March 1977

# American Shipper

Congressman Murphy to Open Hearings on Cargo Equity
Use of Leverage in Financing Ships
How Russia Makes Money With Very Low Rates
Are Dockworkers Planning to Strike March 7?

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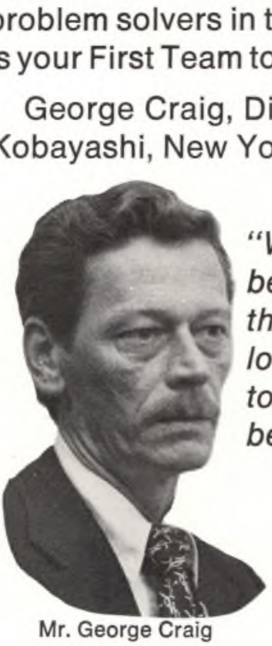

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Mr. George Craig

Mr. K. Kobayshi

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:ditor David A. Howard

\ssociate David Ress

\dvertising William T. Sullivan
Hayes H. Howard

'roduction Perla May

:irculation Kathryn St. John

OFFICES

lew York (212) 425-0530
William T. Sullivan
Room 1946
17 Battery Place
New York, N.Y. 10004

/ashington (202) 347-1678
David Ress
Room 1286
National Press Building
Washington, D.C. 20045

acksonville (904) 355-2601
David A. Howard
1314 SCL Building
P.O. Box 4728
Jacksonville, Fla. 32201

ondon Phone: 01-730-3592
ALL-AMERICAN MEDIA
The Paul Singer-Lawrence
Media Group
54 Burton Court
London SW3 SY4 England

an Francisco (415) 586-0540
Bruce Stabio, Correspondent
96 Evergreen Street
Daly City, CA 94014

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# Blackwell Expected to Pick Six Bulk Shipping Conference Ideas For Action by the 95th Congress

**Heaviest debate may come on removal of Section 804 restraint on foreign-to-foreign trading and fear that Construction Differential Subsidy would have to be over 50%. Hopes to bring construction reserve money back to the U. S.**

At this point, it seems as if the most likely place for the unveiling of the Maritime Administration's bulk shipping promotion package will be the oversight hearings of the House or Senate Merchant Marine subcommittees, scheduled for early spring.

Although agency officials are unwilling to make their deliberations public before the package is available in a final draft, there are some clear indications of where MarAd is headed.

The question of exemption, or deferral, from the restrictions of Section 804 of the Merchant Marine Act—which forbids U.S. flag operators from corporate relations with foreign flag shipping operations—is bound to arise.

The Maritime Administration has given waivers to applicants for subsidy that do have such relations in violation of this section of the Act, but waivers have always been based on the condition that the subsidized operator convert from foreign to U.S. flag operations.

"This policy issue is perhaps the most important policy issue discussed in the Final Report of the Hyannis Bulk Shipping Conference. The Conference discussions and reports are the sources of most recommendations on bulk ships that MarAd is likely to put forward.

The Section 804 question dominated discussion at the Hyannis conference, according to all reports; this was probably because there are at least 112 bulk ships owned by Americans that now fly foreign flags, according to MarAd statistics.

Another related area where MarAd is almost sure to push for legislative change is the Section 607 provision that bans deposits of foreign flag ships' earnings into Capital Construction Funds. These funds provide tax deferrals for monies that are pledged for ship investment, and are, apparently, a fairly effective investment incentive. If the government wants to encourage U.S. bulk ship operators to build U.S. flag ships, a method must be found for bringing foreign earnings to this country without penalty. MarAd has pushed for revision of Section 607 before, with little sucess; but, with such a proposal as part of a bulk shipping package, the agency would probably stand a better chance of success.

**A Change of Attitude.** The judicial temper of the Maritime Subsidy Board and the agency's Administrative Law Judges seem to be indicating a willingness to mitigate the ordinarily strict provisions of the Merchant Marine Act when a liberal legal interpretation would have a strong promotional effect on the U.S. flag fleet. (Robert Blackwell, Assistant Secretary of Commerce for Maritime Affairs, chairs the M.S.B. and presumably has a fair degree of influence over that body's attitudes.)

Informal sources say that the Subsidy Board's December decision permitting subsidized bulk carriers unrestricted foreign-to-foreign trading rights until December 31, 1977 is a tip-off that the right of subsidized operators to trade outside of U.S. foreign trade routes will be a part of the bulk shipping program.

The restriction on foreign-to-foreign trade has long been cited as a major reason why American companies are not interested in U.S. flag bulk fleets. In 1970, when the Merchant Marine Act was extensively revised, the Congress did allow a compromise allowing bulk ships to carry 70% of cargos in foreign-to-foreign trades, but this was still not adequate, according to the Hyannis conference discussions.

The problem is that bulk commodity shipping is not a stable business, and


operators need a high degree of operating flexibility to compete for cargos. The minimum voyages requirement also imposed a fairly complex monitoring requirement on shipping companies, which were required to return portions of their operating subsidy grants if the voyage minimum had not been met.

**Construction Subsidy.** Another problem that MarAd faces is the possibility that construction subsidies for bulk ships will have to exceed the current 50% of total cost maximum, in order to account for the cost differential between Japanese and U.S. shipyards.

The two 80,000 dwt bulkers built for Aries Marine in 1973-74 were supported by a 45% Construction Differential Subsidy—then the maximum allowed—at a time when the shipbuilding market was nowhere near being as depressed as it is today. With the current over-supply of oil tankers, Japanese shipyards are finding themselves with expensive unused capacity, and are bidding for bulk ship orders at levels that are probably not profitable.

If the Maritime Administration decides that more than 50% Construction Differential Subsidy is required, it could prove a political embarrassment to the agency, which has over the past few years been pushing these subsidies percentage figures down.

**A Bulk Shipping Program?** Blackwell will probably be submitting a package of recommended amendments to the Merchant Marine Act that will include:

(1) Bulk ships exemption from Section 804;

(2) Permission for bulkers to trade on foreign-to-foreign routes, without restriction;

(3) Permission for shipowners to deposit foreign earnings in Capital Construction Fund;

(4) Permission for MarAd to grant Construction Differential Subsidies in excess of 50% of total cost.

(5) Permission for shipowners to sell bulkers before the standard 20-year replacment period is up;

(6) A stop-gap "build to charter" program authorization, should all the other parts of the program fail.

At MarAd itself, there will probably be quite a bit of technical work on bulk ship design, possibly pushing for a standard design, and also some expansion of the bulk ship marketing program. Closer coordination with U.S. government agencies responsible for programs covered by various cargo preference laws will probably be started, as well.


ACL


Lykes vessel stopping at Detroit

Double-deck Crowley barge, similar to EAST units.

# Lykes Announces Near East Service Using EAST Line's Triple-Decked Barges From Port of Fos, France

**Serves Gulf, South Atlantic and Great Lakes ports. EAST is affiliate of Crowley Maritime in San Francisco and two Canadian firms.**

Lykes Lines has established a new service linking U.S. Gulf, South Atlantic and Great Lakes ports with Saudi Arabia.

Lykes concluded a connecting carrier agreement with the EAST Line (Euro Arab Sea Trailers) that will provide at least two and possibly three sailings monthly by Lykes ships to the French port of Fos, near Marseille, where the Saudi Arabian cargo will be transshipped to sea-going barges of EAST on a through bill of lading.

The triple-decked EAST barges provide a direct service to Saudi Arabia. It is expected that initially most of the cargo will be moving in containers. However, cargo units other than containers, such as heavy lifts and oversize shipments, can also be accommodated.

EAST operates its own terminal at Fos where the containers arriving on Lykes ships are discharged to truck chasis and then loaded aboard the huge new EAST barges. EAST provides sailings from Fos every 10 days bound for the Saudi Arabian port of Yanbu.

"At Yanbu, EAST operates its own container yard. Promptly after arrival, the cargo is cleared by customs, hooked up to tractors and within seven days is delivered to such major points as Jeddah, Mecca, Riyadh, Dammam, and numerous other interior points throughout Saudi Arabia," Lykes officials stated.

"The EAST facilities at Yanbu are operated exclusively for movement of EAST cargos, avoiding delays found at many other points of discharge in Saudi Arabia. The roll-on operation at Fos and the roll-off discharge at Yanbu assures prompt dispatch of cargos."

The EAST barges are 400 feet long and 105 feet wide, offering more space than a football field on each of three decks. Maximum capacity will be 266 forty-foo trailers, which can be discharged in les than eight hours. The barges will b towed by 10,000-horsepower tugs.

The EAST operation is a new ventur jointly owned by Global Transpor Organization, of San Francisco, an Compagnie Maritime Belge, of Antwerp Partners in the Global Transpor Organization include the Crowle Maritime Corporation, San Francisc Federal Pacific, Ltd., and Seaspa Overseas, Ltd., both Canadian firms wit extensive shipping interests.

**AT NEWPORT NEWS**

# 4 LNG Carriers Costing $800,000,000 Planned by Tenneco Subsidiaries; Als 3 Nuclear Ships for Globtik Tankers

**Orders contingent upon various governmental OK's including MarAd Title XI mortgage guarantees. LNG would be transported from Algeria to terminal in Canada.**

Newport News Shipbuilding February 15 announced it signed letters of intent that could lead to construction of four liquefied natural gas (LNG) carriers.

The world's largest shipyard signed the letters of intent January 31 with other Tenneco susidiaries. The conventionally powered LNG's would operate as part of an LNG project proposed by Tenneco LNG Inc. and Sonatrach (the Algerian national oil and gas company.) The project contemplates delivery of LNG from Algeria to the east coast of Canada, where it will be regasified for sale in the Canadian markets and in the United States through Tenneco's interstate pipeline system.

The estimated final price of each LNG ship is approximately $200 million, including escalation. Delivery of the first vessel would be scheduled for late 1981.

Formal contracts for the LNG's whic the parties have agreed to develop, wi be conditioned upon, among oth things, obtaining all necessar governmental approvals of the proje by September 30, 1977, in Algeri Canada and United States, includin approval by the Federal Pow Commission and approval by th Maritime Administration of Tenneco application for mortgage insurance.

**Globtik Deal.** (On February 1, Newpo News Shipbuilding signed a letter intent with Globtik Tankers U.S.A th could lead to construction of up to thre nuclear-powered oil tankers at $3 million each, subject to adjustment f cost escalation and certain other item The formal contract for those shi would also be subject to a number conditions, including the obtaining of a necessary governmental approvals an the availability of suitable insuranc governmental nuclear indemnity an financing. These two projects a unrelated.)

In announcing the signing, A. (

Winall, manager of commercial ship narketing and sales for Newport News, said, "The letters of intent covering these four LNG's as well as the letter we signed earlier this month for the nuclear-powered tankers underscore our company's commitment to aggressively pursue shipbuilding projects for our new commercial facility. We still have hipbuilding capacity available, however, and are presently looking at additional opportunities."

Winall continued, "We have a large nvestment in our shipbuilding facilities nd a work force of skilled people, and ve intend to keep both of these assets vorking to the fullest extent possible."

Robert M. Bryant, Jr., Business Manager of the Peninsula Shipbuilding Association (PSA), which represents the ompany's 16,000 production workers, dded his support to the company's ommercial marketing efforts:

"The letters of intent that have been igned in the last month show that other eople recognize what we in the PSA ave known for a long time—we've got ighly capable shipbuilders here. They an meet almost any chalenge, nd their kills can be put to work on Navy vessels r on commercial ships. We're all pleased y the company's actions in going after nore commercial business and want to ooperate with management to ensure hat the maximum number of jobs are vailable for our workers."

**imensions.** If construction proceeds as lanned, it is anticipated that these NG's would be similar to the three NG's currently under construction in he company's new commercial hipbuilding facility for El Paso Natural as Company. Each of these three ships neasures 949 feet in length, with a 135-oot beam and a 36-foot draft, and has a apacity of 125,000 cubic meters of quefied natural gas. Each vessel could arry the equivalent of 2.6 billion cubic eet of natural gas, enough to meet the eeds of a city of 34,000 people for a full ear. The first ship for El Paso was unched January 22, 1977, with eliveries scheduled for 1977 and 1978.

Located on the James River, Newport ews Shipbuilding is a leader in Naval hipbuilding and refueling, commercial hipbuilding and repair, and the supply specialized products and services to e nuclear power generating industry. A ajor manaufacturing complex nploying approximately 24,000 men nd women, Newport News hipbuilding is Virginia's largest private nployer and the nation's only shipyard apable of building and servicing the full nge of nuclear and conventionally owered ships for both the Navy and ommercial customers.

# Russia Will Pay $16.47 Grain Rate

Even though the Soviet and American delegations were able to reach an accord on grain shipping rates in January, no overall agreement was signed, and touchy negotiations are slated to continue.

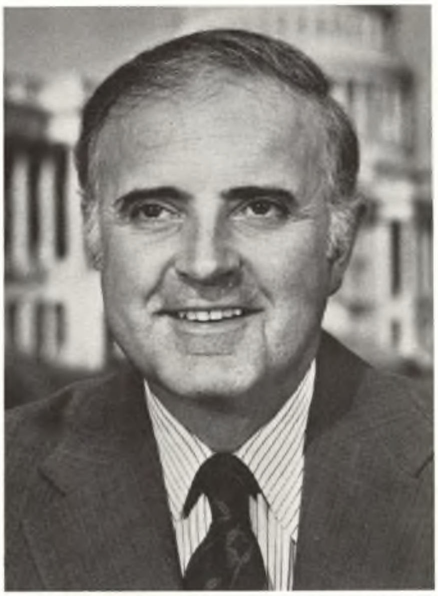
Reports indicate that both sides agreed to a set charter rate of $16 per ton, and a guarantee that 1/3 of all tonnage shipped be carried in U.S. flag vessels. An extra 47 cents per ton charge was imposed to cover the 1 million tons of grain that should have been—but weren't—carried by American ships under the last agreement.

At the last round of talks in Moscow, the Russians raised some questions of their own that stalled the talks, although what these were, no one in Washington is saying.

The White House and State Department are involved in the negotiations, which may be linked to other concessions unrelated to shipping. There have been problems of high demurrage charges on the Russian ports, and sometimes there are problems of payment methods and currency exchange.

# "Cargo Equity" Legislation on Top Of Murphy's Agenda; Justice Views On Conference System to be Studied

**Panama Canal issues will get a working over, with House less inclined than Senate to permit Panama to assume control. Fears "Cubanization" of canal.**



Rep. John M. Murphy (D-NY)

Shippers may not like it much, but it looks as if cargo preference legislation is bound to come up on Capitol Hill this year, with support from the White House.

"There's a reasonable level for American flag ships in the carriage of American cargos," says Representative John M. Murphy (D-N.Y.), "and they're not carrying enough right now."

Murphy, now in his eighth term in the House, and starting his first session as Chairman of the House Merchant Marine and Fisheries Committee, will be actively pushing for a variety of programs to promote the U.S. flag merchant fleet over the next two years.

"The groundwork has been laid under the leadership of (former) Representative Lenore K. Sullivan and Thomas N. Downing," Murphy said, "and I expect action on a number of measures that have been stalled in past Congressional sessions."

One of the first items on the Merchant Marine and Fisheries Committee's agenda is the Energy Transportation Security Act of 1976, a cargo preference measure that would reserve 30% of oil and energy imports to U.S. flag tankers. Along with this bill, Murphy plans to push for an extension of the Jones Act—which reserves domestic cargos to U.S. flag ships—to cover trade between the Mainland and the U.S. Virgin Islands. Over these trade routes a fairly substantial amount of oil is carried.

"I think preference is a bad word," says Murphy, "We should be talking about cargo equity for American flag instead." The Committee will be looking at the "whole question of cargo equity" Murphy told "American Shipper". The preliminary indication available point to a system of cargo reservation varying percentages, probably aimed mostly at bulk commodity movements.

**The Budget.** Other items on the Committee's agenda for the first session include March hearings on the Maritime Administration's budget authorization, as drawn up in President Ford's final 1977 Budget; a national marine firefighting program; intercoastal shipping rates legislation, an oil pollution liability measure, intermodal legislation, and, possibly, a Third Flag Bill.

Murphy told "American Shipper" that he was not satisfied by the Ford Budget—which President Carter will probably revise substantially—because of an Office of Management and Budget request for "an intensive analysis of the basis of Federal support for the maritime industry." One of Murphy's first actions in his new position was to fire off letters to President Carter, and OMB's new chief, Bert Lance "to express my complete opposition to the language contained on the Budget."

"The maritime industry, "Murphy said in his letter to the President," is a fragile industry....One of the necessary supports that has enabled the U.S. flag to continue to operate in competition with the lower cost foreign flag operators has been the construction and operating differential subsidy programs."

Murphy said that he is fairly sure that this particular part of the budget will be changed. "I've studied the President's policy statements on maritime affairs very carefully," he added, "and I'm very favorably impressed."

The new chairman did not say whether or not he would be seeking any increase in the Maritime Administration's budget authorization.

**The Panama Canal.** The Panama Canal "will most definitely come up before the Committee," said Murphy, including a review of the toll increases and Canal Company's accounting practices changes, which some shipping lines say have led the Company to ask for, and receive, permission to hike tolls.

The treaty negotiations with Panama will also be reviewed by the Committee. "We're going to make it clear that the House of Representatives has jurisdiction over the Canal's disposal," said Murphy. According to a number of reports, the House is less willing than the Senate to give Panama complete control over the Zone.

"I'm not in favor of the Cubanization of the Panama Canal," said Murphy," and there is no question that this would result if Panama took over the Zone."

**Regulatory Questions.** The intercoastal shipping rates bill, Third Flag bill, and intermodal bill proposed by Murphy as topics for committee discussion this session, involve review of the Federal Maritime Commission's regulatory role.

In addition, the Department of Justice Anti-Trust Division report on the conference system will be studied by the Committee, Murphy said.

"We're going into the whole problem," he said, "and are already hiring staff, and have appointed a special counsel."

"The de-regulation issue has been before the Congress for the last 6 years," Murphy continued, "and, particularly under President Ford, we were under a lot of pressure to free-up markets."

"The first six months of this session should give an indication of what we'll be doing in this area," said Murphy.

## Estimated Cargo Insurance Premiums, Jan. - Sept. 1976

**World Total—$2,274.2 million**

| Country | Total Market Potential | Import Premium Market |
|---|---|---|
| Argentina | $ 12.5 million | $ 5.5 million ($550 million trade surplus) |
| Italy | $161.4 million | $86.9 million ($5,998 million trade deficit |
| Mexico | $ 15.8 million | $ 12.4 million ($3,611 million trade deficit) |
| USSR | $ 22 million (?) | |
| USA | $442.5 million | |

**AIMU PRESIDENT FAIN:**

# About 30 Nations Impose Restrictions On Marine Insurance, but Few Succeed In Retaining Monies for Themselves

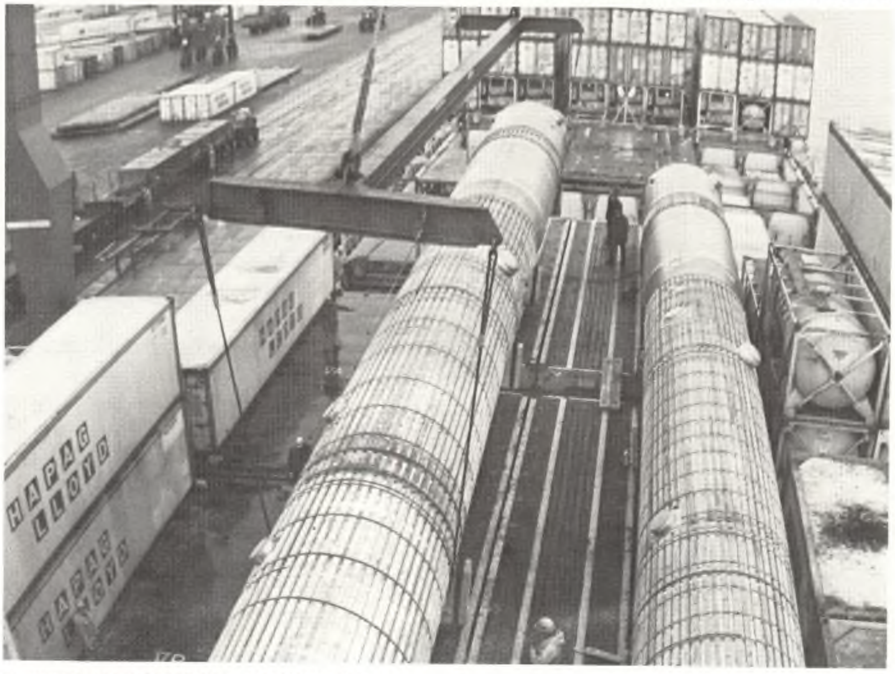
**Russia has tightest ban, 100% effective, and refuses to budge. Small nations often try to keep the business at home only to see it go out in reinsurance. Active trading nations must keep an eye on balance of payments.**

The practice of restricting an exporter's or importer's freedom of choice in shopping for marine cargo insurance is growing; at last report, says the American Institute of Marine Underwriters (AIMU), nearly 30 countries had some sort of law or decree on the books that effectively shut foreign insurance companies out of the cargo market.

