.4 million in goods, mostly clothes from the emerging local textile trade, to the United States, while bringing in \$18.05 million of goods.

Even if the dollar volumes aren't huge, steamship companies provide catch-as-catch-can service at their peril.

Besides American-Niu Guinea Line, the trade claimed Hawaii-Pacific Lines Ltd. as a casualty earlier this year. The company had provided the only direct link between Hawaii and the Samoas and Tonga. Nedlloyd Lines Ltd. pulled out of Tahiti trade about two years ago, and Pacific Island Transport went out of business before that.

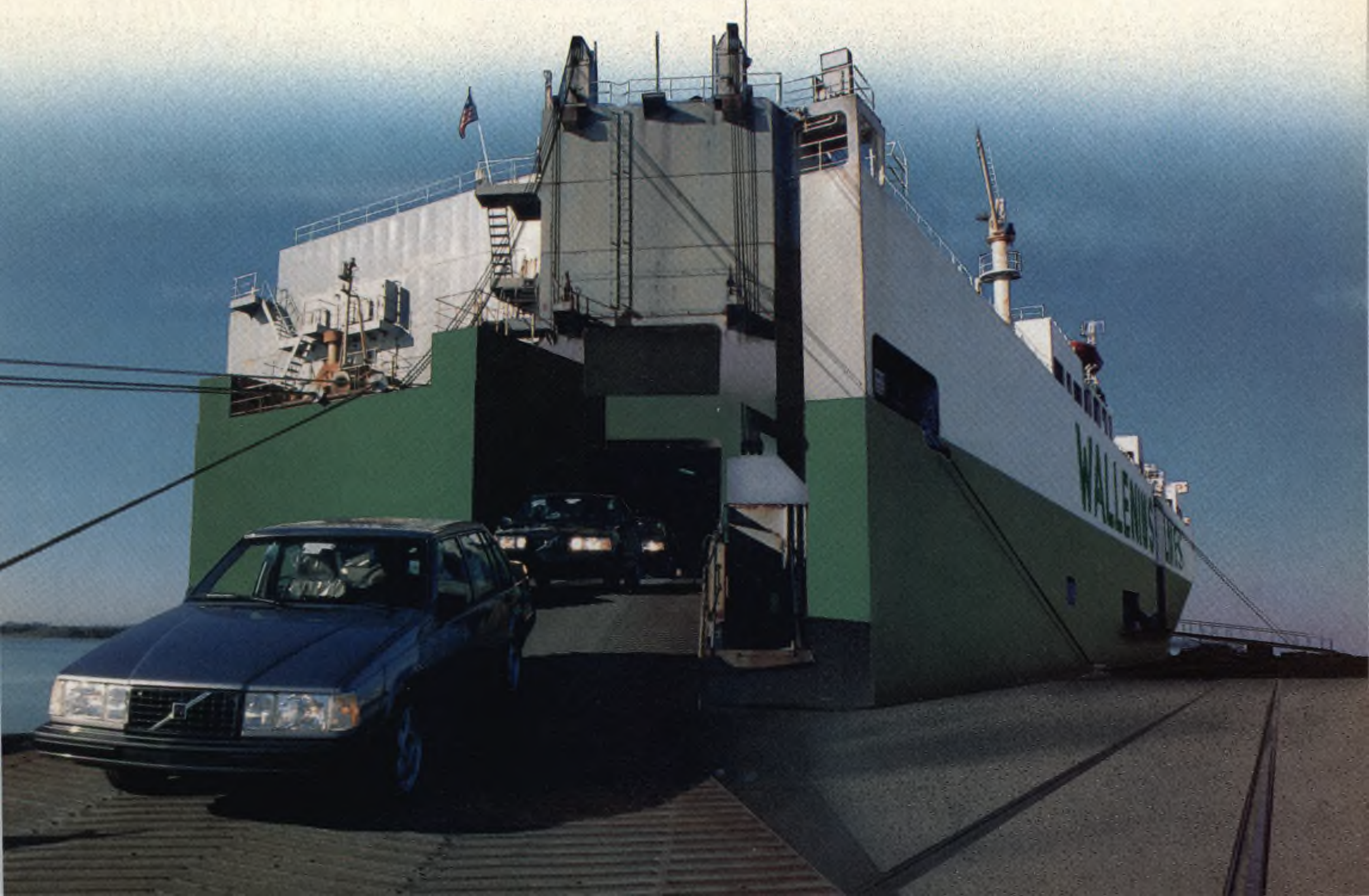
The trade also demands careful attention to local custom and culture. Fiji natives are Melanesian, but the island also has a large Indian population. Natives of Tonga, Samoa, and Tahiti are all Polynesian, yet only Tahiti is part of French Polynesia.

Tonga is a monarchy. Western Samoa, formerly part of New Zealand, is an independent nation, and American Samoa is a U.S. territory. Chiefs still hold sway in Samoan villages.

The differences are as stark as those between the Germanic, Nordic, and Latin populations.

"You can't take the islands of the South Pacific and lump them all together," Tilley said. "You have to be conscious that these are separate nations with their own pride and their own way of doing things."

Despite the special attention the business demands, South Pacific Inter Line finds the market worthwhile. Said Ross Levin, executive vice president of Hanse Shipping Agency Inc., the line's managing agent, "We are not making a hell of a lot of money, but it is steady." ■



WALLENIUS LINES

CONNECTING... MAKES IT WORK.

Everything you need to move your cargo to market is available at the Port of Vancouver.

Four railroads, including two transcontinental carriers, terminating on the docks. An EDI network to reduce paper work and improve transit time. Specialized truck loading facilities. An international air cargo terminal.

We understand the value of an efficient, integrated intermodal system.

Make our connections work for you.

Port of Vancouver
British Columbia

CANADA'S FRONT DOOR
ON THE PACIFIC

For information on rates, services and facilities, contact:

VANCOUVER PORT CORPORATION
1900 - 200 Granville Street
Vancouver, B.C. Canada V6C 2P9
Tel: (604) 666-3226
Fax: (604) 666-3916

Bar-coding Chryslers

Bar code technology reduces the chances of misplacing a vehicle in transit from one per voyage to one every 50.

By Elizabeth Canna

Saturday, Jan. 25, 1992 is a date Ulla Onni won't soon forget.

At 2:00 a.m. falling snow and a biting wind chill sent the temperature on Baltimore's waterfront plummeting to -20° F, and there were plenty of places the freezing director of information systems and technology for Wallenius Lines North America, Inc. would rather have been.

But there was no postponing the event that had brought Onni and her colleagues down from Wallenius' Northern New Jersey headquarters to stand on a Baltimore pier in the middle of the night.

For the first time ever longshoremen loaded an entire shipment of Chrysler motor vehicles onto a vessel, as they were using bar code scanners to place the right cars in the right spot on the right deck.

Onni would have preferred better weather. Before daylight arrived the hand-held scanners were layered with ice, not the best environment for testing sensitive electronic equipment.

But all went well, a good thing for Wallenius, since its contract with Chrysler mandates the use of bar-code technology in addition to electronic data interchange (EDI).

Wallenius isn't the only carrier implementing bar-code scanning of motor vehicles, but it is the first, and so far the only, carrier doing so with an up and running live system designed to meet the service requirements of a shipping contract.

Nearly Mistake-Proof. It's no wonder Chrysler, and its competitors around the world, are embracing bar-code technology and forcing their vendors to do likewise.

With bar coding it's virtually impossible to misplace a vehicle in transit.

Bar coding allows manufacturers and their vendors to eliminate manual entering and tracking of the Vehicle Identification Number, or VIN, that is assigned each motor vehicle as soon as its frame is assembled.

With 17 digits, the VIN leaves lots of room for mistakes. During shipping, motor vehicles are generally tracked using the VIN's last eight digits. But it's not unlikely that a manufacturer would assign the same final eight digits to two vehicles that carry different brands.

For example, a Chrysler LeBaron and the Chrysler Jeep might share the same last eight VIN numbers, but are differentiated by the VIN's first nine digits which denote model name.

There's a big difference between a dockside checker manually recording eight digits for each car loaded, and a scanner reading the full 17 in the wink of an eye.

In the shipment process, vehicles are staged at the pier and then loaded onboard a ship, according to their destination port. The bar-coded VIN makes it much easier to keep strays from ending up where they shouldn't be.

If a Liverpool-bound vehicle is mistakenly stowed amidst a deck full of cars bound for Rotterdam, chances are it will take a lot longer to get to Liverpool than the shipper originally anticipated.

Wallenius estimates that about one vehicle per voyage was likely to go astray before bar coding. Now the error factor has been reduced to one in every 50 sailings.

Moreover, the bar-coded VIN can also be used to trigger the documentation and subsequent payment process that attends any shipment.

Three Beeps, All's Well. Here's how Wallenius and Chrysler are using bar codes in Baltimore:

Sometime before a vessel is ready to load, the Wallenius shore captain asks his personal computer to provide a record of the Chryslers scheduled for loading on that particular voyage.

The shore captain's PC gets that information from Wallenius' central data base in Woodcliff Lake, N.J.

Once the portside PC has all the details, the shore captain proceeds to download that information to each of five hand-held bar-code scanners that will be used during the loading process. Hence, the shore captain's PC serves as a link between the scanners and Wallenius' mainframe.

Next, the shore captain brings all five scanners to the quay. Two of the scanners are used by checkers at the foot of each of the ship's two loading ramps, two are used by checkers inside the vessel, and the fifth is a spare, just in case.

As a motor vehicle approaches a ramp for loading, the checker scans its bar code to make sure it is valid for that particular voyage, and for that particular sequence in the loading process.

Scanning is easy with the pistol-like device which operates similar to the hand-held scanners used at many department store check-out counters.

When the checker pulls the trigger he hears either a long single beep, which tells him something isn't right, or three short beeps, a confirmation that all is well.

If a bar code doesn't scan, the checker has the option of hand-keying in the VIN, using the scanner's tiny keyboard that looks a little like a telephone handset.

The scanner's screen, which measures about two inches by three inches, provides instructions or status updates on individual vehicles, for example, "DO NOT LOAD!"

A second scan is made inside the ship after the vehicle is lashed in place, thereby capturing the exact stowage position.

When the vessel is fully loaded, the process begins in reverse. The scanners are brought back to the shore captain's office for downloading to his PC. Then the shore captain's PC transmits the same data to the Wallenius central file at headquarters.

From that point, various reports and documentation can be generated.

Also linked into the communication chain is the processing center at the port where vehicles are prepared for export or import. In Baltimore, vehicles are processed at Hobelman Port Services before being placed in the marshaling yard. Steps performed by Hobelman are precisely recorded using bar codes.

"The unique thing about Chrysler is that they pay by VIN, not by bill of lading. So when we get a transaction from Chrysler showing a hundred VINs, that voucher could apply to one bill of lading, two bills of lading, or one and one-half bills of lading."

Ulla Onni
Wallenius Lines

ILA Cooperation Essential. Since that cold January night, Wallenius has been scanning bar codes in Baltimore as a matter of course. But it would have been next to impossible to get the operation up and running without the cooperation of the International Longshoremen's Association, the labor union with jurisdiction over most U.S. Atlantic and Gulf ports.

According to Onni, the ILA was great.

Instead of viewing the scanners as a threat to their livelihood (as has happened in the past with dockside technological innovations), the longshoremen embraced the new technology, and even provided some valuable hands-on feedback during the testing phase which led to a few changes.

"They were part of the design process," Onni said.

Part of Wallenius' success in working hand-in-hand with the ILA on bar coding comes from the fact that Wallenius allows the ILA workers access to the data for quick decision-making, rather than trying to micromanage the loading or each vehicle, observers say.

Then, too, there was a sense of teamwork.

"I think they really liked it that we were out there with them on that Saturday night," Onni observed.

Training consisted of two sessions, which did not go by competely free of glitches.

"They had quite a few laughs on us," Onni recalled.

There has been some talk of drivers trying to speed past the scanners on their way up the ramps, and of mischievous dockworkers scanning items other than motor vehicles, for example cigarette packs.

As far as Wallenius is concerned, the ILA gets high marks.

Beyond Baltimore, Beyond Chrysler. The bar-code scanning Wallenius is performing for Chrysler at Baltimore is only the beginning.

Vehicle manufacturers in the U.S., Europe and Japan have agreed on voluntary guidelines which call for the assignment of bar codes to all vehicles by the 1994 model year.

Once all the bar codes are in place, Wallenius expects all manufacturers will require vendors to use the technology just as Chrysler is doing now.

Along the way improvements will happen.

For example, those working with automobile bar coding have found that most of the available scanners have some difficulty reading bar codes that are etched on a metal plate affixed to the dashboard, where the current alpha-numeric VIN now sits. Much more easily-scanned are the paper bar codes that are attached to the windshield, the type Wallenius is scanning for Chrysler.

Hardware is also improving. Wallenius started its project using a two-piece scanner with a belt-hung keyboard that was separate from the hand-held scanning gun. This proved awkward, especially in a tightly packed ship where it tended to catch on side mirrors and other protrusions.

The all-in-one handset being used by Wallenius is another interim step. It was never designed to withstand the weather conditions Onni and her team encountered in January when the ILA workers had to take special precautions to protect the scanners from the elements.

"They were hugging them," Onni recalled.

Part Of A Greater Whole. The bar code project is part of a much broader effort called Wallenius Auto Vehicle Expediting System, or WAVES, being spearheaded by Onni.

WAVES involves applying EDI technology to the complete transport process, from factory to ultimate delivery.

WAVES is the umbrella under which Wallenius will implement the next steps in the Chrysler bar-coding project, namely, generation of export documentation for Chrysler and the production of electronic payment vouchers by Chrysler for Wallenius.

The payment voucher will identify a check number, but the check will still come in the mail.

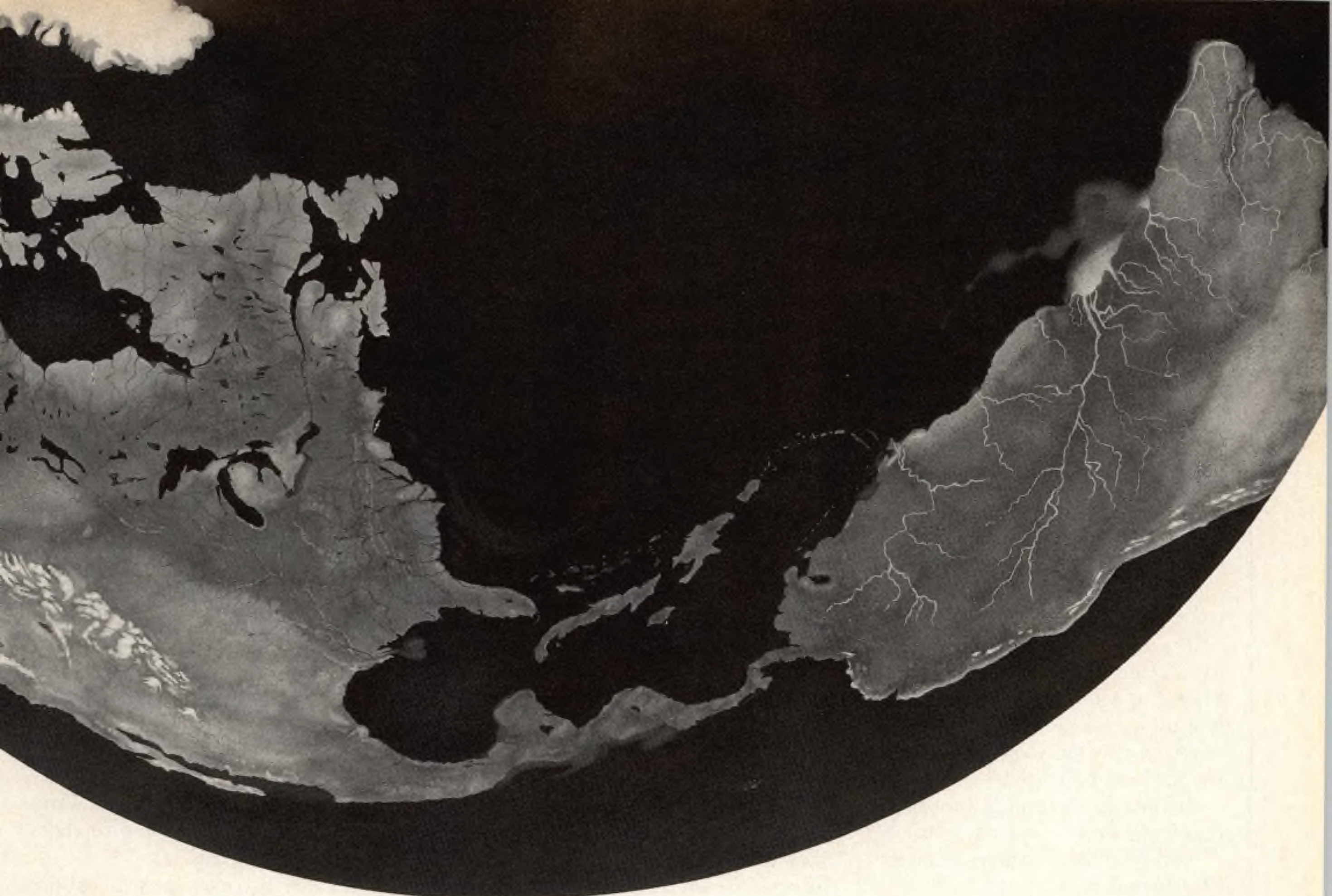
One of the challenges with Chrysler is to reconcile the automaker's record-keeping with the bill-of-lading method used by Wallenius and most other carriers.

"The unique thing about Chrysler is that

More than a scanner

The bar code scanner being used by Wallenius in Baltimore is actually more than a scanner, it's a tiny computer with its own keyboard and memory. The device is manufactured by Symbol Technologies Inc. of Bohemia, N.Y., and was introduced to Wallenius by hardware supplier R.E.B. of Mt. Ephram, N.J. Software for the Wallenius bar code project was written by SIVA Corp. of Moorestown, N.J.

R.E.B. is working with Symbol to adapt the scanner, actually called a laser data terminal, to comply with several specific needs Wallenius has — namely, low temperature endurance, water resistance, and the ability to dashboard-etched bar codes through windshield glass.



they pay by VIN, not by bill of lading. So when we get a transaction from Chrysler showing a hundred VINs, that voucher could apply to one bill of lading, two bills of lading, or one and one-half bills of lading," Onni said. "It was very much a challenge," she added.

Using WAVES Wallenius is also "doing EDI" with Toyota Motor Company and with General Motors. By early fall BMW is requiring EDI compliance and Onni says she'll be ready.

One Busy Lady. A former Sea-Land employee (like her boss Raymond P. Ebeling, president of Wallenius Lines North America), Onni has only been at her post for a year.

During that time, while she has worked towards bringing Wallenius into compliance with the EDI requirements of its customers, Onni has also directed the development of an internal communications system. At the moment she has 18 major projects pending.

One achievement which gives Onni special pride is a sophisticated management reporting system based on the ultra-friendly "Windows" software. Ebeling and other senior executives can pull revenue versus budget reports off their PCs (yes, there are shipping executives who keep PCs in their offices) with only a stroke or two.

The information contained in the reports is no more than 24 hours old, and can be organized by time period, by voyage, or by customer.

Another project on Onni's list of 18 is interface with the Federal Maritime Commission's Automated Tariff Filing and Information System, which in Onni's estimation isn't the big deal some are making it out to be.

From pen and paper to EDI in three years

"When I got here we had no computer system at all," recalled Raymond P. Ebeling, president of Wallenius Lines North America, Inc.

It as less than three years ago that Ebeling moved from Sea-Land Service to head up the North American operations of the Swedish Wallenius Lines. At the time not even corporate accounting had been automated.

But there are advantages to starting everything from scratch all at once.

"We didn't have mistakes to correct," Ebeling pointed out.

In addition, individual projects can be developed with an integrated whole in mind, he said.

The pace has been hectic, especially since during half of his tenure at Wallenius Ebeling also served on the presidential commission reviewing the Shipping Act of 1984.

Wallenius would have moved along the same course without being forced there by shippers. It simply would have done so at its own pace.

"The timing is driven by the customers, and it's good that they press us that way," Ebeling said.

As for the cost, it's a lot to swallow, but Ebeling doesn't see any other choice.

"This kind of thing is very expensive until you consider the alternative. In the long run, that's what you have to do.," he said.

Besides getting his own desk-top PC, Ebeling has seen a few other changes since his arrival at Wallenius, including a tripling of export revenues.

The export boom has come partly because of a more favorable currency exchange, and partly because of a new market strategy.

"We developed our market, and got into cargo other than just cars and that was a major boost," Ebeling said.

Wallenius has also built up the largest boat-carrying market between the U.S. and Europe, he added.

The third element contributing to Wallenius' export boost is the transplants, foreign automakers that have established assembly plants in the United States and are exporting from those plants.

Also very helpful to Wallenius' bottom line for North America is its U.S.-flag service, American Auto Carriers, operated in cooperation with its fellow-Scandinavian car carrier, Norwegian Specialized Auto Carriers (NOSAC). AAC operates two ships, *Faust* and *Ranger,* carrying U.S. military cargo across the Atlantic.

Time was when that trade was mostly easterly, but with gradual troop withdrawal it has become heavier westbound.

Ebeling isn't too worried that the cargo will dwindle because of planned cutbacks in overall deployment.

"It will eventually reach a lower level than it's at now, but there will always be something," he said.

Vehicle Processing Facility. Wallenius has also decided it's time to get into logistics. This fall it will open a 50,000 square foot vehicle processing center at Port Hueneme, Calif.

By starting slowly with vehicle processing, Ebeling figures the next logical step would be full service logistics.

Ebeling says Wallenius sees a growing market for logistics services, especially for European manufacturers who have shut down their own proprietary operations as their markets softened with the recession.

The new center already has four contracts lined up and there are another five in negotiation, of which he's certain at least two will come through.

"It's nothing unique, but it's what's happening in the industry," he said.

MSAS, British Airways join in bar-coding

British Airways Cargo has begun working with freight forwarders to use bar-codes to track cargo shipments.

MSAS, the big international logistics company, has begun producing bar-code labels that are attached to the shipments and read with a laser gun at the carrier's depots.

British Airways has introduced the bar-coding at Los Angeles and London's Heathrow airport, and plans to add it at New York and at the U.K. airports of Manchester, Gatwick and Birmingham before extending the system worldwide.

Sean Maguire, coordinator of the project at MSAS, said the bar-codes will provide forwarders and shippers with more accuracy, efficiency and security during freight handling.

"It has always been the freight forwarder's gripe that they don't know precisely where cargo is while the carrier has it," said Leigh Stone, MSAS systems manager in the U.K. "The idea behind the bar-coding is to log the freight they've received at any location and time."

The result, he said, is "total electronic tracking of shipments, improved flown-as-booked performance and less 'unable to locate' import shipments."

