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American Shipper

Service Contracts Go Begging

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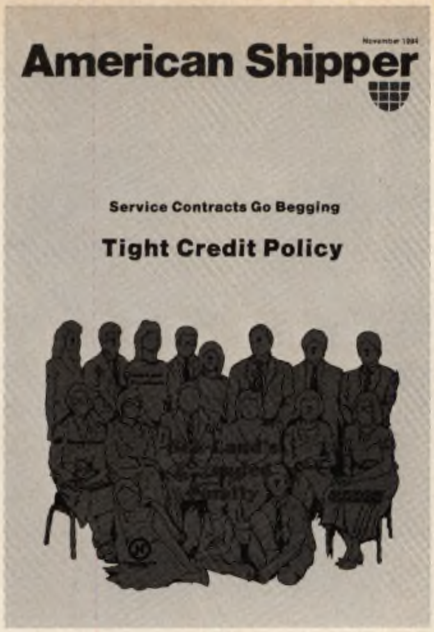

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Tight Credit Policy

Collect shipments are now held until payment is received by North Atlantic conference lines. Demurrage on cargo may be incurred. Carriers cite the risk of goods being forwarded to interior out of control of carrier; shippers with good credit say rules are too strict.

By Mark Magnier

Some North Atlantic conferences changed their credit policy October 1 and many shippers are not happy about it. Cargo shipped after October 1 in certain trades only can be picked up on a cash and carry basis. If payment is not made prior to or at the time of cargo arrival, demurrage charges will be levied. In the past, shippers have been given 15 days to pay after taking delivery.

Bruce McAllister, chairman of the associated North Atlantic freight conferences, says the financial burden of providing credit has increased a great deal over the last 10 to 15 years. This move is intended to improve cash flow.

In addition, McAllister says the large volume of cargo traveling under through rates to inland points often requires steamship companies to pay inland carriers before they collect from the shipper. And the development of intermodal systems has required large capital expenditures.

Some shippers say the worst aspect of the change will be the paper flow problems. As it now stands, if a carrier's invoice is received after shipment itself arrives, the shipper can still be penalized with demurrage charges.

Ted Bembenek, Jr., manager of international distribution, Olin Chemicals Group, says the problem will be especially troublesome on short routes, such as their shipments between the United States and Venezuela which take about four days. If a company uses a freight forwarder, or has to make arrangements with a bank before picking goods up, the chances are much greater that the actual invoice will be slower than the movement of the goods.

Richard Collins, president of Draco Marine, believes the shipper will be penalized for the lack of paper coordination. "I suppose it would hasten the cash recovery," he says, "but the problem is not with the shippers but with the carriers' own (invoicing) inefficiencies."

Collins cites an invoice he received recently from a U.S. flag carrier. The vessel sailed September 11 from Europe. The invoice was mailed September 19, the same day the vessel arrived. On September 21 his office received the invoice, the day it would have gone into demurrage under the new policy. Like many companies, says Collins, Draco does its payments once a week. If this transaction had occurred after October 1, Collins says they would have had to pay demurrage charges of five days.

Demurrage charges are $18.50 per day for a dry box and between $40 and $60 per day for a refrigerated box.

Collins says there is no mechanism for covering costs if the fault lies with the carrier, nor have the carriers offered to pay the cost of wiring money if the shipper has only one day to act.

Although McAllister says there is no formal mechanism for rectitude when the shipper receives a notice too late, the responsibility will lie with the individual lines and he expects they will address this problem. He said internal invoicing efficiency does vary from line to line, although all lines are capable of ironing out the problems.

"As with any new rule, people need to know how it works," McAllister said. "There could be practical problems putting it into effect." He says there has been a certain amount of shipper concern on the issue.

Some people are predicting that the new system could also result in bottlenecks on the pier with containers piling up waiting clearance for release. At press time, McAllister said it was too early to tell if this would happen. Although the policy went into effect October 1, it only affects cargo shipped after that date. As a result, full impact of the change may not be felt for some time.

Collins says he has spoken with other conferences about the policy and found differences in the way they plan to implement it. WINAC has given some leeway in the language, so individual lines have some latitude in how they choose to deal with individual shippers. He says the Marsielle conference has decided not to enact the policy at all. It is his belief that the Contiwest conference language is too restrictive.

Bembenek argues that even the former policy of 15-day credit terms is not overly generous. "We usually give our own customers 30 days to pay, with a two percent discount if they pay before that," he says. In general, "billing is always after the fact unless you have such a horrible credit rating, which the Olin Company doesn't. This is unreasonable," says Bembenek. "It may be that we'll have to sign up with lines that can be a bit more reasonable on this." ■

Service Contracts Go Begging

Bruce McAllister tries to sign up big shippers in the North Atlantic but shippers wait. *By Mark Magnier*

In an effort to bolster their outbound cargo position, shipping lines have been contacting major shippers to entice them to sign service contracts. These longer-term contracts are attractive because they will provide carriers with some security in the face of a dismal outbound market.

Bruce McAllister, chairman of the principal North Atlantic conferences, has been talking to dozens of major shippers offering attractive discounts, but early evidence is that signings are not what might be hoped for.

"I think the trade is taking a long, careful look at how service contracts will work out," says McAllister. Reflecting market conditions, he says he has not had much success in the eastbound direction in the face of the stiff competition between lines. He says he has had some success in the westbound direction.

"I think they are holding off because they think they might do better and because they would like to wait until someone else makes a move," he says.

Several shippers seem to agree with this assessment, although they say there are several other considerations as well. Ken Graham, international traffic manager at Dow Chemical, says they have not signed any service contracts yet. Although they have not ruled out the possibility, he says they are still evaluating them in light of the new Shipping Act.

There is a risk in signing any service agreement, says Matthew Gallagher, manager of corporate transportation, Outboard Marine Corporation. You are locking yourself in without knowing what future market conditions will be. "You're picking up the dice and gambling," he says. Gallagher says the shipper's decision on service contracts will depend on the transportation options available to him or her, the importance of rate stability, best estimates of the direction of future freight rate changes and the specifics of the shipper's business environment.

Reasons For Delay. From his own perspective, Gallagher says there are two key problems with signing service contracts in addition to market considerations. First of all, the future form of the North Atlantic Conference(s) has been up in the air. As a shipper working out of multiple ports, OMC finds the prospect of negotiating with a single conference, rather than seven of them, much more sensible. The Federal Maritime Commission (FMC) has decided not to oppose the proposal for a single consolidated Atlantic Conference. It could become effective in December.

A second problem, says Gallagher, is the issue of penalty clauses. "We see a big problem here," he says. Penalty clauses in the past have been as high as $1200 to $1400 per 20-foot equivalent unit (TEU) container. "There's no way I would ever sign a penalty clause of more than $100 to $200," says Gallagher.

Ted Bembenek, manager international distribution, Olin Chemicals Group, says their company is also playing it conservatively. "If we see a definite benefit such as we did in the Australia-New Zealand area, we'll do it. But with the transatlantic, we're more cautious. There's so much darn capacity coming on line. We want to see what's going to happen."

Olin May Join Association. If lines are not successful at filling these ships, Bembenek says, sooner or later some of the players will have to opt to cover their expenses. If a shipper has already locked in a higher rate in a service contract, he may find himself less able to compete in foreign markets against a competitor who has waited. One option Olin is looking at is pooling their cargo with a few other companies to increase their leverage and negotiate lower rates. He says they are now negotiating with other companies on this idea.

Service contracts are one option available to carriers to try and improve their position. As a way of cutting costs, Gallagher says almost all the lines are talking about rationalizing in private, if not in public.

"Probably the one big factor that doesn't make that attractive now is the inbound traffic," he says. "If they restricted (the number of ships) outbound, they would have to do the same inbound." Gallagher says he is actually surprised that inbound rates haven't risen faster than they have. Market theory would indicate that if they are full, they should be in a stronger position to raise them.

European Trio Combines Services

Hapag-Lloyd, Johnson ScanStar and Pacific Europe Express have filed with the Federal Maritime Commission a proposal to combine their services between the U.S. West Coast and Europe. *By Richard Knee*

In a move that apparently promises to benefit both shippers and carriers, three steamship operators have filed with the Federal Maritime Commission (FMC) a plan to merge their services between the U.S. West Coast and Europe/Great Britain.

The three—Hapag-Lloyd, Johnson ScanStar (JSS) and Pacific Europe Express (PEX)—filed their proposal September 28. The carriers said they expect the arrangement to go into effect about November 15.

A JSS official in San Francisco pointed out that shippers will benefit because it will combine three services with eight- to 10-day frequencies into one with weekly sailings. The carriers will benefit, he said, because their aggregate fleet will shrink from 11 to nine.

The two ships to be taken out of the service have 900-TEU capacities and each calls at a given port about six times a year, so the capacity to be lost amounts to about 10,800 annual TEUs, he said.

Routes and Ships. On the West Coast, the service will offer direct calls at Vancouver, B.C., Seattle, Oakland and Long Beach/Los Angeles.

In Europe and the United Kingdom, "basically the same range" of ports will be covered, according to Joergen Traub, executive vice president in San Francisco for Hapag-Lloyd Agencies, U.S. agent for West Germany-based Hapag-Lloyd A.G.

Traub said his company was "not quite sure" whether the service would include Liverpool, where Hapag-Lloyd's ships have been calling but JSS' have not.

JSS would contribute five ships to the service, Hapag-Lloyd two and PEX two. PEX would get its ships on charter from Hapag-Lloyd. Each of the nine ships is in the "850- to 950-TEU" capacity range, Traub said.

JSS would offer 52% of the "space slots," and Hapag-Lloyd and PEX 24% each, he said. JSS and PEX are themselves the products of combined operations. JSS is a consortium operated by Johnson Line, East Asiatic Company (EAC) and Blue Star Line. PEX is a consortium formed by Compagnie General Maritime (CGM) and Intercontinental Transport (ICT).

Whereas a consortium involves sharing of financial fortunes as well as service, the venture proposed by Hapag-Lloyd, JSS and PEX would involve only a space cross-charter arrangement. Marketing activities will remain separate.

All three carriers are members of the conferences serving the trade in both directions and would continue to set rates accordingly.

A statement released through JSS' San Francisco office quoted JSS president Bo Natt och Dag as saying, "The imbalance of trade volume eastbound versus westbound was the primary factor in initiating the discussions to cross-charter. Every carrier in the industry must continually assess the economics of its service and take every step to keep costs down."

JSS would offer 52% of the "space slots," and Hapag-Lloyd and PEX 24% each, he said. JSS and PEX are themselves the products of combined operations.

The new arrangement would provide "the means to maintain our service and rate structures, while allowing the line to return to a fixed day-of-the-week schedule we pioneered nearly 14 years ago," he said.

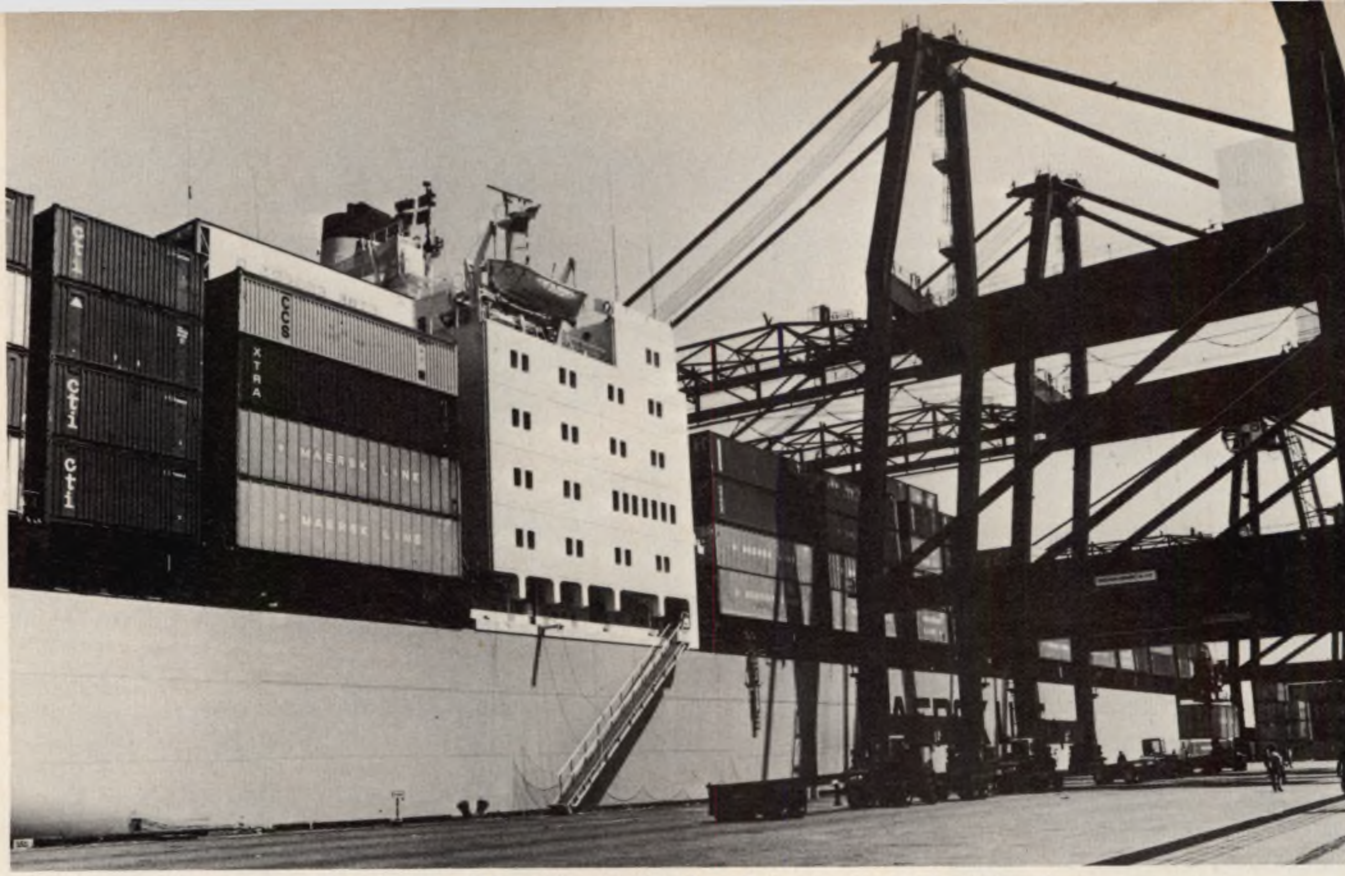
Traub said Hapag-Lloyd is "very much behind the idea of entering joint-service agreements. There is competition between the conference lines, the independents and the mini-landbridge operators," he noted. "Instead of the lines sailing 70% full, you try to rationalize, to pool your equipment and resources." He said the 70% figure was something "I just threw out, but there is no question all of us have not been booked to capacity."

Terminals Question. Still to be worked out are the terminals the carriers will use.

"We're aiming at one terminal call at each port," Traub said. In Southern California, the carriers use not only separate terminals but also different ports; JSS calls at Los Angeles, while Hapag-Lloyd and PEX call at Long Beach.

Further clouding the picture is the possible transpacific space-charter arrangement between Hapag-Lloyd and Sea-Land Service, Inc. That agreement might well include Hapag-Lloyd's use of Sea-Land's terminals.

Sea-Land expects to shift its Puget Sound operations in May to Tacoma from Seattle. In addition, it has its own terminals in Oakland and Long Beach, while JSS is using the Charles P. Howard Terminal at Oakland. ■



The new 'Lars Maersk' served by three Paceco cranes at Long Beach.

Will Maersk's New Routing Change Mideast Trade?

West Coast Shippers will be able to collect on letters of credit sooner and Maersk will save on cost of minibridge operations, but competitors doubt there will be any significant change in market shares. *By Richard Knee*

The startup of service between Japan and Hong Kong might seem like a small link in Maersk Line's vast, international shipping network, but the implications of the move can't be overstated. For Maersk's customers, the bottom line is improved service between the U.S. West Coast and the Middle East. For both shippers and steamship operators, the bottom line could well be reduced rates because Maersk has expanded the ships being used between the Far East and the Middle East.

Shift of Direction. Maersk has been in the West Coast-to-Middle East trade for a long time, offering an eastbound service that employs mini-landbridge to the Gulf Coast. The new Japan-Hong Kong link enables Maersk to carry cargo westbound, cutting transit time by a week or more. Hong Kong will be used as a transshipment port. The service will also include calls at Colombo, Bombay and Karachi.

One company insider admitted the new service could "almost devastate" business on the eastbound route.

The Routing. Vessels sail weekly from the U.S. West Coast, calling first at Japanese ports and then at Hong Kong. Main ports of call on the route are Busan, Nagoya, Yokohama, Kobe, Keelung, Hong Kong, Singapore, Dubai, Dammam, Bahrain and Kuwait. The vessels then sail back to Dubai, Singapore, Hong Kong and Busan.

Maersk-controlled feeder routes serve Bombay, Karachi, Muscat, Doha, Jubail, Abu Dhabi and Bandar Abbas.

From Long Beach/Oakland, the westbound transit time is 30/31 days to Dubai, 31/32 days to Dammam, 32/33 days to Bahrain and 33/34 days to Kuwait. Comparative transit times in the eastbound service are 37, 39, 40 and 42 days, respectively.

"They're going to hurt somebody," predicted an executive for a rival steamship line, who said his company has been faring extremely well in the Far East-to-Middle East trade, largely because it is actually growing faster than that between the United States and the Far East.

Cost to Drop? The westbound service is likely to be cheaper than the eastbound for Maersk because it eliminates overland-transportation costs. That in itself won't necessarily translate into lower rates, however, because, as the company source noted, "we had to match the APLs (American President Lines), Hoeghs and Barbers." Those carriers also offer westbound, all-water services. What could bring rates down, though, is the fact that Maersk has added tonnage in the Far East-to-Middle East trade.

Maersk has converted its three A-class vessels, expanding their container capacities to 1,700 20-foot equivalency units (TEUs) each and adding space for roll-on/roll-off cargoes in the aft sections.

"They're going to hurt somebody," predicted an executive for a rival steamship line, who said his company has been faring extremely well in the Far East-to-Middle East trade, largely because it is actually growing faster than that between the United States and the Far East.

Eivind Eriksen, San Francisco-based owner's representative for Hoegh Lines, has a different view. "I don't think this is going to have a big impact," he remarked. One reason, he said, is that Maersk is not a newcomer to the trade; it is only shifting its direction of service. Another, he continued, is that sailings out of Hong Kong will be only bi-weekly, whereas service off the U.S. West Coast

will be weekly, meaning cargo could wind up sitting on the Hong Kong docks for a week.

The Maersk source doesn't see that as a problem. In many cases, he said, shippers will accept such delays as long as they can get their cargoes off the U.S. West Coast in time to meet letter-of-credit stipulations.

What's Moving. Eriksen also believes Hoegh is at an advantage because it is using multi-purpose vessels, rather than relying too heavily on containerized cargoes for business. Hoegh's ships carry breakbulk items—which Eriksen dubs "our base"—as well as dry and liquid bulk, Ro/Ro and containerized commodities. But an official for another carrier in the trade pointed out that there is "very heavy movement (of cargo) from the Far East to West Asia and the (Persian) Gulf." There is strong traffic in electronics, clothing, iron and steel products and automobiles, he said.

With its Ro/Ro capacity, Maersk is well positioned to take advantage of the growing volume of auto shipments, he said.

From the United States, most of the Middle East-bound cargo consists of refrigerated or frozen foods, canned goods and irrigation equipment. Saudi Arabia is putting "a great deal of emphasis on cultivating the desert," Eriksen said. At the same time, he added, the demand for foodstuffs and canned goods has been waning because a drop-off in infrastructural projects in the Middle East has reduced the foreign population there. The Maersk source conceded that point but said that shouldn't hurt his company.

Maersk is taking advantage of the growing trade between the Far East and the Middle East, he remarked, and the introduction of a westbound U.S. West Coast-to-Middle East service is a "supplement."

Hoegh has been faring quite well in both directions, according to Eriksen. "Inbound, our ships are always full," he said.

Indonesian rubber is Hoegh's "base" inbound cargo and the company is getting "a fair number of containers out of India, Singapore and Taiwan." Those containers are carrying "everything you can think of," he said.

Hoegh's ships are sailing "about 90%" full outbound, especially with the United States shipping some 150,000 tons of wheat seed to Saudi Arabia in September and October, he said.

Throughout the year, the company is getting a steady volume of breakbulk shipments that include lumber, kraft sacking, wood pulp and paper products, he said. ■

FMC Steps Into Argentine/Brazil Cargo Squabble

Abandons "hands off" policy to launch investigation into Argentine and Brazilian cargo laws. *By Tony Beargie*

In an unprecedented action that carries the potential of chilling trading relations between the United States and two big South American trading partners, the Federal Maritime Commission has begun an investigation into the maritime cargo reservation laws of Argentina and Brazil.

Driven by a number of ocean carrier and shipper complaints, the Commission at a closed session approved the investigation "to determine whether general or specific conditions unfavorable to shipping exist" in the U.S./Argentine/Brazilian trades.

After years of maintaining an essentially "hands-off" policy in the general bilateral relations with these two countries, the Commission's action, if carried out to the fullest extent possible under Section 19, could disrupt the trades which have been cited by U.S. cargo preference supporters as prime examples of inter-hemispheric stability.

Indeed, for years the well-known government-to-government agreements negotiated between the U.S. and the two South American nations have been heralded as a means of maintaining international trade harmony. The feeling in some quarters is that these agreements could be jeopardized by the FMC's action.

Curiously, neither the agreements nor U.S. cargo preference laws are mentioned in the FMC's order of investigation, it was noted by a source who asked not to be identified. This omission on the part of the Commission is certain to be an issue, *American Shipper* was told.

"Would cancellation of (Argentine and Brazilian carriers') tariffs violate the government-to-government agreements?" the source asked. The Argentine and Brazilian cargo preference laws apply worldwide, as do U.S. cargo preference laws, it was noted. "These are questions that should be brought to the attention of U.S. policy makers."

(For the record, it is noted that the U.S. agreement with Brazil is in effect until December 31, 1985, while the bilateral agreement with Argentina carries an indefinite term.)

State Department. Government officials would say little on the intergovernment agreement question.

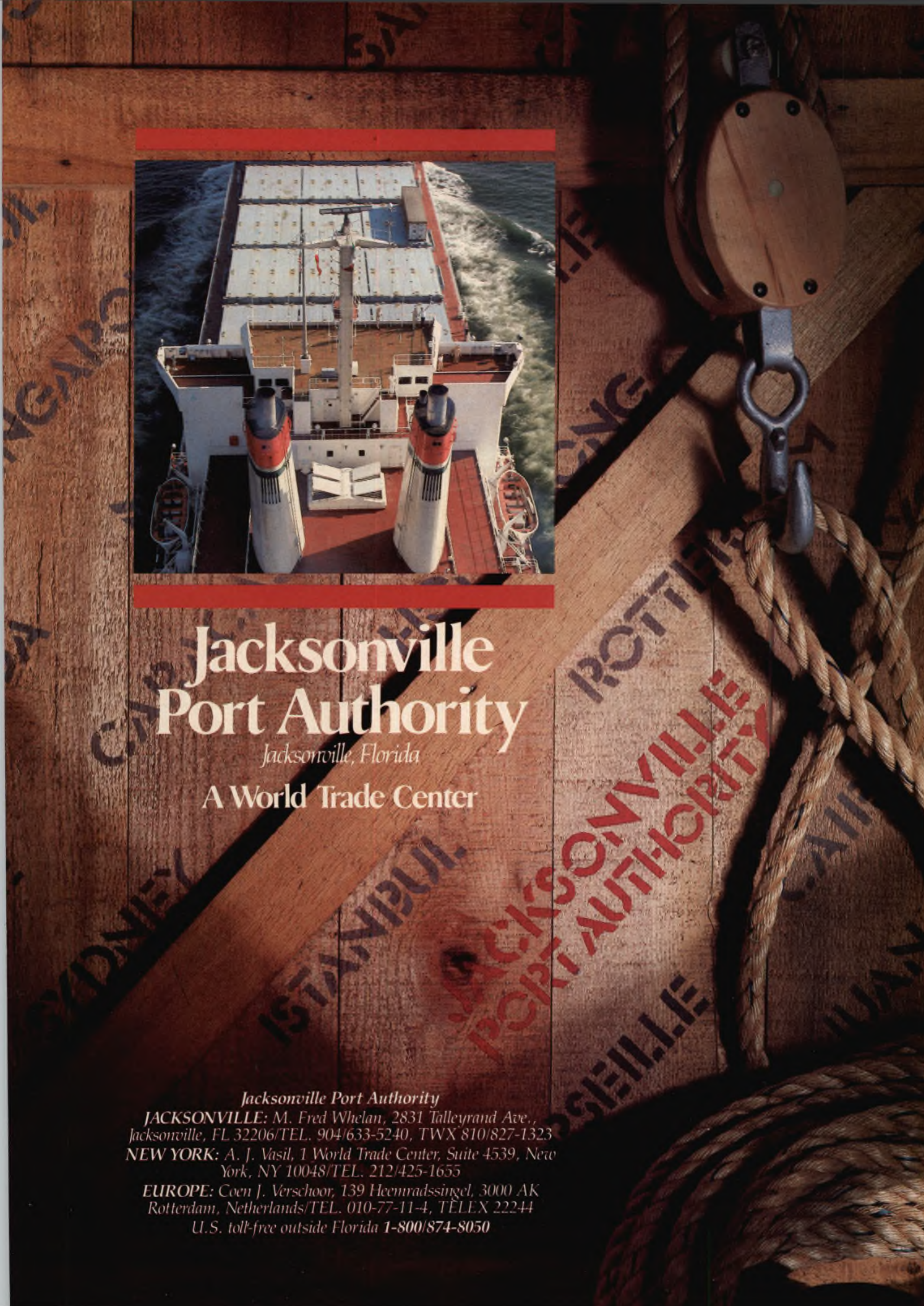
However, the initial reaction from Maritime Administration and State Department officials was that the investigation could go forward without violating the accords.

"I do not think the FMC feels its mandate...to determine what it can and cannot do...is governed by the agreements," the State Department's director maritime and land transport Charles Angevine told *American Shipper*.

Like other officials, Angevine could not comment directly on the FMC's order given the fact that the Department had not made a thorough review of the document. But he did state that the Administration "will have to take a position" on the matter in the near future.

The Maritime Administration's director of international activities Reginald A. Bourdon does not see the action as an immediate threat to the accords. "The agreements are firmly in place," he said, adding that the commission's order "is just for an investigation."

MarAd Not Surprised. However, Bourdon did agree that the investigation "may or may not threaten" the accords, depending on its outcome. Unlike others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in the private sector, the MarAd official was not surprised by the FMC action.

Both officials said other agencies were not contacted before the FMC order. Thus, it has been confirmed that the Commission, as an independent regulatory agency, acted on its own. However, the matter will most certainly come up before the Administration's interagency task force group. It is on this level that a position will come about.

Given the free trade philosophy of the Administration and the desire of many policymakers and private sector shippers to undo the Argentine and Brazilian cargo sharing regimes, strong support for the FMC action would come as no surprise.

Unlikely as the FMC's action would have seemed a few years ago (considering the trades in question), it fits in line with a slew of statements made over the past year or so that have forecasted a stronger, more up-front policy in using agency authority to keep the nation's sealanes as competitive as possible.

Carriers Shut Out FMC's Concern. In the order itself, the Commission quickly came to the point by stating it "has become increasingly concerned with the competitive situation" in the trades.

"Problems have been encountered by certain carriers, both U.S.-flag and third-flag, as well as shippers, in these trades," the FMC noted.

For example, the commission said, Sea-Land Service, Inc, in the late 1970s, "encountered difficulties" when it wanted to take part in the U.S./Brazil trade and, because of these problems, never took an active part in the trade even though it joined certain pooling agreements.

Another carrier, the now-defunct American Atlantic Lines, left the U.S. Brazil/Amazon Basin Trade last year "after a lengthy struggle" in trying to deal with Brazilian legal requirements in joining the Inter-American Freight Conference in order to negotiate a pool with the Brazilian carrier, the commission pointed out. "Over several years, American Atlantic was unable to complete negotiations for a pool share, was required to obtain waivers to carry many shipments and consequently abandoned the trade," the FMC said.

A very recent case involves Ivarans Line's request for Section 19 relief on the basis that it is unable to get a fair share of the pooling agreement covering the northbound Argentinian/U.S. trade. (For coverage, see related story, this issue.) The FMC is considering the Ivarans case "as a separate matter," the agency said.

Shipper Protests. Since the fall of last year, several shippers and their associations have voiced complaints "regarding transportation conditions in the trades," the commission said.

So far the most vocal group against the bilateral preference policy has been the Chemical Manufacturers' Association. Others complaining the the FMC include the K-Mart Corporation, Dow Chemical Company, Goodyear Tire & Rubber Company and Caterpillar Tractor Company.

Shippers have been more vocal against the preference policies than carriers and, over the past year, they have put forth "a louder crescendo," according to Hugh N. (Rusty) Johnston, counsel to FMC chairman Alan (Punch) Green, Jr.

Shippers have been more vocal against the preference policies than carriers and, over the past year, they have put forth "a louder crescendo," according to Hugh N. (Rusty) Johnston, counsel to FMC chairman Alan (Punch) Green, Jr.

Complaints from both carriers and shippers are "coming back to haunt us," FMC's vice chairman James J. Carey said.

'What Is Really Going On.' One of the purposes of the investigation, according to Carey, is for the FMC to find out "what is really going on down there (in Argentina and Brazil)...what laws are still on the books and what laws are still in effect."

"Part of this is to get a solid handle on what the whole picture is in the Argentine and Brazilian cargo preference laws," Carey said, adding that many complaints are voiced to the FMC over the telephone.

Noting the many FMC proceedings dealing with the pooling agreements in the trades, the commission said that these difficulties "may, however, only be manifestations of underlying problems created by the laws, decrees, resolutions and practices of the Governments of Argentina and Brazil" which reserve cargoes for national lines "and otherwise limit the free access to cargo."

"These laws, decrees, resolutions and other governmental practices may have resulted in the development of shipping regimes which are less flexible and responsive to the commercial needs of exporters, importers and carriers than is desirable," the commission said.

Referring to a number of laws dating as far back as 1969, the FMC said they may be creating "conditions unfavorable to shipping" in the trades at issue and that the agency "is instituting this proceeding to determine if such conditions exist."

Precedents Cited. The agency noted its recent actions in Venezuelan and Philippine trades which proved successful from third-flag carrier and shippers' points of view. The FMC pointed out that Congress in passing the Shipping Act of 1984 "has expressed its concern about restrictive cargo-access schemes."

"The Commission recognizes that its planned investigation encompasses the laws, decrees, resolutions and practices of two distinct sovereign nations and does not mean to imply that the conditions in the Brazil and Argentina trades are identical. However, as a practical matter, because the transportation patterns of these two trades are inextricably linked, and because the governmental and commercial regimes which control them are generally similar, the Commission believes it logical to consider these trades together in its investigation."

The case has been assigned to the agency's chief administrative law judge John E. Cograve, who has been ordered by the commission to come up with an initial decision by April 4, 1985.

Whatever the outcome of the probe, one certainty is that even the Argentine and Brazilian trades, which (it can be safely stated) have been given special consideration due to the government-government agreements in force, are no longer immune from FMC's scrutiny.

Must Propose Remedies. Proponents have been asked to propose a remedy for the conditions said to exist, Judge Cograve said. Noting that investigation is based on the commission's Section 19 authority, Judge Cograve said procedures will generally be in line with those associated with rulemaking proceedings. However, he did not shut the door on the possibility of public hearings.

Schedule. Following is the schedule announced by Judge Cograve:

November 19: Proponents' statement of fact and memorandum of law due at the FMC.

December 7: Deadline for filing respondents' statement of fact and memorandum of law.

December 14: Deadline for filing requests for hearing for purposes of cross-examination.

December 19: Hearings will be held on this date, if required. If hearings are held, a briefing schedule will be set at the close of the December 19 session.

February 15: In the event a hearing is not held, final legal arguments are to be held at the FMC on this date. ■

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EVERGREEN MARINE CORP.

How the Squeeze Was Put on Ivaran

Ivaran Lines was told to "take it or leave it" when its share of the U.S./Argentine trade was cut from 14 percent to 9.474 percent. Helpless as an outsider, the Norwegian firm is seeking help from the FMC and would like to get "somewhere between 9 percent and 20 percent." *By Tony Beargie*

Having achieved notable success in dealing with cargo protectionists policies of Venezuela and the Philippines, the Federal Maritime Commission is now being asked by a Norwegian firm to take a similar "get tough" approach with Argentina.

The small, Norwegian-flag carrier, Ivaran Lines, claiming that it is being denied access to its fair share of the trade due to Argentine laws and practices by shipping line pool members, has asked the U.S. to correct "conditions unfavorable to shipping," using Section 19 of the 1920 Merchant Marine Act.

The development that sparked Ivaran's petition before the FMC was that a new northbound pool was set to go into effect October 1, which the third flag carrier had refused to sign because of what it considers stiff overcarriage fines and a fixed 9.474 per cent cargo share alloted to the carrier by the pool members. As a non-pool member, Ivaran "now faces total exclusion (from the trade the pool covers) as a direct consequence of Argentine Government regulation," the shipping line told the FMC.

The well-known "memorandum of understanding" signed March 31, 1978, between the U.S. and Argentina "neither permits the exclusion of third flag carriers nor requires them to belong to pool agreements," and therefore cannot be used by the Argentines as a basis for their policy, Ivarans said in its petition.

Pointing to an April 18, 1979 deposition of then Assistant Secretary of Commerce Robert J. Blackwell, the Norwegian carrier noted that he agreed there is nothing in the intergovernmental agreement requiring third flag lines to join pools or accept fixed cargo shares offered by the national flag pool members.

True, Ivaran said that because of Argentine threats of being barred from the trade, it did sign a pool agreement on March 17, 1980 allocating a pool share that would decline to 9 percent by 1983. It should be noted that in June of 1979, the FMC, after an investigation, ordered the pool parties to open up the third flag 20 per cent allocation to competition. But this obviously had no effect on the Argentine authorities who, according to Ivaran, told the line "to sign, or else be barred from the trade."

Under these so-called "take it or leave it" conditions, Ivaran said it felt at the time that "it had no choice but to sign" the agreements. The FMC subsequently approved them on the basis that Ivaran had "voluntarily" signed the pacts.

Ivaran said that because of Argentine threats of being barred from the trade, it did sign a pool agreement on March 17, 1980 allocating a pool share that would decline to 9 percent by 1983.

But when the northbound agreement expired at the end of last year, Ivarans filed a protest at the FMC, due to the fixed cargo share provision, and the agency refused to approve them due to concern over the impact on third flag carriers.

Changed It All. Meanwhile, the new Shipping Act came into effect, which changed the nature of FMC's course of action. Unless the FMC decides to go to court (which seems unlikely at this point), the pools will have taken effect by the time this magazine reaches its readers. However, the FMC does have recourse under Section 19 of the 1920 Merchant Marine Act, which is being advocated by Ivarans in the instant case.

Whether the FMC will actually issue a Section 19 order as it did in the Venezuela and Philippines cases is questionable, given the long-standing bilateral nature of the atmosphere that has surrounded the trade relations between the U.S. and Argentina. In other words, using tough tariff suspension powers or cancelling the pooling agreements, as requested by Ivarans, might just be a bit too much for the U.S. to attempt in the Argentine case.

At least at this early stage, no sense of urgency on the part of the Administration to "show its muscle" so to speak (as

was the case with Venezeula and the Philippines) could be detected.

And, despite several questions asked by this reporter, it could not be confirmed for attribution (and understandably so) if Ivaran in its request for tough FMC action which, if carried out, would with little doubt set trade relations between the U.S. and Argentina on its ear, is actually expected by the third flag carrier.

However, a source close to the situation, who asked not to be identified, said Ivaran Lines is looking for a chance to negotiate a share of the trade above the 9.4% allocated by the national flag lines.

Asked what an acceptable share would be, *American Shipper* was told that "it could be somewhere between 9 and 20 per cent...but it's a matter of negotiation in a free atmosphere."

The same source said the line would be satisfied with a competitive situation within the 20 per cent of the pool share, a position previously set forth by the FMC. Also, *American Shipper* was told that the line would rather have the situation resolved in an "out of court" fashion.

'Take It or Leave It.' In its petition before the Commission, Ivaran painted a picture of a group of national flag lines which, in meetings held in mid-June in Buenos Aires and in early September in New York, presented the third-flag carrier with a so-called "take it or leave it" option.

At the mid-June meeting, Ivaran said, the national flag lines did not even provide the carrier with a copy of the then-proposed northbound agreement until that very day. Also, they denied Ivaran a chance to object to their allocated 9.474% cargo share, the FMC was told. After the meeting, efforts by Ivaran representatives to Argentine and Brazilian carriers to discuss possible changes in the pool shares "were rebuffed," Ivaran said.

Ivaran Refused to Sign. As recently as the September meeting in New York, similar efforts were turned down, Ivaran said. Subsequently, Ivaran refused to sign the new agreement.

Ivarans stressed that the core issue is not on the merits of the pooling agreements themselves (which have been part of the U.S./Argentine maritime policy for some time), but rather "whether Argentine decrees and carrier actions deny Ivaran Lines fair and effective access to the trade."

