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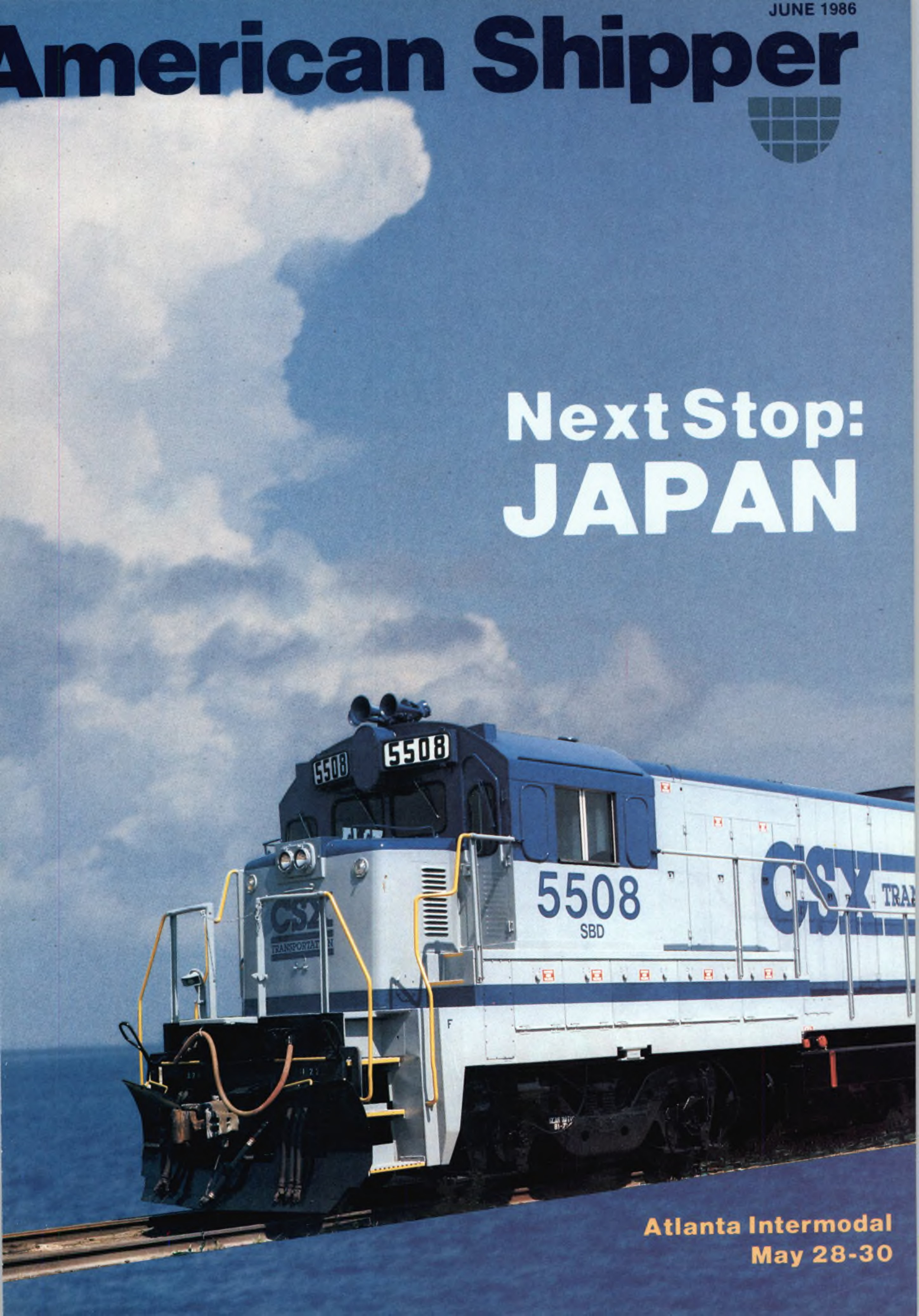

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ACL

Washington Circles

By Tony Beargie

The merger proposal put forth by Seafarers International Union president Frank Drozak that calls for the establishment of one large U.S. seafaring union under a single roof has reportedly won the support of AFL-CIO president Lane Kirkland.

Indeed, it was indicated that the AFL-CIO president, upon receiving Drozak's merger plan, sent letters to all of the potentially affected maritime union presidents urging them to begin discussions on the issue as soon as possible.

Drozak's proposal (spelled out in the May 1986 issue of this magazine, pages 15-17) falls right in line with the AFL-CIO's policy that encourages union mergers whenever possible. "Kirkland is in favor of mergers right up and down the line," SIU spokesman Charles Svenson said.

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Reached by telephone in New York, National Maritime Union president Shannon Wall said he remains open to discuss the proposal, but views it as "unrealistic" at this time.

"I think it is basically a blueprint on how NOT to merge unions," Wall said. "I don't think there is any way in the foreseeable future that one maritime union will be created. I don't know whether that is good or bad. It just happens to be a fact."

Furthermore, the NMU president does not think the industry's problems stem from the fact that there are too many maritime unions around. "It could be that there are too many companies," he said. "Everybody loosely refers to the 'American maritime industry.' There's no such thing." Here, he noted the long list of industry groups, such as liners, bulkers, tankers, inland carriers, oil company tankers, and the like.

However, Wall, like Kirkland, supports mergers as a general policy. "We've been working on this for years, and we're still no closer to merging the SIU and the NMU, let alone the rest of the unions," he said. Significantly, Wall did not close the door on Drozak's proposal, for he stated that he was open to discuss the matter. "This industry is in bad shape. I'm open to anything," Wall said.

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The various maritime unions are privately wary of the idea, to say the least. There appears to be an almost unshakable mind-set feeling against Drozak's plan within the maritime labor community.

Indeed, numerous conversations with labor insiders and their spokesmen produced very few (if any) positive comments on Drozak's plan. To begin with, many commentators privately voiced their dislike of the SIU president and their feeling that he would "want it all" if the plan were ever put into effect.

Comments like "nobody could live with Drozak" and "there are too many egos involved" were typical of those who offered opinions of the plan.

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A leading spokesman for the carriers that would be affected by Drozak's plan liked the idea of merging the nation's seafaring unions.

The industry representative, who carries a lot of clout in Washington, called the SIU president's merger blueprint "a very, very significant development ... a genuine attempt to come up with something that is fair and reasonable for everybody." But even more significantly, he said "it could be a major movement towards revitalizing the industry."

Despite the positive reaction from the industry spokesman, it appears that there will have to be a great deal of pressure brought before the labor community seriously considers the proposal.

At least for now, the merger plan is not being taken seriously, according to several spokesmen who have close ties to the unions. Here is how one observer who attended a union meeting last winter in Florida put it: "Frank (referring to Drozak) brought this up in February when we were meeting in Florida and I guess the funniest comment came from one of the other union presidents. He looked at his glass of water and then looked at Drozak's glass and said 'Frank, what have you been drinking?'"

The major fear right now in the labor sector is that the SIU under Drozak's leadership would dominate a merged unit. "Just look at the numbers in the SIU, and if the rank and file were brought in, it would favor Frank," a source said in reference to the SIU president. "He has more individual contracts than anyone else."

However, it was pointed out that the National Marine Engineers Beneficial Association, "while not the biggest in terms of numbers ... is still the most powerful and the most secure dollar-wise." Also, it looks like MEBA will grow in numbers if it succeeds in organizing the nation's air traffic controllers, it was noted. This effort was said to be "moving along very well" to the point where it should "be solidified within six months."

Political observers also have questions. According to a key congressman who is active in maritime affairs, the unions would lose much of their political clout if they merged since their Political Action Committees would be reduced from many to just one. Under such a system, campaign contributions would be limited to one PAC, making it more difficult to elect officials who support maritime programs to the House and Senate, it was noted.

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A firm commitment to collectively resist cargo reservation decrees around the world won the day at talks concluded April 30 in Copenhagen, Denmark, between the U.S. and the Consultative Shipping Group of nations.

The pro-competitive agreement, spelled out in a joint statement issued by the U.S., her major Western European trading partners, and Japan, for the most part capped about two years of diplomatic activity that saw rounds of meetings held in various capitals of the Free World.

Significantly, the result pleased both the U.S. flag carriers who have been represented by the Council of American Flag Ship Operators (CASO) and U.S. exporters and importers who set up an organization known as Shippers for Competitive Ocean Transportation (SCOT) to follow the international developments.

A while back, the U.S. abandoned a working text aimed at coming up with a pro-competitive liner pact primarily because of CASO opposition. But, as things now stand, the shipper-carrier division has been mended, and both sides are satisfied with the results of the Copenhagen meeting.

"I think the joint statement (issued by the U.S. and the CSG nations) goes a long way towards establishing the basic working text principles," said Ken Kastner, assistant general counsel to the Chemical Manufacturers' Association which has a close relationship with SCOT. "Perhaps there was too much emphasis on the working text. The thing that will have lasting value is an agreement to resist cargo reservation and that's what we got in the joint statement."

Now that the resolve to resist protectionist measures in worldwide maritime trade has been put down on paper, it is important that the U.S., Western Europe and Japan "go forward and implement" this policy on a trade-by-trade basis when the need arises, Kastner said.

CASO's executive vice president Albert E. May also voiced satisfaction with the results of the talks. The agreement reached in Copenhagen, he said, does not tie the hands of the U.S. which has the tools to deal with protectionism through the mandates of the 1984 Shipping Act.

"We haven't tied our hands by giving the Europeans and the Japanese an unfair advantage," May said, noting that the U.S. has laws in place to enforce competition "and they don't."

Furthermore, the accord "puts the monkey on their (the CSG nations) backs to adopt a system as open as ours and, if they do not, the U.S. remains free to take action," the CASO official said.

The agreement was viewed by the Administration as warranting a special statement by Secretary of Transportation Elizabeth Hanford Dole. "Despite differences in our approaches to shipping policy, the U.S. and nations of the Consultative Shipping Group can work together to enhance competition," Mrs. Dole said. "The U.S. will retain its right to act independently to protect U.S. interests. We will also be able to work closely with other nations to promote competitive access."

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The nations issuing the statement agreed to go to work right away in two problem areas where protectionist measures have cropped up recently, namely in Peru and Sri Lanka.

The U.S. will continue its lead role in the Peruvian case (see related story, this issue), while the CSG nations will carry the ball in the Sri Lanka situation, according to Arnold Levine, assistant director of the Department of Transportation's Office of International Transportation and Trade.

While Peru's problem is well-known, as evidenced by its 100 percent cargo reservation decree, the situation in Sri Lanka has not drawn very much attention. Here, according to Levine, Sri Lanka, through its Central Freight Bureau, is directing a great deal of its cargo to its state-controlled line, Ceylon Shipping Corporation. This entity, he said, controls freight rates, surcharges, schedules, port access and freight bookings. Unlike Peru, however, there is no set percentage of cargo mandated for the Sri Lanka carrier.

The policy in Sri Lanka is primarily having adverse effects on the European, rather than on U.S. carriers, Levine said, for the latter are transporting about 45 percent of the trade. The European carriers are only getting about 15 percent, he said.

The Copenhagen talks ended on an "upbeat note," Levine said, adding that this contrasts with the situation back in November of 1985 when the U.S. backed down from talks on an agreement.

★ ★ ★ ★ ★ ★

Private polls indicate Rep. Helen Delich Bentley (R-Md.), is leading in her battle with a member of the famous Kennedy clan to retain her second congressional district seat.

Her opponent is Kathleen Kennedy Townsend, daughter of the late Sen. Robert F. Kennedy and a mother of three small children.

Because of the Kennedy name, the race has drawn national attention.

Despite her lead in the polls, she does not want to let down on the momentum. The reason: the Kennedy machine. "When you're up against the Kennedy money machine, that is a tough thing to be up against," Mrs. Bentley said.

N.Y. ILA Men Average $40,410

Management paid over $450 million in wages and benefits to New York area longshoremen the last contract year. On an average day this spring, there wasn't enough work for 2,240 registered longshoremen.

By Bruce Vail

It takes about 5,000 men and $450 million a year to work the docks of the East Coast's leading port. A lot of people in New York, excluding the members of the ILA, think that's too much on both accounts.

According to the New York Shipping Association, its members paid out $231,669,000 in direct wages to ILA men and women in the '84-'85 contract year. Another $222,600,000 was paid in fringe benefits, including the guaranteed annual income (GAI). These costs covered 12.2 million man-hours worked by a force of 7,754 registered longshoremen.

According to a simplified formula used by the Waterfront Commission of New York Harbor, the average wage of a longshoreman for the previous contract year (1983-84) came out to be $40,410. With some qualifications, a spokesman for the New York Shipping Association agreed that figure is about right.

More or Less. NYSA spokesman Greg Storey cautioned that trying to figure out the average wage for longshoremen involves some complicated questions.

Some men, for instance, work rarely and get most of their pay through the guaranteed annual income (GAI) program. Others work steadily and even put in significant amounts of overtime. In the '84-'85 contract year the Waterfront Commission estimates that 24% of all man-hours worked were overtime hours.