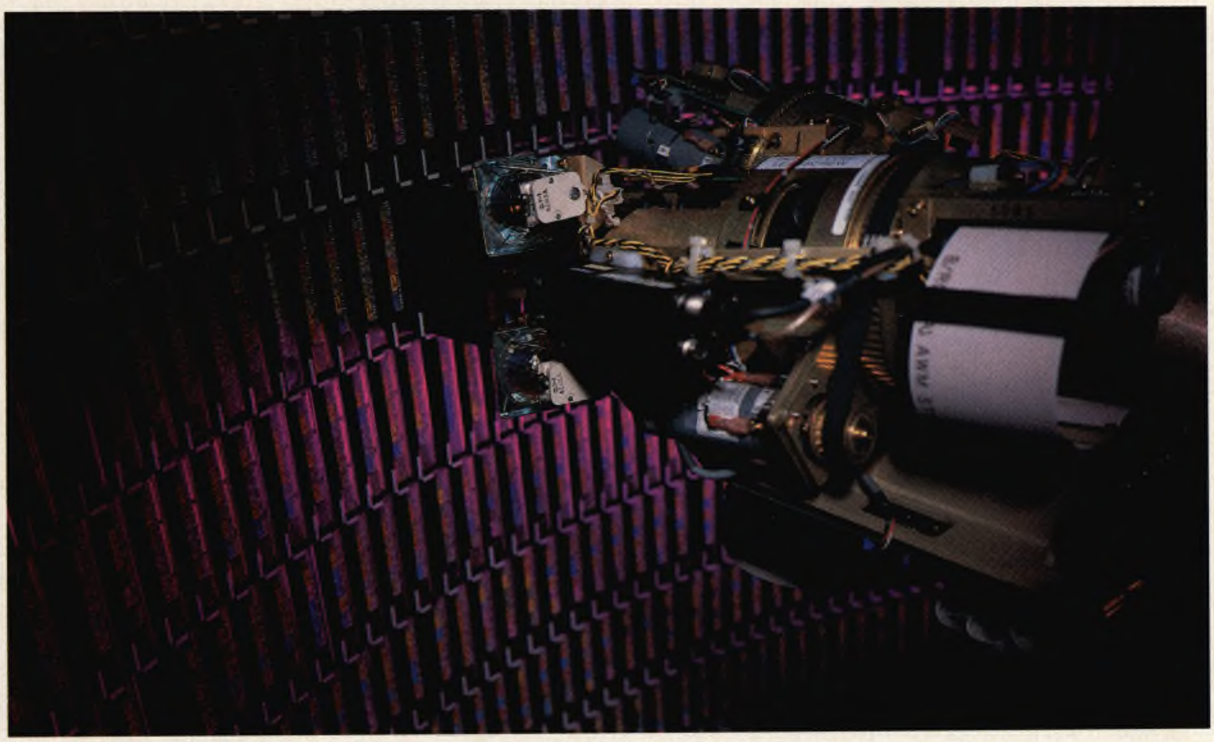
MSAS has invested in computer printers to produce bar-coded waybill labels for every shipment it sends on British Airways.

British Airways, meanwhile, has invested £1.25 million in 110 radio data terminals to support the bar-coding effort.

Peter White, managing director of British Airways Cargo, said he expects other airlines to adopt similar technology.

We handle 6,000,000 containers this year.

We put them all in here.



Imagine taking the millions of containers that pass through Singapore each year, and making sure that each goes to its destination in the shortest time possible.

At PSA, we've revolutionized container management by using expert systems to plan and execute every move in the port. Systems like PORTNET which facilitate easier document processing and provide instant updates on your containers.

And also the latest intelligent and automated equipment to turnround your containers fast. Because at PSA, we're ready to move your containers out.

Even before they move in.

PSA
PORT OF SINGAPORE AUTHORITY

SINGAPORE. THE GLOBAL PORT

Globe Trotter


102
For global trading partners, The Thoroughbred is an international symbol of efficiency.
It represents America's most efficient railroad system. Container shippers rely on Norfolk Southern to provide a fast, dependable link between U.S. ports and markets from New Orleans to Montreal, Chicago to Norfolk, Kansas City to New York. Coordinated interchanges with other railroads and motor carriers move smoothly, quickly.
For worldclass service—including the first double-stack access to Canada's largest markets—just call any Norfolk Southern sales office.
© 1992 Norfolk Southern Corporation. Three Commercial Place, Norfolk, VA 23510-2191.
NS
NORFOLK SOUTHERN
The Thoroughbred of Transportation.

A 2-D bar code, actual size, containing Lincoln's Gettysburg Address.

Bills of lading in bar code

Before Christmas, you may see complete bill of lading data packed into bar codes the size of a postage stamp.

By Joseph Bonney

The ubiquitous bar code has become an everyday part of life, not just at the supermarket or department store but in transportation and distribution.

The technology is advancing rapidly, and significant new applications are being tested this summer.

When Dick Grogan tells a shipping audience about the latest advances, he still encounters expressions of amazement.

"Wow! You mean you can do that?" Grogan said that was the reaction he got at a recent shipping conference at which he discussed Symbol Technologies Inc.'s new two-dimensional bar codes (first announced in 1991), which can store hundreds of words of information.

Grogan, senior marketing manager-transportation of Bohemia, N.Y.-based Symbol, says the 2-D bar codes could revolutionize the way shippers, carriers and middlemen do business.

If you've noticed the Federal Express or United Parcel Service delivery drivers who come to your office, you may think the revolution is here already. For years, small-package carriers such as FedEx and UPS have used bar-code systems to track their shipments. And in warehouses, bar codes are as common as forklifts.

Those bar codes, like the ones on the cereal box at the supermarket, work fine for identifying an item and its location. But because an ordinary bar code can hold only 20 or 30 characters per inch, it can't do much more than that.

Two-Dimensional. The real revolution in bar-code technology may come with the introduction of a new generation of 2-D bar codes that allow hundreds of words of information to be crammed onto a sticker the size of a large postage stamp.

They're not available yet, but Symbol, the world's largest manufacturer of scanning equipment, has developed such a system and plans in September to introduce scanners that can read the 2-D codes as fast as ordinary bar codes.

Symbol's 2-D bar code, which goes by the name PDF 417, was developed in 1989. It is being tested this summer by a trucking company and a major department store.

The tests include the use of bar-codes on bill-of-lading documents that accompany the cargo. When a computer prints out a bill of lading, it encodes the information in a 2-D bar-code on the document so it can be scanned.

From that point on, the 2-D bar code can be used to generate complete shipping documents, invoices, and records without further key strokes.

Or, if required, if can update records and print a revised bar code with the new data imbedded.

One of the primary uses at first will be to speed the handling of paper, and to speed data entry into EDI systems.

Portable Data File. PDF is the acronym for portable data file, which provides an idea of how the technology works.

The ordinary linear bar codes familiar to every supermarket shopper have rows of bars in varying widths that are read horizontally by a scanner. Their storage capacity is limited. They typically display a label, which is scanned into a central computer that uses the information.

With their much greater capacity, the 2-D bar codes can function not merely as labels but as the equivalent of a floppy disk pasted onto a box or piece of cargo. The information is on the cargo, available for immediate retrieval on a portable computer using a scanner held within 7 to 8 inches.

"It allows you to do more than just capture data," Grogan said. "You can read it on a real-time basis." Having the detailed information at hand makes it possible for a problem with missing or misdirected cargo to be fixed when there's still time to fix it.

Two-dimensional bar codes were first introduced in the late 1980s. The first versions, Intermec Corp.'s Code 49 and Laserlight System Inc.'s Code 16K, could store more than twice the information of an ordinary linear bar code.

Those designs, however, essentially were stacked versions of existing bar codes and don't have the capacity of PDF 417, which Symbol officials say is based on technology similar to that used in the magnetic stripes on the back of credit cards.

Codes 49 and 16K can store only about

Global ID system

Three organizations cooperate. Goal is integration of product identification systems of worldwide.

As different industries have developed their own bar code and EDI systems, communications problems have developed. For the technology to continue to develop, the systems require common standards.

With that in mind, three organizations involved in developing product-identification technologies and in setting standards for their use have launched a cooperative effort to develop worldwide standards.

The organizations are:

- The Uniform Code Council (UCC), which administers U.S. and Canadian use of major product-identification and EDI programs from Dayton, Ohio.
- The International Article Numbering Association (E.A.N. International), which administers similar programs in 58 nations from its headquarters in Brussels.
- The Automatic Identification Manufacturers Inc. (AIM USA), based in Pittsburgh, which represents developers and suppliers of product-identification and data-collection equipment and technologies.

Open System. The goal is to create an "open system" that allows manufacturers and customers in a wide range of industries worldwide to share information through bar-code scanning, EDI and communications technology.

Single industry standards create confusion when products are produced for distribution to numerous industries and countries.

"By working together, we want to create an open-system environment in which it is easy for any company to utilize product marking and EDI technology ... no matter where they sell their products," said David Jenkins, chairman of the UCC and of Shaw's Supermarkets Inc. of East Bridgewater, Mass.

Jenkins said the joint initiative would involve education, communication and technical cooperation on system architecture and integration, EDI, and standards for bar-code symbologies and applications.

The organizations also will promote quality issues that they say are necessary for global expansion of product-identification and EDI technologies.

Technology In Place. Ivan Jeanblanc, president of AIM USA and, said the technology and product development necessary to support such a worldwide initiative is in place. Jeanblanc is vice president and general manager of California-based IBI, a division of DH Technology.

He said technology vendors want to develop hardware and software that will get manufacturers, distributors and retailers to use the same bar-coding and EDI language.

Jeanblanc said the cooperative program "will make these technologies accessible to large numbers of businesses who should but can't currently use them."

Roland Fahlin, president of E.A.N. Interantional and ICA Handlarnas AB of Sweden, said the cooperative effort will be in line with the use of UCC and E.A.N. International standard product codes that tie together retail distribution channels.

About 170,000 companies are affiliated with E.A.N. International through national numbering organizations.

"The AIM/E.A.N. International/UCC program will support the integration of product identification systems of entire industries, worldwide," Fahlin said. "Successful implementation will support productive, cost-effective distribution."

150 characters, while PDF 417 can store 1,800. This can be expanded by linking one bar code to another. PDF 417 also has an error-correction feature that allows a code to be read even if part of it is torn off or otherwise damaged.

Scanning. Another feature of the new technology is in the scanning. Ordinary one-dimensional codes are designed to be read by a scanner that goes from one side to the other.

They required a steady hand on the scanner, which had to be swept back and forth across the bar code in the same manner a painter would use a paint brush.

By contrast, PDF 417 contains information designed to be simultaneously read vertically and horizontally.

PDF417 has been submitted to the Automatic Identification Manufacturers' standards committee.

Virtually Anything. Although the 2-D codes weren't designed primarily for transportation users, the possible applications for shipping are almost unlimited.

The 2-D bar codes can be used in conjunction with electronic data interchange, which many shippers and carriers use to speed the flow of cargo documentation.

For example, a shipper in Hong Kong could print a bar code with bill-of-lading information, customs data, cargo-handling instructions, or virtually anything else.

That information would be transmitted by EDI to the destination point, as many companies do now. Meanwhile, however, the bar-coded data would stay with the cargo.

"You can match the physical transportation of the merchandise with the EDI stream," Grogan said.

Symbol officials say the possibilities for shipping are so varied that they keep coming across some that they hadn't even thought about.

Hazardous cargo handlers are interested, Grogan said. "Say you have some drums of hazardous cargo on the dock, away from the computer, with no paperwork," he said. "How do you handle it?"

Bills of lading could be built into the bar code and scanned while the cargo is in transit. So could customs-entry data.

Handling instructions could be encoded on the 2-D bar code, and a dockworker could use a portable computer to read the instructions.

Bills of lading could be built into the bar code and scanned while the cargo is in transit. So could customs-entry data, or anything that now is printed on paper documents.

Maintenance is another possible application. A container's maintenance and inspection record, for example, could be put into a bar code for retrieval by whomever needs to see it. An updated symbol reflecting completion of the work could be printed out for less than half a cent and attached to the container.

Security. What about security? With the information pasted right on the container or cargo, what's to stop a thief from using his own scanner to identity the contents of a box?

The 2-D bar codes can be designed to be read only by persons with the proper decryption codes. And if someone along the chain needs to read only part of the code, his or her access can be restricted to that part.

PDF 417 has 10,480 different possible "words," each of which is made up of 17 bar-code modules (which are black or white spaces on the code). In a particular application, up to 929 words are chosen. Each of those words, however, has 15 different modes. Each row of the bar code is in a different coding language.

A particular bar code is designed with an encryption scheme that allows a properly programmed computer to tell the scanner which mode or level of meaning a series of words is in, and when the bar-code symbol is switching from one coding language to another.

The equipment can work in 15 modes, one of which could even be used to include Kanji characters for Japanese users.

All of this provides an almost infinite variety of codes, which could prove especially useful in international shipping.

For example, a bar-code encryption could be designed to convert an English-language document into French. Grogan says that's "kind of blue sky" but is possible.

Although customs brokers and freight forwarders could appreciate bar coding's potential for smoothing the handling of customs documents and eliminating paper documents, even promoters of 2-D bar coding say that's years away.

"Bureaucrats like hard copies," Grogan said. "It's not going to happen overnight." But he said competition will bring these changes about.

Computer chip in a can

They can hold more data than 2-D bar codes, and are durable enough to be put on anything from containers to cows.

By Joseph Bonney

While bar-coding technology continues to grow, one automatic-identification manufacturer is taking a different approach.

Dallas Semiconductor has introduced a system that relies on tiny memory chips encased in stainless-steel "buttons" about the size of your thumbnail. The technology is being tested by a handful of companies, including United Parcel Service.

'We say it complements bar coding, but it takes it to the next generation," said Tom Kutas, marketing director of Dallas Semiconductor.

Kutas said the button has features that bar-coding cannot match — for example, the capacity to store much greater amounts of information and to be reprogrammed without replacement.

"It holds 100 times more information, and can make a million changes to it," Kutas said.

The computer-chip button looks like the small silver battery that powers a 35-millimeter camera. The enclosed chip can hold a maximum of more than 4K bytes of memory.

The chip is encoded with information and the button attached to an object — a container, a pallet, a truck — by magnetic tape or a flange secured by rivet or screw.

The button is "read" with a touch probe or a radio-frequency signal that can pick up the information at a distance of up to 1.5 meters — for example, on a truck driving past a checkpoint.

By combining technologies using low-frequency, magnetic-field transmitters and UHF radio recievers, tags can be read at a distance of up to 15 meters.

The transfer of data can be two-way. Information not only can be read but can be loaded onto the chip at any step. The reprogramming can be done while the chip is attached. That allows the computer to keep a paperless record of who handled the cargo, what was done, and when.

Dallas Semiconductor introduced the button last year. Several companies have developed inexpensive wands for reading the button.

A typical reader sells for a few hundred dollars. One model, TouchProbe, by Corvallis, Ore.-based Videx, contains 128K of internal memory, weighs less than six ounces and sells for $395.

The buttons cost from $1.54 to $7, depending on the information capacity.

In addition to greater memory and the ability to be reprogrammed, the buttons have an edge over bar codes in durability and performance under adverse conditions, Kutas said.

Especially in transportation, conditions aren't always optimal. With bar codes, "the slime and grime and fading in the sun can lead to erroneous readings," Kutas said.

The possible uses of the technology are virtually unlimited, Kutas said. Initially, Dallas Semiconductor is focusing on four sectors: Transportation, waste management, security access control, and medical data collection.

The buttons can be attached to almost anything, Kutas said. One possible use, he said, is for tagging cattle by attaching the canned microchips to the animals' ears. ■

Apple's new supply chain

Computer firm consolidates U.S. distribution hubs and outsources domestic logistics to Skyway.

By Richard Knee

Step by step, Apple Computer is restructuring its supply chain with an eye to simplifying its logistics network and improving traffic information management.

The project has begun taking shape in the form of a major revamping on the domestic side.

Apple is consolidating its U.S. distribution operations to hubs in Sacramento, Calif., and Chicago, and has brought in Skyway Freight Systems, Inc., to assist with both logistics and data management on the domestic outbound side.

Skyway is based in Watsonville, Calif.

In addition, Apple and Skyway are in preliminary discussions regarding a logistics alliance for moving components to Apple's domestic manufacturing facilities in Fountain, Colo., and Fremont, Calif., senior transportation analyst David M. Foster told *American Shipper*.

Apple also has manufacturing plants in Singapore and in Cork, Ireland, Foster said.

Eventually, company transportation and logistics officials want to look at the international side of the equation as well, particularly with respect to modal planning, senior transportation analyst Jerri S. Stroup said.

A third senior transportation analyst, Lisa A. Weinzler, also participated in the discussion, which took place at their office in Campbell, Calif., a stone's throw from corporate headquarters in Cupertino.

Consolidation. Stroup, Foster and Weinzler are part of a team that began last October to look at whether there were ways in which Apple could improve its logistics operations.

At the time, Foster said, the company was using between 50 and 65 carriers to move finished goods — 70 million to 90 million pounds annually — to customers from distribution centers in Boston; Charlotte, N.C.; Chicago; and Sunnyvale, Calif., and to take components to those locations from a replenishment facility in Santa Clara, Calif.

The team looked specifically at whether Apple could consolidate its domestic distribution network, cut down on the number of carriers it employed and still meet customers' delivery requirements — which normally means within 48 hours of order placement, Foster said.

The determination was to "try to single-source" logistics and to streamline distribution to the Sacramento and Chicago hubs, he said.

They plan to have the consolidation completed by Sept. 30, the end of Apple's fiscal year, he said.

The Sacramento facility will serve the 11 western-most states of the contiguous 48, plus Alaska and Hawaii, and the Chicago site will serve the other 37 states.

Logistics Partnership. Under the alliance, Skyway has personnel working on Apple's docks, Stroup said.

In effect, remarked Foster, Apple has converted its own docks "into one of (Skyway's) systems."

Apple employees continue to perform pick-and-ship operations, Stroup said.

The two have also set up an electronic data information system, with an 800 phone number, so Apple and Skyway personnel can receive and respond to customer questions on order status, she said.

While Skyway moves all finished goods in the arrangement, Foster added, Apple still employs Federal Express for expedited-overnight deliveries and United Parcel Service for some small-package shipments.

Educational Process. Forging the partnership was an educational process for all parties that participated, according to officials with both Apple and Skyway.

Not only did Apple conduct exhaustive research on the capabilities and soundness of six logistics providers, noted Stroup, but the carriers made every effort to gain a thorough understanding of Apple's business and its service requirements.

> ***Much of what Apple brings in from the Far East moves on conference-member shipping lines, "but we're seeing more and more freight move by air."***
>
> **Lisa A. Weinzler**
> *Apple Computer*

Apple told the companies what commodities and what products it shipped the prior year and where the products went, and discussed as well the kinds of changes it was considering for its logistics network, she said.

"Pricing isn't the main driver. We want a long-term logistics partner, with capabilities beyond just price," she said.

In fact, said Foster, "we did not pick the lowest-cost solution."

While all the prospective partners had their strong points, Skyway's data-accessing system was one thing that tipped the scales, according to Foster.

Skyway's system, dubbed Skynet, enables Apple and its customers to obtain airborne or truckborne shipment-status information in any of five ways, including keying in an Apple order number, customer purchase order number or air waybill number, he said.

The carrier-selection process also caused Apple's transportation personnel "to see ourselves more as a logistics supply chain," Stroup remarked. "We have to understand the inbound and outbound, not just deal with carriers."

One other result of the bidding process is that the carriers Skyway beat out this time around will be familiar enough with Apple's operations and service needs to submit attractive offers in the future, Foster noted.

The selection process was a team effort, involving personnel not only from domestic transportation and logistics but also Apple's worldwide logistics unit and people at the four existent distribution centers.

Once the carriers submitted their proposals, Weinzler said, the worldwide logistics unit set up a matrix to rate how well each one measured up to Apple's criteria.

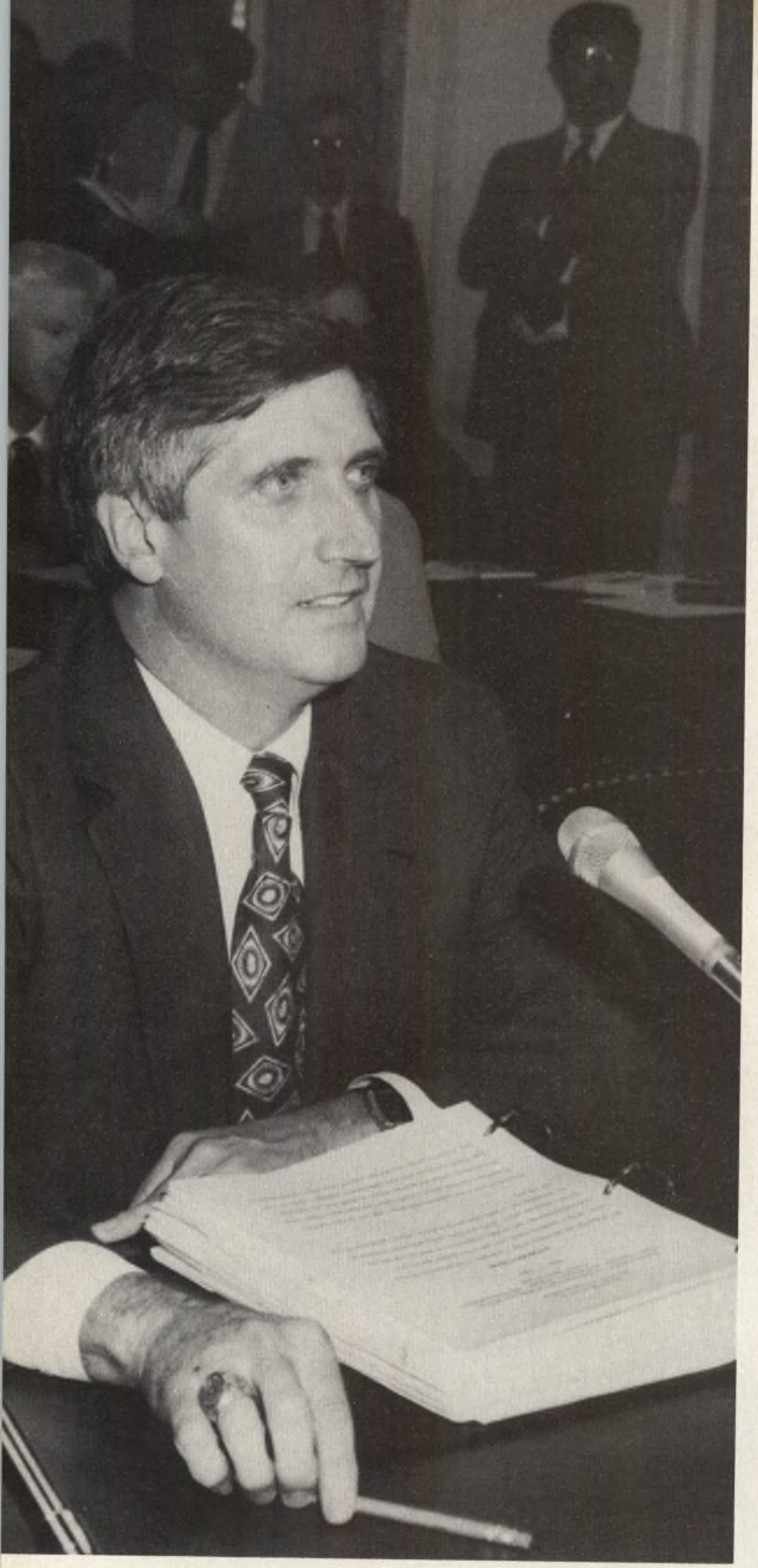
Everyone on the domestic transportation and logistics side, including those at the distribution centers, rated the carriers and the one with the highest aggregate score — Skyway — got the business, she said.

International Logistics. Eventually, Apple wants to take a long look at its international logistics, Stroup said.

Whether that, too, would result in logistics outsourcing remains to be seen, she said.