"Although the revenue pools that have been a fact of life in the trade have been the subject of prior investigation by the Commission, the significant, novel and pressing circumstances presented in this Petition have never previously been before the Commission," Ivaran said. "In contrast to past proceedings concerning these trades in which Ivaran Lines has been a signatory to a pool agreement, Ivaran Lines now faces total exclusion as a direct consequence of Argentine Government regulation, merely because it will no longer be a member of any pool agreement after September 30, 1984."

Ivaran contended that the actions of the pool members "in dictating an unreasonable pool share" bars the line from serving the trade on a competitive basis and also that actions by the Argentine government in mandating pool membership "deny freedom to U.S. shippers in routing their cargoes and present a serious threat to continued operations" by the company.

The effects of the fixed share for third-flag lines were not felt until June 1, 1982, FMC was told. After that date there were some sailing reductions by all the lines in the trade, despite record tonnages moving in the trade in 1983. (According to statistics of the InterAmerican Freight Conference, tonnage jumped from 131,260 revenue tons in 1977 to 187,989 revenue tons in 1983, but Ivaran Line was the only carrier to suffer a drop from a high of 42,316 revenue tons in 1978 to 26,255 revenue tons in 1983. This represented a drop from 26% of the cargo share to 14%.)

"Strikingly, Ivaran Lines is the only carrier now required to subsidize other carriers as a result of its success in continuing to secure more cargo than authorized by those other carriers."

Ivaran Pays Competitors. Ivaran was also the only carrier earning less revenue in 1982 and 1983 than in 1978 and 1979 since its percentage of pool revenue dropped 10 points from 27% to 17%. Ivaran revenues stood at \$3.06 million in 1982 and \$3.3 million in 1983, while the U.S. flag share stood at about \$8.8 million and the Argentine flag share almost \$6 million.

Of interest is the almost one-half million dollars the line had to pay in 1983 to the other carriers in the trade in "overcarriage payments" which were required because Ivaran went beyond its fixed cargo share. The third-flag carrier had to pay out \$468,402 in such payments, of which \$99,738 was received by the U.S. carrier and some \$276,920 to the Argentine flag carriers.

"Strikingly, Ivaran Lines is the only carrier now required to subsidize other carriers as a result of its success in continuing to secure more cargo than authorized by those other carriers," the third-flag carrier told the FMC.

Shipper Support. The Ivaran petition is supported by shippers such as the BF Goodrich Company, Firestone Tire & Rubber Company and two freight forwarding firms, namely, Olympic International Freight Forwarders, Inc. and the D.J. Powers Company, Inc.

Thomas R. Dirmyer, manager, International Logistics for BF Goodrich, said his company "would be damaged" by the loss of Ivaran service "which we have found to be very useful and efficient."

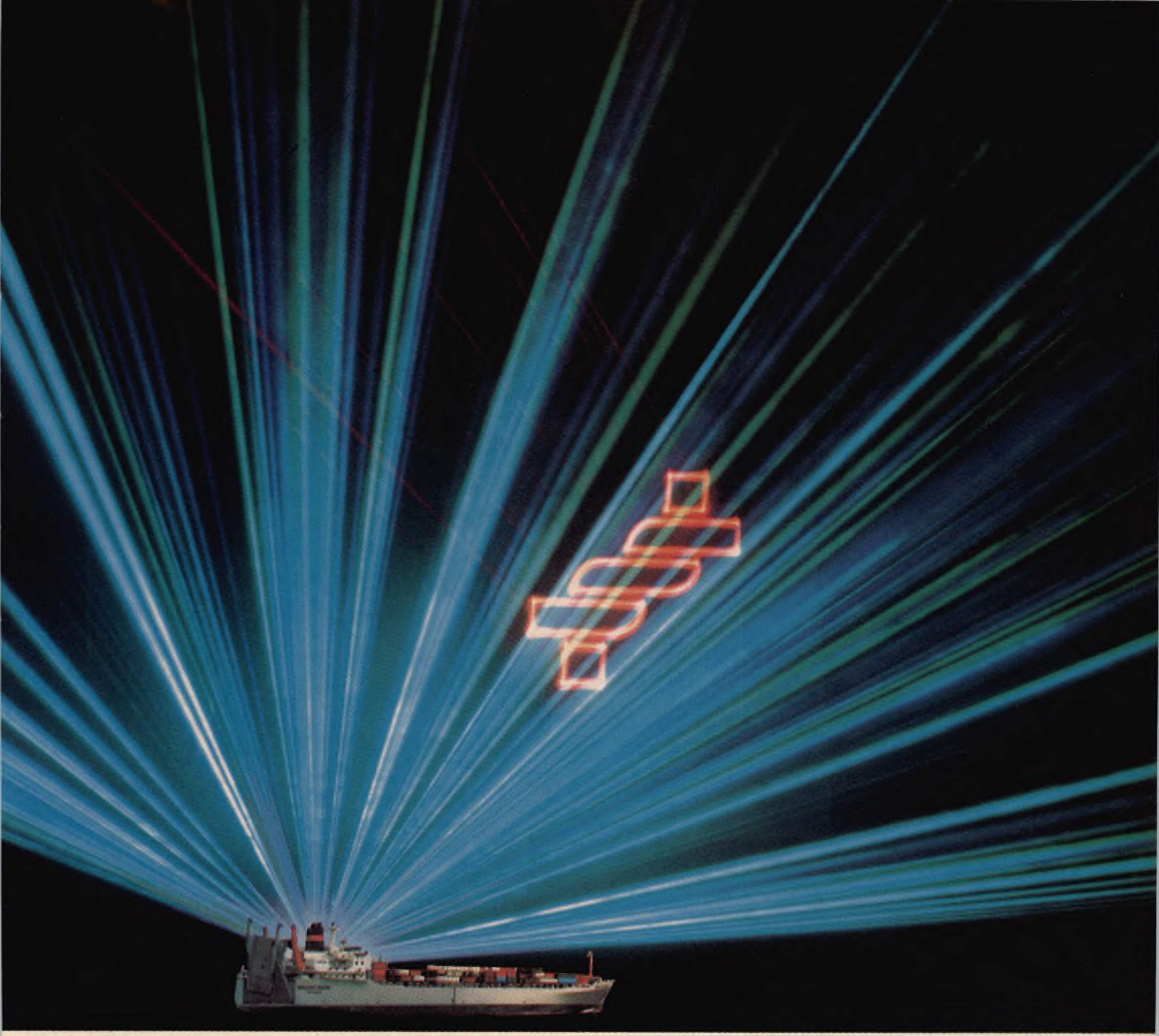
Teresa Guzman, president of Olympics International Freight Forwarders, told the FMC of her company's "outrage" of the Argentine government's actions. "We have often used the Ivaran Lines service, and found it to be excellent in all respects, and may be severely hurt if this reliable carrier is forced to leave this trade," she said. "We find it particularly upsetting that the Argentine Government should be telling the United States who can carry cargo between our two countries."

"It has been our strong belief that this country should stand by its traditional policies of fostering competition and freedom of choice for shippers and consignees in the foreign commerce of the United States," the freight forwarding company president said.

In Trade Since 1925. Ivaran has served the trade since 1925, including runs between the U.S. and Uruguay and Brazil. The entire trade which provides the "major portion of the company's income" is served on a semi-weekly basis with six semi-container vessels.

Due to the "extraordinarily diverse" nature of the trade, Ivaran vessels have both container and breakbulk capacity. Commodities moving southbound include chemicals, machinery and parts, synthetic resins, yarn, plastics, household goods, pharmaceuticals, transistors, transparent film and unfinished lenses. Northboud cargoes include leather, tea, corned beef, hardboard, woolen goods, bone meal, candy, wine and rawhide dog bones.

Members of Pool. Carriers participating under the pool in the northbound trade are the Argentine carriers Empresa Lineas Maritimas Argentinas (ELMA), a government-owned line and A. Bottacchi S.A. de Navegacion C.F.I.I.; the Brazilian flag carriers Companhia de Navegacao Lloyd Braziliero and Companhia de Navegacao Netumar; Cylanco S.A. (Uruguayan flag, but Argentine owned); the Dutch-flag carrier Van Nievelt Goudriaan & Co., B.V.; and the U.S.-flag carrier, United States Lines (S.A.) Inc. ■



(Laser effects by Science Faction Corporation)

Double-Stacking Catches On Fast

The idea of double-stacking containers on rail cars is catching on. American President Lines, which introduced the concept, is buying more double-stack cars. Trailer Train Company, the Port of Seattle and Sea-Land Service, Inc. are about ready to invest in that type of equipment. *By Richard Knee*

Even without talking to American President Lines (APL) officials, one can assume fairly safely that the company is pleased with the performance of the double-stack rail cars it brought into service last spring.

The Oakland-based steamship operator, which has two trains running in a weekly service between Los Angeles and Chicago, and a third train offering fortnightly runs between Seattle and New York, is buying a fourth train that will enable it to double the frequency of service on the latter route. APL expects delivery in December.

Other shipping interests also like the double-stack concept, which enables the stacking of containers two-high aboard rail cars.

Trailer Train Company and the Port of Seattle appear on the verge of acquiring double-stack cars. So, reportedly, is Sea-Land Service, Inc., though Sea-Land officials could not be reached for confirmation.

Unique Arrangements. Trailer Train is a Chicago-based firm owned by all the major U.S. railroads except Soo Line. It will acquire the double-stack cars as requests from railroads or shippers come in, according to William Thompson, vice president of fleet management.

"We'll have somewhat unique arrangements with the railroads," he said. Typically, he said, a railroad, at a shipper's behest, would rent the cars from Trailer Train and would "work it into" the rate to recoup rental costs.

Thompson foresees a growing demand for the cars for use in domestic as well as intermodal shipping. That demand next year will probably reach 2,000, he said.

Asked what is the cost of each well—the term used for the units that hold the containers or trailers—Thompson would say only "under $35,000."

The wells will come from Thrall Car Company of nearby Chicago Heights and FMC Corporation of Portland.

Pacific Car and Foundry of Renton, Wash., has designed a well but not put it into production, Thompson said. In addition, Trailer Train has designed its own prototype well that could be built in January. It would handle both trailers and containers, he said.

The company intends the wells to accommodate containers of 40 to 45 feet in length and eight to eight and one-half feet in width, as well as trailers of up to 50 feet in length, though the latter-most could not be double-stacked, he said.

Big Step for Port. The Port of Seattle's purchase of the double-stack equipment has yet to get the final nod from the port commission. But port executive director Richard Ford said the process was "moving right along."

"The trick now is whether we're able to put all the pieces together," he told *American Shipper*. "We could have (the double-stack units) in operation by the second quarter of 1985. It depends on how quickly we could have the equipment manufactured."

Envisioned is the purchase of two 100-unit sets that would be operated in a weekly service to and from the Midwest. Estimated cost is between $4 million and $5 million for each set.

The commission has already approved hiring of "some staff," Ford said, "but the big item is to approve the capital budget." The budget plan was to be brought before the commission October 9, he said. "If the first part of the budget is approved by late November or early December, we will have the money to proceed." The operation itself would involve no public expenditures, he added. "It will be a self-supporting program. It will pay its own way."

The port administration is negotiating with Burlington Northern and Union Pacific System for locomotive services and track usage, Ford said. Moreover, the concept has received "an excellent reception" from Far East-based steamship lines, which would employ the rail service the port would offer, he said.

The service would put Seattle in the position of having the nation's only railroad-operator port. The concept is in line with the image the port is trying to project, that of a complete intermodal facility. The significance of this cannot be overstated in the eyes of port officials.

"We have to have the most modern service to the Midwest," Ford asserted. "That is our major market." This is in contrast to the rival ports in California—especially Long Beach and Los Angeles-where "most of the (inbound) cargo stops right there," he said.

While southern California is highly attractive for eastbound shipments because of the area's enormous consumer market—some 12 million—Long Beach and Los Angeles also draw their fair share of freight moving to and from the Midwest.

Seattle's big advantage over the other West Coast ports is a day's reduction in ocean transit time. The California ports, on the other hand, offer faster overland transit and comparable rail rates. The intermodal-port concept extends to ocean-air shipments as well.

The port authority, which operates Seattle-Tacoma International Airport as well as the seaport, is offering special, expedited handling of ocean-air freight. That market is limited, however, to time-sensitive freight.

Trucker Relationships. Ford also assured that in starting up the rail service, the port would not be abandoning the truck lines that serve it. The port has "a contract with six or seven trucking companies" that have agreed to keep their rates competitive in order to attract freight to Seattle. But that is "a completely different market," Ford remarked.

The truckers are handling less-than-containerload shipments, most of them in the 1,500- to 2,500-pound range, and these are relatively short hauls, he explained. On the longer overland movements, "the truckers can't compete with the Plan 2, 3 and 4 (piggyback) operators," he said. ■

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Sea-Land's Extended Family

Line seems destined to become the first American carrier to structure a comprehensive, international business in the manner of old-line European shipping companies.

Sea-Land Corporation has begun describing itself as "an intermodal ocean and overland containerized transportation and trade service company."

Previously, the firm called itself "one of the largest containership operators in the world."

The new terminology which appeared in the company's October 16 financial report to news media signals a significant expansion in Sea-Land's corporate planning on a domestic as well as a global basis.

Activities indicate Sea-Land may be in the process of building a comprehensive, international trading business in the manner of old-line European shipping companies. If this is true, the pioneer container shipping company could become the first American business to achieve this goal.

Sea-Land is bringing a number of companies around the world into an extended family of shipping businesses which can remain independent, but work together. The recent filing of a transpacific space charter agreement with Germany's Hapag-Lloyd A.G. is the most striking addition yet to the extended family.

Hanjin Set the Pattern. The first indication of Sea-Land's future planning came several years ago when the company, still a part of R.J. Reynolds Industries, acquired a 40% equity in the Korea-based Hanjin Container Line. Sea-Land provided management personnel for the Korean firm and filed a space charter agreement (Agreement No. 10364) with the Federal Maritime Commission. Hanjin ships are served at Sea-Land terminals on the West Coast.

A second indication came when Sea-Land provided management for the Port Authority of Jebel Ali, which built and operates a huge, modern container port at Dubai in the United Arab Emirates. The port is a primary load center for many carriers serving the Mideast and Indian Ocean areas, though none of Sea-Land's own ships call there now. Chartered vessels from other flags maintain Sea-Land service to the area.

Agent for Others. A third indication of future plans came when Sea-Land reassigned one of its key staff officers, vice president-marketing Eugene P. Campbell, to head up a new subsidiary titled Sea-Land Agencies International, whose only account (at the time) was the Shipping Corporation of New Zealand, which operates the independent Australia New Zealand Container Line in a container and breakbulk service from Oakland and Long Beach to ports in New Zealand and Australia. Sea-Land Agencies, based in Iselin, N.J., down the road

from company headquarters at Menlo Park, is general agent for Australia New Zealand Container Line in the U.S.

Establishment of the agency subsidiary, coupled with enactment of the Shipping Act of 1984, appeared as a signal to executives of numerous foreign flag shipping companies who have been "knocking down the doors" at the Menlo Park headquarters, anxious to work out deals with the big American carrier. Similar activity, it should be noted, is taking place at United States Lines, American President and other U.S. flag companies. Many foreign shipping officials, British, Japanese and Scandinavian, have openly stated their desire to form joint service or other agreements with American lines and the stream of visitors is proof of their desire to put deals together. The sheer size and financial strength of Sea-Land makes it a preferred ally.

Hapag-Lloyd Deal. First to work out a deal with Sea-Land since enactment of the new Shipping Act was Hapag-Lloyd A.G., the big German flag carrier which worked aggressively to help sell the concept of rationalized service to American shippers and Congress. Assuming the Federal Maritime Commission gives its clearance, Sea-Land and Hapag-Lloyd will soon implement a space charter agreement in the transpacific trade.

The space charter and sailing agreement permits each carrier to charter container space aboard the other carrier's ships operating between U.S. West Coast ports and ports in three Asian countries. The ports include Oakland and Long Beach, Seattle, Hong Kong, Yokohama, Kobe and Kaohsuing.

A terminal services agreement calls for Sea-Land to provide shoreside terminal facilities and services for Hapag-Lloyd containerships and cargoes at the same U.S. and Asian ports.

"Use of Sea-Land Service terminals by Hapag-Lloyd is part of our company's overall objective to bring about cost efficiencies by increasing the utilization of a highly capital intensive asset base," said Sea-Land Corporation Chairman and Chief Executive Officer Joseph F. Abely, Jr.

Hapag-Lloyd chairman Hans Jakob Kruse said, "Cross slot chartering and the use of Sea-Land's terminal facilities for our modern equipment will provide us with cost-effective service in order to meet the needs of the trade."

The two carriers will remain competitors in the Pacific trade. Each will manage its own vessels, set its own pricing policy and conduct its own sales efforts. There will be no pooling of cargoes, revenues or earnings.

Terminals are Key Asset. Sea-Land operates a network of 15 exclusive use container terminals and has preferential use of 11 others reaching around the world.

Terminal costs represent the biggest single expense in liner operations and Sea-Land's ability to operate terminals efficiently is an asset potentially more valuable than its fleet of more than 60 ships.

As Abely noted in the Hapag-Lloyd announcement, the company plans to increase utilization of the terminals by offering service to other lines.

Exclusive use terminals are located in Rotterdam (2,800 trailer spaces which handled 184,000 loads in 1983); Port Elizabeth (5,383 spaces and 163,000 loads); Hong Kong (1,767 spaces and 101 loads); Kaohsiung (1,305 spaces and 99,000 loads); Yokohama (2,283 spaces and 97,000 loads); Kobe (1,011 spaces and 94,000 loads); Algeciras (1,408 spaces and 67,000 loads); New Orleans (1,133 spaces and 46,000 loads), and seven other exclusive use terminals.

Earnings Tripled. The October 16 quarterly earnings report was a sharp improvement over the same period last year.

Third quarter revenues totaled $464.8 million compared with $410.9 million reported in the third quarter of 1983. Earnings from operations totaled $52.3 million compared with $18.3 million for the same quarter in 1983. Net earnings were $27.9 million compared with the $9 million reported in third quarter 1983. Primary earnings per share, based on 23,114,000 common shares outstanding, reached $1.21 compared with 40¢ per share in third quarter 1983.

"The strong third quarter results compare to an unusually weak period last year where cargo rates in principal trade lanes were at depressed levels," Abely said. "This year's results reflect some restoration in the rate levels, very high vessel utilization and the benefit of continuing cost management."

Abely went on to point out that the European economy continues to show signs of improvement and a strong economic and trade recovery is well underway throughout Asia. "As the foreign economies catch up with the U.S. recovery, U.S. exports should continue to grow and the outlook should be for a more balanced export/import trade."

For the first nine months of 1984, Sea-Land's $1.3 billion revenues were 13% higher than the $1.2 billion achieved in the same period last year. Earnings from operations totaled $127.4 million, up by 87% from the $68.1 million in the first nine months of 1983. Net earnings were $68.8 million, up 63% from the $42.1 million for the same 1983 period. Primary earnings per share for the first nine months of 1984 totaled $3.02 million, a 62% increase over the $1.86 million reported for the first nine months of 1983.

D-9 Fleet to be Jumboized. Sea-Land on October 17 announced a $76 million jumboization program for its 12 U.S.-flag diesel powered containerships operated on the transpacific and transatlantic freight lanes. The work will be done in Japan.

"The cargo carrying capacity of each ship will be increased by 37%, while the cost of moving containers will be reduced by more than 20% on a space-per-mile basis," Abely said. "We are taking this step to insure that Sea-Land can accommodate growth anticipated in the transatlantic and transpacific line haul trade."

New mid-bodies will be inserted into the D-9's, increasing each vessel's capacity from 904 40-foot containers to 1,236 40-foot containers (or approximately 2,472 TEUs), a gain of 332 units.

The jumboization program for the 12 ships is expected to be completed within a 12-month period by Mitsubishi Heavy Industries, Ltd. at a cost of approximately $6.3 million per ship.

"This is a minimal cost, fast turn around construction program for our advanced technology D-9 tonnage. It involves an investment of approximately $19,100 per 40-foot container space, which is considerably less per 40-foot slot than the cost of comparable new construction," Abely said.

Sea-Land Service led the U.S.-flag merchant fleet shift to diesel power in 1978 with the introduction of four D-6 Class vessels, followed two years later with the introduction of its 12 D-9's.

The ships will enter the shipyards on a schedule beginning in the second quarter of 1985.

Battle Heats Up Over NYSA Assessment Formula

Opponents prepare to challenge a determination by FMC public interest attorneys upholding the legality of the controversial tonnage assessment method. *By Tony Beargie*

A recent determination by Federal Maritime Commission public interest attorneys upholding what they view as the legality of the New York Shipping Association's tonnage assessment formula has not dampened a spirited fight by the Port of New York/New Jersey Authority and the Puerto Rico Maritime Shipping Authority to have the formula declared illegal.

Indeed, as *American Shipper* neared its publication deadline, it was learned that at least one of the parties fighting the assessment formula, namely the Port of New York/New Jersey Authority, will argue that the FMC attorneys based their position on the wrong statute.

The Port Authority claims it is being discriminated against by NYSA's higher cost, tonnage assessment method while other ports are enjoying a much lower cost, man-hours based formula. The formula, which is used to raise money from ocean carriers to pay for a sweeping, multi-million dollar fringe benefit package demanded by the International Longshoremens' Association, is said to be discriminatory insofar as it is driving freight away from New York to lower cost ports.

Instead of examining the alleged discriminatory effects of the formula prohibited by the Shipping Act, the FMC attorneys have erroneously based their arguments on so-called "naturally tributory" considerations contained in the Merchant Marine Act of 1920, Paul M. Donovan, attorney for the Port Authority of New York and New Jersey told *American Shipper*.

The higher cost tonnage assessment formula causes cargo to be re-routed away from New York, which poses a question of discrimination under the Shipping Act, Donovan said.

"They (the FMC attorneys) are looking at the wrong statute and the wrong line of cases. This is not a naturally tributory case," Donovan said.

"It's just bad lawyering on their part and I'll be telling the FMC that," Donovan continued. "If you go to the wrong statute and read the wrong cases, I don't know what else you can call it."

Donovan also hit out at the way the FMC attorneys so far have taken part in the case.

According to Port Authority attorney, the Commission's Bureau of Hearing Counsel did almost nothing in the case during the pre-hearing and hearing stages of the proceeding.

Donovan gave the impression that the FMC attorneys did next to nothing during the course of commission hearings in the proceeding.

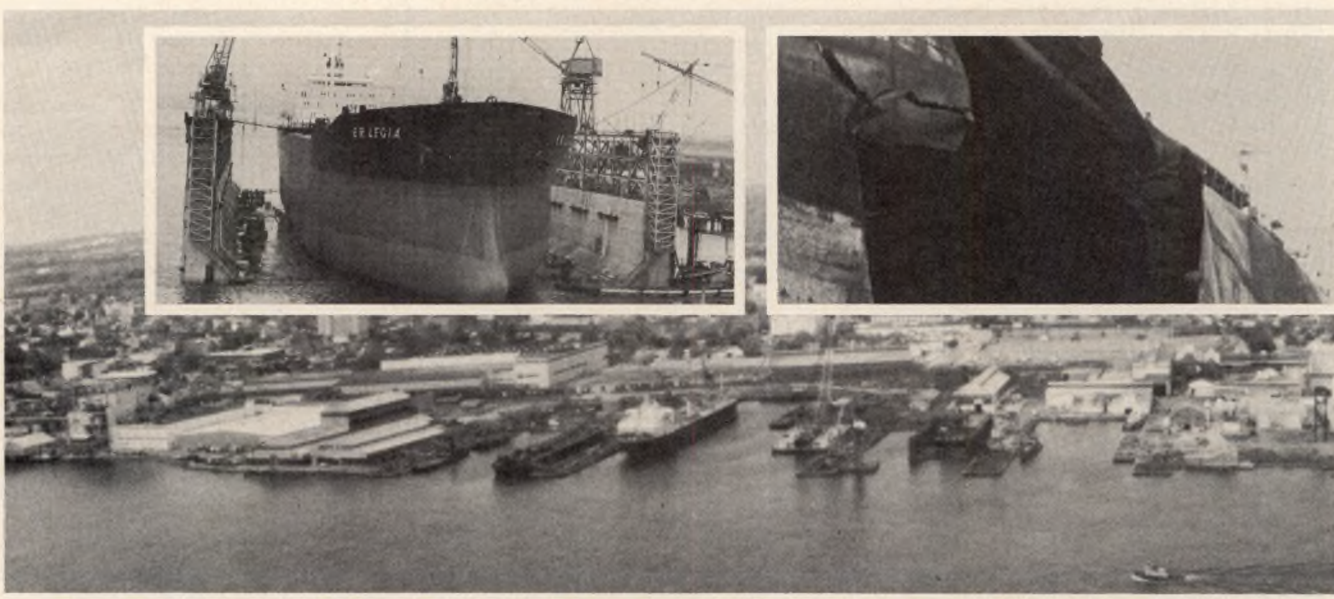
"They never asked a single question of a single witness," the Port Authority attorney told *American Shipper*. "They sought to discover and, to my recollection, they failed to say a single word at the hearings."

When asked to comment on these assertions, FMC's Hearing Counsel Bureau Director John Robert Ewers said that taking a low profile by his office is "not unusual in a complaint case."

"We can't interfere with their case," Ewers said. "We can't take the case away from the parties."

Donovan countered that the case at hand is one of "national implications."

"This (the Port of New York/New Jersey) is the biggest port in the country and it is being killed by the tonnage assessment formula," Donovan said. "I think this is a serious issue."



In a nutshell, the Port, as well as PRMSA, contends that the tonnage assessment formula, based on the number of containerized tons handled, unfairly taxes the port's customers who pay on a less expensive man-hour basis at other ports using ILA labor. Also, the Port claims that this singled-out formula causes cargo diversion to competing, lower cost ports.

The FMC attorneys rejected both of these arguments, noting that longshoremen "are industry employees," and that the "entire fringe benefit program...is structured upon this concept of industry employment." Continuing, the public interest lawyers hit out at one of the Port's and PRMSA's chief arguments, namely, that assessment should be based on the amount of labor performed. "Eligibility for these benefits does not depend upon the amount of labor performed," the FMC attorneys said. "It is industry attachment which entitles a longshoreman to the receipt of benefits."

While the government attorneys held that the formula itself does not violate FMC's statute, they also indicated that there may be "problems" with the tonnage assessment method but indicated that this might be worked out in the future at the negotiating table.

They contended that the thrust of the proceeding is not to decide if the formula is "perfect" or whether a "better" method could be developed or enforced.

Robert Steiner, deputy director, port department of the Port Authority of New York and New Jersey, said he was told by Evergeen Line that the company handles their Midwestern cargo through Baltimore because of the tonnage assessment formula. A similar statement was also voiced by Orient Overseas Container Line, Steiner said. Still, other lines such as Maersk, Barber Blue Sea, Dart, Nedlloyd, U.S. Lines and Sea-Land have told Steiner that they are forced to use other ports because of the higher costs associated with the tonnage assessment formula.

Sea-Land in particular stated that even though the service at New York/New Jersey is "far superior" to other ports, the company is "forced to use Portsmouth, Va. for low rated commodities in order to have a revenue return on those boxes. Steiner further said he was told by Sea-Land in effect, "that as long as New York has a tonnage assessment, Sea-Land will handle as many of their commodities as possible through other ports."

Sea-Land, it was pointed out, uses the Port of New York/New Jersey as a "relay port" in order to avoid the tonnage assessment. Under this method, the cargo is assessed at a $5.50 man-hour rate instead of the $8.90 tonnage rate.

It was indicated that the Port of Boston reaps the benefits of transshipped cargo since, in 1983, 47.5% of all the containers handled at Boston were transshipped through the New York/New Jersey Port Authority, the Federal Maritime Commission was told.

"The Port of Boston has encouraged steamship lines to transship by barge rather than truck to and from New York because the NYSA assessment on barge traffic is the excepted $5.50 per man-hour rate resulting in an assessment cost more than $300 less than the tonnage assessment applied to movements by truck," the Port Authority claimed.

Speaking for the Port of Boston, the Massachusetts Port Authority's assistant traffic port director R. Moriconi stated in no uncertain terms that his port is benefitting from the higher cost tonnage assessment formula in place at the Port of New York/New Jersey.

"The secret to the success of the Boston/New York feedership concept is actually no secret at all. It thrives because and only because at New York transshipped/rehandled cargo moving by barge is assessed on an excepted manhour basis, while cargo transported overland pays a tonnage assessment," Moriconi said.

An initial decision in the case is due by November 9.

"Pacific Bridge," appropriately named 1300 TEU ship operated by KMTC.

Regrouping in the Pacific

As of this month, the 61-year-old Pacific Westbound Conference is no longer in existence and the days of the other westbound transpacific rate-making cartels appear numbered because a new rate agreement to supplant all of them looks ready to emerge. *By Richard Knee*

"We're going to have some fun with you fellas now," a grinning traffic executive told some steamship line officials at a recent shipping industry dinner in San Francisco.

The traffic executive was referring to the breakup of the 61-year-old Pacific Westbound Conference (PWC).

Fortunately, from the ocean carriers' point of view, a new rate-making cartel, reportedly to be known as the Trans-Pacific Westbound Rate Agreement (TWRA), appears ready to emerge following a Hong Kong meeting the first week of October to which 23 steamship lines sent representatives.

The cartel would supplant not only the PWC but all of the conferences serving the westbound trades between the United States and the Far East/Southeast Asia range.

Even so, the traffic executive's "fun" might last for some time because there is some question as to how soon the carriers can file a formal proposal with the Federal Maritime Commission (FMC).

Moreover, the rate agreement contains a provision for independent action (IA) on 48 hours' notice.

Question of Semantics. While the Shipping Act of 1984 would classify the TWRA as a conference, the industry recognizes conceptual differences, particularly in structure and operations, between rate agreements and cartels such as the PWC.

First and foremost, the TWRA would do away with a chairperson's position, replacing it instead with a secretariat or administrator. Second, IA provisions would be considerably looser under the TWRA than under the PWC.

In addition, the TWRA would not have the type of neutral-body, or self-policing, mechanism that the PWC had.

Who's In? The steamship lines had until October 19 to decide, in the words of a carrier official, "whether they're on the wagon or off the wagon." At press time, *American Shipper* was unable to ascertain which carriers intended to participate in the TWRA. Attorney R. Frederic Fisher, who was designated as official spokesman for the group, declined to give any details, saying premature release of the information could hurt the TWRA's chances of getting off the ground.

Gotshall noted that the 23 carriers represented "85% or 86%" of the capacity in the trade, "which is much more important than the number of carriers."

Fisher is with the San Francisco firm of Lillick, McHose and Charles, which specializes in shipping law.

Some carriers, he said, could use an early release of details as an excuse to back out of the agreement.

As to how soon the TWRA proposal might go before the FMC, Fisher said it is difficult to say because of the heavy volume of information that must be gathered for inclusion in the plan.

Varying reports on which carriers will participate surfaced as the Hong Kong meeting was drawing to a close. One steamship executive said 19 lines had signed the agreement and another—Orient Overseas Container Line (OOCL)—was expected to do so shortly. He said he had heard that Hong Kong Islands Line (HKIL) and the Philippines' Galleon Shipping Corporation had walked out of the meeting. He did not know the name of the fourth non-signator carrier.

Another steamship executive said the number of signator carriers exceeded 19.

Besides the three above-named lines, those that sent representatives to Hong Kong were American President Lines (APL), Barber Blue Sea (BBS), East Asiatic Company (EAC), Evergreen Marine Corporation, Hanjin Container Line, Hapag-Lloyd A.G., Japan Line, Kawasaki Kisen Kaisha ("K" Line), Korea Marine Transport Company (KMTC), Korea Shipping Corporation (KSC), Lykes Bros. Steamship Company, Maersk Line, Mitsui O.S.K. Line, Nippon Yusen Kaisha (NYK), Seawinds, Ltd., Sea-Land Service, Inc., Showa Line, United States Lines (USL) and Yamashita Shinnihon (YS) Line.

Ronald B. Gottshall, Pacific division pricing manager for Sea-Land, who organized the meeting, noted that the 23 carriers represented "85% or 86%" of the capacity in the trade, "which is much more important than the number of carriers."

Moreover, he said, the absence of some carriers does not necessarily indicate their lack of interest in the new agreement.

Westwood Shipping Line and Waterman Steamship Corporation, for instance, "are very interested but couldn't make the meeting and I would put TMM (Transportacion Maritima Mexicana) in the same category," he remarked.

Also on the absentee list were China Ocean Shipping Company (COSCO), Hoegh Line, Hyundai Merchant Marine, Yang Ming (YM) Line and Zim Container Line.

That 19 or more carriers signed the agreement was no guarantee that that would be the number whose signatures would be on the proposal filed with the FMC.

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"Some of them are still pointing fingers at each other, saying, 'You go first'," commented one steamship line official. Another executive, whose firm was among the signators, said, "It depends on who else is in it as far as my company is concerned. There are still two or three carriers we are watching and, if they stay out, so will some others." Those "others" included his company, he said.

He did not identify the "two or three carriers" although some reports out of Tokyo said there was keen interest in what YM and Zim would do.

Another owners' meeting, also in Hong Kong, reportedly was scheduled for October 15 and was expected to produce a clearer picture of which carriers would participate in the TWRA.

Key Terms. Besides the IA provision, key terms of the new agreement would include the discontinuance of the PWC's Pacific Coast Inspection Bureau, which conducted spot checks of outbound containers to make sure they contained what was listed on manifests, and the absence of a neutral or self-policing body.

The employment of an official spokesman was incorporated into the agreement on the insistence of a non-PWC carrier that there be a mechanism to open and maintain communication with the shipping public. The steamship line's top North American executive told *American Shipper*, that the spokesman "should not be any one of us. He should be guided by a small group of us who are the opinion leaders in the industry."

Why the PWC Died. The conference system has its critics who say it has made the carriers insensitive to the needs of shippers and unable to keep pace with the marketplace. But to most people in shipping circles, including shipper/receiver traffic managers, the PWC's dissolution was viewed with alarm.

While operating costs have risen steadily, rates have slipped to late-1970s levels and could continue to drop, even with the TWRA established, because of IA and the perceived possibility of an economic downturn both here and in the Far East.

The actual cause of the PWC's demise is really a chicken-and-egg question—and if one wants to carry the word play further, he could say that anyone trying to pinpoint it might wind up as a basket case.

The largest of the westbound transpacific conferences, the PWC at one time boasted 25 members. On September 12, the fateful day that APL and then the rest of them declared they were bolting, the conference comprised 10 carriers. The other nine were Sea-Land, U.S. Lines, Maersk and the six major Japanese lines.

All six of the westbound transpacific conferences were doomed, he said, because "nobody will have any need" for them.

The beginning of the end came probably about a half-decade ago when a number of new carriers, anxious to capitalize on the booming commerce between the United States and the Far East, entered the trade. Transpacific operators number more than 30.

Then came the recession of the early 1980s which shriveled cargo traffic in both directions and exacerbated an overtonnage situation that has persisted in the outbound shipping lanes even since the U.S. and Japanese economies have bounced back.

That overtonnage has spawned a series of rate wars and one can perhaps point to a recent round of rate actions as the coup de grace for the PWC.

Sea-Land's VIP. The war of rates and words heated up late in August when Sea-Land announced it was offering a volume incentive plan (VIP) in which shippers and receivers could receive 5% to 10% rebates for spending certain amounts of money within a six-month span for the carrier's services. This was in the perishables trade to Hong Kong/Macau.

After several competitors responded with simple, 10% to 15% rate cuts, Sea-Land came back with its own rate reduction, meaning its customers stood to get rate breaks of up to 20%.

Maersk Line also introduced a VIP with 5% to 10% rebates. Seawinds and EAC were so angered by Sea-Land's actions that they declared they would no longer participate in discussions of the new rate agreement.

Other carriers, while not exactly happy with the situation, said the whole episode was symptomatic of the times and they would continue participating in the talks.

Meanwhile, it was becoming obvious that something had to be done to prevent further rate erosion. The PWC members held an owners' meeting in Oslo in an attempt to reach a consensus on how to meet the competition from outsider lines.

A prolonged falloff in homebuilding activity could herald another recession. The resultant drop in consumer confidence would end the buying spree that has kept inbound ships full.

After several days of talks failed to produce that consensus, APL gave two months' notice of its resignation from the PWC. Within hours, all nine other members had followed suit. Doomsday was to be November 1.

Some observers speculate that the whole series of developments, starting with Sea-Land's VIP, was aimed at prodding the carriers into speeding up the progress toward the new rate agreement. Others say that may have been APL's motive when it announced it was quitting the PWC. But APL President Bruce Seaton said nothing could be further from the truth. "Each company looks at its own self-interest," Seaton said during an impromptu news conference at a dinner celebrating the maiden call of APL's 2,700-TEU containership *President Eisenhower* at Oakland. "If there was a master plan, we weren't aware of it."

The aforementioned independent line executive also disagrees with the hastening-the-agreement theorists. He believes that if APL hadn't been the first carrier to walk out, another would have been.