As a result, there are vast disparities in what longshoremen earn. The Waterfront Commission, a governmental agency created by the states of New York and New Jersey to police the longshore labor force, says 38 members of the ILA earned in excess of $100,000 in contract year '83-'84. Another 34 earned between $90,000 and $100,000.

1330 Under $3,000. The available work is clearly unevenly distributed among the men. The Waterfront Commission further reports that, in the same period, 1,330 ILA men earned wages totalling less than $3,000. Most of these are eligible for the GAI, under which their salary is guaranteed at $35,000.

Not Enough Work. The Waterfront Commission did a head count in January of this year and found 4,743 deep sea longshoremen and checkers doing the dock work of the port of New York.

Because of fluctuations in the labor force due to men on vacation or on disability, this does not mean that the remaining 3,000 longshoremen were collecting GAI. The Commission didn't have directly comparable figures but did say that on an average day in the month of March, there was a surplus of 2,240 workers. Jerome Klied of the Waterfront Commission said most of these men were eligible for GAI payments.

High productivity through mechanization is the reason there is not enough work for these men. According to the New York Shipping Association, there is a clear trend (since 1982) of more cargo being moved by fewer men. While cargo tonnage goes up, there is a long-term trend toward fewer man-hours worked. Anthony Tozzoli, president of the NYSA, has recently pointed out the current total of 12.2 million man-hours is quite a dramatic reduction from the 48 million man-hours worked in 1968. He estimated the '85-'86 contract year total will be about 11 million man-hours and that further declines will follow.

Holding the Line. The staggering cost of longshore labor in New York harbor serves to hide some encouraging recent developments.

For example, the $231.7 million in wages paid in '84-'85, while up from the totals of the early '80s, are virtually unchanged from the '83-'84 figure. The rise in wages seemed to have been balanced out by the decline in hours.

Furthermore, the total fringe benefit costs, including GAI, appear to have peaked in '82-'83. The $222.6 million total paid for the most recent contract year is down from a total of $235.6 in the preceding year. That $235.6 million figure was a modest decline from the previous year's all-time record.

These encouraging signs are directly attributable to improvements in pension benefits agreed to during negotiations for the '83-'86 contract, according to the NYSA. While these improvements have increased the cost of the pension program, it is cheaper for the employers to pay for an ILA man on pension than on the GAI.

The pension improvements have succeeded in encouraging 1,539 ILA men to go on pension since the 1983 contract was signed, NYSA said. A study by New York City's Department of Ports, International Trade & Commerce (derived principally from Waterfront Commission statistics) said New York harbor's longshore labor force stood at 7,814 in June of 1985, down 16% from the January 1983 total of 9,345.

Furthermore, the average age of the New York harbor workforce is now 57, and should climb to 60 by the end of 1989. This trend should result in more men going on pension and reducing the numbers on GAI.

Local Issues. A leading member of the NYSA, when asked what was on the agenda for negotiations on New York's local port agreement, replied simply "everything." By this, "I mean wages, benefits, work rules, the whole thing," he said.

While this may be entirely accurate, a special concern of NYSA is the cost of local health plans. In the '83-'86 local agreement between the ILA and the NYSA, the section on "Welfare and Clinics" is the most lengthy and details some efforts to control costs.

But, according to NYSA, "despite vigorous efforts to reduce expenses and improve efficiency, the picture looked grim." While the four medical centers maintained by ILA-NYSA in the New York region have reduced their budgets, "it is obvious that their budgeted funds will be consumed before the contract expires."

A recent NYSA report stated: "But even with the reduction in activities and other efforts to trim fat and meet allocations, it appears highly unlikely that the Medical Centers can continue providing services in the traditional manner. Their physical plants and equipment need updating, replacement, or both; such action has been deferred because of budgetary considerations, but it cannot be put off indefinitely.

"Staffers at the centers have not received salary increases in more than three years, and salary ranges must be competitive if competent lay and professional individuals are to be drawn to and kept at their positions.

"Such problems obviously present a serious challenge to the industry. They will receive top-level attention in the coming local negotiations," the NYSA report said. ■

Hapag-Lloyd Woos Atlantic Container Line

Hapag-Lloyd and ACL are talking about a cooperative agreement. ACL soliciting bids for stretching of their new G-3 ships. *by Bruce Vail*

Hapag-Lloyd and Atlantic Container Line were reportedly close to a cross-charter agreement for service on the North Atlantic trade route as this issue of *American Shipper* neared press time. Few details of the arrangement were available but sources from both companies indicated the talks were in an advanced stage.

Hapag-Lloyd, which has made no secret of its desire to rationalize its service, is said to be particularly anxious to conclude the deal. Sticky operational problems present themselves, however. According to Peter Bodecker, a member of the executive board of Hapag-Lloyd AG, the problem of integrating the combined ro-ro/cellular container capacity of ACL with the container capacity of Hapag-Lloyd is a major problem.

Whether the agreement would extend to services to the Gulf apparently poses other problems. At present, ACL does not serve the Gulf because of potential conflicts-of-interest with ACL shareholders Compagnie Generale Maritime (CGM) and Incotrans. But ACL has indicated its desire to extend itself into this area (see *American Shipper*, December 1985, page 35).

Currently, Hapag-Lloyd, CGM and Incotrans charter slots on each others' vessels operating out of the Gulf. A comprehensive rationalization of Atlantic and Gulf services among the various companies was therefore seen as at least theoretically possible by some observers.

Continental Consortium. Several observers commented that an ACL-Hapag-Lloyd agreement would serve the interests of both parties well. ACL, with its Dutch, English, French and Scandinavian owners, would gain an entree into the lucrative German market. Hapag-Lloyd, on the other hand, could rationalize costs and fulfill its stated goal of gaining partners in the Atlantic trade.

The arrangement would reportedly allow Hapag-Lloyd to keep much its present tonnage active while allowing ACL to retire some of its smaller vessels (G-1s and G-2s). The Germans would also be available to provide service as ACL's G-3s are stretched for additional capacity. Reports from Europe indicate ACL has been soliciting bids for this work but few details were available.

Adding Capacity. The negotiations for the cooperative arrangement come at a time when Atlantic carriers are growing increasingly worried about overcapacity.

Booming exports out of Europe in 1984 and 1985 attracted new operators to the trade and there is excess capacity on the eastbound leg. Recent erosions in the strength of the dollar will dampen the movement of European exports to the U.S., carrier officials said, thus reducing the profitabilty of that half of the trade.

New announcements that Nedlloyd and Lykes Lines will come into the Atlantic trades has spurred further fears of an overtonnaging situation similar to that in the Pacific in 1985.

Hapag-Lloyd's Bodecker commented that Nedlloyd has "chosen a fabulous time" to enter the North Atlantic trade. "The overcapacity is getting worse. It is a hard time for the European carriers and its starting to get a little tense." ■

Crowley & Gibson Firms Launch Joint Venture

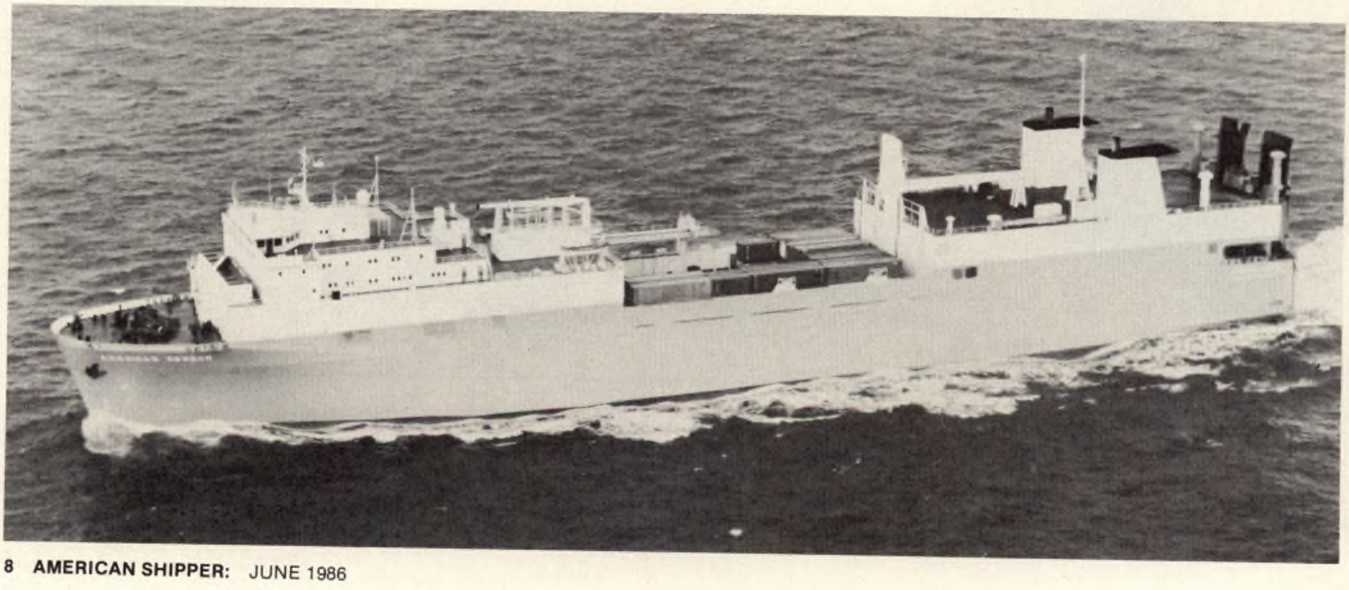
Joint venture between Crowley and American Automar provides fortnightly service to Europe. New company will carry military cargo. *By Bruce Vail*

Yet another entrant into the North Atlantic trades made its first appearance May 15 when an American Transport Line vessel left Pennsauken bound for the Azores and Rotterdam. The *American Condor*, a Ro/Ro vessel of 1,100 TEU capacity, made the first voyage of the new, non-conference service.

The *American Condor* will be joined by the *American Falcon*, a Swedish vessel currently being re-flagged in a Jacksonville shipyard, for the two-ship service. The ships will carry commercial cargoes at non-conference rates, in addition to delivering military cargoes under contracts currently held by the new line's owners, Crowley Maritime Corp. and American Automar.

These military contracts will form the base of American Transport's business, according to Arno Dimmling, general manager of the new company. But the military revenues alone are not enough to make the line economically viable, he said, and American Transport will be competing vigorously for commercial cargoes.

Automar. The *American Condor* was formerly employed by American Automar in that company's carriage of military goods to Europe. On return voyages, the vessel was chartered to Atlantic Container Line for carrying



Ro/Ro cargoes to the U.S. American Automar is led by chairman Andrew E. Gibson, former president of Delta Lines, and president J. William Charrier.

American Transport Lines will assume responsibility for fulfilling Automar's commitments for carrying military cargo to North Europe, Dimmling said. Crowley's contract to carry Pentagon cargoes to the Azores, said by Dimmling to amount to about 120 TEUs a month, will also be fulfilled by American Transport.

Crowley. The venture is 50-50 partnership between Crowley and American Automar, Dimmling said. Responsibility for the company will be divided up with Automar handling the actual operation of the vessels and Crowley people doing marketing and sales.

The sales operation will be headquartered at Crowley's Trailer Marine Transport offices in Cherry Hill, N.J. Assisting general manager Dimmling will be Dave Newmann as director of traffic and Bernie Russell as director of sales and marketing.

The Cherry Hill office is located on the New Jersey side of the Delaware River in the Philadelphia metropolitan region. The Pennsauken marine terminal, which handles Crowley's barge service to Puerto Rico, is nearby.

Ports Served. The American Transport service will load commercial cargoes in only two U.S. ports, Pennsauken and Charleston, S.C. A third call will be made at the Military Ocean Terminal in Bayonne, N.J. for the loading of military cargoes only. Bills of Lading will be issued, however, for the ports of New York, Baltimore, Norfolk, Savannah and Jacksonville.

The new line will employ labor represented by the International Longshoremen's Association in Charleston but not in Pennsauken, Dimmling said. He foresaw no problems with this arrangement.

On the other side of the ocean, American Transport will make direct calls at Praia da Vitoria (Azores), Rotterdam, Bremerhaven and Felixstowe.

No Expansion. Dimmling added the new service was conceived and designed as a two-ship operation and there is no intention of adding ships or additional port calls. He also said that American Transport's status as the only American-flag Ro/Ro service to Europe should be valuable in attracting customers.

While the North Atlantic trade may soon be feeling the effects of excess tonnage, Dimmling concluded, American Transport's modest scale of operations and market niche should allow the company to be profitable. ■

Lykes Quits Transpacific Container Race

Suspends weekly container service from West Coast ports. Shifts four Express class containerships to Gulf/North Europe services to replace Seabee ships. Places six 3,010 TEU ships under construction in Japan for sale. By Richard Knee

Beset by what chairman/CEO W.J. Amoss, Jr. termed "dramatically" deteriorated rates, Lykes Bros. Steamship Company announced April 25 it is suspending its weekly container service in the transpacific and plans to redeploy the four Express-class ships in that trade to the Gulf-North Europe route.