The company needs to pay particular attention to the modal aspect, she said.

Much of what Apple brings in from the Far East moves on vessels belonging to conference-member shipping lines, she said, "but we're seeing more and more freight move by air." ■



(Reni Newsphotos)

Secretary of Transportation Andrew Card presents details of the administration's proposed maritime reforms in testimony before the Senate Merchant Marine Subcommittee.

Goodbye, ODS; Hello, CRP?

Administration maritime plan would overhaul subsidies. Reaction is generally favorable, except among shipbuilders.

If the Bush Administration's maritime-reform package wins congressional approval, it will produce the biggest change in U.S. ship subsidy programs since the Merchant Marine Act of 1936.

The 1936 act produced the operating-differential subsidy program, which helps offset the difference between U.S. and foreign carriers' crew costs.

The administration program, unveiled by Transportation Secretary Andrew E. Card, would replace ODS with a flat-fee scheme. Subsidies no longer would be based on wage differentials.

At first, subsidies would be $2.5 million per ship for up to 74 ships. After two years, the payments would be phased down to $1.6 million in the program's seventh and final year.

Card said that by capping subsidies, the proposal would force labor and management "to find productivity enhancement in the collective bargaining process" — in other words, to quit agreeing to expensive contracts and expecting the government to cover them.

"This program is not to be viewed as a gold pot that is out there for everyone to take a dip in," Card said. "This is a responsible package. The reforms carry efficiency inducements."

(Reni Newsphotos)

John Snow, chairman of CSX Corp. (left) and John Lillie, chairman of American President Cos., testify before the Senate Merchant Marine Subcommittee. Both back the adminstration's proposed reforms.

The overhaul of operating subsidies was the centerpiece of the administration's 17-point program, but it wasn't the only important element.

Other points would make subsidy and Capital Construction Fund programs more flexible; continue Title XI ship-mortgage guarantees; allow foreign-built ships to carry government preference cargoes immediately after conversion to U.S. flag; relax restrictions on foreign ownership of U.S.-flag ships, and eliminate a 50 percent duty that U.S. carriers must pay on foreign repairs.

Reaction. The administration plan was the result of more than two months of governmental meetings led by Card. The plan embraced several recommendations of the two largest U.S.-flag containership operators, Sea-Land Service and American President Lines. Sea-Land and APL have threatened to switch to foreign flags unless the government provides incentives for them to stay under the U.S. flag.

Not surprisingly, both Sea-Land and APL applauded the administration proposals. The plan also was endorsed by seagoing unions, which are anxious to find a way to continue some kind of subsidy for U.S.-flag operators after the remaining ODS contracts expire in the mid- and late 1990s.

Card said he expects a "healthy debate" but he doesn't expect it to cause any major changes in the policy.

Not everyone, however, was thrilled with the plan.

Large shippers had hoped the administration would propose that the 1984 Shipping Act be amended to allow confidential shipper-carrier service contracts. And U.S. shipbuilders complained that the package was tailored too much to carrier needs and offered little to encourage construction in U.S. shipyards.

Bulk carriers, meanwhile, had hoped the Administration would restore tax deferrals that the 1986 Tax Reform Act eliminated for U.S.-owned, foreign-flag ships. Sen. John Breaux, D-La., chairman of the Senate Merchant Marine Subcommittee, agreed that the 1986 tax change "was a major mistake that needs to be corrected.

But while everyone wasn't completely satisfied with every part of the plan, criticism has been muted and overall support for the program appears strong.

Ready To Move. Breaux, whose subcommittee will consider the program when it is put into legislation, described the package as "a comprehensive effort worth considering."

"This program gives us something to work with. There is substance here and that's very good," Breaux said. He called the administration package "the first substantive proposal we've ever seen."

Breaux and Christopher Koch, chairman of the Federal Maritime Commission, credited Card with overcoming strong opposition — from the Agriculture, Defense and Justice departments, among others — to win administration endorsement of the package.

"He faced an uphill battle and won," Breaux said. "Andy Card did it," Koch said.

Card won a cabinet-level battle over the package by going directly to President Bush and convincing him to sign off on the package. He said the administration sees a need to maintain vessels and seafarers for military sealift requirements, and to maintain "an American presence in international commerce."

Card, who has has discussed the proposals with labor and management, said he is optimistic about the program's chances of enactment. He said legislation will be presented to Congress "sooner than later."

Meanwhile, he said, "it is important to send a signal to the maritime industry to let them know what the playing field will be like in the next seven years."

Card said he expects a "healthy debate" during the next few months, but that he doesn't expect it to cause any major changes in the policy.

Money For U.S. Flags. The new subsidy arrangement would be known as a Contingency Retainer Program (CRP).

At $2.5 million a ship for 74 ships, it would cost $185 million the first year. In fiscal 1991 the Maritime Administration paid out $217.5 million in payments under ODS, which covers 53 ships.

To receive subsidies under CRP, ships would have to be declared militarily useful and operators would have to agree to provide sealift in the event of national emergencies. The ships also would have to be crewed by U.S. citizens.

Operators who join the new program would be required to surrender their ODS contracts, the last of which are schedule to expire in 1997 anyway.

"There will be no double-dipping," Card said. "They can't be in both programs."

Operating Flexibility. U.S.-flag liner operators who sign up for CRP would receive several long-sought benefits, including the right to operate anywhere in the world in conjunction with foreign-flag feeder vessels.

ODS ties subsidies to service on "essential trade routes" to and from the U.S. For years, U.S. carriers have complained that while this system may have worked in 1936, it doesn't fit today's transportation environment.

"Operators will be free to compete efficiently and flexibly for international cargoes," Card said. "They will be able to go anywhere."

The administration initiative also would allow subsidized operators to build vessels in foreign shipyards and to acquire them from foreign sources.

Shipbuilders. In an effort to sweeten that pill for shipbuilders, the administration said it would continue to push for elimination of foreign governments' subsidies of their shipbuilders.

(Reni Newsphotos)

Federal Maritime Commission chairman Christopher Koch (left center), who participated in the debate leading up to the maritime package, converses with FMC commissioner Francis J. Ivancie just before the June 17 hearing of the Senate Merchant Marine subcommittee.

At $2.5 million for 74 ships, it would cost $185 million the first year. In fiscal 1991 the Maritime Administration paid out $217.5 million in payments under ODS, which covers 53 ships.

The administration also recommended spending $5 million a year to promote productivity and exports by U.S. shipyards, and pledged continued support of the Title XI program for ship-mortgage guarantees.

"We are going to help our shipyards 'wave the flag' a little bit," Card said.

The administration also said CRP would not be paid for ships built in foreign shipyards receiving "excessive" subsidies.

John Stocker, president of the Shipbuilders Council of America, said that amounted to crumbs, and that his organization "must reluctantly oppose" the administration initiative.

"While the administration's maritime proposal includes a definitive program for the U.S. shipping industry, our industry gets vague promises at best," Stocker said. "On trade policy, there is no statement of support for U.S. shipyards and no action plan of any real substance. It does not go far enough in retaliating against foreign governments that continue to subsidize their shipyards. It does not help us to achieve commercial access."

Shipyards Want Action. How vigorously will the shipbuilding industry oppose the administration package? The answer depends on what the administration does in the coming weeks and months, Stocker indicated.

If the administration allows U.S.-flag carriers to build foreign but doesn't require foreign governments to end their shipyard subsidies, the shipyards will fight the legislation, Stocker said. But if the administration works to eliminate foreign subsidies, shipbuilders will come around, he said.

Stocker said he put little faith in the language that would prohibit ship-operating subsidies from going to vessels built in excessively subsidized foreign yards. "It is unclear how the U.S. trade representative intends to define excessive subsidization," he said.

He recalled the long struggle involving television manufacturing. "It took the U.S. government 26 years to determine that the American television industry was being damaged by unfair foreign competition," he said. "By that time, the industry was gone and all jobs were exported to Asia. Is that what the U.S. Congress wants to happen to American shipyards?"

Stocker welcomed the administration's reaffirmation of the Jones Act, which restricts shipping between U.S. ports to U.S.-flag ships, and Title XI, which guarantees ship mortgages.

But he noted that when Card presented the administration program to Congress, he "brought no new appropriations with him."

Stocker also said the proposed $5 million for shipyard research and development and export promotion was "a modest benefit," compared to what he said was a $250 million Japanese government R&D budget for shipyards.

Sea-Land, APL. In a joint appearance before the Senate Merchant Marine Subcommittee, the chief executives of APL and Sea-Land urged Congress to enact the administration proposals.

John Snow, chairman and CEO of Sea-Land parent CSX Corp., and John Lillie, his counterpart at American President Cos., called the program a good start. "Let us move forward together, full speed ahead, and enact legislation this year," they said.

While voicing reservations over some issues, they said that "given the administration's initiative, we absolutely must seize this moment and work to enact legislation this year.

"We are flexible as to precisely how this should be done," Snow and Lillie said. "We are confident that there is a range of workable solutions and that building on Secretary Card's proposal is within that range. We pledge to do all that we can."

Snow and Lillie specifically applauded the proposals to establish CRP and allow subsidies for foreign-built ships, and the administration's apparent rejection of government "build and charter" programs that some operators fear would produce excess tonnage.

They also said they were glad to see that CRP would not be tied to the operating restrictions that now apply to ODS.

CCF Liberalization. Snow and Lillie praised the administration plan to loosen the restrictions on use of Capital Construction Funds, which allow carriers to make tax-deferred deposits of money for ship replacement.

They said the CCF liberalization "is one of the most important aspects of the policy." The proposed changes would allow carriers to use CCF money to buy ships from abroad. Currently, those funds can be used only for U.S.-flag ships.

Lillie and Snow said, however, that they would like to see further liberalization. They said CCF money should be made available for shoreside equipment, such as terminal cranes, as well as vessels.

And they called for "immediate" relief from the current alternative minimum tax on CCF deposits and interest income. "Absent such relief, the CCF program lacks economic vitality for U.S. carriers who are AMT taxpayers," the chief executives said.

Is Seven Years Long Enough? The CRP proposal would cover seven years, after which policymakers would decide whether to renew it. Snow and Lillie said it should be for at least 10 years.

Major points of Administration program ...

Contingency Retainer Program

This is the centerpiece of the new maritime program. This seven-year program would begin in 1994 and provide subsidy payments of $2.5 million per ship (for maximum of 74 ships) annually for the first two years. With increasing efficiencies through labor and management cooperation, payments would drop in stages to $1.6 million per ship by the final year of the program.

The program will replace the current operating-differential subsidy when current ODS contracts expire, but current ODS holders will be encouraged to switch to the CRP as soon as possible. Those who enroll in the new program will be entitled to operate anywhere in the world, acquire tonnage from foreign sources (except from shipyards which the administration deems to be excessively subsidized), operate foreign flag feeder vessels; and carry preference cargoes immediately.

CCF Flexibility

The Administration will loosen up the Capital Construction Fund program, which allows carriers to make tax-deferred investments for ship construction, by allowing deposits to be used to acquire vessels in the worldwide market. (Ninety-two companies have a total of $1.2 billion in CCF deposits). The list of eligible uses of CCF money will be broadened to include lease payments for new vessels and acquisition of U.S.-built ships for coastwise and inland-waterways trades. To allow for these benefits, no new contributions would be permitted for a specified period of time and the buildup of earnings in CCF would be taxable. The administration said that in making the program more flexible, the goal is not to limit vessel acquisitions to foreign sources.

Continuation of Title XI

The program, which provides loan guarantees to help finance vessel construction and repairs in U.S. shipyards, will continue. Appropriations requests will go through the annual budget process.

End to foreign shipyard subsidies

The administration will continue to push for the elimination of subsidies by foreign governments to their shipyards. To win this objective, the administration will enter into bilateral negotiations with the major shipbuilding nations with a a view toward winning a multilateral agreement "as the preferred solution." If this fails, the administration will pursue disciplinary measures against nations that subsidize their shipyards. These measures could include an expedited Section 301 action, a GATT case under the Subsidies Code, "or other feasible approaches."

The administration will also initiate a $5-million-a-year research and development program to promote shipyard productivity and an export promotion program for U.S. shipyards.

Cargo preference flexibility

New program eliminates the three-year waiting period for new foreign-built or foreign-acquired ships to carry preference cargoes. Bulk vessels built in foreign yards after enactment of new legislation and registered under the U.S. flag also would be immediately eligible to carry preference cargoes. Foreign-flag feeders operated in conjunction with U.S.-flag linehaul services would be eligible to carry preference cargoes.

Ship design/construction standards

The administration will speed up efforts to bring U.S. ship design, construction and stability standards in line with accepted international standards. The administration says this will produce $1.25 billion in savings over the next five years.

Relaxing U.S.-ownership requirements

U.S. citizen ownership requirements for pariticipation in maritime promotional programs would be relaxed. The objective is to allow U.S. ship-owning companies meeting U.S. citizenship requirements to attract more foreign equity capital. The changes will

"We question whether a seven-year contractual program sufficiently recognizes that modern vessels and associated equipment are extremely expensive assets with long lives," the CEOs said.

"Without the assurance that ship operators will be able to make productive use of their vessels throughout this time, it will be difficult to justify the tremendous financial investments required," they said.

The CEOs said that if the program is not extended, "vessels newly added to the U.S. flag after enactment should be granted the right to reflag."

Snow and Lillie said they would prefer to remain U.S.-flag operators, but that "if the rules are to be changed later, to the detriment of U.S.-flag shipping, it is only fair that the government allow us a way to respond to the changed circumstances in a way that makes business sense."

Snow and Lillie also urged the government to move cautiously on expanding foreign ownership of U.S.-flag ships. They said moving too quickly could hurt existing U.S.-flag operators.

"Although we are mindful of the need to attract new sources of capital, we are nevertheless concerned about the budget, defense and competitiveness implications of broadly expanding program eligibility," they said.

APL and Sea-Land also expressed concern over whether the proposed CRP subsidies would be sufficient to cover inflation. Overall, though, they said they were pleased with the program.

Sub-Part F. Although bulk-shipping operators welcomed the administration initiative, they were disappointed that it didn't recommend restoration of tax deferrals for U.S.-owned, foreign-registered vessels.

Those so-called "Sub-Part F" provisions were repealed by the 1986 Tax Reform act.

The administration's package leaves the issue to the Treasury Department for additional study.

Since 1986, U.S. operators of foreign-flag ships have had to pay taxes on foreign shipping income when the money is earned, instead of being able to defer it.

That has put those operators at a disadvantage in competition with foreign companies and has caused a shrinking of the U.S.-controlled fleet, the operators say.

Morton P. Hyman, president of Overseas Shipholding Group, said that since 1986, the U.S.-owned, foreign-flag bulk fleet has shrunk from 38 million deadweight tons to 27 million.

Hyman and Jack Goldstein, president and chief executive officer of OMI Corp., urged Congress to restore the Sub-Part F tax rule as soon as possible.

"I do not believe that there is any need for further study of a problem that is easily identified and remedied," Goldstein said. "We simply cannot be on an equal footing with foreign shipowners if we are subject to taxes that they are not."

Aside from that issue, though, the bulk operators strongly endorsed the administration initiative.

Goldstein called the program "a refreshing change from the years of inaction and indecision regarding the administration's maritime policy." ■

---

also facilitate joint ventures with foreign companies, such as those that DHL International and DHL Airways have entered with Japan Airlines, Lufthansa and Nisso Iwai. Holding companies could be 100-percent foreign-owned as long as the shipping line subsidiary be domiciled in the U.S.

Ship transfer/sale rules

Government approval would be dropped for U.S.-flag vessel sales or transfers to non-citizens of ships that are not militarily useful. Government approval would still be required during national emergencies. The objective is to bring newer tonnage into the U.S. flag fleet and to infuse capital into the U.S. flag merchant marine by both American and foreign investors.

Repeal of 50% ad valorem duty

The administration wants to decrease and ultimately eliminate the 50 percent ad valorem duty that U.S. flag operators must pay for non-emergency repairs in foreign shipyards. The 120-year regulation has been ineffective in encouraging U.S. operators to use domestic shipyards, the administration said.

... and the sweeteners

Sub-Part F

Issues relating to tax treatment of foreign-source income of U.S. owned companies, including Sub-Part F tax deferrals, and alternative minimum tax will be considered "comprehensively" by the Treasury Department, Card said.

DOT-FMC cooperation

Card pledged to continue his close working relationship with FMC chairman Christopher Koch, who has launched a broad regulatory reform program at the commission. (July *American Shipper*, page 6). When the FMC ends this process, DOT will see if additional changes are needed.

Shipper-carrier dialogue

The administration urged carriers and shippers to immediately enter a serious dialogue on shipping issues. Card said he would monitor progress closely.

Labor-shipyard dialogue

The administration urged shipyard labor and management to discuss ways to increase productivity, including a thorough look at work rules. Administration will withhold legislation to allow collective bargaining to address productivity issues.

DOD-MarAd consultations

The Defense Department has assured the administation it won't pursue any build-and-charter program that would harm U.S. liner operators or distort the market for commercial ships. DOD will consult MarAd to determine the effects any such program would have.

DOD, DOT to study reserve program

The departments will study the possibility of a reserve program to ensure that government-owned sealift vessels can be crewed rapidly and reliably during national emergencies.

Seamen's re-employment rights

The administration endorsed legislation to provide re-employment rights to crewmen who leave the commercial sector for government service. The legislation parallels the law covering military reservists.

Procurement review

The administration will review government procedures for procurement of ocean transportation by all agencies — military and civilian. The goal is to find ways to increase efficiency of U.S. flag carriers while cutting government costs. ■

Russian cry for help

Logistics problems must be solved before Russia can live up to its investment potential.

By Mark Voorhees

U.S. Ambassador Robert Strauss tells a parable about Russia that captures both the hope and risk within that nation's borders. If he were a young man with $1 million, Strauss says, he would invest it all in Russia. If he were an old man with $10 million, he would still invest $1 million in Russia.

While not aimed at transportation executives, Strauss's down-home wisdom applies remarkably well to their business. There are great opportunities to invest in — and profit from — the Russian transportation system, along with frightening, sobering risks. When up to one-half of the country's perishable food is lost on the way to market, it's easy to fathom the challenge.

How, for example, can Russia build an efficient transport system without provoking revolution in the streets?

The system, by the government's own admission, needs no more than five million of its current 6.5 million workers. Westerners say the workforce could easily be cut in half.

What then to do with all the transportation workers, let alone their 12 million peers in the military-industrial complex? Or the millions of farm workers who face displacement from efficiency? "It is a time bomb in the middle of an unresolved debate," said John Hardt, senior specialist in Soviet economics at the Congressional Research Service.

Hardt spoke in June at the Seventh Global Logistics Symposium, jointly sponsored by Princeton University and City University of New York. Hardt's pessimism was tempered by Russia's vast base of oil and other natural resources that, in the proper environment, make the nation "quite attractive" for investment, he added.

Other symposium speakers and transportation executives who have traveled to Russia reinforced Strauss' and Hardt's message of despair and hope, risk and reward, profit and loss.

Problems With Privatization. John Terry, a transportation consultant who worked on the birth of the government-owned Conrail, is now trying to reverse the trick in Russia.

As a member of an International Finance Corp. team, Terry is working on the privatization of 38 trucking enterprises in the region surrounding Nizhny Novgorod, formerly Gorky. His observations would give pause to any potential investor.

Despite a shortage of trucks, drivers don't work at night. They don't like to drive in the dark. Tonnage is down 30 percent in the region, all the truckers are still in business, and all their workers employed. It's impossible to identify stockholder's equity on the balance sheet of the trucking companies. And the regional rail head couldn't describe the train service to St. Petersburg. "It's like asking the guy in Pittsburgh what service is like to New York," Terry said.

> ***"What we don't know is how to work under competition, how to be a competitor in an honest way, how to apply managerial technique."***
>
> **Arkadi Kurshin**
> *Russian International Road Carriers*

At the same time, Terry said, he observed truck managers well versed in their operations and pockets of entrepreneurship. There is, for example, an active barter market among truckers for spare and refurbished parts. In off hours, many truckers are raising crops or engaging in other enterprises.

CSX/Sea-Land Observations. Jack Piatek, director of business development at CSX/Sea-Land Logistics, returned from Russia with his own war stories.

Vanino, the main port supplying Sakhalin Island, is surrounded by a 60-kilometer road network. But the roads don't connect to another city. Vanino is isolated to the inland except by rail. It could be worse. There are oil-producing regions within Siberia whose only connection to civilization is by helicopter.

Like Terry, Piatek admires individuals in their efforts to fight the crippling logistical paralysis. The director of the Vladivostok port, for example, has ambitious and well-reasoned plans to pull the facility forward.

One of the problems, Piatek said, is that the system is run by "efficient managers who have been managing against a different standard — that of the directed economy." A manager is responsible for a container only from the time it enters his area until it leaves. He is not concerned with integration or customer service.

"It is the typical hand-off problem exacerbated by the problem that there is no market out there to force discipline," Piatek said.

Michael Tebay, a former Sea-Land executive, confirms that description. "Nobody knows before it arrives what containers are on a ship," he said. "There is a tendency to unload a ship in a pile and then sort it out."

A Cry For Help. Russians do not dispute these tales. In a queer sort of way, they embrace them as a bill of particulars in favor of foreign investment. It is their cry for help.

At the symposium, Albert Bevzenko, first deputy of the Ministry of Transport, identified three key needs for investment: the rebirth of a system for containers; computerization of the rail and intermodal systems; and port modernization.

"We want to go out and sell private shares" to both foreign and domestic investors, he said.

The government is acting with dispatch. By the end of this year, Bevzenko told the symposium, 60 percent of the nation's trucking industry is supposed to be in private hands.

Yet, as much as investment, the Russians need ingenuity and and understanding of markets, customers, and service. After more than 70 years of state control, the nation has lost its mercantile touch.

"What we don't know is how to work under competition, how to be a competitor in an honest way, how to apply managerial technique," said Arkadi Kurshin, secretary general of the Russian International Road Carriers, at the Princeton symposium.

Specifically, freight forwarding and expediting await Western wizardry, said Valeri Legonkov, a former bureaucrat who is now a manager at a joint venture.

In the past, transport managers worried about how to cover their deficit, not the movement of or care for cargo. "No one really looks after the cargo owner," especially on exports and intermodal movements, he said. With just 30 domestic expediters, the area is "ripe for foreign investment," he said at the symposium.

> ***"It is the typical hand-off problem exacerbated by the problem that there is no market out there to force discipline."***
>
> **Jack Piatek**
> *CSX/Sea-Land Logistics*

One Less Worry. Perhaps the most encouraging moment of the three days at Princeton occurred during Legonkov's preface to his speech. He told the audience that he no longer had to "worry too much that my thoughts don't match the government." If the Russians are brutally honest about their shortcomings, they are also gleeful and hopeful about their quest for free markets and freedom.

Honesty and hope, of course, are not enough. The Russians must suffer pain before they can rock in the cradle of capitalism and democracy. If there was a sour note sounded at Princeton, it was on this point.

Subsidy Lingers On. While the government is heeding International Monetary Fund demands to end price controls, for example, it is having a tougher time with state subsidies. Rates will be fully free in the trucking industry and will be 60 percent liberalized on the rail side by the end of the year.

Passenger rail services, on the other hand, will receive a 50 billion ruble subsidy the second half of this year. The rail and sea cargo subsidy will total 12 billion rubles in that period. "Psychologically, we are not prepared to make a 180 percent turn," Bevzenko said.