In addition, say Institute staffers, there are several other countires that restrict insurance choice informally or inconsistently.

The Soviet Union, for example, has no law relating to marine insurance—yet every Soviet foreign transaction is purchased on a Free-On Board (or on a Cost & Freight) basis, and every sale is made on a Cost Insurance and Freight basis. The Soviet insurance company Ingosstrakh ends up with all the "premiums."

The methods used by countries restricting insurance choice include laws and regultions that say outright that buying foreign insurance is illegal, tax laws that discriminate against purchasers of foreign cargo insurance, discriminatory foreign exchange regulations, customs duty penalties, and commercial law, covering such things as permissible clauses in bills of lading.




In Argentina, for example, all imports must be insured in the domestic insurance market under Law 12988. (Imports financed by the U.S Agency for International Development are a notable exception, however.) Argentine tax law allows substantial rebates for exporters who insure with Argentine companies.

Venezuelan law says that all imports benefitting from partial or full exemption from customs duties must be insured in Venezuela.

Foreign exchange restrictions in Chile, Iran, Iraq, Laos, and Libya impede—or prohibit altogether—the purchase of foreign marine insurance by making foreign exchange monies difficult or impossible to acquire. Chile also imposes a 60% sales tax on foreign marine insurance purchases.

In Italy, all Free-On-Board imports must be insured with either a domestic or an "admitted" insurance company.

"The trend of restricting purchase of foreign cargo insurance has been growing," AIMU President Thomas Fain told American Shipper, adding that, "in the past 5 years, 6 or 7 countries have slapped some sort of restriction on marine insurance."

The Russians provide the most extreme example of restrictions on cargo insurance choice. All negotiations with Russian shipping and insurance officials over the past 5 years have proven futile, as were the last set of talks this February in London.

The Chairman of the U.S. delegation, Assistant Secretary of Commerce, Robert Blackwell, commented afterwards, "The Soviets won't budge an inch. They just don't want to give us any marine insurance."

A ballpark figure for the insurance premiums lost in the Soviet trads is small, admits Fain, who guesses it may be $11 million.

"We do figure that $150,000 of premiums equal one (underwriter) job," he added, "so from that point of view, the Soviet's policy is hurting us." But, he

added, it's the principle of the issue that bothers him the most.

**Sets Example.** "I just don't think it's sound commercial policy to restrict marine insurance markets this way," Fain said, "if the Russians are really interested in becoming a major international trader, they should grow up and realize that this sort of discrimination isn't the way to go about it."

Underlying Fain's and the Institute's "total distaste" with Russian cargo insurance discrimination is the very fear that other countries will follow the Russian example.

"I think others have already emulated the Soviet Union," Fain commented, "and I fear that other countries, emboldened by the Russians' success, will start similar discriminatory practices."

The countires on AIMU's list are all dependent on foreign trade and do not have the reassuring prospect of fairly stable export earnings, or of export earnings roughly equal to import expenditures. In some cases, an entire economy is dependent on essentially unstable commodity markets in the developed world; (in Ghana or Zambia, for example) in most cases, the problem is a chronic balance of payments shortfall, which exposes an economy to inflationary pressures (Italy and Mexico are examples of this situation).

While international treaties frown on restriction of commodity imports, there are no prohibitions on imports of services—the so-called "invisibles."

Just as third flag shipping has been a target of cargo preference legislation around the wold, so have been outflows of monies for cargo insurance, which can add up to a large portion of an international debt in an actively trading country.

**Self-Defeating?** Another motivation for restricting insurance could be the desire to build a capital market. Fain suggests that if this is indeed a reason, restrictive insurance practices do not normally lead to much accumulation of capital.

"If these insurance companies retained their premium receipts," Fain said, "the argument would have some validity, but they usually just turn around and reinsure abroad, to spread the risk."

"I think there's only a very small retention of the insurance premium in most cases," he added, "in fact, I sometines doubt that they have any real underwriters at all."

Discriminatroy trade practice—including discrimination against insurers—is a violation of the 1974 Trade Act, and, if proved, the President has the authority to levy customs duty or other trading penalties against the offender. The President, however, does have discretion to use, or refrain from using, this authority. None have, to date.

Fain discounts, for now, a push for retaliatory legislation—discriminating against discriminators, for instance—although "anything is possible." The real problem is that marine insurors just don't have much political clout, and the AIMU is aware of this.

"We feel discrimination in insurance interferes with what trade is all about," Fain concluded, "and the end result is higher costs for both shipper and consumer."

### Cargo Insurance Restrictions

*(As of April 1975. Some nations omitted because lack of clarity or proof regarding effective application of discrimination. Some state monopolies omitted. —Courtesy American Institute of Marine Underwriters)*

| | |
|---|---|
| Argentina | all imports must be insured in domestic market—tax regulations favor exporters who insure with Argentine companies |
| Austria | tax discrimination |
| Brazil | all imports must be insured in domestic market |
| Chile | tax discriminations and foreign exchange restrictions |
| Colombia | all imports must be insured in domestic market |
| Dominican Republic | " |
| Ecuador | " |
| Ghana | " |
| Iran | all imports must be insured in domestic market and for exchange restriction |
| Iraq | " |
| Italy | FOB imports must be insured in domestic or admitted company |
| Jordan | all imports must be insured in domestic market |
| Laos | foreign exchange restrictions |
| Libya | " |
| Mexico | all imports must be insured in domestic market |
| Pakistan | " |
| Peru | " |
| Philippines | all sugar exports must be insured in domestic market |
| Sierre Leone | all imports must be insured in domestic market |
| Somalia | " |
| Sudan | " |
| Syria | " |
| Uganda | National Insurance Co.—all government financed or assisted organizations must insure with NIC |
| UAR (Egypt) | nationalized insurance industry & import industries |
| Venezuela | customs duty penalty |
| Yemen (PLP's Dem. Rep.) | all imports must be insured in PDR Yemen |
| Zambia | all exports must be insured in Zambia |

# Britain Ratifies 1976 Convention On Liabilities

**Doubt persists that USA will ratify new treaty. Silent on $500 per package limit set by Hague Rules and used in U.S. Carriage of Goods at Sea Act.**

Britain has become the first country to ratify a new international accord on

## LIABILITY LIMITATIONS

| | 1957 Brussels Convention | | 1976 London Convention | |
|---|---|---|---|---|
| **3,000 dwt ship** | $ 1,860,000 | personal damage | $ 1,820,450 | personal damage |
| | $ 600,000 | property damage | $ 610,000 | all other claims |
| **30,000 dwt ship** | $18,600,000 | " | $12,160,000 | " |
| | $ 6,000,000 | " | $ 5,857,000 | " |
| **70,000 dwt ship** | $43,400,000 | " | $23,668,000 | " |
| | $14,000,000 | " | $11,607,500 | " |
| **1000,000 dwt ship** | $62,000,000 | " | $29,421,600 | " |
| | $20,000,000 | " | $14,471,000 | " |

liability limitation for shipowners which will probably replace the 1957 Brussels convention that now serves as an international legal standard.

The new convention was drafted last November in London, under the auspices of the Intergovernmental Maritime Consultative Organization (IMCO), an arm of the United Nations. At least 11 other countries must now ratify the convention before it can be accepted as international law.

Although the new convention has inspired little controversy, there are doubts as to whether the United States will ratify.

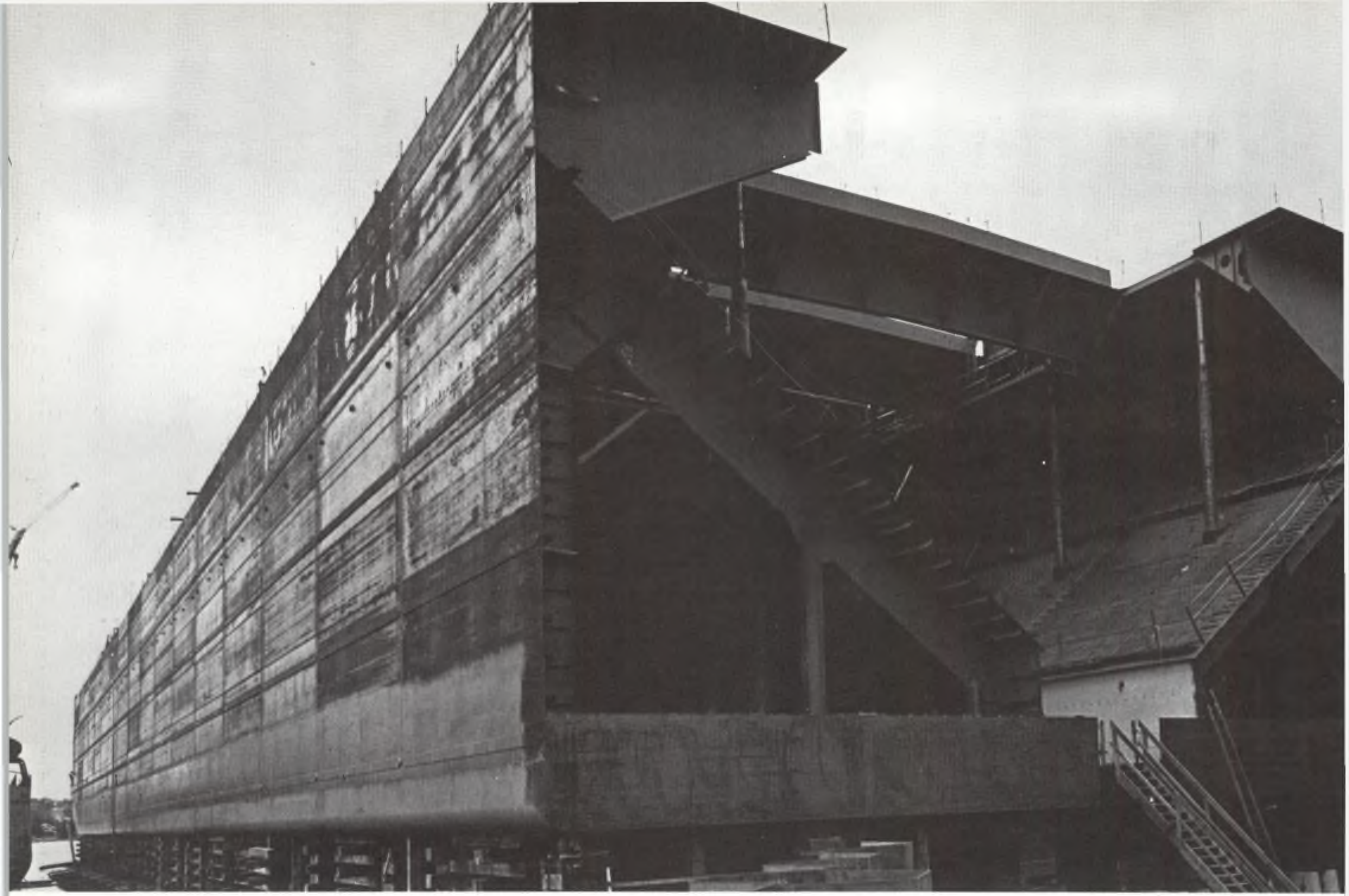
Liability limitations will be increased under the London convention, but increases will fall on small ships more heavily than on larger vessels. The IMCO draftors reportedly felt uncertain that the re-insurance market could absorb substantially higher claims against recently-built giant ships.

The new convention does not cover oil pollution or nuclear damages, as the 1957 convention does, because more recent agreements have been accepted to cover these. Unlike the 1957 convention, the London accord would also cover damages to harbor works as well as damages to life and property along navigable waters.

A $30 million maximum liability limit has been placed on passenger claims, and subceilings based on capacity were established by the new convention.

Although the convention does not disclaim coverage of cargo damage claims, the currently effective Hague Rules (the international parallel to the U.S. Carriage of Goods by Sea Act) that limit claims to $500 per package will probably still apply, as the Rules are generally incorporated into the contractual agreements of a standard Bill of Lading.

The United States has been generally reluctant to support liability limitation conventions, largely because of a feeling that the limits are too low.



LEVERAGE FINANCING

# U.S. Ship Finance Package May Be Best in the World; Banks Feel Safe; Only 8 Defaults in Over 40 Years

**American bank exposure on tankers estimated near $4 billion. Have been stung on some recent foreign deals, but Uncle Sam Title XI mortgage guarantee provides security for deals which MarAd put together.**

Money for ships is becoming hard to get in most of the world, with the notable exception of the United States. Here, the ship financing market is isolated from most of the pressures facing investors in the rest of the world, largely because of the Maritime Administration's mortgage guarantee (Title XI) progrram.

"Without this program," comments Assistant Maritime Administrator Roy Yowell, "we simply would not have been able to build as many ships as we have, even with our subsidy program."

Even in their isolation, American banks have been stung by recent shipping deals, in particular the Maritime Fruit Carriers embroglio and in the travails of Colocotronis, the Greek shipowner. Similar problems seem likely to emerge in the year ahead.

Banks admit that they'll be having a difficult time, even with their past history of extremely conservative shipping loan policies, unless the glut on the tanker market is ended by the 1980s.

In a paper submitted to the International Maritime Industry Forum last October, Hambros Bank's Otto Norland estimated the worldwide total of outstanding mortgage debt on tankers at $19 billion, $4.3 billion of which was commited to ships not on period charters; that is, on ships of insecure future prospects for employment. American banks' exposure on tankers is estimated to be somewhere in the range of $3.5 to $4 billion.

**Mortgage Guarantees.** Ship mortgage guarantees were the first solution sought out by the Congress when it was faced with the awesome task of rebuilding the U.S. merchant marine and with the financial community's indifference to investment in shipping after World War I. With the Ship Mortgage Act, investors in 1920 were granted the assurance that Admiralty courts would require full amortization of maritime mortgages. Before this, the only security recognized by the courts was the Bottomery Bond, a ship lien of the lowest priority, and one that was voided with the loss of the ship.

While construction and operating subsidies were approved in the Merchant Marine Act of 1936, the keystone of the whole system of MarAd financing benefits is still the mortgage guarantee—now backed by the Federal government itself. As of September, 1976, there were roughtly $7 billion of mortgage guarantee commitments outstanding.

"Shipping bonds or notes without a Maritime Administration guarantee are sold on the basis of the shipowner's credit alone," says William M. Pope, of Warburg Paribas Becker, a major investment bank, "which means that selling this paper is usually difficult because shipping companies are normally highly leveraged."

**The Investors.** That $7 billion seems like a lot of Federal money at risk, but since 1936, there have been only eight defaults.

# What Farrell's new All-America shipping service is all about.

**Farrell has added a West Coast service. Now we're a four-coast shipping line.** Our new service means that we now link the East, Gulf *and* West coasts with the South Pacific. The East and Great Lakes with Africa.

That's proud news for Farrell Lines, important news for you.

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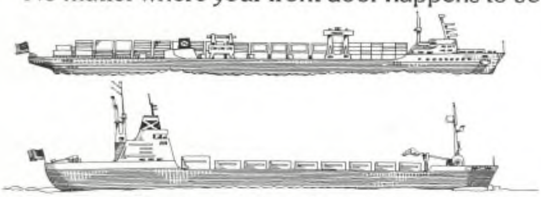
We're ready to take your containers all the way from your front door to their final destination. No matter where your front door happens to be in America.



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## PORTS OF CALL

**Africa:**
Dakar
Conakry
Freetown
Monrovia
Abidjan
Takoradi
Tema
Owendo
Douala
Lagos/Apapa
Matadi
Luanda
Lobito
Walvis Bay
Cape Town
Port Elizabeth
East London
Durban
Maputo
Beira
Nacala
Mombasa
Tanga
Dar-Es-Salaam

**Australia:**
Melbourne
Burnie (Tasmania)
Hobart (Tasmania)
Sydney
Brisbane

**New Zealand:**
Auckland
Wellington

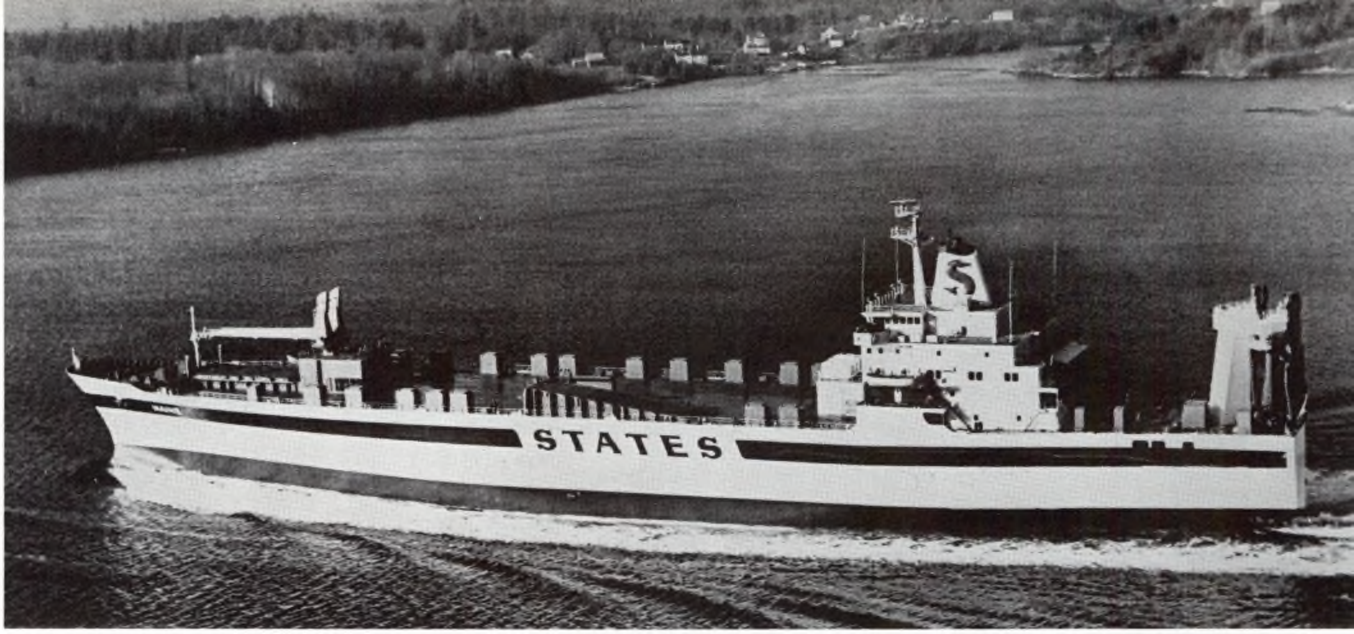
**Islands:**
Papeete (Tahiti)
Pago Pago (Samoa)
Lae (New Guinea)
Rabaul (New Guinea)
Anewa Bay (Bougainville)

**West Coast:**
Vancouver
Tacoma
Portland
San Francisco
Los Angeles

**East Coast:**
Boston
New York
Philadelphia
Baltimore
Norfolk
Charleston
Savannah
Jacksonville

**Gulf Coast:**
New Orleans

**Great Lakes:**
Ashtabula
Detroit
Duluth
Green Bay
Kenosha
Chicago
Milwaukee
Cleveland
Toronto
Montreal
Port Alfred




The goverment guarantee means that, despite the high risk and cost of investment in shipping, a shipping company can offer bonds on public markets at rates only little higher than those of long term Treasury bonds.

MarAd guaranteed bonds are probably one of the least expensive ways of raising investment funds available to American companies at this time.

Because of the low risk to the investor, and the long-term maturity of the bonds, Title XI guaranteed paper has proven attractive to pension funds, trust companies, and the investment departments of a number of commecial banks.

**Financing Methods.** The shipowner who wants to finance a new ship is faced with two basic options—ownership or lease financing.

In either case, MarAd guarantees up to 87½ of the total cost of the mortgage, and the equity remaining is either borne by the shipping company or by the lessor.

If the shipowner opts for ownership, there are two methods for disposal of the guaranteed bonds he will issue; (1) the underwriting approach, when investment bank buys the bonds and subsequently markets them, and (2) the private placement approach, when the bank acts as an agent for the shipowner. The investment bank plays a key role in determining the interest rate for the shipowner. The investment bank plays a key role in determining the interest rate for the mortgage—although MarAd has to approve the rates.

"Because we are in the bond trading market every day," said Pope, "we have the ability to find a fair interest rate for the bonds, and to sell them on that basis."