"The (PWC's) dissolution was just a matter of time," he said. "Under the new Shipping Act, (the PWC) didn't serve any purpose. It was not flexible, it was bureaucratic and stale. The members were all beginning to realize that. "Without question, (the dissolution) would have happened within the same time frame," even if APL hadn't been the first to leave, he said. And it is not only the PWC whose days are numbered, he added.

All six of the westbound transpacific conferences were doomed, he said, because "nobody will have any need" for them. Shippers' reaction to the PWC's demise, he said, has been "very positive."

The TWRA, he added, "will make (the current conferences) unnecessary. They won't fit under the new Shipping Act."

The executive sees the TWRA as the ultimate outcome of all that has gone on over the past several years and that the new agreement will be "much more commensurate with the Shipping Act because it will produce...much more frank and open dialogue" between the carriers and their customers.

"There are some people," he added, "who deserve applause. APL is definitely one of those leaders. APL is a leader in putting a whole new structure into place. They are to be complimented."

Seawinds, EAC Return. Readers might have noticed that Seawinds and EAC, which had declared they were withdrawing from discussions on the TWRA,

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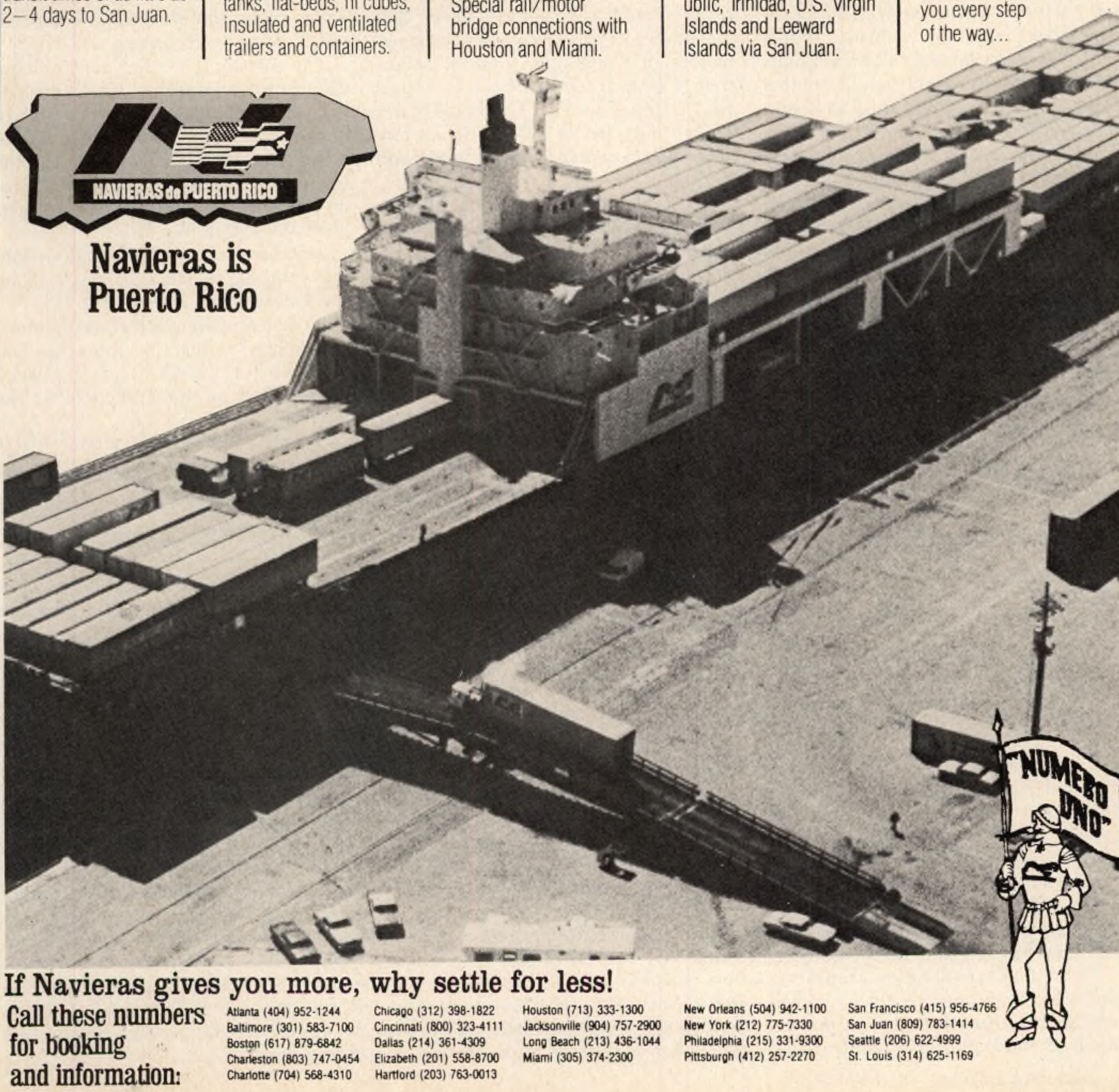

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were listed as among those to attend the Hong Kong meetings. Both carriers—which recently announced a space-charter arrangement with each other—confirmed they would send representatives to Hong Kong.

"We are assured that those lines out of order will reconsider their actions," explained Bengt I. Henriksen, Seawinds' North American managing director, who is based in Redwood City, Calif.

Bad Omen? Even with the TWRA or something similar to serve as a mechanism for gaining some rate stability, the ranks of transpacific operators might well diminish over the next two or three years. A series of developments is painting a somewhat gloomy picture.

For one thing, homebuilding activity, which many analysts regard as the bellwether segment of the U.S. economy, was declining sharply as the summer drew to a close. It was the surge in housing starts that paved the way out of the early-1980s recession. Similarly, economists say, a prolonged falloff in homebuilding activity could herald another recession. The resultant drop in consumer confidence would end the buying spree that has kept inbound ships full. And a rate war situation, now made so easy by the independent action provision in the new Shipping Act, would haunt the steamship lines in both directions.

Inbound Rate Hikes Blasted

If the Trans-Pacific Freight Conference of Japan/Korea (TPFCJK) continues to jack up its rates, it could soon find itself losing business to nonconference competitors. In fact, one traffic manager called *American Shipper* for the express purpose of getting the names of some outsiders in the inbound transpacific trade.

Tom Gentile, general traffic manager for Gestetner Corporation in Yonkers, N.Y., was highly critical of the conference. Gestetner brings in "six to eight" full containerloads a month, Gentile said.

In February, he said, the TPFCJK raised the rates on duplicating machines imported from Japan. The rate to the West Coast climbed to $56 per cubic meter from $47, he said, and to the East Coast it rose to $72 from $61. At the same time, he added, the TPFCJK boosted its currency-adjustment charges. Now, the conference wants to raise the rates again, to $67 and $85, respectively, he said.

The inbound rate situation is receiving attention in shipper/receiver circles, including the American Association of Exporters and Importers, Gentile said.

Latin-Pacific Conference Folds

With at least three of its eight members revamping their route structures, the Latin America/Pacific Coast Steamship Conference will close its doors November 12. *By Richard Knee*

On the heels of the demise of the Pacific Westbound Conference (PWC) comes the news that another outbound West Coast rate-making cartel is dissolving: the Latin America/Pacific Coast Steamship Conference.

As in the case of the transpacific, carriers serving the Pacific Coast-Latin America trade hope they can regroup to form at least a talking agreement. That will probably take at least a month or two, however, as the steamship lines attempt first to adjust to a conferenceless environment.

Four Carriers Resign. The conference's ranks would have been cut in half November 13 with the announced resignations of Compagnie Generale Maritime (CGM), Intercontinental Transport (ICT), Hapag-Lloyd A.G., United States Lines and Barber Blue Steamship, according to conference chairman Henri P. Blok.

After they declared they intended to leave, the remaining carriers—Flota Mercante Grancolombiana, Delta Steamship Company, Lloyd Brasileiro and Empresa Lineas Maritime Argentinas S.A. (ELMA)—decided at an owners' meeting October 1 that they would dissolve the rate-making group.

"Drastically reduced exports into the Latin and South American markets as well as contemplated changes in service conditions have caused several members to tender their resignations leaving a reduced membership which no longer can sustain the conference organization as presently constituted," Blok said in a terse statement issued from conference headquarters in San Francisco. The statement advises shippers to communicate with individual carriers "to ensure that their needs continue to be covered."

Routes Restructured. Hapag-Lloyd, CGM and ICT—the latter two operating as the Pacific Europe Express (PEX) consortium—are dropping out of the Pacific Coast-Latin trade and therefore had to withdraw from the conference, noted Joergen Traub, executive vice president for Hapag-Lloyd Agencies in Sausalito, Calif.

The move is part of a service restructuring that also involves those carriers' new space-charter arrangement with Johnson ScanStar (JSS). Moreover, there is still widespread speculation that Delta will soon withdraw from the trade. Neither Delta nor parent Crowley Ma time Corporation (CMC) has declar one way or the other on the subject.

CMC Chairman Thomas B. Crowl told *American Shipper* recently th Delta will continue to offer service fro the Pacific Coast to Latin Americ although the company has not decid whether this will be by minibridge v the Gulf Coast or by continued calls Pacific ports.

The company might already hav tipped its hand, however. Service sch dules published last month showed n Delta sailings off the Pacific Coast aft the departure of the vessel *Santa Mar* October 19 from Los Angeles.

A New Agreement? The Pacific-Lati conference at one time enjoyed a mem bership as high as "18 or 19," accordin to Blok. That was in 1970. Now, th entire trade, conference and independ ent, is down to 13 carriers.

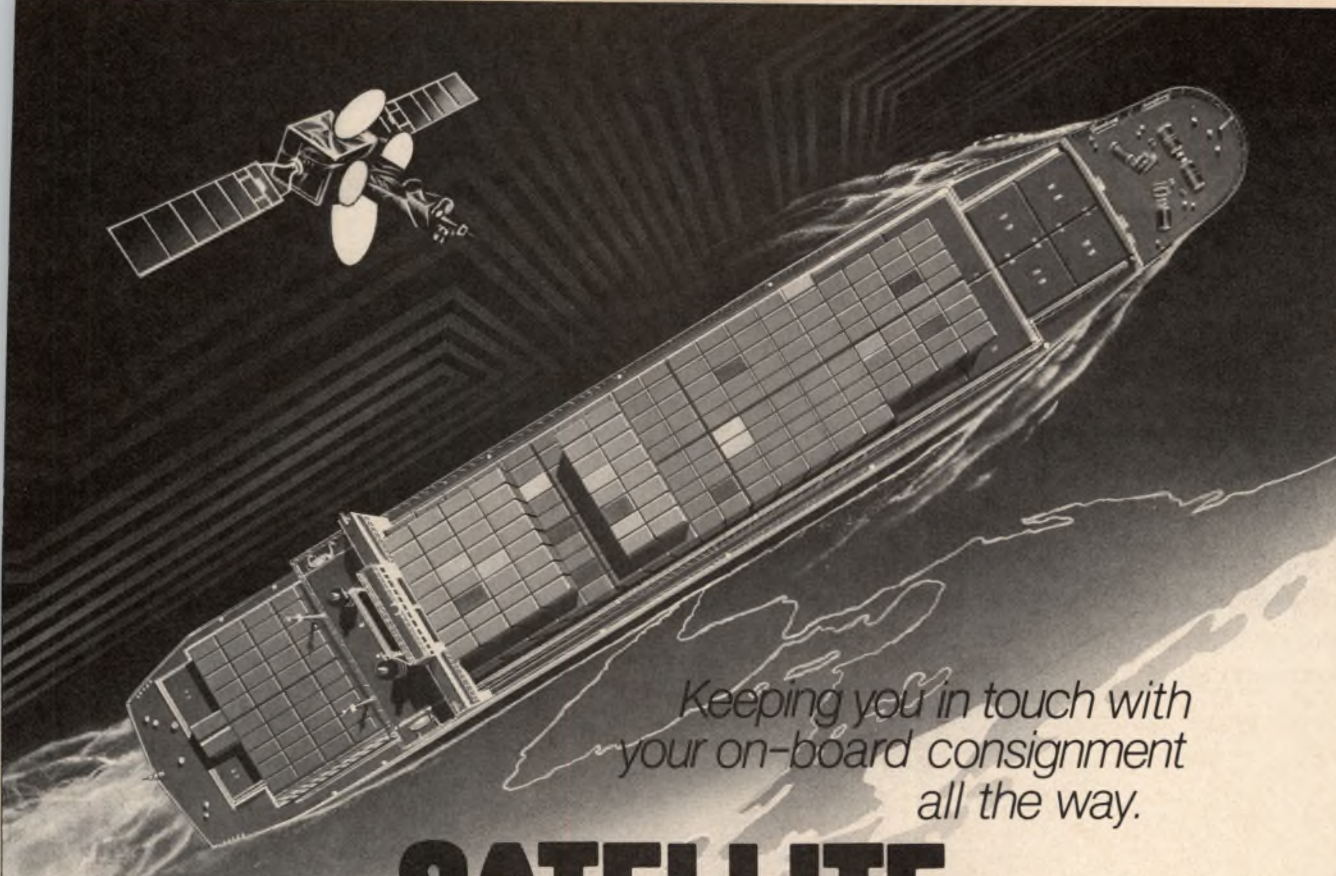
The outsider lines are Naviera Intera mericana Navicana S.A., Cia Chilena d Navegacion Interoceanica S.A. (CCNI) Naviera Lavinel, Norsk Pacific and Can adian Transport Company, though the latter-most carries freight exclusively fo its parent company, forest-product giant MacMillan Bloedell.

Whether they are able to regroup into a new rate agreement or at least a talking agreement remains to be seen.

"We're all looking at the possibilities," commented William A. Jetter, general manager for ELMA General Agency Corporation in San Francisco. At the moment, Jetter said, the carriers are busy reworking their tariffs as they attempt to adjust to their new operating environment. There is a good possibility they will start to discuss a new rate agreement "once we get all our decks in a row," he said.

There is a good possibility they will start to discuss a new rate agreement "once we get all our decks in a row," he said.

Blok Expects to Move. As for Blok, he expects to move his offices, though he will remain in San Francisco. Blok also heads the Pacific Coast-River Plate/-Brazil Conference and the Pacific-India/Pakistan/Ceylon/Burma Agreements. He does not expect to remain chairman of the former, which comprises Delta, ELMA and Lloyd Brasileiro, but does anticipate keeping charge of the latter and "will probably continue to administer the Foreign Shipowners Association.



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THE QUEST FOR DOMINANCE IN COMPUTERIZED TARIFFS

The "Journal of Commerce" and Tariff Resources, Inc. are emerging as market leaders in computerized tariffs. The stakes are huge but both players believe they have what it takes.

By Mark Magnier

The race is on for what promises to be a new multi-million dollar industry—computerized tariffs. Although there is still a good deal of distance between here and the finish line, two distinct players have emerged, each in a strong position to dominate the market. Each has a distinct product to offer.

The stage is set for a contest between Tariff Resources, Inc. (TRI) and the *Journal of Commerce* (JOC) for a market that some people have estimated could reach a half billion a year over the next couple of decades.

Last month, TRI got a capital and marketing boost after signing an agreement with Mitsui & Co. (U.S.A.), a wholly owned subsidiary of Mitsui & Co., Ltd. of Japan with total 1983-84 trading transactions of $71.9 billion. In return for a $1 million investment in TRI, Mitsui receives approximately 10 percent interest in the company and an option to double this stake later should it choose to convert loans into stock. In addition to the capital, TRI receives the marketing muscle of Mitsui in the U.S., Canada and Asia. Mitsui has approximately 1000 sales people who would be in a position to introduce shippers to the TRI service.

But the *Journal of Commerce* says it is already the market leader in the computerized maritime information field and expects to stay there. "We're absolutely confident we'll stay ahead," says Jim Devine. "We don't need a new investor." The JOC is owned by the Knight-Ridder Corporation which had 1983 total revenues of $1.47 billion.

The next five to ten years are likely to set the standard in this new field, more clearly define the needs of users and establish a clear leader in the field. "We're at a juncture in the way information is handled in the maritime industry," says Douglas Tucker, president of Tariff Resources, Inc. "The first in the market with a credible product will capture a significant market share and others will share a smaller portion." This pattern of dominance, he says, has already occurred in computers, telecommunications and other high-tech industries. The winner wins big.

Because computerized tariffs are new to the maritime industry, both companies say true demand is not even alive yet. As a result, a good deal of the early marketing efforts will have a strong educational bias.

> *"The first in the market with a credible product will capture a significant market share and others will share a smaller portion."*

Both companies believe in their product and cite the enormous gains from using a computerized tariff service. At the basic level, savings will be achieved in replacing the way a company presently keeps up with tariffs. Whether the company purchases a tariff, subscribes to a watch service, pays a freight forwarder or employs a number of people to call the steamship companies, there are economies to be gained. "The big loser may be Ma Bell," says Tucker.

The Value. Even larger savings are likely to accrue, however, from managing more information more efficiently, making better transportation decisions and matching tariffs to individual shipments. "The tendency in export trading has been for shippers to sample the (tariff) environment, make limited choices and stick with that pattern for some time," says Tucker. "The savings here are potentially enormous." The JOC likes to cite the example of one of their customers who found a substantially lower rate while the system was still being demonstrated.

In addition to a difference of opinion on who will control the electronic tariff market, the two companies also have different ideas on what form that product should take.

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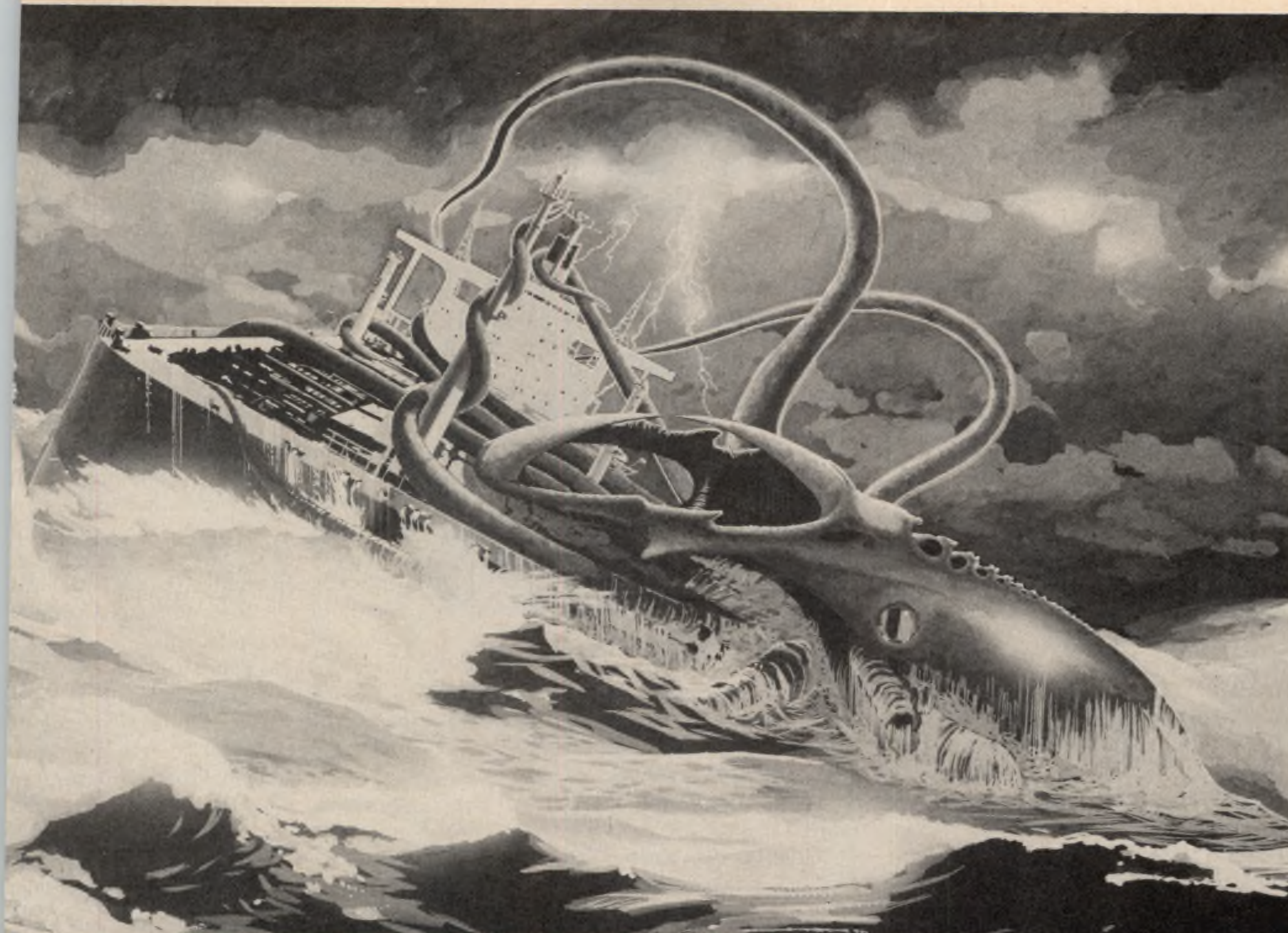

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the publishing business, has opted for an electronic publishing service called RATES. They have keyed the tariffs into the computer as they are received from the FMC, complete with rules and indices. The computer is then able to search this volume of information based on verbal characteristics the user supplies, including type of commodity, route, carrier, etc. "Our market research showed that people wanted the whole tariff," says Devine.

The JOC cites its 12-year involvement with the data, its huge data base, currently the largest, and its four years of work with computerized trade data in the form of PIERS. PIERS is a computerized source for import and export information.

TRI's Product. TRI, on the other hand, through its on-line system, has opted not to change the form of the tariff and to reorganize the information into what it believes is an improved "rigorous, logical, comparable" format. Tariffs are accessed by numbers rather than by words, allowing the system to "map" comparisons rather than "browse."

At present, TRI offers ocean rates covering inbound and outbound U.S.-Far East trades. Within the next few months it expects to have the transatlantic trades, the Mediterranean Basin, the Middle East and South Asia. The JOC says it finished entering all export tariffs at the end of August and expects to finish all imports by the end of the years.

Where They Differ. Both companies acknowledge the competence of their competitor, but both also believe the other one is taking the wrong approach. The JOC says that in the process of digesting the tariff information, TRI has sacrificed some comprehensibility. "TRI doesn't have the tariffs," says Devine. "They have their interpretation of the tariffs." Because there are so many subclassifications, he says, the tariffs do not lend themselves to indexing.

TRI, on the other hand, maintains that they do have complete information. Furthermore, they say, the emphasis should go beyond what information actually is, to address the question of how it can be used. "We didn't see a big enough market for text retrieval," says Tucker. "Our conversion adds intelligence." By organizing data based on the computer's characteristics, Tucker says TRI is paving the way for more efficient comparability, calculation of charges and improved interface between different maritime sectors, among others.

The Market. Tucker estimates there are about 1100 firms with annual export sales over $100 million and another 10,000

TRI president Douglas C. Tucker

with sales over $10 million. Tucker says TRI is projecting annual sales of $40 million by 1989, a 20-fold increase over present annual revenues.

The JOC says it is looking at an immediate market of 200 steamship lines, 30 to 50 major port authorities and about 2000 shippers and consignees who are large enough to be interested in their service. Devine says the dollar value of the market is "certainly in the millions." RATES now has about 70 subscribers.

The JOC has been going to trade shows and making sales calls on likely companies. They have divided the country into five sales districts and assigned each one to a salesperson. Devine says the idea of electronic rate retrieval is well received in theory, although it can be another story to get subscribers signed up.

TRI says it will place special emphasis on the mid-sized American companies that export. Although this is their long-term objective, he says there are certain problems with reaching this group. "Exports is the tail that wags the dog for middle level companies," he says, adding that many have not finished automating their domestic transportation operations and view international traffic as a backwater.

"Exports is the tail that wags the dog for middle level companies," he says, adding that many have not finished automating their domestic transportation operations and view international traffic as a backwater.

In light of this, Tucker says TRI w first try to market to large, sophisticat U.S. exporting companies. Because their export volume and familiarity, it easy for the larger players to see tl advantage of using the system.

Once TRI has established its presen with the big boys, Tucker believes the will be a trickle down effect. With larg multi-national chemical companies c line, for instance, the mid-sized chemic companies will be ready to take a clos look.

Cross Jurisdiction. One concern Tuck has in selling to any size company, how ever, is the problem of cross jurisdictior Computerized tariffs have the potenti to make waves within an organizatior Employees who have been responsibl for handling all the paper tariffs ma resist the innovation for fear of losin their jobs. At least three department within an organization are involved i the decision to subscribe.

The traffic department will obviousl be the prime user of the system and wil feel any subsequent layoffs. The finan cial department will be responsible fo approving the outlay. Finally, the com puter systems department will need tc integrate TRI's Online service with the existing system. Tucker says the financial department will be their biggest ally because of the obvious cost savings.

Pricing. A key variable in any marketing strategy is pricing. Both companies are charging a subscription charge based on the breadth of information a customer wishes to have access to and a usage fee based on computer time. Basic service for one trade can start at a couple of hundred dollars a month. RATES is less expensive than TRI/Online but TRI maintains its service does more. Both offer discounts for volume users but tötal access will require a sume of change.

"Our object is to build a big business, to make a reasonable profit and to get the maximum number of customers," says Tucker.

Industry Effects. If (some would say "when") electronic tariff service becomes the industry standard, business operations could be changed significantly. Both companies cite the labor savings. Devine estimates there could be as much as two for five replacement ratio.

Computerized tariffs also may decentralize decision making by placing more information and greater authority in the hands of the traffic manager. In addition, Tucker says better information will also increase competition in the marketplace, which is hampered now by the present tendency to operate with incomplete information. This could put down-

ward pressure on transportation costs. It could also speed up the rate and reduce the costs of transactions.

Mapping the Future. Both companies say they are planning additional refinements and perhaps new products over the next few years. The JOC says it will improve its prompt and menu system to make it more "user friendly" and will also incorporate customer suggestions. In 1985, RATES hopes to interface with carriers so they can enter their changes directly into the JOC computer. From here, they could be accessed by the FMC. (Observers might also notice that this saves the JOC the laborious step of entering tariff information into the com-

Neither system has yet broken even and both could come under some pressure to produce results in the future.

puter itself.) Devine says there may also be a possibility of linking RATES and PIERS services together in the future.

TRI is planning to introduce their Freightline service later this year, which will be an on-line freight charge calculation system. Shipline is also scheduled for unveiling in the near future. This will be an electronic worldwide sailing schedule of vessels. TRI will continue to expand its data base and may also try to enter foreign rates at some point in the future. TRI says it will also continue to refine its products to meet the needs of the targeted mid-sized companies. TRI finally says it may be possible to link various other participants in the international trade arena as well. It can envision on-line systems involving banks, insurance companies, governmental bodies, shippers and carriers, including the movement of letters of credit and bills of lading.

But Tucker cites the importance of keeping one's feet on the ground as well. "We can talk expansively in this business, but we have to keep our efforts on building key products. If that isn't done carefully, these are no more than pipedreams."

Even if pipedreams are avoided, both companies have a lot of work to do. Neither system has yet broken even and both could come under some pressure to produce results in the future.

Owners. Although the JOC does have the Knight-Ridder Corporation behind it, the investment is expected to make money sooner or later. "For us, RATES is a fairly expensive proposition," says Devine. "We have time, but not forever. How long before we break even remains to be seen." Devine estimates they need to triple their 70 subscribers before they will cover costs.

TRI also has certain interests it must answer to. Their historical development follows the pattern of many start-up companies. "We had an important sense of what the marketplace needed but we didn't have the capital," says Tucker. In return for the venture capital, they have had to give up an interest in the store. In addition to TRG/Washington Group, Tucker's consulting firm, the principal shareholders are Mitsui and Ocean Cory, Inc., a subsidiary of Ocean Transport and Trading plc, the large U.K. shipping company. Ocean Cory owns about the same share as TRG, Tucker says, "somewhere in the 25 to 45 percent range," while Mitsui now owns about 10 percent.

Tucker acknowledges that Ocean Cory got a good deal, relative to what was later negotiated with Mitsui, as is often the case with early investors. Tucker stresses that shareholders leave the decision making to the management.

With a large share of the million dollar computerized tariff market likely to go to a single company, and customers' needs for a complete, accurate and useful source of information, it is inevitable that the issue of a merger be raised. If such a sacrilege has even been imagined, neither party gives any clue of it. "There is no possibility of any type of merger," says Devine in a strong voice, a view that Tucker would be glad to verify.

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Beneficial Owner or Middleman

First big legal issue under new Shipping Act revolves around right of NVO and freight broker middlemen to form "non-profit" shipper associations with whom carriers are forced to negotiate rates.

By Tony Beargie

A number of ocean liner conferences and shippers are bringing pressure on the Federal Maritime Commission to bar non-vessel operating common carriers and other international trade "middlemen" such as freight forwarders and brokers from becoming members of shippers' associations under the Shipping Act of 1984.

Spearheaded by the American Institute for Shippers' Associations, Inc., which has been active in representing some 41 cooperative shippers' associations before the Interstate Commerce Commission, the drive to limit shippers' association membership to beneficial owners of goods shipped has drawn the general backing of the Chemical Manufacturers Association, Phillips Petroleum Company, the Wine and Spirits Shippers Association, the Council of European & Japanese National Shipowners' Associations and the major transatlantic and transpacific ocean liner conferences.

And, as expected, the campaign to leave these NVO, freight forwarder and broker middlemen out of the shippers' association picture is being fought hard by a number of groups representing companies which have long been referred to as the "lubricating forces" of the international maritime industry.

Middlemen. Those waging the battle against the big shippers and their allied ocean conferences include the Transportation Brokers Conference of America (which was formed last summer in order to gain FMC approval to operate as the nation's first shippers' association under the new law); the International Association of Non-Vessel Operating Common Carriers; and the National Customs Brokers and Forwarders Association of America. Others joining the fight to allow the so-called "middlemen" into shippers' associations include the Tobacco Association of the United States; the Virginia Export Trading Company (Vextrac) which is an affiliate of the Virginia Port Authority, and Greene Companies International, Inc.

What started the ball rolling on the shippers' association membership question was an announcement issued by the FMC in late May stating that the agency was not planning on issuing rules governing either the formation or operation of shippers' associations under the new law. Rather, the FMC said, it would address such issues, if required, on a case-by-case basis.

The FMC announcement sparked the current tug of war at the agency which could turn out to be one of the most difficult issues to be tackled under the new Shipping Act.

As the FMC's General Counsel Robert D. Bourgoin told *American Shipper:* "It is a difficult issue. I don't think there's any question about that."

The Profit Issue. When and if the FMC decides to take up the shippers' association membership issue, the battle will be fought over the so-called "profit" issue.

The FMC said it would address such issues, if required, on a case-by-case basis.

The liner conferences and shippers supporting a policy of barring freight handling "middlemen" from membership are relying heavily on the definition of shippers' associations contained in the Shipping Act of 1984 which states such groups deal with freight on a "non-profit basis."

For the record, the definition states: "Shippers' association means a group of shippers that consolidates or distributes freight on a non-profit basis for the members of the group in order to secure carload, truckload, or other volume rates or service contracts."

The above definition, it is argued, was intentionally drawn up by Congress to mirror the Interstate Commerce Act which limits shippers' association membership to those having a beneficial interest in the cargo they ship. NVOs and other shippers' agents have no such beneficial interest in the cargo they handle since they are in the business for profit and are therefore barred from joining associations under the new Shipping Act, the FMC was told.

On the other hand, it is argued that NVOs and brokers enjoy shipper status under the new law. Two definitions contained in the new Act are cited, namely, one dealing with the term "shipper" and another defining a "non-vessel-operating common carrier."

"The (shipper) definition is crystal clear," said Robert J. Gallagher, attorney for the newly formed Transportation Brokers Conference of America, Inc. Gallagher and others pointed to this definition which states: "Shipper means an owner or persons for whose account the ocean transportation of cargo is provided or the person to whom delivery is made."

Pointing to the above definition, the TBCA attorney argued that brokers qualify for membership because "if a broker is the person for whose account the ocean transportation is provided, then the broker is a shipper" under the new law.

"No argument or interpretation is necessary," Gallagher continued. "A shipper is (1) the owner, or (2) the person for whose account the ocean transportation is provided, or (3) the person to whom delivery is made. Once that definition is firmly grasped, then all other arguments have little weight."

Raymond P. deMember, counsel for the International Association of Non-Vessel Operating Common Carriers, in a telephone interview with *American Shipper*, rejected the argument put forth before the FMC claiming that middlemen such as NVOs are not eligible for shippers' association membership because they are in the freight handling business for profit. ■

The point deMember wants to drive home is his contention that under the law shippers' associations themselves cannot be profit-making organizations but their members are indeed allowed to be profit-making companies.

"The fact that one is selling transportation and another is selling auto parts as an individual company has nothing to do with the fact that the shipper association itself is a non-profit-making organization," deMember said. "That is the test—whether or not the shippers' association itself is a profit-making organization."

"There is no reason to believe that Congress in passing the Shipping Act intended to let the DuPonts and General Motors form shippers' associations to negotiate for the lowest possible rates and the best services and to prevent NVOs representing less-than-container-load shippers from doing the same thing," deMember continued.

In reference to the comments before the FMC urging the agency to limit association membership to the beneficial owners of cargo shipped, deMember said these parties "are trying to force the (Federal Maritime) Commission to model its law after the Interstate Commerce Act...and there's no reason to do that."

deMember said two eligibility tests have to be met under the Shipping Act in order to become association members. "First, you have to qualify as a shipper under the new Act. Second, the shippers' association that is formed must be on a non-profit basis, even though its members are profit-making companies," the NVOCC industry attorney said.

In his formal statement before the FMC, deMember added a new dimension to the argument, noting that the U.S. Supreme Court in cases back in 1911 and 1942 "held and reaffirmed that carriers may not discriminate between shippers on the basis that one shipper is and another is not the real beneficial owner of the cargo.

FMC precedents prior to the new Shipping Act and the new law itself both treat NVOs as shippers, deMember maintained, adding that "it is incongruous...to go outside maritime law and attempt to apply Interstate Commerce Act provisions and decisions under that law in order to exclude NVOs from shipper status under the 1984 (Shipping) Act."

deMember said "it is interesting" that a number of liner conferences have supported the move to eliminate NVOs from shippers' association membership and at the same time contended that the conferences are trying "to curtail or eliminate NVO competiton for LCL freight."

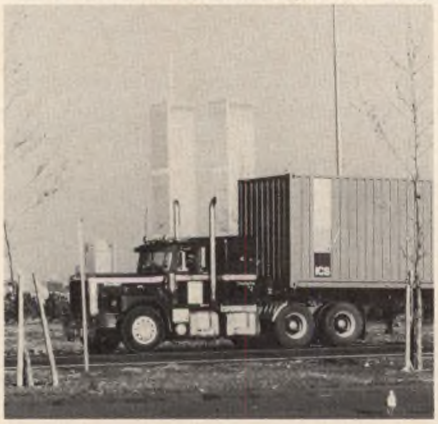
"Certainly it should not make any difference to ocean carriers which groups of shippers form associations to negotiate rates," deMember told the FMC. "There may be many shippers too small to form significant aggregations of cargo to negotiate with ocean carriers meaningfully or significantly for beneficial rates; whereas the aggregations of three or four NVOs, each of whom have scores of LCL shipping customers could more meaningfully and realistically aggregate large volumes of cargo to obtain significantly lower rates, all to the ultimate benefit of LCL shippers."

The TBCA accused the American Institute for Shippers' Associations (the group that started the ball rolling on the issue) of "simply trying...to protect their own turf." But, in fact, the TBCA argued "they don't have any turf in international shipping."

TBCA Would Not Qualify. The Transportation Brokers Conference of America, Inc., which in an upbeat atmosphere of optimism, unveiled its shippers' association plan in June, stated flatly if the FMC acts to bar middlemen from association membership, then its group, which claims to have over 650 members in 40 states, "would not be able to organize or operate."

Allowing brokers to form shippers' associations will bring smaller volume shippers into the international trade picture, increase exports and aid in improving the nation's balance in trade deficit, the TBCA said.

The TBCA accused the American Institute for Shippers' Associations (the group that started the ball rolling on the issue) of "simply trying...to protect their own turf." But, in fact, the TBCA argued "they don't have any turf in international shipping." (It is common knowledge that before enactment of the 1984 Shipping Act the AISA concentrated on domestic transportation. And, as one source who asked not to be identified put it: "They (the AISA) see this (the new Shippir Act) as a golden opportunity f expansion.")



As of this writing, the TBCA w awaiting formation approval (as require by the Shipping Act) from the U. Department of Justice in the form of business review letter. In this regar Peter A. Friedmann, counsel to th Senate Commerce, Science and Tran portation Committee and a well-know expert on the Shipping Act, feels that lot of confusion should be cleared u when the Justice Department issues it review letter on the TBCA shipper association petition.

"The Department of Justice's busines review letter in response to the TBC petition should help clarify the (shipper association membership) issue and pro vide some guidance for the FMC, Friedmann told *American Shipper*.

DuPont Is Neutral. Although DuPon was mentioned by deMember as one o the big shippers in his argument, th huge exporter is actually taking a neutra position in the controversy, according t the company's Director of Logistics Clifford M. Sayre. "DuPont is neutra because we have no stake in this," Sayre said in a short telephone interview. "We do not use NVOCCs. We don't use them because we don't think they can do anything for us that we can't do for ourselves. We are just as good negotiators as they are and we have the ability to consolidate our own cargoes."