The subsidies have become a safety net that protects workers from unemployment. This year, only 15,000 of the 750,000 rail workers have lost jobs. The government is simply unwilling to move too fast at reaching ideal workforce levels. As Bevzenko put it, unemployment "is almost like putting a noose around your neck and hanging yourself."

The government, he said, is prepared "to use funds to protect those who are hurt" and those "who can't make the transition" to a market economy.

However charitable its intentions, the government cannot afford to provide endless security and promote inefficiency. And foreign investors won't buy it either. ■

FIATA

International freight forwarder federation hopes that American forwarders catch up.

By Elizabeth Canna

There's a large painting of New York Harbor hanging on the conference room wall of FIATA's headquarters in Zurich. Dominating the scene is, of course, the Statue of Liberty, a symbol that doesn't quite fit FIATA's impression of the United States these days.

"We think sometimes the Statue of Liberty should be the Statue of Non-liberty, there are so many rules and regulations," said Klaus Jagersbacher, FIATA's director, during a recent conversation with *American Shipper.*

Over-regulation kept the U.S. freight forwarding industry from taking advantage of opportunities presented by the onset of containerization, Jagersbacher believes.

"Freight forwarders have developed in the past 20 or 30 years in the rest of the world," he said. "For example, they have become carriers while they are still agents in the U.S."

The result was the birth of the American NVOCC (non-vessel operating common carrier), and with that a lot of squabbling and misunderstanding about who and how to regulate the middlemen—all of which FIATA believes is unnecessary and unfortunate, but beginning to change.

"There has to be a little bit of re-education and rethinking in the United States, and it's starting," Jagersbacher said. "Because of our efforts to exempt freight forwarders from tariff-filing some in the U.S. have realized they are a little bit behind, tied up by regulations, and not as free as their colleagues abroad," he added.

Breaking With Tradition. When shipping lines began using containers back in the 1960s, freight forwarders faced a crucial decision, either to consider the container a part of the ship, or to consider it a moveable commodity.

Many forwarders chose the latter option.

"Freight forwarders started to become carriers by using the container for cargo, and by accepting carrier liability," Jagersbacher recalled.

But that's where the responsibility should end. Jagersbacher said FIATA does not believe forwarders should become owner-operators.

"We still think carriage is a specialty," he said. "We recommend to our people not to invest in carriage. When you have no means of carriage, you are free to use whatever is available in the marketplace. The moment you have a ship, you have to fill it with something. That becomes a problem because you have invested in it."

Examples of freight forwarders who have had rocky times with their ventures into liner carriage are Sweden's Bilspedition (North Atlantic), or Italy's Merzario (Mediterranean and Middle East).

U.S. Presence. FIATA's well-documented efforts in opposition to U.S. tariff-filing and bonding requirements have won the organization the highest level of recognition it has enjoyed in the U.S. since its founding in 1926.

Late last year a new group, the American International Freight Association, became a member of FIATA.

Jagersbacher said the creation of a U.S. affiliate was not on FIATA's agenda as the organization pursued its lobbying efforts in Washington.

"We didn't have the intent of forming an association in the U.S., although we welcome it," he said. "It was not our intention to form an association. It just happened."

"AIFA has the same aims as we have, to deregulate," he said.

Still in its fledgling stage with about 40 members so far, AIFA is coming along, Jagersbacher said.

AIFA isn't FIATA's first U.S. affiliate. Some 14 years ago ties between FIATA and the National Customs Brokers & Forwarders Association of America (NCBFAA) were dissolved. Links to an air forwarders' group were also broken.

Jagersbacher believes NCBFAA ended its relationship with FIATA because of diverging interests.

"They were 99 percent concerned with customs matters. They didn't talk about freight forwarding or organizing transport. In most European countries customs clearance is just one department of a freight forwarder," he said.

The air forwarders' group fell away after the deregulation that took place during the Carter administration, Jagersbacher said.

The acronym FIATA

FIATA derives its acronym from its French name, Fédération Internationale des Associations de Transitaires et Assimilés. In English it's the International Federation of Freight Forwarders Associations.

Anyway you spell it, FIATA is gaining a foothold in the U.S.

As for the contention that FIATA lost support in the U.S. because of its fee structure, Jagersbacher doesn't see that as a good excuse. FIATA's fees are not fixed, he said, but rather scaled according to the particular organization's ability to pay. Besides, he pointed out, there are ways of recouping membership fees.

"The beauty is we have documents we allow our members to print and sell to their members," he said. "As far as our members are concerned, these documents are free. The clever member can cover its membership by selling FIATA products."

"We do ensure that whatever is printed and handed out is accurate," he added.

All In One Source. Besides providing standardized documents and forms, the highly organized FIATA offers its members a staggering array of brochures, publications, a film, flags, badges, stickers and other public relations material, some free, some for sale, that would impress even the most sophisticated political organizer.

All are designed to create a sense of identity inside and outside the international freight forwarding community.

"Freight forwarders have developed in the past 20 or 30 years in the rest of the world. They have become carriers while they are still agents in the U.S."

Klaus Jagersbacher
director, FIATA

"When you ask someone what a freight forwarder does, you get all sorts of answers, for example, 'they are the ones who carry the piano up to the third floor,'" Jagersbacher said.

FIATA has also established official working liaisons with several international bodies involved in trade and transportation: the United Nations Committee on Trade and Development (UNCTAD); the Economic Commission for Europe (ECE); the Economic and Social Commission for Asia and the Pacific (ESCAP); the Customs Cooperation Council (CCC); the International Chamber of Commerce (ICC); the International Air Transport Association (IATA); The International Union of Railways (UIC); and the International Road Transport Union (IRU).

In addition, less formal relations exist between FIATA and other transport organizations including the Council of European and Japanese Shipowners' Associations (CENSA) and the European Shippers' Councils (ESC).

Promoting EDI. High on FIATA's activity list these days is the promotion of the use of information systems along with EDI (electronic data interchange) interface technology.

To this end, FIATA has created a separate cooperative society, FEDIS (FIATA Electronic Data Interchange Systems).

For FIATA members who choose to join (there is a separate fee), FEDIS enables them to access SITA, the international communications network at a cost lower than if they established the link on their own.

FEDIS costs vary according to usage, though some of the costs are fixed, for example, \$400 for a modem, \$100 for the software, a monthly connection charge of \$115, a monthly network maintenance charge of \$15 and an annual network code fee of \$60.

FEDIS has had a slow start, but interest is picking up, Jagersbacher said. ■

Brokers, Forwarders & NVOs

By Richard Knee, (415) 495-6748, FAX (415) 495-6750

Customs-FDA data link on hold

An experimental electronic data link in Seattle between the U.S. Customs Service and the U.S. Food and Drug Administration did not start up June 1 as scheduled. And while the pilot project might begin this summer, no one seemed certain.

In the pilot project, FDA personnel would tap into Customs' Automated Commercial System to obtain import-shipment data that they would use to decide whether to obtain samplings from specific cargo loads.

The two agencies occupy different floors in the same building and it would simply be a matter of wiring the FDA's computers into ACS, said Roger Lowell, the FDA's Seattle district director.

Lowell said he had heard from the agency's import operations and policy division in Rockville, Md., that the hookup experiment was to start this summer.

The postponement reportedly cheered most of the customs brokers in the area, though their objections to certain elements of the program was not necessarily a reason for the delay.

Marvin Blumberg, a consumer safety officer with the import operations and policy unit, said the reason for the delay was that development and testing of the system within the FDA was still in progress.

Leroy Berbin, the leading spokesman for Puget Sound brokers in FDA-related matters, said FDA officials had been courteous and had attempted to take brokers' concerns into account.

Berbin is food and drug committee chairman of the Customs Brokers & International Freight Forwarders Association of Washington State, and is special projects manager in the Seattle office of Minneapolis-based Global Transport Services, Inc.

Brokers in the Puget Sound area favor the ACS-FDA linkage conceptually but do not like certain aspects of it.

Under the program, brokers would be required to perform product-codification work that is now done by FDA personnel, Berbin said.

The so-called product-classification code would have no connection with the Harmonized Code used to determine customs duties on individual products, he said.

Taking on the codification duties would increase brokers' operating costs because of the additional staff time and software that would be necessary, he said, and brokers passing those costs to their clients would lose business.

"The difference in cost could help divert cargo to other ports ... during the pilot project," he said.

Lowell remarked, however, that the information supplied through the Harmonized Code is "too broad for FDA purposes."

Brokers and importers fear also that FDA inspections of incoming cargo would increase because of the agency's desire to expand and upgrade its own data base, Berbin said.

While most brokers in the area oppose the extra reporting requirements, some "do not see a serious impact," Berbin said. Opinions vary with the type of commodities and clients with which brokers are involved.

The latest delay drags out a process that is already two years in the making, Lowell said. The initial idea was to link ACS with the FDA's Import Support and Information System (ISIS), but development of the two systems has been a leap-frogging, rather than a converging, scenario, he said.

ISIS is still plagued with problems on the software side, he said, and it does not now appear that that system would be involved in a Customs-FDA data hookup.

IANVOCC to seek clarification on co-loading

Watch for the International Association of Non-Vessel-Operating Common Carriers to ask the Federal Maritime Commission soon for a clarification of co-loading regulations.

Large NVOs have complained that smaller competitors accept a shipper's less-than-containerload cargo, turn around and negotiate a secret lower LCL rate with a carrier. Such secret co-loading is illegal, and larger NVOs want the FMC to do something about it.

Laurie A. Zack-Olson, president of the NVO association, said the IANVOCC plans to file a formal request for clarification by summer's end.

Specifically, she said, the association wants to know whether a co-loading agreement constitutes a carrier-to-carrier relationship or a shipper-to-carrier relationship.

The association will argue that an NVO tendering cargo to another NVO is, in effect, a shipper.

The association will wait a bit to file its clarification request, Zack-Olson said. She said the organization's leaders are still drafting the request, and that the association is busy providing information and comments to the FMC on other matters.

DeMember's successor: David P. Street

The IANVOCC has picked veteran Washington attorney David P. Street to succeed Raymond P. deMember as its executive vice president and general counsel.

Street is with the law firm of Galland Kharasch Morse & Garfinkle. He has worked as co-counsel for deMember for about five years and has several NVOCC firms as clients.

We thought they were leotards

Customs and importers have been squabbling over the classification of "leggings" — the skin-tight garments that many women wear for jogging and aerobics.

Importers claim that for tariff purposes, the garments should be classified as tights. Customs says they should be classified as trousers.

The Court of International Trade sided with Customs, saying the tariff classification for tights "covers hosiery articles, that is, articles commonly thought of as underwear or innerwear, not street clothes. The fact that the articles at issue are used as exercise wear does not make them underwear."

Richard H. Abbey, of the Mudge Rose law firm's Washington office, says the difference in duty between tights and trousers is inconsequential, but the ruling could affect import quotas.

Since the court decision, exporting nations have been negotiating with the U.S. to obtain an increase in the quantities of goods that can be imported as cotton trousers. The importers say the increase is needed to compensate for the "leggings" that now are included in that category.

BDP opens offices in Atlanta, Newark

Philadelphia-based BDP International Inc., a broker, forwarder and consolidator, has opened offices in Atlanta and Newark.

The company already has branches in New York, JFK International Airport, Norfolk, Chicago, Miami, Houston, Baltimore, New Orleans and Harrisburg, Pa.

Ronald S. Aspinwall has been named Atlanta operations manager. He has spent 11 years in international shipping.

William V. Freidel is Newark operations manager. He has 17 years in international shipping. His most recent post was as head of gateway operations at BDP's Lester, Pa., facility, where he was responsible for organizing consolidations as manager of administration and service.

Jardine-Radix says joint venture going well

Jardine-Radix International, a freight-forwarding joint venture established two years ago, says the partnership is going well.

Jardine-Radix was formed by the Hong Kong trading firm of Jardine Matheson and the Los Angeles-based forwarder and broker Radix Group International.

Matthew Sheppard, chief executive at Radix, said that when the joint venture began in 1990, Jardine operated 15 offices in nine Asian nations and Radix operated 19 offices in the U.S. Today there are 27 Jardine offices in 10 Asian nations, including 12 in China, and Radix operates 23 terminals in the U.S.

Sheppard said container volume moved by Jardine-Radix at the end of April was 50 percent above the level of two years earlier, when the companies operated separately. Air cargo was up 40 percent, he said.

Vincent Wong, a senior executive at Jardine's Hong Kong-based transportation division, heads the joint operation in Asia. Sheppard is in charge of the U.S. end of the joint venture.

United Shipping Associates adds partners

United Shipping Associates has signed partnership agreements with companies in Greece, the U.S., Mexico, Austria and Germany. United is agent for Medallion Shipping Lines, an NVOCC, and Medallion Air Cargo, an airfreight company.

United said its broker-forwarder network now includes RAS Ways Ltd. of Greece, Scarbrough International of Kansas City and Agencias Maritimas del Pacifico S.A. of Mexico; Wildenhofer in Austria and Alfons Koster in Germany.

Radix signs Italian agent

Tavoni International has contracted to be exclusive agent in Italy for Radix Group International, the U.S.-based forwarder.

Tavoni, based in Bologna, has 23 offices in Italy and specializes in the movement of art for museums, galleries and private collectors. Tavoni is exclusive cargo-handling agent for Alitalia in Bologna and is customs broker in Italy for British Airways.

U-Freight expands in Africa

The Hong Kong-based U-Freight transportation and forwarding group has announced expansions in Kenya and Tanzania.

U-Freight PSL has signed an agreement with Express Kenya Ltd. to develop Kenya Express Service, a jointly operated freight forwarding service between the United Kingdom and Kenya.

In Tanzania, U-Freight has signed a similar agreement with LonTan Express to establish Tanzania Express service, which will provide air and ocean freight consolidation between the U.K. and Dar es Salaam.

What is a *small* NVOCC? (continued)

In the debate over whether to excuse "small" non-vessel-operating common carriers from tariff-filing requirements, the Portland, Ore.-based American International Freight Association thinks the exemption should apply to those shipping fewer than 1,000 TEUs a year.

The Federal Maritime Commission, following a recommendation by FMC chairman Christopher Koch, recently proposed an end to tariff filing requirements for NVOs handling fewer than 100 TEUs a year.

Under AIFA's formula, about 1,100 of the 1,290 NVOCCs now filing tariffs with the Federal Maritime Commission would no longer have to do so, AIFA president Paul Unsworth said, but the aggregate volume of those exempted would amount to only 1.83 percent of the nation's oceanborne export and import traffic as measured in TEUs.

Unsworth, who is also executive vice president of Unsworth Transport International in Linden, N.J., drew his numbers from a study conducted for the International Federation of Freight Forwarders Associations (FIATA) by the PIERS service, a unit of the *Journal of Commerce*.

The data, covering the even-numbered months of 1991, show also that the industry-wide volume for the NVOCCs represented 9.74 percent of the 4.95 million TEUs that moved on water during those months in the U.S.-foreign trades.

Unsworth also took issue with the argument that large NVOCCs could take advantage of the tariff-filing exemption by dividing themselves, so their volume would fall below the threshold.

The FMC could require that NVOCCs wanting the exemption apply for it and that they divulge their ownership when doing so, he said.

AIFA's other concerns? It's a secret

Leaders of the American International Freight Association want to raise some new issues with Federal Maritime Commission chairman Christopher Koch in September, but they would not give any details.

AIFA president Paul Unsworth would say only that the matters relate to both freight forwarders and non-vessel-operating common carriers.

Harper Group shuffles financial team

The Harper Group announced a shuffling of its financial-management team in which Robert J. Diaz is the new chief financial officer, replacing Stuart O. Keirle, who has taken on other responsibilities.

Diaz, who has the title of vice president as well, is to oversee financial operations in the more than 30 countries where San Francisco-based Harper is active. His financial experience spans 28 years and includes executive roles with Clorox and ITT, and public-accounting work with Price Waterhouse.

Keirle retains his senior vice president post, and takes over operational oversight of Circle Airfreight Corp., Harper's largest operating subsidiary.

He also keeps responsibility for Harper's global asset management, new investment opportunities, and credit and collection.

Inbound NVOCC ties into Asia-Europe network

Buyers Consolidators Inc., a Hong Kong-based non-vessel-operating common carrier active in the eastbound transpacific trades, is joining forces with four European firms to provide transportation-related services to customers moving goods between Asia and Europe.

Buyers Consolidators has a U.S. office in Seattle headed by vice president and general manager Harold P. Camicia, a former pricing official with Sea-Land Service, Inc.

The other companies in the venture are Agence Maritime Martin in Paris; Gateway Cargo Systems in Birmingham, England; Paul Gunther Cargo, GmbH, in Hamburg; and Network Warehousing & Distributing in Rotterdam.

The companies will sell their services under Buyers Consolidators' bill of lading.

The outlook is bright: a future with expanding international trade opportunities. To meet the growing needs of our customers, we have big plans.

New Vessels

Our fleet of 23 vessels is already among the youngest in the Pacific. So if you need to move goods quickly between Asia and the West Coast, you won't find any carrier faster or more efficient. This year, we're introducing a new class of vessels that can handle 4,000 TEUs. Our newer, faster ships will give you the best service you can buy on the Pacific Rim.

Forward Moving

We're planning dedicated terminals for Tokyo and Kaohsiung, too. These advances mean improved access, schedule flexibility, swift and efficient cargo loading and maximum security for our customers.

We're Building For The Future.

New Terminals

In 1991 we opened a dedicated marine terminal in the Port of Long Beach, providing exclusive berthing rights to our customers. This year we unveiled a similar facility in the Port of Osaka and moved to expanded, modern quarters in Pusan harbor.

New Horizons

To facilitate your entry into new markets, we've continued to expand our services. We still ship goods to and from Japan, Hong Kong, Korea, Singapore, Europe and the U.S. West and East Coast, but did you know we also serve northern China, Mexico, Central and South America?

Trading opportunities are increasing at an explosive rate. *To take advantage of them, take advantage of us.*

HANJIN SHIPPING

Pilot Air names two account managers

Pilot Air Freight has named Roy Lawson and Ray Bachman as account managers for the Midwest and Southeast regions, respectively.

Lawson previously worked for SEKO Air Freight as director of national accounts. He has also worked for CF Airfreight and Emery Worldwide.

Bachman previously worked for LEP Profit International in Atlanta, where he was station manager.

DHL Worldwide names Stevens as sales director

DHL Worldwide Express has named Don Stevens as director of airfreight sales.

Stevens was previously director of sales and marketing in Europe and the South Pacific for Dallas-based Intertrans. He has also worked for AEI and Pandair.

Air France starts freighter service to Toulouse

Air France has begun a 747 freighter service from New York and Chicago to Toulouse. The service uses JFK and O'Hare International Airports, respectively.

Air France 6449 departs JFK on Tuesdays at 8 p.m. and from O'Hare at 11:59 p.m. The nonstop flight arrives in Toulouse on Wednesday at 3 p.m. local time.

Toulouse is considered the capital of the French aerospace industry. The service mostly transports oversize cargo, particularly aircraft engines and "cargo aircraft only" goods.

Emery Worldwide receives EDI award

Emery Worldwide has been honored for its relationship with users of electronic data interchange (EDI).

Emery Worldwide was honored for having the most EDI trading partners within the air freight industry, according to *EDI, spread the word!*, a trade publication based in Dallas. Emery Worldwide has EDI links with nearly 500 customer locations in the U.S., and the company conducts more than 100,000 EDI transactions per month.

EDI, short for electronic data interchange, allows carriers and shippers to electronically transmit shipping documents, bills, invoices, remittance advice, shipment status notices, and other business information between computer systems.

Dutch companies finalize joint venture

KLM Royal Dutch Airlines and PTT Post, a mail and telecommunications company, have formed InterPost Group of Cos. BV. The new company distributes periodicals, books, direct mail and catalogs worldwide.

The company also provides mailing list management, packaging and distribution of printed and electronic data, and customer billing. InterPost is based in Hoofddorp, The Netherlands. The U.S. office, InterPost Systems U.S.A. Inc., is based in Des Plaines, Ill., near Chicago's O'Hare International Airport.

KLM names Meurer to cargo position

KLM Royal Dutch Airlines has named Jan H. Meurer as vice president and cargo manager for the Americas. Based in Elmsford, N.Y., he oversees all of KLM's cargo activities in the Western Hemisphere.

The move is part of KLM's corporate reorganization. Among the changes, cargo is now a separate core business.

According to Meurer, a U.S. network will be developed to provide international cargo with surface links to and from gateway airports. He said this approach is similar to the one used by European Feeder and Distribution Services BV — a company formed by KLM and Frans Maas, a Holland-based surface and distribution systems company.

Challenge Air begins Nicaragua service

Challenge Air Cargo has begun twice-weekly, all-cargo service from Miami to Managua, Nicaragua.

The service uses B757-200 freighters, which can haul up to 40 tons over 15 pallets.

The service carries mostly high-tech and electronic products, office equipment, appliances and assembly goods. From Managua, the service carries fish, fruit, flowers and vegetables, finished textiles and apparel, and locally made products.

Scandinavian Air, Continental top 1 million mark

Scandinavian Airlines System and Continental Cargo shipped more than 1 million kilograms of priority cargo in May to Scandinavia and Europe.

The cargo was shipped from Newark International Airport, and most of the cargo was shipped to Scandinavia. The companies offer Priority Cargo, a daily express air freight service from 90 U.S. cities and more than 60 Scandinavian and European cities.

Emery Worldwide names Whitmire to post

Emery Worldwide has named Ray Whitmire as national account executive for construction and energy industry sales and marketing.

Whitmire helps sell Emery's heavy freight services in Texas and Oklahoma. He deals with engineering and construction, oil, utility and other energy-related industries. He previously was sales manager at Emery's Houston terminal.

TS Air Cargo new China Airlines' agent

Houston-based TS Air Cargo Inc. has been named general sales agent for China Eastern Airlines. TS Air's region covers Texas, Oklahoma, Arkansas and Mexico.

China Eastern Airlines offers two direct flights weekly from Chicago and Seattle to Shanghai and Beijing.

GATX division leases aircraft to foreign carriers

GATX Air has leased $315 million in aircraft to six foreign carriers. The leased aircraft includes an MD-11, three A320s, one A310-300 and one B747-200.

The six companies are China Airlines, Air Malta, Onur Air of Turkey, JES Air of Bulgaria, Region Air of Singapore, and Nationair of Canada.

GATX Air, a division of GATX Capital Corp., owns, leases and provides financing for nearly 100 commercial jet aircraft made by Boeing, McDonnell Douglas and Airbus. GATX Capital is a subsidiary of Chicago-based GATX Corp.

DHL Worldwide names Smartt to finance post

DHL Worldwide Express has named William Smartt as senior vice president of finance and chief financial officer. He oversees the company's financial and administrative functions.

Smartt was formerly chief financial officer for the Ingres Corp., a computer software company. Before that, he was vice president of finance and chief financial officer for the DiGiorgio Corp., based in San Francisco.

JAL, Lufthansa raise stake in DHL

Each now owns 25.001% of DHL International. Deal will help JAL, Lufthansa increase small-package business.

Japan Airlines and Lufthansa Airlines have increased their stakes in DHL International to 25.001 percent each — a move expected to help the carriers increase their small-package business.

In addition to the fivefold increase in the stakes of JAL and Lufthansa, the Japanese trading house Nissho Iwai tripled its stake in DHL International to 7.5 percent.

The partners did not disclose the value of the deal. However, when JAL and Lufthansa acquired their original 5 percent interest in DHL in December 1990, estimates were that the deal would be worth $500 million if options to purchase additional shares were exercised.