"The level of freight rates in the transpacific has fallen dramatically since 1984, causing massive losses to carriers in this trade," Amoss noted in a news release from Lykes headquarters in New Orleans. "Recovery is not in sight and, in our opinion, it may be several years before profitable operations in this trade are possible.

"Moving our assets to strengthen our service to Northern Europe is the right decision under these circumstances," he added.

Lykes' final transpacific sailing was to be that of the *Charlotte Lykes* May 2 from San Francisco, with the vessel returning there June 9 and then heading down to the Gulf.

"All commitments and obligations to our customers for cargo shipped on this final sailing, both outbound and homebound, will be met," Amoss said. "Obligations to port and contractors who have worked with us to establish and maintain a superior West Coast service will also be met."

Lykes' departure leaves San Francisco without a U.S.-flag container carrier. American President Lines, Sea-Land Service, Inc., and United States Lines call at transbay neighbor Oakland.

Of the seven major West Coast container ports, Portland is the only other one without a U.S.-flag box carrier.

Ship Deployments. Besides the Express-class vessels, there are six Pacific-class ships being built for Lykes in Japan.

These were to sail in the transpacific. Now, however, the carrier is "in discussion" with potential buyers and is "evaluating deployment of these vessels in our Atlantic services," Amoss said.

In addition, the company has sold its Seabee barge-carrying vessels to the Navy. Those vessels will shift to Navy control in August, "after the four Express-class vessels have been integrated into the service as replacements," said Robert T. Martinez, vice president of Lykes' Atlantic division, who directs the Gulf-North Europe service.

Small Pacific Presence. Lykes is not disappearing entirely from the Pacific, noted E.F. McCormick, president and chief operating officer.

"Company sales personnel will continue to be located in San Francisco, Long Beach and Portland to service shippers on the West Coast who utilize Lykes' services from Gulf and Atlantic ports to Northern Europe, the Mediterranean Basin, Africa and South America," he explained. "Lykes will also continue to operate sailings (in its breakbulk service) to the Far East from Gulf and West Coast ports."

No Problem for ISL. Officials at Island Shipping Lines, Ltd., a new U.S.-flag carrier that was to put its military cargo aboard Lykes ships between the West Coast and Yokohama, apparently are not worried about Lykes' withdrawal from the transpacific.

ISL also has a connecting-carrier agreement with Sea-Land Service, Inc., so there is still adequate lift capacity for the military cargo, said Mark Yonge, president of HTI Ships, Inc., ISL's parent firm.

In addition, he said, Island Shipping has concluded connecting-carrier agreements with some foreign-flag lines and is negotiating with some others for movement of commercial cargo from the West Coast to Saipan.

He declined to specify which lines, pending filing with the Federal Maritime Commission, though he acknowledged the obvious possibility that Kawasaki Kisen Kaisha is of them. "K" Line represents ISL in Japan and Kerr Steamship Company is U.S. agent for both "K" Line and Guam-based ISL.

Gulf-Europe Service. Redeployment of the Express-class ships enables Lykes "to offer full containership service from Gulf ports to Rotterdam, Holland; Bremerhaven, Germany; and Felixstowe, England, starting in mid-June," McCormick commented. "Lykes has served Northern Europe from Gulf ports since 1921."

That service also connected to the entire West Coast range via minibridge.

With two Seabee barges, the *Doctor Lykes* and *Tillie Lykes*, the service offered sailings about every three weeks from Galveston and New Orleans.

Low Transpacific Rates. Lykes' departure from the transpacific inevitably raises questions as to whether the recent transpacific rate wars will claim any other casualties.

Within the past two years, three other container lines withdrew from the trade, the most recent being Hapag-Lloyd.

While the various conferences in the trade appear at long last to be succeeding in their efforts to buoy shipping prices, that success may be too little, too late.

Generally, rates are going up about 15% and the consensus among shipping circles is that rates must double to be remunerative. ■

Six For Sale

Doctor Lykes, first of six new 3,010 TEU ships Lykes ordered in Japan in its attempt to become a major transpacific carrier, was to have entered service in April. Lykes placed the 850-ft. vessel and its five sister ships up for sale.

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Nedlloyd VP Tom R. deGroot

Nedlloyd Enters North Atlantic Trade

To offer North Atlantic service starting July 3, initially as a "responsible" independent. *By Bruce Vail*

The slump in U.S. trade to the Mideast has driven Nedlloyd to drop its direct service there and seek new cargoes in the North Atlantic trade. At the same time, Nedlloyd has moved to beef up its other U.S. services in a bid to hold onto its current customer base.

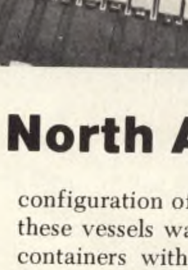
Nedlloyd's decision adds about 1,600 TEUs of container capacity each week to a trade that some participants say is already overtonnaged. The four vessels were formerly deployed as part of 10-day cross-charter service with Barber Blue Sea to the Mideast. That service has been terminated but Nedlloyd, unlike BBS, will continue to offer a Mideast service with transshipment over Rotterdam.

Tom R. deGroot, vice president-sales for Nedlloyd's North American region, said "once we commit ourselves to a trade, we stay with it." deGroot elaborated on this comment by saying Nedlloyd will both continue to serve its customers in the Mideast trade and remain in the East Coast-North Europe trade "for the long run."

North Europe. Nedlloyd's new service to North Europe will connect the U.S. ports of New York, Norfolk and Savannah to Rotterdam, Felixstowe, Bremerhaven and Le Havre on a seven-day schedule. The four vessels—the *Nedlloyd Rochester, Nedlloyd Rosario, Nedlloyd Rotterdam,* and *Nedlloyd Rouen*—are combination ro-ro/containerships with a box capacity of 1,600 TEUs.

deGroot said, however, that a normal configuration of cargo space on one of these vessels was about 1,100 TEUs of containers with the rest of the space devoted to trailers, breakbulk and outsized cargoes.

According to Robert J. Laird, deputy vice president for North Atlantic sales, Nedlloyd will take advantage of its services out of Rotterdam to the Mideast, East Africa, the Indian subcontinent, and Australia to make connections to its North Atlantic service. "Our Ro/Ros can take virtually every kind of cargo and our transshipment relay runs like clockwork. The Dutch are famous for this," Laird said.



Laird

For example, the relay via Rotterdam for Mideast cargoes, Laird said, should add only about five days transit time over what was offered on their direct service. This is competitive enough with other direct services, he said, that some of Nedlloyd's Mideast customers have decided to stick with the line.

New Med Link Too. In a further effort to hold onto customers who used the cancelled direct Mideast service, Nedlloyd will offer a fortnightly service to the Mediterranean. Under the BBS cooperative agreement, Nedlloyd had a one-way inbound service from the Med every 20 days and this will be expanded to a two-way fortnightly service, Laird said.

Nedlloyd will thus be well positioned to take advantage of an expected rise in U.S. exports to both northern and southern Europe, Laird said. The Mediterranean service, slated to begin in June, will likely call two Italian ports, two Spanish ports and one French port, he added.

'Responsible Independent.' On the question of rate policies, deGroot said Nedlloyd will operate as "a responsible independent. I would expect we will offer rates at five to ten percent below conference rates." Laird added, "We will be responsible, we are not out to destroy anything."

Nedlloyd's intention to begin operation outside the conference has been the cause of some consternation among the conference lines. Daniel J. Kerrigan, president of Atlantic Container Line (U.S.), commented wearily, "I really wonder what people are thinking about when they decide to add to the overcapacity in a trade." Kerrigan also noted Nedlloyd's entry into the North Atlantic would hurt the conference's recent efforts to raise rates.

The concern shown by Kerrigan's comments has led the conference to invite Nedlloyd to join, according to Harvey Flitter, chairman of the U.S. Atlantic-North Europe Conference. An invitation has been formally extended, Flitter said, but an official reply has yet to be made.

deGroot said Nedlloyd is traditionally a conference carrier and the line's entry into the trade as an independent "is a departure for us only if we stay independent for the long-term. I don't know how long it will be—a year, two years—there is no way to tell right now."

He added that Nedlloyd intends to become "a major player" in the North Atlantic and is therefore interested in the long-term stability of the trade. ■

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Barber Blue Sea Targets Pacific

Barber Blue Sea to drop Mideast service from U.S. and concentrate on the Pacific. Cooperative agreement with Nedlloyd cancelled. *By Bruce Vail*

The United States exporter has a declining share of a declining Mideast market, according to Michael A. Elliott, president of Barber Blue Sea (N.A.). This grim fact of life prompted the line to discontinue its Mideast service in early May and to turn its full attention to the eastbound Pacific market.

The move signalled the failure of the Barber Blue Sea-Nedlloyd cross-charter arrangement effected last year as a way of rationalizing costs for their Mideast services. That agreement had integrated four Nedlloyd ships in BBS' round-the-world service. Barber's round-the-world service, operated in conjunction with Troll Carriers and ScanCarrier, will continue, Elliott said, but without the participation of Nedlloyd or direct BBS calls to Mideast ports.

Elliott said there had been no profits in the Mideast service since the agreement with Nedlloyd went into effect. Had there been no deterioration of rates during this period the cross-charter deal would have worked, he said. But rates as well as cargo volumes had declined, forcing the two lines to reconsider their positions.

Look to Pacific. Barber's solution to its problem is to turn its full attention to the Pacific.

Barber Blue Sea's service will now be focused exclusively on carrying Asian cargoes to Los Angeles, Panama and eight ports on the Atlantic and Gulf Coasts. These are Miami, Savannah, Baltimore, Norfolk, New York, Houston, New Orleans and Mobile.

Elliott told *American Shipper* that this traffic has accounted for some 75% of BBS' revenues in the last year. The Barber ships are enjoying load factors of 80%-90% on this leg and profits from this service have been subsidizing the cancelled Mideast route, he said.

Increases Will Hold. The countries of the Pacific Rim will be the principal source of growth in world trade, Elliott said. And as carriers such as Hapag-Lloyd and Lykes drop out, the trade will grow more profitable, he predicted.

Already signs of stability are showing up in this severely overtonnaged trade, according to Elliott. He said the recently enacted rate increases of the Asia North America Eastbound Rate Agreement "are holding and will hold. Our customers realize that prices cannot go down forever."

And the threat from independent operators, principally Evergreen, is reduced because they are taking advantage of the rise in conference rates to up their own prices. "The bankers are demanding that the lines raise rates," Elliott said, "and they are demanding it from everybody, not just the conference carriers."

In addition, the decline in the cost of fuel for the vessels is allowing the carriers to absorb some of the bad effect of last year's rate deterioration, Elliott said.

The Fleet. The need for BBS to make some modifications to its fleet deployment was made clear earlier this year when the U.S. Navy agreed to purchase three BBS vessels (see *American Shipper*, March 1986, page 18). The Navy bought the 1,950 TEU *Barber Tonsberg*, *Barber Taif* and *Barber Priam*, and these vessels are scheduled for delivery in June.

This reduction in the fleet obliges BBS to alter its frequency at U.S. ports from every ten days to every fifteen days. But this also has the salutory effect of allowing Troll Carriers—a forest product hauling service that uses BBS and ScanCarrier vessels between the East Coast and North Europe—to increase its frequency from once every 20 days to once every 15. The BBS vessel, after discharging the last of its Asian cargoes, comes under the control of Troll management at Mobile. In North Europe, Troll turns the vessels over to the management of ScanCarriers, which operates a one-way service between Europe and Australasia. Upon arrival in the Far East, BBS assumes control for the operation of its eastbound transpacific service.

Under the new arrangement the round-the-world voyages will be undertaken by eight vessels, six of them operated by BBS and two operated by ScanCarriers. Both of these companies are about half-owned by Wilh. Wilhelmsen A/S of Norway. The Swedish Transatlantic group owns a piece of both BBS and ScanCarriers as well. A share of BBS is also owned by Ocean Transport and Trading of England and a piece of ScanCarriers is held by the Danish East Asiatic Co. Troll Carriers is a joint venture between Wilhelmsen and Upper Lakes Shipping Ltd. of Canada.

Ro/Ro. Elliott commented that the combined Ro/Ro-container capacity of the BBS ships has fit in very nicely in the eastbound Pacific trade.