The bank is also important in a lease financing deal, because it markets the lease-equity securities to the roughly 500 banks or leasing companies that are interested in ship investment.

The lease financing package is essentially a trade-off—the shipping company passing its tax advantages (investment tax credit and accelerated depreciation) on to the lessor, and the lessor passing on these savings to the carrier in terms of a fairly low interest rate. Today, the ship operator can finance ships,through leverage leasing arrangements, at a 5-6% interest rate.

The Maritime Administration currently has commitments on 41 lease-financed ships (24 tankers, 10 freighters, 8 tug-barges, and 4 bulk ships), and on over 1,000 barges and lighters.

**Investment Bankers' Role.** "Investment bankers act as coordinators for the whole ship financing package," Pope said, and noted that the normal practice is for a shipping company to consult with a bank quite soon after making the decision to build.

Extensive economic studies, covering both the potential employment and demand for the ships, and the company's corporate health, are undertaken, and these serve as the basis for the MarAd application, the sales of mortgage bonds, and the lease financing package.

"A Title XI guarantee," said Pope, "must be justified by the economic soundness of the project; so, market conditions are of extreme importance."

## Seatrain (49%) and Trinidad/Tobago (51%) Form Joint Venture to Operate Tankers

New York-based Seatrain Lines, Inc. and the Republic of Trinidad and Tobago announced the establishment of a jointly-owned international shipping company, SCOTT (Shipping Corporation of Trinidad and Tobago, Ltd).

Initially, the newly-created company will be engaged primarily in the shipment of petroleum products and other commodities to and from Trinidad and Tobago, as well as other international ports.

Under the terms of the agreement, the company is 51% owned by the Government with the remaining 49% owned by Seatrain. Seatrain will act as the managing operator for the company and arrange as directed by the company for the chartering of the ships required

Joseph Kahn, chairman of Seatrain, said, "The expanding economic development now occurring in the Republic of Trinidad and Tobago has created a need for an international shipping company responsive to the requirements of the people and its Government. We are pleased to be a part of the growth in this area and look forward to a long and profitable relationship."

The Government of Trinidad and Tobago stated it will make every effort to ensure that a substantial portion of the petroleum products moving will be transported by the newly founded National Shipping Company.

Seatrain has significant operations in the transportation of petroleum products and containerized cargo. The company maintains operations in North America, Europe, The Far East, Middle East and Caribbean. It is engaged in port management in the Middle East through its Seatrain Gulf Services and in freight management through Seatrain Agencies. With the acquisition of Pride Refining, Inc. earlier this year, Seatrain extended its activities into the refining and distribution of petroleum products.

# Argentine "Right of Refusal" Law Covering 100% of Cargos Believed To Be a Leverage Over 3rd Flags

**U.S. carriers, MarAd and State Department seek resolution of issues. Argentine Line official in New York indicates law may only be used to help fill cargo holds of ships on back haul.**

Under a new Argentinian law, the government-owned Empresa Lineas Maritime Argentinas apparently has been given the right of first refusal on all imports into Argentina.

The real effects of the law enacted last December are still unclear, although some subsidiary regulations have just been released.

According to some reports, all U.S. exporters to Argentina must offer their cargos to a representative of the Argentinian line, and, if Empresa is unable to carry the goods, the shipper is given a waiver allowing him to contract with a non-Argentinian flag vessel for shipment.

Empresa's representative in New York told American Shipper that his office is not issuing waivers because pooling agreements (covering the U.S. Atlantic and Gulf Coasts) with Moore-McCormack and Delta lines are still in effect.

Both Delta and Moore-McCormack have stated that their revenue pooling agreements with Empresa are unworkable under the provisions of the new law.

Prudential Line's West Coast Vice-President, Al Wenzell, said that his line—which serves the Pacific Coast-Argentina trade route—is telling shippers that, should any fines be assessed them for using Prudential ships, the line will pay the levy, and seek legal recourse.

"This is a case of absolute discrimination," Wenzell said, "100% in favor of the national flag line, and 100% against U.S. flag operators—it's a clear cut case, and has got to be removed."

The Maritime Administration has presented a letter to the Secretary for Maritime Interests, Capt. Guevera, in Buenos Aires, asking the Argentine body to back off from enforcing the law, until negotiations can be started.

"The U.S. will not be going into this with hat-in-hand," Wenzell said, "but MarAd and the U.S. flag lines would prefer to see the issue resolved courteously, basically givng the Argentinians a chance to back down."

The MarAd office is working with the Department of State to determine what course of action the government will follow.

The first effort, if past experience is any guide, will probably be a government-to-government negotiation, with what all parties hope will be a friendly resolution. However, should the MarAd and State Department negotiators fail to reach an accord with the Argentinians, countermeasures under Section 19 of the Merchant Marine Act of 1920, or under Section 31 of the Trade Act of 1974 could be initiated. Among other things,these moves could mean suspension of preferential tariffs on Argentinian imports to the U.S.

Shipping industry observers do not feel that Empresa is necessarily trying to capture all import traffic to Argentina; but, the feling is that the line is trying to boost its share of cargos carried, probably at the expense of third flag carriers.

Empresa's New York spokesman noted that the line is planning an expansion in the years ahead, though not immediately. The Argentines' motivation is more probably due to the fact that that country currently exports more than it imports, and Empresa may well be trying to fill unprofitably under-utilized ships on backhauls.

JUDGE:

# Subsidy Grants Should Be Based On Whether U. S. Flag Ships Have Capacity to Move 50% of Cargos

**Waterman nay obtain subsidy for service to Europe if recommendations of administrative law judge is approved.**

Waterman Steamship Corporation may win a long-term operating differential subsidy for service between the Atlantic and Gulf Coasts to Europe despite claims that these trade routes are currently overtonnaged.

In finding for the Waterman application, Administrative Law Judge William G. Spruill concluded that new criterea are needed for determining the adequacy of U.S. flag shipping services on essential foreign trade routes. The Maritime Subsidy Board, which must still issue a Final Decision on the Waterman application, normally decides the question of adequacy by surveying capacity, projected capacity, and projections of the volume of cargo that will flow over a given trade route.

The Judge says that this allows foreign flag carriers too much influence over U.S. flag subsidized operations.

"If foreign flag capacity is recognized," said the Judge, " this in effect would mean that the U.S. would withdraw or withhold its aid when foreign flag carriers increase capacity on a trade route." This problem would be especially heightened with the tendency towards economic concentration and government ownership in shipping.

The question of overtonnaging on a trade route should be with reference only to U.S. flag capcity in the Board's deliberations, suggested the Judge.

"It is urged that the Subsidy Board should establish a policy of finding the existing U.S. flag service inadequate unless sufficient capacity is operated on the involved trade route in the dominant direction to carry 50% of the U.S.—foreign cargo when operating at the lowest vessel utilization that can be expected to warrant a sailing," said the Judge.

"Because a subsidy is aimed at keeping U.S. ships' operating costs at a rough parity with foreign operators, the Maritime Administration benefits are not paid for cargo carried or for unused carrying capacity," said Spruill. The break-even point—that is, the utilization rate below which a ship will not sail—should be the utilization standard, said the Judge, who added that "an overtonnaged situation should be found only when the U.S. flag capacity is capable of handling 50% of the relevant cargo pool, even if only 75% of the capacity is utilized."

The 50% figure has been set as an objective in the Maritime Administration's efforts to promote the American merchant marine. Subsidizing an applicant carrier on an overtonnaged trade route violates the primary purpose of Section 605 (c) of the Merchant Marine Act.

Even though the trade routes Waterman wants to serve appear to be overtonnaged at present, U.S. flag vessels carry no more than 41% of cargos on any one of them. Using projected cargo figures for 1980, and the break-even point as a utilization standard, Waterman's entrance into these trade routes would cause the American flag share to rise.

Waterman proposed a minimumof 20 and a maximum of 32 annual voyages on trade route number 21 (U.S. Gulf Coast to Britain and the Continent), with privilege calls at Scandinavian and Baltic ports, and a minimum of 20 and a maximum of 35 voyages per year between the Atlantic Coas and Europe (including Scandinavia and the Baltic ports, as well). Sea-Land, U.S. Lines, and Lykes Bros. Steamship Co. all filed objections, but Lykes and U.S. Lines later withdrew their petitions.

Waterman will continue using Mariner class vessels until 1980, when they will be replaced with Roll-On/Roll-Off vessels.



# 4 LNG Ships Could Use Up $805,000,000 Of Title XI

During the last week of January, the Maritime Administration received applications for Title XI mortgage insurance totalling a staggering $868 million. At last estimate, there were roughly $5 billion of outstanding obligations for the Title XI program.

The huge sum is largely due to requests by four Tenneco subsidiaries for Title XI guarantees to back up financing of four 125,000 cubic meter liquified natural gas carriers, slated for construction at Teneco's Newport News shipyard. Each ship will cost over $201 million, and will be used to carry liquidified gas to St. John, New Brunswick, Canada from Arzew, Algeria.

Pacific Far East Lines requested Title XI guarantees for its plan to convert four LASH vessels to full container ships, each with a 1740 TEU capacity. This package will cost about $20 million, the line said.

American Commercial Lines, a barge operator based in Houston, has applied for mortgage guarantees to finance two tow-boats and 210 barges for an estimated cost of $43.8 million.

*(EDITOR'S NOTE: Thomas W. Gleason, president of International Longshoremen's Asociation, has distributed a copy of the following adress to virtually every member of the Carter Administration, Congress, labor union, and opinion maker with an influence on U.S. maritime affairs. The address was made before the Antwerp Maritime Federation by Karl-Heinz Sager, Deputy chairman of Hapag-Lloyd A.G., who for two years has served as principal spokesman for a group of leading Western shipping lines frightened—if that is the word—by the recent actions of the Soviet merchant marine. The address is a clear, concise summary of developments and complex issues are of major concern to shippers—many of whom take exception to his recommendations on bilateral shipping agreements and the conference system.*

# Soviets Play Game of Monopoly Like Old Hands from Wall Street

**Grotesque situation could eventually develop with Russian-owned Sobelmarine firm in Belgium claiming rights as a Belgian flag line. Could also happen in USA. Sager is embarrassed at enthusiasm some ports have shown in welcoming Soviet lines. Free market concepts may have to be set aside.**

By Karl-Heinz Sager

It is less than two years ago that I led off a group of major Western shipowners in voicing extreme concern about the expansion of the Comecon merchant fleet and its intrusion into the major trades of the Western world.

What specifically led us to be so alarmed at that time?

Certainly not the fact that the merchant marines of Poland and the German Democratic Republic had been with us for a number of years in various overseas trades. In some of them they served as outsiders, but in a number of cases they had become conference members. They had caused instability in freight rates, but by and large were not more of a disturbing factor than other outsiders, since they based their services—and consequently also their cross-trade activities—principally on their own trade and cargo production.

Up to then the Soviet merchant marine was more or less in the same category except for the Pacific trade between the United States and the Far East, where they had become a dominant outsider since the early '70s. But in 1973—as a result of the "Nixon grain deal"—the ports on the East Coast of the United States were opened up to Russian ships and, sure enough, they almost immediately entered the North Atlantic trades. Thereafter they doubled their ships' capacity year after year. They also established outsider services to the Caribbean, Central and South America, and became more and more of a problem in the shortsea trades, including the Mediterranean. Last but not least, the Transsiberian Railroad developed into a major factor diverting considerable numbers of containers on the Europe/Far East route from the ocean to the landbridge at prices which shipowners could not compete with.

All this was unpleasant and disturbing enough for Western shipowners. The real potential of this threat, however, became only obvious when clear indications pointed at a considerable number of large container and Ro/Ro ships which were under construction or in the planning for the Soviet merchant marine. At no time was there any doubt that these ships were not intended for the trade of the East Bloc, but for the trades between the major industrial centers of the Western world. This was the reason why I stated on the occasion of the General Annual Meeting of the European Common Market Shipowners' Association in Hamburg on February 4, 1975.

"No one can deny the impact of various discriminating activities in many developing countries. More imminent, however, and possibly more detrimental in its effect on liner shipping of the Common Market and other OECD member countries, appears to be the tremendous expansion of Comecon fleets, particularly the activities and the long term program of the Russian merchant navy. The dumping policies exercised by them in a number of trades are the most serious threat to the existence of liner shipping in its present form in the Western world.

"The Common Market countries are extraordinarily affected because their ports are wide open to anyone and very convenient way-ports for the Eastern Bloc vessels. Here, they can find enough cargo to fill their ships and enough shippers to support their services providing the freight rates are low enough."

**5 Minutes 'til Midnight.** Looking back, I believe it is not an overstatement that developments have proven that it was about 5 minutes before 12 that Western shipowners recognized the fatal position into which they were about to be maneuvered.

Admittedly, in the early days of our campaign, we were not all that familiar with all the facts and figures. We had to rely on information which was not

**Russia is one of the most aggressive in developing Ro/Ro ships for merchant navy use**

readily available, we talked about the Comecon fleets in general, whereas it was really that of the Soviet Union which was about to change the picture. We accused the East Bloc fleets of "dumping," not realizing fully the total difference in the cost structure, and we certainly did not appreciate the true extent of the political ambitions behind this fleet build-up.

What have we achieved in these past two years?

I dare say that our warnings which were felt in many quarters to be exaggerated, have had very positive effects:

- There is today no government in the Western world and even in developing countries which is not fully aware of the activities and the plans of the Soviets in the maritime field.
- Shippers/consignees and the trade in general have realized that the low rates of the Comecon fleets in many trades are not just a welcome opportunity for cheap transportation but to the contrary are a serious long term threat which could bring about a considerable dependence on these carriers.
- The general public in the Western world is watching with ever increasing interest and anxiety how the West will react to this challenge.
- Military circles in the Western world have recognized what the addition of a large number of modern container and Ro/Ro ships to the already dominant Soviet navy implies from the strategic point of view.

**Newest Russian ships carry containers on deck in addition to Ro/Ro cargo. Note ramp to main deck and stern ramp in elevated position as ship visits New Orleans port.**

As a result of all this, the subject of competition of the Soviet merchant fleet is a hot topic of discussion at each meeting of international forums such as OECD, Common Market, CENSA, Common Market Shipowner's Association, European Shippers' Councils, etc. Not to mention the interministerial discussions within governments.

**Other Modes.** This even more so, since in the context of overseas shipping it was also realized that this particular type of competition from the East Bloc was not restricted to shipping, but was equally affecting the inland waterways, trucking, railroad, air freight, and forwarding. forwarding.

How did the East Bloc countries react?

The shipowners in Poland and the

German Democratic Republic felt somewhat unjustifiably attached since they believed they had behaved rather reasonably on the international shipping scene. The Soviets—in the beginning—denounced these attacks as pure "propaganda." They emphatically stated that their merchant fleet in service and under construction was primarily intended to be used for their own trade, which they claimed was expected to grow dramatically with parts of the world, such as the United States and Latin America. Needless to say that nothing like this is in sight, even today.

**Numbers Game.** They also started playing around with figures such as number of ships, tons deadweight, etc., but statistics are often misleading, and by including bulkers and particularly tankers when comparing their fleet and that of the Western world, the picture indeed shows a dwarf compared to a giant.

But we made it quite clear that we were talking strictly about liner shipping and that with modern ship systems in operation one does not need a huge fleet to completely throw major trades out of joint.

The first official Soviet statement on our attacks came from Mr. Igor Averin, head of Foreign Relations Department, Ministry of Merchant Marine, at the Seatrade Conference in London in March, 1976. Playing down the ambitions of his merchant marine he made, however, two notable remarks. He said that the Soviet merchant marine wants to cooperate with conferences and that they were equally against malpractices. This was the first indication that fruitful talks between us could be held.

While this issue made worldwide headlines and was widely discussed, the Soviet lines and Sovinflot, the government agency in charge, went ahead increasing their activities.

- They pumped more and more ships into the American trades on the Atlantic and Pacific.
- They opened up an ocean-borne service between Europe and the Far East, called Odessa Line.
- They carried steadily increasing numbers of containers on the Siberian Landbridge extending the number of final destinations in the Far Eastern area, served after transhipment at Nakhodka in Siberia.
- They established a strong outsider service, called Besta Line, to East Africa. It is worth mentioning that in this trade their Comecon colleagues, the Poles and the East Germans are conference members.
- In all major Western countries they set up their own organizations—mostly joint companies under Soviet control—be it as agents, forwarders, or even shipowners.

My remark to "shipowners" of course refers to Sobelmarine here in Belgium. If this project should materialize, the grotesque situation could eventually develop that Sobelmarine, being Soviet-controlled, will claim rights as a Belgian flag line.



**Attitude of Ports.** This brings me to the strange attitude which some of the ports in Northern Europe have taken in this almost historic contest between East and West in liner shipping. It is obvious that the ports in the Antwerp/Hamburg range are highly attractive for Comecon shipowners because they are handy way-ports for ships entering and leaving the Baltic, and they produce a lot of cargo. I have all sympathy for the interests of port authorities to attract new shipowners as customers. In the case of the Comecon fleets, however, these new customers have only one ambition, viz, to take away cargo from the traditional carriers which have been serving these ports for decades and in some cases for more than a century.

Taking this fact into account, it was disappointing and even embarrassing for us to observe the enthusiasm which some ports demonstrated when welcoming these noncommercial competitors. Statements from port officials to the effect that Western shipowners were exaggerating the threat from the East Bloc merchant fleets were even more astounding.

I can understand to a certain extent the position of the port of Hamburg, which handles a few million tons of cargo for Eastern European countries, but obviously only because of its convenient location and service. Fortunately, there are indications that the Chambers of Commerce of the major ports in Western Europe have recognized the seriousness of the situation and are envisaging joint action.

**Getting Closer.** Having brought our concern to the public attention, dialogues developed between the Soviets and shipowners of the Western world. The Russians invited prominent American and British shipowners to Moscow and had discussions with Japanese and Scandinavian shipowners in those countries. The reasons for these individual approaches were quite obviously to find out how united the Western front was, and to convince them that the danger was not quite as dramatic as we suspected. I am glad to say that the front of Western shipowners remained united all along.

Then, in July, 1976, a CENSA delegation visited Leningrad and had extremely frank and open discussions with the leaders of the major Soviet shipowners and Sovinflot. The aim of this visit was not to reach agreements, however, both sides explained in long sessions their individual positions and for the first time the Russians even disclosed their future plans in greater detail.

We were getting somewhat closer.

During all these individual and official contacts, it was quite obvious that under all circumstances the Soviets wanted to avoid our governments becoming involved. They claimed that their shipowners were also operating as commercial enterprises, and that they would seek solutions with conferences or Wester shipowners on a commercial basis. We, on our side, have never left any doubt that there could ever be any solution without our governments playing a decisive role in these negotiations.

The proof came soon thereafter when Mr. Karl E. Bakke, the Chairman of the Federal Maritime Commission of the United States, and Mr. Averin, Head of Foreign Relations Department, Ministry of Merchant Marine, USSR, signed a "Memorandum of Agreement," which is supposed to serve as a basis for the operation of the Soviet merchant marine in the United States trades. This memorandum was greeted with enthusiasm in some quarters and skepticism in others.

Considering American antitrust philosophy and the way American shipping legislation is interpreted, the ocean trades of the United States are to remain the most open and liberal trades in the world. This means conferences have no chance of protecting themselves against any kind of outside competition in the forseeable future and, therefore, this memorandum must be considered as a step forward. It also demonstrated clearly that only governments can help in dealing with the Soviets.

The question was asked time and again why the Russians agreed so surprisingly fast to this memorandum. In my personal opinion, the so-called "Inouye" or "Third Flag Bill" played an important part in it. This bill was introduced about two years ago by Senator Inouye and was intended to check the activities of noncommercial outsiders in American trades. In the course of time, this bill was redrafted twice, and the last version was about to be introduced in Congress and the Senate, with a fair degree of likelihood that it would be passed. Such legislation in the United States would undoubtedly have had a major effect on the attitude of most other governments in the Western world towards the East Bloc fleets. It was highly probable that they would have felt it much easier to introduce similar legislation.

**Killed Inouye Bill.** A Proviso of their memorandum was that Mr. Bakke should agree to have this bill shelved for the time being, which was done. Knowing the legal machinery in the United States, it will not be easy to re-introduce this bill. The Baltatlantic Line and the conferences on the North Atlantic resumed their negotiations in September, and the first major agreement was reached for this trade, to be effective January 1, 1977.

In short, it provided that Baltatlantic Line will join a number of dual rate conferences, such as the U.K. and Baltic Conference, at full parity of rates, whereas in the Antwerp/Hamburg range they will enjoy a certain rate advantage as long as they operate what they consider an inferior service (category AA). As long as the Soviets do not exceed certain limitations in sailings and container capacity, they will be able to continue to enjoy these rate advantages. Once they introduce their large Ro/Ro and containerships on a regular basis, they become full members (category A) of the conference with no advantages whatsoever.