DHL International, based in Hong Kong, operates outside the U.S. The latest deal has no effect on the ownership of DHL Airways, the domestic subsidiary of U.S.-based DHL Corp.

JAL, Lufthansa and Nissho Iwai still own a combined 2.5 percent of DHL Corp., the amount they originally purchased 18 months ago. They have options to increase their stake to a combined 22.5 percent over the next few years, but under the law their combined ownership in the U.S. company cannot exceed 25 percent.

Impact On Business. The increased stakeholding in the international company, which has been expected, comes amid dramatic changes in the international small-package express business.

Federal Express Corp. recently withdrew from the intra-European delivery business.

Meanwhile, United Parcel Service has steadily increased its presence in Europe, with 16 acquisitions in the last three years.

Another big player, TNT Ltd., recently inaugurated a joint venture, GD Net, with the postal services of Canada and four European nations.

DHL has 12 major sorting centers that handled more than 80 million shipments in 1991, using 1,500 commercial flights a day.

The company said its document business has been increasing at a 15 percent annual pace and that package traffic has grown 22 percent. Worldwide revenues in 1991 for DHL were $2.3 billion last year.

With the increases in their stakes in DHL International, Lufthansa and JAL hope to boost their small-package business.

Juergen Weber, chairman of Lufthansa's executive board, said DHL has strengthened its position in the international air express market.

"Lufthansa, along with the other partners, plans to build on this result by enhancing the service that DHL currently provides. This alliance holds great promise for all our customers," Weber said.

Matsuo Toshimitsu, president of JAL, said increasing JAL's stake in DHL International "is a confirmation by JAL and the other members of the alliance that we like what we have seen so far."

Carriers' Cooperation. The companies already have been cooperating on transportation arrangements in a number of areas:

- DHL has increased its commercial use of the long-haul networks of JAL and Lufthansa, and have looked for ways to share airside facilities.
- DHL's senior managers have been working with those at JAL and Lufthansa on long-term strategic plans. The package carrier said more than 80 special projects have been assessed, and that many are being implemented.
- DHL and Lufthansa are partners in providing same-day service within Germany. They say they hope to extend that further across Europe.
- Lufthansa and JAL have purchased capacity on DHL's European network either to supplement existing capacity or launch new routes.
- JAL has centered the distribution of its Global Club promotional activities for Europe at DHL's Brussels hub.
- JAL and DHL have concluded a logistics service to provide combined airfreight and air-express transport for the European operation of a major Japanese industry.
- In the U.S., DHL Airways has concluded an interline agreement with JAL that provices the Japanese carrier with commercial daytime use of DHL planes on certain routes.
- Also in the U.S., JAL has transferred to DHL its business for the national movement of Comat — internal written communications — between JAL's various international gateways.
- In Malaysia, JAL Cargo recently hosted an educational/orientation exercise for DHL staff. The companies hope to develop joint training programs for their employees in Southeast Asia.

Nissho Iwai. The partnership of Nissho Iwai, with DHL also offers benefits to both parties, officials said.

The Japanese trading house said it has helped DHL establish a network of logistics support centers close to DHL hubs in Brussels, Bahrain and Singapore.

And Nissho Iwai, a heavy-volume shipper in its own right, has used its experience in Third World locations to help DHL in the handful of areas not yet covered by DHL directly.

In the Commonwealth of Independent States, DHL has used Nissho Iwai's network of representative offices as points where DHL could place its drop boxes. ■

Fritz to expand European operations

The Fritz Cos. has begun restructuring its European distribution and logistics network to give the company more hands-on control of operations there.

The whole process is expected to last through the end of next year, according to company officials.

San Francisco-based Fritz has opened distribution and warehousing facilities near the Port of Antwerp and Brussels National Airport, and has consolidated U.K. ocean- and air-related operations to a single facility in Cranford, near London.

The company also has a motor-freight distribution center in Rekum, Belgium, near the German border. Fritz is also talking to prospective partners about opening warehousing and distribution facilities elsewhere in Western Europe.

Where Fritz cannot find a satisfactory alliance, the company will set up shop on its own, executive vice president Dennis Pelino said.

Fritz aims to provide a broad range of services — also including customs brokerage, freight forwarding and freight consolidation — to help clients tap into what Pelino termed the "key markets" in Europe: Belgium, Britain, France, Germany, Italy, the Netherlands and Spain.

Currently, the company uses joint ventures or agency agreements to handle clients' service needs in the five latter-most countries, according to Jay Bellin, general manager of international marketing.

Fritz's expansion plans do not stem directly from the imminent unification of the European Community, Pelino said. ■

Shopping for friendly inspectors

Laxness on part of FDA reportedly diverts cargo from SF Bay and Puget Sound areas to LA/Long Beach.

By Richard Knee

Perceived laxness on the part of U.S. Food and Drug Administration inspectors in southern California is reportedly producing a diversion of food imports to the Los Angeles/Long Beach gateway, at the expense of the Puget Sound and San Francisco Bay areas.

Even after doubling of the FDA inspection staff in Los Angeles/Long Beach, there has been no discernible improvement in the situation, said Lorraine Li, project manager at the Port of Oakland. She added that the scenario raises public-health as well as business issues.

Donald C. Healton, the FDA's Pacific region director, has begun meeting with Bay Area port officials and customs brokers to discuss the problem, he told *American Shipper*.

'Someone's Listening.' The problem has been dragging on for about five years, said Jerry Klopp, who chairs the agencies committee of the San Francisco Customs Brokers & Freight Forwarders Association.

Los Angeles/Long Beach has an "open door" when it comes to food imports, he said.

The federal government is finally working on the problem because port officials and customs brokers have gained the ear of Reps. Nancy Pelosi, D-San Francisco, and Ronald Dellums, D-Oakland, Klopp said . Klopp is vice president of imports for J.E. Lowden & Co., a customs broker and freight forwarder in San Francisco.

The General Accounting Office also has taken an interest in the matter, Li said.

Some Numbers. Shellfish traffic patterns illustrate the problem, Li said.

Between 1980 and 1991, the Bay Area's market share of shellfish imports dropped to 2.4 percent from 7.7 percent, while southern California's share rose to 94.4 percent from 80.5 percent, she said.

Puget Sound's share dropped from14.9 percent in 1982 to only 3.2 percent in 1991, she said.

Figures from other sources, at a "town hall" meeting that Healton, Li and Klopp conducted with the importing community June 26 in San Francisco, gave additional evidence of the disparity.

This was specifically in the ratio of inspections to seafood cargo volume.

According to Don Yount, import manager of H&N Fish in San Francisco, seafood imports through Los Angeles/Long Beach rose 10 percent to 369,000 metric tons in 1991, while in the Bay Area the volume matched the 31,000 metric tons put through in 1990.

Then Klopp pointed out that despite this, the FDA planned to conduct 1,623 seafood samplings in Los Angeles/Long Beach and 1,065 in the Bay Area, out of 8,500 nationally this year.

"I don't know if there was port shopping," Healton said, referring to the volume figures Yount had given. "I don't know the reason."

Long-term plans, he added, are based chiefly on the number of customs entries filed at the ports. And the most recent entry information the FDA can get from the U.S. Customs Service, he said, is from 1989.

Healton said he is empowered to act in the matter. "The three districts do, in fact, work for me. I decide how the money and the positions get allocated. ...

"Certainly, we can change things—shifting people or changing the sampling philosophy — if that turns out to be what's necessary."

The Cost To Oakland. The San Francisco district staff is the FDA's strictest on the West Coast and possibly in the nation, Klopp said.

"Major food importers, which I will not name, told me they will not use Oakland," Li remarked.

The consequence is a loss of business not only for the port but also for companies whose facilities and activities provide an infrastructure to support food-import traffic, such as warehouse operators and trucking firms, she said.

But, she added, economics is not the only concern here.

"There is a public-health problem if they continue to allow products that are on automatic detention to sail through LA," she asserted.

Uniformity in enforcement among the FDA's local districts is desirable, she said, but it should be weighted toward stringency, not laxness. ■

Customs wants NAFTA user fee

Importers and brokers are cool to the idea. Customs worries that pact might include elimination of existing fees.

By Richard Knee

If the U.S.-Canadian Free Trade Area agreement is expanded to include Mexico, a user fee will be necessary to fund customs staffing and "infrastructure" along both sides of both borders, the U.S. Customs Service contends.

Even before Customs fed the proposal to its parent agency, the Treasury Department, word of it reached the importing community, which was predictably cool to the idea.

Customs' worry is that a North American Free Trade Area pact would include the scrapping of all existing user fees, according to David Kahne, program manager with Customs' user-fee task force.

New York attorney Robert Leo, a leading spokesman for importers, countered that businesses already support the infrastructure by paying taxes.

Leo, who chairs the user fee committee of the American Association of Exporters & Importers, took issue with Customs on procedural grounds as well.

"What happens on the infrastructure is not Customs' concern," he asserted.

'Formulative Stage.' Kahne said the proposal was at a "very formulative stage" and Customs was not sure whether Treasury would buy it.

Customs is aiming for coordinated development of staffing and infrastructures to support operations on both sides of both

borders, he said.

By infrastructure, he was referring to customs facilities and border-crossing approach roads, he explained.

One concept under consideration, he said, is putting user fees into a "pot" to be administered by all three nations.

Still to be determined was the fee structure: for example, whether to charge by the truckload or by the cargo value and what numerical rate to apply, he said.

Leo said a volume basis would be the fairer. "The value of cargo does not affect whether (customs agencies) need more staff."

Still, he added, the various federal agencies assessing user charges "haven't come up with a fee yet that's fair in its implementation or collection."

Oversight Question. Importers, while agreeing they would not favor a NAFTA-related user fee, differed over the collection and oversight aspect.

"It's just another tax," said Michael Miles, chairman of the customs committee of the Border Trade Alliance, a group of importers and brokers along the U.S.-Mexican boundary.

"My initial reaction is, here we go again with user fees," remarked AAEI president Eugene Milosh, who added that he would reserve judgment on the proposal until details were made public.

Miles said he would prefer to see fee revenues go into the nation's general treasury, which is under congressional control.

Absent that oversight, he contended, Customs is under no pressure "to see an issue through different-color glasses."

Congressional oversight would not guarantee that the money would be used wisely, given the "pork-barreling" tendencies of many legislators, he commented.

Kahne assured that Customs had no desire to do an end run around Congress.

Enactment of a NAFTA-related user fee "isn't going to happen without legislation. ... Congress gets to structure this the way it wants to," he said.

"The concept," he added, "is not to raise money for the Customs Service. The logic is that there has to be an earmarking of the money for border resources." ■

Customs is aiming for coordinated development of staffing and infrastructures to support operations on both sides of both borders.

Large NVOs seek end to co-loading

IANVOCC says shippers are being ripped off. FMC indicates it won't act until it has more evidence.

Larger non-vessel-operating common carriers want the Federal Maritime Commission to crack down on smaller NVOs who buy less-than-containerload space and resell it to shippers at high rates.

Such co-loading practices are widespread among smaller consolidators and forwarders, according to the larger NVOs, who say the shipping public is being ripped off.

The forwarders have a fiduciary duty to find the best deal for the shipper. However, the larger NVOs complain that this responsibility is being flouted by some forwarders who also are NVOs.

The International Association of Non-Vessel-Operating Common Carriers presented the FMC with an unofficial paper urging the commission to abolish co-loading. Those rules allow shippers to be charge "artificially high rates," the paper said.

The association said that if the FMC doesn't abolish co-loading, the commission should at enforce its rules more strictly, modify them, or "at the very least," clarify them.

However, indications are that the FMC won't act until the NVO association documents its case. FMC Chairman Christopher Koch and FMC member Francis Ivancie indicated reluctance to act on the basis of an unofficial paper.

Large Vs. Small. The co-loading issue is one of the key points of dispute between larger, "network" NVOs and smaller operators who make up the mass of the 1,641 NVOs with tariffs on file at the FMC.

The network NVOs complain that their smaller brethren take advantage of the system by collecting large fees from shippers, quietly negotiating a lower LCL rate from network NVOs — and failing to pass the savings to the shipper.

When the FMC allowed co-loading in 1985, the intent was to encourage competition by providing flexibility and efficiency, the NVO association said. That intent isn't being carried out, the association said.

Today, the overwhelming majority of co-loading NVOs are freight forwarders who put on an NVO's hat after 1985, according to the NVO association.

The small and medium-sized shippers, meanwhile, are in the dark. Unaware of the deals being cut by their NVO, they pay top dollar, the network NVOs complain.

FMC rules have placed "a monopoly of private and public pricing information at the hands of the co-loading NVOCC at the expense of the shipper," the NVO association said. "The shipper only sees the public filings."

"The forwarder's current role as a co-loading NVOCC is to buy wholesale and sell retail to its shippers, notwithstanding the fact that the shipper historically has come to rely on the forwarder in its traditional fiduciary role of searching out favorable rates and service levels," the complaining NVOs charged.

The bottom line, according to the larger NVOs is that "while the rest of the industry is bound by a marketplace defined by tariff-filing requirements, co-loading NVOCCs are exploiting shippers, network NVOCCs and vessel operating common carriers through secret rates."

IANVOCC Meeting. The co-loading issue dominated the spring meeting in Washington of the International Association of NVOCCs.

Koch and Ivancie, who attended the meeting, acknowledged the issue. "If small shippers are being hurt by the FMC co-loading rules, there is no reason why we can't correct the problem," Ivancie said.

FMC Skepticism. Indications are that some at the FMC are somewhat skeptical over the NVO group's position.

In some quarters there is a feeling that the larger "network" NVOs want to put the smaller, co-loading NVOs out of business. And if that's the case, the FMC is not likely to buy the NVO association's arguments.

It was further noted that the commission has received no complaints about co-loading from shippers who are said to be harmed by the rules, or from the ocean carriers.

But the issue isn't likely to go away. The NVO association's new assistant executive director and counsel, David P. Street, indicated that the association probably will document its case and request a formal proceeding.

"Co-loading is now the front burner issue for NVOs," Street told *American Shipper*. "I do think the rules are creating a lot of confusion, both legally and commercially. I think the FMC needs to take another look at them." ■

Can Senate salvage Customs Mod Act?

It might be separated from the Trade Expansion Act (H.R. 5100), once the trade bill reaches the Senate.

By Richard Knee

Importers and customs brokers still hold out hope that the Customs Modernization and Informed Compliance Act can move through Congress on its own, rather than going down to a presidential veto as part of the proposed Trade Expansion Act (H.R. 5100).

However, whether importers are able to modify or eliminate provisions establishing penalties for inadvertent errors and fraudulent information on duty-drawback applications remains in doubt.

Importers on the West Coast especially are nursing their wounds over the penalty issue — wounds they might have avoided if they had been politically more assertive when the Mod Act was in the formative stage.

Separation Foreseen. Proposed by the U.S. Customs Service after extensive consultation with importers and brokers, the Mod Act is part of the Trade Expansion Act and is considered likely to remain so, at least until the House of Representatives passes the larger bill onto the Senate.

"The general view is that at some point, the Mod Act will be separated," Washington-based attorney George C. Steuart told a recent gathering of the West Coast drawback committee of the American Association of Exporters & Importers in San Jose, Calif.

Jon Kent, who lobbies on customs-related matters for the National Customs Brokers & Forwarders Association of America, agreed.

The Mod Act is likely to remain affixed to H.R. 5100 during machinations in the House, he said, but there is a good chance the two will be separated when they reach the Senate, particularly during the pre-election political jockeying that traditionally occurs the three weeks starting in mid-September.

The Senate has not expressed much interest in the Mod Act, he said, but might well pay attention to it once pressure comes in from the Joint Industry Group and others with a stake in the matter.

"The big question is how Sen. (Lloyd) Bentsen wants to position himself," Kent remarked. Bentsen, D-Texas, chairs the Finance Committee.

Watch for the separation to occur sometime between Sept. 15 and Oct. 8, Kent said. That is when congressional committees will scramble to push through a mound of bills before members go home to campaign for re-election.

Those bills are either of a "housekeeping" or of a "political" nature, Kent said, and the Mod Act would fall into the housekeeping category.

Senators might be inclined to detach it from H.R. 5100, both to satisfy the business community and pad their list of legislative accomplishments, he said.

However, he cautioned, "there is no absolute certainty to any of this stuff."

The separation issue pits the importing community, Customs and the Bush Administration against House Ways & Means Committee chairman Dan Rostenkowski, D-Ill.

Knowing the administration opposes several trade-related provisions in H.R. 5100, Rostenkowski has seen to it that the Mod Act got attached, so that President Bush could not veto the bill without angering the business community.

Penalty Provision. Judged from their discussions at their June 26 gathering in San Jose, West Coast importers are furious over the treatment they have received over the drawback-penalty issue.

"Negotiations on drawback have been very disappointing — and very educational," commented Los Angeles-based attorney S. Richard Shostak.

In the future, he said, importers on the West Coast must assert themselves more strongly on the issues affecting them.

While the Mod Act was being drawn up, "we were being held hostage to the penalty provision," said Kass Sanginiti, a member of the AAEI's West Coast drawback committee, who is also corporate manager of customs for Syntex Corp. in Palo Alto, Calif.

"Not many of the things we held important were part of the legislation," she said.

Customs Blasted. Eveline Koot, chairwoman of the AAEI audit subcommittee, accused Customs of stabbing importers in the back, particularly over how long importers would have to amend duty-drawback applications.

After the AAEI accepted penalty provisions in the Mod Act, Customs reneged on a promise to include a provision extending the time during which amendment filings would be allowed, said Koot, who is an audit consultant with the accounting firm of Ernst & Young.

After re-exporting an imported product, exporters have three years to file for duty drawback.

Amendments to an application must also be filed within that period.

Customs, however, has no time limitation on the liquidation, i.e. completing the processing on drawback applications.

The problem, Koot explained, is that regulatory changes could occur between the end of the three-year filing period and the time that Customs gets around to liquidating a drawback claim.

That puts importers at risk of unavoidably violating new or revised regulations, she pointed out.

Other Potential Headaches. Marsela McGrane, chairwoman of the AAEI West Coast drawback committee, pointed to other potential, drawback-related headaches for importers.

One pertained to the lack of a time limit on liquidation.

"Once you get drawback, it's still not your money," noted McGrane, who is manager of internal control for Mattel, the El Segundo, Calif.-based toymaker.

That makes it extremely difficult for corporate budget planners, she said.

The other potential problem dealt with Customs' ever-widening use of automation for data processing.

Importers must be able to provide documentation, first when applying for drawbacks and again if Customs has any questions later on, she noted.

Sen. Packwood's Role. Kent sees "a very limited likelihood" of changes in the drawback penalty provisions of the Mod Act, should the bill be detached from H.R. 5100.

The reason is the strong opposition that would come from Customs, he said.

On the other hand, he said, importers and brokers might find an able ally in Bob Packwood of Oregon, ranking Republican on the Senate Finance Committee.

Packwood "has already indicated he's willing to take Customs on," Kent said.

In such a scenario, Kent added, Bentsen would probably mediate between Customs and the importing community. ■

The business future of Puerto Rico is in good hands with young people like Brunilda Lorenzo.

Thanks to the help and kindness of concerned business people like Frank Unanue, President of Goya Foods, and Olga Perez, Goya Transportation Specialist, the rich history of business success in Puerto Rico has an even better chance of continuing into the future.

Business students at the University of Puerto Rico were recently challenged to interview local business as part of a research project.

Rio Piedras student Brunilda Lorenzo chose to visit Goya Foods. The interview became part of her outstanding work entitled "The Importance of Ocean Transportation to the Economy of Puerto Rico." For her fine effort, Brunilda was awarded a scholarship.

Sea-Barge was proud to sponsor this Scholarship Program. We believe in the youth and the future of Puerto Rico.

Thank you, University of Puerto Rico! Thank you, Goya Foods! Thank all of you for helping us help Brunilda become just a bit of history in the making.

Ship your cargo with the carrier that is committed to the future of Puerto Rico today.
Call SEA-BARGE at
1-800-4-C-BARGE
OR **1-809-721-2330**

SEA-BARGE™

History in the making

Marine Transportation Services Sea-Barge Group, Inc.

Who says NYK people always come through?

Paul Orenstein, that's who. He's Operations Manager for AJC International, Inc. in Atlanta.

Mr. Orenstein is responsible for AJC shipments to and from 75 countries around the world–mostly exports of all kinds of frozen foods. Here's what he says about NYK:

"We've been working with NYK for about 15 years now–a long and successful relationship.

"NYK always does whatever is necessary to honor a commitment and so we're happy to commit to NYK in return. They always come through for us, they're totally dependable–in rates, container equipment, fast response and communications, you name it. We really enjoy working with them."

NYK. From long experience, Paul Orenstein and AJC know they can always count on us, in every way. You can enjoy the same experience.

This expression of customer satisfaction is completely voluntary and given without obligation of any kind.

Effectiveness • Efficiency • Excellence

NYK LINE
NIPPON YUSEN KAISHA

$30 million: Not worth the hassle

24 years is too long to wait on a fickle helping hand from Washington, so Long Beach will pay its own way in dredging.

By Joseph Bonney

Nothing's free in this world, and that includes money from Washington.

Recognizing that, the Port of Long Beach announced recently that it would finance its long-range expansion program itself, and forgo up to $30 million in federal reimbursement for dredging costs in a project authorized 24 years ago.

Port officials said that by doing the work themselves, they could finish the job faster and save millions on studies and documentation required by the Corps of Engineers.

"It got to the point of diminishing returns," said Geraldine Knatz, the port's director of planning. She said that when port expenses were balanced against federal reimbursement, it just wasn't worth going through "all of the studies and hoops they put you through."

Port officials added that circumstances had changed since the Corps began a feasibility study to determine how much federal money would be available for dredging in connection with the Project 2020 expansion at Long Beach and Los Angeles.

Revised plans have reduced the amount of dredging and landfill that would be subject to federal reimbursement. That means the $30 million estimate for federal reimbursement of the Long Beach dredging probably would have been on the high side.

The Long Beach/Los Angeles harbor dredging project was originally authorized by Congress back in 1968.

Two years later the Corps began a feasibility study to determine the amount of federal funding available for the 2020 plan, a $4 billion expansion project designed to carry the ports into the year 2020.

In 1981 Long Beach began to pursue federal funds for the first phase of its part of the plan — a dredging project needed to expand Pier J by 147 acres. The original target date for federal approval of the feasibility study was 1985. Despite a tall stack of data and documentation, federal approval still hasn't been issued.

Tired of waiting, Long Beach secured the necessary environmental permits and advanced the money necessary to deepen its 60-foot main channel to 75 feet and create the 147 acres of landfill.

The work was started in 1989 and completed in August 1990. A new terminal will open on the site next January.

With the dredging project complete, the port determined that federal interest in the Long Beach portion of the 2020 plan would be minimal and asked to withdraw as a local sponsor.

Although the port is still eligible for reimbursement of the federal share of the dredging costs, that would require additional federal sponsored environmental, planning and engineering studies. Port officials decided it wasn't worth it.

Long Beach may also need federal money when it comes time to pay its share for major dredging and landfills at the mouth of the ports' harbor. But Long Beach officials hope to avoid that until they have exhausted all of their other options. ■

LASH barges load under roof at Litco facility

International Shipholding, Cooper/T. Smith open Memphis terminal that loads barges out of weather.

By Joseph Bonney

The people who put barges on ships are putting them under a roof.