While Friedmann feels that a lot of questions will be cleared up by the Justice Department's review letter, FMC officials feel that the case could turn out to raise the most controversial issues so far under the new Shipping Act. As one source put it: "The conferences, shippers, NVOs and brokers have all jumped in and are pulling at it from different sides." Although the FMC could look the other way (as a matter of policy) by deciding questions on a case-by-case basis, this same source is of the opinion that the agency should take up the matter. "They're not going to be able to walk away from it," he said. "If we don't act, this issue will keep cropping up all the time." In any event, because of the press of other business, primarily the FMC's December 15 deadline to have all final rules in place under the Shipping Act, the agency will most likely not be able to get to the case for a few months.

Heading to the Courts? No matter what the FMC decides, it is felt the issue could be around for a long time since both sides are taking the issue seriously. "This could be the first case (under the new Shipping Act) to be litigated in court," a high-ranking FMC official said. ■

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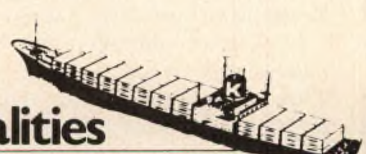

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American NVOs Come of Age

Rupert Denny of Votainer Consolidation says a comparison between the American NVO industry and its more established European counterpart may give clues to future American developments. *By Mark Magnier*

The NVOs are considered by some to be the controversial "bad kids" of the industry, always getting into some kind of trouble. Their existence came about almost by accident and their survival has at times seemed tenuous. Perhaps because of this they are a scrappy lot and have been doing a lot to assure they are needed and recognized, if not yet loved.

In Europe, NVOs have already fought many of their battles. There are now a smaller number of more established firms, better able to police themselves.

Neither continent, however, can claim to have a mature NVO industry. The European NVO industry began about 1970 and the U.S. NVO industry began in the late 70s. "Deregulation has given rise to opportunity," says Rupert Denny, Baltimore regional manager, Votainer Consolidation Services, explaining the evolution of the Non-Vessel-Operating Common Carrier (NVOCC).

In the United States, he says, opportunity beckoned when the major conferences introduced rates that made middlemen possible by giving bigger discounts to full container loads.

The NVOs could step in, doing the labor-intensive job of consolidating freight that the carriers didn't want to handle, while offering the shippers a discount they wouldn't otherwise enjoy. As middleman, however, NVOs must assure that they do not become obsolete. "In the cold light of day, the middleman is always in a dangerous position. Party A could talk to party C." NVOs have had to force their way into a niche that was not always easy to occupy. Over the last few years they have had battles or skirmishes with labor over the 50 Mile Rule, with freight forwarders over fear of overlapping duties and with shippers over cargo accountability. There has also been some competition from carriers, especially when even smaller loads of cargo can help reposition empty containers.

Recently, their position has become more explicit, with their definitional mention in the new Shipping Act. This recognition was something the NVO industry put a premium on and something that was not achieved by accident. More than a few industry observers have credited them with doing "one hell of a lobbying job" in the 1984 act.

"The NVOs are quite proud of that, that they're a recognized entity," Denny says. "We've been in America three years and we're a recognized entity. In America, recognition is important compared with Britain where you can be in a vacuum for a century and profit," he says, laughing.

Lobbying for recognition in the Shipping Act makes sense, says Denny, because of its impact. "We can't lobby five different conferences—it has to be done at the bottom or the top." With official recognition they can expect more security in the future, although if the past is any guide, they will continue to be in the limelight.

Co-Loading. The most recent NVO-related controversy in the public eye has involved the issue of co-loading. This practice occurs when one NVO contracts with another NVO to ship a customer's cargo, generally because the first one doesn't have a full load himself. Co-loading often occurs without the customer's knowledge. The Federal Maritime Commission (FMC) is drawing to a close its hearing period for suggestions on this issue and should decide soon. Denny says there are no statistics kept on the extent of co-loading but "with the exceptional volume out of the U.S. you have to assume it's significant." Opponents of the practice say responsibility is not clearly established, shippers remain in the dark and lengthy delays can ensue. But others say if an outright ban on co-loading were legislated, smaller NVOs who cannot guarantee full loads would be put out of business.

> *If an outright ban on co-loading were legislated, smaller NVOs who cannot guarantee full loads would be put out of business.*

Although Votainer might not be heartbroken to see a few of the smaller companies go out of business, Denny says an outright ban is not necessary, just some form of increased regulation.

"I think it should be made clear what is happening to the shipment. We have to encourage credibility," Denny says.

From the standpoint of the NVO industry, Denny believes co-loading abuses have hurt all the players involved.

"A lot of shippers are becoming increasingly wary (of using NVOs). They are concerned over what happens to their cargo. And many banks will not accept documents."

European NVO Experience. In Europe, Denny says, the NVO group as an indu try may be at a slightly more advance stage.

"In any industry that's ever been estab lished, there's been a shake-down," h says. This process has already occurre in Europe. In the U.S., that has still t happen.

In Europe, co-loading also exists an there is no requirement that the shippe be informed when it does take place. Bu Denny also says the long-term NVO players have more established reputa tions and have weathered the shakeout "You might argue that market forces ca solve this as much as anything else," say Denny.

A key difference between Europe an the U.S. as it relates to co-loading, however, is that the average small European shipper is more familiar with the international market than his American counterpart, says Denny. Presumably, this makes him better able to watch out for himself. "In Europe there were not as many shippers hurt because they may be more sophisticated," he says. "The shipper takes a more active role."

This difference between the European and American shipper will change, says Denny, as Americans become more interested in foreign trade.

Denny says Votainer does have co-loading provisions in its own tariffs. With all the controversy over the issue, however, the company does not solicit business from smaller NVOs. "While the issue is in the air, we discourage co-loading, but we do it." he says.

"If we went out looking (for co-loading) business, it would be misconstrued that we went with our own ends in sight to find out who's moving cargo," he says. If this were their intent, they would know where to find business if co-loading were forbidden. Denny says that the co-loading issue should be resolved in a way that guarantees accountability and credibility.

Accountability might be achieved by requiring notice on the bill of lading when co-loading occurs, so the shipper is aware of what is happening to his cargo.

Credibility might be gained by requiring that NVOs be a member of a trade association and be able to demonstrate their financial strength, performance record and investment in order to assure they are not fly-by-nighters. "In the old days that was licensing," he says. "In the deregulated atmosphere that (word is) old hat. "These would help to protect the shipper," he says, from the "great risk" he faces with co-loading.

Corporate Profile. As a company, Denny says Votainer has tried to stay on top of changes likely to affect the American NVO industry. Votainer is a subsi-

Accountability might be achieved by requiring notice on the bill of lading when co-loading occurs, so the shipper is aware of what is happening to his cargo.

diary of the Van Ommeren Group, a Rotterdam-based firm that targetted the U.S. NVO field four years ago as a solid strategic move for the company.

This was part of their goal of establishing an international NVO network in the major trade lanes. "As a company, we've established what we wanted to," Denny says. The company believes that in areas where their NVO operations are strong, they can use their market position to take advantage of other trading and chartering opportunities.

The U.S. is especially important, Denny says, because of the direction they believe American traders are moving in. "There's tremendous potential in the United States for LTL (less-than-container-load shipments)," he says. "Traditionally American companies have been complacent about foreign trade but that's starting to change. With the changes in smokestack industries, many companies are starting to move into international business."

By 1986, Denny predicts, there will be a real American export push. As a trading company, Van Ommeran would be in position to provide the expertise necessary to pierce foreign markets. Because many of the companies entering the market will be small, there will be a need for quality consolidation. Thus Votainer/Van Ommeran would be able to capitalize on this growth from its inception.

Moving into the international arena may not be a matter of choice for small American firms, Denny says. "I think a significant percentage of small American businesses will hit the wall unless they enter markets worldwide." Denny also says the company, in league with other NVOs, will move to establish inland consolidation hubs to take advantage of the shift toward intermodalism.

"If we can reduce the cost on inland transportation, we can offer a (viable) service," says Denny. By establishing a network of 20 or more inland hubs, he says, they can create a system that no single carrier can compete with. ■

"If we can reduce the cost on inland transportation, we can offer a (viable) service," says Denny.

Truckers Causing Bottlenecks

Customhouse brokers complain that when problems arise in picking up import cargo, some truckers simply drive off and leave the cargo at the dock—sometimes without telling anybody. *By Richard Knee*

With import freight arriving at West Coast ports in record volumes, it's not surprising that the docks have become a bit overcrowded with containers. The problem is particularly acute in southern California, arguably the favorite gateway for shipments coming in from the Far East.

But there's something exacerbating the situation, a series of unpleasant surprises that have importers and customhouse brokers fuming: where truckers encounter difficulties in picking up cargo, they are sometimes wont to drive off and leave it at the dock, and in some cases they won't bother to tell anybody.

California-Wide Problem. "It's happened to me," said Ted L. Rausch, president of Ted L. Rausch Company, a San Francisco-based broker/forwarder firm, during a recent conversation with *American Shipper*.

Rausch said the cargo-stranding incidents are occurring in the Bay Area as well as southern California. "Facilities all over are being strained," he said.

Such incidents occur "one or two times a year" with Wayne M. Withrow & Company, according to John F. Peterson, executive vice president of the Los Angeles-based broker/forwarder. "The truckers that do that to us never see our business again," he added.

Import traffic at some docks has soared 400% or more in the past year, Peterson said, and there is consequently a shortage of chassis.

At Long Beach's Pier 246B, "it's not uncommon for truckers to wait all day. For consignees, the wait is sometimes "multiple days, though it's unusual for it to stretch into a week," Peterson said. Even so, "if it's a crucial shipment, every day means a lot."

Deregulation Blamed. Officials at CIS Ocean-Air Forwarders in Los Angeles relate a slightly different problem, which they blame on motor-carrie[r] deregulation.

One of CIS' customers switche[d] truckers to get a $45-per-container rat[e] savings.

When a shipment failed to show up CIS traced down the newly employe[d] trucker—and found it was someon[e] working out of a mobile home who ha[d] turned the job over to somebody else.

It is too easy for some fly-by-nighter t[o] enter the trucking business, the CIS officials said. Such operators frequently come along, lure a few customers and then vanish, slipping their delivery assignments to other truckers.

The problem is that those other truckers are going to take care of their own customers first, causing delays in the shipments for the first truckers' customers.

Ed Bastian, an assistant manager in the Port of Long Beach's marketing department, said he had heard "no specific complaints" regarding cargo abandonments but "undoubtedly, there are some incidents where that does occur."

Coping With Congestion. The port administration has spearheaded the formation of a "harbor talking committee" to deal with the dock-congestion problem.

The group comprises virtually all elements of the local shipping community—the Long Beach and Los Angeles port authorities, steamship lines, terminal operators, brokers and forwarders, railroads and truckers.

The committee was born of concern over possible problems to come from the recently ended Summer Olympic Games.

At a recent meeting of the group, Bastian said, it was noted that a recent influx of chassis from various sources should alleviate the problem somewhat.

The withdrawal of Taiwan-based Char Ching Line from the transpacific trade "freed up" 500 chassis, he said, and ICS recently ordered 200 new chassis.

An official at CIS, who attended the same meeting held September 26, said Japan-based Kawasaki Kisen Kaisha is "shooting for" a December 1 delivery date on 3,000 new chassis and it is hoped the carrier will keep them in Long Beach.

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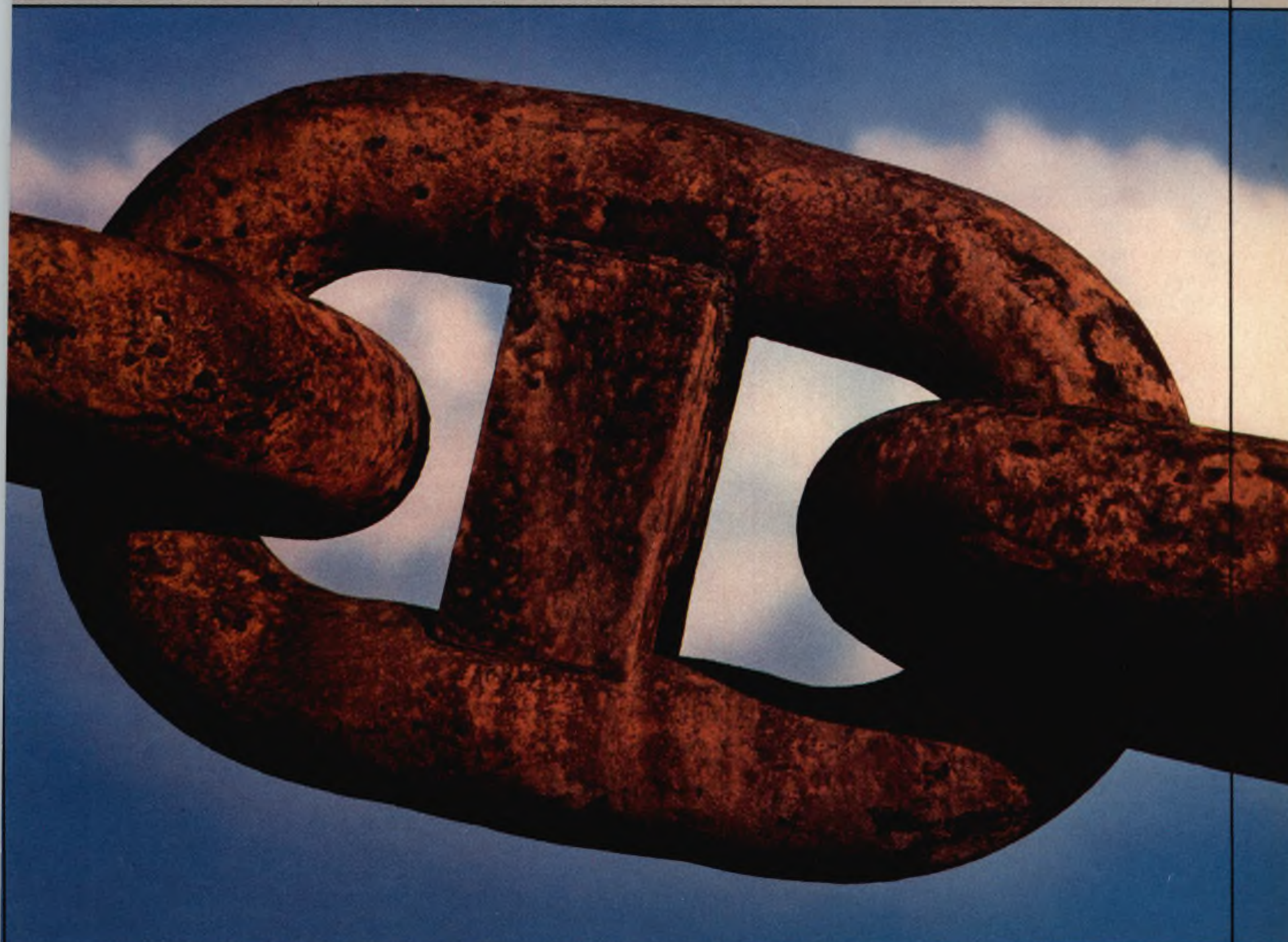

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Mistakes in documents presented against letters of credit can be corrected by the beneficiary 60% of the time, according to tw surveys reported at a recent meeting of the Customs Brokers and Freight Forwarders Association in San Francisco. Participating from left, were association president Jay Helstern, Kevin Curran from Bank of America, and bank vice president James LeBlanc (SFCBFA photo)

Bank Acceptance of Paper Eased By ICC 400

International Chamber of Commerce rules on transportation documentation have been loosened, making intermodal shipping a much easier process. But some questions remain. Lack of uniformity in banks' enforcement of letter-of-credit terms is likely to persist. *By Richard Knee*

Even before the International Chamber of Commerce's (ICC) new regulations regarding bills of lading became effective October 1, people in shipping circles were comparing certain aspects of it to the new Shipping Act that came into force in June. The new ICC guidelines are known as Publication 400 and replace the rules issued in Publication 290.

As the Shipping Act makes it easier and faster for steamship lines to establish rates and service arrangements, ICC 400 eases the process of getting banks to accept bills of lading. And as the Shipping Act delineates the roles and relationships of the various components in the ocean-transport cycle, ICC 400 apparently makes clear who may issue a bill of lading.

The word *apparently* is of paramount importance here because the latter-most question has not been fully resolved; specifically, there is a difference of opinion with respect to non-vessel-operating common carriers (NVOs).

Boost for Intermodalism. Where the shipping community is concerned, the key provision in ICC 400 is that a bank must accept an intermodal bill of lading unless the letter of credit expressly calls for another type of bill of lading (Article 25[c]). Under ICC 290, an intermodal bill of lading was permissible only if the letter of credit so stipulated.

Who May File? The biggest question that remains concerns whose bills of lading the banks will accept. The best advice is to shop around because what one bank won't accept another might. For example, Antoinette Pinzon, assistant vice president in Bank of America's trade finance services department, stated flatly that BofA would not accept a bill of lading from an NVO unless the letter of credit called for it. But Claus Pfannenstein, a vice president in Security Pacific National Bank's international banking division, said an NVO bill of lading would be acceptable "only if a marine or ocean bill of lading is not specifically called for" in the letter of credit.

'Catch-22.' Bob Coyne, chairman of the International Association of NVOCCs and president of Boston Consolidation Services, Inc., said he sees a "Catch-22" situation and ICC 400 "just makes a cloudy issue a little less cloudy. Coyne believes a bank must accept an NVO bill of lading unless the letter of credit states otherwise. He pointed to ICC 400 Article 25, which declares: "Unless a credit calling for a transport document stipulates as such document a marine bill of lading (ocean bill of lading or a bill of lading covering carriage by sea), or a post receipt or certificate of posting: a. banks will, unless otherwise stipulated in the credit, accept a transport document which: i. appears on its face to have been issued by a named carrier, or his agent...."

The biggest question that remains concerns whose bills of lading the banks will accept.

That "agent," Coyne remarked, could be an NVO. What clouds the issue, however, is that banks will accept a nonmarine bill of lading only if the issuer is a member of FIATA, an international organization of freight forwarders, he said. Meanwhile, he said, "FIATA bills of lading technically are not recognized by the FMC (Federal Maritime Commission) because (forwarders') tariffs are not filed with the FMC. There's no such thing as a forwarder's bill of lading in this country."

Forwarders abroad, he added, are unregulated and many of them offer consolidation services, so NVOs do not exist as such. Here, on the other hand, a person or group must obtain an FMC license to be a broker and another FMC license to be an NVO.

Shippers' Association Bills? The banking and legal communities might also be

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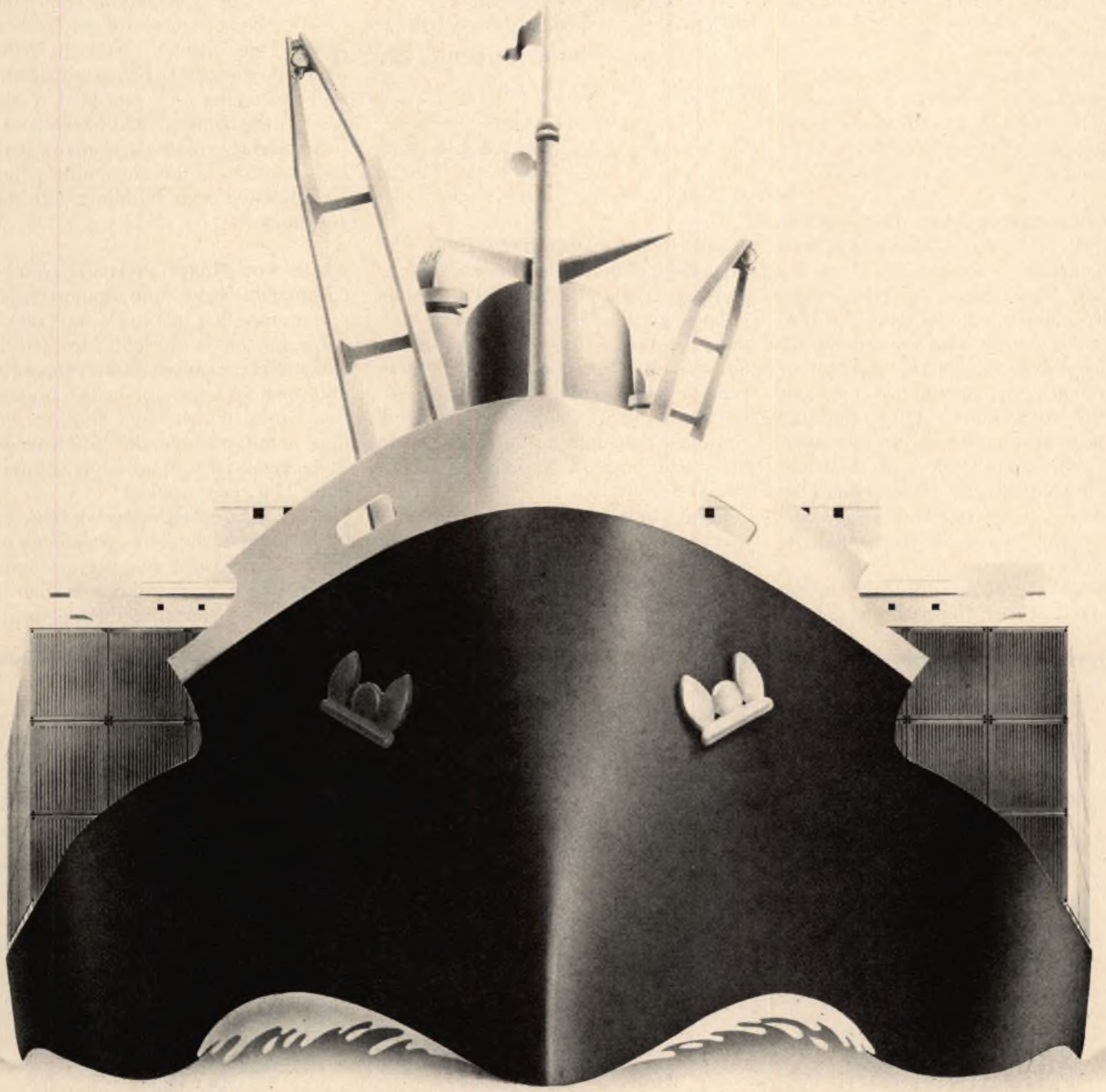

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asked to determine whether bills of lading from shippers' associations are acceptable. That speculation comes from William Bosque, owner of J. E. Lowden & Company, and Ted L. Rausch, president of Ted L. Rausch Company, both San Francisco-based forwarder/broker firms. They noted that shippers' associations are allowed to file bills of lading for domestic, truck-borne shipments.

With the new Shipping Act permitting establishment of shippers' associations to negotiate with ocean carriers, it is possible that bill-of-lading authority will be extended to such groups, they said.

Wide Acceptance Seen. There is little doubt that ICC 400 will receive at least near-unanimous acceptance from the banking community. "Ninety percent (of the banks) are going to accept ICC 400 in the vein in which it is written," predicted Gary S. Taylor, director of systemwide documentation for American President Lines (APL), the big, Oakland-based steamship operator. "There are going to be some that will not," the simple reason being "fear of the unknown," he added. That acceptance will come within about six months, he predicted.

When ICC 290 was implemented, he recounted, it took two years to get the banks to go along with it. The difference this time, he remarked, is that "we're pushing harder."

"Ninety percent (of the banks) are going to accept ICC 400 in the vein in which it is written. There are going to be some that will not, the simple reason being fear of the unknown." That acceptance will come within about six months, he predicted.

Scant Hope for Uniformity. Even with ICC 400 gaining such wide acceptance and providing clarification in certain areas regarding transport documentation, the fact is that banks retain the interpretative function when it comes to enforcing letters of credit. For that reason, those party to cargo shipments will continue encountering differences in that enforcement. Banking officials openly admit this.

In fact, noted BofA's Pinzon, enforcement policies might differ not only among banks but also within them. The reason, she said, is that bank personnel have a variety of experiential backgrounds. Where one member of a trade department staff might let a series of documents go through, another member who is more familiar with the vagaries of shipping to the importing country, might send the documents back because he knows they will not be accepted by that country, Pinzon explained.

Efforts to get the banking community together had not met with much success as this story went to press. BofA had planned a meeting of banking officials in mid-September but cancelled it after most of the banks invited backed out.

Apparently, officials at many banks had questions in their own minds about ICC 400 and were huddling with their attorneys.

Banks Too Picky? Pinzon is aware of complaints from the import/export community that banks are too picky in enforcing letters of credit (detailed discussions of documentation errors and the enforcement issue are in the previous two issues of *American Shipper*. "We have to follow a letter of credit from A to Z, especially if it is issued by a foreign bank," Pinzon remarked.

When her department sends back a set of documents, she said, "we are not trying to blame the forwarder or another group. We have to adhere to what the issuer of the letter of credit asks for." ■

What the New Rules Say

In terms of affecting intermodal shipping, the key provisions in International Chamber of Commerce (ICC) Publication 400 are contained in Articles 25-27, the text of which appears below. To obtain copies of ICC 400, contact ICC Publishing Corporation, 156 5th Ave., New York, NY 10010, phone (212) 206-1150, telex 661519; or Canadian Council, International Chamber of Commerce, 1080 Beaver Hall Hill, Suite 1630, Montreal, Quebec H2Z 1T2, Canada, phone (514) 866-4334.

To Be Accepted: Article 25: Unless a credit calling for a transport document stipulates as such document a marine bill of lading (ocean bill of lading or a bill of lading covering carriage by sea), or a post receipt or certificate of posting:

a. banks will, unless otherwise stipulated in the credit, accept a transport document which:

i. appears on its face to have been issued by a named carrier, or his agent, and

ii. indicates dispatch or taking in charge of the goods, or loading on board, as the case may be, and

iii. consists of the full set of originals issued to the consignor if issued in more than one original, and

iv. meets all other stipulations of the credit.

b. Subject to the above, and unless otherwise stipulated in the credit, banks will not reject a transport document which:

i. bears a title such as "Combined transport bill of lading," "Combined transport document," "Combined transport bill of lading or port-to-port bill of lading," or a title or a combination of titles of similar intent and effect, and/or

ii. indicates some or all of the conditions of carriage by reference to a source or document other than the transport document itself (short form/blank back transport document), and/or

iii. indicates a place of taking in charge different from the port of loading and/or a place of final destination different from the port of discharge, and/or

iv. relates to cargoes such as those in containers or on pallets, and the like, and/or

v. contains the indication "intended," or similar qualification, in relation to the vessel or other means of transport, and/or the port of loading and/or the port of discharge.

To Be Rejected: c. Unless otherwise stipulated in the credit in the case of carriage by sea or by more than one mode of transport but including carriage by sea, banks will reject a transport document which:

i. indicates that it is subject to a charter party, and/or

ii. indicates that the carrying vessel is propelled by sail only.

d. Unless otherwise stipulated in the credit, banks will reject a transport document issued by a freight forwarder unless it is the FIATA Combined Transport Bill of Lading approved by the International Chamber of Commerce or otherwise indicates that it is issued by a freight forwarder acting as a carrier of agent of a named carrier.

Article 26: If a credit calling for a transport document stipulates as such document a marine bill of lading:

a. banks will, unless otherwise stipulated in the credit, accept a document which:

i. appears on its face to have been issued by a named carrier, or his agent, and

ii. indicates that the goods have been loaded on board or shipped on a named vessel, and

iii. consists of the full set of originals issued to the consignor if issued in more than one original, and

iv. meets all other stipulations of the credit.

Other Stipulations: b. Subject to the above, and unless otherwise stipulated in the credit, banks will not reject a document which:

i. bears a title such as "Combined transport bill of lading," "Combined transport document," "Combined transport bill of lading or port-to-port bill of lading," or a title or a combination of titles of similar intent and effect, and/or

ii. indicates some or all of the conditions of carriage by reference to a source or document other than the transport document itself (short form/blank back transport document), and/or

iii. indicates a place of taking in charge different from the port of loading, and/or a place of final destination different from the port of discharge, and/or

iv. relates to cargoes such as those in containers or on pallets, and the like.

c. Unless otherwise stipulated in the credit, banks will reject a document which:

i. indicates that it is subject to a charter party, and/or

ii. indicates that the carrying vessel is propelled by sail only, and/or

iii. contains the indication "intended," or similar qualification in relation to

—the vessel and/or the port of loading—unless such document bears an on board notation in accordance with article 27 (b) and also indicates the actual port of loading, and/or

—the port of discharge—unless the place of final destination indicated on the document is other than the port of discharge, and/or

iv. is issued by a freight forwarder, unless it indicates that it is issued by such freight forwarder acting as a carrier, or as the agent of a named carrier.

Article 27: a. Unless a credit specifically calls for an on board transport document, or unless inconsistent with other stipulation(s) in the credit, or with article 26, banks will accept a transport document which indicates that the goods have been taken in charge or received for shipment.

b. Loading on board or shipment on a vessel may be evidenced either by a transport document bearing wording indicating loading on board a named vessel or shipment on a named vessel, or, in the case of a transport document stating "received for shipment," by means of a notation of loading on board on the transport document signed or initialled and dated by the carrier or his agent, and the date of this notation shall be regarded as the date of loading on board the named vessel or shipment on the named vessel. ■

DISC to FSC (they rhyme)

When European members of GATT ruled that Domestic International Sales Corporations were an illegal subsidy, Congress created a new, but legal, subsidy. Guam and the Virgin Islands may be the first to benefit after January 1. *By Mark Magnier*

A recent change in the tax law is likely to affect several thousand U.S. corporations involved in exporting. It is also likely to make some attorneys, tax specialists and Virgin Island/Guam governors very happy.The change is from DISC to FSC (they rhyme).

In 1971, Congress allowed the creation of Domestic International Sales Corporations (DISC). These allowed income to be deferred as an export incentive. There are now about 9000 DISCs, through which two-thirds of U.S. exports are channeled, totalling close to $200 billion in annual sales. But in 1981, faced with pressure from several European member countries, the General Agreement on Tariffs and Trades (GATT) ruled that the DISC was an illegal subsidy. GATT does allow subsidies but they must meet certain requirements.

So Congress went back to the drawing board and created the Foreign Sales Corporation (FSC) as part of its Deficit Reduction Act. FSCs will be allowed after January 1, 1985. Companies can continue to operate their DISCs after that date but they will have to pay an interest charge on qualified deferrals up to $10 million.

The provision that makes many people happy, however, is that deferred DISC income accumulated before the end of this year will be tax exempt to DISC shareholders after January 1, 1985. The FSC will allow a company to exempt from taxation a percentage of its "foreign trading income" from export property that is produced in the U.S. and sold abroad. How large the exemption will be depends on how profits are divided between the U.S. exporter and the FSC.

Property that will not be considered includes various intangibles (patents, formulas, good will, trade brands, etc.), petroleum products and products the President deems to be in short supply.

Differences. The DISC was a paper company. The FSC will probably resemble a paper company as well. Experts say the tax benefits will be about the same under either plan, although the FSC will probably cost a little more to operate. Still, there are some key differences between the two.

The regular FSC will provide a permanent tax exemption for up to $10 million in export income, compared with tax deferral under the DISC. The FSC will also require a greater offshore presence. The FSC must be incorporated, and a presence must be maintained beyond the U.S. Customs zone. The FSC will also require that operation meet certain foreign management and foreign activity requirements not necessary under the DISC.

In general, says Arthur Bonner, associate tax counsel, Olin Corporation, the law is designed to change the DISC as little as possible while meeting GATT requirements. "It doesn't cause real problems," he says. "It's more of an administrative burden."

Foreign Management Requirements. In order to meet the management requirements, the following conditions must be met:

- An office must be established beyond the Customs zone in which records must be kept.
- All meetings of the board and shareholders must be outside the U.S.
- All dividends, legal and accounti fees, salaries of officers and members the board of directors must be disburs out of foreign accounts.
- At least one director must be a no resident, although he can be an America
- There can be no more than shareholders of the FSC.
- An FSC can have no preferred, non-voting, stock.

Can be Expensive. Establishing a fo eign office can be expensive. Estimat are that it can cost $100,000 a year position a single employee offshor Before you run out to call the movir company or abandon the idea of an FS all together, experts say there are ways meet these requirements without muc trouble. A number of services are no competing for the business of helpin clients set up offices. Several "office will probably be created in one roon One estimate was that this service migh cost as little as $1000 a year. Many se vices will also provide outside directors

Electronic Loopholes. Records tha must be kept in the foreign office wi probably be no more detailed than quar terly statements of accounts. The bank ing requirements also sound worse tha they are. Directors must be paid fron the overseas account, but day-to-day transactions and the employee payrol can be done from the U.S.

Electronic funds transfer also provid all sorts of possibilities for complying in form, if not in quite the way GATT hoped. In addition to the foreign man agement requirements, a percentage of "economic processes attributable to the gross receipts from foreign trading" must also take overseas. In other words, a percentage of spending must take place outside the country.

The FSC or its agent must participate outside the U.S. in solicitation, negotiations or the making of contracts. In addition, in what sounds like a scene from the television show "Let's Make a Deal", the FSC must spend either 50 percent of foreign direct costs attributable to the transaction in the five following business categories, or 85 percent of foreign direct costs in two of the following categories.

These requirements are designed to assure that a company actually spends money abroad in the course of doing business. Experts say more companies will probably opt to meet the 85 percent requirement for two categories rather than the 50 percent for all five.

"Some believe the safest route would be to have 100 percent in two categories," says Bonner. To a large extent, the best option will vary from company to company.

Five Categories of Expense. The five categories are:

Advertising/Sales Promotion. Companies may find this category attractive because many exporters are often already spending large sums in advertising and promotion abroad anyway. A trade show or foreign advertising in Europe, for instance, will count as foreign direct spending if paid through the DISC.

Contracting for orders. This category looks more difficult, says Gary Marcus, vice president, Chase Trade. One way of meeting this requirement would be to send a copy of all orders to your agent and have them contact the forwarder or carrier directly, which could be a bother. "I haven't met one company that plans to do this one," says Marcus.

Transportation. Here is another likely category for many companies. Foreign spending is defined as actual miles of transportation travelled outside the U.S., as a percentage of overall transportation. For a New York exporter shipping to Europe, this might be easily met. For an inland shipper transporting to Canada by land carrier, it could prove more difficult.

Billing and collecting. This category also has possibility, many experts say. Records could be transmitted by computer or magnetic tape can be sent to a service which would print and mail bills from abroad. Payment can be received in the U.S. and placed in a "sweep account." Every day money from this account is transferred offshore for a few minutes and returned without losing a day's interest. Ah, the wonders of technology.

Cost for assumption of credit risk. This also may prove a possibility if some of the problems are worked out. Under the law, it isn't enough to be responsible for the loss, you must actually incur it. "This is the most ridiculous," says Marcus. "The law says you must have a bad debt within three years."

This is obviously a problem when overseas business is exclusively with subsidiaries. Also up in the air is whether a company should seek out a loss if it doesn't have one naturally. Some changes are being asked for in the final version, says Marcus. On the subsidiary question, it may be possible that an irrevocable letter of credit can cover the activities of subsidiaries.

Small Companies. The law has also tried to take into account the case of small companies that do not have the size to support the overseas requirements. The "small FSC" category allows a company to waive the foreign management and foreign economic process requirements. But a ceiling of $5 million in sales is imposed for this special FSC and multiple "small FSCs" will not be allowed to get around the limit.

DISC Option. A third option is the "Interest Charge FSC." This option allows a company to maintain the DISC structure. But shareholders must pay an interest charge on the deferred taxes accumulated after January 1, 1984. For sales up to $10 million, interest is levied on 16/17 of the deferred tax, with the remaining 1/17 taxed on a current basis. Anything above $10 million will also be taxed currently.

Marcus says he doubts the FSC will act as any real jetpack boom to export activity. As designed, he says, it will cost the government no more than the DISC did, which should mean there will be no greater benefit to business, "but it's the only option exporters have," he says.

An "Analysis of the Foreign Sales Corporation Act of 1984," by Richard Balsamo of Balsamo & Associates, Chartered, is available free of charge to readers. To request the report contact Suite 820, 1735 Eye Street, N.W., Washington D.C. 20006. ■

What Does It Cost?

One bank official outlined their charges relating to foreign sales corporations (FSC). As a general rule, the official said, the bank is more interested in the international banking market share this business could offer than the actual fee revenues. The bank will incorporate and establish an FSC for $5,000 including legal fees.

Once the FSC is established, the bank will help maintain the FSC through their offshore office. They will provide an offshore director, a shared office, safekeeping of records and pay all filing fees for an additional $5,000 annually.

So far, we have only considered the basics. Several other services are available, depending on the level of sophistication demanded by the customer.

In the area of contracts, the official says, the bank will probably charge about $10 per contract. This includes drawing it up and any telex and handling charges. Wherever possible, he says, they will try to transactionalize the service on a per item basis. This will allow customers to pick and choose as necessary. A general rule of thumb for services that require manual labor might be $50 per hour.

For computerized services, a parallel range will be $80 to $100 per hour of computer time, depending on the need. "If you want fancy bells and whistles it will obviously cost more," he says.

Running down the five category requirements for foreign spending, the bank says advertising and transportation would not require their services. Meeting the ordering procedures category would be tough, he says, but could be done. Issuing statistical and final invoice data could include the use of a sweep account, which the bank is obviously able to do. The last category, assumption of credit risk, would probably involve the use of letters of credit which could be handled by the bank.