Although neither side is overly happy about this agreement, it is undoubtedly a step in the right direction if adhered to. It could set a precedent for a similar understanding in the Pacific trades where discussions are under way.

It is not without irony that this new type of dual membership in the North Atlantic Conference must first be approved by the Federal Maritime Commission. The agreement has been filed and published but is also—how could it be otherwise—being protested by shippers, port authorities, and other governmental bodies. It is now up to the commissioners of the FMC to approve or disapprove the application which will decide on the success of the Bakke/Averin memorandum.

Maybe I should stress at this point that nobody denies the Soviet fleet the right to play a certain part in world liner shipping, but we cannot accept that they just move into our trades and create instability. Except for the sea routes to and from the United States where we have so-called "open conference," accommodation of the Comecon fleets in the trades between other Western industrial centers of the world and also developing countries will largely depend on the cargo generated by their own countries.

Since all of the East Bloc lines are "honorable" conference lines in some trades, they know exactly how membership and participation is being handled.

In the course of the last two years we have not only followed the activities of the East Bloc fleets very closely, but we have also tried to analyze the major objectives behind this incredible build-up. We came to the following conclusions:

**1. The need to earn foreign currency:** Fleet expansion in the East Bloc follows quite different criteria than in the West. It is 100% state controlled and besides transportation needs for their own national trade, the major function is to earn foreign currency. This can best be achieved with liner services operating as cross traders between the major industrial centers of the world, viz. Western Europe, The United States/Canada, Japan/Far East, and Australia/New Zealand, where trades are liberal and high paying cargo is plentiful.

**2. Politico/strategic function:** Apart from the key role to earn foreign currency, the political and strategic function plays a dominant part for the build-up of the Soviet merchant marine. It follows the fast and massive expansion of the Soviet navy. The importance of this function became obvious in Cuba, Vietnam, the Middle East, and Africa. It is also demonstrated by the fact that the modern liner ships are mostly roll-on/roll-off and other sophisticated vessels, especially suitable for handling military supplies.

In consideration of the above, one must be aware of the fact that the cost structure in the East Bloc is completely different from ours. Decisive items such as "profit" and "earning power" have a completely different meaning than in the West. The operation costs of the Soviet fleet are basically free from items which represent the major expenses for a commercially operating shipowner in the West, viz., depreciation, interests, insurance, and high labor cost. Also, profit or loss can be manipulated by fictional rates of exchange for the conversion of foreign into domestic curriencies such as rubles.

**To sum up:** We are confronted with a situation where Western shipowners face a competitor in liner shipping which is unique in size, power, and political strength. It is based on a State monopoly with regard to its own trade, dominance in bilateral trades and has incomparable access to the worldwide resources of a super power. It is a hopeless undertaking to assume that commercially operating private shipowners are in a position to cope with such an opponent. It will be to the detriment not only of Western shipowners but also of Western trade if Western governments do not unite in an effort to assist their shipping industries to limit the damaging effect of this challenge.

If fast action is not taken, the consequences can be summarized as follows:

**1. There is grave risk that the commercially healthy and efficient**

**Western Liner industry will be jeopardized with the following long-term results:**

- Its profitability would be destroyed;
- The lack of profitability would adversely affect further investments;
- Many jobs would be at risk at sea and ashore.

**2. Related industries such as shipbuilding would equally be affected.**

**3. Western economies would become increasingly dependent on Comecon carriers.**

In view of the deteriorating situation several fundamental studies have been undertaken, among others in the Federal Republic of Germany, by Dr. Bohme of the Kiel University and by "PLANCO", a well-known business consulting firm. Both studies scientifically identified these state controlled lines as otusiders "sui generis," incomparable with commercial competitors.

Dr. Bohme explains why there is no universal basis for the so-called "division of functions" in the maritime field.

"In view of the fundamentally different competitive basis there can never be a uniform economic order of ocean transport markets between Western free-economy countries and state-planned economies of the East, neither at present nor in the future, since neither the aims nor the structures of the systems are identical.

**Bilateral Compacts.** He further states: "If Western countries are not prepared to accept the disastrous consequences of the "socialist competition" of Comecon shipping lines, then they first of all must take into consideration the special character of the East Bloc ocean transport system. They must abandon the principle of "free enterprise" in relation to the East Bloc fleets. Then they will have to decide on regulation for bilateral traffic and on restrictions for the partipation of socialist shipping lines in "cross-trades." Such agreements will have to be concluded at governmental level."

Dr. Bohme continues: "Since the basis of economic calculations are incomparable, any commercial considerations such as cost comparisons have to be largely ignored. Allocations of cargo shares have to be fixed instead. Such contingencies of ocean transport services may not conform with traditional Western views of economic principles. Those, however, incorrectly assume that the principles of free market economy are still universally valid."

**Domestic Infiltration.** Pointing at the urgency for action to be taken, PLANCO states:

"While in the West the discussion about the strength and possible counter-measures in regard to Eastern Bloc competition continues, the Soviets simply forge ahead. The infiltration process of Westen transport systems by the Soviets is steadily progressing. Thus they create a situation which will prove much more difficult to clear up than it would be to take precautionary measures."

May I recapitulate what seems to be in the crux in the East/West relation in liner shipping:

- We know the aims and the objectives of the Soviets and their Comecon colleagues.
- We know that their merchant fleets are here to stay.
- We know the consequences if their activities in Western trades are not restricted.
- We know that this can only be done with govermental help.
- We know that action has to be taken fast because it will be difficult if not impossible to reverse established facts.

The tentative agreement on the North Atlantic has demonstrated that arrangements can be made with them if Western goverments back their shipowners. If this message gets through to our goverments the future in East/West shipping relations may be "orderly competion" rather than chaos.

# Regular Use of Foreign Flag Feeder Ships Rapped by MSB

The Maritime Subsidy Board has ordered American President Lines to stop operating a foreign flag feeder service in the Mediterrean. The feeder service, which offered transshipment at Barcelona to APL ships bound for the U.S. North Atlantic, was not specifically authorized in the line's subsidy contract. In fact, APL had agreed to forego the privilege of calling regularly on Spanish ports, although irregular calls on an "as cargo warrants" basis were allowed.

The ruling followed a petition by Sea-Land Service which said that APL's feeder service raised the issue of whether a subsidized operator could use a foreign flag service, especially when the service was in competition with a nonsubsidized U.S. flag line.

Sea-Land also asked the Board to issue a general ruling that would cover all foreign flag feeder services, but the MSB refused to do so.

"We have no intention," said the Board, "of giving subsidized contractors a free license to use a foreign flag service, and likewise no intention of unnecessarily restricting subsidized operators from such operations which may be essential to their offering competitive services."

The Board added that the Merchant Marine Act gives it some discretion in allowing subsidized operators use of foreign flag service, as long as such a practice "maximize(s) U.S. flag carriage wherever possible," in the Board's judgement. All such rulings should be made on a case-by-case basis, said the Board, with due consideration of economic and transportation conditions.



**On hand when M/S Lucy arrived at the Port of New York with 2,500 tons of steel were (l-r) George Panitz of NYSA; H. Kotomo of Mitsubishi International; Natomi Jimbo and Mitch Ohkawa of C. Itoh & Co.; Sven Hansen of Hansen & Tidemann; Capt. Toshio Ozawa of Tokai Shipping; Capt. D. Mathioudis of the "Lucy"; Anthony J. Tozzoli, director of marine terminals for port authority; Andrew E. Gibson, president of Maher Terminals; and Vincent Culucci, Tom Popollo, Sam Dupree and Carol Gardner of the ILA local.**

# New York Finds Nothing Can Attract New Business Better Than 80% Cut in Charges

The freighter "Lucy," carrying 2,500 tons of steel beams and angles from Japan, arrived at the Elizabeth-Port Authority Marine Terminal in January with the first sizable shipment of steel products to move through the New Jersey-New York Port in six years.

The Lucy was chartered by Tokai Shipping Company, a Japanese line.

The arrival of the Lucy marked the first tangible results of a major campaign undertaken by the New York Shipping Association, International Longshoremen's Association, New York Terminal Conference and the Port Authority to make the Port of New York once again a major importer and exporter of steel. This has been accomplished by reductions in steel handling charges at the Port of New York-New Jersey, making it competitive with other East Coast ports.

Specifically, the New York Shipping Association and the International Longshoremen's Association jointly designated primary metals as exempt cargo in computing tonnage assessments. New York Terminal Conference reduced truck loading rates—in some instances, by as much as 80%, and the Port Authority reduced its transit shed charges from $1 to 25¢ per ton.

"We believe this is only the first step in making the Port of New York once again a major importer of steel," Anthony J. Tozzoli, director of marine terminals for the port authority, said.

Prior to the reduction in steel handling charges, Port Authority representatives met with major Japanese steel exporters, trading houses and steamship carriers in Tokyo to discuss the newly developed program and its economic advantages for routing steel shipments through the Port of New York.

Imports of steel products through the Port of New York, which had declined from 760,000 long tons in 1971 to 376,000 long tons in 1975, are expected to rise this year under the impact of the improved rates and promotional program.

This program is conducted by **American Shipper** magazine as an extension of its role as a catalyst for communication within the maritime industry.

# *U.S. Maritime Shipping Policies Are Being Re-Written*
# How Will They Affect Your Business?

**The New York Hilton**
**March 7-8, 1977**

**LATE REGISTRATION FORM ON PAGE 29 OF THIS MAGAZINE**

**Also Telephone (212) 425-0530**

## *"Our Future as an Island Nation"*

*The United States—an Island Nation—is dependent upon the sea for its ecomomic and national security. From a commercial standpoint, the United States relies on the exchange of waterborne imports and exports to maintain its high standard of living and to assure the survival and prosperity of American industry* **.....** *As a percentage of the nation's Gross National Product, America's foreign trade has more than doubled in the last ten years, from 7% of GNP to 14.75%* **.....** *U.S. foreign trade is now the largest in the world of international commerce. In the last ten years it increased from $48 billion to $200 billion.* **....** *America's military entry on the seas began in support of commercial activities of the early colonists. Throughout the Twentieth Century naval efforts were expanded as a result of the United States' participation in three major wars.* **....** *And today, in the era of space and nuclear power, nations still struggle for dominance of the sea.* **....** *As an Island Nation, America must make every effort to keep its sea lanes open if it is to remain a formidable seapower.*

—Paul F. Richardson, Moderator

Paul F. Richardson

Professor E.B. Potter

Comdr. Roger A. Evans

Admiral Isaac C. Kidd Jr.

Norman Pol

*PRELIMINARY PROGRAM*

## Monday, March 7, 1977

# "Creating National Awareness"

**Registration** **8:30 A.M.**

*Foyer to Ballrooms*
*The New York Hilton*

**Welcome: David A. Howard** **9:00 A.M.**

*Publisher of "American Shipper"*

**Moderator: Paul F. Richardson** **9:05 A.M.**

*Chairman, National Maritime Council*
*President, Paul F. Richardson Associates Inc.*

**"America—an Island Nation"**

Native of Boston and graduate of Boston University, Mr. Richardson served in the Marine Corps, then joined McLean Trucking Company in 1952. In 1960, he became Regional Sales Manager for Sea-Land Service in Boston and advanced rapidly to become a Director of Sea-Land in 1962, Executive Vice President in 1967, and President in 1970. He was Vice Chairman of the line prior to forming his own firm in January of this year. He also serves as chairman of the New Jersey State Chamber of Commerce.

**Can We Keep the Sea Lanes Open?** **9:10 A.M.**

The Free World is caught up in a head-on competition with the Soviets. The morning speakers address this subject—and its relationship to merchant seapower.

### E.B. Potter

*Professor of History*
*United States Naval Academy*

**The History of Merchant & Navy Seapower**

Professor Potter was born in Norfolk, taught in the public schools, and joined the Navy in 1941. He was assigned to teach at the Navy Academy from 1941-43. He was at Pearl Harbor from 1943-45 and returned from the war to join the civillian faculty at the Academy. He has written numerous volumes on Navy history—the latest a biohraphy fleet Admiral Chester Nimitz published in 1976.

### Commander Roger A. Evans, CF

*Canadian Forces*
*Headquarters Staff*
*Supreme Allied Commander Atlantic (NATO)*

**"Impact of Law of the Sea on Seapower"**

Commander Evans will speak as a member of SACLANT staff rather than as a member of the Canadian armed forces, where he has had a distinguished career and was a member of the Policy Planning Branch at the National Defense Headquarters in Ottawa prior to his present assignment. Since July 1976, he has served as SACLANT's Coordinator of Maritime Technical Doctrine.

### Admiral Isaac C. Kidd Jr. USN

*Supreme Allied Commander Atlantic (NATO)*
*Commander in Chief Atlantic*
*Commander in Chief U.S. Atlantic Fleet*

**Competition at Sea**

A Presidential appointee at large to the Naval Academy, Admiral Kidd was commissioned as an Ensign on December 19, 1941, just a few days after his father, Rear Admiral Isaac C. Kidd, was killed aboard his flagship USS Arizona at Pearl Harbor. (He was the first American flag officer killed in action in any war and was posthumously awarded the Congressional Medal of Honor.) Admiral Kidd has a distinguished Navy career and was Chief of Naval Material for four years prior to his appointment as NATO's Supreme Allied Commander Atlantic and Commander in Chief Atlantic on May 30, 1975.

### Norman Polmar

*Editor (1966-1976)*
*U.S. sections of "Jane's Fighting Ships"*
*Vice President of Santa Fe Corporation*

**A Comparison of United States/Soviet Seapower**

An author, analyst and historian who has worked extensively in the area of United States/Soviet seapower, Polmar is vice president of the Santa Fe Corporation, an analytical research firm in Alexandria, Virginia. He has been to sea in most types of warships and has been aboard several Soviet naval units. An outstanding speaker, he recently addressed 527 persons at a New York Propeller Club luncheon—the largest attendance in the history of the club.

**Reception and Luncheon** **12 Noon**

**Senator Daniel K. Inouye (D-Hawaii)** **12:30 P.M.**

*Secretary to the Senate Majority*
*Commerce Committee*
*Merchant Marine Subcommittee*

**Subject to be Announced**

Recently selected as a member of the Senate Leadership which meets regularly with the President, Senator Inouye has been a strong supporter of the American Merchant Marine and was introducer of cargo preference legislation designed to assure the United States capacity to transport at least 30% of its oil import cargos. He has served in Congress since 1959; in the Senate since 1962.


Daniel K. Inouye


Y. Ariyoshi


Karl-Heinz Sager


R. O. C. Swayne


James R. Barker

## Critical Commercial Views 2 P.M.

Laws of the United States differ from other nations and create problems with which American shippers and carriers must learn to cope.

### Y. Ariyoshi

*Chairman*
*Nippon Yusen Kaisha*
*Tokyo, Japan*

Mr. Ariyoshi heads one of the world's largest steamship lines and is often looked upon as a principal spokesman for Japanese interests. His vessels operate worldwide in the liner and tramp trades with containerships, dry bulk carriers, tankers, auto carriers, woodchip, ore, and lumber carriers.

### R. O. C. Swayne

*Chairman*
*Overseas Containers Ltd., London, England*

**The British Government Position**

Mr. Swayne is chairman of a consortium formed by four major British shipping groups (Peninsular and Oriental Steam Navigation Company, British & Commonwealth Shipping Co., Ltd., Furness Withy & Company, and Ocean Transport and Trading Ltd.) for operation of a fleet of 11 large, high speed container ships in trade between the United Kingdom and Europe to/from Far East and Australia.

### Karl-Heinz Sager

*Deputy Chairman*
*Hapag-Lloyd Ag, Hamburg, Germany*

**A German View**

Herr Sager is a young, forceful leader in Germany's largest shipping group. He is a dynamic speaker, getting directly to the point. In a recent address, he called for an assertion of leadership by the American maritime industry. He stated that "we should very much welcome stronger involvement by the U.S. government and American ship owners" in matters of shipping policy.

### James R. Barker

*Chairman and Chief Executive Officer*
*Moore McCormack Resources Inc.*
*Stamford, Connecticut*

**An American View and Suggestions**

Mr. Barker was associated with the Wellesley, Massachusetts, consulting firm of Temple, Barker and Sloane prior to joining Moore McCormack. He has taken the skills of the research technician into the field of shipping and mineral resource development to structure a business now deeply, and successfully, involved in virtually all forms of carriage by water.

## Reception 5:30 to 7 P.M.

PRELIMINARY PROGRAM

# Tuesday, March 8, 1977

# "In Search of a National Policy"

## Economic and Political Considerations 9 A.M.

So far, Soviet commercial competition has been confined largely to the maritime world. There have been a few casualties, but not enough to alarm. But the tide of events is advancing, and the problems of the maritime industry in 1976 will become the problems of industry, labor, importers and exporters in just a few years.

The time to deal with the problem is now! The Spring of 1977 when a new Administration and leaders are taking over in Washington, where the solutions must be found and new policies written.

### Francis X. Stankard

*Executive Vice President, International Department*
*Chase Manhattan Bank, New York City*

**"The Growing Importance of International Trade"**

A native of New York and graduate of Holy Cross, Mr. Stankard served in the Marine Corps before joining the bank in 1955 as a member of the Special Development Program. Through rapid advancement, he became a vice president in 1964. He served during 1967 as a Public Affairs Fellow at Brookings Institution in Washington. He returned to the bank and in various posts dealing with the Far East, Australia and Europe prior to assuming is present post in January 1975. He is also chairmen of various Chase Manhatten affiliates overseas.

### Congressman John M. Murphy (D-NY)

*Chairman*
*Merchant Marine and Fisheries Committee*

**Subject to be Announced**

Congressman Murphy has served on the House Committee on Merchant Marine and Fisheries since first being elected to Congress in 1962 to represent Staten Island and the Lower Manhattan area which is the heart of the U.S. shipping industry. He has been chairman of the Subcommittees on Coast Guard and Navigation; Panama Canal; and Oceanography. He

Francis X. Stankard

Congressman John M. Murphy


Karl E. Bakke


Robert J. Blackwell


Jesse M. Calhoon


Thomas W. Gleason


Paul Ha

was also chairman of the House Ad Hoc Select Committee on the Outer Continental Shelf. He is a ranking member of the House Interstate and Foreign Commerce Committee.

### Karl E. Bakke

*Chairman*
*Federal Maritime Commission*

**Subject to be Announced**

Mr. Bakke has sought solutions to maritime and shipping regulatory problems which were much talked about but seldom solved prior to his appointment to FMC. He has been at the center of things, negotiating the Leningrad Agreement with the Soviet government in July 1976, only to be chastised for his actions by other departments of government. He has directed FMC to clean up the problem of rebating in the ocean trades of the United States.

### Robert J. Blackwell

*Assistant Secretary for Maritime Affairs*
*Maritime Administrator*
*Department of Commerce*

Mr. Blackwell has served Assistant Secretary of Commerce for Maritime Affairs since August 2, 1972. A native of Brooklyn, he served with the Federal Maritime Commission from 1962-1967 and was Director of the Bureau of Compliance at FMC. He served as Director of the Department of Transporation Office of Facilitation from 1967 until 1969 when he was appointed Deputy Maritime Administrator— a post he held until assuming his present duties in 1972.

## Reception and Luncheon — 12 Noon

## Speaker to be Announced — 12:30 P.M.

*A leading Washington official*

## Jobs—and Labor Peace — 2 P.M.

Availability of work, rather than scale of pay, is the crucial issue faced by maritime unions and shoreside personnel. Three maritime labor leaders, each a Vice President of AFL-CIO, are making a rare joint appearance before an audience to present their views on the issues brought to the forefront by recent oil spills and groundings by Liberian tankers, and by the April 1 date set for a start of negotiations on a new dock labor contract to replace the present contracts expiring September 30, 1977.

### Jesse M. Calhoon

*President*
*Marine Engineers Beneficial Association*

**The MEBA Position**

Mr. Calhoon is the industry leader to whom President Carter addressed his letter of commitment to the American merchant marine during the electior campaign. He has been a leading advocate of carefu training programs for personnel sailing on Americar ships.

### Thomas W. Gleason

*President*
*International Longshoremen's Association*
*Vice President AFL-CIO*
*VP, International Transport Workers Federation*

**ILA Negotiations Starting April 1**

President of the 116,000 member ILA representinc dockworkers in Atlantic and Gulf Coast ports, the Great Lakes and Puerto Rico, Gleason has beer active in the longshore industry 62 years since goinc to work beside his father on the West Side piers o New York at the age of 15 in 1915. He was electec International President of the ILA in 1963 and has served continuously since. He considers his chie accomplishment was the 1974 contract negotiations concluded without strike or work stoppage for the first time in 30 years—setting the pace in the maritime industry for increasing stability.