A new terminal at Memphis allows LASH barges to be lifted out of the water and rolled into a huge shed, where the cargo can be stowed or discharged in any kind of weather.

The owners of LASH Intermodal Terminal Co. (Litco) say they expect the Memphis terminal to handle 350,000 to 400,000 tons of cargo during its first year.

Litco is owned by New Orleans-based International Shipholding Corp. and Mobile-based Cooper/T. Smith Stevedoring. The terminal is managed by Cooper/T. Smith, which has been involved in LASH cargo for years in U.S. Gulf ports.

International Shipholding's Central Gulf Lines unit introduced LASH (lighter-aboard-ship) transportation in 1969. Central Gulf and its sister carriers Waterman Steamship Corp. and Forest Lines Inc. operate a total of 11 LASH ships and 1,700 LASH barges.

Transfer Point. The Litco terminal at Memphis is the brainchild of Erik F. Johnsen, president of International Shipholding.

The terminal allows for quick, weather-protected transfer of cargo between LASH barges and trucks or railcars. Memphis was chosen because of its central location.

LASH barges are towed up and down the Mississippi River system to New Orleans, where they are loaded or discharged from a large "mother ship" that carries 83 to 89 of the barges. Each LASH barge is 30 by 60 feet and has a cargo capacity of 375 tons.

Litco is at the former Rivergate Terminal at the Port of Memphis. Rivergate has leased its facilities to Litco and is consolidating its own operations at nearby President's Island.

The terminal has 237,000 square feet of enclosed warehouse space (including more than 100,000 added by Litco) and is accessible by barge, truck or any of five trunk railroads via Illinois Central tracks.

Barges dropped off at Litco are lifted from the river by a 500-ton-capacity crane that was acquired from a mothballed LASH ship in the Maritime Administration's fleet. The crane is positioned at a dock that juts out into the water.

After the barges are lifted out of the water, they are moved by the rail-mounted crane and rolled 262 feet into a large shed.

There, the barges are set down on steel stanchions. The covered work area allows the barges to be loaded or discharged in any kind of weather.

The process is reversed for barges going from the shed to the water. Empty barges can be moved either by the crane or on a 48-wheeled transporter that can lift 180 tons. The transfer between dock and shed takes about 10 minutes.

The LASH shed has stations for loading and discharging of five LASH barges, and has three overhead cranes of 30-ton-capacity each. ■

Oakland dredging OK'd

Inner Harbor project would enable APL to boost export traffic there. Long-term picture remains cloudy.

By Richard Knee

Barring a court challenge, an interim deepening project at Oakland, Calif.'s Inner Harbor abutting American President Lines' terminal will apparently proceed in the late summer and early fall.

After getting a green light in mid-June from the San Francisco Bay Conservation and Development Commission (BCDC), dredging of the Inner Harbor channel to a depth of 38 feet (mean low water) from the current 35 feet is slated to begin in September.

The work is expected to take from three to six weeks to complete, according to James McGrath, environmental manager for the Port of Oakland.

It will produce "a $5 million-a-year benefit for APL" because of the increase in export traffic that the carrier can put through Oakland, McGrath said.

The state-chartered BCDC's unanimous approval of the project June 18 marked the clearing of the final hurdle in a long, drawn-out permitting process. However, a "third party" could throw up an additional roadblock through the court system.

Long-Term Outlook Cloudy. Even so, the project is a drop in the bucket in the context of the dredging strategy that the port authority and the U.S. Army Corps of Engineers propose.

They want eventually to have a 42-foot draft for all three of Oakland's harbors and the ship channels leading into and out of San Francisco Bay.

This is seen as essential if Oakland is to accommodate the new-generation container ships carrying upward of 4,000 20-foot equivalent units.

Even after the interim dredging at Oakland, the Inner Harbor will not accommodate APL's biggest vessels when they are fully loaded, McGrath said.

Moreover, if APL opts to consolidate its West Coast operations to a single load center — which company officials have acknowledged they are considering (July *American Shipper,* page 60) — Oakland would be out of the running, absent the dredging to 42 feet.

Before that work can get under way, the port authority and the Corps must again get the necessary permits from various federal and state agencies.

They hope to begin the project in mid-1994; it would take at least a year to complete, McGrath said.

As was the case with the interim deepening, the biggest sticking point is likely to be the question of how to dispose of the dredged materials.

The interim deepening work involves dredging 562,000 cubic yards of silt; the long-term project would entail the dredging of 6 million cubic yards of silt. ■

Shippers chip away at Maislin

They've won key court decisions and are optimistic Congress will solve undercharge-claim problems.

By Joseph Bonney

As the Great Undercharge War grinds on, shippers seem to be gaining the upper hand.

They're making progress in the courtroom and in Congress as they work to avoid the barrage of undercharge claims unleashed by the Supreme Court's 1990 *Maislin v. Primary Steel* decision.

As thousands of shippers have learned the hard way, that decision opened the way for claims seeking the difference between a shipping rate that was negotiated between a truck line and its customer and the usually higher rate that was filed with the ICC.

The court declared that negotiated freight rates are unlawful if not filed with the ICC. Since that decision, hundreds of shippers have found themselves dunned by trustees for out-of-business truck lines with which they negotiated discount tariffs years ago.

Efforts to persuade Congress to settle the undercharge issue have been blocked by the Teamsters union, whose pension funds are the largest creditors of many of the bankrupt trucking companies.

But shippers are expressing guarded optimism that a united front by shippers, the American Trucking Associations and transportation brokers may be enough to overcome the Teamster opposition this year.

Meanwhile, shippers have come out ahead in two recent appeals court decisions that could set the stage for a Supreme Court decision on the issue.

Undercharge-related litigation has been filed in U.S. district and bankruptcy courts throughout the nation. The first one the Supreme Court has agreed to hear is *Cooper v. Reiter*.

In that case, the 4th U.S. Circuit Court of Appeals in Richmond, Va., agreed that a shipper must pay the undercharge claim to a bankrupt carrier before taking the issue to the Interstate Commerce Commission.

The ruling relied on a similar ruling from the 5th U.S. Circuit Court of Appeals in New Orleans in *Advance United Expressways v. Eastman Kodak*. In late June, however, the 5th Circuit reversed itself and said the shipper doesn't have to pay the disputed bill before seeking redress before the ICC.

"That knocked the props from under the 4th Circuit decision," said William Augello, executive director and general counsel of the Transportation Claims and Prevention Council, which represents shippers in undercharge suits.

He said that in view of the 5th Circuit's about-face, the Supreme Court is likely to rule that shippers don't have to pay up front.

Shippers contend that if they have to pay disputed claims to a bankrupt trucking company, they'll never see the money again. They say that even if the ICC eventually orders the money returned, it will have already been eaten up by legal and administrative expenses.

Shippers claimed another legal victory recently in *ICC v. Transcon*, a decision by the 9th U.S. Circuit Court of Appeals in San Francisco.

The appeals court overturned a lower court ruling which said a trucking company's negotiated discount rates were illegal because they used secret codes to mask customers' names when the rates were filed with the ICC.

The 9th Circuit commented that it was "troubled by the ICC's policy of allowing codes alone to identify shipper. Such a practice leads to secrecy, and secrecy makes possible discrimination in rate-setting."

Nevertheless, the appeals court said neither the trucking company nor its bankruptcy trustee had grounds to challenge the lawfulness of the coded rates that the trucker filed with the ICC in the first place.

"This court has no power to grant Transcon reparations for its own unlawfulness," the court said.

The bankrupt trucker's trustee was pleased with one part of the decision involving credit regulations connected with discounted, negotiated rates. The appeals court said the trustee could collect the full rate in cases where shippers violated the ICC's credit regulations, which were a precondition to receiving the discounts.

Attorneys for both the ICC and Transcon's bankruptcy trustee have asked the 9th Circuit to reconsider. The case is expected to be appealed to the Supreme Court.

The Transcon case has been closely watched as a test of how much latitude bankruptcy trustees can have in pursuing undercharge claims. Most of the undercharge claims being pursued by truckers involve coded rates.

The bankruptcy trustee for P-I-E Nationwide Inc. in Jacksonville has followed Transcon's strategy in challenging its past discount rates.

Olympia Holding Corp., which acquired P-I-E in bankruptcy proceedings, has said it intends to file 25,000 claims against former shippers, seeking more than $200 million. Suits against former P-I-E customers are being filed at the rate of more than 100 a week.

The ICC, which is considered sympathetic to the shippers' arguments in the undercharge disputes, has tried to block the bankruptcy trustee from using the codes as a reason to challenge negotiated discounts.

The bankruptcy judge in the P-I-E case has blocked the ICC from interfering with further undercharge claims over that issue. That ruling has been appealed.

While the lawyers stay busy, the Senate Commerce Committee has approved a bill to give shippers relief from undercharge claims.

The bill (S-1675) would give shippers the option of settling for a small percentage of the disputed amount or challenging the claim before the ICC.

Although the Teamsters remain opposed, shipper advocates say they believe they may have gotten the attention of Congress.

The ICC has estimated that undercharge claims could, counting interest, total $32 billion.

"That's four times what it cost the United States to fight the Persian Gulf war," Augello said. "If that doesn't put this whole racket in proper perspective, nothing will."

Although trustees for bankrupt carriers have sent collection letters in efforts to collect on undercharge claims, shippers are being urged not to settle.

Augello, whose organization has established about 100 joint defense groups to provide legal representation for shippers in undercharge cases, said the tide has turned.

His advice to shippers: "Don't settle. Hang in there. If shippers will be patient and band together, we can win. We've got to keep the pressure up." ■

Deregulation and small shippers

Cass says truck deregulation has helped small shippers as much as big ones. However, not everyone agrees.

By Mark Voorhees

Trucking deregulation is getting its share of hard knocks these days. The $27 billion fight over undercharges of failed carriers is only the loudest and latest sounding.

But don't expect Robert Delaney, an early and ardent deregulation proponent, to lose faith. At a recent news conference, Delaney was armed with charts, statistics, and bombast to fight what he calls the "price-fixing lobby," especially two of his most vocal opponents, law professor Paul Dempsey and economist Irwin Silberman.

"When experts such as ... Silberman and Dempsey are this wrong you are likely to be misinformed," Dempsey said. "Remember what you learned in journalism school. When your mother says she loves you, check it out."

Delaney, who lobbied for the Motor Carrier Act of 1980 as an International Paper Corp. manager, is a big, burly fellow at home in the halls of Congress, a trucking yard or the Cato Institute, the think tank that has published his work. He is now an executive vice president of St. Louis-based Cass Logistics, Inc., a freight bill payment vendor.

Delaney tangled with Dempsey over whether deregulation had unfairly penalized small shippers. In a speech before the Transportation Claims and Prevention Council in March, Dempsey blamed the undercharge crisis on the Interstate Commerce Commission's failure to fulfill its regulatory role.

The $32 billion of undercharges represents the difference between discounted rates and those filed at the ICC. Bankrupt carriers are trying to recoup from shippers the full freight rate if the discounted rate was never filed with the ICC. Small shippers, he added, may have legal redress against their larger peers for "abusing their market power to obtain low and discriminatory rates."

Not so, claims Delaney. Cass Logistics found that the freight discounts of its 25 largest clients were only about 10 percentage points larger than those received by its 25 smallest clients.

"That relationship is both fair and reasonable considering the economy of scale and competitive conditions," Delaney said.

The study examined rates charged by three large less-than-truckload carriers, Roadway Express, Inc., Yellow Freight System, Inc., and Consolidated Freightways Corp. Their largest customers, whose annual freight bills ranged from $10 million to $150 million, received averaged interstate discounts of about 58 percent. The discount for small shippers, with annual freight bills of $55,000 to $1 million, averaged about 48 percent.

Cass's smallest customer, furniture retailer Forshaw of St. Louis, actually received discounts rivaling those of the largest shippers. Cass's large clients include Sears Roebuck & Co., Kmart Corp., and Pennzoil Co.

> ***"We believe that small shippers know how to buy. That is why the Interstate Commerce Commission is not receiving complaints from them."***
>
> **Robert Delaney**
> *Cass Logisitics*

"We believe that small shippers know how to buy," Delaney said. "That is why the Interstate Commerce Commission is not receiving complaints from them. They do not need protection. There is no abuse of market power discriminating against small shippers."

In an interview, Dempsey responded that other surveys have found larger price differentials between large and small carriers. Studies by economists Martin Foley and Dabney Waring, for example, have found large-shipper discounts generally reach upward of 70 percent, while small-shipper discounts range from 5 percent to 15 percent.

Dempsey stood by his point that the ICC had abdicated its responsibility to oversee the trucking industry. The Motor Carrier Act of 1980, Dempsey said, "liberalized entry and liberalized pricing but did not wholly abdicate government oversight." Specifically, prohibitions against discriminatory pricing stayed intact.

Delaney's longstanding feud with Silberman goes to the broader point of whether deregulation has fired a more efficient economic engine. Delaney claims that logistical advances, largely born of deregulation, have created $100 billion in productivity improvements since 1980.

Deregulation has cut transportation costs and allowed carriers to introduce just-in-time delivery, according to Delaney. JIT, in turn, lets shippers reduce inventory. Total logistical costs, including inventory carrying costs, have declined from 17.2 percent of gross domestic product in 1980 to 11.6 percent in 1991, Delaney said.

After presenting his findings at the news conference, Delaney took the chance to knock Silberman. Silberman maintains that inventory velocity "is all in our imagination," Delaney told the conference. "He is wrong again." Inventory costs have actually declined from 9 percent of gross domestic product in 1980 to 4.8 percent in 1991, Delaney said.

Give Computers Some Credit. Even Delaney's supporters acknowledge that his analysis does not give proper credit to the role of computers in inventory management techniques.

But in an interview, Silberman called the inventory decline a fiction created by Delaney's simplistic analysis. Inventory's relationship to gross domestic product is increasingly irrelevant in a service economy, he said. Adjusted for inflation and sales in economic sectors that don't hold inventory, the ratio has actually stayed constant, according to Silberman.

Silberman, an advocate of LTL carriers, has an economic bias against deregulation, just as Delaney's interests lie the other way. But, Silberman is quick to note, two other respected economists, Alan Blinder of Princeton University and Louis Maccini of Johns Hopkins University, don't agree with Delaney either.

"Despite the alleged revolution in inventory practices brought about by computerization, the economy-wide ratio of real inventories to real sales has been trendless for 40 years," they wrote in the *Journal of Economic Perspectives* in the Winter 1991 issue.

Silberman said about Delaney, "It is not simple, but he makes it simple. Otherwise you don't need economists to confuse the world." ■

Lykes solves its 'Catch-22'

Will transfer subsidy contracts to separately owned management company. Deal splits U.S., foreign-flag fleets.

By Joseph Bonney

Lykes Lines plans to split its fleet into U.S. and foreign-flag segments by transferring its 25 American-flag vessels to a separately owned ship-management company.

The New Orleans-based carrier asked the Maritime Administration for permission to transfer operating subsidy contracts on its U.S.-flag ships to a newly formed subsidiary, Louisiana Vessel Management.

If MarAd approves, Lykes will sell LVM to new shareholders. LVM will have no shareholders, directors, officers or employees in common with Lykes. LVM will bareboat-charter Lykes' U.S.-flag ships and time-charter them back to Lykes.

LVM will operate the vessels to comply with the subsidy contracts, which cover 22 of the ships. LVM will manage the ships and handle labor relations with seagoing unions. Lykes will continue to make the decisions on rates, routes and marketing.

The new arrangement would enable Lykes to pursue vessel replacement without the restrictions placed on subsidized U.S.-flag operations.

Lykes has struggled for years to modernize its aging fleet under a Catch-22 created by the 1936 Merchant Marine Act. Although the law requires U.S.-flag ships to be built in U.S. shipyards, for the last decade there has been no construction subsidy to help offset the higher cost.

Stymied in efforts to get legal changes to help the company build U.S.-flag vessels, Lykes has expanded with foreign-flag ships.

But acquisition of foreign-flag ships by a subsidized operator is a complicated business, with each deal requiring special government approval. Lykes would like to be able to move more quickly when opportunities arise.

While subsidy restrictions figured in Lykes' decision to farm out the management of its U.S.-flag ships, the company insisted that wasn't the decisive factor.

"We just want out of the vessel management business," said Ardley Hanemann, vice president. "We're concerned with serving our customers, and we don't have to manage the ships to do that."

That decision reflects a change in philosophy at Lykes, a company that long has devoted considerable effort to the details of managing its ships. Hanemann said, though, that the shipping environment had changed. He said the company has had good experience with other time-charters, and found that by concentrating on marketing, "we can provide service that's just as good."

LVM would be owned by private investors who would be U.S. citizens — a requirement for receiving subsidy payments. Hanemann would not identify the investors in LVM, but said Lykes had reached an agreement in principle with them.

LVM would be based in New Orleans and initially staffed by about 100 employees formerly with Lykes' operating departments. As an independent entity, LVM would be free to broaden its business base by providing ship-management services to other companies. ■

Weak market for Cape-size bulkers

Rates for bulk carriers in the 100,000-150,000-deadweight-ton range are expected to remain weak through most of the 1990s, according to London-based Drewry Shipping Consultants.

In a report on the outlook for Cape-sized bulk carriers, Drewry forecast depressed demand and weak rates through 1992, with a recovery starting and demand finally catching up to supply by 1994.

Rates are expected to rise until about 1996, followed by a downturn in the final years of the decade.

Although dry-bulk freight rates have slumped recently, the Cape-size sector has suffered the worst as demand from its mainstay employers — iron ore and coal — has been hurt by weak economic activity in Japan and Western Europe.

Volume of cargo shipped in Cape-size bulkers has stagnated lately, but is forecast to grow by 18 percent, to 254 million tons, by 1996 and a further 8 percent, to 275 million tons, by 2000.

Drewry bases its prediction of increased rates at the middle of the decade on expectations of economic recovery and of a substantial increase in scrapping activity.

The world fleet of Cape-size bulk carriers totaled 28.4 million dwt. at the start of this year, with 44 percent of those vessels at least 15 years old.

The Drewry report estimated that time-charter rates needed to cover operating and capital costs of a new ship will be $26,000 to $27,000 by 1994 and $30,000 by 1996.

For information on the report, contact Drewry Shipping Consultants Ltd., 11 Heron Quay, London E14 4JF. Telephone: 071-538-0191. Fax: 071-987-9396.

RoadRailer lands Australian contracts

Wabash National Corp. has received an order from Australia for 74 of the RoadRailer hybrid rail-highway vehicles.

Australian National Railways, based in Adelaide, will buy and operate the equipment, and has exclusive right to manufacture and operate the RoadRailer system in Australia.

The order consists of both dry-van and curtain-sided Mark V trailers. It is the first firm order for commercial quantities of bimodal trailers to be placed for service outside the U.S.

The dry-van trailers will be built at Wabash's plant at Lafayette, Ind. The curtain-sided trailer frames and highway running gear also will be built by Wabash. They then will be shipped to Australia, where the ends, curtains and roof will be added.

In addition to these trailers, Australian National will be acquiring RoadRailer Mark V refrigerated vans to be built in Australia. RoadRailer Mark V rail bogies to support the trailers will be built by Australian National under its license.

RoadRailer technonogy has undergone commercial testing in Australia on a variety of equipment, including dry-van, refrigerated van, container chassis, gasoline tanker, flatbed and dump body units. Much of the operation has been in mixed trains with the RoadRailer trailers pulled behind conventional railcars — a capability also being developed by RoadRailer for U.S. application.

Scandinavia added to Siberian railbridge

Sea-Land Service has begun offering direct rail transport between the Far East and Finland and Sweden via the Trans-Siberian landbridge.

Through agreements with Trans-Siberian Express Service and Finnish state railway, VR Cargo, Sea-Land has established direct connections between Vainikkala, on the Finnish/Russian border, and Stockholm. That eliminates the need to transship Swedish cargo to Helsinki.

Under the VR Cargo agreement, Sea-Land will put together conainer block trains destined for Finland at Nahodka, the rail terminal serving the Russian Far East port of Vostochny.

At Vainikkala, container cars at the front of the block train will continue intact, without transshipment, to Helsinki's Pasila container terminal. Customsers will pay a single through rate.

In Finland, cargo for Sweden will continue by rail from Vainikkala on Finland's eastern border to Turku, on the west, and then will be ferried directly to Stockholm. From there, shipments can be transported throughout Sweden by rail or truck.

Sea-Land said it expects transit times between the Far East and Stockholm to average 30 days, a significant improvement over all-water routing.

Hapag-Lloyd carries large yacht below deck

Hapag-Lloyd has begun using a feature on its new 4,409-TEU containerships that allows large yachts and other outsized cargo to be carried below deck.

The Hannover Express-class ships were designed with the longitidinal kingbeam omitted. That clears a space 28 meters wide for transport of large objects, such as yachts, which usually are carried above deck on containerships.

The ship *Leverkusen Express* recently used this feature to carry a yacht more than 25 meters long, 7.45 meters wide and 50 tons in weight from Europe to the Far East.

The yacht, secured on an 82-ton cradle, was stowed diagonally on eleven 40-foot flatracks below deck.

Hapag-Lloyd said the consignee, Matsushita of Osaka, wanted the racing yacht to be stowed below deck so that it wouldn't be damaged during the voyage to Kobe.

TOMS space charter with Occidental Services

Total Ocean Marine Services Inc., which recently fought a successful legal fight to enter the Venezuelan trade, has signed a space-charter contract with Occidental Services Corp.

Occidental, a contract carrier specializing in heavy-lift and project cargoes, will offer space to Total Ocean on an as-needed basis between U.S. East Coast and Venezuelan ports.

Occidental will provide the space in connection with its recently announced contract-carriage service between the U.S. East Coast and Jamaica.

Occidental will have a roll-on, roll-off sailing every four to six weeks from Port Royal, S.C., or Port Wentworth, Ga., to Kingston Jamaica. Other East Coast and Jamaican ports will be served on inducement.

Transit times will be four or five days to Jamaica and six to seven days to Venezuela.

Total Ocean recently won permission to operate third-flag services to Venezuela after the Federal Maritime Commission moved to intervene on its behalf.

Gulf & Atlantic Maritime Services will be general agents for Total Ocean's new service.

Occidental Services, Yes Intl. in joint venture

Occidental Services Corp. and Yes International Corp. have formed Yes Shipping Corp., which will offer contract-carrier services.

Yes Shipping plans to operate between Black Sea, Indonesian, Far East and other ports. Specific service plans haven't been announced.

Yes Shipping will use the services of Occidental Navigation Co., with offices in Belgrade, New York, Palm Beach and Jacksonville, as ship broker and supervisory agent.

The companies said the new company will draw on Occidental's experience in international shipping and the Yes group's trading-company network and large captive volume of international commerce.

Japanese citrus carrier launches Tampa service

A Japanese refrigerated-shipping company, Kyokuyo Co Ltd., has begun a service between Tampa and Japan for carriage of citrus shipments.

On the service's first sailing, the James loaded orange juice from Tampa for shipment to Tokyo. Kyokuyo regularly ships orange juice from Brazil to Japan.

From Tampa, the carrier is expected to handle other frozen and chilled cargoes, such as fish and produce for the Far East.

K' Line adds Bordeaux

Kawasaki Kisen Kaisha ("K" Line) has added Bordeaux to its recently expanded European feeder services.

Bordeaux has been added to the northbound schedule of the weekly Ibesco service, which calls at Rotterdam (Tuesday), Bilbao (Thursday), Lisbon (Saturday), Leixoes (Monday), Bilbao (Tuesday), Bordeaux (Wednesday), and Le Havre (Friday), and returns to Rotterdam on Saturday.