There are dozens of services willing to help the new FSC creator and an unofficial survey seems to indicate these charges might be on the high end. Indeed, competition for FSC business promises to be strong and it could pay to shop around. ■

Where Should You Locate Your Foreign Sales Corporation?

At the moment, there are only two approved locations to FSC. Any locale must meet the twin requirements of being beyond the U.S. Customs zone and complying with U.S. tax information disclosure disclosure requirements. So, at present, that leaves U.S. territories, namely the Virgin Islands and Guam. But several other countries are in the process of negotiating with the U.S. government to meet the information requirements and a list of additional approved sites should be released in the next few weeks.

Experts say the decision on where to set up your FSC should not be taken lightly. In addition to a franchise tax on the FSC (basically a licensing fee), there can also be an income tax on the worldwide gross revenues, excise taxes, customs taxes and withholding provisions. It can pay to shop around.

There is also competition between different places to attract the FSC and well there should be. The Virgin Islands reduced its income tax from one percent to 0.85 percent, faced with Guam's ban on income tax until at least 1997. Richard Balsamo of Balsamo Associates estimates that if a place

(Please turn to page 50)

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*Agents

Where to Locate FSC (continued)

with a 0.85 percent income tax, such as the Virgin Islands, were able to tax half of the $200 billion in FSC revenues, they would stand to gain around $800 million a year. Not bad at all for a place that already boasts year-round sunshine.

In addition to the reduced income tax rate, the Virgin Islands has also made some other concessions. It has reduced the ceiling on franchise taxes to $25,000 from a previous high of $50,000 and has also added some local value added provisions that could prove attractive.

Under these provisions, says Balsamo, the Virgin Islands will allow a dollar for dollar reduction in income tax up to $100,000 for money spent hiring Virgin Islands residents. There is no minimum, so you can reduce income taxes to zero. There is also a two for one reduction on the franchise tax, with the same payroll dollar counting in both categories, Balsamo says. Thus, for every two dollars paid in wages, a $1 reduction in franchise tax can be earned.

An ocean away, Guam is also trying hard to attract FSCs. It has announced it will collect no sales or use tax, franchise tax, state or gross revenue tax and will allow a 100 percent income tax exemption and rebate on foreign income, up until 1997. One of the perceived disadvantages with Guam for some FSC candidates, however, is the greater distances involved. But a Guam brochure offered one amusing argument on this point. "Guam is on the other side of the International Dateline," the flyer said, "so money transfers and high-speed messages sent from Guam arrive in the United States mainland and Europe the day before they are transmitted from Guam!"

Balsamo seems to think there will be a certain herd instinct and that once a significant number of FSCs choose a certain locality, most others will follow. Asian presence companies are more likely to go to Guam, and Latin American and European companies going to the Virgin Islands.

Many companies are now waiting to see what other countries are approved by the U.S. government. Balsamo offered his ideas on the subject, but warned that these were simply early impressions, based on the best information available at present.

Balsamo says there will be several countries who will be weighing the benefits of FSC dollars against the loss of clandestine U.S. bank accounts. Tax information requirements will probably cause much of this untaxed money to flee, he says. For the same reason, Balsamo says, you can definitely rule out Switzerland as a candidate. Barbados is now negotiating but, again, bank secrecy is an issue. The Netherland Antilles, an area many people are looking at because of its favorable territorial tax policies, will also have problems meeting the tax information requirements. And Panama is up in the air, he says.

Some countries in the Eastern Caribbean will be strong possibilities. Trinidad and Tobago are top prospects, he says, because they're a target of Reagan's Caribbean Basin Recovery Act and may want to take advantage of the convention provisions. Under the plan, countries that agree to U.S. information sharing requirements will receive special treatment. Participants of conventions in these countries will be allowed to write expenses off on their U.S. income taxes. This makes the location an attractive foreign site for convention planners.

Balsamo also offers two tips. It is not necessary that the FSC be established by January 1, 1985. In certain circumstances, where revenues during the beginning of 1985 will be relatively low, it may be wise to wait. Interest on this revenue need not be due for 24 months in some cases and newly approved countries may offer better deals in the months ahead. Second, he is advising his clients to look into setting up FSCs in places where they already have distribution points or subsidiaries. Sometimes this can result in sizeable savings because the infrastructure is already in place.

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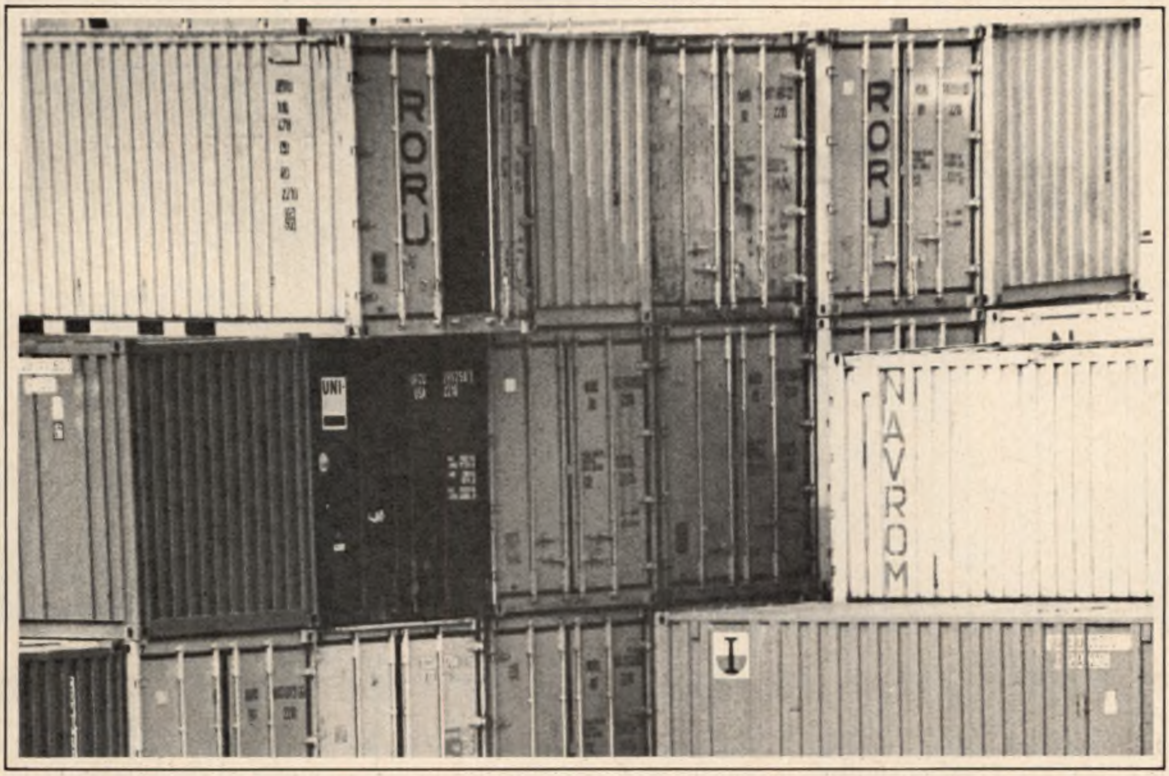

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And Now, the 21-Man American Containership

American President Lines' newest ship, the 2,700-TEU "President Eisenhower," is the first U.S.-flag containership with a crew size of only 21. APL celebrated the vessel's maiden call at Oakland with an outdoor dinner at the terminal. *By Richard Knee*

The newest American President Lines (APL) containership, the *President Eisenhower*, requires a crew of only 21. The 2,700-TEU ship is the first U.S.-flag containership to have a crew that small, APL president Bruce Seaton noted at a gala dinner party marking the maiden call of the vessel at Oakland, where it is home-ported.

Nearly 300 APL personnel, customers and other guests attended the September 28 affair.

Normally, Seaton said during an impromptu news conference there, U.S. flagship crews number "30 or 40." The *Eisenhower* and her sistership—the *President F.D. Roosevelt*, which is due to enter service next month—represent a breakthrough not only in technology but also in labor relations, Seaton told the gathering. In fact, the dinner guests included officials of five maritime unions.

Message to U.S. Shipyards. The *Eisenhower* is also APL's first foreign-built vessel, Seaton said. The builder is Ishikawajima-Harima Heavy Industries Company, Ltd., of Japan.

"This is significant for us because we have been steadfast advocates of the right for any U.S.-flag line to build or acquire cost-competitive vessels abroad," he said. That, he added during the news conference, is "no coincidence."

Foreign shipbuilders, he explained, have gotten the jump on U.S. yards in marine technology, in addition to being cheaper to employ. "It is interesting," he continued, "that we're the first (with 21-man crews) and we're subsidized."

This fact should serve to debunk the claim made by non-subsidized U.S.-flag lines that the subsidized carriers are not cost-conscious, he said.

Unions Draw Praise. During both his public speech and the news conference, Seaton lauded the maritime unions for their willingness to come to terms. The unions involved were the Marine Engineers Beneficial Association (MEBA), Masters, Mates & Pilots (MM&P), Marine Firemen's Union (MFU), Sailors Union of the Pacific (SUP), Seafarers International Union (SIU) and American Radio Association (ARA).

APL must be competitive with foreign carriers and the unions are aware of that, he said. "The unions recognized that what we're interested in is long-term jobs."

During the dinner, Seaton asked a representative from each one to stand and be acknowledged. He similarly accoladed James Herman, president of the International Longshoremen's and Warehousemen's Union (ILWU), though that group was not directly affected by the crewing agreement.

Seaton conceded to reporters that to accept crew reductions was "very difficult for the unions" and APL was not unmindful of that. "We think it's important to see both sides," he said.

Talks between APL and the unions began in the spring, immediately after the carrier had reached an agreement to handle Neptune Orient Lines ships at the APL terminal.

The discussions with the unions "were not really negotiations," he said, because there were "no concessions or contract." The talks were "a program where both sides were trying to reach some accommodation," he said.

APL must be competitive with foreign carriers and the unions are aware of that, he said. "The unions recognized that what we're interested in is long-term jobs."

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"This subsidy will decline as new ships come into service with increasingly efficient manning levels."

lic speech, Seaton said APL "does not believe that an adversarial relationship must exist between labor and management in the operation of a shipping company and we have worked for several years to build a positive relationship."

The six unions "have joined us in recognizing that present manning scales, which have kept vessel operating costs at high levels, have been accompanied by a decline...in seagoing employment."

The crew reduction will create difficulties, he said, and "both labor and management have much to learn from each other in the process." But, he said, "the attitudes are positive and we share a compelling commitment to the program's success."

"By helping APL reduce its manning costs to levels comparable to those of our foreign competitors, our unions are helping make possible the growth and competitiveness of this company and indeed the long-term survival of the U.S. merchant marine," Seaton asserted. "This is enlightened self-interest on the part of the unions, for it will also help assure that there will be seagoing jobs for Americans in the years to come.

Subsidy Will Decline. "Finally," he added, "the development will be positive for the American taxpayer, who subsidizes the wage differential we pay for the use of U.S. crew members compared with lower cost foreign personnel. "This subsidy will decline as new ships come into service with increasingly efficient manning levels."

APL plans to cushion the impact on seagoing personnel by providing them "with the technological training they will need to increase their productivity and to effectively man the sophisticated ships of this era," he said.

"We will also provide additional shoreside support for certain functions previously performed at sea."

The New Ships. Seaton noted to reporters that APL was able to increase the ships' capacity by 300 TEUs each by raising their bridges by five feet. Similar work on APL's C-9 ships have raised those vessels' capacities to 2,800 TEUs each from 2,500, he remarked.

The *Eisenhower's* and *Roosevelt's* capacities also include slots for 154 refrigerated containers on deck and 96 reefers in the hold 4-aft. The ships are 853 feet 9 inches long and 105 feet 8 inches at the beam. ■

Maritime union leaders who worked with APL president W. Bruce Seaton (third from left) to develop the 21-crew manning scale for the new APL ships were honored at maiden voyage ceremonies in Oakland September 28. They included (from left) Jack Ryan, president, Sailor's Union of the Pacific; George McCartney, vice president, Seafarer's International Union, Atlantic/Gulf; Seaton; Henry Disley, president, Marine Firemen's Union; Clyde Dodson, vice president, Marine Engineers Beneficial Association; and Al Groh, port agent, Masters, Mates and Pilots.

30,000 Jobs Cut Over 22 Years

The issue of manning levels of the U.S. merchant fleet is one of the most controversial in the maritime industry. The long-term decline of the U.S. merchant fleet has resulted in a reduction in the number of U.S. vessels and billets. A report by the National Research Council took a look at the issue and suggested what can be done.

By Mark Magnier

A recent report on the manning situation in the U.S. merchant marine fleet suggests that the U.S. national position will continue to deteriorate unless labor and operating costs are reduced and unless our fleet is able to take advantage of existing automated technology. The report also suggests ways to bring this change about while taking into account the human costs and the organizational changes that must accompany reduced manning. The report is titled *Effective Manning of the U.S. Merchant Fleet* and was produced by the Committee on Effective Manning, an arm of the National Research Council. The committee is made up of union, trade group, carrier, academic and governmental representatives.

The setting for this report is the steady decline of the U.S. merchant fleet, a decline that has affected both jobs and U.S. shipowners' bottom line. "It has become very apparent to everyone that the survival and health of the U.S. position in world markets depend on recognizing every aspect of costs, including labor," says Art Friedberg, director of management-labor relations, Maritime Administration. "Unions have shown themselves to be quite willing to sit down with management to cut costs, particularly on new ventures."

In its report, the committee looks carefully at the transition by Japan and Western European countries to lower manning scales. The report suggests that government, labor unions and management pool ideas to adapt some of the foreign innovations. These include combining job categories or eliminating obsolete positions, retraining workers, improving working conditions, encouraging more long-term relationships between workers and companies and setting up pilot programs to begin experimenting with change. But they stress that improvement can never be made in a "them versus us" environment and all parties must be actively involved to stall the merchant fleet's long-term competitive decline.

The issues relating to reduced manning are multi-faceted and interactive. There is much more involved than simply reducing billets. The report tries to explain what the options are and leave it to the industry to decide. "The only

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thing we hope to do is light a little spark and let others take it from there, to show how and what the successes and failures were in other countries," says John Reiter, principal surveyor of the American Bureau of Shipping (ABS) and a member of the report committee.

How long before some of the recommendations are tried or adopted, if ever, is another question. "It depends on how badly everyone is hurt," says Julian Singman, attorney, Maritime Institute for Research and Industrial Development and also a member of the Committee. "Pain certainly helps." Adds Reiter, "If anyone could answer that question, they'd make a lot of money." But both say early indications are that there is strong agreement from all different factions on the need for change in this area.

Present Status. The median age of U.S. merchant vessels, defined as privately owned, U.S. flag, self-propelled, oceangoing vessels with over 1000 gross registered tons, is now 17 years old, compared with a 13-year average for the world merchant fleet.

Since World War II, the report says, the U.S. fleet has suffered a long-term decline, dropping from the world's largest right after the war to fourth place by 1960 and eleventh place by 1981. In 1960 the fleet had 1,008 vessels representing 5.8 percent of the world fleet; by 1981 it held 578 vessels and 2.8 percent of the world fleet.

Along with this drop in the U.S. fleet has come a drop in the seagoing billets, from 168,000 after the war to 49,000 by 1960 and 18,826 by July 1982. According to the Marine Index Bureau, the figure for 1983 was 17,170. With remaining jobs awarded on the basis of seniority, the average age of seafarers has also risen to 54 years, substantially higher than the world average.

Owners are also being pinched. Seventy U.S. companies operate 541 merchant ships. The majority are small and have greater difficulty containing operating costs and competing for cargo abroad. Nearly half of the 70 companies own five or fewer vessels and 24 own two or less.

The labor unions have also been hit by competition as the number of jobs has continued to shrink. Eleven national unions represent 89 percent of the existing billets, but different unions often compete among themselves for the same position on a ship.

The situation is not all bad, however. There are still eight major companies that own and operate about 50 percent of the U.S. merchant fleet vessels. And the decline has not been without interruption. In 1981, the U.S. flag general cargo fleet carried 27 percent of U.S. liner cargo, up from 22 percent in 1967 (but down from a peak of 30 percent in 1974-75).

Along with this drop in the U.S. fleet has come a drop in the seagoing billets, from 168,000 after the war to 49,000 by 1960 and 18,826 by July 1982. According to the Marine Index Bureau, the figure for 1983 was 17,170.

The few largest carriers have managed to hold their own through productivity improvements, subsidies, cargo preference agreements and marketing practices. Manning changes have also been negotiated on some of the newer vessels coming on line. Overall, however, the report says the U.S. fleet generally costs more to man and operate, more to insure, maintain, build and repair (if done in the U.S.), and to fuel than foreign counterparts. Fueling costs are higher because of the large number of remaining steam-powered vessels.

Exact comparisons between U.S. and foreign manning scales are somewhat difficult to make due to different ship types, services, subsidies and organizational structures. Some representative figures, however, find an average of 34 men for large, modern U.S. container vessels (33,000 deadweight tons) compared with 18 to 25 men for similar advanced European and Japanese vessels. The U.S. average for a Roll-on/Roll-off ship of 21,000 dwt is 34 men, compared with 16 to 24 men for their foreign counterparts.

Technology has paved the way for reduced manning. Automation has affected the maritime industry, just as it has almost every other industry. A survey of existing technology spells out what is possible, although the report emphasizes that manning is not fundamentally a technological problem, but a human one.

Technology. Perhaps the biggest change has occurred in engines that can be controlled from the bridge. In concert with these are a range of instruments able to remotely sense operating conditions and issue alarms when necessary. The Japanese are the most far advanced in the areas of automation and instrumentation.

There are still eight major companies that own and operate about 50 percent of the U.S. merchant fleet vessels.

This combination has created a large potential for change.

Management Teams. A number of ship operators in Europe are also electing to transfer some of the managementresponsibility from shore to ship in order to improve job content and operational efficiency and even to reduce personnel on shore. Under this decentralization plan, the ship management team has authority over operating expenses, budget, personnel and maintenance. Onshore managers are left to establish profit and performance objectives, but their role is re-oriented toward supporting, rather than directing, the vessel. The presumption is that those closest to the problem can best understand it.

Not surprisingly, the report says, "Middle managers ashore typically are reluctant to relinquish control." Thus this change has often met with strong resistance from the home office.

Inherent in most manning reduction schemes is the need for better shipboard communication between ratings and supervisory officers, often termed "work planning." Such communication is necessary to replace older forms of "looking over the shoulder" supervision.

Work planning has been especially successful in Norway and the Netherlands, the report says, where junior officers and ratings are invited to actually participate in daily management sessions.

Innovations. A few innovations have been introduced in the U.S., the report finds. In some cases, for instance, job descriptions have been combined and reduced manning has been negotiated on newer ships. By and large, however, the U.S. has been slow to change.

Surveying foreign innovations, the report suggests that the evolution of a general purpose rating should spring from cooperative management-labor relations, something that has often been lacking. The idea of a shipboard management team should be introduced by top management, the report says, although this innovation may be resisted by traditional corporate culture in the U.S. which has generally stressed centralized authority.

The report also points out the need for more action research. Although virtually unknown in the U.S. maritime industry, such research has led to important innovations in the U.S. automobile and communications industries, among others. Under action research, ideas are tried out on a limited operational basis, not simply studied and written about.

In most areas, the report finds no legal, regulatory, technological or contract barriers to manning innovations. ■

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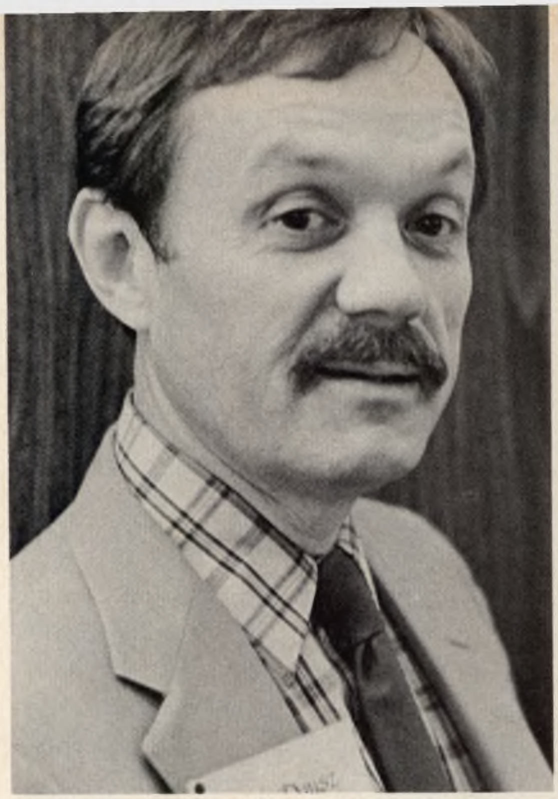
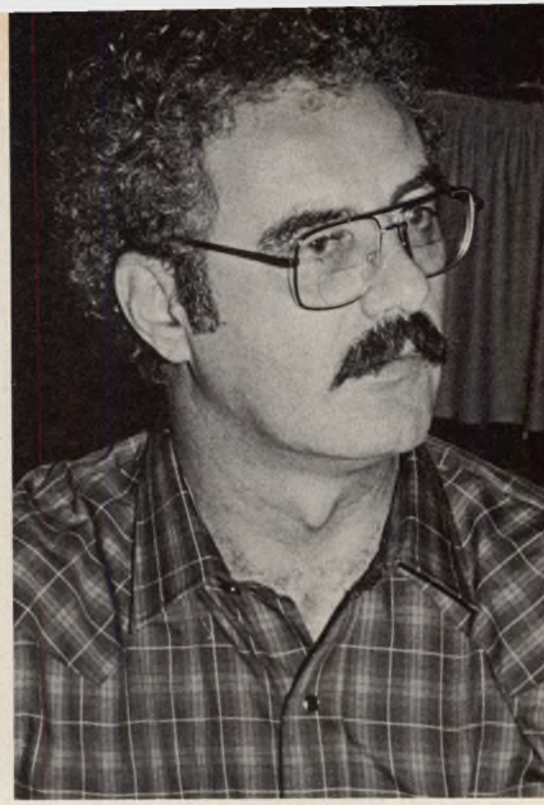


Frank Dausz



Timothy Hannon

WESCCON: Is There Another Way South?

Shipments of electronics goods from the West Coast to the Caribbean Basin are captive to one route—via Miami—much to the displeasure of air freight forwarders. *By Richard Knee*

"Is there a way from the West Coast to the Caribbean without going through Miami?"

The question was thrown out as an aside, really, during the opening plenary session on the second day of the Western Cargo Conference (WESCCON) held October 3-7 in Reno, Nevada. But the person who asked it—Frank Dausz of Portland-based Geo. S. Bush & Company, who was export chairman for the conference—nevertheless would have been delighted if anyone had come up with an answer.

Traffic departments around the country have too little input in marketing decisions, Dausz told *American Shipper* on the final day of the gathering, and this is causing problems especially on shipments routed through what he called "the black hole of Miami."

"Things disappear out of there," he said.

Also present at the interview was Timothy Hannon of R.S. Express, Inc., in South San Francisco. Hannon, social chairman of the conference, is also third vice president of the San Francisco Air Cargo Association.

Shippers Lack Assertiveness. The air-ocean routing from the West Coast to the Caribbean caters to a very small, well defined but growing market: electronics goods, which because of their high value are extremely time sensitive.

Dausz' firm ships "a limited amount of freight" out of the Pacific Northwest and seven times out of 10, he said, routing orders from Caribbean importers mandate that the cargo go through Miami.

"The importer has his own forwarding agent in Miami," he said. "When things go astray or get lost, there is no recourse (for the shipper) because the agent in Miami is working for the importer."

He explained that there is a lack of accountability when it comes to transferring title to a shipment and getting payment.

"Technically, you transfer the title when it reaches the agent."

Once cargo is consigned to the importer's forwarder, he said, "it's sort of in limbo." That "limbo" stems from lack of insistence by shippers on the transfer of liability for the cargo in case of loss or damage after the title changes hands.

Most shippers send the freight free-on-board (FOB) and think that ends their problems once the title shift is completed. Not so, Dausz said.

The root of the problem, he said, is that shippers' marketing personnel are too willing to accept consignees' shipping terms and traffic departments have no opportunity to participate in the decisions.

"The credit or traffic departments are trying to cope with bad marketing decisions," he said, and companies such as his are "called in to put out the fire."

The reason the problem is so acute with shipments going through Miami, he said, is that most of the buyers have their purchasing agents in that area.

"The reason Miami has grown so much (as a routing hub) is its proximity and abundance of small charter airlines to the Caribbean and Latin America," added Hannon. This creates further problems, he said, because those airlines are not members of the International Air Transport Association (IATA) and are therefore not bound to its operating bylaws.

With IATA members, he said, "there is a certain responsibility factor that guarantees shippers some semblance of responsibility."

Possible Solutions. Hannon and Dausz say there is a potential gold mine out there for any air forwarder with the

entrepreneurial savvy to offer an alternative route, especially if it is through Houston or Los Angeles. The larger forwarders, Hannon added, "have developed or are developing sound financial practices for South America, which we (small and mid-size forwarders) can't afford to do on our own." These include collect air freight and consolidation, he said.

"There is a lack of entrepreneurship among forwarders and co-load groups."

A Poor Alternative. Dausz said there is little all-water or landbridge shipping from the West Coast to the Caribbean because shippers are "at the mercy of the (importers') national-flag carriers. Service will be limited and not very good."

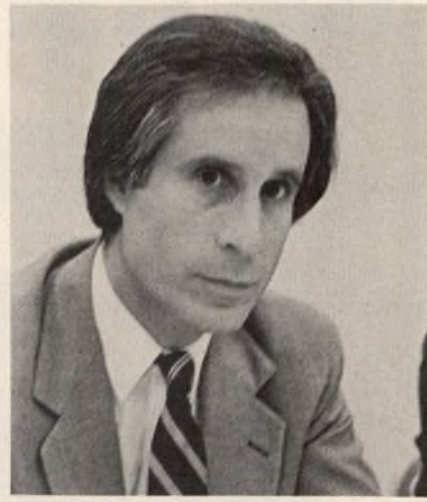
The situation "coincides with an absolutely lousy market," he added. "There's nothing to send anyway. But if there was a turnaround, we'd have expensive, poor service."

Air-ocean shipping in the trade is increasing among electronics producers because that industry "is an international market by definition and air by definition."

"Airlift from the West Coast is goo and reliable," added Hannon. "There ha been adequate lift." The volume o freight would increase "if we could se up a system to pull freight away fron Miami. There is a need to establish mor definitive financing arrangements," h said. "The problem is 95% financial. Th forwarders have to see who the shippe is and who the consignee is." Where co loading comes into play, he said, distrus problems "can be solved by written con tracts between the co-loaders." ∎

WESCCON: Customs Is 'Meeting Its Schedules'

The U.S. Customs Service plans no major programs in 1985, according to commercial operations chief Robert P. Schaffer.



While the U.S. Customs Service plans no new major programs in 1985, efforts to automate the agency's operations "will continue into the 1990s," Robert P. Schaffer, assistant commissioner in Customs' Office of Commercial Operations, told a luncheon audience at the Western Cargo Conference (WESCCON) in Reno.

Schaffer spelled Customs Commissioner William Von Raab at the luncheon speech on the third day of the gathering that was held October 3-7. Von Raab cancelled his scheduled appearance because of other commitments.

Over the past year, Schaffer said, Customs has established a series of objectives—he termed them "milestones"—and set a schedule for meeting them.

"For 1985," he said, "we are planning no new major programs." The only plans, he said, are to "just keep meeting our milestones."

Schaffer said implementation of the agency's Automated Commercial Systems program is "half-way through. And the good news is that we're on schedule."

A New Phase. Customs recently entered the second phase of its overall automation program, he said. "This is a cargo-selectivity phase. We are now on an automated system at 24 ports and we're adding 15 more," he said.

Schaffer defended the much maligned Accelerated Cargo Clearance Entry Processing Technique (ACCEPT) program, saying that problems have arisen because of the way the system is being used, not because of the system itself.

Customs' Automated Broker Interface (ABI) program has been "totally revamped," he added, and some 25% of the commercial customs transactions throughout the country "soon...will be processed through ABI. That's about twice what we expected."

The agency wants to ensure that ABI "serves all the parties—industry and the U.S. Customs Service," he said.

Trimming Paperwork. Customs is taking "a very aggressive approach to paperwork management," Schaffer added. "The commissioner (Von Raab) has ordered every office to examine its paperwork."

The agency recently eliminated three public use forms and 12 more are headed for the scrap heap soon, he said. This will mean that in a 16-month span the number of public use forms will drop to 19 from 34.

Catching Culprits. In the meantime, Customs' efforts to intercept contraband both inbound and outbound have been highly successful, Schaffer said. Through Operation Tripwire, agents have seized illegal shipments of such things as steel, textiles, electronics and other goods, to the benefit of U.S. industries "hard hit by fraudulent practices."

Customs has bolstered its field staff to beef up enforcement of country-of-origin rules affecting textile imports, in compliance with court decisions, he said.

On the export side, there has been a "vast improvement in Operation Exodus," a program aimed at choking off the flow of militarily sensitive goods and technology to Soviet-bloc countries.

The agency has put micro-computers "into the field," cracking down on those bent on "stealing the crown jewels of American technology."

"We believe we've answered a challenge to the security of the United States," Schaffer declared, "and we're very proud of that."

During a question-and-answer session following his speech, he defended Customs' use of Explorer Scouts—youths who donate their services to a variety of law enforcement agencies—and the plans to close down Customs operations at inland ports.

The scouts are used strictly in administrative work, thereby freeing Customs personnel to handle other duties, Schaffer explained.

While the termination of inland-port operations would obviously hurt customhouse brokers at those locations, he said, it would not disrupt the flow of cargo. When plans to reduce the number of regions and districts were announced, he said, everyone was expecting to have problems, but no one did.

These last remarks drew some murmurs from the audience and one broker commented to the person sitting next to him, "We did too." ∎

WESCCON: **Brokers Can Expect to Work Harder**

The Western Cargo Conference (WESCCON), while not producing the knock-down, drag-out verbal fireworks that some observers expected, did, nevertheless, feature some fairly heated discussion.

The annual event, held October 3-7 in Reno, Nevada, under the auspices of the Pacific Coast Council of Customs Brokers and Freight Forwarders Associations (PCC), drew some 300 participants and guests—the most ever in WESCCON's five-year history—with attendees representing the broker/forwarder, steamship and computer industries, shippers and the U.S. Customs Service.

The furor over Customs' tightened enforcement of country-of-origin rules affecting textile imports received only brief mention. And noticeably absent was Customs Commissioner William Von Raab who had to cancel his scheduled appearance due to other commitments.

Customs' views were represented, however, by other officials of the agency.

Afterthoughts. As the convention drew to a close, there appeared to be consensus that it was a weekend well spent. The carefully planned mix of business, social and recreational activities ran virtually like clockwork and participants felt the presentations and dialogues were relevant, timely and helpful.

As William R. Casey saw it, some key points emerged very clearly. Casey is chairman of the board of the Customs Brokers and Freight Forwarders of America, Inc. and chairman and president of the Myers Group, Inc. of Rouses Point, New York.

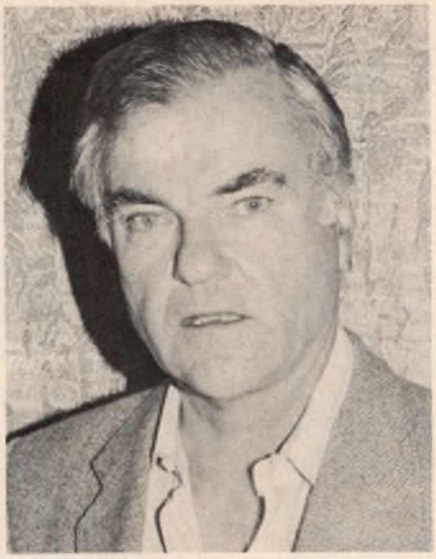
Recalling the theme of the convention—"Automation: Jackpot or Bust?"—he noted that computerization is indeed "changing the business" and this carries two messages.

First, brokers and forwarders need to keep pace with technology, especially because their role in moving cargo will expand as Customs' role diminishes.

Second, brokers and forwarders need to broaden their range of services. "The industry is going to have to look to (performing) other services, particularly transportation services, for growth and profits in the future," Casey said.

Brokers as well as forwarders should "go out and start NVOs (non-vessel-operating common carriers), arrange inland services, insurance and all the other auxiliary services that need to be performed for the international movement of goods," he said.

Was he suggesting that brokers and



William R. Casey

forwarders go head-to-head with marine insurers?

Perhaps, was the reply.

"They could actually offer services or retailing (insurers') services," he said, "...and that is already happening."

"They should have arrangements with Roanoke or Trade Insurance (Services)-...and offer to cover (shippers') insurance—more as an agent than as a broker.

"That's happening now," he said, "but I think it has to be emphasized."

Automation. Automation will be used for direct communication between brokers and not only Customs but also steamship lines, ports and even shippers, Casey predicted. There was a better feeling between the steamship industry and the broker/forwarder industry evidenced (at WESCCON) than there has been in a long time.

"Steamship lines and brokers and forwarders will start to talk to each other through computers." Casey was asked what has held that up.

"There hasn't been a necessity for it," he replied, "and there have been difficulties because of formatting. The steamship lines have had no standard formats."

The Customs Service will soon launch its Automated Manifest Program (AMP) in Norfolk, Virginia, he noted. "With ports becoming automated, there will be (electronic) interchange between brokers or forwarders and ports, steamship lines and Customs, to start—and shortly after that, the major shippers.

"There is a move among the ocean carriers to do away with bills of lading, except in letter-of-credit situations.

"Customs intends to have paperless entries. It could be as early as 1987, though it would require legislation in certain areas and that may slow it up." The "areas" include documentation and liquidation procedures, he said.

Customs: Showdown. Customs in certain ports is using a new procedure known as 7501 which "eliminates certain forms." However, Casey feels the agency is moving too fast on it. It should go a bit slower, particularly until its much heralded Automatic Broker Interface (ABI) system has been more thoroughly tested.

"Customs is pushing ABI extremely hard," he added.

No Ill Effects. While Customs has drawn a sharp rebuke from the industry over its centralization and the reductions in numbers of regions and districts, Casey said he saw "no obvious ill effects" from those policies. In fact, he said, "it's the only way Customs can go because of the restraints on (the agency's) money and manpower."

Commercial operations take a back seat to enforcement in Customs' budgetary considerations, he explained, and without the restructuring, things might be a lot worse than they are.

"I also think the plan to do inspections at the first port of arrival will be feasible in the near future because of the use of automation," Casey continued. "But Customs will have to go slowly."

Casey said he recognized these lattermost comments would "make me very unpopular. But I'm not running for office."

Brokers and importers have been highly critical of Customs' insistence on port-of-entry inspections. Customs finally relented in the case of textiles being shipped in bond, although the agency retains the right to inspect a container that agents believe might contain materials entering the country illegally.

Brokers Act Near Passage? Casey also called attention to the proposed Customs House Brokers Act of 1984 which would lift the regulatory restraints on many broker functions. Under the bill, only a Customs transaction would be regulated.

While there is widespread support for the measure, Casey said, both the industry and Customs oppose an amendment that would loosen broker licensing requirements.

Specifically, the amendment would eliminate a current requirement that a broker have a licensed representative in each district where it operated, replacing it with a stipulation for only one licensed person in the entire company.

The amendment was attached to the bill by Rep. Dan Rostenkowski (D-Illinois), on the request of the Transway brokerage firm, and the lawmaker was able to make it stick through deliberations in joint conference committee. The Senate's version of the bill contained no such provision.

Casey said the opposition is based on the belief that "importers are better served by customs brokers' being more professional." Brokers "need to encourage more of their employees to be licensed."

In what is seen as an era of deregulation, he was asked, is resorting to a legislative mandate the answer?

If the hiring of a licensed broker in each district were required by law, he responded, Customs would tend to penalize that person in a case of malfeasance.

By contrast, he said, if a company found guilty of an illegal act had only one licensed broker, a suspension or revocation of the license would be visited on the entire company.

Several times during the conference, Customs officials hammered home th message that because of diminishin funds and staffing, brokers can expect t shoulder an increasingly large burden i the cargo-clearance process. That didn' wax well with many brokers there.

"All they kept saying," lamented partner in a Portland broker/forwarde firm, "was how much they're not goin to do anymore. The only one who hac anything positive to say was Ehinge (Robert Ehinger, who is in charge o ABI). He was the only one to say wha Customs *will* do." ■

WESCCON: 'Punch' Green Upbeat

Declaring that he was "wearing bifocals, not rose-colored glasses," Federal Maritime Commission (FMC) Chairman Alan "Punch" Green, Jr. told a Western Cargo Convention (WESCCON) luncheon audience that he had "optimism about the future of the United States in international trade and...positive feelings about the outlook in liner shipping."

"Please don't misunderstand me," the ebullient Green told his rapt listeners on the fourth day of the gathering that was held October 3-7 in Reno, Nevada. Speaking from a prepared text from which he veered only slightly, he continued, "I'm not blind to the large trade deficits which the U.S. is currently running. Neither am I forgetting the problems the U.S. merchant marine has struggled with in the years since the Second World War....But I have reasons for my bullish outlook and solid evidence to back it up."