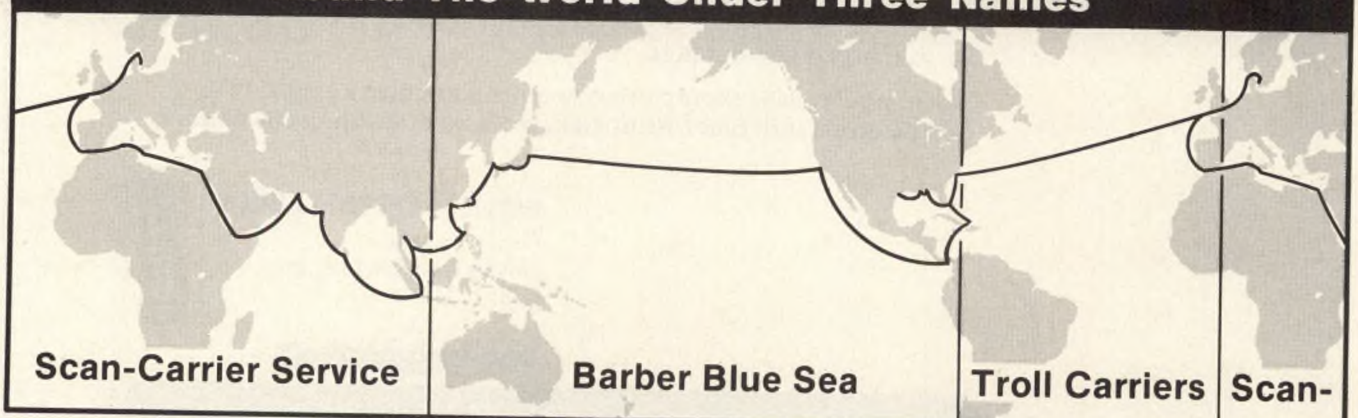
He estimated that 90% of the BBS traffic out of Hong Kong, Korea and Taiwan is containerized but there is still strong demand out of Japan for Ro/Ro capacity. Automobiles, buses and out-sized pieces of industrial equipment make up the bulk of this demand, he said.

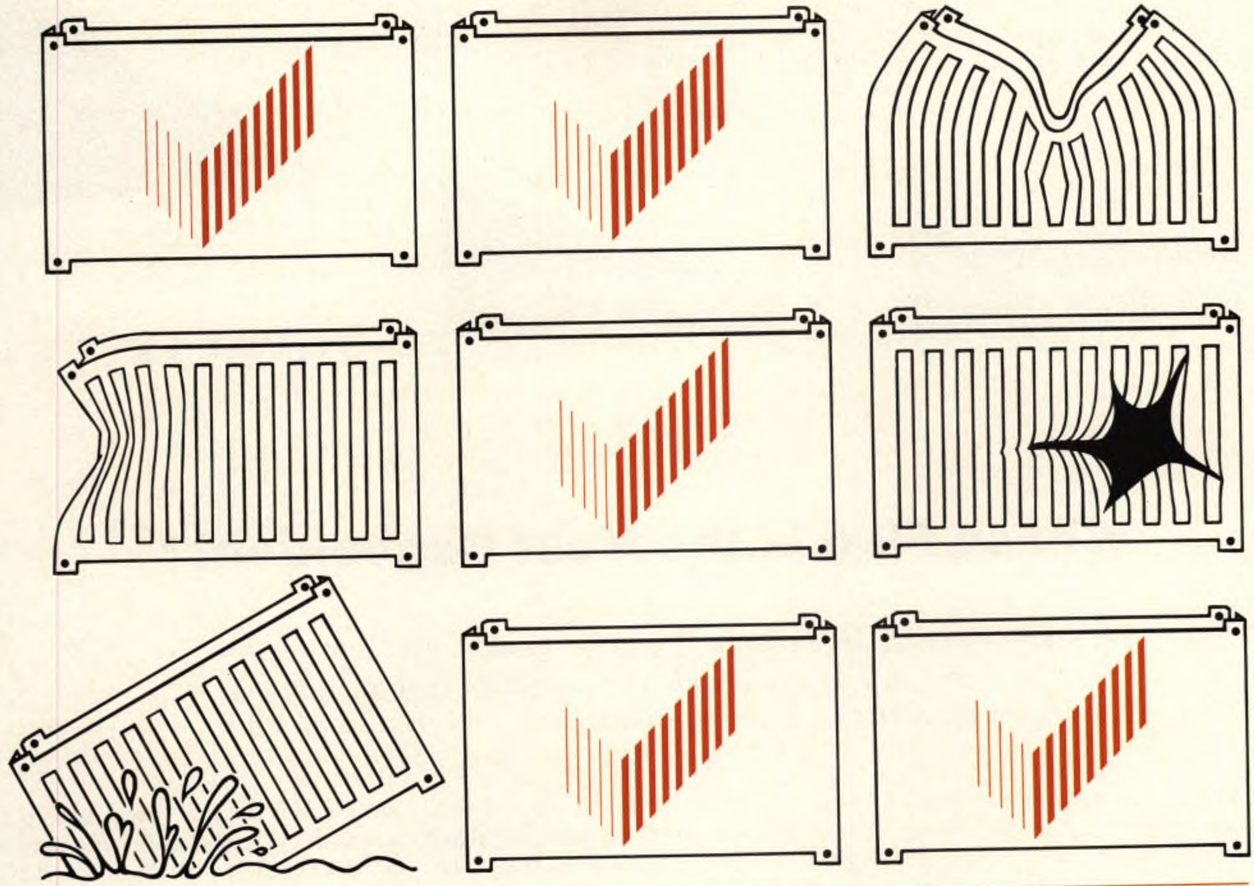
The combined Ro/Ro-container capacity was also designed for the U.S.-Mideast trade in project cargo, he said.

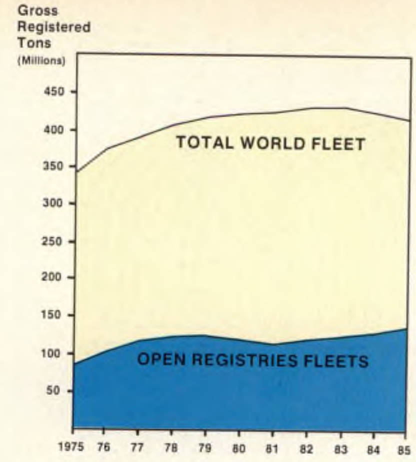
Service Contracts. In his concluding comments to *American Shipper*, Elliott joined the growing chorus of carrier officials who are calling for changes in the way service contracts are handled.

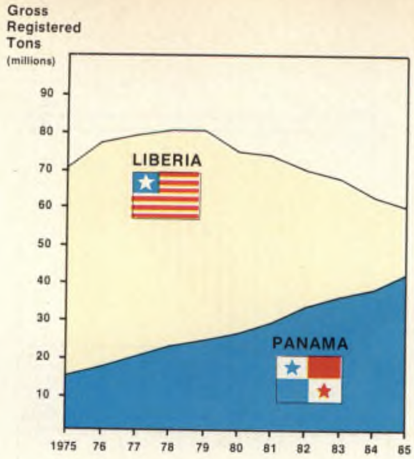
Although BBS moves only about 30% of its cargo under service contracts, Elliott said, abuses of the system have become endemic and new rules from the FMC are called for. ■

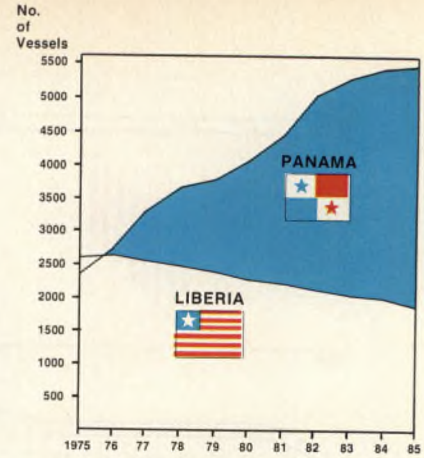
Round-The-World Under Three Names











Whose Flag is the Most Convenient?

The business of running a flag of convenience is facing up to the depression in worldwide shipping. Competition among open registries to grow more intense. *By Bruce Vail*

The business of operating a flag of convenience, like a lot of other enterprises associated with ocean transportation, is becoming more difficult and less profitable. But the troubles afflicting maritime industries in traditional seagoing nations have also had the effect of increasing the total tonnage registered under convenient flags. The result: a proliferation of open registries and stiff competition among them for new customers.

The latest evidence of this comes in a recent announcement by Liberia that it will slash the costs of registering vessels there. As the market leader among open registries, Liberia has the most to lose from the increasing competition and has already suffered a loss in market share. The loss comes at a time when open registries as a group are increasing their share of the world fleet and the total amount of tonnage appears to be leveling off.

Liberia's loss of market share—down now to about 14% of world tonnage from a high of 20% in the late '70s—is Panama's gain.

Panama has grown from a market share of about 2.5% in the early '70s to 10% in 1985, according to statistics compiled by Lloyd's Register of Shipping. If present trends continue, according to the Liberian Commissioner of Maritime Affairs Philip Bowen, Panama will overtake Liberia as the largest open registry in 1988 or early 1989.

Market Segmentation. One of the reasons for this, according to Bob Olson, secretary to the Liberian Shipowners Council, is that the Liberian flag is traditionally associated with oil tankers while the Panamanian flag is more usually associated with dry bulk ships. Some 70% of the tonnage registered in Liberia is tanker tonnage, he said.

The scrapping of large oil tankers in recent years accounts for most of the tonnage lost to Liberia since 1979, Olson added. And while the world's tanker fleet was declining, the dry bulk sector was undergoing a rapid expansion. The owners of these vessels preferred the Panamanian registry overwhelmingly. The Panamanian registry has also become the flag of choice for the owners of cruise vessels, another sector that has seen growth in the 1980s.

New Players. But the challenge to Liberia goes beyond these broad trends in the shipping industry.

Specifically, a real competition among the open registries has emerged. While Panama and Liberia together still account for the vast majority of the tonnage under flags of convenience, other nations have recognized that operating an open registry is a relatively simple and

Effective Ownership of the Liberian Fleet-1984

Country	Vessels	Tonnage	Percent
U.S.A.	336	38,151	31
Hong Kong	410	27,214	22.1
Greece	247	18,407	14.9
Japan	199	10,216	8.3
Norway	158	6,275	5.1
W. Germany	88	2,190	1.7
Unspecified	69	2,850	2.3
U.K	39	2,345	1.9
Switzerland	57	3,332	2.7
Pakistan	38	1,292	1
Israel	25	1,356	1.1
Others	206	8,809	—
TOTAL	**1,902**	**122,930**	**100**

Source: United Nations Conference on Trade and Development

painless way of generating foreign exchange.

The most successful of these new entrants has been the Bahamas. The Bahamian registry first came to prominence in 1980 when shipowners using the Liberian flag were made uneasy by political events in the tiny West African country.

The safety and stability of Liberia was called into question by a coup that put an end to Africa's longest-lived democratic government. When the coup's leader, Samuel Doe, invited newspaper and television reporters to witness a mass execution of members of the overthrown government, the uneasiness grew.

The Bahamas thus became an English-speaking alternative to Liberia. Several large oil companies, including Exxon, are keeping parts of their fleet in the Bahamian registry now. Indeed, some of Exxon's plans illustrate the problem the Liberian flag has.

Bob Kluthe, public affairs advisor for Exxon, told *American Shipper* that the oil fleet will be reducing the number of flags under which it operates in the course of the next year. Specifically, Exxon will take six vessels out of the Panamanian registry and re-flag either in Liberia or the Bahamas. So, Liberia is losing business it might otherwise have gotten to the upstart Bahamian flag.

Exxon will take six vessels out of the Panamanian registry and re-flag either in Liberia or the Bahamas.

Crowded Field. While Liberia, Panama and the Bahamas are the largest open registries, other countries are present in the market. Most of these have small market niches but do manage to contribute to the competitive atmosphere.

Olson at the Liberian Shipowners Council listed these other nations as flags of convenience: Bermuda, Cayman Islands, Cyprus, Gibraltar, Honduras, Lebanon, Malta, Singapore and Vanuatu.

As an example of how some of these countries have specialized, the Honduran registry exists largely for the convenience of one U.S. company. United Brands, which is the successor to Standard Fruit & Steamship Co., keeps some banana boats under the Honduran flag.

The flags of Malta and Gibraltar have been criticized as being dumping grounds for sub-standard Greek-owned ships.

The recent reduction in registration fees by Liberia represents that country's willingness to compete with other flags.

Some circumstantial evidence to support this charge comes from the Secretariat on the Memorandum of Understanding on Port State Control, a European group that monitors the safety of vessels.

The Secretariat reports that delays or detentions of vessels in European ports because of safety problems are more common with ships flying flags of convenience.

The Secretariat's 1984-1985 annual report listed 18 countries with poor safety inspection records and seven of them were in the list of flags of convenience provided by Olson at the Liberian Shipowners Council. The four countries holding the worst records were Malta, Honduras, Lebanon and Gibraltar.

Liberia was not on the list. Indeed, Liberia likes to think of itself as the "Rolls Royce of free flags." It has the most rigorous vessel inspection program of any of the open registries and has a better safety record for 1985 than the world average. The vessel inspection program was initiated and strengthened following some well-publicized ship disasters in the 1970s, Olson said.

Olson commented that the recent reduction in registration fees by Liberia represents that country's willingness to compete with other flags. But this competition will not extend to loosening safety standards, he said. ■

SCOT Fears Peruvian 'Blackmail'

Cargo decree is seen as a move to pressure U.S. into accepting pooling agreement which would include American carriers, though Lykes opposes such pools. *By Tony Beargie*

After receiving a number of complaints from large shippers' organizations, both the Federal Maritime Commission and the U.S. Department of State have intensified efforts to open up the U.S./Peru trade which has allegedly become protected turf for Peruvian flag carriers because of a recent cargo reservation decree implemented by the Peruvian Government.