The vessel then sails northbound to Felixstowe (Sunday), Newcastle (Monday), Gothenburg (Wednesday), Aarhus (Thursday), Bremerhaven (Friday), Newcastle (Saturday), Felixstowe (Sunday) and returns to Rotterdam on Tuesday to continue on its southbound leg.

The 21-day rotation is served by three 200-TEU vessels.

Hanjin adds Japan to PNW rotation

Hanjin Shipping Co. has added Osaka and Yokohama as direct-call ports in its service linking the Far East and the Pacific Northwest.

However, Seoul-based Hanjin has dropped the Port of Inchon from the direct-call rotation in order to achieve a nine-day transit from Yokohama to Seattle.

The carrier said it would redeploy the 2,600-TEU containership *H.J. New York* to that service from its Far East-Atlantic Coast all-water service, bringing the fleet size on the PNW route to six ships.

ACL calls at Lazaro Cardenas

Atlantic Container Line has begun calling at Lazaro Cardenas, Mexico, on its service between the U.S. Pacific Coast and Europe.

Lazaro Cardenas will be called inbound from Europe prior to Long Beach on the West Coast vessel rotation.

The first sailing to the Mexican port will be that of the Pacific Song on Aug. 3. Call initially will be monthly, but may be expanded to fortnightly.

ACL noted that the additional call will provide a coastal service from Lazaro Cardenas to Long Beach, Oakland, Seattle and Vancouver, British Columbia. In addition, intermodal services will be available from Guadalajara and central Mexico and to inland points in the U.S. and Canada.

Hanjin sails to Latin America

Hanjin Shipping Co. has begun service to the Caribbean, Central America and both coasts of South America.

The service is an extension of Hanjin's all-water service connecting Asia to the eastern seaboard of the the U.S. via the Panama Canal.

Hanjin has signed connecting agreements with Crowley Maritime, Network Shipping and King Ocean Lines, carriers already involved in the trade.

The service's transshipment ports are Savannah, Jacksonville, Port Everglades and Miami.

'K' Line expands Reefer Bridge

Kawasaki Kisen Kaisha ("K" Line) has expanded its Reefer Bridge stacktrain service, increasing weekly capacity by 50 percent.

A new Reefer Bridge service from Denver now departs Saturday for arrival in Oakland Tuesday morning.

Meanwhile, reefer-container railcars from Omaha now are dispatched Friday evening in addition to the scheduled Saturday departure. The Saturday train handles all additional reefers that did not move on the Friday train.

Stacktrains from both Omaha and Denver are routed to "K" Line's on-dock facilities at Oakland to connect with transpacific containerships.

Tecmarine sails from New Orleans

Tecmarine Lines has begun direct calls at New Orleans, marking the start of a monthly service from the U.S. Gulf to the eastern Caribbean and the Guiana coast.

Inchcape Shipping Service was appointed agent in New Orleans and Houston. Tecmarine is based in Miami and operates principally from Port Everglades.

Tecmarine said the New Orleans calls were made possible by the addition of the 170-TEU *Urte,* the seventh containership in the carrier's fleet.

The new service will be provided to Trinidad; Suriname; Georgetown, Guyana; Barbados; St. Vincent and Grenada directly from New Orleans and via intermodal connection from Houston.

Maersk feeder to Gdynia

Maersk Inc. has begun direct, weekly feeder service to the Polish port of Gdynia. The carrier also has opened offices in Lodz and Gdynia to complement its existing Central European offices in Prague, Budapest and Warsaw.

Washington Briefs

GAO wants tighter rein on Title XI

The General Accounting Office says the Maritime Administration needs better management controls over the vessels it owns as a result of defaults on Title XI loan guarantees.

The GAO said MarAd lacks formal policies and procedures, has not sufficiently documented its decisions, and lacks adequate performance indicators to assess its decisions on repossessed vessels.

That makes it impossible to evaluate whether MarAd is recovering the maximum amount on Title XI defaults, and makes the program more vulnerable to "waste, fraud, misappropriation and mismanagement," the GAO said.

MarAd officials said they felt the program was being managed well — and that more policies and paperwork wouldn't necessarily mean better performance.

Title XI uses a revolving fund to guarantee mortgages on U.S.-flag vessels. The program guarantees about $2.7 billion in loans on approximatley 2,500 ships, barges, tugs, offshore oil-industry vessels and other craft.

The GAO said MarAd had about 50 vessels in custody as a result of defaults toaling $143 million, and that MarAd reported the vessels have an estimated resale value of $42 million.

When it sells a ship acquired through a Title XI repossession, MarAd tries to recover as much as it can. It also tries to time its sales to avoid introducing excess capacity that would undermine weak sectors of the shipping industry.

The GAO complained that "MarAd has no detailed formal procedures for weighing the trade-offs when the objectives conflict to ensure that its actions omptimally benefit both the government and the industry."

MarAd officials said they make those decisions case by case, using staffers' knowledge of the market. They also said it would be difficult or impossible to develop rigid guidelines for ship-sale decisions.

The GAO acknowledged that market conditions are beyond MarAd's control but said MarAd still could develop useful indicators.

"These indicators could help program officials determine how well the program is recouping the government's losses and, in particular, could measure the program's success regarding those factors within MarAd's control," the GAO said.

Although MarAd can show what it sold an individual vessel for as a percentage of the agency's loss on the mortgage guarantee, MarAd does not record custodial expenses for individual vessels.

"This information could be used in evaluating decisions to sell vessels and would provide greater accountability for the $65 million spent for the preservation and custodial care of Title XI vessels in fiscal years 1983 through 1991," the GAO said.

APL seeks foreign-flag waivers through 1997

American President Lines has asked the Maritime Administration to allow APL to operate foreign-flag feeder vessels through the end of 1997, when the carrier's operating-subsidy contracts expire.

APL operates foreign-flag feeder services under waivers from the 1936 Merchant Marine Act's Section 804, which prohibits subsidized U.S.-flag carriers from operating foreign-flag ships.

MarAd is being asked to allow APL to serve ports of Southeast Asia and South Asia and the Persian Gulf-Red Sea with up to 28 sailings a year to and from California and up to 90 sailings a year to and from Oregon-Washington.

APL provides its feeder services through a relay of cargo to and from larger vessels in the carriers subsidized, U.S.-flag transpacific service.

FMC extends transatlantic investigation

The Federal Maritime Commission has extended its investigation into alleged rebating and other malpractices in the transatlantic trades.

The FMC's fact-finding investigative officer now has until July 1, 1993, to submit a final report on findings and recommendations.

The investigation is looking into rebates, concessions, absorptions and allowances in excess of those in tariffs,

Truckers favor NY/NJ detention rule, with changes

Motor carriers have told the Federal Maritime Commission that its regulations on free time and demurrage at the Port of New York and New Jerseyare still necessary.

The FMC asked for comments on whether the commission should eliminate its regulations concerning free time and demurrage charges on imports and truck detention at the port.

The request for comment produced a heavy response. The truckers agreed the rule should be retained.

Many said, however, that it should be revised to assure that their bills for lost time are paid by terminal operators. Others said the stevedores should be responsible.

Panel votes to apply labor law to foreign flags

The House Labor Committee has voted for a bill (H.R. 1126) that would extend certain U.S. labor laws to foreign-flag ships.

The bill would apply the National Labor Relations Act and the Fair Labor Standards Act for five years to any foreign-registered vessels engaged in U.S. commerce.

The bill, by Rep. William Clay, D-Mo., has been promoted by organized labor but opposed by the Labor and State departments.

The House Merchant Marine and Fisheries Committee, to which the bill was jointly referred, has not begun work on the bill.

Egyptian government controlled forwarder, FMC says

An administrative law judge of the Federal Maritime Commission has found that Memphis Forwarding Co. was controlled and indirectly owned by the Egyptian government.

Memphis Forwarding had been the subject of an FMC investigation into whether the forwarder was paid by a carrier for shipments in which the forwarder had a beneficial interest.

Administrative Law Judge Charles Morgan found that:

- Martrans, an Egyptian government agency, paid the ocrean freight on certain shipments booked by Memphis from the U.S. to Egypt.
- And that Memphis paid money to Martrans that resulted in rebates that partially offset the ocean freight charges.

Morgan imposed a $100,000 civil penalty on Memphis. He said that although the fine probably won't be paid because the forwarder no longer exists, "assessment of such a penalty may serve as a caution to other would-be forwarders."

ICC to quit keeping ocean-land tariffs

The Interstate Commerce Commission has decided to let the Federal Maritime Commission maintain the sole file of international through-rate tariffs for joint ocean-truck shipments.

Although both the ICC and FMC have maintained the tariffs, the ICC has been referring public inquiries to the FMC on an informal basis, and issued a proposed rule to make the arrangement formal.

The FMC has said it is willing to make the tariffs available for public inspection and copying. The change took effect July 9.

Shippers urge FMC not to dismiss ANERA case

Several shippers have urged the Federal Maritime Commission not to dismiss their complaint that a conference signed service contracts, then allowed its members to undercut rates through independent action.

The conference, the Asia North America Eastbound Rate Agreement, asked the FMC to dismiss the complaint. ANERA said the dispute should go to arbitration, and that the complaint is barred by the statute of limitations.

The shippers — Thai Agra Foods Co., Thai World Import & Export, Good Worlds Co., Savoy Enterprise, Tapioca Product, United Asian Foods and Tesana Ltd — dispute ANERA's argument.

The case is FMC Docket No. 92-17.

Maritime unions among top PAC contributors

Two maritime labor unions were among the top 20 contributors of political action committee money to congressional candidates from Jan. 1, 1991 through March 31, 1992, the *Washington Post* reported June 8.

The *Post* said Marine Engineers Beneficial Association District 2 contributed $535,850 during the 15-month period, making MEBA-2 the 16th-largest contributor.

The Seafarers International Union ranked 20th, contributing $518,250 during the period.

The *Post* also reported that the International Longshoremen's Association leads all PACs in money in the bank, with $4.4 million at the end of March.

House tightens definition of preference cargo

In approving the Defense Department authorization for 1993, the House voted to require DOD humanitarian assistance cargo to be subject to U.S.-flag shipping requirements.

The authorization bill (H.R. 5006) also would prohibit the Navy from beginning overhaul, repair or maintenance work in a foreign shipyard if the work wil take more than six months and the ship is scheduled to be reassigned to a U.S. port within 15 months.

Another provision inserted in the bill on behalf of U.S. shipbuilders would require the Defense Department to report the Navy's record of compliance with laws prohibiting construction of ships in foreign yards and repairing U.S.-based ships in foreign shipyards.

Lykes seeks freedom from Section 804

Lykes Lines has called for "sweeping deregulation" of the law that restricts foreign-flag operations by subsidized, U.S.-flag carriers.

Lykes said that unless that restriction (Section 804 of the 1936 Merchant Marine Act) is eased, subsidized carriers will lose market share because they can't modernize their fleets.

"With the defunding of vessel construction subsidies more than a decade ago, the more recent moratorium on ship financing guarantees, and the pending expiration of operating subsidies, the inescapable fact is that the program Section 804 was written to serve is being abandoned," Lykes attorneys said.

The statement came in comments related to the Maritime Administration's refusal to let Lykes serve Cartagena, Colombia, with a foreign-flag service.

Lykes said the secretary of transportation has "absolute discretion" in deciding whether and how to enforce Section 804.

"The demise of the programs envisioned by the Act certainly represent 'special circumstances' and 'good cause' for the secretary to exercise the discretion under the statute," Lykes said.

Another subsidized U.S.-flag carrier, Farrell Lines, said far-reaching changes such as the ones proposed by Lykes should be open to all operators in all trades.

"To pursue a radical shift in policy at the agency level, on an operator-by-operator basis and in the face of longstanding agency precedent, could in some cases be found to be illegal," Farrell's attorneys said.

Sea-Land denies it overcharged NVOs

Sea-Land Service has asked the Federal Maritime Commission to reverse an FMC administrative law judge's ruling that Sea-Land overcharged 35 non-vessel-operating common carriers for transportation of military household goods.

Administrative Law Judge Charles E. Morgan ruled that Sea-Land violated the 1984 Shipping Act by insisting on charging the NVOs under the Trans Pacific American Berth Operators tariff instead of a lower rate in another tariff.

The NVOs said they should have been able to pay the more favorable rates in the Asia North America Eastbound Rate Agreement (ANERA) tariff. ANERA tariffs were available to shippers of commercial household goods but not to shippers of military household goods.

Sea-Land contends that Morgan misinterpreted the law in ruling that Sea-Land overcharged the NVOs.

MarAd approves sale of Bay Ridge, Stuyvesant

The Maritime Administration has approved the sale of the very large crude carriers *Bay Ridge* and *Stuyvesant,* which were built in the late 1970s by Seatrain Shipbuilding Co. in Brooklyn.

The *Bay Ridge* will be sold for $4 million to Coscol Marine Corp., which will register the ship in Panama, Honduras, Liberia, the Bahamas or the Marshall Islands.

The *Stuyvesant,* to be sold to Chien Yu Steel Industrial Co. for $3.728 million, is to be scrapped.

In approving the sale of the ships, MarAd required that the *Bay Ridge* remain subject ro requisitioning for the remainder of its life.

FMC would shorten notice on domestic tariff changes

The Federal Maritime Commission has proposed to shorten its requirements for notice of tariff changes in the domestic offshore trades between the U.S. mainland and offshore states and territories.

The proposal would reduce to seven work days the notice period that carriers must provide for any tariff change that raises a shipper's cost but does not fit the definition of a general rate increase. The current notice period is 30 days.

Protests to the rate increases could be filed by 9 a.m. on the last work day before the tariff rate increase or rule change takes effect.

Legislation filed for N.J./Pa. compact

Senators fron New Jersey and Pennsylvania have introduced legislation to grant federal consent to a bistate compact for operation of the Delaware River Port Authority.

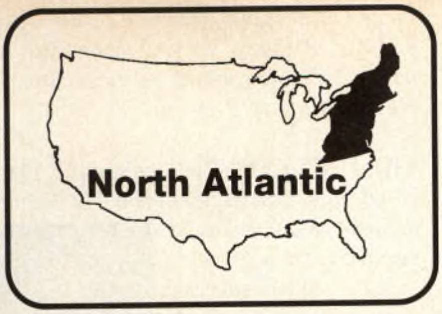
The legislation (S.2964) would give the port agency new authority to run port operations in a unified manner on both sides of the Delaware River. The House is considering similar legislation.

'Federal Regulations and the Freight Forwarder'

A training and reference manual, *Federal Regulations and the Freight Forwarder,* has been written by Vera Paktor, former Midwest district director of the Federal Maritime Commission.

The manual covers laws that affect operations of forwarders and shippers who forward ocean freight on their own behalf.

Copies are available from the publisher, Boskage Commerce Publications of Allegan, Mich. For informtion, call (616) 673-3018 or write to P.O. Box 337, Allegan, Mich. 49019.



TRANSPORTATION LAWYERS. The Transportation Lawyers Association elected Mark J. Andrews as president at its annual conference. Andrews is a partner with Barnes & Thornburg in Washington, D.C. Other officers elected were Edward J. Kiley, president-elect; Alex M. Lewandowski, first vice president; William D. Taylor, second vice president; David B. Schneider, secretary/treasurer; and David R. Parker, immediate past president.

'TERMINAL SECURITY.' The Through Transport Club, a London-based transport insurer, has published a booklet entitled *Terminal Security*. The 49-page booklet covers the principles of good security in terminals and depots. The booklet covers such topics as lighting, locks, alarms and cargo segregation. The booklet also covers the need for quality security systems, how much they cost, minimizing mistakes and using information technology. Cost is $25, £15 in England. For more information, call the TT Club at 071-253 0307.

NEW ACL MANAGER. Atlantic Container Line has named Michael B. Wilson as general manager for terminal operations. Wilson oversees daily operations at ACL's port terminals, and contract negotiations with stevedores. He previously worked for United Arab Agencies Inc. as vice president of operations. ACL is based in South Plainfield, N.J.


Wilson

VIRGINIA TRADE CONFERENCE. The 44th annual Virginia Conference on World Trade will be held Oct. 14-16 in Reston, Va. Topics to be discussed include the General Agreement on Tariffs and Trade (GATT), and the North American Free Trade Agreement (NAFTA). Other topics include technology export regulations; financing international shipments; Russia as a marketplace; and intermodal transportation. For more information, call (804) 644-1607.

CHIEF SURVEYOR. Graham Deere has been named chief surveyor, North America, for The Salvage Association. Deere succeeds Gil Kenrick, who retired June 12 after 27 years with the association. Deere joined the association in 1972.

ASTL AWARD. The American Society of Transportation and Logistics has named Robert V. Delaney the recipient of its Joseph C. Scheleen Award. Delaney is executive vice president of Cass Logistics Inc. The annual award honors individuals for their contributions to the field of logistics and transportation.

COMMERCE CLUB OFFICERS. The International Commerce Club has named its board of directors for 1992-1993. They are Tom Mathern, president; Carol Ann Merlo, first vice president; Bill Roche, second vice president; Linda Conte, secretary; and Heidi McNerney, treasurer. Other directors are Vicki Hoffman, Dan Kirk, Larry Morchese, Scott Munker, Tom Nee and Dave Robbins. The first meeting of the year is scheduled for Sept. 23.

EXPORT TRAFFIC LEAGUE. The National Export Traffic League Inc. has re-elected Patrick D. Gill of Rode & Qualey as president. Other officers elected were Peter R. Goulding, Bristol Myers Squibb, first vice president; Anthony Jankowski, Intercontinental Cellulose Sales, second vice president; Monica C. McVitie, General Electric, treasurer; and Martin J. Kelly, Kelly International, executive secretary. Those elected to the executive board for 1992-1995 were Fran Ligotti; Kathleen Goulding; Anthony Vasil; William G. Allan; and Steven Barros. John M. Brady was elected to serve the 1990-1993 term.

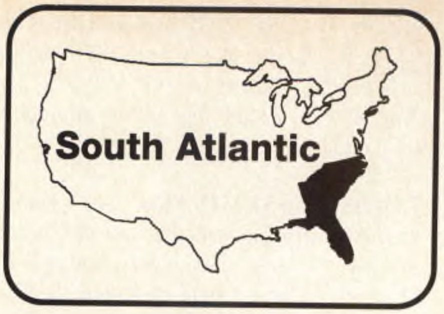
RYAN-WALSH NORFOLK OFFICE. Ryan-Walsh Inc. has moved its Norfolk office. The address is 819 W. 21st St., Norfolk, Va. 23517. The phone number is (804) 622-4374.

LOGISTICS SEMINARS. Two logistics seminars will be held this fall at George Washington University in Washington D.C. "Logistics Management Overview" will be held Oct. 5-9 and "Integrated Logistic Support" will be held Nov. 2-6. For more information, call (202) 994-6106.

AMERICAN MARINE ADVISORS. American Marine, which specializes in maritime merchant banking, has named Barry Parker as assistant vice president. He helps manage American Marine's existing business and helps develop new business. Parker worked for E.D. & F Man International in dry cargo chartering and in developing freight futures strategies. American Marine is based in Greenwich, Conn.


Parker

BALTIMORE OFFICE MOVES. Three companies have moved their Baltimore offices to the same location: Stockard Shipping & Terminal Corp.; Robert C. Herd & Co. Inc.; and Penn-Maryland Steamship Corp. The address is 2310 Broening Highway, Suite 175, Baltimore, Md. 21224-6607. The phone numbers are: Stockard Shipping, (410) 633-0200; Robert C. Herd, (410) 633-2630; and Penn-Maryland Steamship, (410) 633-0770.



ACS/LANPORT ANNIVERSARY. Atlantic Container Service and its subsidiary, LanPort Inc., recently celebrated their 10th anniversary. The companies have added terminal and warehousing services to their original container maintenance and repair service operations. The companies operate container yard terminals in Charleston, Jacksonville, Savannah and Atlanta. They also provide refrigerated container facilities and equipment, container freight stations, warehousing facilities, mobile maintenance and repair units, and over-the-road equipment. Ernie Rubadue is president and Steve Miller is vice president.

TAMPA CARGO GAINS. The Port of Tampa posted cargo gains in April and May compared to the same periods in 1991. The port handled 3,797,058 tons in April, up from 3,742,113 tons in April 1991. In May, the port handled 4,641,372 tons, up from 4,587,414 tons in May 1991. The port handled 33,262,184 tons from October through May. Growth in inbound barge traffic was mostly responsible for the increases.

38 FEET TO 42 FEET. A House appropriations subcommittee has approved $150,000 to study whether to deepen the Port of Jacksonville's commercial shipping channel. The channel would be dredged from 38 feet to 42 feet. The House Energy and Water Development Appropriations Subcommittee included the funding in the fiscal 1993 funding bill for the Army Corps of Engineers.

MITSUI ATLANTA OFFICE. Mitsui O.S.K. Lines (America) Inc. has moved its Atlanta office. The address is 100 Hartsfield Centre Parkway, Suite 610, Atlanta, Ga. 30354. The phone number is (404) 763-0111. Mitsui O.S.K. Lines (America) is based in Jersey City, N.J.

CARIBBEAN CONFERENCE. The Miami Conference on the Caribbean will be held Nov. 30-Dec. 4 at the Inter-Continental Hotel in Miami. The conference will focus on the potential impact of the North American Free Trade Agreement, the Caribbean Basin Initiative, and the unified European market. Businesses to be covered include agribusiness, apparel/textiles, tourism, financial services, transportation, telecommunications, energy and the environment. Cost is $450 before Aug. 31 and $525 thereafter. For more information, call (202) 466-7464.

NEW LOGISTICS INSTITUTE. Georgia Tech University in Atlanta has created The Logistics Institute, a professional educational program in logistics. The institute focuses on design and management of logistics operations in such areas as analysis and design techniques; labor; technology and operations management; and performance expectations. Ed Frazelle, professor in the School of Industrial & Systems Engineering, is the institute's director. For more information, call Georgia Tech at (404) 894-2457.

SWECOM USA. The refrigerated and insulated container manufacturer has named Ernie Johnson as sales director. Johnson and Capt. Ib Johansen, Swecom's marketing director, develop business for the refrigerated container production facility located in Green Cove Springs, Fla.

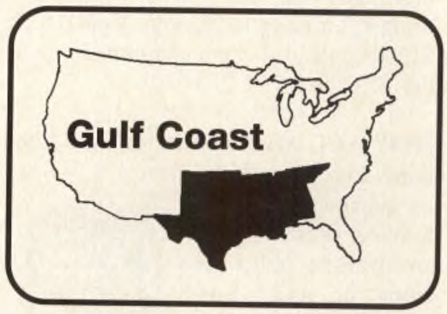
LOGISTICS COURSE. The International Logistics Program will be held Sept. 13-19 at the University of Tennessee in Knoxville. The program is aimed at domestic logistics managers whose responsibilities now include international logistics and transportation.

THE UNIT COS. The Jacksonville, Fla.-based firm has named Todd D. Benton regional vice president for Southeastern operations. He is based in Atlanta, and oversees management and development of Unit's public and contract warehouse operations. Benton previously worked for Directel Inc., a third-party logistics company that services the catalog and direct-response industries. He also worked for Exel Logisitics. Unit is a subsidiary of Chicago-based GATX Corp.