### Paul Hall

*President*
*Seafarers International Union*
*Vice President & Member Executive Council*
*American Federation of Labor*
*President, AFL-CIO Maritime Trades Department*

**A Broad View of the Industry**

Son of an Alabama railroad engineer, Hall went to sea in the 1930's and joined the SIU at its inception in 1938. He served as SIU's Atlantic and Gulf District Director of Organizing, New York Port Agent, and chief executive officer. He was elected President of SIU in 1957 and became head of the AFL-CIO Maritime Trades Department the same year. He is a frequent speaker at maritime industry labor/ management Unity Dinner functions.

## EVALUATION — 4 P.M.

A summary of views presented during the Forum and statement of consensus opinions which may be agreed upon.

Delegates will be asked to complete an evaluation repor on the Forum and to indicate policies which they believe should be adopted for and by the industry. These reports will remain confidential, although results will be tabulated and published in the April issue of *American Shipper*.

# —DISCUSSION LEADERS—

Discussion throughout the two-day Forum will be led by a panel of major American shippers. Those appearing on the panels will obtain in-put from others in industry to assure comprehensive coverage with questions of greatest importance to industry as a whole. At the time of this printing, the Panel of Shippers includes:

**Joseph A. Angolia**
*International Traffic Manager*
*Corning Glass Works International*

**George F. Avery**
*Director of International Central Services*
*Stauffer Chemical Company*

**Norman E. Beatty**
*Traffic Manager*
*Ford Motor Company International*

**Wilton B. Jackson**
*Division Manager, Export Import Transportation*
*E.I. duPont de Nemours & Company*

**Robert J. McGee**
*Director of International Distribution*
*American Cyanamid Corporation*

**Rene P. Missir**
*Manager, International Traffic*
*FMC International*

**John P. Scally**
*Manager, Export Distribution*
*General Electric Company*

**& Others to be announced**

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**American Shipper**
**17 Battery Place Suite 1946**
**New York, N.Y. 10004**

**Phone: (212) 425-0530**

**REGISTRATION FROM:**

## Attach Your Business Card

Please register the following participant(s) in American Shipper International Forum on "Our Future as an Island Nation" to be held at the New York Hilton Hotel on March 7-8, 1977, at a fee of $290 for each participant named below.

Registrants: Hotel reservation requested.

____________________ ☐ *yes* ☐ *no*

____________________ ☐ *yes* ☐ *no*

Your Signature: ____________________ Title: __________

Date: ____________________ Phone: __________

☐ Check Enclosed ☐ Bill Company

**Fees payable in advance.**
**Make checks payable to "American Shipper Magazine."**

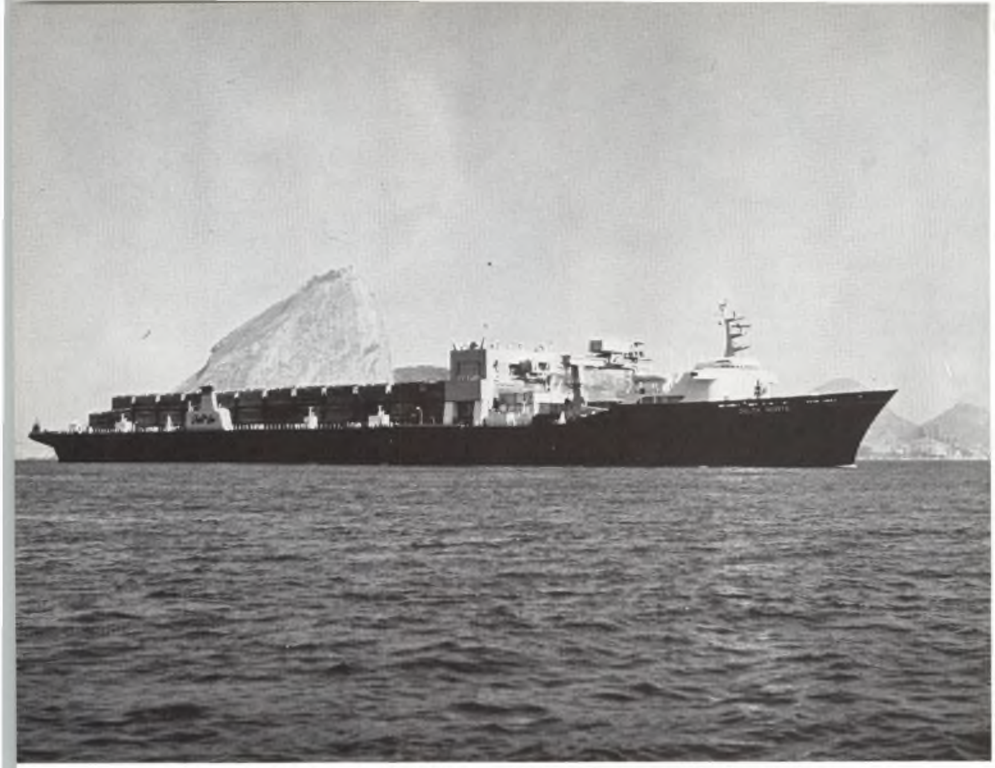
**Registration Fee:** $290 payable in advance, includes two luncheons, a cocktail reception, conference materials, workbooks, and a transcript of the proceedings.

**Time Schedule:** Starts at 9 a.m. Monday, March 7, 1977, and concludes following afternoon session Tuesday, March 8, 1977.

**Hotel Accommodations:** New York Hilton Hotel has set aside a block of rooms for persons desiring hotel accommodations. Rates are $44 for single room; $56 for twin beds; $56 for double. The staff of American Shipper will forward your request for hotel reservations to the New York Hilton but assumes no responsibility. Persons desiring rooms should return reservation form no later than February 18.

**Cancellations:** Written cancellations received prior to March 1, 1977 will be refunded in full. After that date, requests for cancellation will be honored only if a "waiting list" of participants is available.

**Substitutions:** Firms may substitute participants at any time by notification to American Shipper International Forum.



Delta Line's LASH vessel Del Norte at Rio de Janiero.

**CLARK OF DELTA LINE:**

# Carter Should Start from Scratch In Deciding How to Deal With USSR Shipping; Ford Team Too "Abstract"

**Studies developed during past administration "are suspect of liberalism at its worst" according to Delta president. Favors reliance on Eximbank in lieu of multilateral World Bank in address at Biloxi. Bilateral shipping agreements.**

President Carter and his maritime advisors should waste no time in coming to grips with current maritime problems, Delta Steamship Line President Capt. J.W. Clark told a recent audience in Biloxi.

Clark charged the Federal Maritime Commission with "appeasement in its worst form" in endorsing two-tier rate levels in the North Atlantic to avoid confrontation between the U.S. and Soviet governments and suggested the Carter team should "adopt an effective policy of bilateral shipping agreements with our trading partners" even though it relegates some state-owned cross traders to a minor role in carriage of American trade.

His comments were contained in a report on "the Outlook for Shipping" at a symposium sponsored by the Hancock Bank.

Captain J.W. Clark

**Trends.** "Major emphasis is being placed on barge carriers, containerships, roll-on/roll-off, LNG carriers, larger bulkers, refrigerator ships, heavy-lift ships and tug-barge combinations today. Within a decade we shall probably see the gradual disappearance of the conventional general cargo ship," Clark said.

"The trend toward specialized designs to fit specific trades will intensify. In the liner trades, the Ro/Ro and tug-barge combinations should predominate in the short trades; the barge carriers and container ships should prevail on the long trade routes, probably with feeder craft to serve smaller ports.

"I guess we're all waiting for President Carter to lay out his game plan. In the shipping industry there has been a series of cyclical frustrations, particularly in the bulk trades. We've been lucky at Delta, with steady growth and corresponding increase in earnings. On our trade routes we anticipate an annual growth rate in volume of approximately 4%, but 1977 will be a challenging year. The ECM, Japan and many of the LDC's are in serious economic trouble. Only the OPEC countries seem to be doing well, and their prosperity is unfortunately linked to the economic problems of other nations."

**Eximbank** "Our principal tool for competing in world markets, the U.S. Export-Import Bank, has had to retrench due to Congressional pressure—the logic of which I cannot understand. It is unrealistic to place our money and faith in multilateral institutions such as the World Bank. With Exim we know the money will be usd to finance exports of the U.S. goods and services, thereby creating more jobs, balancing the trade deficit and stimulating the entire economy. Why finance the competition through the multilateral groups? We read of corporations refusing to bid on overseas projects due to apparent lack of support from Exim, when other major trading countries are building up their export programs with subsidies and lenient financing."

**Honeymoon May Be Over.** "I have always considered trade with Communists as quicksand—and detente as a useful expedient—for the Russians.

"They have just had a record grain crop, and it appears the honeymoon may soon be over. Today, Communist flag ships crowd our ports and pursue an ominous course in cutthroat rate competition with Free World fleets. They are even taking over the cruise passenger trade, complete with 'Balalaika Propaganda.' Two of these Commie cruise ships are now sailing out of the Port of New Orleans. Russian naval personnel serve on communist merchant ships. The significance of which can hardly be ignored. The Russians and communist agents allege that they have entered our trades to obtain foreign exchange to pay for U.S. grain and other imports. Russia has hordes of oil and gold. Why not use these to pay their debts? They refuse!

"Recently, I asked two of our highest ranking government officials who negotiate with the Russians if they felt they could ever really trust the Russians.

In both cases, the answer was an emphatic 'no.'

"The head of the Soviet merchant fleet has been quoted as saying that communist maritime transport has carried out a number of responsible assignments of the communist party, combining economic and political considerations.

"Trading with the communists who are so obviously dedicated to our downfall can only be conducted on their terms. Alexander Solzhenitsyn called it right when he said:

> 'Something which is almost incomprehensible to the human mind is the West's fantastic greed for profit and gain, which goes beyond all reason, all limitations, all conscience. I have to admit that Lenin foretold this whole process. Lenin, who spent most of his life in the West and knew it much better than Russia, always said that the Western capitalists would do anything to supply the Soviet economy—'they will fight with each other to sell us goods cheaper and sell them quicker so that we'll buy from one rather than from the other.'

"Some people are advocating 'most favored nation' treatment for Russia. How naive!"

**In Its Worst Form.** "Insidious rate-cutting practices, on a noncommercial basis, have prompted even the U.S. Federal Maritime Commission to endorse two-tier rate levels on the North Atlantic trade routes, giving the communists rate advantages as a lesser evil to 'confrontation' between governments." There seem to be two standards for application of our shipping acts, one for strong nations and one for the weak. This is appeasement in its worst form, and if approved will inevitably spread to other important trade routes until the 'hammer and sickle' dominates our entire foreign commerce. Private steamship lines alone can hardly stand up to state owned, politically motivated, raw maritime power.

"The apparent decision facing free world carriers (and their governments) is whether to make rate concesions to the communists under a conference 'umbrella,' or face destructive rate wars, possibly bankruptcy, and eventual nationalization of the maritime industry in this country.

**"Better Answer."** A far better and more honorable answer—if we have the guts—would be to adopt an effective policy of bilateral shipping agreements with our trading partners (similar to the international air agreements), thus relegating predatory state-owned cross traders to a controlled minor role in our foreign commerce. This would not be discriminatory, as the same rules should apply to all carriers, all nations and all trades.

"This is an issue which must be resolved early in the new administration. Studies developed during the past administration are suspect of liberalism at its worst, with abstract philosophical attacks on shipping conferences, bilateral, equal access, pooling agreements intended to strengthen our maritime position, and to defend ourselves against communist trade infiltration.

"No one can seriously doubt the sinister objectives of the communists, and their shipping has already become an extremely effective weapon in the economic and ideological conflict between east and west.

"This is the greatest single threat facing Free World trade and shipping!"


BIGGER NOT BETTER

# Handy-Size Bulk Ships in Demand As Big Ships Bring Losses to Their Owners; Caution on Subsidy Grants

**One MarAd official fears tendency to use up federal aid in a few big lump sums rather than spreading it around. Charters on some large ships drop to $3,000 per day. Buyers holding back.**

Is bigger better?

As the Maritime Administration begins final preparations on a legislative package for bulk shipping promotion due fairly soon, this question will have to be carefully considered.

A slump in charter-market demand for large-capacity bulk and combination ships that started towards the end of 1976 is expected to extend through this year. Right now, larger bulk ships, in the range of about 70,000 dwt, are getting rates as low as $3,000 a day.

"These rates put operators hopelessly behind their basic operating cost requirements," commented one New York operator.

This situation is aggravated by the fact that over 20 million deadweight tons of dry bulk ship capacity are slated for delivery in 1977, on top of a market where there are already nearly 10 million dwt of idle ships.

"Grain was the leader in bouying up the market," said the New Yorker, " and right now there's nothing else very likely on the horizon. World grain reserves are expected to reach a 6-year high of 167.8 million metric tons in 1977, although poor weather in a number of countries could deplete stockpiles quickly, according to the U.S. Department of Agriculture. Reports indicate that the Russians will have a large wheat harvest this year (about 223.8 million tons), knocking out yet another prop for American bulk ship and tanker operators, which will probably lower charter rates for these ships down to market levels in the year ahead.

Industrial demand for ore and coal in Japan and Europe will probably not be sufficient to boost the bulk market very much at all, particularly if Japan follows through on plans to cut down ore and coal imports in 1977.

**Ship Sales.** Owners of bulk ships are reportedly trying to sell their ships before reaction to the current market situation forces prices down even lower than the already-depressed levels. It appears as if they may be too late, however, since sellers are asking for offers now, rather than placing a minimum value on their ships. Even so buyers are holding off in anticipation of future drops in ship prices.

New ships contracted for in Japanese yards at the end of 1975 are now selling for less than their construction costs, according to The Journal of Commerce, which reported the sale of a Japanese-built ship still under constructin for $9.25 million, as against a contract price of roughly $10 million in Japan, and a hypothetical construction cost of $15 million in Western Europe.

London banks have said that they're not worried about the current situation, and do not feel a crisis like that in the tanker market is probable, because bulkers are less specialized, more flexible, and less expensive to operate than tankers. Moreover, commercial bank exposure is at a minimum because most new bulk carriers were financed by government credits or shipyard subsidies.

**Small Ships.** The one sector of the bulk ship charter market that has been weathering the overcapacity squeeze fairly well has been "handy-sized" bulk ships.

"We've known for a long time that its the handy-sized ships that consistently make it," commented one MarAd official, "and the charter market, as well as commercial conditions today, bear this out."

Demand for such bulk commodities as ore, magnesium, special chemicals and specialty grains has remained fairly constant over the past few years, but insufficient to support extremely large capacity ships.

"Smaller bulk ships are more flexible in their ability to handle specialized commodities or small parcels of commodities," commented the New York operator.

"There's a distinct danger," said the MarAd official, 'that subsidies or other benefits will be used for single-shot, large capacity monsters, using up what are, after all, limited resources for promotion of the fleet."

# 42% Subsidy OK'd For 2 Gulf/Hansa Heavy Lift Ships

American Heavy Lift Shipping Company's plans for building two U.S. flag heavy-lift ships got a not-unexpected boost in late January when the Maritime Subsidy Board approved an award of a Construction Differential Subsidy for the project.

"These vessels will provide the U.S. flag with the commercial capability to penetrate a freight market now monopolized by foreign flag ships," said Maritime Administrator Robert J. Blackwell, "...In addition, their heavy-lift and roll on/roll off cargo handling capabilities are uniquely suited for logistic support of military operations."

The two ships will be built by Peterson Builders in Sturgeon Bay, Wisc., at a total cost of $33.5 million. The subsidy will cover 42% of this cost (14.1 million) based on the difference in estimated construction costs in Western Europe and the United States. The Maritime Administration will pay another $54,000 for national defense features on the two ships.

American Heavy Lift is 3/4 owned by Gulf Oil and 1/4 owned by Hansa Line. The two heavy-lift ships will be operated under the U.S. flag by Gulf Trading and Transportation, relying in part on Hansa's long experience in heavy lift shipping.

GT& T spokesmen have indicated that they probably will not apply for operating subsidy.

# FMC Defends Support of Soviet Conference Bids on Basis it Will Prevent Resumption of Rate Wars

**Russian ship managers need not worry about capital costs, interest charges, depreciation, insurance, and high cost of Arabian oil. Crews can be paid low wages in hard currencies.**

The Federal Maritime Commission, now considering objections to agreements that would allow Baltatlantic Line to join two North Atlantic conferences, has made no secret of its interest in getting the Russians to join conferences.

In an unusually detailed analysis accompanying the order for a short procedure hearing, the Commission said "there is a particularly persuasive and valid regulatory purpose to be served" by approval of the contested agreements.

The fact that, at the present time, Soviet rate levels are more in line with profit-seeking shipping lines "may well result from interim actions by the Soviets showing their good faith in anticipation of conference membership." There is a distinct possibility, continued the Commission, that, should conference membership be thwarted, the Soviet lines would revert to the old, extremely low, rate levels.

**Inefficient.** "By western standards, the Soviet system has been, up until recently, inefficient," said the Commission. At the end of December 1974, the largest Soviet containership had a TEU capacity of 358 and a maximum speed of 17 knots, in contrast with western fleets, where ships with space for 1,700 containers and a potential speed of 33 knots are not rare.

"At the end of the 5—Year Plan ending in 1975," the Commission continued, "65% of Soviet merchant tonnage was less than 10 years old, but there were a number of long-standing deficiencies, placing the Soviet fleet behind western fleets in maritime technology." The average size of Soviet ships at that time was less than half the world average, and those ships were mostly break-bulk carriers.

In 1975, the Soviets launched their first full containership, the Khudozhnik Saryan, with a TEU capacity of 774. FMC expects that Soviet cargo carrying capacity will grow enormously:

| | 1976 dwt | 1980 dwt |
|---|---|---|
| **Ro/Ro:** | 89,200 | 289,400 |
| **Containerships:** | 68,300 | 198,300 |
| **Barge carriers:** | 0 | 78,400 |
| **TOTAL** | 157,000 | 566,100 |

"The current Soviet 5-Year Plan for the merchant fleet is designed to procure the largest Ro/Ro and LASH/SEABEE fleet in the world," the Commission said.

Still, the Russians rely on general cargo break-bulkers to a large extent. In January 1977, they still served the North Atlantic with four or five partial containerships with a capacity of 368 TEUs. Polish Ocean Lines, which the Commission is also trying to entice into conference membership, uses even smaller partial containerships.

Effective competition, between technological equals, is about a year or two off, said the Commission. At that time the Soviets will enter four more Ro/Ros in the North Atlantic and the Poles will begin operating five 23-knot containerships.

**Soviet Cross-Trading.** The impressive growth of the Soviet fleet is due largely to an increased role as a cross-trader, the Commission said. Cross-trading cargo tonnage grew from 7.5 million tons in 1965, to 15 million in 1970, and to 22 million in 1974. Twenty of the 58 Soviet flag lines now operating do so almost entirely—if not entirely—outside Soviet trades as of mid-1975. Of an estimated 29,848 voyages reported for the Soviet fleet, about 10,350 were made in cross-trades between western ports.

"Cross-trading," said the Commission,

"can help towards capacity utilization as well as towards the accumulation of so-called 'hard' currency."

**Leverage.** There is strong evidence that Soviet lines are heavily subsidized by their government and that their profits are based on cost concepts completely different from those of the west," commented the Commission.

Russian shipping managers do not have to worry about the capital costs of shipbuilding, of securing loans, drepreciation, or of equipment replacement. Neither does a Soviet line have to pay its own insurance costs; lower wages are paid; and fuel is purchased whenever possible in the Sovie Union, where oil prices are about 1/3 current world prices.

All of this means the Soviets can charge much lower rates while still meeting what they define as operating costs. In the long run, suggests the Commission, this allows the Soviets a greater profitabilty, based on volume of cargos shipped, than could be achieved by a capitalist competitor, who can not compete on a cost basis.

"The Soviet emphasis on shipping as a prime earner of foreign currency," added the Commission, "likely heralds more aggressive expansion into major western trades such as the North Atlantic." Too,


distribution of foreign currency earnings to crewmen acts as an effective incentive, keeping wage costs down.

A Commission study on Soviet rates showed that these rates (in some cases, as much as 21 to 36% lower than conference rates) "indicated a Soviet capability to impose 'unusual' or 'excessive' differentials."

The relative importance of rate differential "pales when compared to the potential threat of the Eastern Bloc countries which arise from organization, historical operation in these [North Atlantic] and other trades, ability to compete, and announced plans and policies."

The Soviets, said the Commission, could drive out commercially profit motivated carriers out of the shipping picture, if something is not done.

**An Answer.** The solution preferred by the Commission, of course, is a voluntary agreement by the Russians to join conferences and moderate the rate differentials that continue. A Third Flag Bill, would not be nearly as effective, according to the Commission, and may stall itself in evidentiary hearings.