While the State Department is working on the diplomatic front, the FMC, after meeting in a closed session April 9, issued a notice requesting further comment from the public on the situation before taking its next step.

In any event, the decree, which shook U.S. shippers into action a few months ago, has drawn the attention of key trade officials within the Administration, including, of course, FMC chairman Edward V. Hickey, Jr., who urged the State Department to beef up their diplomatic efforts on an expedited basis. And, over at the State Department, the matter is being handled by deputy assistant secretary (of state) for transportation affairs Jeffrey N. Shane.

As the FMC sees it, the 100 percent cargo reservation decree, "on its face" bars shippers from using U.S. and third flag carriers in the two-nation trade. Thus, the commission concluded, the Peruvian government's action "appears to create conditions unfavorable to shipping in the U.S. trade with Peru."

However, before the FMC reaches this conclusion—which would justify tough Section 19 sanctions—the agency wants additional comments from the public so that it can "make a thorough evaluation of conditions in the trade and assess the actual impact" of the decree.

During the past few years, the very threat of FMC action has been successful in obtaining favorable results from the Philippine and Venezuelan governments, both of which had issued protectionist cargo measures.

The FMC has asked that comments be filed with the agency by May 18. Also, FMC chairman Hickey has asked deputy assistant secretary Shane to report back on the situation by the same deadline date. As of late April, the State Department was indeed stepping up efforts on the diplomatic front.

In his letter to the State Department, chairman Hickey said shippers who fail to use non-Peruvian flag carriers reportedly are required to pay penalties assessed at 100 percent of the value of the cargo in question, rather than 100 percent of the freight rate. This is also drawing concern from U.S. and third flag carriers who fear loss of business. "Shippers wish to use the carrier with the lowest cost and best service, enabling them to compete most effectively in the Peruvian market," Hickey said.

Shipper groups that motivated the government into action included the New York Chamber of Commerce and Industry, Union Carbide Corporation, Shippers for Competitive Ocean Transportation, and the Monsanto Corporation, all of which complained of poor service and fears of a locked up trade dominated by Peruvian carriers. (For coverage, see the "Washington Circles" column in the May 1986 issue of *American Shipper*, page 3.)

Pooling Agreement. In a more recent shipper reaction, SCOT's new executive director H. George Miller urged that the FMC act quickly so that the U.S. would not be backed into a corner and "blackmailed into accepting a pooling agreement" so that U.S. carriers would be protected in the trade.

For months, the Peruvians have been pushing for a pooling pact with U.S. flag carriers and have gone as far as advertising this plan in major trade journals.

It is known that at least one U.S. carrier, Lykes Bros. Steamship Lines, has rejected the Peruvian pool proposal, in favor of an equal acess approach.

Scot's executive director urged that the "open seas policy" set forth in the 1984 Shipping Act prevail in the Peruvian situation. This is "the only system that will provide U.S. shippers efficient service and competitive service (over the) long term," Miller said.

"Both U.S. carriers and U.S. exporters and importers have invested heavily in developing their markets in Peru," Miller told the FMC.

"Commitments to customers have been made based on continuity of present service. Interruptions, even ones of short duration, can set back marketing programs and at times markets lost may not be recovered. It is important to both U.S. carriers and U.S. shippers that this need for timely relief from the unfair restrictions which the Peruvians are trying to impose be recognized by the U.S. negotiators." ■

Philippines: No Changes for Now

The change of power in the Philippines bodes no changes in maritime operations or policy, at least for the time being. Cargo-preference law will continue in force, a consulate official says. *By Richard Knee*

Faced with a sizable foreign debt and the mammoth task of implementing internal economic reforms, the Philippines' new government is unlikely to effect any changes in maritime operations or policy in the foreseeable future, if ever, according to a variety of sources.

Of major significance, then, are that it's status quo for the government-owned National Shipping Corporation of the Philippines and that Marcos-era cargo-preference laws affecting shipments to the island nation remain in force.

'Not Decided.' "As of now, the government has not decided what to do with (NSCP)," Felipe Sarmiento, commercial attache with the Philippine consulate in San Francisco, told *American Shipper*.

"I expect," he added, "that the government would support (NSCP)" by continuing to enforce the cargo-preference law.

Under the law, he said, freight must move on a Philippine-flag vessel if the consignee is "a Philippine-government entity or a Philippine-owned company."

This applies even if the shipper abroad is paying the freight bill, because shipping costs are rolled into the sale price of the merchandise, so the consignee winds up reimbursing the shipper, Sarmiento said.

The cargo-preference law does not apply to non-commercial shipments, i.e. those of goods donated to the Philippines, he said.

$27 Billion Debt. One maritime-industry insider said he doubted the Aquino government would make any moves to expand NSCP's operations.

"They have bigger problems than that," he observed.

NSCP operates five ships in the transpacific, offering vessel calls three times monthly. "My guess is that with a $27 billion foreign debt, with the shipping industry the way it is in the transpacific ... the rate structure is such now that the government would not fund an endeavor to make a strong national shipping company," the maritime-industry source said.

While it won't affect shipping policy directly, the Aquino government did declare there would be "less government interference" in the conduct of business, Sarmiento said. ■

Shippers Defend Contract Rules

Shippers feel proposed revamping of service contract regulations goes too far, while ocean carriers say FMC is on the right track in its drive to get a firmer grip on service contract system. *By Tony Beargie*

New regulations proposed by the Federal Maritime Commission to overhaul ocean transportation service contracts have sparked a division between shippers and carriers.

Indeed, according to comments coming into the Commission, ocean carriers feel the agency is moving in the right direction in an effort to curb abuses which have cropped up in the service contract area.

On the other hand, the commenting shippers are of the opinion that the FMC has gone too far on the regulatory front, that the agency would be better off in allowing the market place to dictate the commercial interworkings of the contract system.

Freedom from as much government regulation as possible was a common thread that ran through the various shipper comments. Indeed, the call for shippers and carriers to be as free as possible from government regulation was stressed over and over again. Also, shippers say most disputes should be handled through the courts rather than through the FMC.

RCA. "As a general matter ... the Federal Maritime Commission's proposed rulemaking would severely and needlessly restrict the ability of shippers and carriers to negotiate mutually beneficial service contracts," said RCA Corporation's traffic manager Thomas W. Craig. "Contracts ... should not have to pass FMC review and interpretation. The parties ... should be free to negotiate ... without the unnecessary interference of the FMC."

Contending that the 1984 Shipping Act (which sanctioned the new shipper-carrier relationship) "clearly states that (the) exclusive remedy for breach of contract lies in an appropriate court, the FMC should not tighten, define, review, or interpret contracts except where specifically authorized by the (Shipping) Act and then only to the extent necessary to assure compliance with its provisions," the RCA spokesman continued.

Craig also disputed a theme which has permeated the ongoing debate over alleged service contract abuses—namely that the looseness of the system has dumped a number of problems in the carriers' laps such as depressed ocean freight rates and the general feeling from the carrier side that the shippers are in the driver's seat. (For coverage of a debate which occurred in Philadelphia this spring between shippers and carriers, see the April 1986 issue of *American Shipper*, pages 6-10.)

"The negative comments heard and read recently about service contracts come from steamship lines and conferences, not from shippers," the RCA traffic manager told the FMC. "Carriers seem to be making service contracts the scapegoat for much of their financial difficulties. Contracts are a symptom, not a cause of transportation difficulties. We believe (the) real issues are overcapacity, a weak export market, and high labor costs."

Quoting the 1984 Shipping Act, Warner Lambert Company's international transportation manager Anthony Barone noted that the statute calls for the establishment of a regulatory process "with a minimum of government interference and regulatory costs."

"We approach this rulemaking with a parallel objective," Barone said in reference to the Shipping Act quote. "In our commentary, we have sought to maintain the primacy of the shipper-carrier commercial relation and to minimize the role of the government."

Barone also zeroed in on the Reagan Administration's "privatization" policy, which seeks to transfer many costly government functions to the private sector. "Service contracts represent the most tangible example of this 'privatization' objective," he said. "It is the one area where shipper and carrier can, or at least should, be permitted to act as commercial equals, free as much as possible from government interference."

DuPont. E.I. duPont de Nemours and Company insinuated that the FMC should make better use of its time and money by addressing free trade issues rather than getting into the intricacies of the service contract business.

"The U.S. maritime community would be best served if the Commission would direct its limited resources of time, money and personnel to issues such as reducing foreign non-tariff barriers to U.S. trade and creating and maintaining free access for U.S. carriers to participate in all trade lanes rather than seeking to police or rewrite private contracts," du Pont said.

"The Commission has, through the proposed regulations, sought to treat or address various aspects of service contract content such as dictating minimum volumes, defining minimum service commitments, prohibiting service contracts which include foreign movements, establish liquidated damage parameters, requiring re-rating at otherwise applicable tariff rates in the event either party fails to fulfill its minimum cargo commitment and the like," du Pont continued. "It is du Pont's belief that these and other economic considerations are better dealt with by the parties through direct negotiation and existing dispute resolution mechanisms within the market context."

Du Pont urged the Commission to embark on a limited review approach to determine if contracts meet common law tests.

"This limited review approach not only greatly reduces the manpower requirement imposed on the Commission by the proposed regulations, but has the significant additional advantage of requiring shippers and carriers to deal directly with each other to determine business relations and to resolve disputes rather than seeking to settle private economic issues in Washington through the Commission," du Pont told the FMC. "This traditional market approach permeates all other areas of U.S. commerce and has proven to be pro-competitive and highly efficient."

Du Pont's basic position is that the FMC should hold back from judging the fairness of contracts, and rather accept them "as long as the basic tenets of common law are followed."

"The Commission's focus should go no further than deciding whether the service contract conforms to common law and its availability to similarly situated shippers. Then let the parties or courts decide contractual matters," du Pont said. "The Commission's resources are limited and have to be directed to those activities which will provide the most benefit to U.S. foreign commerce."

Phillips Petroleum. Phillips Petroleum Corporation's transportation, regulation and claims coordinator A.P. Shelton also joined the debate voicing opposition to tightening up the service contract system.

When Congress passed the 1984 Shipping Act, it understood that carriers' and shippers' needs vary according to trade and economic conditions and, in understanding these variables, voted out a

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"While the Commission has a duty to monitor service contracts and administer them in accordance with the (Shipping) Act, it should be very reluctant to encroach, through regulation, on the flexibility of shippers and carriers to negotiate the best possible commercially beneficial contract agreements," Shelton said. "Beyond setting very broad guidelines, the Commission should refrain from interference in the contractual process."

Furthermore, he continued, "the Commission should avoid restricting volume minimums, service commitments and most-favored shipper clauses due to their inseparability from varied commercial considerations which are best addressed by the contracting parties."

And, as far as most-favored shipper clauses are concerned (which the liner conferences want to get rid of), Shelton said these are "no more destabilizing for rates than mandatory application of general rate increases to contract rates as proposed by the Transpacific Westbound Rate Agreement."

However, the Phillips Petroleum official admitted that there are "many examples of poorly written contracts," but that this development should not put the FMC on the road "to attempt to protect the shipper community or the ocean shipping industry from their own commercially questionable contract commitments."

Shelton, like other shipper spokesmen, took issue with carrier claims that the alleged "abuses" in ocean shipping are due to rules governing the contract system. "Current ocean shipping industry concern and charges of 'abuse' to the advantage of shipper interest is, in reality, a reflection of badly depressed market conditions and overtonnaging rather than inherent weakness in service contract regulation or permanent superiority of shipper interests," he said.

Furthermore, Shelton pointed out that "every service contract signed to date had the concurrence from a willing ocean shipping industry participant."

There has been a tendency by some shipping industry members to "give away the store," Shelton said, and this has caused, "or at least encouraged" minimal liquidated damages and volume commitments "which reduce some service contracts to the point of raising questions whether they are legally binding." But, on the other hand, members of the Transpacific Westbound Rate Agreement are discussing contract guidelines which include a 500 FEU minimum

Du Pont's basic position is that the FMC should hold back from judging the fairness of contracts, and rather accept them "as long as the basic tenets of common law are followed."

annual volume requirement and a position requiring mandatory general rate hikes which would be applicable to service contracts. "Is a shipper faced with these negotiation demands a victim of 'abuse' if it has a critical service need, a need for predictable rates, and an annual volume of 450 FEU's per year?" Shelton asked.

"In summary, we do not feel the Commission should intervene in the commercial aspects of service contract negotiations," the Phillips Petroleum official concluded. "It (the Commission) should limit its involvement to maintaining an administrative framework for encouraging service contracts, monitoring essential terms and assuring that legally binding service contracts are followed without prejudice to which contracting party may or may not have negotiated the better deal. Over the long run, both the shipper community and ocean shipping industry will benefit from market conditions which periodically favor their negotiating position."

In general, shippers are against barring service contracts in the foreign-to-foreign trades, an idea put forth by the FMC. Warner Lambert's Barone reflected the views of the shipper community which is opposed to restricting contracts to the U.S. foreign trades. "Modern corporations are multinational with multicountry operations often served by the same carriers as those serving the U.S. commerce," he said. "In our own case, we operate manufacturing facilities in 55 countries. Several of those use maritime services for the export and import of goods. It is unreasonable to attempt to restrict corporate purchasing leverage in the negotiation of private commercial contracts by excluding foreign-to-foreign traffic in U.S.-foreign contracts."