Green pointed to the Reagan administration's advocacy of free trade and said the President "has managed to moderate heavy protectionist pressures through pragmatic compromise."

'Future Lies in Services.' "To a large extent," he continued, "the future of the United States economy lies in the services sector. We are a service economy. Fully two-thirds of the American gross national product is due to service activities. And trade in services now produces about one-quarter of U.S. merchandise exports....Major service activities include banking, insurance, telecommunications, data processing, travel and tourism and—need I add?—transportation.

Blast at Protectionism. "I can honestly say," Green continued, "that at this moment I would match our liner carriers against any in the world. This is despite the fact that I have the greatest—I want to emphasize that—I have the *greatest* respect for the abilities of those who run the shipping companies of our foreign trading partners.

"We respect their freedom to ply the U.S. trades," he declared. "...If the FMC does not treat all carriers fairly, then we're not doing our job. All I'm trying to highlight is my belief—which may not have been shared by all in the past—that U.S. carriers can be efficient, innovative and profitable. They can compete out there in the marketplace. It seems crystal clear, in theory, that guaranteed cargo shares and other protectionist devices are bad for everyone in the long run. But, practically speaking, we all know that battling to keep government intervention to a minimum is to follow the long, hard road.

"There are always groups who feel they will benefit by protection. There are probably times when all of us, me included—I've been out in the business sector—who have been in business have wished we could have a guaranteed share of a particular market....

"The problem arises," Green said, "when the incentives to compete are removed. Whatever the intentions—and they may be the best, for example, developing countries that want to protect a merchant fleet temporarily in its infancy—the tendency is to seek protection, not competition. As a result, someone is going to suffer.

"Those of you who are involved with exporters and importers should think about a carrier that does not have to compete for its market share. It almost certainly will not feel the same pressure to maximize efficiency as a carrier which must compete in the open marketplace for every ton of cargo."

Tariff Automation. Earlier in his speech, Green talked about several projects the FMC has undertaken, including tariff automation. This particular job is under the direction of commission vice chairman James Carey.

"In previous studies," Green said, "we determined that the need and desire does exist among potential users of an electronic tariff-filing system. Now we are going to determine the costs and benefits of such a system....With the proper oversight by the commission, I would personally favor a system operated by the private sector, a system operated at no cost to the government.

FMC Chairman Alan "Punch" Green

"It will be another huge undertaking," Green noted, "and can't happen overnight. For example, the commission received about 567,000 tariff filings in fiscal year 1983 alone and the number has been growing each year. But I have always believed that recognizing a problem is 75% of solving it."

Use of an automated system, he said, "will enhance the speedy flow of tariff information, thereby smoothing the movement of liner shipping cargoes. It will then, in a small way, be helping to oil the wheels of free trade."

'You Can Talk to Us.' Asked during a question-and-answer period following his speech how the shipping community can have greater input into the commission's business, Green advised going through local FMC office. He had praise particularly for Leonard Nordgren, the FMC's Pacific region director, who was seated at the head table.

"Stay with Len," Green urged, "and he'll give you as good advice as any. You *can* come in and talk to us. You can negotiate with us. You can do it by telephone." ■

The Business of Disaster

Marine salvage is one of the most exciting and dangerous sectors of the maritime industry. In the final analysis, however, it may be almost as difficult to figure out who pays as it is to fight the fire or free the stranded vessel at sea. *By Mark Magnier*

You are informed of the emergency late on a Friday night when the rest of the world is just beginning to relax for the weekend. Your assets, in the form of the ship or valuable cargo, are in grave danger after a fire or some other disaster on board.

Such a scenario may not be an everyday occurrence. But when it does happen, you may be forced to reassess your future prospects very quickly.

Marine accidents involve a whole group of experts that most people in the maritime industry do not have daily contact with. Because of what they represent, many people would probably prefer to keep it that way. Salvors, marine firefighters, arbitrators, average adjustors, insurers, salvage lawyers and salvage consultants, however, spend a great deal of time in order to be ready for just such emergencies. When the time comes, they may have a high pressure situation on their hands, with tempers flaring, fires flaring and responsibility up in the air, and likely to stay that way until it can be brought back down.

The year 1984 has been a high profile year for marine salvage, between the rash of attacks in the Persian Gulf and Red Sea and the recovery of radioactive containers after the sinking of the *Mont Louis* in the North Sea.

Participants of the Third Symposium on Marine Salvage, held in New York October 1-3, heard from salvors involved in both areas. One speaker, Captain Hans Walenkamp of the Dutch firm Smit Internattional, interrupted his direction of the *Mont Louis* North Sea salvage operation to address the meeting.

There are at least two distinct challenges involved with any marine disaster. The first job is to resolve the disaster itself and clean up the mess. The second one is to resolve what is often another mess—the claims and counterclaims on responsibility, liability, value, security, etc.

There is little doubt that the owner of a vessel in trouble is over a barrel. Time is generally short, quick decisions need to be made, and he badly needs the salvor, yet there is little way of knowing what the salvage costs will amount to ahead of time.

It is necessary, therefore, to come to some agreement on which later payment can be based. "Lack of contractual arrangements have, in too many instances, delayed the undertaking of timely salvage operations," says Alex Rynecki, marine salvage consultant. Rynecki says at some point it is important to act before nothing remains to be salved.

Walenkamp

No Cure, No Pay. Some of the arrangements used include a fixed price based on the scope of work, agreement to U.S. or London arbitration, cost plus work and incentive bonus work. Due to the many unknown developments that might follow, one of the most popular is Lloyd's Standard Form of Salvage Agreement, a well-known "no-cure, no-pay" basis. If salvage is not successful, no payment is made. If it is, the case is later negotiated or arbitrated.

Once the salvor has been contracted, his objective is to reach the site as soon as possible. The largest firms have ships located at a few key points around the globe and are able to fly equipment to these points within a day or two.

For many years, the heavy construction firm of Merritt-Chapman and Scott was the major salvor on the Atlantic and Gulf Coasts of the United States. After that firm was liquidated, salvage services were available from a number of other groups with limited resources.

Several years ago, the Moran Towing and Crowley Maritime interests combined their resources to form a Miami-based firm known as Ocean Salvors, which now provides a primary service to shipping on two coasts of the United States and in the Caribbean.

Using information about the stranded vessel, such as architectural specifications, materials, cargo, stress factors and the hands-on knowledge of the crew, the salvor will perform calculations and develop a line of attack. Tactics will obviously vary from case to case.

Who Owes Whom? At the same time the mess is being cleaned up at the site of accident, resolution of another mes just getting under way. This is the in cate and complicated task of figuring who owes what to whom and when.

Under international law, the salv holds the hull and the cargo until receives some security that he will paid. Although the shipowner is legally bound to post security for t cargo interests, a great deal of time m be lost contacting upwards of 1000 car interests if it is a large container ship.

He may opt to post the security hi self or post it temporarily until reaches destination.

General Average. One of the easi arrangements is a General Avera agreement signed by the cargo owne accompanied by a cash deposit or underwriter's guarantee in lieu of th cash deposit.

It will often be the job of the adjust to contact the shipper interests, or co signees, report that a casualty h occurred, notify them that Gener Average has been declared, ask f copies of the invoices and insuranc details and then verify the insuranc Generally, if any damage is done to th cargo during the salvage operation, General Average sacrifice is made t which all interests contribute.

Assuming the General Average pool i assembled, a settlement on salvag charges must be negotiated. At thi point, says Donald O'May, chairman o the British Maritime Law Association o Salvage, "There is an inevitable ten dency for salvors to gild the lily and fo the salved property to minimize to the vanishing point the risks and the service rendered."

Generally, the solicitors for the two interests will negotiate and try to reach an agreement. If this fails, it will go to arbitration and even an arbitration appeal.

The settlement will generally be based on the degree of danger, the value of the assets and the cost of the operation, among others.

A report titled *Marine Salvage in the United States* issued in 1982 by the National Research Council found that salvage awards by courts or arbitrators as percentages of values saved averaged about 5.7 percent between 1970 and 1980.

This was a reduction from about 7.3 percent between 1960 and 1970.

Problems With Owners. Several other problems have also beset the industry. There is an increasing reluctance by many shipowners to accept redelivery of the vessel once the salvor has done his job, some conference participants said.

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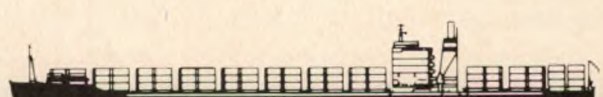

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Imported Steel Earns Gold on Connecticut Coast

The two privately owned ports of Connecticut—New Haven and Bridgeport—are having a terrific year. Both are reaping the benefits of the rise in imported steel and copper. Some are wondering if a merger is in order, to be marketed as Port of Connecticut.

By Mark Magnier

The privately owned Port of New Haven is now having its best year in recent memory. Officials at the port say they are barely able to expand fast enough to keep up with business. New Haven Terminal, Inc., the port manager, has recently purchased 35 acres of land from the City of New Haven to expand its operation.

Nearby competitor City Lumber Co. (CILCO), which runs the port of Bridgeport, is also reporting similar traffic increases.

During the past 18 months, both ports have benefitted handsomely from a number of factors including the upturn in United States economy, the huge surge of imports, their proximity to the industrial northeast and their high labor productivity.

New Haven says it expects a 70 percent increase in liquid movement this year, a doubling of copper to 150,000 tons and a tripling of steel to 350,000 tons. Bridgeport says dry traffic has increased by 30 percent this year. "In a normal cyclical recovery we would expect to handle 150 tons between copper and steel. This year it's over 500 tons," says Joseph Crowley, president and owner of New Haven Terminal, Inc. (Despite the similarity of names, Crowley should not be confused with San Francisco's Thomas B. Crowley, owner of Crowley Maritime, Delta Steamship Lines and Trailer Marine Transport.)

Almost exclusively a break bulk operation, New Haven handles several different forms of copper and steel, lumber, scrap metal, as well as petroleum and petroleum products. Thei neighbor and closest competitor, Bridge port, has no liquid business. Bridgepor is a smaller operation overall but handle about twice as much steel as New Haven.

New Haven Terminal handles 50(trucks a day between its liquid and dry business. Its products are stretched ove 420,000 square feet in 15 warehouses, or 60 acres of open ground and in 48 tanks. "As you might imagine," says Henry R. St. Laurent, treasurer and vice president of dry cargo operations, "it can be an inventory control nightmare."

Both ports say a good deal of their share of recent growth in imports is due to their reputation as an efficient, reliable and flexible port close to major markets. Even figuring in additional rucking charges to a destination such as New York, their lower cost per ton, ower damage rate, faster advantage and personalized service generally means a ower cost for the customer. This, in turn, attracts other customers.

"What is a small cargo for New York is a large one for us," says Crowley. "We're willing to take more care. And the word gets out.

"With a reputation established, New Haven Terminal says traffic really began to pick up in late January 1983. When the market demanded more imported products, New Haven and Bridgeport had the skills and facilities to handle the traffic. Both ports say they pay close attention to maintaining efficiency."

Virtue of Private Ownership. One advantage New Haven feels it has over other ports, although obviously not over Bridgeport, is that it is privately run. "The owners are on the site and the division managers have autonomy," says Ken Young, vice president of liquid operations, New Haven Terminals. "We can move faster."

Private ownership also has its financial advantages, Crowley says. For one thing, "we don't have to answer to public bodies for funding."

There is also a strong incentive to be efficient and profitable when the money is your own, says Crowley. "Being a small family company, the adrenalin really flows," he says. "The job market for past presidents of closely held family companies is pretty small."

"Being a small family company, the adrenalin really flows," he says. "The job market for past presidents of closely held family companies is pretty small."

Market Area. Both ports also attribute much of their success to their geographic location, close to major industrial areas. Joel Schine, vice president of CILCO, says a good deal of their traffic is trucked back into New York or up to New England. "The higher truck cost is outweighed by the lower damage and the ability to get it quicker." he says. "We could have the most efficient port in the world, but if it was in Maine we wouldn't be doing very well," says Crowley.

Labor Advantage. One key reason for their efficiency, officials at both ports say, is their labor force.

Young says at first they had to convince their men that doing a good job would eventually mean more work, not less. He says it took the men some time to believe this but it has paid off and many workers are pulling in record paychecks this year.

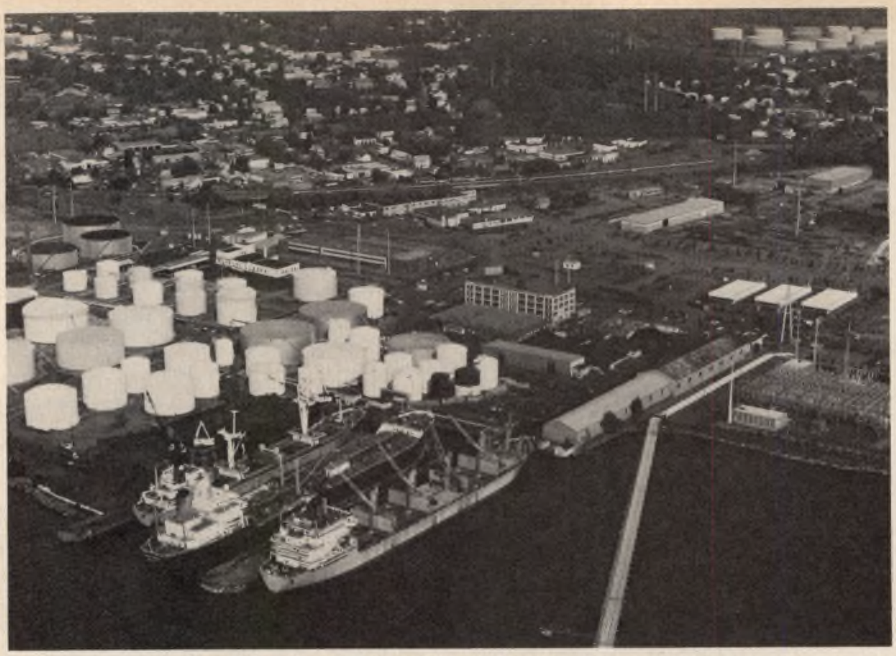
"We're looking for the long-term," says Joe Ciccia, president of local 1398 of the ILA. "If we're more productive, more ships will come in."

Communication between labor and management is also better than at large ports, officials say, because strong relationships have been built up over many years. "Many of our longshoremen started when the port was just beginning," says Schine. "Many were fishermen, working part time."

The Bridgeport operation began in 1929. Management says it listens carefully to the concerns of its workers. Flexible duties also help keep costs down.

Longshore & Shortshore Work. At New Haven, the dry cargo labor is on the stevedoring payroll when it is unloading a ship but on the yard payroll (shortshore) when the ship is not in, allowing workers to continue working. "The guys put out here," says Young. "You don't have one guy that can only pick up a hammer."

Now, the New Haven operation says, most labor is pretty happy and morale is high.



Small but busy Port of New Haven, Connecticut.

"This year there are crane operators taking home 60 thousand plus with overtime," says Young. Both ports say they have not been challenged by the ILA (International Longshoremen Association) International on labor matters. "From time to time they thought we were breaking the rules, but we don't," says Schine. "The fact that our productivity is higher here is not due to anything other than a more efficient operation."

Crowley also says it helps that their recent growth has not been at the direct expense of other ILA ports. "It's one thing to be taking the lion's share of an increase in an up market," he says, "and another to be taking business from others in a flat or down market."

Expansion. With the huge increases in tonnage coming through New Haven, the company recently purchased 34 acres of land from the city of New Haven. It is not without some irony that the land, which will be used in part to store imported steel, is the site of an abandoned U.S. Steel factory.

At the time the deal was made for the land last February, Crowley says New Haven Terminals, Inc. had no idea business would be as good as it has been. "It was really blind luck," says Crowley. "The property went from being desirable to being critical." The land will be used for indoor and outdoor storage.

The purchase of the U.S. Steel property has also put the port in the public eye, something the private company has not been used to. "From my own (business) perspective, the less we have to do with the public sector, the better," says Crowley. "But as a citizen, the port is an important institution."

"It's amazing how little the public knows about its port," says Young. If we had three ports or 30 ports, they don't know who we are." New Haven Terminal, Inc. recently hired a staff person to work with the media and Crowley has made numerous public appearances to help educate people on what the port is doing.

The city of New Haven had originally envisioned turning the 35-acre abandoned U.S. Steel wire factory site into an industrial park with high-tech jobs and economic benefits for the area.

After the initial proposal and drawings were made, however, only a handful of potential tenants came forward, none of them particularly high-tech. Partly through public education by the port and the city council, the residents have come to view an expanded port region as an asset, even if they don't understand exactly why this is.

"The real effect of port expansion, like a highway, is indirect," says Crowley. "But anytime you argue about indirect effects, you put people to sleep. The public doesn't have much realization of what part ports play in economic life."

Half Million City Tax. Part of the purchase agreement includes a graduated tax payment. The annual tax payment starts at $100,000 annually and rises in $100,000 increments to reach $500,000 after five years.

Crowley says the tax arrangement is "a gamble but not a threatening gamble. It's $500,000 in added fixed cost. It could become a big white elephant."

But Crowley says the arrangement is preferable to a tax tied to some portion of the business because taxes levied by the government often have adverse economic results. They might, for instance, tax each ship coming into port witho regard for what the ship is carrying. Th could chase business away. Under tl present arrangement, the port is able best decide how to pass the cost along

Site Work. Developing the site h required a lot of work and will contin to do so. St. Laurent estimates it will tak at least another year before the propert is fully integrated. Three-quarters of th buildings have been torn down and ren ovations are underway on the rest. Th newest building on the property dat from 1929.

Family Owned Since 1940. New Have Terminal, Inc. is privately owned by th Crowley family of New Haven, incorpo rated in 1940 and eked out an existence o lumber shipments. After World War I the port expanded into petroleum pro ducts but was still viewed as a subsidiar of the distribution business with littl potential for making money on its own

The real break came in 1959 when a domestic steel strike opened the door fo imported steel. The company built a new wharf to handle the surge in traffic Later, during the 1970s, they expanded their liquid facilities.

New Haven is the largest independent liquid and dry port in New England. It is also the only liquid terminal using ILA labor. Most of New Haven's traffic has been regional, Crowley says. A potential barrier to geographical service is the intermodal connections serving the port. Although highway connections are good, the local rail bridge has a 200,000 ton capacity, the bridge over the Hudson is "lousy," the local Conrail connection is inadequate and the Poughkeepsie rail bridge burned out recently, cutting them off from Boston, New York and Hampton Roads.

Still, these problems could be worked out if the traffic were to continue at its present pace. Crowley says they have been asked to quote rates to as far west as Ohio.

Despite cooperating on issues of common concern, such as access through Long Island Sound, New Haven Terminal, Inc. and Bridgeport's CILCO are strong competitors. On shipments to New York, Bridgeport has the advantage of being 20 miles closer, but CILCO officials say this is not terribly significant.

Merger. With times as successful as they are, the prospect of a consolidated operation marketed outside the region as the Port of Connecticut is attractive. "This is something you can do with three small ports that you can't with one." says Young.

Crowley says New Haven Terminal, Inc. has been looking at the idea of acquiring or merging with CILCO for the last ten years. "They're not hostile, he says. "Any outsider would see the way that it would make sense." There are several reasons why this would benefit the people of Connecticut, says Crowley. It would shift the focus of competition from within the state to Boston and New York. "Right now, ships are getting a real bargain compared with Boston and New York," says Crowley.

In addition, there would be certain efficiencies from running a larger operation. It would also allow them to market Connecticut ports more effectively in Europe, the Midwest and Latin America. Schine at Bridgeport concedes that a Port of Connecticut and a larger facility might prove an attractive marketing pull outside the region, but says there is nothing in the wind now on joining the two. He says CILCO is not adverse to the idea in principle. "In any business the goal is to make money," he says. "It would all depend on price."

Crowley. Although Crowley is running the port of New Haven, he does not fit the bill of the old salty port master. Educated at Exeter, Yale and Harvard Law School, he got into the maritime business quite by accident. As a young adult, he says, his first concern was to leave New Haven and a family of strong-willed patriarchs behind. After graduating from law school, he found himself looking for something to do that did not include a straight-minded business track. A chain of events followed that would help determine his future. Within 18 months, his grandfather in his 70's and his uncle and father, both in their 40s, all died. At first grudgingly, later with more enthusiasm, he moved into the family business.

It was not easy, he says, to begin learning the trade as president of the company, hardly your usual entry-level position. For one thing, he says, people didn't always tell him what he should know. But now, 25 years later, he finds that being a chief executive has its good points. "It's great fun. You are independent, you get to make decisions and see them carried out."

Although Crowley would like to see business continue to be as strong as it has been recently, he admits there are many forces beyond his control. Some of these include political upheaval in some of the steel and copper supply countries, an economic downturn and more import quotas.

Crowley has dreams that Connecticut might someday be the key breakbulk operation on the East Coast but he is also realistic. "Running a port is basically a reactive business," he says. "We'd like to remain as flexible as possible."

CSX Gets Its Barge Line

Victory for rail carriers is tempered, however, by another Circuit Court decision which says ICC must continue to watch over coal export rates. *By Tony Beargie*

CSX Corporation, which owns the Chessie and Seaboard System railroads, is now the undisputed owner of one of the nation's largest barge lines—American Commercial Barge Line (ACBL).

In the eyes of the railroads, the right to own and operate barge lines assures shippers the ultimate in intermodal transportation. Rail owners will offer barge service when it is advantageous; rail when it is best.

The artificial restraints which caused rail lines to shelter traffic from the barges will be abandoned, according to the railroaders.

In the eyes of barge men, the decision allowing CSX to exercise rights of ownership and control ACBL have set transportation back almost 100 years to the days when railroads systematically forced water carriers off the nation's rivers.

The Circuit Court decision allowing CSX to assume full control of ACBL (and to terminate the trust formed to hold the ACBL stock during litigation) came soon after another Circuit Court of Appeals decision which may hold the key to whether the railroad or the barge men are right in their predictions about the future.

Inland waterway carriers and coal exporters won a crucial test recently when the U.S. Court of Appeals in Washington, D.C. overturned an Interstate Commerce Commission decision approving the deregulation of rates covering coal exports moving by rail to U.S. Atlantic and East Coast ports.

The win is a big one, especially for the U.S. coal industry which led the drive from the very beginning to oppose the deregulation campaign launched by Norfolk & Western Railway (part of Norfolk Southern).

The Staggers Act, while reducing rail regulation, did not erase the ICC's mandate "to protect shippers from unreasonably high rates of carriers with market dominance."

Reasons for Optimism. What makes the barge line industry hopeful is the Appeals Court's holding that the ICC, in approving the deregulation of coal export rail rates, failed to recognize that the Staggers Act, while reducing rail regulation, did not erase the ICC's mandate "to protect shippers from unreasonably high rates of carriers with market dominance."

As one of the lead attorneys handling the rail-barge merger case, William Morelli, in reference to the Appeals Court ruling on coal export rates, told *American Shipper:* "The appeals court recognized that exempting export coal from ICC regulation really eliminated the competitive alternative that captive shippers had prior to the decision. What we're saying is that even though deregulation under the Staggers Act was needed to bring the railroads back to health, this recognition by the Court of Appeals that deregulation will not be at the expense of competition goes to the crux of the CSX case."

Morelli added that the appeals court ruling will "absolutely help" the barge industry in their arguments in the rail-barge suit when it comes full head before the court in Cincinnati.

The American Waterway Operators' public affairs vice president Jeffrey Smith had hoped the appeals court decision will help the barge industry in the

The court decision "represents the first major judicial ruling that shows the ICC is not properly implementing the Staggers Act."

CSX-ACBL merger case.

Smith noted the court pointed out that the ICC, in the coal case, failed to consider the potential for market abuse by the railroads against shippers.

"This (court decision) may serve as a precedent for the need to reassess the ICC's decision particularly in light of the upcoming appeal by the American Waterway Operators and others" in the CSX case, Smith said. "Similar issues such as market abuse are involved in the CSX-ACBL case."

"The odds are better than even that the ICC will appeal," an agency attorney told *American Shipper.* Also, it is believed that the rail industry, led by Norfolk Southern is "virtually certain to appeal."

In any event, petitions for reconsideration must be in the hands of the Appeals Court by November 2, and the rail industry would certainly feel more secure if the ICC decides to continue to fight for its position on the judicial level.

Coal Exporters Jubilant. Shortly after the court ruling, National Coal Association President Carl E. Bagge issued a statement hailing the decision.

"The appellate court's unanimous decision lends credence to our oft-stated belief that the ICC has failed to properly interpret the 1980 Staggers Rail Act in establishing regulations for the rail industry," Bagge said.

"The Staggers Act mandates balance between the needs of shipper and the needs of the railroads. The ICC has consistently failed to heed that congressional requirement and (the court's) judgment confirms that the ICC has been acting improperly," the NCA President continued.

Bagge said the court decision "represents the first major judicial ruling that shows the ICC is not properly implementing the Staggers Act."

"The ICC's interpretation of the Staggers Act has been off course from the very beginning," he concluded. "This court's decision proves it and we're going to do everything we can to push for legislation in Congress in 1985 to correct deficiencies exposed by the court."

For coverage of the coal industry's announced challenge to the ICC decision and its legislative goals to protect shippers from rail dominance and excessive rates, see the July 1983 issue of *American Shipper*, pages 30-32.

Pro-Competitive Liner Agreement

The U.S. and the Consultative Shipping Groups of nations (Western Europe and Japan) will ultimately sign a pro-competition ocean liner agreement. The latest round of London talks were effective in laying a blueprint for such an accord. But before that can be done other problems must be ironed out. *By Tony Beargie*

The United States, Japan and the major maritime nations of Western Europe are now exploring the possibility of drawing up a pro-competitive multilateral ocean liner trade agreement.

But before such a sweeping accord can be reached, the Free World's developed trading nations will have to find a common ground for opening up trade with developing countries.

The course of action to follow when all other means fail to open up access in the developing nations' trades occupied center stage at the latest round of U.S./CSG talks which were held in London September 24-27.

According to Arnold Levine, a delegation member at the London talks and chief of the Department of Transportation's International Trade Division, the U.S. is looking for "clear assurances" from the CSG side that they will act "in a timely fashion" should developing nations restrict U.S. flag carriers' access to their markets.

The Closed Conference Tool. What concerns U.S. negotiators more and more is the trend on the part of developing countries to use closed conference systems so typical of the third-world trades to restrict cargo access to conference members.

Specifically, the U.S. side wants assurances that the CSG nations will act quickly to work for admission of American flag carriers into these foreign-foreign trade conferences "and be able to compete for a viable economic and financial portion of the trade," Levine told *American Shipper*.

One of the questions the U.S. delegation raised, according to Levine, is "what would be enough" of the trade as far as U.S. flag carriers are concerned. For example, the unacceptable possibility of just being guaranteed a small, say one or two, per cent of the trade was brought up at the London talks.

CSG's Response. The Western Europeans and the Japanese said they would be looking to an "end result" under which U.S. carriers could compete "alongside" the CSG shipping lines, Levine noted. "Does this mean if the CSG carriers have 5% of the trade, the same will apply to U.S. carriers?" the U.S. asked. Levine said the U.S. is awaiting an answer from the CSG side regarding this question.

"We spent the better part of two days going round and round on this question," Levine said.

But as far as interim measures of guaranteeing access goes, the CSG nations "told us they prefer not to be pinned down" on a specific course of action, Levine said. The CSG countries agree on specifics at this point and their response was that "they are not involved in the regulation of conferences," Levine pointed out.

So, rather than being held to specifics at this point, the CSG nations are holding out a commitment to the U.S. for "an end result, meaning allowing U.S. carriers to compete alongside the CSG carriers."

The Bottom Line. The bottom line is, in fact, that the "U.S. is looking for a specific, clearly written statement from the CSG nations stating that they will set aside the closed conference structure if it is used to restrict the trade," Levine said.

But the CSG nations did give assurances that their policy is that the closed conference system works only if independents are permitted to operate in the LCD trades. Otherwise, the CSG nations in effect said that the "whole conference system and trade structure would break down, with the conference having a monopoly," Levine said, adding that the CSG side "does not want this to happen."

A recent example of closed access has been the Indonesian situation where West Germany and France have had problems in gaining their independent carriers' access to the trade. (For coverage, see the July 1984 issue of *American Shipper*, pages 4-6.)

The problem has been partially resolved, Levine said, noting that one French independent carrier has now been accepted into the conference while the other carrier is now permitted to operate in the trade as an independent. Thus, France "has worked out some accommodation," Levine said. Also, West Germany has been satisifed to some extent.

Next Meeting in Early '85. The next U.S.-CSG meeting is expected to be held in Washington either in January or February of next year, Levine said.

"We're billing this as a wrap-up session where both sides will go away with an understanding of what they're capable of doing and, in that light, to determine whether we have sufficient common ground on which to build a formal (mult lateral) agreement," Levine said.

"If all the pieces come together at th next meeting, the next step would be t draw up language for a formal agree ment," Levine explained. "But the inte rim access issue must be nailed dow first."

Shippers are Optimistic. Immediatel after the London talks, U.S. importer and exporters belonging to "Shippers fo Competitive Ocean Transportation, also known now as "SCOT," issued statement praising the U.S. delegations efforts.

"These talks create an effective blue print for assuring that our nation's for eign commerce is carried over trad lanes evidencing the U.S.'s dedication t freedom of the seas," the shippers' grou said. "The plan, when finalized an implemented, should enhance competition in the maritime liner industry and guarantee U.S. exporters and importers transportation services reflecting the efficiencies and innovations of a market disciplined industry."

The shippers' group, which was represented at the talks by trade expert Frank Merwin, said it is looking forward to "continuing this productive working relationship with the federal government so that the principles adopted in the CSG discussions can be applied throughout the world."

Aside from Merwin, other private sector observors at the London sessions included Jonathan Blank for the Council of American Flag Ship Operators and Peter J. Finnerty for the Sea-Land Corporation.

The U.S. delegation was co-chaired by Deputy Assistant Secretary for Policy and International Affairs (Department of Transportation) Jeffrey N. Shane and by Deputy Assistant Secretary of State for Transportation and Telecommunications Affairs Franklin K. Willis.

Other U.S. delegates included the State Department's Maritime and Land Transportation Director Charles Angevine; the Maritime Administration's director of International Activities Reginald A. Bourdon; Florence P. Carr, a Federal Maritime Commission economist with the Office of Policy Planning and International Affairs; Nancy C. Fibish, Maritime Attache, U.S. Embassy, London; Michael B. Jennison, Attorney Advisor, Office of the General Counsel, DOT; C. William Johnson, International Economist, International Trade Administration, Department of Commerce; Mark Tokola, Industrial Organization Officer, U.S. Mission to the European Community, Brussels; and James Weiss, Assistant Chief, Transportation Section, Antitrust Division, Department of Justice.

FMC Retains Terminal Tariff Filing

Exempt "fully non-competitive" terminal agreements such as landlord-tenant leases from the new Shipping Act's 45 day waiting period provided they are filed with the agency for 'informational purposes." will be retained by FMC. *By Tony Beargie*

Adhering to the wishes of a majority of the U.S. port industry and recommendations of Commissioner Robert Setrakian, the Federal Maritime Commission has decided to retain terminal tariff filing requirements.

By its action on the tariff question, the Commission cleared one of two major issues that surfaced during Setrakian's investigation. Whether to continue port antitrust immunity is expected to be tackled sometime in November or by the end of the year at the very latest.

The port industry is more adamant on the antitrust issue than on tariff filing, although both are considered to be extremely important. So, it is expected that antitrust immunity will be continued when the Commission considers the issue either in November or December.

Continued antitrust immunity is supported to achieve rate stability to avoid rate wars and to foster uniform rates and practices. Maintaining the status quo over tariff filing was also supported because of the expected increase in ocean carriers' intermodal rates and port rationalization. (For coverage of the industry's views in these two areas, see the April 1984 issue of *American Shipper*, page 70.)

The exemption of standard lease and other such agreements which have piled up at the Commission over the years came as no surprise, for from the very beginning of Setrakian's investigation this course of action was expected.

Proprietary Terminals Exempt. Also included in the exemption are agreements "detailing arrangements limited to facilities and services used in connection with the handling of proprietary cargo." This category covers terminals operated by manufacturers or distributors to handle freight solely for their own business.

In issuing his recommendation, Setrakian said the elimination of filing the two categories of routine agreements will relieve both the FMC and the ports of a lot of paperwork.

Speed Up Lease Negotiations. The exemption will also help ports to conclude lease agreements without having to wait for agency approval process, which at times, according to John J. Malone, president of the Philadelphia Port Corporation, has thrown a monkey

wrench into renting space out to prospective tenants.

"What I object to and the Philadelphia Port Corporation objects to is the delay involved in trying to consummate deals when we're required to submit these minor land leases and wait three to six months for approvals," Malone said. "Many times we'll receive phone calls with an opportunity to lease within a week or a month and you have to take advantage of these situations."

Status Quo for Terminal Conference Pacts. Terminal conference and interconference agreements will still have to be filed with the Commission, since these "are most likely to have substantive anti-competitive consequences," Setrakian said in his recommendation. Furthermore, he stated that the 45-day waiting period under the new Shipping Act should not burden the industry since time is not a critical factor in this area.

Compared to other types of agreements, there are relatively few of the conference type on file with the agency. In any event, these interconference agreements will still have to be filed but, under the 1984 Shipping Act, no longer will be subject to rigorous Section 15 approval standards.

The latest conference agreement, which was expected to go into effect October 7, is an arrangement between the California Association of Port Authorities and the Northwest Marine Terminals Association allowing the two groups to discuss and make non-binding recommendations on rates, charges, practices and other tariff matters.

As of this writing it was not totally certain that the agreement would go through but chances are that it will unless the FMC at the last minute should decide to take unlikely court action or ask for additional information from the parties.

There appears to be little controversy over the CAPA/NWMTA agreement which includes most of the ports on the West Coast.

A relatively recent precedent granting port associations the right to discuss and make non-binding rate recommendations was brought to light when the FMC quickly adopted an initial decision last October by administrative law judge Seymour Glanzer giving the go-ahead to the Mid-Gulf Seaports Marine Terminal Conference, the Terminal Operators Conference of Hampton Roads and the South Atlantic Marine Terminal Conference.

Canada Maritime Relies 50% on U.S. Cargo

Solicits cargo from Midwest to fill void left by decline in Canadian exports to Europe. Expect stable market through 1985, followed by possible stagnation in trade. *By Jean-Pierre Legault*

Consolidation and care will be the key words for the recently created Canada Maritime Services, Ltd. during the next few years. The company is counting on a relatively stable market for the next year and a half and fears afterwards a market stagnation. For Captain Jecques DeWilde, managing director of the London-based carrier, "There is too much tonnage brought in in the world when many countries are not yet out of the economic crisis. Still, we forecast good days since we are optimistic by vocation; otherwise, we wouldn't be in the shipping business."

So efforts will mostly be put to maintain and improve the company's health which is, as DeWilde says, "quite good. Our company is a rather young baby; it is growing well and is in good health for its age. For the moment, it has to learn to walk. We don't intend to get it running too soon."

Created last January by Canadian Pacific, Ltd. and La Compagnie Maritime Belge, the company is presently using four ships in the trade between North America and Europe: *Manchester Challenger*, *CMB Europe*, *Canadian Explorer* and *CP Ambassador*. These 1,800-TEU ships have a long history of carrying on the Atlantic through Dart, former lessee and CP Maritime.

With a weekly service, the ships sail out of Montreal to four European ports. They call in Felixstowe, Antwerp, Le Havre and Hamburg on a regular basis and have agents in the most important North American cities. According to DeWilde, former Dart executive, London was the perfect city in which to base the company's head office. "Many reasons justify our choice. CP was already there and, when the merger took place, we had to make sure that we would be able to serve the market without discomfort to our clients. Furthermore, changing paperwork and documentation systems is not a very simple operation so we had to choose a very well structured location computer-wise."

Another reason, observers note, is that CP may not have had the linguistic capacities to operate on the continent while, on the Belgian side, people are multi-lingual.

In North America, CM ships dock only in Montreal since the company found that it was the most economical combination for it considering the size of ships that can be handled there, port charges, cargo handling costs and proximity to major markets. "A study made it clear that it was the best base for the market we wanted to get," DeWilde told *American Shipper*.

Commodity Mix. Presently, CM deals with almost all commodities, even though some represent problems. Being the major Canadian asbestos carrier, the present trend of that market doesn't help the company. "Because of the controversial product, more and more countries are banning it, so the Canadian asbestos market is falling apart."

Newsprint grade paper is another commodity that is worrisome. The recent quotas imposed by the European Economic Community (EEC) limits that continent's market for Canada. "EEC has just opened its frontiers to the Scandinavians who are in direct competition with Canada. Because of taxes on importation and transport costs, Canada is in a difficult situation. The Canadian exports are down. There has been a general picking up since a couple of weeks, but that may be seasonal; we don't know yet. The Canadian trade is down because the strength of the Canadian dollar again European currencies limits sales of th primary material which represent a gre part of Canada's exportations. So there a problem of competitiveness with th developing countries and Canadian pr mary material is more difficult to sell."