Approval of the agreements allowing Baltatlantic to join the two conferences "may be a timely opportunity to avoid commercially detrimental and unacceptable conditions," giving the Soviets a voice in decisions that will have to be made for stabilizing world shipping, concluded the Commission.

# Ports Should Get Firm Guarantee Of Future Business Before Spending Huge Sums on Specialized Equipment

**Get it in a contract and operate like a commercial enterprise striving for long-term revenues, expert advises. Seaports should not operate like public utilities. Sees financial trouble ahead for some Near East and Third World ports. Fast relief for today's headache can cause a migraine tomorrow.**

Stuchtey

Seaports should not operate as public utilities but as commercial enterprises striving for long-term revenues.

That, in any case, is the opinion of Dr. Rolph W. Stuchtey of Bremen, who has been serving on an international team of executives advising Third World port authorities under auspices of UNCTAD (United Nations Commission on Trade and Development).

Based upon his observations, Dr. Stuchtey fears many ports in rapidly developing areas are going overboard, acquiring costly facilities which promise relief of today's headaches but create over-capacity which cannot be justified.

Dr. Stuchtey is managing director-marketing for Bremer Lagerhaus-Gesellschaft (Port Operating Company of Bremen).

Sophisticated ships (container, Ro/Ro and LASH) designed to meet the needs of highly developed nations are now appearing at ports around the world, forcing the ports to play a game of catch-up. "More and more capital expenditures are needed," according to Dr. Stuchtey.

"These changes were caused mainly by increasing cost of wages in the highly industrialized countries such as the United States and Europe." he said, "and difficulties arise in the fact that the technologies required in the United States and Europe often have "nothing to do with techniques needed to support the state of development in the countries located at the periphery of world trade."

Structural changes in transportation between the highly industrialized nations and poorer nations of the Third World are usually introduced by old-established lines of shipping countries without providing an alternative of examining other solutions for the port administrations of the developing nations," Dr. Stuchtey said. "As a consequence, enormous investments are needed to offer proper handling facilities."

**Indonesia Balked.** "Some developing countries, among them Indonesia, have refused to accept the new concept of international ocean transportation for years. But such a hindrance to an increase of productivity and the obstacle it presents to an imminent lowering of cost cannot, in the long run, provide an efficient solution of the problem.

"It becomes necessary to accept the technological progress and the investments and cost connected with it. This has actually happened in almost all areas of Southeast Asia, so that nearly trouble-free operations can be guaranteed in those countries. However, it will become necessary to limit investments to a standard which will provide services that will pay for the increased cost.

**Contract Guarantees.** "Partners in international ocean transportation (shipping lines and shipping associations) are operating strictly according to a criteria based on rentability. For that reason, costs that can actually be calculated will be reflected in a corresponding rate structure.

"The same should apply to port operating companies who have to make special investments to provide facilities for container handling, ro/ro shipments, etc.

"In that sense, sea-ports should not operate as public utilities. They are, rather, to be considered as commercial enterprises who must strive to gain long-term revenues. Allowances for their suprastructural investments should be similar to those made by the shipping industry.

"Beyond that, shipping volume should be guaranteed on a contractual basis over a predetermined period of time in order to offset the investments made by the ports.

"This purely commercial point of view, up till now, has not been accepted by the Third World, particularly not by the countries of Southeast Asia.

"In case they finally should adopt this idea in operating suprastructual facilities for handling special means of transportation on the same conditions applied by the shipping industry, there should be no barrier to extending long-term financing of such efficient port facilities through loans granted under normal procedure."

**Heavy equipment is easy to handle at U.S. ports such as Charleston but may become difficult to discharge at a port in undeveloped nations. This cargo used LASH service.**

**Congestion.** For years, congestion has been observed from time to time in the ports of the developing nations which causes considerable delay in loading and unloading, as well as in other handling procedures . . . The reaction from shipping lines and conferences is assessment of congestion surcharges, which ultimately affect the finances of those countries that suffer from such congestion.

This problem has taken on tremendous importance in the oil-rich (oil producing) countries. In those areas direct and indirect losses of income have occurred simply because of port congestion which at times can be almost unbelievably frustrating . . .

It is evident that the high influx of capital can stimulate the developing process, but it will produce at the same time enormous bottlenecks. "A boom of imports is running wild in those countries and no provision has been made to create a sufficient infrastructure of traffic as a prerequisite for a smooth flow of all transportation and a normal, trouble-free growth of the economy," Stuchtey said.

"Many absurd instances could be cited that led to serious economic losses in the areas mentioned.

As a remedy for these bottlenecks, the countries with large resources of raw materials have instituted gigantic investment programs, particularly in the ports, in order to relieve the congestion with traffic systems supported by large sums of money.

"Technologies are being applied which, based on high freight rates at present, can bring short-lived solutions to the problems. However, in the long run these technologies do not satisfy the demand of the emerging nations because the temporary measures are only geared to take care of some very special import shipments.

"As soon as the first impact of the import boom is fading away, and as soon as the export trade of those countries resumes normal economic conditions according to their usual activities, there will be a trememdous over-capacity in the shipping sector.

The shipping industry's response to this overcapacity is a reduction of shipping space. However, the unused infrastructures of port transportation facilities will lead to further economic losses."

LAW IS SPECIFIC

# Attorney Spells Out Specific Actions Shipper Councils May/May Not Pursue; Only One Form of Leverage is Allowed

**Boycotts are taboo, but shippers have the right to petition for regulatory relief and may use that leverage. Matters to be discussed must fit certain precise standards. Carriers also have rights.**

Just when is it legal for shippers to join together to talk with steamship conferences or rate bureaus about rates and transportation service?

Nobody knows for sure—except perhaps for the Justice Department—and they are not saying. In fact, the Antitrust Division has been considering a petition from the American Importers Association for a ruling on this question since February, 1976, with little sign of an answer in the near future.

Despite the confusion, and fear of prosecution for violation of antitrust law, shippers are beginning to band together. Last July, the Automobile Importers Association, a trade group, formed a Traffic and Distribution Committee to deal with conferences and the Federal Maritime Commission on rate and service questions.

How did the auto men do it?

According to William Q. Keenan, attorney who advised the group, the answer is to restrict the activity of the Committee so that they meet the following conditions:

- Shippers deal only with carriers who have obtained antitrust immunity under the Reed-Bullwinkle Act or an analogous statute; and, the carrier pricing decisions sought to be influenced are within the scope of that immunity.
- The carrier pricing decisions sought to be influenced are group decisions and not decisions made by single carriers.
- The carrier service which is the subject of the pricing negotiation is subject to economic regulation by a Federal administrative agency.
- The shipper association participating in such negotiations limits itself to representations concerning appropriate carrier price levels and the reasons why such levels are appropriate.

"The shipper association," said Keenan, "may neither express nor imply any threat whatsoever of any concert[ed] shipper action in the nature of boyco[tt] which would divert traffic from t[he] carrier group or its members in the eve[nt] of failure of negotiations."

"The only leverage which members [of] a shipper trade association possess a[nd] may lawfully exert in negotiations with [a] carrier rate bureau concerning bure[au] transportation rates is exercise of t[he] shipper right to petition regulatory reli[ef] from the relevant administrative agen[cy] to compel the pricing change which h[as] been the topic of shipper tra[de] association-carrier rate bure[au] negotiations," he added.

"There has never been a crimin[al] prosecution or any civil suit broug[ht] either by a shipper or by a carrier again[st] a group of shippers which has accus[ed] the group of combining unlawfully [to] negotiate carrier rates," Keenan noted.

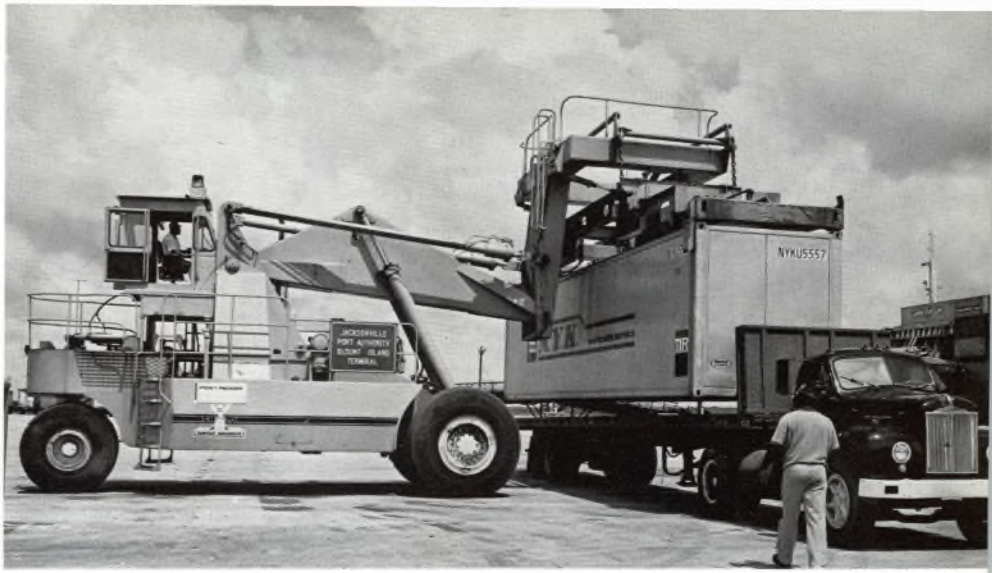
In fact, shipper organizations have f[or] years done exactly this.

The National Industrial Traff[ic] League, whose operations we[re] discussed in the Congressional deba[te] over the Reed-Bullwinkle Act of 1948, [is] an example of this sort of shippe[r] organization," said Keenan.

In two Interstate Commerc[e] Commission hearings which discuss[ed] shippers' councils, (the last in 1975) a[nd] in which the Justice Departme[nt] participated, the Antitrust Divisi[on] lawyers expressed no objection shippers' associations negotiating with tariff bureau groups.

Presumably, there is no legal objection to applying the ICC findings to other transportation modes, since the legal issues are essentially the same.

The practical requirements of regulatory hearings frequently require consolidation of several shippers' complaints into one proceeding, noted Keenan, who added that "implicit in the right to petition a regulatory agency for relief respecting carrier pricing, regardless of antitrust consequences, is the shipper's right to organize to discuss such prices with carriers prior to litigation."




"Sometimes shippers take the fact of carrier antitrust immunity too seriously," said Keenan, "and conclude that shippers have freedom to organize under the antitrust acts only as long as they are making representations to carriers according to rate bureau rules in rate bureau forums." This is a misconception, he continued, because it assumes that rate bureau—or shipping conference—proceedings are substitutes for regulatory agency hearings.

"No forum or channel of communication is prescribed or proscribed between carriers and shippers," said Keenan.

The ultimate tool available to shippers is, quite simply, the right to go elsewhere for shipping services. Boycotts are prohibited because they imply concerted action by a combination of businesses, which is illegal.

"But," said Keenan, "the law implies no obligation on the part of an individual member of a shipper trade association to continue to tender traffic to a carrier who insists on maintaining a rate level higher that that maintained by others."

"In fact," Keenan continued, " shipper reaction to such price differentials among or between carriers on competitive routes has traditionally been immediate and drastic.....It is a fact of life in the transportation trade which everybody recognizes."

"An industrial traffic manager who failed to take advantage of the lowest available carrier rate level in most situations would probably lose his position," he suggested.

Keenan concluded, "Both law and horsesense compel the conclusion that carrier's antitrust immunity is not a one-way street; when suppliers can organize to fix prices for a service free from antitrust strictures, purchasers can organize to purchase the same service on the most advantageous terms."

**AD HOC SESSION**

# Fruit/Produce Shippers Met With 4 Carriers to Talk Out Problems; NMC Sponsored Sessions Paid Off

**Didn't care about the exact rate half as much as rate stability through the shipping season. U.S. flag carriers took the case before their conferences and got what the shippers wanted.**


In their minds' eye, a growing number of shippers can see the advantage of joining an association of shippers with enough clout to bargain with steamship conferences for low rates and service. changes.

But before getting to the point in this reverie where the shipowners are told exactly how many percentage points the widget rate should be reduced, many shippers imagine the Justice Department bursting in, trailing a stream of subpoenas, injunctions, and citations of the Sherman and Clayton Antitrust Acts. At this point, the daydream usually ends, quite abruptly.

The fact that there are only a handful of shippers' associations, and only one or two that dare to talk rates with the conferences, shows how real these fear are.

Are these fears justified? And, if the are, does that mean that shippers an carriers can't get together to discus shipping problems at all?

In Florida and south Georgia, shipper and growers have joined together on more informal basis to work out number of shipping problems wit carriers. Despite a great deal of initia nervousness, the talks have proven bot legal and fruitful.

Elsewhere in this issue, William Q Keenan, the lawyer who counselled th Automobile Importers Association discusses how the AIA is legally able t discuss rates with conferences.

**Talk About Other Things.** Although th exporters of perishables—primarly citru and vegetables—from Florida an Georgia no doubt have the usua complaints about freight rates, thei discussions with carriers have covered number of other issues.

The discussions, held in June 1975 a Jacksonville, and last October in Tampa under the auspices of the Nationa Maritime Council (NMC), dealt entirel with service issues; for instance, a majo item on the agendas was the insufficien number of reefer containers available i the Southeast. (One result of th discussions, incidentally, was a larg scale investment in reefer containers b two of the lines.)

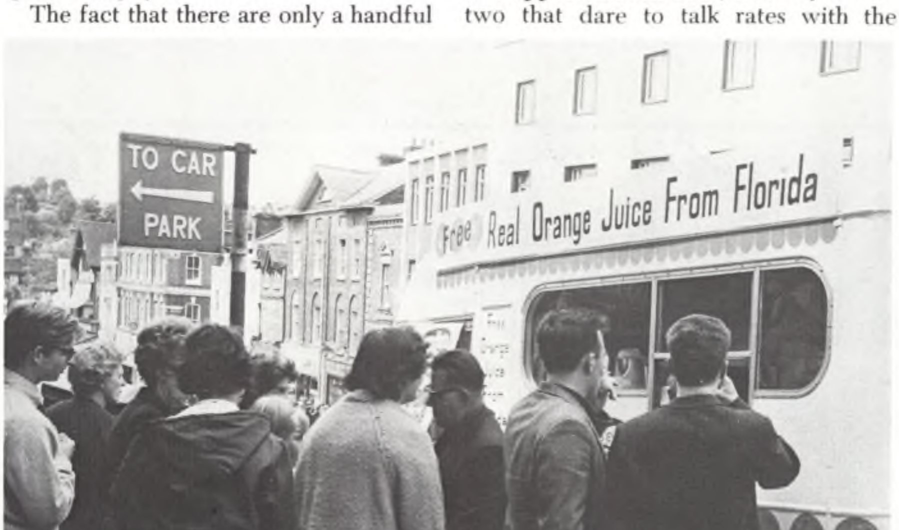
Frank J. O'Donnell, chief of NMC' Office of Market Development for th Eastern Region, based in New York helped organize the joint meetings an attend the sessions.

The meetings were overseen by th NMC's General Counsel G. Peter Lamb whose function, he said, was "to com out of my chair screaming and shouting if anything verging on an antitrus violation came up."

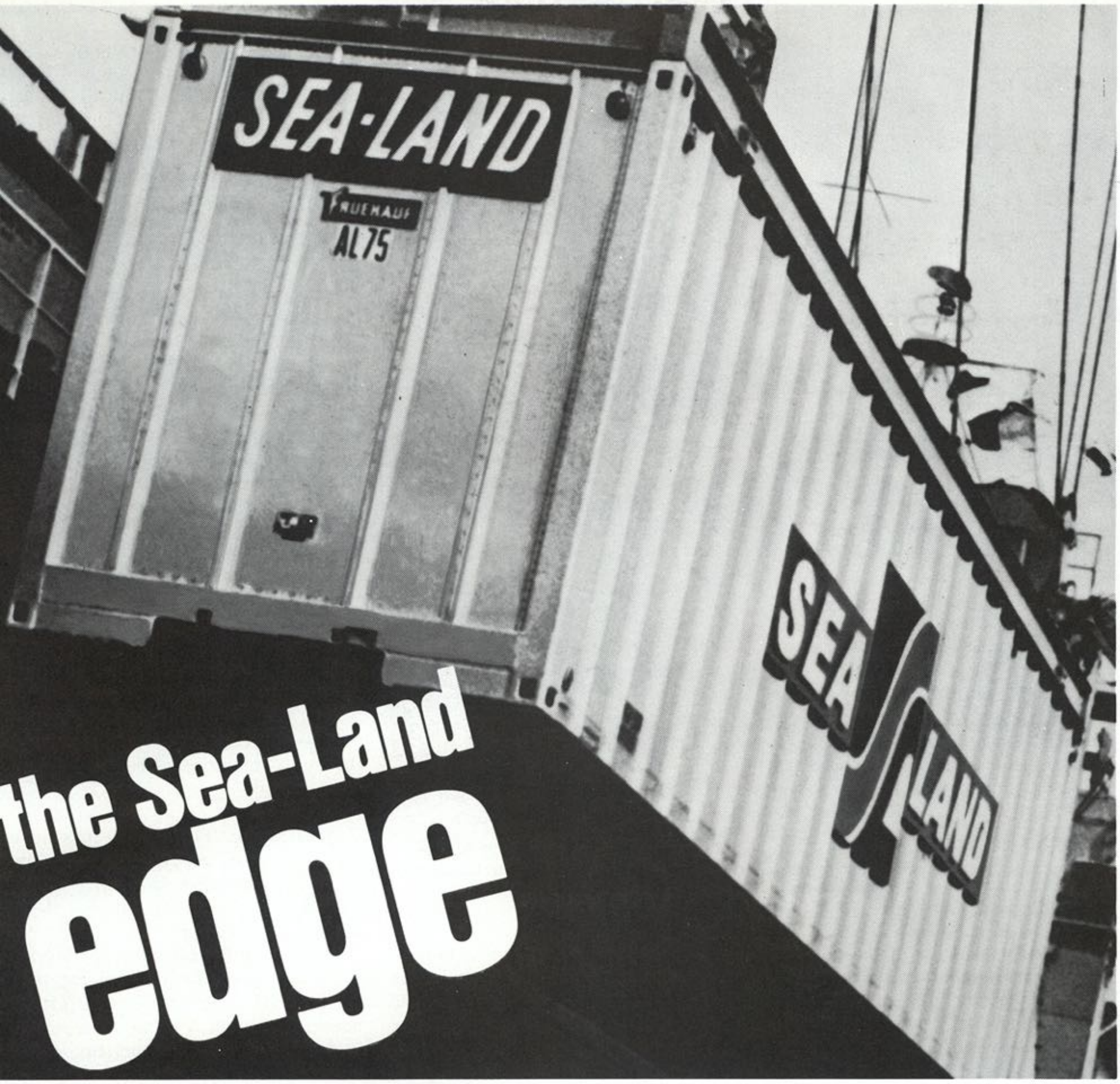
"The function of a shipper-carrie dialogue," said Lamb, "is to brin together carriers and shippers in order t facilitate greater use of American fla carriers. A critical part of the whole effor is to get American flag lines to listen to th complaints and requirements o shippers."

"I'm not a spokesman for th Floridians," Tom Poerstel of the Foreig Agriculture Service told America Shipper, "but, judging by their publi statements, they're very enthusiasti about the way these dialogues have bee working."

The four carriers who participated i the talks—Sea-Land, United States Lines, American Export Line, and Lykes—and the NMC itself, are very pleased with the results of both sets of talks, and with the prospect of talks on a "more or less"




**Citrus and producer exporters set up extensive marketing programs in Europe and make sales commitments, only to find rates changing during the shipping session. U. S. flag carriers have convinced conferences to eliminate this headache.**


SEA-LAND
FRUEHAUF
AL75
SEA LAND
the Sea-Land edge

**Lessons learned working with European carriers can be applied in Japan trade also.**

annual basis, according to Sea-Land's Jim Clark, who chaired the October meeting.

"I think there's been a great deal of good will established," said Poerstel, "as well as some concrete accomplishments, and, as long as there is good faith on both sides that both carriers and shippers will continue working on transportation problems, these dialogues will continue being productive."

**Suggestions, not Demands.** The legal reason why these discussions are not in violation of antitrust law is essentially that the talks were not negotiations, but were a mutual airing of complaints and suggestions on both sides. The nature of the discussions was largely due to the fact that they were a part of the NMC's market development program.

"Not only shippers' complaints were raised at the talks," said Poerstel," but the shippers were made aware—perhaps for the first time—of a number of problems the carriers face."