Shelton pointed out that "every service contract signed to date had the concurrence from a willing ocean shipping industry participant." And there has been a tendency by some shipping industry members to "give away the store."

Carriers Favor FMC Approach. In contrast to their shipper customers, ocean carriers generally favor the thrust of the FMC's proposed revamping of contract rules.

In its proposed rulemaking, the FMC is on the right track in identifying "serious problems and abuses" in the service contract system, members of the Transpacific Westbound Rate Agreement said.

TWRA, the huge ocean ratemaking body that moves freight from the United States to the Far East, was one of the first such groups to get the ball rolling at the Federal Maritime Commission on the service contract issue. Their comments are significant, for they claim that their member carriers move "a major portion of U.S. export trade."

TWRA members found it "remarkable" how far and how quickly "the long-term mutual service contract commitments Congress had in mind (when it passed the 1984 Shipping Act) have degenerated into loose arrangements whose principal purpose and effect is merely the undermining of tariffs."

TWRA maintained that "a kind of 'Gresham's law' of service contracts is in effect." Gresham's law, TWRA noted, "holds that when both sound and debased currency are circulated, the debased currency will drive the sound currency from the marketplace."

"Because of extremely intense competition in overtonnaged trades, service contracts that reflect the worst abuses that the Commission's (current) rules tolerate have a tendency to become the common coin," TWRA members told the FMC.

The FMC is "on the right track" in proposing what the conference called "a series of reporting requirements concerning changes in terms, contract termination, and final accounting without which no effective enforcement is possible."

The FMC initiative is also correct in stressing "that if service contracts are not enforced according to terms specifically laid out in the contract, the contract is little more than a loose charter to reduce tariff rates as the parties may determine from time to time," the transpacific carriers said.

However, the carrier group said the rules are "deficient" insofar as their proposed reforms are too "mild."

"Until the rules find a way to compel an honest minimum cargo commitment and term for service contracts, rather than stating a general wish for more discipline, the goal of a service contract program that is consistent with the objectives that the rules articulate is almost certain to be illusory," the TWRA members said.

"We operate manufacturing facilities in 55 countries. It is unreasonable to attempt to restrict corporate purchasing leverage in the negotiation of private commercial contracts by excluding foreign-to-foreign traffic in U.S.-foreign contracts."

Damages Must be Paid. TWRA voiced concern that the FMC proposal fails to provide for "actual damages" should volumes or revenue minimums not be met. "In a normal commercial contract a party in breach must pay damages," the conference said.

In order to deal with situations whereby shippers enter into contracts just to get a discount rate for minimal shipments over short periods of time, TWRA proposed a mechanism which it said provides "a commercial incentive" for both shippers and carriers "to insist on a meaningful commitment level." This can be accomplished in most cases by requiring all contracts to contain provisions stating a maximum as well as a minimum number of cargo units or revenue and that the maximum not exceed the minimum by more than a reasonable proportion.

TWRA's suggested spread was set at 33.3 percent. "Cargoes in excess of the maximum would have to be rated at tariff rates," TWRA said. "Under such an approach, there is a greatly reduced incentive for a shipper of 600,000 tons of cargo to obtain a discriminatory discount off tariff rates without any serious commitment. If he promises only a 60 ton minimum, the most he could ship at the off-tariff rate would be 80 tons." The alternative, TWRA said, "appears to be a continuation of the abuses."

The conference also called on the FMC to fix contract durations at a minimum of six months and a maximum of one year. Short duration contracts—sometimes for only one voyage—have become common, TWRA members noted. "Such contracts are simply a rate discount for one or two voyages.... They are extremely destabilizing and, as a practical matter, are often completed before other shippers even find out about them."

'Crazy Eddy' Clauses. TWRA and other conferences called for an end to "most favored shipper" and "Crazy Eddy" clauses. The former provides a mechanism under which one shipper given a lower rate than provided in the contract, the contract rate is changed to reflect the lower rate.

The so-called "Crazy Eddy" deal "goes even further," TWRA said. "It provides that if another carrier provides a lower rate the service contract is amended to reflect that lower rate."

Both clauses show "a lack of mutuality and usually indicate that the only purpose of the contract is to cut rates rather than to achieve service commitments," TWRA members said.

The North European Conferences were even more adamant in their urging an end to these clauses.

The issue, NEC said is "foremost among all prevailing service contract issues and problems."

"All most favored shipper (clauses) should be absolutely prohibited and henceforth evermore banished from service contracts permitted by the (Shipping) Act," NEC said. "They reek of being 'insane.'... As empirical evidence in the Commission's hands, born of bitter experience in several major U.S. trades, compelling demonstrates, the use of such clauses has operated to so distort the legislative purposes and policies of the (Shipping) Act, and so corrupt the integrity of the service contract system, as to undermine the Act and either sound the death knell of the service contract system or entrust its fate to the whims and fancies of unfettered commercial pirates, ashore and afloat." The conference urged the FMC to correct the situation "with all deliberate speed." ■

What's in It for You?

Before signing a service contract, figure out whether you really need one, an APL sales director advises traffic executives at a retailers' conference in San Francisco, and don't use the service contract merely as a rate vehicle. *By Richard Knee*

"You really ought to look at what *service* you want in a service contract."

That was the advice that Joel Greenberg, eastbound sales director for American President Lines, had for a small group of traffic managers at an import workshop on the final day of the National Retail Merchants Association's annual convention in San Francisco May 7.

In fact, Greenberg remarked, traffic departments should examine whether they need service contracts at all.

"You have to look at your distribution patterns, and figure out if a service contract would benefit you and *how* it would benefit you," he said.

Merely a Rate Vehicle. In a brief conversation later with *American Shipper*, Greenberg said too many shippers and consignees use service contracts merely as a rate vehicle.

This was especially true in the "initial round" of contract negotiations following enactment of the 1984 Shipping Act, he said.

Shippers and consignees "really didn't look into what their service patterns were—whether they should use JIT (Just-In-Time) or whether they should set up a warehouse."

At the same time, he recommended that shippers and consignees without service contracts look into them, as a way of possibly getting their rates reduced.

Equipment Size Factor. Also often overlooked, Greenberg said, are the various equipment sizes available. Some shippers and consignees sign service contracts "based on one size of equipment," he said.

"The service contract really isn't for everyone," he reiterated. "They (shippers and consignees) have to figure out what *their* business is first."

Greenberg also suggested to the traffic managers that it might be worth their while to use consolidators overseas. This, he said, can help ensure that importers' containers be loaded in the proper order for optimum discharge when shipments arrive in the United States.

'Customers Seem Satisfied.' Noting that the Asia North America Eastbound Rate Agreement will "take over" service contract functions from individual member carriers starting in July, Greenberg said "customers seem pretty satisfied" with a similar system implemented by the Trans-Pacific Freight Conference of Japan.

He also said independent actions within ANERA have "slowed down to a very slight degree," from 250 a day when ANERA was formed to 50 a day now.

Few Boxes Examined. Also during the workshop, a Seattle port official reported that shipping delays resulting from automation of various U.S. Customs Service functions have not been as extensive as many people feared they would be.

Twenty percent of the containers move through Customs' Selectivity system, the remaining boxes go in-bond and "only one percent of the containers going through in-bond are actually examined," said Edward D. McKinnon, liner services trade development executive for the port.

Meanwhile, he said, the port has launched one program and is considering another to improve the flow of inbound shipments through Customs.

Under the Seattle Cargo Automated Marine Procedure Interface (SCAMPI) program, the port receives ocean carrier manifest data and enters them into its computer system five days prior to ships' arrivals. Port computer terminals at Customs' Seattle office enable Customs officials to use the manifest information to determine which cargo is to be inspected.

Under consideration is a "paired cities" program that would enable brokers at an inland point—Chicago, in Seattle's case—to get cargo cleared before it arrives in port. ■

14 NVOs Pooling Cargo Through Shippers Assn.

West Coast Groupage, a shippers association composed of broker/forwarder-controlled NVOs, doubles its membership in its 10 months of existence. *By Richard Knee*

Spurred by a continuously fluctuating market and aided and abetted by the operating freedoms granted under the 1984 Shipping Act, a group of West Coast broker/forwarder firms last June banded together to pool cargo and to discuss matters of mutual concern.

They formed West Coast Groupage (WCG), a shippers association that is unique in its composition; all its members are broker/forwarder-controlled non-vessel-operating common carriers-though WCG officials assure that membership in the organization is not limited to that constituency.

While acknowledging that the pooling arrangement is essentially the same as co-loading, the officials said it is not seen in that light by the Federal Maritime Commission.

The difference is that co-loading involves one NVO turning its cargo over to another, while in WCG's case, the participating NVOs are turning their freight over to a shippers association.

This was the explanation given by Werner Schwan, managing director of Global Operations Company (GOC), which manages WCG.

WCG's Operations, Structure. San Francisco-based WCG operates container-freight stations in the Los Angeles and San Francisco Bay areas and in Portland, Ore.

The association is a non-profit corporation and has "14 members plus their branches on the West Coast," scattered from the Pacific Northwest to San Diego, Schwan said. That's twice the membership the group had when it launched operations last June 21, he said.

GOC provides management services for WCG, which has no salaried employees. GOC is a joint venture of San Francisco-based broker/forwarders J.E. Lowden & Company and Ted L. Rausch & Company, and shares offices with the former.

When Schwan spoke with *American Shipper*, in late April, J.E. Lowden president William F. Bosque also was in on the conversation.

On WCG's board of directors are chairman Larry Rekow, of Atlas Consolidated Containers, the NVO arm of Lep International; Daniel McCarthy, of American Overseas Airfreight, Inc.; and Ove Anderson, also of Atlas. On the administrative side are Schwan, who is secretary; Val Anderson, of Euro Pac Lines, vice president; and McCarthy, chief financial officer.

'Alert to Changes.' Bosque and Ted L. Rausch, longtime veterans of the broker/forwarder industry, started the venture because "we were alert to the changes under the Shipping Act in the freight-forwarder rules and the underlying changes in the transportation industry," Bosque said.

The new rules have effected "a drastic change in the way we will do business," he said, and there is consequently "a need to coordinate the activities in the industry."

(A text and analyses of the Shipping Act are in the April 1984 *American Shipper*.)

Accordingly, the pair "sought and received antitrust immunity (from the U.S. Department of Commerce) under the Export Trading Company Act."

In a large sense, said Schwan, GOC is serving in a consultant's role by advising forwarders "on opening up other services that they could offer to shippers."

Not Entirely Altruistic. The consultancy aspect sounds altruistic enough. But Schwan and Bosque admitted that, being in business to make a profit, they are looking after their own interests as well.

"We're doing it," Bosque asserted, "because of the necessity ... of having to coordinate the efforts of our industry in a profitable venture."

The GOC/WCG setup also puts the participants in a carrier role, which enables them to "maintain a certain schedule"—something they would have difficulty doing as individuals, Schwan remarked.

WCG enables them to "pool freight, to maintain a regular service which is beneficial to the shipper, as well as to the consignee."

No Independent-NVO Members. While WCG would welcome independent NVOs to its ranks, they have balked at the opportunity because of the co-loading aspect, Schwan said.

Though the operation does not constitute co-loading from the FMC's point of view, he said, the NVOs fear "losing their identity" in dealing with steamship lines.

Werner Schwan says West Coast Groupage enables the NVOs "to maintain a certain schedule."

William F. Bosque is president of one of the two broker/forwarder firms which set up the venture.

Rep. Bonker Refutes Customs

Takes issue with remarks by Deputy Commissioner of Customs Alfred R. De Angelus in which he appeared to be pointing the finger at Congress as being responsible for Customs Service cutbacks. *By Tony Beargie*

In an effort to "set the record straight," Rep. Don Bonker (R-Washington), has rejected a statement made recently by Deputy Commissioner of Customs Alfred R. De Angelus in which he insinuated that Customs Service cutbacks are coming from Congress rather than from the Administration.

In an interview with *American Shipper*, Bonker in no uncertain terms wanted to get the message out that the move to cut back on Customs Service functions is NOT coming from Congress, but instead, from the Executive Branch.

What caught Bonker's eye was a story published in the May 1986 issue of this magazine in which De Angelus appeared to be blaming Congress for the Customs Service's dwindling resources.

Addressing the National Customs Brokers and Forwarders Association's convention in Palm Beach Gardens, Florida, De Angelus noted reductions mandated by Gramm-Rudman, and said that if the momentum keeps up he would "be out of a job in three years." De Angelus further stated that "with regard to our budget, the bleakness is getting bleaker."