The carrier copes with that situation by substituting declining commodities with others coming mostly from the United States. Liquors, food products, chemicals, steel, machinery presently permit the company to maintain its cargo coming from or going to the United States to about 50% of the total volume carried.

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Intermodal Strength. Being partly own ed by Canadian Pacific Limited, whic also owns one of Canada's two transcon tinental railroads, has helped Canad Maritime organize its intermodal carry ing system. "That's our sales strength We do door-to-door complete intermodal, if the client wants it."

Besides Canadian Pacific in Canada CM deals in the U.S.A. mostly with Soo Line, majority owned by CP, and Milwaukee Railroad Company. "All our prices are published but, in certain cases, our bargaining power, due to the volume we have, helps us give better service to our clients."

Canada Maritime is a member of four conferences: Canada-United Kingdom Freight Conference; Canadian Continental Eastbound Freight Conference; Canadian North Atlantic Westbound Freight Conference; and Continental Westbound Freight Conference. It sees the American Shipping Act as "a way to give better service to clients and maybe clean up the market by permitting carriers to get the power to rationalize operations to do what we did through mergers, consortiums, cooperation agreements, and so forth."

Big development plans and new ships are not in the immediate future for the company which, like other carriers, raised its rate this year. "I have to say that clients understood very well the situation we were facing. It was rough for everybody but I think we are now up to the point where there is no big profit but, at least, we are able to breathe," said DeWilde.

Canada Sees Growth at Halifax

According to Canadian government port authorities, the country's waterborne traffic growth should be smaller this year and the following than it was the last few years, but still, there is no reason to be concerned about the situation.

Speaking at the American Association of Port Authorities Congress held recently in Quebec City, Alain Jarry, vice president for corporate policy and planning of Ports Canada (formerly National Harbors Board), said that waterborne traffic should increase volume-wise between two and three percent in 1984. This increase comes up to the same as the one experts predict for national gross product.

This relatively modest figure compared with other sectors of economic activities—high technology, for instance-leads Ports Canada to put aside for a while large investment projects. "We want to get as much as possible from existing facilities before increasing the actual capacity of our ports," Jarry told *American Shipper*. The only investments we foresee in the short run will be made to improve the container handling facilities in our infrastructure."

In 1983, 310,000,000 tons of cargo moved through Canadian ports. Most of the 60,000,000 that went to the United States passed through the Great Lakes. Container traffic represented almost 12% of the total volume handled in Canadian ports and Jarry expects an increase of seven or eight percent in 1984.

Eastbound traffic should increase by two percent while the major growth should occur in westbound traffic "with an increase of four or five percent in the volume of merchandise cargo shipped to newly industrialized countries (NIC)."

Due to the low tonnage of cargo shipped into these countries, the increase will have a rather small effect on the total waterborne traffic but still "represents a plus in the present trend of the market."

Even if the actual economic situation tends to favor commerce between United States and Canada, an increase in that area of activity will not necessarily benefit the waterborne traffic since most of the merchandise exchanged is ground carried. Even though the present expectations, if there is a Canadian port that will increase significantly its activities, "it will be Halifax."

For Jarry, the location of the port gives it more chances to see its local volume of cargo increase. "On the Atlantic Coast, near the states, connected to railway systems, all that should help them."

Canada should be able to increase its grain sales and monopolize a bigger part of the world's market, says Jarry, who believes this year's bad crops should not affect the market in the long term, Canada being a major producer. For him, the reasons for the low increase of volume of waterborne traffic are not obvious. "We have stability because of the volume."

Furthermore, Canada is one of the important exporting nations. Exports represent 30 percent of the national gross product compared to 10 percent for the United States.

NCITD to Decentralize

Regionalization of activities is the "new focus" of the National Committee on International Trade Documentation (NCITD), Paul McKosky, the group's chairman, told an industry seminar audience at San Francisco's World Trade Club October 3. The event was sponsored by the organization and the facilitation committee of the Marine Exchange of the San Francisco Bay Region. McKosky said the decentralization is needed because members' concerns differ from one area to another.

Charleston/Savannah Pot Boils

FMC hearing on accuracy of claims made in consulting report could set a precedent for "truth in advertising and marketing" by ports.

Round One of what promises to be a lengthy legal battle over the publication and distribution of a contested port comparison study of Charleston and Savannah ended with the adjournment of a Federal Maritime Commission hearing on October 5.

The hearing is the result of a complaint filed by the South Carolina State Ports Authority in February against the Georgia Ports Authority alleging violation of unfair competition under the Federal Shipping Act of 1916.

SPA officials say that a report commissioned by the GPA and prepared by the consulting firm of Booz-Allen and Hamilton, Inc. of New York is filled with errors that are detrimental to the Port of Charleston. Because of two issues of the report—one distributed in September 1983 and the other two months later—the Port of Charleston claims it lost its bid for a new steamship line to Savannah; lost its established U.S. Lines service; and had another service put in jeopardy for a while, SPA officials say.

Charleston's loss attributed to th BAH report is in the millions of dollar the SPA claims.

In addition to its FMC complair against the GPA where reparation c alleged damages are being sought alon with an order prohibiting distribution o the report, the SPA has filed a suit i Federal Court against BAH. The cour suit, like the FMC complaint, doesn' specify exact alleged damages except t say they are in the millions of dollars This action is also seeking a retraction o the report by BAH and the collection o all distributed copies.

No trial date has been set in the cour case.

SPA executive director W. Don Welcl testified for nearly three of the four day of the hearing held in Charleston.

At the outset of the hearing FMC Administrative Law Judge Seymore Glanzer, addressing SPA attorney William H. Vaughn, Jr., said he would be interested to see how the BAH report was going to be tied to the GPA. Georgia port officials say the BAH report was independent and not influenced by them.

Vaughn said evidence will show that the GPA knew the report was in error and yet the authority continued to distribute it. Welch testified that at least one error was found on 57 of the 80 pages of the report.

Almost Lost Evergreen. During late September and early October 1983, both the SPA and the Charleston Branch Harbor Pilots Association began getting odd inquiries concerning the basic characteristics of the port, both Welch and Pilots Association president Whitemarsh S. Smith, III testified.

About this time, a group of SPA representatives who had met with Evergreen Lines officials in Taiwan reported to Welch that "we have a major problem with Evergreen."

Welch said that he, along with two other SPA officials and Smith, went to Taiwan and met with Evergreen executives. It was then they learned of the existence of the report. Although Evergreen officials refused to allow his delegation to see the report, Welch said, a copy of it was obtained later.

Smith said if the Charleston delegation had not gone to Evergreen's headquarters and provided correct information, the line's around-the-world service would have gone to Savannah.

Errors. Many of the report's alleged errors deal with dimensions of Charleston's channels and the distances that ships must travel from the open sea to reach port facilities.

Both Welch and Smith took strong exception to BAH's statement that ships longer than 825 feet couldn't be turned around in the North Charleston Terminal's turning basin and would have to be backed seven miles down the Cooper River. Smith said ships up to a thousand feet long could be turned in the basin.

"I found it truly astonishing," Welch said of the report overlooking the Columbus Street Terminal, a facility that accounts for about a third of the SPA's annual tonnage.

He also took exception to the report's marketing and transportation comparison which he said was prejudicial to Charleston.

GPA attorney George H. Chamlee, who pursued a line of questioning to show variations of different publications pertaining to the two harbors, conceded errors in the BAH report in two instances. First, the channel under the Cooper River bridges is 600 feet wide, not 300, and secondly, the container storage space at the North Charleston Terminal is 95 acres, not 9.5, which was explained as a typographical error.

Welch said he doesn't attribute any one single error to the loss of business but rather the problem arises out of the report's combined errors. He blames the loss of Charleston's bid for the new German Hapag-Lloyd service on BAH's first report distributed in September. This report dealt with marketing and transportation. The second report, which came out in November, was expanded to include navigation and port operations. Hapag-Lloyd's decision to go to Savannah was made in October.

BAH's report came at a time when both Charleston and Savannah were engaged in stiff competition for "load center" designation in the South Atlantic.

SPA officials estimate Hapag-Lloyd's loss to Charleston at $1,144,287. How this figure was arrived at is expected to be explained in later testimony.

Until early this year, U.S. Lines had maintained service in both Savannah and Charleston. Line officials decided to establish a broader service in Savannah and to cease operations in Charleston. Welch blames the BAH report for influencing U.S. Lines' decision. He testified that U.S. Lines vice president Elliott Burnside told him that the report had been received by the company and that it had been distributed within the organization and was widely read.

Intangible Losses Ruled Out. Glanzer ruled that SPA can only seek reparation on its own behalf and cannot expand this to include alleged damages that may have occurred to the city and state because of the economic multiplier effect due to the port's business loss as had been proposed by Welch.

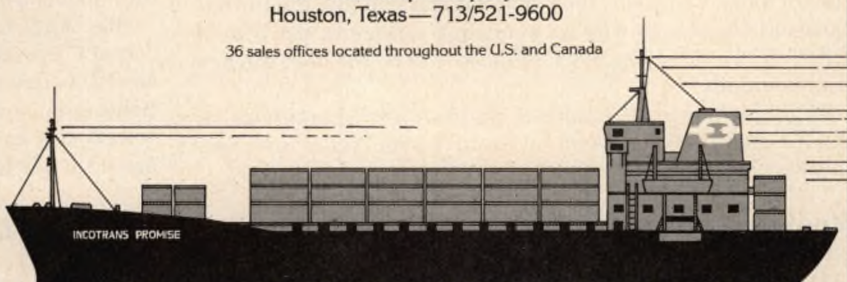
Efforts were made to get the GPA to stop distributing the BAH report before official action was taken against the authority, Welch said. The GPA ceased using the report for a short time after he had delivered a letter of protest to authority executive director George J. Nichols on January 25, Welch said. A little later it was back in circulation again.

The SPA's challenge is reportedly the first one coming before the FMC dealing with a contested report comparing port facilities. When the hearing in Charleston resumes, possibly during the last week of this month, Smith will continue his testimony.

Four other SPA witnesses are scheduled to take the stand, a process Glanzer has estimated will take a week to complete.

Under an agreement, testimony involving SPA witnesses will be held in Charleston while GPA witnesses will testify in Savannah. No date has been set for the Savannah hearing phase. Chamlee said he has a number of witnesses to put on the stand, among whom will be Nichols. Glanzer estimated that the hearing may take up to 20 days to complete.

After the hearings, the administrative law judge will make a decision. His decision can be appealed to the commission. Court officials say the FMC seldom awards monetary damages.



Western Europe & United Kingdom

Brown & Damco Form Joint Venture

Damco Van Swieten of Rotterdam, the European groupage company within the Damco International Transport Group, has joined forces with Brown Transport Corporation in Atlanta, the largest LCL trucking operation in the southeastern United States, to offer an exclusive container consolidation service between Europe and East Coast/Midwest U.S.

The service known in Europe as "Brownie Goes Damco" began October 1. Damco with its 40 liner groupage services in Europe and Brown with 72 distribution points are offering "all in price" tariff for groupage based upon the measurement and weight and ignore the nature of the goods.

Both Brown and Damco have substantial transport and forwarding services, depots for receiving, stuffing/unstuffing, storage and forwarding, and fleets of trucks and trailers. Damco International Group is a wholly owned subsidiary of the worldwide transport and energy group Nedlloyd.

PEX & Hapag-Lloyd File Space Charter Plan

Hapag-Lloyd AG, Compagnie Generale Maritime (CGM) and Intercontinental Transport (ICT) B.V. (Incotrans) together with the partners in the Johnson ScanStar Service (Johnson Line AB, the East Asiatic Company, Ltd. and Blue Star Line, Ltd.) intend to enter into a space charter and sailing agreement covering the trade between the U.S./Canada Pacific Coast.

Filing for FMC Agreement took place on September 28. For details, see story on page 4.

Trans Freight Teams up With Double Eagle

Trans Freight Lines has filed with the Federal Maritime Commission a charter agreement whereby Double Eagle Lines, Inc. will charter one TFL Independence-class vessel having a capacity of approximately 950 TEUs.

Dougle Eagle, a vessel-operating common carrier in the eastbound North Atlantic/North Europe trades, will also slot charter from TFL space on TFL's vessels sailing eastbound in TFL's North Atlantic service.

TFL, in return, will slot charter certain space from Double Eagle on that company's eastbound voyage and all slots on that company's westbound voyage.

BCR Inaugurates Hampton Roads Service

BCR Lines, a non-conference carrier serving the North Atlantic trade, has inaugurated service from Portsmouth Marine Terminal, which is owned by the Virginia Port Authority and operated by Virginia International Terminals, Inc.

Their three 450-TEU vessels will have a sailing frequency of every 14 days and will call at Hampton Roads, Boston and Philadelphia. Overseas, their ports of call will include Rotterdam and Hamburg, with a connecting service to the United Kingdom. Lavino Shipping Company will be the line's agency in Portsmouth.

BCR Lines is a joint venture of Maritime Transport Overseas in Dusseldorf, West Germany, and Rhein Maas und See, Duisberg.

Westwood Revises Europe All Water Service

Westwood Shipping has dropped Coos Bay, LaPallice and LeVerdon port calls and Hamburg cargo is being drayed directly from Antwerp, their first port of call in Europe.

Europe-bound vessels now load at Vancouver, B.C., Seattle, Oakland and Long Beach, sailing directly to Antwerp in 27 days. All containers, except U.K. and Bremen, are distributed directly from Antwerp.

Far East, Southwest Pacific

ACT/PACE Will Move to Reefer Terminal

Associated Container Transportation/PACE Line will mo its marine operations in Philadelphia to Holt Cargo Systems new reefer container facility, in March 1985. The ocean carri which serves the Australia/New Zealand trade, is the fi container carrier to announce its move to Holt, which will b fully operational container-handling facility by October 1.

ACT/PACE for the last 15 years has served Philadelpl area importers and exporters via the Packer Avenue Mari Terminal. In announcing the terminal change, Peter F. Vicke senior vice president operations, said: "The new Holt contain terminal along with its on-terminal facilities is specifical designed for the Australia/New Zealand trade and its spec requirements for the refrigerated cargoes and will provide more expedited delivery service to the Philadelphia mark and especially to the import meat complex developed in tl Wilmington, Delaware area."

AES Offers Ro/Ro From East Coast

AES (Atlanttrafik Express Service) has inaugurated reg larly scheduled Ro/Ro service from the East Coast of Nor America to New Zealand and Australia as part of the line recent global expansion.

The service is provided by the *AES Cavara,* a 1,300-TE Contender-class vessel on charter from Sea Containers, Lt The *AES Cavara* will begin her maiden southbound voyage o October 27 from Philadelphia.

AES president Claes L. Uggla said, "AES has linked the ea coast of Canada and the U.S. with New Zealand and Australi for 38 years—longer than any other line. As a result, we hav seen the need and, above all, the opportunity for Ro/Ro se vice increase in recent years."

Southbound service to Australia and New Zealand wa AES's only route until 1983, when the line expanded to fiv routes in an around-the-world service via the Mediterranean AES was purchased from Sweden's Brostrom Group earlie this summer by Elliot Maritime, Ltd.

Edward G. Ryznar, AES vice president of sales and marketing, said, "Until now, there were only tw choices: Ro/Ro via the West Coast, or strip the vehicle and ship it breakbulk off the Eas Coast. Given the present tariff structure much of this cargo has been heading west Now it's a whole new ballgame."


Ryznar

Uggla noted that "substantial tonnages" of project cargoes, tractors, trucks, farm implements and oversized equipment move annually to New Zealand and Australia.

"Our Ro/Ro service is ideally suited to capture the majority of this tonnage in our market areas," he said.

The *AES Cavara* will join the line's other 1,150-TEU "combi" vessels in the westbound rotation, beginning in the North American ports of Halifax, New York, Philadelphia, Baltimore, Norfolk and Savannah.

AES also named Kerr Steamship Company, Inc. as its new agent for Michigan and Toledo, Ohio.

Sea-Land & Hapag-Lloyd Space Charter Plan

Sea-Land Service and Hapag-Lloyd have filed a space charter and sailing agreement and a terminal services agreement for containership operations in transpacific trades between the U.S. West Coast and Asia.

The space charter and sailing agreement permits each carrier to charter container space aboard the other carrier's ships operating between U.S. West Coast ports and ports in three sian countries. The ports include: Oakland and Long Beach, alifornia; Seattle, Washington; Hong Kong; Yokohama and obe, Japan; and Kaohsiung, Taiwan.

AC and Seawinds Cross Charter Agreement

The space charter agreement between EAC Lines Trans acific Service and Seawinds, Ltd. (approved by the Federal laritime Commission in August) will become fully opera- onal from the early November sailings from the U.S. West oast to Asia.

EAC will continue to serve Fremantle through its EAC Fre- iantle service with transshipment in Singapore.

The space charter will enable the two independent carriers) offer weekly service throughout the joint port coverage with ewer ships. Seawinds has already redelivered one vessel in rder to meet the new fleet size requirement and EAC will do kewise by mid-January 1985 when *Annie Johnson* is redeli- ered to Johnson Scanstar. At that time both lines will operate iree vessels each.

EAC is a major Danish shipping, trade and industrial com- any with close to 29,000 employees and more than 100 com- anies in 50 countries worldwide. Seawinds, Ltd. is a transpa- ific carrier owned partly by Nedlloyd in Holland and larrison Line in England.

Vilhelmsen & Trans-Astral to Serve Australia

The shipping agency functions of Wilh. Wilhelmsen Agency, td. and Trans-Astral Shipping, Ltd. have been merged into a oint company named Wiltrans Agencies, Ltd., it was nnounced by Robert H. Pouch, president of Barber Steam- hip Lines, Inc. and North American spokesman for the Wil- elmsen Group.

Trygve Amundsen will serve as managing director of Wil- rans, operating out of a Melbourne office while arrangements re completed for the opening of a Sydney headquarters at the nd of the year.

Zim Names Stolarz West Coast Manager

Dov Teitler, senior vice president of Zim-American Israeli Shipping Co., appointed Marvin Stolarz as Zim's U.S. West Coast regional manager for marketing and sales.


Stolarz

Stolarz began his transportation career as an account executive for Seatrain Lines where he served for four years. He then moved to Trans Freight Lines where he was employed as TLF's first district sales manager. Stolarz, who was with TFL for five years, was responsible for establishing, coordinating and eventually expanding TFL's marketing/sales department.

Seawinds Appoints N.Y. & Chicago Managers

Seawinds, Ltd. (U.S.A.) has appointed new regional manag- ers in New York and Chicago, it was announced by J.C.F. Chin, president. Richard DeCarlo was named regional man- ager for the Midwest area and Les LeGear for the Atlantic. They will be responsible for the day-to-day supervision and coordination of Seawind's agencies located in their territories.

N.Y.K. Capacity Increased by 77 Percent

A new expanded direct container service between the Far East and the Pacific Coast of the United States was launched in September by Nippon Yusen Kaisha (NYK) it was announced by Matson Agencies, Inc., N.Y.K.'s Pacific Coast agents.

Westbound container carrying capacity will be increased by more than 77 percent and eastbound by nearly 74 percent under the new space charter agreement, with sailings every two weeks from Los Angeles, Oakland and Seattle to Busan (land feeder service to Incheon), Kaohsuing, Hong Kong and Keelung.

Starting the service from the West Coast was the *Strathconan* with capacity for 1,112 TEU containers. The other ships in the service are the *Pacific Trader* (1,036 TEUs) and the *Hotaka Maru* (977 TEUs).

Australia-New Zealand Rates to Rise

The U.S. Atlantic and Gulf/Australia-New Zealand Conference announced a general rate increase for both port-to-port and intermodal rates effective November 15, 1984:

All per container rates will be increased by \$300 per 20© container and \$500 per 40© container.

All weight or measurement rates below \$200 will be increased by 11%, rates from \$200 to \$250 will be increased by 9%, and weight or measurement rates over \$250 will be increased by 7%.

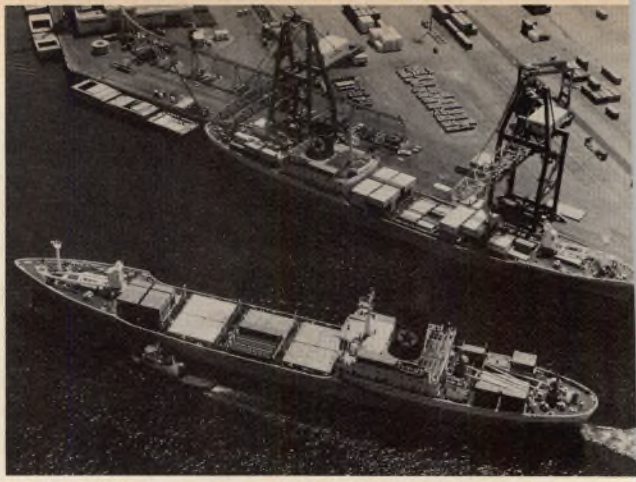
Accessorial charges, ancillary charges including heavy lift, extra length and minimum bill of lading charges will be increased by 10% as well as all lump sum rates other than per container rates.

Rates to South Asia Will Climb

The Pacific-India/Pakistan/Ceylon/Burma Agreements plans a 15% general rate increase January 1, chairman Henri P. Blok said in a statement released from the group's San Francisco headquarters.

"The previous adjustment in this trade occurred on July 1, 1981, and during the ensuing years operational costs have escalated far more than will be recovered under the presently announced rate increase," the statement said.

The agreement setting forth the 15% general rate increase by the group covers the westbound trade from the North American West Coast to India, Pakistan, Sri Lanka, Bangladesh and Burma.



Milestone for a Blue Star Service

Arrival of the Blue Star Line vessel *Southland Star* at L Angeles November 14 will mark the 100th voyage in the car er's Pacific Coast Container Service (PCCS) between t North American West Coast and New Zealand.

The Britain-based carrier launched the service in 19 "Because Blue Star Line does not stop in Australia," said company statement from Los Angeles, "PCCS saves shippe several cargo days and 1,300 nautical miles."

The two-vessel service, which involves conference memb ship in both directions, also offers calls at Oakland, Tacom Vancouver, B.C., Auckland, Lyttleton and Wellington.

The ships carry a variety of fresh and frozen foodstuf eastbound and timber and other raw materials westbound.

Mediterranean & Middle East

Torm Announces Independent Service

Torm Lines and its general agent, Kerr Steamship Co., In announced a monthly, independent service from the U.S. Gu and South Atlantic to North Africa and the Easte Mediterranean.

The new non-conference service will make regular calls Houston, New Orleans, Gulfport, Savannah and Charlesto plus other U.S. ports on inducement. The line will serve Tun sian, Grecian, Turkish and Egyptian ports with Alexandria the focal point. All other ports in the range will be served o inducement.

Operations for Torm's new service will be headquartered Kerr offices in Houston. Special interest will be placed o project, forestry products and general cargoes. Inquiries fo reefer and deep tank cargoes are also solicited.

Torm Lines also operates regular services to West Afric from U.S. Gulf and East Coast ports and recently inaugurate a new service from U.S. Great Lakes and St. Lawrence/Eas Canadian ports to the Mediterranean.

Seawinds Expands to Middle East.

Seawinds, Ltd., which extended its transpacific service t the Indian subcontinent in June, will expand its services t include ports on the Arabian peninsular via connecting carrie from Singapore.

Seawinds agents in Saudi Arabia are Arabian Establishmen for Trade and Shipping; in Bahrain, Alsharif Shipping Agency and in the U.A.E., Rais Hassan Saadi & Co.

Seawinds currently maintains sailings every 14 days betwee California and Taiwan, Hong Kong, Singapore, Korea, othe countries of Southeast Asia, the Indian subcontinent, New Zealand and the Melanesian Islands.

Conference Changes Address

On October 17, the North Atlantic Mediterranean Freight Conference moved from 11 Broadway to Suite 2100, 50 Broadway, New York 10004; phone (212) 269-7430; telex 1414-02; cable AMWESAFC.

Conference Rates Up 10 Percent

The U.S. Atlantic Ports, Italy, France and Spain Conference announced rate increases effective October 1, excepting rates over $150 W/M.

The general increase in rates is 10% rounded upward to the nearest 25¢, subject to a minimum increase of $125 per 20-ft. container and $225 per 35/40-ft. container. Rates over $150 W/M are not subject to the general rate increase.

An increase in the terminal handling charge is as follows:

House to House and House to Pier — $7.50 per 40-cu.-ft. or $10 per 2240 lbs. as cargo is freighted.

Subject to a minimum charge of $120 per container and a maximum charge of $245 per container.

Pier to Pier and Pier to House (also applicable to breakbulk non-containerized cargo) — $13 per 40-cu.-ft. or $20 per 2240 lbs. as cargo is freighted. All other cargo $20 per 2240 lbs. ■

Africa

General Agents for Bank Line Africa Service

The General Agency Corporation has been named as the U.S. coordinating agents for The Bank Line Africa Service, it was announced jointly in London and New York by James Wyburd, Africa Service line manager, and Edward Chick, senior U.S. representative for The Bank Line, Ltd.

GAC will be responsible for selling the line's service between the U.S. and East and South Africa from offices in Chicago, New York and Norfolk. The appointment of GAC to serve The Bank Line's Northeast and Midwest shippers complements an extensive agency structure already operating in other parts of the country.

In 1985, The Bank Line begins its second century of service. "We are excited about the thought of entering our second hundred years of service to shippers," Chick said. "The addition of the General Agency Corporation to our corporate family at this time underlines the commitment we have made to American and East and South African shippers. Most of our cargo flows from this section of the country and GAC will make it easier for us to serve the interests of these important customers." The line, a member of the South and East Africa/U.S.A. Conference, makes direct port calls in Capetown, Durban, East London and Port Elizabeth in the Republic of South Africa.

In the U.S., its vessels call at Baltimore, Charleston, Houston, Jacksonville, Mobile, New Orleans, Newport News, New York and Savannah. Serving the U.S. Gulf and Atlantic, the line uses its own modern vessels, equipped to move containerized, breakbulk and heavy-lift cargo on its 21-day service.

Crowley is States Africa Line Consultant

States Africa Line announced that James T. Crowley resigned his positions as president and director but will continue his association with the line as consultant to the chairman of the board. He was a director of States Africa Line since March and served as president since July 1.

The company has been operating multi-purpose cargo vessels in independent service between New York, Baltimore, Hampton Roads, Savannah, New Orleans and ports in South Africa and elsewhere on the East Coast of Africa.

States Africa Line recently expanded operations to include regular service from ports in Brazil to the U.S. East Coast. ■

Caribbean & Latin America

Delta's West Coast Plans Uncertain

Reports have been circulating for months that Delta Steamship Line plans to stop calling at West Coast ports but Thomas B. Crowley, chairman of parent Crowley Maritime Corporation (CMC), told *American Shipper* that no final decision has been made.

Crowley stressed, however, that Delta will continue to serve the West Coast-Latin American/Caribbean trade by landbridge or all-water routing.

He made his comments to this magazine at the close of the Pacific Traffic Association's annual Steamship Night dinner in San Francisco where he was honored for his contributions to the maritime industry.

Asked how soon a decision might come on the ship deployment issue, Crowley replied, "I can't say."

Delta has been operating three combination cargo-passenger ships between the West Coast and Latin America. Those ships can carry only about 50 20-foot containers each and any refrigerated cargoes must travel below deck, resulting in high stevedoring costs, he said.

Delivery of the three new 2,000-TEU vessels, each with between 300 and 500 reefer plugs, is expected between this month and April, Crowley said.

Midwest Agents Appointed for ELMA

ELMA General Agency Corporation, as general agents for Empresa Lineas Maritimas Argentinas (ELMA), announced the appointment of International Great Lakes Shipping Company in Detroit, Michigan, as its agents in Toledo, Ohio and also in the state of Michigan. The appointment is effective October 15, 1984.

Ivaran Appoints World Shipping

A/S Ivarans Rederi of Oslo, Norway, announced tl appointment of World Shipping, Inc. as Midwest sales agei network, effective October 1.

Ivaran Lines provides separate, direct, modern containe and breakbulk service to and from U.S. East and Gulf ports t and from Brazil, Uruguay, Argentina and Paraguay.

World Shipping has offices in Cleveland, Chicago, Cinci nati, Detroit, Pittsburgh, Rochester and St. Louis.

Zim Service From Gulf & Florida to Caribbeai

Shaul Cohen-Mintz, senior vice president of Zim-America Israeli Shipping Co., announced a new, independent containe service to the Caribbean starting October 12.

In addition to the container vessel *Zim Caribbean*, Zi launched the *Zim Kingston*, a newly built 350-TEU containe vessel, as part of its expanded service to the Caribbean. Th *Zim Kingston* made her maiden calls at Kingston October 1 Houston on October 17 and Miami on October 21.

"Zim's new, independent all-water route to the Caribbea will provide shippers from the Gulf and Florida with reliable frequent service every 10 days to Kingston and Sant Domingo," said Cohen-Mintz.

Zim presently operates over 90 vessels which call at mor than 250 ports worldwide.

Zim-American Israeli Shipping Company is the largest of th four divisions which comprise Zim Israel Navigatio Company.

Biehl General Agent for Maragua Line

Biehl & Company has been appointed U.S. general agent fo the Maragua Line owned and operated by Maritima Aragu S.A. of Maracaibo, Venezuela.

The line, authorized as a common carrier of Venezuela reserve cargo, provides independent direct U.S. Gulf servic to and from Venezuela.

Maritima Aragua S.A., reported to be the oldest Venezuela private shipowner, continues as a permitted carrier of Venezuelan reserve cargo under Resolution No. 306 dated June 9 1983.

The first vessel to sail under the Biehl/Maragua Line agency agreement was the *M/V Markina*.

Ports of call are Houston and New Orleans on the Gulf and Maracaibo, Puerto Cabello, LaGuaira and Guanta in Venezuela. Other ports are loaded on inducement.

Brokerage commission to freight forwarders is five percent on most commodities.

Interim Cargo Surcharge at Trinidad

Due to increased labor and terminal charges in Trinidad, the member lines of the United States Atlantic & Gulf Southeastern Caribbean Conference announced, effective November 1, 1984, the establishment of an interim cargo surcharge of $65 per ton weight or measurement, whichever creates the greater revenue.

Members of the conference are Concorde Nopal Lines, Puerto Rico Maritime Shipping Authority, Sea-Land Service and Shipping Corporation of Trinidad and Tobago.

Seapac Represents Bermuda Container Line

Bermuda Agency, Ltd., general agent for Bermuda Container Line, has selected Seapac Services, Inc. to represent BCL in Long Beach, Oakland, Portland, Seattle, Detroit and Cleveland.

BCL has been in service for 25 years. The line's all-container vessel, the *M/S Oleander*, sails weekly on Thursdays from Port Elizabeth to Hamilton, Bermuda. ■

[T]ennessee-Tombigbee to Open in February

The Tennessee-Tombigbee waterway should open by February 1 after nearly five years of construction, says Lambert C. Mims, mayor of Mobile, Alabama. When finished at an overall cost of $2.1 billion, the waterway will represent the largest private public works project in the U.S. Mims says the waterway has been labelled a pork barrel project by some critics but he believes it will help develop the region.

Mims says he expects Mobile will receive strong economic benefits from the waterway during the next 25 years. He expects private spending related to the waterway to bring in tens of millions of dollars in additional city jobs and spending, resulting in direct and indirect benefits to the city's people and tax roll. Mobile's unemployment is currently running at about [1]2 percent, hurt by the poor performance of area shipbuilding and ship repair companies and general increases in business automation.

Traffic prospects are bright for the waterway, he says, because of the mileage savings it offers to shippers in 14 midwestern states trying to reach the Gulf. Shippers in Tennessee can save over 800 miles over other routes by using the waterway. Although Mims says he thinks the predictions of explosive growth for Mobile once the waterway is completed are exaggerated. He does expect the waterway to bring solid and steady growth for Mobile and continued benefits for shippers.

Consolidated Buys ContainerFreight

Consolidated Freightways, Inc. has reported October 8 that its CF International & Air subsidiary completed the previously announced purchase of ContainerFreight Corporation from Raymond M. Veltman and members of his family for approximately $5.7 million.

Through subsidiaries, ContainerFreight provides local drayage of containers to and from those same ports. ContainerFreight also transports containers between Southern California and Phoenix and between Seattle and Portland, Oregon.

Automated Voice Response at Carolina

An automated voice response system that allows customers to trace shipments and obtain rates automatically by telephone is in use at Carolina Freight Carriers, Cherryville, N.C. The system was installed with the assistance of Carrier Logistics, Inc. of Rye Brook, New York.

Customers dial an 800 number and are answered by an automated voice that informs them of the proper procedure to price or locate their shipments. The voice requests specific information and responds with the required data upon completion of the few simple inputs. As an example, if a simplified rate is needed, the caller enters the destination zip code, the origin zip code, the commodity class and the weight into their touch tone phone. Within three seconds, the rate quote is "spoken" along with the expected transit time.

To trace a shipment, the caller indicates either the bill of lading, the way bill or the purchase order number and gets an up-to-the-minute status report on their shipment's location, freight charges and expected delivery date.

Intermodal Service at Port of Gulfport

Through an agreement reached between Hub City of Louisiana Terminals, ILnc. and the Illinois Central Railroad, direct intermodal service between Gulfport and key midwestern interior points is now available.

Hub City of Louisiana is a member of the Hub City Terminals' Shippers Agent organization and will make available volume contract rates to shippers.

Tow Reached Adak in 16 Days

A recent tandem tow of construction materials and equipment to Adak, Alaska, by Dillingham Maritime Services was completed in 16 days.

The tow for two individual construction companies originated in the Columbia River ports of Portland, Oregon, and Vancouver, Washington. The cargo included 19,000 palletized, 55-gallon drums of Arctic grade asphalt; 276 pallets of bagged cement; rock crushers and other bulky construction equipment destined for an airport runway and apron resurfacing project for the U.S. Navy in Adak, Alaska.

The barges were loaded at the Rivergate Terminal at Portland's Waterway Terminal Complex and at Vancouver's Pacific Marine Company loading facility.

The tandem tow was coordinated by Marine Intermodal Cooperative Association of Portland for two separate customers: Aleutian Constructors of Seattle and Neal & Co. of Homer, Alaska.

"The flat-deck barges were quickly and easily loaded and unloaded since they allowed us to stack the 19,000 palletized asphalt drums atop one another," said Blain Eliot, D.M.S. Pacific Northwest manager. "We were able to develop an effective loading configuration to include both customers' supplies and bulky equipment."

The freight was carried aboard a 7,000-DWT Foss 286-class barge and a 5,000-DWT Foss 274-class barge and was towed to Alaska by the 2,900-h.p. tugboat *Stacey Foss.*

First Conoco Shipments for Milne Point

The first shipment of materials destined for the Conoco, Inc. Group Milne Point oil development project arrived at Valdez recently.

The 43 building modules and associated supplies were manufactured by Olympic Prefabricators, Inc. of Woodinville, Washington, and were carried on 274-foot and 250-foot Dillingham Maritime Services barges from Seattle, Washington.

The Milne Point Project, which is located some 35 miles from Prudhoe Bay to the northwest on the coast of Alaska's resource rich North Slope, will be operated by Conoco, Inc., a subsidiary of the DuPont Company.

St. Louis Developing River Information

The U.S. Maritime Administration and the St. Louis Po Authority have signed a cooperative agreement to develop a inland river ports transportation management informatio system.

Under the agreement, the port authority will be designin the system aimed at reducing river ports' operating and capit expenses associated with transportation information.

Expected to be completed within one year, the results of th $180,000 effort will be made available to all U.S. inland rive ports, the Maritime Administration said.

Skyway Offers Overnight Service

Santa Cruz, Calif.-based Skyway Systems, Inc. has launche an overnight delivery service aimed especially at norther California's high-technology market, with a fleet of 200 truck The service "is designed to help California manufacture increase production efficiency while reducing shipping cos by 10% to 15%," says a company statement.

"Each truck is equipped with an on-board communicatio system for instant reporting of pickups and deliveries to Sk way's computerized freight tracking center in Santa Cruz," th statement says.

The fleet includes "short- and long-haul" trucks, the latte featuring "advanced air-ride shocks, increasing in-transit qua ity control."

Alaskan Oil Trade Beckons Again

Three tanker operators have asked for Maritime Administra tion permission to temporarily operate in the Alaskan (Jone Act) oil trade for six months.

Companies seeking permission are Boston VLCC Tankers Inc. VI to run the 265,000 deadweight tanker *Maryland* fro Valdez, Alaska through Panama and/or direct from Valdez t the U.S. Gulf or Caribbean for oncarriage only to a U.S. port Archon Shipping, Inc. to operate its 225,000 deadweight to tanker *Brooklyn* from Valdez to Panama for transshipment and ARCO Transportation Co. to operate the 262,000 dead weight ton tanker *ARCO Spirit* from Valdez to Panama. ■

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I certify that the statements made by me above are correct and complete. Signature and title of Editor, Publisher, Business Manager, or Owner: /s/ David A. Howard, Publisher and Editor.

National Maritime Council OVERVIEW

A monthly feature from the National Maritime Council, a unique organization composed of U.S.-flag carriers, shippers, and maritime labor, dedicated to the development of a strong, efficient, privately-owned and operated U.S.-flag merchant fleet, and to the growth of U.S. domestic and international trade. Views expressed herein do not necessarily represent the opinion of "American Shipper" magazine.