One example of this was the question of backhauls. While there is an enormous, and still unsatiated, demand for reefer containers for exports from Florida and Georgia, there is almost no demand for reefers to carry goods back into these States. To haul empty containers, particularly on the European trade routes, where there are more profitable cargos available, is a heavy burden on the shipping lines.

A similar problem that is almost certain to come up in the next set of shipper-carrier dialogues is the question of less-than-containerload shipments. Here, as with the backhaul question, there are economic considerations that prevent the carriers from offering service exactly as the shippers would prefer. On the other hand, there are economic considerations for the shippers that mandate some solution to these problems.

Resolution of these questions will probably require concessions from both sides—concessions that will result from dialogue that both informs and suggests.

**Rate Stability.** One problem that bothered the produce growers and shippers was rate changes in the middle of the peak shipping season. Because sales contracts are negotiated far in advance, on the assumption that shipping cost will be those currently on file in a conference tariff, rate changes can very easily wipe out the produce shippers' margin of profit.

"At the Florida meetings," said Peorstel, "the shippers suggested that it made sense to change rates in concert with the marketing system." In short, the shippers asked that conference rates not be changed in mid-season.

"We're not concerned about the rate itself. Just make it fair. But it really is important that you fix the rate early and stick to it for the entire season. That's what we must have," a produce shipper told the four U.S. flag carriers attending the first dialogue held in Jacksonville.

The carriers were not able to promise action on this at the meeting, for two reasons: one, that they would have to convince the conference to avoid its tariff rules, and two, that to get down to the specifics of rate-setting at the NMC dialogue would have been a violation of antitrust law.

"When talking specific rate changes," said Lamb, "there are legally sanctioned vehicles the shipper or conference member line can use, with the full protection of the Shipping Act. The NMC dialogues do not have this sanction."

But, the 4 lines were able to successfully push for a tariff amendment through conference vehicles. Everyone was pleased.

**Organization.** "Florida shippers never talked with each other," said Clark, "but they began to realize that, if they were to have a voice with the carriers, they'd have to get together."

There are still problems with the NMC dialogues, particularly when the three groups of exporters—the citrus, concentrate, and vegetable shippers—find their interests in conflict. In addition, there cannot be any rate-setting discussion until a single entity is accepted by all the growers and shippers as spokesman, and this may still be a long way off.

The shippers prefer to use containerships, rather than chartered ships or air freight, to move their goods, but all parties are aware of these alternatives. European demand for American produce is booming, but, comments Poerstel, "We have to face the fact that buyers are becoming more selective—the United States is no longer the only source for perishables."

The perishables exporters were among the first shippers to organize regular shipper-carrier dialogue because they have little choice, suggests Poerstel.

"They were up against it," he said, "with competition stiffening, and inadequate ocean service, these shippers, who are mostly fairly small with almost no individual clout, badly needed some sort of organization, and way of getting their needs know."

FROST & SULLIVAN FORECAST:

# $10 Billion in New Construction During Next Decade With 42 Ro/Ro, 36 Barge Carriers & 48-90 LNG Ships

**Study anticipates from 237 to 320 tankers will be built in USA. Study anticipates cargo preference legislation will be passed.**

United States spending for ocean ships and their subsystems during 1976-1985 could range from $10 billion to $16.4 billion depending on the U.S. commitment and world demand, according to "Shipbuilding and Associated Subsystems," a Frost & Sullivan analysis of the industry.

Aggregate demand for world shipping capacity, minus existing capacity, and the U.S. Government's willingness to press a cargo-preference policy for American shipping are the critical factors in determining the eventual size of the market.

Scenarios A, B and C were formulated to project the extent of the total market and submarkets, based on funding levels for (a) Construction Differential Subsidy; (b) argo preference legislation, and (c) Navy shipbuilding dictated by national defense needs.

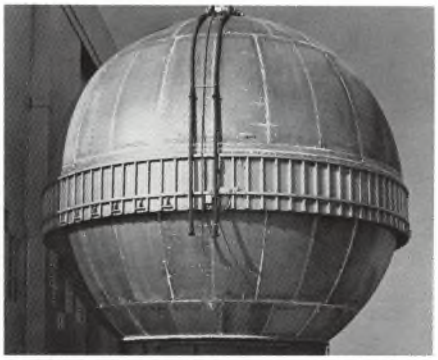
Scenario A calculates an increase of 46% or 268 ships, representing total new ship construction of $10.1 billion for 1976-85. Scenario B sees an even larger expansion of 408 new break-bulk and bulk carriers, or outlays of $13.6 billion, and Scenario C is the optimum market of 563 new ships for a total market of $16.4 billion.

The study believes that Congress will enact cargo-preference legislation in 1977 mandating, among other items, the carrying of 20-30% of U.S. oil imports in American-built and operated tankers.

Some of the study's other assumptions are:

- World trade will continue to grow at 5% to 10% annually, probably closer to the higher figure.
- The world economy will remain relatively stable.
- Continued growth in construction of LNGCs, intermodal and other specialty vessels.
- Despite long-term U.S. Government policy, there will be a strong trend toward bilateral agreements and cargo preference restrictions, forcing a re-examination of U.S. policy.

**Ro/Ro & LASH.** In break-bulk shipping, the largest dollar market under Scenario A will be the construction of 36 barge carriers for a total of $3.6 billion in



1976-85. There will be more (42) Roll-On Roll-Off carriers built but the market value will be $3.1 billion.

Also in break-bulk, new container ship construction is estimated to be $1.5 billion for Scenario A, and general freighter expenditures of $1.3 billion will be concentrated in the 1981-85 period.

Under Scenarios B and C, the barge carrier category will remain at $3.6 billion, Ro/Ros also will stay constant but container carrier shipbuilding will expand to $2.5 billion for option B, and $3.5 billion for C.

In bulk-carrier shipping, Liquified Natural Gas Carriers (LNGC) will dominate all Scenarios, ranging from $10.8 billion in new construction under A, to nearly $14 billion for the C option. In vessels, the span is 48 to 90.

In other bulk-carriers, oil tankers, given optimum conditions, could rise from new construction of $562.5 million in Scenario A to $8.2 billion under Scenario C. New tanker construction would range from 237 to 320. Dry cargo carrier estimates are, variously, $2.0 billion, $2.5 billion and $3.0 billion, all in 1981-85.

**Suppliers.** In the subsystems markets, steel will be the primary segment, with carbon steel plates alone requiring purchasing of $1.2 billion in Scenario A, $1.7 billion in B, and almost $2 billion in the C option. Other carbon steel requirements, including structural, will add substantially to this submarket.

Alloy steel, aluminum sheet, plate and foil, and copper pipe and tubing present smaller but significant markets of opportunity.

Purchasing of diesel engines, including semidiesel, is forecast to be $252 million, $340.4 million and $408.5 million under the respective scenarios. Gasoline engines and carburetors will be a miniscule market in comparison.

In communication and navigation systems, the Marisat communication system will be the major recipient, with estimated funding ranging from $21.4 million to a high of $45.0 million. Satellite, Omega/Decca and Loran navigation systems are expected to be $10.2 million, $15.5 million and $21.6 million under each scenario.

Among a number of conclusions, "Shipbuilding and Associated Subsystems" believes that U.S. shipyards will build an increasingly higher proportion of the 50 to 100 LNGCs required in 1976-80 because of advancements in cryogenic technology, considerable unused U.S. shipyard capacity vs. lesser foreign capacity, and economic trends favoring the U.S.

For further information, contact Consumer Service, Frost & Sullivan, Inc., 106 Fulton Street, New York, New York 10038, (212) 233-1080. Reference Report No. 405.

**BARGE SPOKESMAN:**

# Combined Transport Account is OK, But DOT Secretary Adams in Urged To Rid Staff of Anti-Barge Feeling

A leading barge line executive has urged Brock Adams, the new Secretary of Transportation, to take a fresh look at the prejudices against water transport heretofore held by the DOT.

Thomas J. Barta, President of the Valley Line Company of St. Louis, told a conference of the Water Resources Congress at the Chase Park Plaza that the DOT's policies have been based on "assumptions made without factual support," "conclusions reached without logical reasoning," and "omission of relevant factual information when convenient."

Attacking the most recent DOT report on National Transportation Trends and Choices, published January 12, Barta pointed out that while the report concedes that river transportation is lower in cost than rail, "a hypothetical situation is imagined in which there are heavy construction and/or maintenance costs for the river. Total costs for water (both public and private) 'may' actually be higher in certain areas than rail transportation despite cheaper water rates." This hypothetical situation is assumed by the report without any factual support to be representative, and the basis for a conclusion that "subsidies to waterways...result in less efficient allocation of national resources and a higher cost transportation system," Barta said.

**Equity in Subsidies.** "The true situation is that there is no factual basis whatever for the assumption that on many river segments total public costs and private costs of barge lines would exceed total public costs and private costs for railroads," Barta said.

Barta quoted the report as stating that "considerations of equity between modes" require the direct recovery of waterway costs through user taxes.

"Nothing is said about direct and indirect subsidies to railroads which, by any objective count, dwarf federal expenditures for waterways. No conclusion can be reached about equity between the modes until there is a full examination of subsidy and subsidy-effect programs for both modes," Barta said.

"Even without including government rail aids, investment in navigation results in the most efficient use of resources. When rail aids are included—the billions in grants, tax subsidies, rescue of the railroad retirement fund, grade crossing aid, unrepaid loans, guaranteed loans—navigation all the more wins the relative efficiency test," Barta said.

**Transport Account.** Barta endorsed the idea of setting up a "combined transport account" to record the direct and indirect aids to all modes as a fundamental first step to sound policy making in planning federal programs.

"The next logical step would be a comprehensive review of the present methods of financing federal programs for all modes looking toward endorsement of old methods where they make sense and new ones, if appropriate. Certainly a basic criterion t be used in determining how the federal involvement should be financed is to find out which of the various methods is the most equitable to the public and that, so far, has never been done," Barta said.

Barta pointed out that elements of the cooperative multipurpose water resource development program embracing water supply, navigation, hydroelectric power, reclamation, flood control, and recreation are under attack.

**Decades of Effort.** He said successful water management programs require decades of effort. If a "grass roots" type of approach had been available for energy production and conservation similar to the programs for water management over the past 60 years, "we would be much nearer today to a national energy program of production and conservation than we are," he said.

Barta was recently elected chairman of the executive committee of the Water Transport Association, a national trade group of ICC-certified carriers on the inland rivers, the Great Lakes, and in the coastwise and intercoastal trades.

# Eximbank Credit Policy is on Par With Canada, Germany, Italy & UK; Not as Generous as France, Japan

The competitiveness of U.S. exports in world markets continued to increase during the first three quarters of 1976, according to a report issued by the Export-Import Bank to the Congress.

The Bank attributed this increase to "a combination of favorable economic factors," including reduction of the rate of inflation in the U.S., and a lowering of the cost of borrowing money from private sources here. The U.S. prime lending rate was far below the prime rates of most other major exporting countries, said the Bank, while the dollar remained competitively priced in world money markets.

"With the U.S. economy growing faster than the other industrial countries, the U.S. trade account shifted from surplus into deficit," said the Bank, adding that "Bouyant import demand, particularly for oil, resulted in a U.S. trade deficit of over $1 Billion during the first half of 1976."

**Bank Policy.** Despite this "deterioration", the Bank does not feel there is any special call for an increased export promotion effort.

"Eximbank's programs were generally competitive with the export credit programs of Canada, Germany, Italy, and the United Kingdom, but were not fully comparable to those of France or Japan," said the Bank, the difference lying in direct and discount loan programs.

"In assessing the Bank's competitiveness," the report continued, "it is important to note that Eximbank, unlike most of its competitors, must operate as a self-sustaining institution and is mandated by law to supplement but not compete with private capital."

In short, the report indicates that the Bank will continue on the conservative path laid out for it by Chairman Stephen M. DuBrul, who will probably be replaced by the Carter Administration.

The Bank reports optimistically on efforts to reduce "counterproductive competition in government-supported export financing," most notably, the full implementation of Eximbank's Unilateral Declaration. The Declaration will bring Eximbank's credit practices in somewhat closer harmony with those of other governments' export credit agencies; this scheme requires an increase in the minimum cash payment by Eximbank (from 10% to 15%), increases in interest rates on credit for the French, British, Japanese and German agencies for long and short repayment-term credits, and revisions of repayment terms themselves to encourage shorter-term credits for all the agencies.

**A Survey.** Surveys conducted by the Bank itself and by the U.S. Chamber of Commerce indicate some measure of dissatisfaction with the Bank's basic policy, however. Most of the exporters and commercial banks active in export financing apparently felt that U.S. exports are competitive, and that Eximbank's credit insurance and guarantee programs were effective. But the Bank reported, "Many felt that foreign exporters were gaining a competitive advantage because of the much greater commitment of their governments to promoting exports through extensions of lines of credit and mixed credits to foreign governments."

The businessmen surveyed though most foreign export financing was superior because of lower interest rates offered, more fixed rate financing, loca cost guarantees, cost escalatio insurance, greater coverage for foreig content in exports financed with government assistance, and more assurance of support from governmen agencies.

The exporters surveyed said they lost a total of approximately $1.5 Billion o export sales due to a lack of competitive Eximbank financing.

Exporters suggested that the Bank rethink its current objectives to giv greater emphasis to promotion o exports; speed up the applicatio process; reinstate guarantees on local cos financing; provide fixed-rate financin on a larger portion of a credit contrac match more closely financing practice followed by competing foreign agencie in specific transactions; review interes rate policy more often; permit som foreign content in exports covered b Eximbank programs; and separate itsel from the unified Federal budget.

The Bank's reply noted that, "Expo promotion to acheive a higher level c exports because exports are desirable i and of themselves has little economi justification in today's world." The Ban believes an expansion of its promotiona role would be necessary if exports ar artificially depressed because of mone market deficiencies, a stiuation that doe not exist in the U.S. at present.

The new Administration's reaction t Eximbank's policies has not yet bee made public, and the Congressiona reaction to this report may be the tip-of So far, however, neither the Senate n the House have discussed the Bank, and seems unlikely that any radical polic changes will be occuring any time soo

# Japan Will Continue to Push Consumer Product Exports to Offset Pay-Outs For Oil, Dividends and "Invisibles"

**Policies may heighten tensions such as Zenith Radio suit. Several items imported from U.S. were at reduced price levels in 1976.**

It came as no surprise, but the Japanese realized an unusually large trade surplus of exports over imports this year.

Japanese two-way trade with the rest of the world reached a record high in 1976, according to the Ministry of Finance in Tokyo. The value of all trade came to $132 billion, with almost $2.5 billion surplus. Exports increased by nearly 21%, imports by only 11.5%, for approximate totals of $67 billion and $56 billion, respectively.

Leading this export boom were Japanese exports to the United States, which grew by nearly 41% last year, for a total of $15.7 billion; imports from the U.S.A. grew by 1.6%, to $11.8 billion.

Exports to the European Community also grew impressively, up 27% from the 1975 figure, for a total of $7.2 billion; imports from Europe grew by 3.5% to $3.6 billion.

**Import Problems.** The overall growth in imports to Japan was attributed by the Finance Ministry largely to recent increases in the consumption and price of oil. The Japanese imported nearly 268 million kilo-litres, valued at $21 billion, of crude oil in 1976. Moreover, said the Finance Ministry, high oil import figures will be a feature in the Japanese trade statistics for at least five more years, especially since Japan plans to increase oil reserves to a full 90-day inventory. The Ministry of International Trade and Industry announced in late January that the Tokyo government would be spending about $70 million this fiscal year to increase oil stockpiles.

In addition to these subsidies, the Japan Petroleum Development Corporation, financially supported by the government, will float about $224 million of bonds for loans covering about 50% of the rising cost of oil imports in the near future.

Japan's dependence on imported oil, and the prospect that consumption, if not prices, will be increasing unavoidably over the next several years, probably will lead to continued aggressive export product marketing, and in turn, to increased tension between Japan and her two largest trading partners, Europe and the United States.

**Current Tensions.** The Zenith Radio Corporation suit in the New York Customs Court is a sign that trade relations between Japan and the United States are strained. In the American business community, there are a number of people who feel that the Japanese have unfair advantages inherent in their domestic tax structure, relationship between government and business, attitude to antitrust questions, and in the Bank of Japan's handling of the exchange rate of the yen.

The Japanese goverment, on the other hand, attributes the currently lopsided U.S.—Japan trade to variations in the rates of recovery in the two countries.

"Over the past year," commented Eugene Kaplan of the U.S.—Japan Trade Council, "the U.S. experienced a lively upturn in the economy that set off increased consumer demand for a number of goods that the Japanese happen to make very well and very inexpensively. Japan, on the other hand, was not recovering nearly as quickly, and so demand for imports was sluggish."

The nature of U.S. imports to Japan only aggravated this situation, Kaplan said. A large fraction of U.S. exports to Japan are capital goods: sophisticated machinery and equipment. In 1976, however, investment in Japan for modernization or expansion was stifled by high levels of unused capacity across the country.

Another important factor affecting the trade balance between the United States and Japan, added Kaplan, was the drop in a number of raw commodity prices, particularly food. This is another important sector of Americn exports to Japan, and in fact, food imports measured by volume grew in 1976, but because of lower prices, the revenues returning to the U.S. were lower than in 1975.

The fact that retailers of a number of Japanese imports in the United States require large inventories, (for example, of cars or high priced consumer electronic goods) especially this year when retailers were anticipating a large rise in consumer demand, also tends to exaggerate the trade surplus Kaplan noted. The Citizen's Band Radio fad also boosted Japanese imports for a spell in the early half of 1976.

**A Forcast.** "Japanese trade with the United States will be in better balance in 1977," said Kaplan, largely because economic recovery in Japan is picking up a bit.

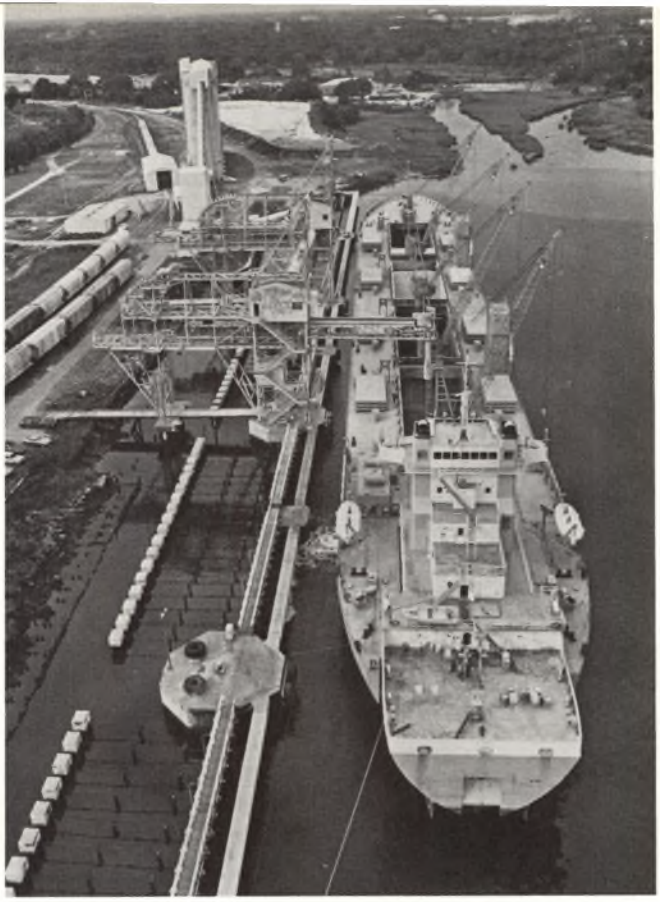
"The economists at the Organization for Economic Cooperation and Development (OECD) are predicting a substantial slowdown in Japanese exports," he continued, as well as increased demand for imports in Japan.

Former Prime Minister Miki's government was widely criticized for its deflationary policy, inspired by a fear of a new wave of price inflation, noted Kaplan, who added that the Fukada government seems likely to push for expansionary measures—encouraging investment as well as general consumer demand.

But, said Kaplan, "Trade is only part of the picture of international financial relations between countries." Japan has a chronic net outflow of "invisibles" payments to cover, for example, insurance investment dividends, or shipping costs. The Japanese understandably feel that they have to use a trade surplus to pay for this outflow.

The pressure on the Japanese balance of payments from invisibles outflows, as well as the effect of increasing oil imports, probably means that the Japanese will not be cutting back their world exports very much at all. One sign of this is January's record high number of export letters of credit . . . issued in Japan—a 12.6% increase to $4.67 billion, according to the Bank of Japan. On the other hand, there may be an effort to use the enormous commercial power of the Tokyo government to encourage domestic production of a number of manufactured commodities that are currently imported. Manipulation of the yen by the central bank, to keep its exchange rates artificilly high, may prove to be an irrestible temptation.

In short, the U.S.—Japan trade picture will not be changing drastically in the near future.