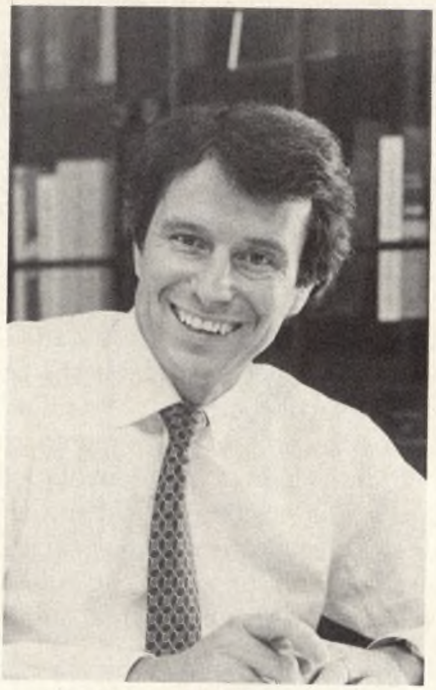
Bonker at various times during the interview called the tone of De Angelus' address "misleading," "ironic," and bordering on "hypocrisy."

"It is ironic that the number two person in the U.S. Customs Service is criticizing Congress ... when over the past three years they have called for reductions and Congress has restored positions," Bonker said.

For example, the House International Economic Policy & Trade Subcommittee chairman noted, in fiscal year 1986, Customs requested the elimination of some 887 positions, but the House Appropriations Committee restored these and provided a net increase of 800 positions.

"What (Customs Commissioner) von Raab wants to do is eliminate vital positions involving traditional services," Bonker contended. But Congress has reacted by restoring and adding new positions "because of greater workloads and increased trade between the United States and other countries," Bonker continued.

"If anything, Customs is calling for the elimination of positions and Congress is adding positions, and that's what makes De Angelus' statement ironic and mis-



Washington Rep. Don Bonker

De Angelus' statement "borders on hypocrisy. He's talking about a myth, and ignoring reality."

leading," Bonker said.

"I think it is important for Customs Service personnel, shippers, and others who rely on the Customs Service to have an accurate portrayal of this issue and to keep the record straight, concerning Mr. De Angelus' statement and congressional action," Bonker said. "His statement borders on hypocrisy. He's talking about a myth, and ignoring reality."

Bonker Fighting Customs FTZ Plan. In another development which has stirred Bonker into action, the Washington State congressman has put forth legislation that would bar the U.S. Customs Service from implementing proposed user fees on foreign trade zone operators.

In a statement presented to the House of Representatives May 1, Bonker used the occasion to hit out at the Customs Service's two-pronged policy of cutting back on manpower and levying user fees.

Citing the "negative economic consequences of" the nation's "record trade deficits," Bonker took aim at "the efforts of the U.S. Customs Service under Director Von Raab to slash manpower and levy substantial user fees on U.S. shipping lines and exporters."

"Frankly, it is my impression that Customs' efforts to impose fees go well beyond seeking compensation for overtime, special audit, inspection or other legitimate reimbursable activities," Bonker said. "Rather, Customs appears intent upon compelling ports, shippers, and the U.S. merchant marine industry to bear virtually all of the costs for all of the services it provides. Such a policy can only operate to place U.S. shippers at an unnecessary and unreasonable disadvantage relative to our trading partners."

Bonker called the most recent initiative by Customs in the foreign trade zone area "a particularly disturbing illustration of" the Custom Service's policy. Customs' proposed annual fees range from $1,400 to $33,800, Bonker said. In general, FTZ operators with less than 300 admissions would pay $1,400 per year, zones with less than 3,000 admissions $15,500, and zones with over 3,000 admissions would pay $33,800.

"This structure may well cause serious problems for small to moderate size zones with entries or transactions surpassing 300 a year. These zones would witness their annual fee increase from $1,400 to $15,000 a year," Bonker said. "While some well-financed zones with high value entries may be able to absorb this increase, many zones have indicated that the new fee will cause them to terminate operations or lose potential users."

Complaints to Bonker. Bonker introduced his move to counter the Customs proposal after hearing of the proposal during one of his field hearings held recently in Longview, Washington.

Upon hearing of the plan, Bonker met with Rep. Sam Gibbons (D-Florida), who is also chairman of the House Ways & Means Committee's Subcommittee on Trade, "to discuss a common strategy," the Washington State congressman said. Gibbons promised that he would include Bonker's bill in an overall trade bill, which is expected to be introduced shortly.

Also, Gibbons was said to have written von Raab urging him to suspend implementation of the new fees which were to have gone into effect May 12.

Customs' move also drew opposition from the National Association of Foreign Trade Zones, a Washington-based lobbying group representing about 85 percent of the FTZs located throughout the U.S.

"The fee structure is patently prejudicial to the growth of the FTZ program in that it discourages new, smaller, emerging zones from developing their business only to see such growth negatively impaired by increased Customs fees," the Association's president Roy H. Jaeger said. ■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Hyundai car carrier at New York. (Photo courtesy Moran Towing)

Auto Imports Continue to Grow

Flood of imported cars boosts U.S. ports. 1986 likely to be another banner year. *By Bruce Vail*

America's love affair with foreign cars grows more passionate every day. All of the major auto importing centers in the United States showed strong gains last year over the 1984 figures and all estimates for 1986 indicate continued growth. Some estimates hold that Americans will import some 3.2 million automobiles this year, an increase of over three-quarters of a million from just two years ago.

America's ports, particularly those on the West Coast, are one group that is benefitting from the country's infatuation with imported cars. The movement of autos in Los Angeles/Long Beach, for example, accounted for almost 17% of the general cargo tonnage moved in Southern California, according to the Pacific Maritime Association.

Indeed, the trade in autos is so hot right now that politicians and Washington's maritime lobby have seized upon the issue. They want Japan, by far the leading foreign car maker in the American market, to share the wealth with the U.S. merchant marine (see *American Shipper*, May 1986, page 38).

Up All Around. Los Angeles/Long Beach, by far the nation's largest auto importing center, is not typical. But an informal survey by *American Shipper* of U.S. ports could locate no port that failed to show significant increases in auto tonnage last year. And every port contacted anticipated continued growth in this trade.

At the northern California port of Richmond, for instance, wharfinger Jerry Oster predicted 75-80,000 autos will be unloaded this year. If Oster's prediction comes true, that figure will represent an increase of 10,000 each year in 1985 and 1986. Most of this traffic comes from Honda, which is using Richmond as a distribution point for the northern California market, Oster said.

At nearby Benecia, figures from the Bureau of the Census show a remarkable increase of over 25% in 1985. These imports are almost exclusively Japanese. A little farther north, at the Port of Tacoma, a comparatively modest increase of 20% was registered, according to spokesman Rod Koon.

Still More Imports. Even ports that are otherwise having a hard time are benefitting form the auto boom.

Houston, hard hit by exploding growth in landbridge services and the slump in the oil industry, imported autos with a dollar value of $2.3 billion last year, up $400 million from 1984.

In addition, according to communications manager Lee Vela, initial figures for 1986 show auto imports up 11 percent.

Part of Houston's increases will come from the latest entry in the market, the low-priced Yugo.

Houston will receive 60,000 units of the Yugoslavian economy car this year, Vela said.

Auto Import Centers 1985

	Short Tons
Los Angeles/Long Beach	1,351,000
Jacksonville	628,000
New York/New Jersey	590,000
Portland	431,000
Baltimore	411,000
San Francisco/Oakland	376,000
Houston	358,000
Seattle/Tacoma	352,000
San Juan, P.R	139,000
Norfolk	122,000
Providence	108,000
Boston	108,000
All Others	146,000
Total	**5,120,000**

Source: Maryland Ports Administration derived from Bureau of the Census data.

Imports by Units as Reported by the Ports

Baltimore	411,000 short tons
Benecia/Carquinez Straits	138,707 short tons
Boston	93,330 units
Houston	297,089 short tons
Jacksonville	494,165 units
Long Beach	386,600 units
Los Angeles	462,189 units
New York	375,000 units
Oakland	40,437 short tons
Portland	341,274 units
Providence	87,372 units
Richmond	65,000 units
S.F. Bay	269,472 short tons
San Francisco	28,954 short tons
Tacoma	148,830 units

Source: The Ports

Note: Variations between census data figures and the figures compiled by the ports in question may be explained by the fact that ports generally measure auto imports solely by those vehicles off-loaded from car-carrying vessels. Customs figures include privately-owned cars.

Hyundai. The East Coast ports of Jacksonville and New York will be the beneficiaries of another new entrant. The Korean industrial conglomerate of Hyundai began importing the "Excel" into the U.S. in February. The Korean company has announced plans to ship 100,000 of the cars into the U.S. in 1986.

Jacksonville, the leading auto port in the United States (if Los Angeles and Long Beach are treated as separate ports) had an outstanding year in 1985 with an increase of about 70,000 units, according to the Jacksonville Port Authority. Based partly on the new Korean imports, a similar increase should be registered again this year, the JPA said.

New York expects to handle 35,000 of these automobiles (Hyundai has also designated Portland, Oregon and Los Angeles as distribution points), according to Philip Kaltenbacher, chairman of the Port Authority of New York/New Jersey. The "Excels" alone, then, will count for a nearly 10% in automobile imports into New York harbor.

(As a footnote to New York/New Jersey's increase of 12,000 units in 1985 over 1984, spokesman Leon Katz advises the figure would have been higher but for a strike by the Teamsters who haul the cars from the docks to the dealership lots.)

Economic Impact. In ceremonies welcoming the first shipment of Hyundai cars into New York harbor, chairman Kaltenbacher was anxious to point out some of the economic benefits of the automobile imports that have had such a devastating effect on the domestic auto industry.

Using a rather broad formula, Kaltenbacher said the Excel imports will "translate into 400 to 480 direct, indirect and induced jobs and $8 to $19 million annually in wages and salaries. The total economic activity generated through importation of Excels is to be at least $30 million a year.

Overview. The flood of auto imports into the U.S. shows no sign of abating. Absent any protectionist measures adopted by the government, 1986 should show an overall increase of 13.1%, according to Kevin Meehan, public affairs assistant at the American International Automobile Dealers Association. That comes out to 3.2 million foreign cars, up from 2.8 million in 1985 and 2.4 million in 1984.

Putting that in dollar terms, Americans bought foreign automobiles (exclusive of Canadian imports) worth $25.3 billion in 1985, according to the Bureau of Trade Operations of the U.S. Department of the Census. Of that figure, some $16.3 billion went to Japanese manufacturers. ■

50-Mile Rules Don't Worry PNW

Even if West Coast container-handling rules are ultimately upheld, it will be business as usual for port-owned CFSs at Seattle & Tacoma. *By Richard Knee*

The Seattle and Tacoma port administrations, which operate their own container-freight stations, are not members of the Pacific Maritime Association; yet both have employed longshore-union labor for the past several years.

And both plan to continue doing so, even if the so-called 50-mile rules negotiated by the PMA and the International Longshoremen's & Warehousemen's Union are upheld in their final adjudication.

How Much of an Effect? The 50-mile rules require that container stripping or stuffing within 50 miles of a port area be done by ILWU labor, when the container is owned or leased by a PMA member.

The PMA and ILWU are asking the National Labor Relations Board to reconsider its recent decision exempting from the rules work done on containers not under PMA members' control. California Cartage Company, meanwhile, wants the U.S. Court of Appeals in Washington to throw out the entire box-rules package.

The rules "will have an effect" on Seattle's port-owned CFS, but "to what volume is questionable," CFS operations manager James W. Rohrer said.

He estimated, however, that the rule would generate "at least 500 additional TEUs (annually) through this facility."

At Tacoma, "we've used longshore (ILWU) labor since the (CFS) facility opened in 1974," remarked port terminal operations director Mike Sawers.

While neither port is a PMA member, both draw their labor supplies from PMA members. Jones Washington Stevedoring Company is "labor broker" for Tacoma's CFS and Stevedoring Services of America "leases" its crews to Seattle.

Some Variables. Rohrer and J.H. Loux, Seattle port transportation services director, said a number of variables could affect how much impact the 50-mile rules have on the CFS there.

For one thing, Rohrer pointed out, "a lot of the cargo movement is contract work; it's up for bid." If a PMA nonmember winds up with the contract or if the customer is the one paying for the container-yard work, he said, "the 50-mile rule does not apply."

Moreover, said Loux, the rules are likely to have the greater impact on the export side, if anywhere.

"From the point of view of import/inbound freight—because of the very high proportion of (less-than-containerload) cargo that comes in—the rules will have little impact," Loux said. "Maybe the export side is where the biggest impact is to be found."

"LCL import (container handling labor) has always been ILWU, so there's no gain there," Rohrer agreed.

'Economic Advantage.' There is also an "economic advantage" to retaining ILWU labor, the Seattle port officials said.

The PMA offers a "refund" to its members as a productivity incentive. The refund on each job is based on man-hours required and cargo tonnage handled, Loux said, and a party, such as the port, that leases its labor from a PMA member receives a "discount" from the lessor.

In addition, Rohrer and Loux pointed out, most of the CFS's customers are PMA members.

"If you don't employ ILWU labor," Loux said, "don't expect to strip or stuff any containers for a PMA member." Accordingly, they said, the port's CFS will continue to employ ILWU labor, regardless of the 50-mile rules' ultimate fate.