Benton

MIAMI CARGO UP 20%. The Port of Miami handled 20 percent more cargo from October-May than for the same period in 1990-1991. The port handled 3,036,734 tons.

MIAMI FORWARDING FIRM. Miami International Forwarders has opened a branch office in Orlando at 9429 Tradeport Drive. Geoff Robe is branch manager.



SOUTH LOUISIANA. The Port of South Louisiana, which covers the Mississippi River between New Orleans and Baton Rouge, remained the largest exporter of grain products in 1991, according to the U.S. Department of Commerce. The department said the district's terminals exported 58,961,000 tons. Corn was the leading export at 29,133,000 tons, followed by soybeans, animal feed, wheat, cereals, rice and barley. The largest importing countries were Japan, the Commonwealth of Independent States, and The Netherlands, followed by Mexico, Taiwan, Spain, Venezuela, Israel, Brazil, South Africa and Jamaica.

BARGE FLEETING AREA. Holnan Inc. of Theodore, Ala. has proposed creating a fleeting area along the south bank of the Theodore Ship Channel Turning Basin, located near the Alabama State Docks. Up to nine dry cargo barges would be moored in an area approximately 600 feet by 125 feet. Holnan Inc. has applied to the Army Corps of Engineers and the state Department of Environmental Management for the necessary permits.

LYKES MIDEAST REP. New Orleans-based Lykes Lines has named Hal G. Laws as its owner's representative for the Middle East. Laws is based in Dubai, United Arab Emirates. Laws is with Hal G. Laws & Co., a maritime representation firm. Laws first started working for Lykes in 1957. His previous Middle East experience includes stints with the Maritime Administration and with American President Lines.

LAKE CHARLES STEVEDORES. The Port of Lake Charles has contracted with Lake Charles Stevedores Inc. to be the sole loading and unloading contractor at the port's City Docks. The change does not affect selection of vessel loading stevedores. For more information, call (318) 439-9473.

RYAN-WALSH APPOINTMENT. Mobile-based Ryan-Walsh has named Brian R. Frennea as quality program manager. Frennea oversees planning and implementation of Ryan-Walsh's quality program. Frennea is also special projects coordinator. Frennea joined Ryan-Walsh in 1976, and has held numerous operation and supervisory positions.


Frennea

ALABAMA STATE DOCKS. Terry May has been named general manager for bulk operations at the Mobile-based facility. May oversees the operations that include the McDuffie Coal Export Terminal and the Bulk Materials Handling Plant. May has 15 years of experience in bulk materials and handling, with emphasis on sales and marketing.

LSU PORT INSTITUTE. The Maritime Administration has awarded Louisiana State University an $80,000 grant to study how water trade routes between the United States, Canada and Mexico can be made more efficient and profitable. LSU's National Ports and Waterways Institute will study how waterway barges and other vessels could transport products better than by road or rail. Much of the trade between the U.S. and Mexico includes corn, soybeans, sorghum, processed foods, petroleum, ores, iron and steel, cement, and wood and paper products. These are transported mostly by rail and truck.

HUB GROUP NAMES TWO. The Chicago-based Hub Group has named Robert E. Lee Jr. as regional manager for national accounts, and David P. Holmes as director for national accounts. Lee works out the company's corporate headquarters. He previously was regional manager for Carretta Trucking, and also worked for Jones Truck Lines and Brown Transportation Corp. Holmes is based in Los Angeles.

MHI CATERPILLAR VENTURE. Mitsubishi Heavy Industries Ltd. (MHI) and Caterpillar Industrial Inc. have established lift truck joint-venture companies in the U.S., Singapore and The Netherlands. MHI owns 80 percent of the equity of each of the three companies. Caterpillar Industrial, a subsidiary of Caterpillar Inc., holds the remaining 20 percent. MHI transferred 10 percent of each of the companies' equity to Mitsubishi Corp. at the time the ventures were established. The U.S. joint venture company is Mitsubishi Caterpillar Forklift America Inc., based in Mentor, Ohio.

BANKERS' TRADE ASSOCIATION. Gabriel Locher of Manufacturers Bank N.A. of Detroit has been elected to the Bankers' Association for Foreign Trade (BAFT). BAFT is a trade association of money-center, regional and small banks dedicated to fostering international trade, finance and investment. Locher is senior vice president in charge of international banking. Before joining Manufacturers Bank, he worked for Commerzbank A.G. in Stuttgart and the Royal Bank of Canada in Toronto.

EXEL LOGISTICS. Exel Logistics North America has been named to manage refrigerated space in two cities for Coors Brewing Co. Exel Logistics provides 38,000 square feet in Houston and 32,000 square feet in Albuquerque, N.M. Exel Logistics is based in Columbus, Ohio. It is the North American operation of the Logistics Division of NFC, based in the United Kingdom.

UNIT COMPANIES. The Unit Cos. has named Terry McIntyre as vice president of sales and marketing for health care, and Barbara Waligorski as facilities manager for Unit's Missouri operations. McIntyre oversees health care marketing for Unit. He previously was vice president and general manager for AJF Distribution in St. Louis. Waligorski oversees customer service, order processing and daily operations. She worked for AJF Distribution until Unit acquired it in 1989. The Unit Cos. is based in Jacksonville, Fla. It is a subsidiary of Chicago-based GATX Corp.

CMX TERMINALS. CMX, the trucking subsidiary of CSX Intermodal, has opened terminals near Columbus, Ohio; Evansville, Ind.; and Portsmouth, Va. The Columbus facilty is located in Grove City, and William Staten is facility supervisor. The phone number is (614) 875-1911. The Evansville facility is located at CSXI's former terminal on Old Henderson Road. Denise Gibbs is operations supervisor. The phone number is (812) 465-1794. In Portsmouth, the facility is located in the CSXI facility at 1 Harper Ave. Bob Kelk is terminal manager. The phone number is (804) 393-3931.

INTERMODAL ASSOCIATION. The Intermodal Association of North America will hold its fall intermodal conference Sept. 15-18 at the Oak Brook Hills Hotel and Resort in Oak Brook, Ill. For more information, call (301) 864-2661. The association is based in Riverdale, Md.

PORT LONGVIEW. The Port of Longview in Washington state has named Kimberly Anne Barney as manager of communications and public affairs. She succeeded Gary L. Burns, who retired June 30th after more than 25 years at the port. Barney previously worked for the Oregon Museum of Science and Industry.


Barney

BUSES TO TAIWAN. The second of two 50-bus shipments to Taiwan were loaded aboard NYK Line's *Orion Diamond* at Seattle's Terminal 37 in late June. Motor Coach Industries assembled the buses' shell components at its Winnipeg, Manitoba plant, and completed power-train installment and painting at its Pembina, N.D., factory. The first shipment went through Seattle in mid-April. The port's trade with Taiwan in 1991 totaled nearly $3 billion.

SCAN-TECH 92. The Scan-Tech 92 conference will be held Oct. 5-8 at the Anaheim Convention Center in Anaheim, Calif. Displays and seminars will focus on automatic identification and data collection. In addition, there will be working displays of six Automatic Data Collection systems. Automatic Identification Manufacturers Inc. (AIM USA) of Pittsburgh is sponsoring the event. For more information, call (412) 963-8753.

STEAMSHIP NIGHT. The Pacific Transportation Association plans to hold its annual Steamship Night dinner-dance Sept. 24 in the Grand Ballroom of the San Francisco Marriott Hotel. Tickets are $60 each, and are available for individuals and groups. Paid reservations are being accepted through Aug. 31 via Jim Fitzgerald at J.E. Lowden & Co., 1 Embarcadero Center, Suite 1950, San Francisco, Calif. 94111.

KERR STAYS OPEN. Despite the cessation of Pacific-Europe service by Compagnie Generale Maritime, the carrier's agent, Kerr Steamship Co., is keeping all six West Coast offices open, Kerr said. Based in San Francisco, Kerr also has offices in Long Beach; Coos Bay, Ore.; Portland; Seattle; and Vancouver, B.C. Kerr continues to represent CGM's services from the Atlantic Coast to Australia and the South Pacific. The firm's other clients are United Arab Shipping Co., Torm Lines, CCNI and Safbank/Bank Line.

HONDA NAMES CTI. American Honda Motor Co. has named Customized Transportation Inc. (CTI) as its primary carrier for three parts distribution centers: Davenport, Iowa; Torrance, Calif.; and French Camp, Calif. CTI provides attended and unattended dedicated delivery service. Parts are loaded sequentially and delivered to secured areas within the dealerships. CTI is based in Jacksonville, Fla.

INCREASED ASSESSMENT. The Pacific Maritime Association has received an increase in longshoring fringe benefit assessment rates. The rates went from $7.52 per hour to $8.81 per hour, effective July 4. The rates are applicable to all longshore workers, clerks and walking bosses at ports in California, Oregon and Washington state. The assessments were included under the ILWU-PMA Pacific Coast Longshoremen's and Clerks' agreements. The assessments, levied on man-hours and tonnage, are used to pay for vacation and pension benefits. In addition, tonnage assessments were increased from $12.674 to $13.221, effective July 1. These assessments are used to pay for welfare, paid holidays, pay guarantees and industry travel, among other benefits.

CF MEXICO OPERATIONS. Ruben Capaletti has been named director of Consolidadora de Fletes Mexico, a Mexican subsidiary of CF MotorFreight. Based in Houston, Capaletti oversees sales and operations. He joined CF MotorFreight in 1985, and held various positions before being named manager of the Laredo, Texas terminal in 1987. Consolidadora de Fletes Mexico was formed in 1983 to sell CF MotorFreight's services in Mexico. CF MotorFreight is based in Menlo Park, Calif.

MSAS EXPANDS IN SEATTLE. MSAS Cargo International has established warehouse, distribution and customs brokerage services in Seattle. The warehouse and distribution facilities are located near the ports of Seattle and Tacoma. MSAS, based in Bracknell, England, has 26 U.S. offices. The company's U.S. headquarters is located in San Francisco.

PORT OF OLYMPIA MARKETING. The Port of Olympia, Wash., has named Edward Bowman marketing director. He is a former president and chairman of the San Francisco-based Pacific Transportation Association.

LOGISTICS CONGRESS. The Canadian Association of Logistics Management will host the 10th International Logistics Congress in Toronto on June 20-22, 1993. Scheduled topics include international trade, management practices, reverse logistics and enabling technology. The event will be held at the Westin Harbour Castle Hotel. For more information, call CALM at (416) 513-7300.

LIVINGSTON DISTRIBUTION. Toronto-based Livingston Distribution Centres has named Doug Doust as vice president of operations. He oversees Livingston's 22 distribution facilities ranging from Vancouver to St. John's, Newfoundland. He previously worked for A&P Food Stores Ltd. Livingston Distribution is a member of the Livingston Group. Livingston Distribution operates more than 4.5 million square feet of public and contract warehouse space.

CASS LOGISTICS INC. The U.S. firm has named Donald J. Allison to represent Cass Logistics throughout Canada. Allison represents Cass' freight payment, audit, rating, software systems, and management information services. Allison is president of Computerized Packaging Consultants Inc. of Greenwood, Ontario, a company he formed in 1986. He has worked for the Canadian Pacific Railway in Toronto, and was vice president of corporate logistics for Manville International Corp. He also is past president of the Canadian Association of Logistics Management. Cass Logistics is based in St. Louis, Mo.


Allison

ITALIA LINE. Dodwell of Canada Ltd. has been appointed as agents in western Canada for Italia Line. Williams, Dimond & Co. remains Italia Line's agent on the U.S. West Coast.

GREAT WHITE FLEET AGENT. Great White Fleet Ltd. has appointed Montreal Shipping as its liner sales agent. Montreal Shipping will sell Great White Fleet's services from Canada to Central America.

Corporate Appointments

(904) 355-2601, FAX (904) 791-8836

Yellow Logistics Services

Paul Fox has been named president of the third-party logistics provider, based in Overland Park, Kan. The newly formed company is a subsidiary of Yellow Freight System Inc. of Delaware.

Fox has spent 32 years in logistics and transportation. He has worked for American President Cos., Leaseway Transportation, and Lee Way Motor Freight Inc. in such areas as sales and marketing, operations, and logistics services.

Mercer Management Consulting

The New York-based consulting firm has named Robert E. Sabath as vice president in charge of logistics practice, and John H. Winner as a Principal of the firm.

Based in Chicago, Sabath consults on logistics strategy and operations, customer service, operations effectiveness, purchasing and inventory management, among other areas.

He was president of Knight/Emerson consultants Inc., a Chicago-based firm specializing in integrated operations. Before that, he was director of the logistics group for A.T. Kearney Inc.

Winner is based in Washington, D.C. in Mercer's TBS Transportation unit.

Gunderson Inc.

Thomas A Sherwood has been named vice president and general manager of Gunderson Marine, the company's marine equipment and barge building operation. It is based in Portland, Ore.

Sherwood

Sherwood formerly served as vice president and chief operating officer of the Zidell Marine Group, based in Portland.

Hub Group

The Chicago-based Hub Group has formed a Quality Improvement Process to provide customized distribution services in North America. Mark A. Yeager has been named vice president in charge of quality.

Yeager

Yeager oversees the implementation of quality controls at the 39 Hub Group locations, and with vendors and customers. Yeager, worked for the law firms of Grippo and Elden, and Sidley Austin in Chicago.

The Hub Group also named Jack P. Pleban as vice president of motor carrier services. Pleban works with the company's drayage partners and helps select motor carriers for Hub Highway Services, the company's over-the-road subsidiary.

Pleban

Pleban was formerly director of transportation for Nabisco Biscuit Co. He spent 35 years with Nabisco.

Canadian National Railways

Paul M. Tellier has been named president and chief executive officer, effective Oct. 1. He succeeds Ronald E. Lawless, who retired June 30.

John H.D. Sturgess, chief operating officer, is interim president from July 1-Sept. 30. During that time, Tellier is working for the government as senior adviser to the Cabinet on constitutional matters.

Tellier served as Clerk of the Privy Council and Secretary to the Cabinet since 1985. Beginning in 1991, he has served as Secretary to the Cabinet for Federal-Provincial relations.

Lawless continues as president and chief executive officer of VIA Rail Canada. He has held that post since May 1989. Lawless became CN's president and chief executive officer in January 1987.

P&O Containers Ltd.

Peter Jollie has been named as a director of the London-based company. He oversees development of business in Australasia.

Jollie, 51, joined the company — then OCL — in 1974. He has held various positions, most recently as Australian Chief Executive. He retains his directorship with Australian P&O Ltd.

Blue Star PACE Ltd.

Richard Hanft has been named vice president, western region.

Based in San Francisco, he oversees the company's West Coast trade lanes. He is responsible for sales and marketing, pricing, conference activities, and operations and equipment control within the company's five West Coast offices.

Hanft joined Overseas Shipping, Blue Star PACE's former U.S. general agent, in 1978. He joined Barber Steamship Line in 1980, and was Blue Star PACE's district manager in Southern California from 1986-1991.

R.K. Johns & Assoc. Inc.

The New-York based consulting services company has named James L. Clark as executive advisor for perishable commodity transportation issues.

Clark worked for Sea-Land Service Inc. for 29 years, most recently as director of marketing, special commodities. During his tenure, he designed and managed such programs as "Reefer-Plus," a perishable commodities transportation program unveiled in 1990.

R.K. Johns & Associates is part of the Hampshire Management Group. Both were formed in 1987 by R. Kenneth Johns, former president and chief operating officer for Sea-Land Service. The HMG companies are America Maritime Services Inc., Americas Systems Inc., Network Shipping Inc., Oiltest Inc. and RKJ&A.

Fairway Terminal Corp.

James W. Wells has been named president of the Houston-based stevedoring and terminal operator.

Wells

Wells previously was senior vice president of Puerto Rico Marine Management Inc. He also was president of Harrington Ship Agencies Inc.

Fairway Terminal provides stevedoring, warehousing, container yard and container repair services at most Texas ports. It is owned by Young and Co., I.T.O. Corp., and Stevens Shipping and Terminal Co.

Southern Pacific Lines

Southern Pacific Lines has named Glenn P. Michael as vice president of transportation, and Michael D. Ongerth as vice president of strategic development.

Michael

Michael came to SP in March as vice president of transportation field operations. He had been vice president and chief transportation officer for CSX Railroad.

The creation of his new position marks the consolidation of the field operations and transportation services units, according to Bill Holtman, executive vice president of operations.

Ongerth, who has been with SP since 1968, oversees line sales, joint facilities analysis and transit corridor transactions.

TAA is a critical test of future policy

Twenty-five years ago, it was impossible for a shipper to think of a global just-in-time supply chain as reliable as JIT systems which were just coming into vogue in domestic automobile assembly.

To imagine that a global supply chain might operate at freight rates lower than shippers were paying in 1967 was even more far-fetched.

Yet, this is exactly what shippers now have — and expect — from the liner shipping industry. They've never had it so good and continually press carriers to make it even better, and cheaper.

Cheaper may not be the correct word. Shippers understand that carriers need to make a profit and generally are willing to pay whatever it takes to get their goods delivered in a timely manner and good condition. But many have a suspicion that some other shipper, who happens to be their own competitor, may be getting a better deal. So they drive prices down as low as they can, taking comfort in the knowledge they have given the negotiation their own best effort.

Theoretically, the open tariff system provides each shipper with the information he needs to compare his shipping costs with those of his competitor. But most shipper organizations lobby against U.S. laws which require tariffs to be filed and available to everyone.

Carriers are left in the position of being damned if they support tariff requirements and damned if they are suspected of giving someone else a better deal.

It's a real Catch-22 situation and will remain that way until shipper organizations back off long enough to enable carriers to get their house in order and work out the rationalization plans inherent in the Transpacific, Trans-Atlantic, Europe/Asia and other talking agreements which carriers are so anxious to implement.

Each of the talking agreements is limited to shipping along a specific trade lane. Collectively, however, they involve deployment of container capacity on a global scale and the lines involved have been aptly referred to by Karl-Heinz Sager as the Global Club.

The term Global Club sounds suspiciously like global cartel, causing shippers a high degree of nervous indigestion. It's understandable, and Sager is the first to say their concern is justified except for the way individual talking agreements have been formed. Each, he says, is "a very loose, liberal and voluntary agreement which ... is the minimum and indispensable degree of cooperation which the lines need for survival.

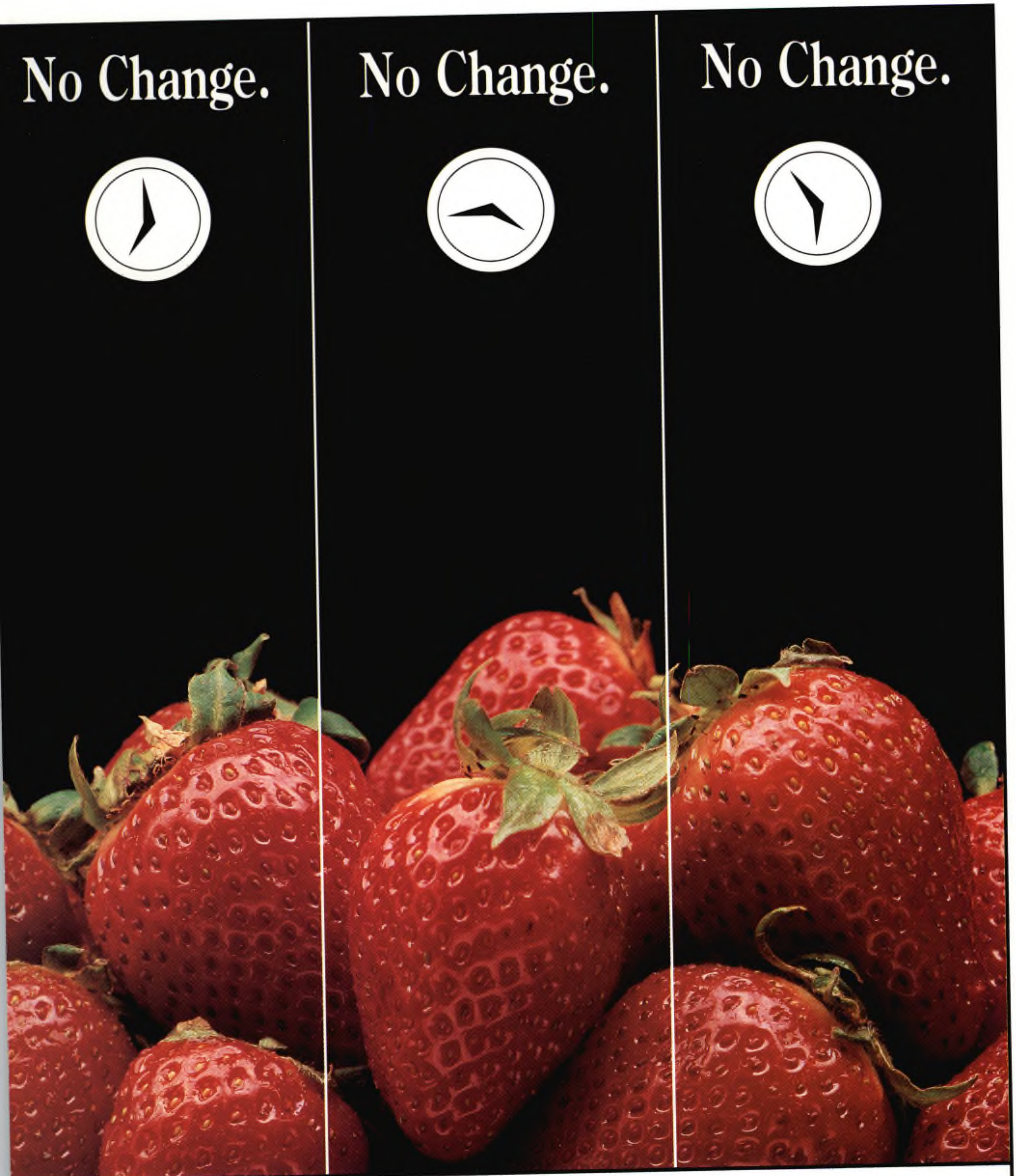
"If some shippers (councils) cry that this may lead to price increases, the answer can only be: 'Yes,' and this is exactly what the lines want to happen and what is badly needed," he told the International Propeller Club in Tokyo on June 23.

But, Sager goes on, the talking agreements can be monitored by officials in Washington, Brussels and shipper councils. It may not be a perfect system, but it is the best the carriers have been able to devise to assure shippers the service they have come to enjoy, and expect at nominal cost.

The pending Trans-Atlantic Agreement (TAA) is the only case which requires approval from both the FMC in Washington and the European Commission DG IV (antitrust section) in Brussels. For that reason, TAA is a critical test case which will probably establish a set of international standards by which the liner shipping industry will operate into the next decade.

Sager believes FMC and EC DG IV understand the problems and will make a conscientious effort to resolve the many issues and conflicts involved. He is optimistic.

"TAA just must succeed," Sager told his audience of more than 120 shipping executives in Tokyo. But if the authorities in either Washington or Brussels block TAA, Sager believes "the industry must take its case to the highest available courts to get its right."


No Change.
No Change.
No Change.


INNOVATIVE. EFFICIENT. RESPONSIVE. DEDICATED.
EXTENDED PACIFIC SERVICE
FIVE WEEKLY ROUTES
FASTER TRANSIT TIMES
INCREASED CAPACITY
SOUTH - EAST ASIA DIRECT
© 1992 OOCL (USA) INC.
OOCL
JUST ABOUT ANYTHING SHIPPED JUST ABOUT ANYWHERE. JUST IN TIME. JUST LIKE CLOCKWORK