Valerie F loading at Jacksonville Bulk Terminals.

# Farrell Begins Lakes Service During March

Farrell Lines announced the S/S African Mercury has been nominated to serve the Company's trade route between United States/Canadian Great Lakes ports, including ports on the St. Lawrence River, to ports in West, South and East Africa for the 1977 Greak Lakes shiping season.

The African Mercury will commence the 1977 season by loading mid-March at African ports for Montreal and the Great Lake ports of Cleveland, Milwaukee, Chicago, Deluth and Detroit. Calls to other United States and Canadian ports will be subject to inducement.

The ship will load cargos outward in mid-May for African ports and is programmed for subsequent calls during the Great Lakes shipping season. It is equipped with refrigerated space, deep tanks, heavy lift gear and has limited container capacity.

Farrell Lines has been servicing United States trade routes between the U.S. Atlantic ports and African ports south of the Sahara for over a half century and the Great Lakes trade route to the same areas over a decade.

# New 31,000 dwt Tug/Barge Begins 15-year Contract Hauling Phosphate And Rice Between Pacific & Atlantic

The integrated tug-barge "Valerie F" arrived in San Francisco Bay on January 30 on the first of eight annual calls from East Coast ports

Elmo E. Ferrari, president of Bulk Food Carriers, Inc., said the $27 million 656 foot vessel is "a maritime innovation and the only integrated tug-barge (ITB) of her size and type to ply the waters of the Pacific."

Looking precisely the same as an ordinary vessel, "Valerie F" is really two separate units—cargo hull, and a tug power unit. The two sections, which join at the stern of the cargo hull, are designated "tug" and "barge" under maritime regulations and provide a substantial saving in construction and operating costs. She replaced the Rice Queen which will now carry grain between the United States Gulf and Mediterranean ports.

The $27 million vessel has a payload of 31,000 deadweight tons of cargo including 18,000 tons of rice and 13,000 tons of general cargos such as lumber and aluminum. On her westbound voyage, she carries 31,000 tons of phosphate rock from Jacksonville, Florida for discharge at Stockton, California.

Eastbound, the "Valerie F" transports rice to Puerto Rico as a basic cargo. On her maiden trip, she also loaded lumber for Port Everglades, Florida, and aluminum for Baltimore discharge.

Southern Shipbuilding Corp. of Slidell, Louisiana, constructed the tug, and Maryland Shipbuilding and Drydock Co., Baltimore, built the barge.

Valerie F has a draft of 30 feet and a beam of 85 feet. All controls for operating her automated loading and unloading machinery are located on the barge. The engines are controlled from the bridge through a "combinator" which automatically adjusts the thrust of the twin propellers according to engine output.

"We are very proud of our new vessel," Ferrari said. "She represents not only a new mode in ocean transport, but also she represents a new era for shippers who value their cargos, their deadlines, and the well-being of their customers."

Bulk Food Carriers holds a 15-year contract with the Rice Growers Association of America and Occidental Petroleum Company for eight round trip voyages each year between California, Puerto Rico, and Jacksonville.

## Barber Lines Names Adley Vice President

E. J. Barber, chairman of Barber Steamship Lines, Inc., New York, announced the appointment of Donald A. Adley as vice president, marketing & sales.

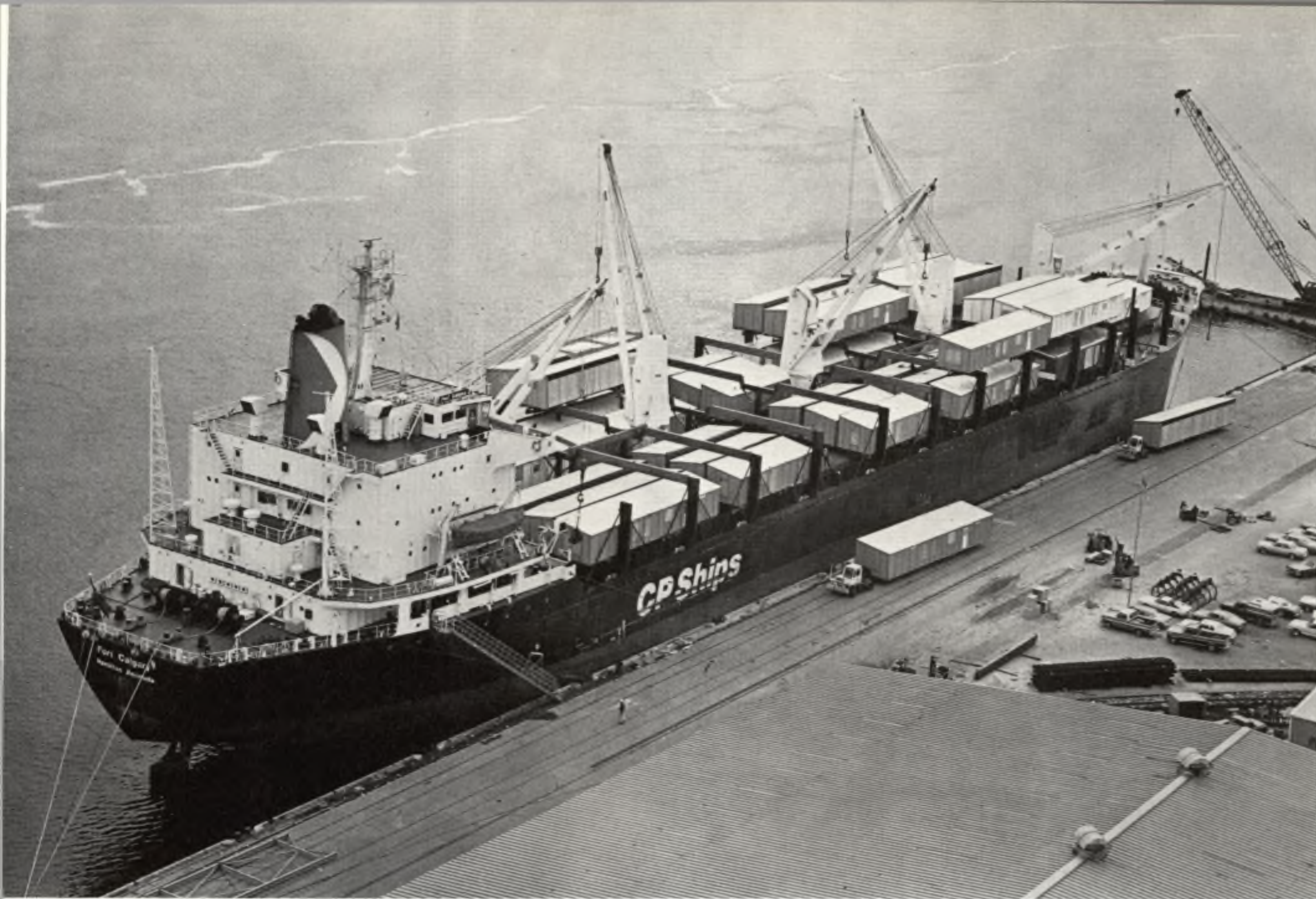
Adley was formerly with Trans World Airlines where he was general manager of Cargo, New York, and prior to that time he held executive positions with Associated Transport and Adley Express, both motor common carriers.

Adley will be responsible for inward and outward sales on an overall basis and for developing further the marketing activities of Barber Steamship Lines, Inc.

### Correction

Canadian Pacific railway, in conjunction with Soo-Line, offers rail/water service from Mid-America to Europe over the ports of Montreal and St. Johns during Winter months when the Great Lakes are frozen over.

The CP/Soo service was overlooked in a January issue article describing a service offered by Canadian National Railway in Conjunction with Grand Trunk Railway System.




# Sea-Land Moves into Charter Field Transporting Pre-Fabricated Houses From NOLA/Jacksonville to Near East

Sea-Land has expanded its activities into the charter market.

Through a new corporation, Industrial Opportunity Inc., identified as "a Sea-Land sister comapny," the veterans of the container business have chartered two new ships owned by CP Ships (Canadian Pacific), converted them especially for transport of pre-fabricated housing, and begun moving homes from the ports of New Orleans and Jacksonville to Saudi Arabia.

rations are in charge of Vice Presidents Berney Chakowski and William Hubbard. Hubbard carries the dual title of general manager of IOI.

"Big, clean hatches and availability of shipboard cranes were essential criteria in selection of the first two charter ships—Fort Nelson and Fort Calgary," Hubbard said. IOI could find no American flag ships suitable for the service.

The Fort Calgary was first of the ships to sail, transporting 74 "floors" (half-houses) from New Orleans and another 76 from Jacksonville.

Bendix International, a New Jersey-based firm, was exporter for the initial shipment out of Jacksonville. Robert Ragusa was in charge of the operation for Bendix. Each home was especially constructed for the Near East climate and was fully equipped when loaded aboard ship.

Prior to loading, Sea-Land had converted each vessel with special framing (visible in accompanying photos taken prior to departure from Jacksonville).

Hubbard said IOI also loaded several tractors units on the Fort Calgary to handle the pre-fab homes as soon as they were off-loaded. Fast handling off the dock area at the Arabian ports is required to get permits for operation there.

NEUTRAL CONSOLIDATOR

# CONFICO Revived; Wants to Use ILA Labor in a Move Which Would Aid Dockworkers & Conference Lines

**Company owned by group of New York forwarders closed shop 9 years ago but was revived after Supreme Court put the nails in 50-mile rule coffin.**

A cargo consolidation service, closed by the "50-mile rule" of the International Longshoremen's Association 9 years ago, resumed operations at the Port of New York February 1.

Consolidated Forwarders Intermodal Corporation—CONFICO—has started cargo consolidating operations at Sea-Land's Elizabeth, N.J., terminal, and at the Staten Island facilities of American Export Lines and Unite States Lines. The company now provides consolidation services for London, Liverpool, le Havre, Bremen, Hamburg, Antwerp, and Rotterdam.

Although CONFICO now performs only consolidation services, its officers hope to win non-vessel-operating common carrier status from the Federal Maritime Commission. The Commission, however, has asked CONFICO to withdraw its NVOCC tariff pending a decision whether or not approval is permissible under Section 15 of the Shipping Act, which requires justification of anti-competitive agreements. The problem is that CONFICO is owned by 51 foreign freight forwarders in New York. CONFICO's shareholders filed a Section 15 agreement last March, but there is little chance of Commission ruling before the end of the year.

**ILA Labor?** Chief Operating officer Guttorm K. Feste said that CONFICO hopes to win NVOCC status soon, and is also pushing for an accord with the ILA permitting the company to operate a neutral consolidation center in the port, using ILA labor. This would allow the company to use all conference lines serving Western Europe, which it cannot now do because of manpower limitations. "Without a central, neutral, consolidation center," said Feste, "the company would have to have employees at each line's New York piers."

"We've been having running discussions with the ILA for about 6 months," said Feste, "at present on an informal basis, but with some of the ILA's top officials." He added, however, that little will probably result until after this year's contract talks are condluded.

"The ILA, of course, wants to retain as much work as possible on the piers," said Feste.

The ILA 50-mile rule that put CONFICO out of business almost a decade ago was thrown out by the National Labor Relations Board in December 1975. The rule basically required that all consolidating work within 50 miles of the port be done by ILA members. Soon after the NLRB ruling, CONFICO filed NVOCC tariffs with FMC, aiming for operations starting January, 1976.

Although nobody has a very clear idea yet of the effect of federal court rulings upholding the NLRB's dismissal of the 50-mile rule, it is a sure thing that CONFICO will not be the only consolidator to start up operations in the Port of New York. The ILA negotiating team will be under enormous pressure to save jobs for union members, and may decide that CONFICO's neutral consolidation center is an excellent way of doing so.

## Seatrain Half-Year Earnings Doubled

Seatrain Lines announced increased earnings and revenues for the half-year ending December 31, with revenues rising to $217 million.

Earnings from operations during this period were $8.6 million, while net income increased from last year's half-year figure of $2.5 million to $6.4 million.

Improved intermodal operations, especially on the Pacific coast, were cited by Seatrain as the major reason for the improvement. Completion of contracts at Seatrain's Brooklyn, N.Y., shipyard and successful operation of the newly-acquired Pride refinery also contributed significantly to improved performance, the line reported.

# GATT Deadline May Be Moved To Summer '78

The multilateral trade negotiations of the General Agreement on Trade and Tariffs (GATT) stalled again last month as the diplomats in Geneva waited for President Carter to appoint a Special Trade Representative to take the place of Frederick Dent, who resigned Jan. 20.

The progress of the talks was expected to be slowed down by the November election, but officials in Geneva now feel that unless an American delegation chief gets involved, the goal of reaching an accord by the end of 1977 is unrealistic. There are, apparently, some fears that the talks will be abandoned altogether.

Most of the European delegates, however, do not feel that pessimistic. To complete the negotiations before the end of the year was an American aim, intended to prevent the 1978 elections in France and in the United States from getting in the way of progress towards freer world trade.

The delay in appointing an American Special Trade Representative may just mean that negotiations will be targeted for completion by mid-1978—so the Europeans hope.

Committee meetings on safeguards have already started, and there are proposals on lower tariffs awaiting discussion, but no real negotiation or resolution can be expected in the absence of a full delegation from the United States, even though these are not regarded as particularly critical issues.

**Problem Areas.** The central goal of the GATT talks is liberalized trade, ending those restrictions on trade that still exist whenever reasonable and possible. Inevitably, the national interests of each negotiating country will come to the block, and each delegation probably has a deep seated awareness of the political popularity of protectionist measures, especially in this period of stalled or painfully slow recovery from worldwide economic recession.

The pressure on countries sending delegations to the multilateral talks to shift to a more protective attitude has grown even more over the past few years with sharp increases in oil prices, which have affected nearly every delegation's homeland.

Even so, most governments remain committed to free trade—at least rhetorically.

The United States will be telling the European Community that Europe's farm policy should reflect this commitment, while the Europeans are worried that the recent recommendation of the International Trade Commission that shoe imports to the United States be restricted is a reflection on the sincerity of American attitudes towards liberalized trade. There is a distinct possibility that a number of American industries—particularly steel, electronic consumer goods, and textiles—may begin exerting pressure on the Congress for additional protective measures this year. The Europeans and the Japanese are also watching the court cases in the United States that demand countervailing duties to nullify value-added taxes or export tax credits.

It's these sorts of non-tariff barriers that are expected to be the most important—and difficult—problems facing the GATT negotiators.

**Reassurances.** During Vice President Mondale's visit to Europe in January, he informed the European Communities' Commission that President Carter has placed a high priority on successful resolution of the GATT talks. Carter himself has repeatedly said that the key to foreign policy in his Administration will be close ties with the Europeans and the Japanese; and the appointment of Michael Blumenthal to be Secretary of the Treasury as well as the appointments of several subcabinet officers equally committed to liberal trade policy has been taken as a sign of Carter's intentions.



# Port Authorities

*Officials at the port authorities listed below will advise on services available. Mention of "American Shipper" will be appreciated.*

### NORTH ATLANTIC

| | |
|---|---|
| Portland | (207) 773-5608 |
| Boston | (617) 482-2930 |
| New York/NJ | (800) 221-5236 |
| Philadelphia | (215) 925-8780 |

### CHESAPEAKE AREA

| | |
|---|---|
| Baltimore | (301) 383-5700 |
| Norfolk | (804) 622-1671 |

### GREAT LAKES

| | |
|---|---|
| Cleveland | (216) 241-8004 |
| Toledo | (419) 243-8251 |
| Detroit | (313) 224-5656 |
| Green Bay | (414) 497-3265 |
| Chicago | (312) 221-5559 |
| Milwaukee | (414) 278-3511 |
| Duluth | (218) 727-8525 |

### SOUTH ATLANTIC

| | |
|---|---|
| Morehead City | (919) 726-3158 |
| Wilmington | (919) 763-1621 |
| Charleston | (803) 723-8651 |
| Savannah | (912) 964-1721 |
| Brunswick | (912) 265-8500 |
| Jacksonville | (904) 633-5140 |
| Canaveral | (305) 783-7831 |
| Palm Beach | (305) 842-4201 |
| Pt. Everglades | (305) 523-3404 |
| Miami | (305) 579-5252 |

### GULF COAST

| | |
|---|---|
| Manatee | (813) 722-6621 |
| Tampa | (813) 248-1924 |
| Panama City | (904) 763-8471 |
| Pensacola | (904) 438-8537 |
| Mobile | (205) 438-2481 |
| Gulfport | (601) 863-3851 |
| New Orleans | (504) 522-2551 |
| Baton Rouge | (504) 387-4207 |
| Lake Charles | (318) 439-3661 |
| Port Arthur | (713) 983-2011 |
| Houston | (713) 225-0671 |
| Galveston | (713) 765-9321 |
| Corpus Christi | (512) 882-5633 |
| Brownsville | (512) 831-4592 |

### PACIFIC COAST

| | |
|---|---|
| San Diego | (800) 854-2757 |
| Los Angeles | (213) 832-7241 |
| Long Beach | (213) 437-0041 |
| San Francisco | (415) 391-8000 |
| Oakland | (415) 444-3188 |
| Stockton | (209) 466-6011 |
| Portland | (503) 233-8331 |
| Seattle | (206) 587-3300 |
| Tacoma | (206) 383-5841 |

# Editorial—

## Will Dockworkers Strike on March 7?

I don't know. My crystal ball is no better than yours.

But my hunch is that they will not. The hint of strike which International Longshoremen's Association President Thomas W. Gleason aired early in February, was probably a "message"—not a threat.

Nevertheless, it served a purpose for the ILA and for CONASA, the management group which sets the master contract followed by most labor/management contracts along the Atlantic and Gulf Coasts.

Gleason served notice that he would consider the present contract (negotiated in the Spring of 1974) cancelled due to the Supreme Court's action refusing to consider and possibly reverse the lower court decisions tossing out the 50-mile Container Rule. He notified CONASA (the Council of North Atlantic Shipping Associations) that the union would "take such action as it deems appropriate" on or after March 7.

Such words are usually reserved for threats of strike action, but no one is acting really concerned—except to acknowledge that the possibility is there.

Gleason is proud of the fact the 1974 contract was written in advance and a strike was avoided for the first time in many years. He considers it the crowning achievement of a long career in the union. Furthermore, it was announced months ago that the ILA and CONASA would begin talks April 1 in hope of writing a new contract before June 30, a full three months before the present contract expires on September 30, assuring continuity of shipping operations.

It seems unlikely, therefore, that Gleason will do more than "send a message" March 7 just to remind everyone that the ILA can shut down the ports if he chooses to do so. It is even possible that he will allow the men to stage a token walkout on the basis of "no contract, no work." But if they do, I would guess Gleason will get them back on the job within a few hours; a day at most.

ILA and CONASA have scheduled formal talks on the present contract reopening situation at the Americana Hotel in Miami Beach starting March 5.

So hold your breath. Come March 7-8, Gleason could announce the men are going out—or that they are not going out.

The main thing, we imagine, is that you hold your breath. And while you are holding it, think twice about shipping goods through consolidators who operate with non-ILA labor.

Under terms of the ILA/Management contract, shippers are going to pay a guaranteed annual income to longshoremen whether they use the ILA labor or not. It's written into the contracts, and carriers must pass it along somehow.

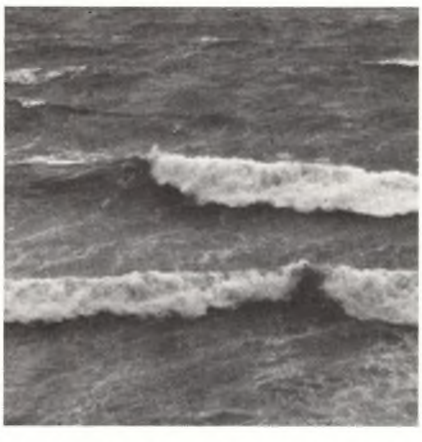
So why pay twice for the same work? Gleason would like you to think about it while you hold your breath.

David A. Howard
Publisher

# How to keep cross-country freight costs down to earth.

# Ship by water via Savannah.

United States Lines' weekly Intercoastal container service is the waterway to savings on shipments between the East and West Coasts. And now the port of Savannah has been added to our weekly schedules, including New York, Baltimore and Norfolk, to and from Long Beach and Oakland.



We can offer substantial savings under overland truck or rail costs, depending on your requirements. And you can increase your savings with multiple container loads.

Here are ten more ways you benefit:

1. Dependable regular schedules with sailings every 7 days on modern, high-speed containerships.
2. Ample space available at all times.
3. Simple domestic packing is all you need.
4. Fast and simple paperwork: uniform domestic bill of lading.
5. Door-to-door container rates which include pick-up, delivery and full marine-risk insurance coverage.
6. Maximum protection against pilferage and damage.
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