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Nontariff Barriers Pose Continuing Impediment to Trade

Not suprisingly, the United States is the largest trading nation in the world. The United States Trade Representative, Ambassador William E. Brock, recently asserted that despite unmitigating criticism that many U.S. industries cannot any longer compete, our country still has the greatest collective productivity as well. While we would like to subscribe to that assertion, there is mounting concern that our trade is continuing to grow in only one way. U.S. shippers are acutely aware that the health of many large and small companies and their capacity to employ workers depends on the expansion of our international trade.

While many believe that our potential for conducting trade is nearly limitless, we are currently experiencing record-setting foreign trade deficits. In 1983, the U.S. merchandise trade deficit was approximatley $70 billion. The Commerce Department estimates that this figure will reach a staggering $130 billion by the end of the year. (Included in U.S. merchandise trade are capital goods, consumer goods, automotive vehicles, food and beverages, petroleum and products, and other industrial supplies. In 1983 and the first quarter of 1984, only capital goods, and food and beverages were in the plus column.)

Some economists such as Martin Feldstein, the President's former chief economic advisor, have said that while the trade deficit drains national wealth, it has a short-term beneficial effect. Mr. Feldstein has said that the "large trade deficit implies a capital inflow from the rest of the world . . . that keeps the interest rate from rising ever higher." While this may be good for businesses borrowing for modernization and expansion, it is a mixed blessing indeed. This same trade deficit, says former U.S. trade negotiator Alan Wolff, is caused by the "excessive" value of the dollar, which he maintains has the effect of imposing an export surcharge of about 25 percent on U.S. goods, and a subsidy of the same amount on imports into this country. The combination has meant a considerable burden on our industries and increased calls for protection from imports.

As tariffs have become a less significant trade limiting factor, attention has increasingly focused on other devices that reduce competition in international trade. Of concern to all involved in world trade are nontariff barriers to trade, such as subsidies, customs valuation, product standards and government procurement practices that discriminate in favor of domestic producers.

A new international regime emanated from the Tokyo Round of Multilateral Trade Negotiations concluded in 1979, concerning such nontariff barriers to trade and giving nations new rights against their trading partners. The NTB Codes, as they are called, together with various sections of the Trade Act of 1974, provide tools for U.S. citizens to complain against unfair trade practices which adversely affect U.S. commerce.

There are a wide range of practices confronting American industries, including shippers and providers of transportation, competing against foreign goods and services in the U.S. market or attempting to sell their products or services abroad. Foreign imports, for example, may benefit from government subsidies in the form of government grants, excessive export rebates, preferential export financing, exemption from income taxes, regional aid programs, and certain tax incentives. Unfair practices in import trade may also include predatory or deceptive pricing, false advertising, misappropriation of trade secrets, and restrictions on access to raw materials. Additionally, some countries have "dumped" products in the U.S. market, selling at less than fair market value for political and economic reasons.

In addition to actions designed to advantage a country's imports, there are a variety of tactics used by some trading nations to protect domestic industries against foreign competition. Some of the barriers which restrict U.S. exports include foreign import quotas, restrictive licensing systems, unnecessary technical product standards, and discriminatory rules of origin.

A wide range of remedies to these unfair trade practices, designed to take away the advantage given by the other country, are available under the Trade Act of 1974. Antidumping duties, countervailing duties to offset foreign subsidy, import quotas, suspension of trade agreement benefits, and increased tariffs are some of relief measures that may be granted to U.S. industry.

While the health of some of our industries is ailing for reasons other than the strength of the dollar and unfair practices, competition can certainly be enhanced by vigilence in combatting pernicious nontariff barriers to trade.

The Commerce Department has prepared a series of pamphlets on customs valuation, antidumping measures, subsidies and countervailing duties, technical barriers to trade, import licensing procedures, and U.S. trade agreement rights. Readers may procure copies by addressing a request for the "Tokyo Round Trade Agreements" pamphlet series to : U.S. Department of Commerce, Publications and Distribution, Room 1617D, Washington, D.C. 20230 The telephone number is (202) 377-5494.

/ORMS AGENCIES MANAGER. Rich- rd (Dick) Kramer has been named cor- orate manager of Worms Agencies, ıc., based in the New York office, ccording to president Joseph M. Pluy. ramer has 23 years of experience in the ıaritime industry and previously served s manager of agency and vessel opera- ons with Seaboard Shipping.


Dandorf


Townsend

IAPAG-LLOYD. Susan Dandorf, for- ıerly assistant manager, customer ser- ice, was promoted to manager custo- ıer service with Hapag-Lloyd Agencies, ccording to Rudy Mack, senior vice ›resident sales. Dandorf has 14 years' xperience in export/import documen- ation, accounting and rate work in the hipping industry. Andrew P. Townsend ıas also joined Hapag-Lloyd as a sales epresentative in New Jersey. Townsend ıolds a BBA degree in Marketing from 'ace University in New York City and ıas been in maritime sales for four years.

OHN A. DEVIERNO. The law firm of 3illig, Sher & Jones, P.C. announced that ohn A. DeVierno has become a member ›f the firm located at 2033 K Street, N.W., Washington, D.C.

VATERMAN SALES AGENT. Edler Associates has been named sales agent 'or Waterman Steamship Corporation in New England with offices located at Todd Hill Road, Cornwall, Connecticut. Klaus W. Edler is president of the new ıgency and has over 20 years of execu- ive experience in the maritime industry with U.S. Lines and Waterman Steam- ship Corporation.

WESTCONN SEMINAR NOV. 8. World Trade Conference III, a joint effort of the Westconn International Trade Association and Western Connecticut State University, will be held from 8:30 a.m. to 5:00 p.m. on November 8 at the Westside Campus of Western Connecticut State University. Keynote speaker will be Dr. Justus M. van der Kroef, Dana Professor and Chairman, Department of Political Sciences, University of Bridgeport, who will discuss "Trade Survival in an Interdependent World." For more information, contact Neil E. Wagner, Dean of Extended Programs, Western Connecticut State University, 181 White Street, Danbury, CT 06810, telephone (203) 797-4205.

VPA REGIONAL MANAGER. Michael Wade Jones has been appointed Mid-Atlantic regional manager in the marketing services department for the Virginia Port Authority, including Virginia, West Virginia and eastern North Carolina. He previously was employed as a traffic analyst. Jones has been with the Virginia Port Authority for three years and has experience in commodity and steamship service studies.


Jones

Y.S. LINE PRICING. Christopher Dianora has been appointed manager, conference pricing and labor for Y.S. Line (USA) Corporation. Mark Suter will assume the position of supervisor, export traffic, vacated by Dianora. Ronald Marotta joined the firm as account manager for the New Jersey territory and John Collela assumed responsibility of assistant manager, equipment control.

BALTIMORE LAW FIRM. The law firm of Ober, Kaler, Grimes & Shriver welcomed Peggy Chaplin into the firm. Chaplin was previously a vice president of F.W. Myers (Atlantic) & Co., Inc. She is a graduate of the University of Maryland Law School and Georgetown University. Her duties include working in the developing legal field of international trade with clients from the business areas of freight forwarding, customhouse brokers, shipping, land/sea/air carriers and international trading concerns.

AAPA HEADQUARTERS. The American Association of Port Authorities has relocated its headquarters to Alexandria, Virginia. The 6,000-sq.-ft. office building is a part of the new Bedford Place development project located five blocks from the Washington area rapid transit station. AAPA purchased the property last October culminating a two-year study of the Association's long-term space needs and financial options. AAPA paid cash for the building, its equipment and furniture, using a creative financing plan.

WOMEN'S TRADE ASSOCIATION. The following officers were elected to the Women's Trade Association for 1984/85: President, Rose Blair, Columbus Line; Vice President, Fran Hunter, ARCO; treasurer, Judy Weisner, United Jersey Bank; and secretary, Evelyn Aharon, Allen Forwarding; The new board of directors are: Lynn Adamson, Tilston Roberts Corp.; Pat Dugan, Delaware River Port Authority; Joan Hindsley, Wolf D. Barth Co., Inc.; Terry Nagle, Doolan Steel; Yvonne Stokes, Jay International, Inc.; and Karen Zimmerman, Wolf D. Barth Co., Inc.

MERIT STEAMSHIP SALES. Anthony Scafaria has been appointed manager, sales and operations of Merit Steamship Agency in New York. He is a graduate of Rutgers University and has more than 15 years of experience in steamship sales, traffic and operations.

CHEMICAL LEAMAN PRESIDENT. Sam F. Niness, Jr., 49, has been appointed president and chief executive officer of Chemical Leaman Corporation, replacing Thomas R. Greenleaf. Niness will also assume the position of president of Chemical Leaman Tank Lines. Robert S. Shertz, 40, assumes the position of executive vice president and chief operating officer of Chemical Leaman Tank Lines and Charles E. Fernald, Jr. will hold the position of chairman of the executive committee.

VICTOR ECHEVARRIA. Costa Line Cargo Services New York has announced the association of Victor Echevarria as a sales representative. Echevarria has more than seven years of experience in the steamship industry.

SEA-LAND NEWS SERVICES. Peter Wilkes has been named manager, editorial and news services, for Sea-Land Corporation, joining the public relations department in the Menlo Park, New Jersey headquarters. Wilkes previously served for more than four years as director of communications and executive assistant to the chairman of the Federal Maritime Commission.

COLUMBUS LINE AVP. Reinhard Hebel has been appointed assistant vice president-controlling, for Columbus Line, Inc., it was announced by Horst Ullman, executive vice president. Hebel previously served in managerial positions with Columbus Line's parent company, Hamburg Sud.

RAINBOW SALES MANAGER. Dennis L. Ryan has been named manager-sales and traffic for Rainbow Navigation, Inc., according to Mark W. Yonge, president. Ryan's responsibilities include studying the commodities moving east and west between the U.S. and Iceland, identifying the markets and insuring the efficient and cost effective movement of goods. He has nine years' experience in the transportation industry.

BOSTON RECORD. The Port of Boston handled a record 895,000 tons of general cargo in fiscal year 1984, a 10 percent increase over 1983, according to Massport executive director David W. Davis. General cargo handled between April and June increased 21 percent over the same period the previous year. Breakbulk general cargo increased by five percent; however, both lumber and import automobiles showed a decrease by 14 percent and 6 percent respectively.

MSAS STATION MANAGER. Debra Stasi has joined McGregor Sea & Air Services as station manager in Newark, N.J. She was previously operations manager in New York for Harper Robinson & Co.

DICTIONARY OF NAUTICAL TERMS. The new Dictionary of Nautical Terms covering mercantile and naval terminology is now available. The book was edited by a team of professionals for use by export/import firms, insurance companies, banks, brokers, lawyers, consultants and international freight forwarders. For more information, contact IR Publications, Ltd., 35 W. 38th Street, 3W, New York 10016, (212) 730-0518.

STOLT-NIELSEN DIVISION. A new transportation services division of Stolt-Nielsen, Inc. has been established to provide inland and coastal transportation of bulk liquids by parcel stainless steel barges, rail or truck services linking major U.S. ports with inland destinations. This service is available in South America, Europe and the Far East.

SEMINARS IN 15 CITIES. Holland International Distribution Center Foundation will sponsor seminars in 15 U.S. cities between October 1984 and March 1985. The seminars will show U.S. companies how they can gain the competitive edge by using Holland to distribute materials to Europe, the Middle East and Africa. Experts from the Netherlands government, KLM Royal Dutch Airlin and Amsterdam Airport Schiphol w speak on warehousing and transport tion and will discuss the Dutch distrib tion infrastructure.

MYERS EXPANDS NVOCC OPEI ATIONS. William Casey, chairman the Myers Group, Inc., announced tl formation of Myers Maritime Hor Kong Ltd. for NVOCC service from tl Far East to the United States. Kev O'Shea, president of transportatio established and coordinated all oper tions for the new division. The Mye Group, Inc. maintains the largest cu tomhouse brokerage operation in tl United States with over 50 offic throughout the U.S.

MARYLAND PORT SALES. Marylan Port Administration renamed its trad development department. It is no known as port sales and will be heade by David K. Tosic, a veteran MPA sal manager. Port Sales and Marketin Department inherits all of the functior of the former Trade Developmer Department.

TRF's 25TH ANNUAL MEETINC The Transportation Research Forum 25th Annual Meeting will be hel October 22-24 at the Parker House i Boston, Massachusetts, and will includ panels, presentation by transportatio officials and 50 papers by transportatio researchers. Registration materials an information may be obtained fron Grant C. Vietsch, TRF Administrativ Vice President, P.O. Box AA, Northfield N.J. 08225, (609) 645-1639.

WEB SLING MANUAL. The Wel Sling Association has reissued its bookle "Recommended Operating & Inspec tion Manual" containing recommende practices in the use of web slings. Th cost of the booklet is $1.50 postpaid pe copy from the Web Sling Association 300 Buckelew Avenue, Jamesburg, Nev Jersey 08831.

UNSHINE FORWARDERS. Saundra tubbs, formerly with Kem, and Carolyn ones, a former teacher, have joined the :aff of Sunshine Forwarders in Atlanta s documentation personnel. The office located at 106 Hammond Drive, tlanta, 30328.

NDUSTRY AND TRADE MOVE. 'he Georgia Department of Industry nd Trade recently moved to Peachtree :enter. The new street address is 230 eachtree Street, N.W., Atlanta, Ga. 0303. The new mailing address is P.O. ox 1776, 30301. Telephone numbers emain the same.

.MA SERVICE DIRECTORY. The 984-85 edition of the Atlanta Maritime .ssociation's Service Directory, with naritime shipping services indexed by ountry, is available from the Atlanta Maritime Association, P.O. Box 45363, tlanta, Ga. 30320.

:OLOMBIAN CONSULATE GEN-:RAL. Colombia recently upgraded its onorary consulate in Atlanta to a full-me consulate general with jurisdiction n Georgia, South Carolina, Mississippi, orth Alabama and southern North :arolina. The new consul general, Jorge lvarez, is assisted by Augusto Martinez vho is promoting tourism and the :olombia flag carrier *Avianca*. Alvarez aid the reasons for upgrading the office vere increase in population of the :olombian community in the five states, tlanta's status as the commercial and ultural center of the Southeast and its rowing population and business climate.

NATIONAL WESTMINSTER BANK. On November 29-30, National Westminster Bank, Atlanta's 21st foreign bank, will open its permanent offices in Peachtree Center. The representative office of the London bank has been operating since July 1 in temporary offices. The new office will be located at Suite 600, 225 Peachtree Street. David Whitworth, vice president, assisted by Joseph F. Rubino, marketing officer, operates the Atlanta office.

MADURO STEVEDORING. Stephen Erb has been appointed assistant to Jack McGovern, president of S.E.L. Maduro (Florida), Inc. Erb will be responsible for the contractual and service aspects of Maduro's stevedoring, terminal, equipment and port agency operations. He previously served as vice president of Eller & Company and has more than 21 years of experience in the maritime industry.


Erb

GEORGIA FIRM PENALIZED. Services International, Inc., a Dalton, Georgia exporter of carpeting, has agreed to pay a civil penalty of $5,500 for alleged violations of the antiboycott provisions of the Export Administration Act. The firm allegedly failed to report promptly receipt of 11 boycott-related requests received between June 1981 and March 1982 from Bahrain, Qatar, Oman and the United Arab Emirates.

HARRINGTON TO PAY CIVIL PENALTY. Harrington and Company, Inc., a Miami stevedoring company, agreed to pay a civil penalty of $8,500 for allegedly failing to report receipt of 15 boycott-related requests received from Kuwait, Bahrain, Abu Dhabi, Qatar and Dubai between September 1980 and July 1981.

WATERMAN STEAMSHIP AGENTS. Southern Steamship Agency, Inc. has been appointed agent for Waterman Steamship Corporation in Charleston, S.C. and Savannah, Ga. The Charleston office is located at 209 E. Bay Street, telephone (803) 722-0066; the Savannah address is 33 Bull Street, (912) 238-0486.

ELLER STEVEDORING. Robert J. Flint and Ben E. Mercer have been appointed senior vice presidents in charge of all stevedoring and terminal operations. Flint will oversee operations at Tampa, Miami, Port Everglades and Port Canaveral; Mercer will manage operations at Jacksonville, Savannah, Norfolk and Wilmington. Arthur C. Novacek, president and CEO of Eller, stated that Flint and Mercer are both seasoned experts in their field with extensive background in the regions under their control.

BANQUE PARIBAS-MIAMI VP. Seno Bril was appointed vice president and deputy general manager of Banque Paribas-Miami, replacing Jean M. Bourcelot who was named managing director of Banque Paribas-Luxembourg. A native of Holland, Bril most recently served as vice president and assistant general manager of Paribas' Panama office.

Correction

The October issue of *American Shipper* erroneously reported in its regional briefs that the Tampa Port Authority is presenting a Governor's Conference on World Trade May 16-17, 1985. The Conference is sponsored by the Florida Council for International Development and will be held on May 23-24.

NEW COMMODORE POST. Kenneth T. Engstrom was appointed director of Commodore Cruise Line's newly created marine department. He is responsible for all technical maintenance and repair of the *M/S Boheme* and *M/S Caribe-I.* Engstrom spent 10 years sailing as Chief Engineer for Swedish American Line, Flagship Cruises and Commodore.

$5.8 MILLION ORDER FROM CHINA. Gould, Inc. received a $5.8 million order from the People's Republic of China for 11 Gould computer systems, related software, spare parts and special training for use at 11 different universities in China for software development and academic studies. C. Shelton James, president and general manager of Gould's computer division, said, "The People's Republic of China is the world's largest untapped market for computer technology. We hope that this first order will pave the way for more business in the future." Gould will provide training in Ft. Lauderdale, Florida, for 44 students who are professors from the Chinese universities. In order to serve this new market, Gould is opening a corporate office in Beijing.

CURRENCY AND BARTER EXCHANGE. The International Currency and Barter Exchange, the first of its kind in the world, has been established to provide a marketplace for the negotiation and brokerage of international services, goods and commodities. A feasibility study will be conducted concerning the structure, operation, funding, scope of activities and transactions, and regulation of the Exchange which is expected to cost $50,000.

MARITIME TERMINALS IN MIAMI. The opening of a new terminal facility in Miami has been announced by Maritime Terminals. The terminal is located at 1869 NW 97th Avenue, Miami, FL 33172, (305) 592-0511. Its function is to receive and distribute cargo arriving in Miami by truck.

GPA MEMBER. Terry Johnson was sworn in as a member of the Georgia Ports Authority by Gov. Joe Frank Harris. Johnson was previously the proprietor of Hephzibah Pharmacy in Hephzibah, Georgia, and attended Augusta College and Brewton Parker Junior College. He received his bachelor's degree in pharmacy from the University of Georgia.

CERAMIC COATINGS. AMT, Inc. of Miami reports continuing success with the field testing of their Cerro-Plasmic type HB coatings. The success is attributed to the proprietary bonding techniques which have not suffered a failure thus far. AMT plans to supplement its qualitative results with laboratory results in late 1984 or early 1985. AMT's Miami office has published a price list for coating combustion zone components.

CENTRAL CAROLINA SHIPPING. The National Customs Brokers & Forwarders Association of America (NCBFAA) board of directors, at its meeting on September 19, approved Central Carolina Shipping of Charlotte, N.C. as a new member.

PASSENGER COUNT UP 10.8%. Metropolitan Dade County Seaport Department reported that its passenger count for the year to date is up 10.8%. Revenue is up 11.3% over the same period last year.

KRUS JOINS APL. Mary Ann Krus has joined the staff of American President Lines' Southeastern district office in Atlanta. Krus formerly was a regional manager for South African Marine.

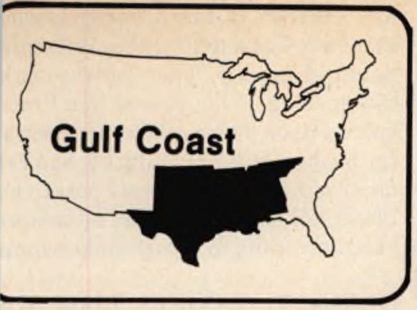
GPA MOVING TO OSLO. The Georgia Ports Authority is moving its European office to Oslo and has selected Arth Rondan to head its operations thei Rondan has served for five and one-h years as regional manager for Barb Steamship Lines in Atlanta. After a trai ing period in Savannah and Brunswic Rondan will set up the Oslo office, pro ably in January 1985. Rondan previous served for four years as shipping ma ager for Barber Wilhelmsen Agencies Hong Kong. He is president of tl Atlanta Maritime Association.

ATLANTA MARITIME ASSOCI TION. David Sandgrund, vice preside of Barber Blue Sea, will address tl Atlanta Maritime Association Novemb 19 at its dinner meeting at the Lani Plaza and will discuss the 50-Mile Ru and the Shipping Act of 1984. Georg Nichols, executive director of the Geo gia Ports Authority, was the speaker o September 17 and reported a 33 perce increase in container traffic at the Port c Savannah and praised Atlanta's contin ing key role as the transportation hub c the South. He announced the completio of a computerized cargo handling an customs clearance system at the Port c Savannah and said a committee will b working on the formation of a combine sea-air computerized freight handlin system for the state of Georgia. Nichol told the AMA that Seaboard Syster Railroad's recently instituted overnigh intermodal train service between Atlant and Savannah is one of the greatest ser vices offered in many years.

GEORGIA FIRM PENALIZED. Ser vices International, Inc., a Dalton, Geor gia exporter of carpeting, agreed to pa a civil penalty of $5,500 for alleged viola tions of the antiboycott provisions of th Export Administration Act betwee June 1981 and March 1982.

CUNNINGHAM & MURRAY OFFICE N.D. Cunningham & Co., Inc. an Richard Murray & Co., Mobile-base international freight forwarders and cus toms brokers, associated their firms t form Cunningham & Murray, Inc. i Savannah, Georgia. Both firms have ove 50 years of service at the Port of Mobile. The new office is located at 124 West Bay Street, Suite 6, Savannah 31412, telephone (912) 236-5633.

FOREIGN SALES CONFERENCE. The Commerce Department will hold conferences in 31 cities this fall to explain the Foreign Sales Corporation Act, a new export tax incentive effective January 1, 1985. Conferences scheduled are November 14 - Atlanta and Indianapolis; November 21 - Miami; November 27 - Cincinnati and Greensboro, N.C.; November 28 - Detroit and Nashville, Tennessee.



[AJORITY INTEREST IN BEHRING. yala International Shipping (US), Inc., California corporation, has acquired a ıajority interest in Behring Internaonal, Inc. of Houston, according to a ›int announcement by the two compans. Michael Donnelly, president and EO of Behring, reported that Ayala cquired controlling interest in the priately held company. Alan Newhouse, ›rmer chairman and founder of the ›mpany, acquired additional shares as art of the transaction. Donnelly will ›ntinue in his present position.

ACECO VP OPERATIONS. Robert . Spoerl has been appointed vice president-operations of Paceco, Inc. He will be responsible for maintaining Paceco's purchasing, planning, manufacturing, engineering, production and field operations programs. Spoerl received his BS degree in Business Administration from Maruette University. He was previously emloyed as senior vice president of the au Division of Philips Industries and eld executive positions with the Casade and Harnischfeger Corporations.

Spoerl

RANSAMERICA ICS MANAGER. athaniel W. Foote has been promoted › regional marketing manager, Gulf ›gion, for Transamerica ICS. Foote will e responsible for the marketing of conıiners and chassis in the Gulf region and ill be headquartered in Houston. Brent . Knowles is area marketing manager ›r the Gulf region.

ROPELLER CLUB S.E. VP. Hartwell Ludlow has been elected national vice president, Southeast Region, of the Propeller Club of the U.S., at the 1984 Propeller Club Convention and American Merchant Marine Conference held in Portland, Oregon on October 9-12. Ludlow is secretary/treasurer of Page & Jones, Inc. with corporate offices in Mobile, Alabama. He graduated from McGill Institute, attended Springhill College and is a member of the National Maritime Council and U.S. Naval Institute.

Ludlow

HOUSTON BOND RATING. The Port of Houston Authority's "A" rating on both its junior and senior revenue bonds has been reaffirmed by Moody's Investors Services, Inc. The Port Authority's executive director, Richard P. Leach, called the decision a "vote of confidence." Craig Atwater, a vice president of Moody's, said that maintaining the favorable rating is an indication that "the port is doing what it's supposed to be doing in a very satisfactory manner."

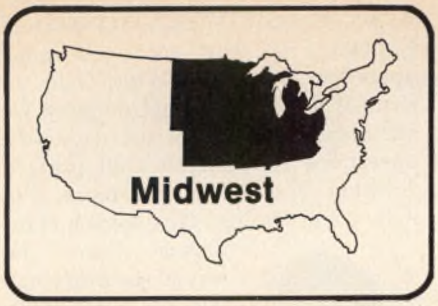
COPPERSMITH CONSOLIDATES. L.E. Coppersmith, Inc. has relocated its offices from downtown Houston to facilities near Houston International Airport. The new facilities will house the staff of L.E. Coppersmith, Inc., who provide customs clearance and ocean forwarding services, and the air forwarding division, Target Airfreight, Inc., who provides domestic and international airfreight forwarding.

TFL SALES. Trans Freight Lines, Inc. has appointed Robert W. Vasquez as district sales manager in New Orleans. Vasquez will manage TFL's interests in the Gulf area. He has been with TFL sales staff for four years, previously serving as Caribbean marketing manager in Fort Lauderdale. Trans Freight Lines is a subsidiary of Thomas Nationwide Transport.

RYAN-WALSH OPERATIONS MGR. Captain Ernst Hirt has been named operations manager, West Gulf, for Ryan-Walsh Stevedoring Company, Inc. His responsibilities are the day-to-day operations in the West Gulf ports of Houston, Galveston, Beaumont, Port Arthur and Orange. Hirt holds a Dutch master's license and served as ship's captain for a Swiss-flag line. He has an extensive background in international steamship industry operations and was involved in the construction of the first floating dock and container terminal in the port of Khorramshahr in Iran.

Hirt

GULF PORTS PRESIDENT. The Gulf Ports Association new officers are: Captain J.W. Clark, president; Emmett C. Lee, Jr., first vice president; David A. Schaller, second vice president; and W.T. Duke, secretary/treasurer. ■



BORG-WARNER TRAFFIC. Mark Hopkins has been appointed sales representative for Borg-Warner Traffic Services, according to Thomas E. Godfrey, manager of sales for the company. Hopkins was previously a sales representative for North American Van Lines.


Kucik


Lacko

RYERSON TRAFFIC DEPT. Wish Kucik has been appointed manager of and transportation with Joseph T. Ryerson & Son, Inc. of Chicago. Kucik succeeds Milt Krengiel who is retiring. Anthony Lacko was named manager corporate truck fleets, succeeding Kucik. Kucik has been employed with Ryerson since 1955 and became manager corporate truck fleets in 1980. Lacko began his career with Ryerson in 1968 in the service department and was named supervisor traffic analysis/trailer fleets in 1982. Ryerson operates 25 full-line service centers in principal cities from coast to coast.

ASTL SCHOLARSHIP. Richard Haupt, president of the American Society of Transportation and Logistics, announced that the first recipients of the Society's L.L. Waters Scholarship Program are Stacy Renee Shianna, an undergraduate at Iowa State University, Ames, Iowa; Robert Alexander Novack and Lloyd Mervaille Rinehart, both graduate students at the University of Tennessee in Knoxville. Each recipient will receive $1,000 to be used in the pursuit of a career in transportation/logistics/physical distribution. Students interested in applying for the 1985 scholarships may contact the American Society of Transportation and Logistics, P.O. Box 33095, Louisville, Kentucky 40232.

AGENTS FOR BERMUDA CONTAINER. Bermuda Agencies, Ltd. have been appointed agents in Norfolk and Chicago for Bermuda Container Line. ■

BAY AREA MARKETING. The Northern California Ports and Terminal Bureau, Inc., in cooperation with the U.S. Maritime Administration, has completed a year-long study to identify the marketing and promotional needs of the San Francisco Bay Regional Ports. The week of September 30-October 6, 1984, has been proclaimed as National Port Week by the President of the United States. The Port of Redwood City will commemorate the proclamation in official ceremonies at the Eighth Annual Port Day Luncheon to be held on October 3 at 11:30 a.m. at Wharf No. 5, Port of Redwood City.

NEW WHARFAGE BILLING SYSTEM. The Port of Los Angeles has instituted a new automated wharfage billing system intended to increase accuracy, efficiency and provide more detailed invoices, according to the Port's chief financial officer Rami Furman. The new system will cut approximately three to four days from invoice processing time. The Port processes more than 1,000 wharfage invoices monthly.

APL MANAGER SEATTLE DIST. Tom L. Olsen has been appointed manager of the Seattle district of American President Lines, according to Barry A. Miller, director, western region. Olsen will have overall responsibility for the company's sales, administration and operations in the states of Washington, Wyoming, Utah and Colorado. Olsen served as manager of the Alaska-Far East Service and as sales manager of the Seattle district.


Olsen

SBA TO RUN HOWARD. Stevedoring Services of America (SSA) will replace Marine Terminals Corporation as operator of the Port of Oakland's Charles P. Howard Terminal beginning in November. The pact is for five years with option to renew for five more and includes provisions setting minimum cargo volume and crane revenue standards. SSA will also keep five percent of the gross dockage and wharfage revenues as a basic management fee.

S.F. OPENS ICTF. A buffet lunche at the San Francisco Container Termi South—formerly Pier 94-96—mark the opening of the Port of San Franc co's on-dock intermodal container tra fer facility (ICTF) October 5. San Fr cisco is the only California port to ha direct rail service to its rail ocean terr nals, according to a port spokeswom

OAKLAND TARIFFS RISE. Wh fage, dockage, wharf demurrage a storage rates will rise 10% effecti November 2, the Oakland Board of P Commissioners decided October 2. T will put Oakland's tariffs above those rival ports in southern California, b "the Port of Long Beach advises of th intention to increase their rates Janua 1, 1985, at the latest," port administrat told the commission. "The Port of L Angeles has some internal policy consi erations that preclude any action at t time." With some exceptions, rates at northern California ports have be "uniform," the administrators said.

FOREIGN TRADE SEMINAR. T Oakland World Trade Association planning a day-long program of tal and workshops on foreign trade Nove ber 29 at the Oakland Internation Trade Center. "The program is intend both as an introduction to trade relat issues and as a problem solving sessi for those already engaged in the field said a statement released through t Port of Oakland. The $50 registration f includes lunch and refreshments. F information and registration forms, c Larry Brown at Bank of America, (41 944-6054.

KSC-MTC PACT. Korea Shipping Co poration (KSC) and Marine Termina Corporation (MTC) have finalized pla for an all-wheeled container terminal Los Angeles Berth 87-90 and f grounded container operations at Oa land's Seventh Street Terminal, MT announced in Long Beach.

PMSA RAPS CUSTOMS PLAN. A U.S Customs Service proposal to place a operations along the U.S.-Canadia border under the jurisdiction of centr region headquarters in Chicago is draw ing fire from the San Francisco-base Pacific Merchant Shipping Associatio (PMSA). The border districts includ Seattle and Alaska. PMSA preside Michael Murphy told Customs Commis sioner William Von Raab in a letter tha the plan would disrupt the flow of com merce and hurt transpacific steamshi operators. Murphy proposed an alterna tive plan that would place the borde districts, save those on the Pacific Coast under the central region's jurisdiction.

ROWLEY HONORED. Thomas B. Crowley, chairman of Crowley Maritime 'orporation (CMC), was honored for his contributions to the maritime industry not nly in the Bay Area but worldwide, at the Pacific Traffic Association's annual teamship Night dinner September 13 in San Francisco. (For an in-depth look at the ıan and his shipping empire, see last January's issue of *American Shipper.*) He has eadily built CMC into a diversified, highly respected maritime organization. The inner drew a record 463 attendees, among whom were many high-ranking transporıtion industry executives. From left: Crowley; Mary Jane Mahoney of Hawaiian Iarine Line, a CMC subsidiary; Jim Wiltshire of Johnson ScanStar, Pacific Traffic ssociation president and Steamship night chairman; and Bob Scott of Trailer Iarine Transport, a CMC subsidiary.

VATER'S-EDGE' TAX SYSTEM. A water's-edge" system of taxing multinaonal corporations is being considered ; a replacement of the much maligned nitary method used by about a dozen ates, Canada's new consul general in an Francisco told a group of trading ommunity executives at an Internaonal Managers Association dinner there. 'nder a water's-edge system, a comany would be taxed only on its earnings ithin the United States, Edward R. ohnston said. The states-rights issue ould surface as an obstacle to killing the nitary tax, he added. Johnston's diaibe against the unitary method drew nthusiastic applause.

ROPERTY DEVELOPMENT. Oakınd port commissioners are considering lans for a massive infusion of office, etail, hotel and parking facilities at Jack ondon Square. The rental revenues rom these facilities could provide some eeded funds for future maritime proects, according to Melvin Wax, the ort's chief spokesman. Wax said rental ees could generate a net inflow of $1.7 nillion a year by 1996.

NOL OPTION EXTENDED. Nepune Orient Lines (NOL) has received an dditional four months to decide whether t wants to cancel a second five-year use greement with the Port of Oakland. The original deadline expired August 31. Port commissioners granted the extenion to give NOL time to reconnoiter ollowing the withdrawal of Korea Shipping Corporation from the so-called Tripartite service the two carriers operated along with Orient Overseas Container Line.

SIGN 5-YEAR PACT. The Oakland Board of Port Commissioners has approved a five-year use agreement with Korea Marine Transport Company, Ltd. (KMTC) which will bring containerships engaged in the line's newly initiated independent transpacific service to the Outer Harbor Public Container Terminal at the Port of Oakland. The new KMTC service will also expand to include calls at the ports of Kobe and Yokohama in Japan.

NEW OAKLAND CFS. Northstar International of Oakland has been named as primary CFS for Seawinds, Ltd. in Oakland, it was announced by Jorgen Frederiksen, general manager of Seawinds (USA) San Francisco.

NEW BULK OUTLOADER. The Port of Oakland Commission approved an option to lease agreement with Hall-Buck Marine Services Co. which is contemplating building and operating a $5.3 million bulk outloading plant at Terminal 4. The proposed facility would be built on 4.7 acres and contain preferential use of Berths 410 and 411 at Terminal 4. Hall-Buck would export soda ash, bentonite clay and, with port approval, other bulk commodities. The Commission gave staff instructions to proceed with plans for issuance of industrial development revenue bonds in an amount not to exceed $4.5 million. ■

Do Shippers Really Care About Service?

It has been almost eight years since Hapag-Lloyd ran an analysis of the North Atlantic trades and concluded that costs could be shaved 30% through rationalization of services. Karl-Heinz Sager, who was deputy chairman of Hapag-Lloyd at the time, used the results of that study to help sell the idea of rationalization to American shippers and U.S. government officials.

This issue of *American Shipper*, for the first time, reports specific acts of rationalization which are taking place, and it appears Sager's 30% prediction was accurate. The space charter agreement between EAC and Seawinds (see pages 80-81) enables six ships to offer a better service than combined fleets of eight ships were able to provide in the past. EAC and Seawinds each will take one ship out of service—an immediate capital reduction of 25%, to which must be added the benefit of reduced port charges and operating expenses. Savings may be greater than the 30% Sager predicted in the North Atlantic trade.

The EAC/Seawinds economies will be repeated many times over as other carriers and their conferences implement rationalization plans.

On the surface, it is a very rosy picture which "proves" the Shipping Act of 1984 is achieving its purpose, enabling steamship lines to regain financial health and pass on part of the savings to their shippers.

But problems remain.

The EAC/Seawinds announcement did not state that the two redundant ships are to be laid up, taken out of service. Instead, they are to be "redelivered" to owners who will be free to charter them out to other parties, possibly even to competitors of Seawinds and EAC. The redundant vessels remain in service and help maintain the worldwide surplus of tonnage which makes life difficult for all carriers.

Shippers are causing another problem by their failure to negotiate service contracts and other long-term working agreements with carriers (see page 3). Traffic managers are holding back either out of fear they will make a mistake, belief that someone will come along a few weeks later with a slightly better deal, or the secret pleasure which may come from day-to-day contention with the carriers.

If the 30% economies envisioned by Sager are to be realized, carriers must use a more effective system than the one employed by EAC and Seawinds to have surplus tonnage taken out of service and shippers must cooperate to fill those ships which remain in service.

Until that happens, the laws of supply and demand will continue to rule the shipping industry, carriers will be forced to charge the highest rates the market will allow, and shippers will never know from month to month what their costs will be in the future.

I sometimes wonder if shippers really care about a stable industry. But if they do, they should show a greater willingness to play ball and make the Shipping Act of 1984 work to the mutual advantage of themselves and those carrier/conference groups capable of providing reliable international service.

David A. Howard

David A. Howard, Publisher


"You're out of your mind, Magellan."
Ferdinand Magellan had to ignore detractors, forsake his native country, survive shipwreck, and endure mutiny in order to circumnavigate the globe for the first time.
At Delta we're putting new management, new ships and new methods to work to bring the most efficient service possible to the Latin American trade.
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Making sure your cargo is moving to its destination. Quickly. Safely. Efficiently.
We can do that because we operate our own terminals. Here and abroad. Controlling your shipping all the way. Saving you and your trucker time and money.
In some ports we've even extended our hours of operation so your last-minute shipments make the ship.
It's all part of our commitment. To do for service what we did for shipping.
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3042