Similarly, Tacoma's Sawers commented that "we live with the PMA-ILWU contract.... We haven't had any problems with it so far." ■

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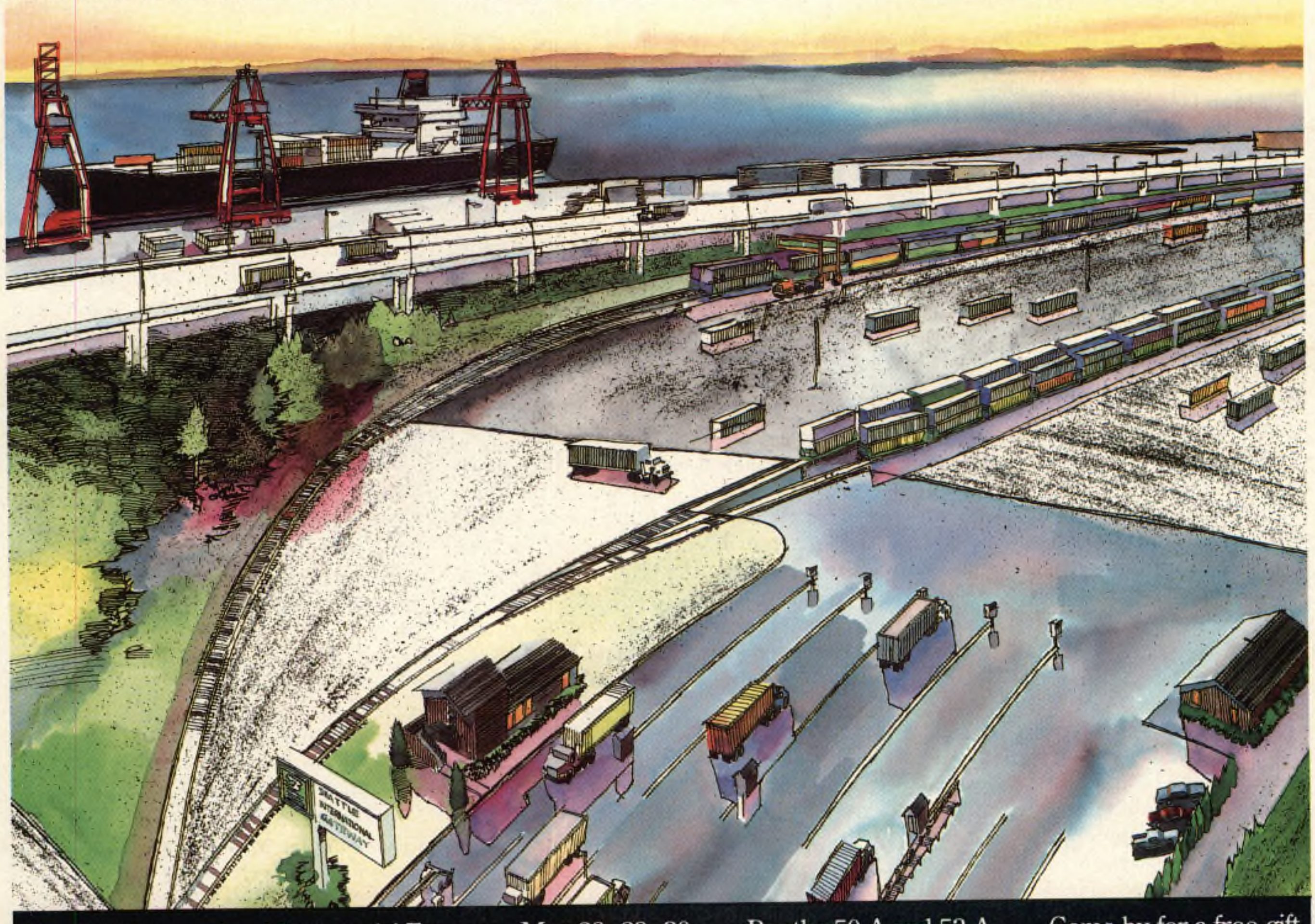

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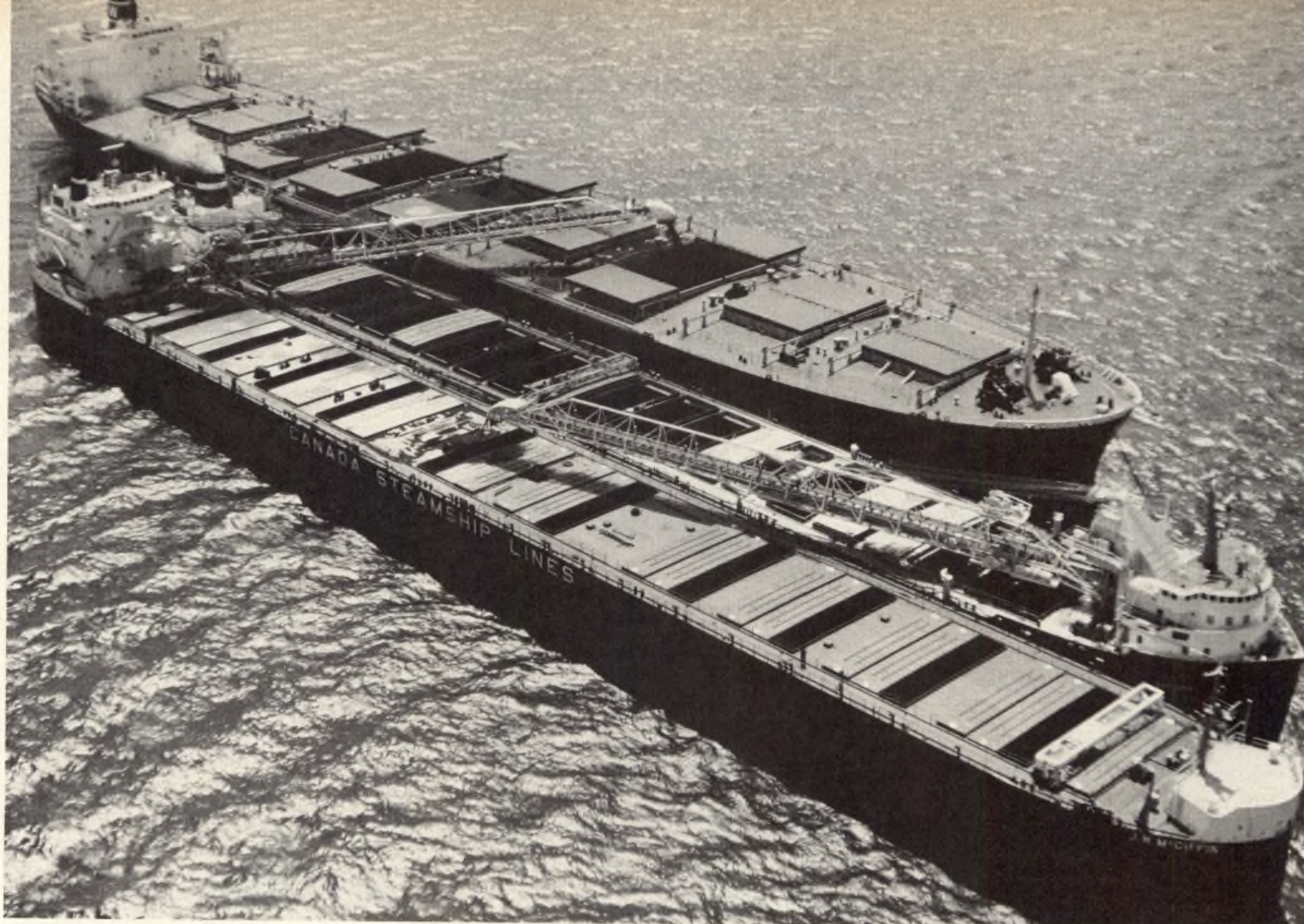

In October 1983, Canada Steamship Line was denied the right to conduct a coal top-off operation in Delaware Bay.

Norfolk Southern's Coal Top-Off Plan Set Back

Railroad is second to be denied right to top off giant ocean carriers in Delaware Bay, but the reasons are different this time around. *By David Field*

A federal court has blocked the Norfolk Southern plan to "top off" to their full capacity partially loaded colliers in the waters of Delaware Bay.

The NS plan would allow vessels to take on just enough coal to clear the drafts of such ports as Hampton Roads or Baltimore, sail up the coast to the waters off Big Stone Anchorage, Delaware, and then top off to maximum capacity for the voyage to European or Far East destinations. The coal would be transferred from barges by a clamshell-type crane, and that aspect of the operation had drawn lawsuits by environmentalists.

U.S. District Court Judge Murray M. Schwartz held in his April 9 decision that a state statute gave Delaware the right to ban the coal transfer. The federal coastal zone act gave the states such power, the judge said in a decision environmentalists see as a precedent for states' rights to control their waters and shores.

NS had argued that U. S. national energy policy gave coal exports a compelling national interest. Others had argued that the Delaware ban impeded both domestic and international commerce.

NS Saw $10 Million Annual Growth. Norfolk Southern maintained that, since colliers had to leave ports at only 80 or 90 percent capacity, export levels were depressed, keeping down coal production and mine employment in the Appalachian counties from which two-thirds of U.S. export coal is produced.

NS estimated that by 1986 the top-off operation would add $10 million a year to its revenues. The carrier loaded 37 million tons of coal and coke in 1982, although export levels have gone down since then.

A number of congressmen from coal producing states supported NS at the court, although Delaware legislators sided with the state environmental agency. Rep. Frederick C. Boucher (D-Va.) led the coal group, and was joined by both Virginia senators, three Virginia and three West Virginia congressmen.

They repeated the arguments for employment and maintained that the national interest compelled Delaware to allow commerce between the states.

The absolute prohibition of all coal transfer operations, they argued, gave the state control of foreign commerce, thus usurping the role of the federal government.

The carriers argued that Delaware Bay offers the only sheltered deepwater offshore location between Maine and Mexico and thus it had no alternatives while the state had other means of protecting the air and water of the Bay.

The Department of Justice sided with NS in filing the case.

MarAd Loan Guarantee For Barge. Coastal Barge Corp., the NS affiliate that had conceived the plan, had converted a vessel into a 35,000-ton barge for the service and had plans to build another barge.

The Maritime Administration had guaranteed a loan that Norfolk Southern took to pay for the barge, and the guarantee itself added another element of controversy.

In October 1982, Canada Steamship Lines sought a Jones Act waiver to perform a similar top-off service but was turned down both by the Customs Service and, on reconsideration, by Treasury itself.

"Our Congress doesn't have the backbone to take it on."

CSL argued that Customs drew "an artificial distinction" in determining what is prohibited by the Jones Act and charged that Treasury extended the Jones Act ("a model of legislative indecision") beyond "its original scope to prohibit a service which could have been very beneficial to U. S. coal exporters."

CSL continued its criticism of the MarAd loan guarantee, and the line's Washington counsel, Allan I. Mendelsohn of Ward & Mendelsohn, said, "The entire incident demonstrates the crying need for radical reform of the U. S. maritime statutes."

"This is another example of MarAd's shortsightedness at the expense of the American taxpayer. The Jones Act and the Maritime Adminstration are both long overdue for sharp investigation, but our Congress doesn't have the backbone to take it on," Mendelsohn charged.

William Bales, the Norfolk Southern vice president in charge of coal traffic, said the carrier "was studying the ramifications of the decision" and possibly appeal to a higher court.

Rails Back Off Export Rate Zone

Norfolk Southern, CSX, would have set base from which prices would rise or fall within 4%, but withdraw plan after 10 days. *By David Field*

A railroad campaign to have the government drop rate controls on export coal was withdrawn by its two chief backers, Norfolk Southern and CSX.

The two carriers told the Interstate Commerce Commission they would accept a two-year moratorium on their rates on export coal if the agency would establish a zone of freedom within which the carriers could raise or lower rates at will.

The export rates would be based on the October 1, 1985, level and could move within four percent up or down from that base (to be renewed annually) over a 12-month period. In addition, the carriers would offer a moratorium to expire October 1, 1988.

The zone of freedom would be similar to the pricing flexibility allowed in trucking and would be affected only by the ICC inflation factor issued each quarter for all rail traffic.

ICC jurisdiction could be invoked if the shipper chose to argue that the rate a carrier wanted in fact exceeded the limit of the zone. Shippers would have 15 days in which to accept or appeal the rate.

The carriers argued that the plan gave them the freedoms intended by the Staggers Rail Act while guaranteeing that shippers would not pay increases greater than those allowed by the railroad deregulation act.

The carriers maintained that market conditions—intermodal competition, the depressed world market for coal and the minute portion of it held by U.S. coal—would keep rates down. The two railroads, however, withdrew the proposal only 10 days after filing it.

Coal Shippers and the Reregulators. Coal shippers have been on the point of the campaign to reregulate railroad rates and their chief allies in that drive, agricultural and captive industrial shippers, may have feared the carriers were trying to seduce one member away from the alliance.

The coal interests had won a major victory when the U.S. Court of Appeals sent the ICC's 1983 export coal deregulation plan back to the agency. The D.C. Circuit concluded that the ICC plan failed to protect shippers from the unreasonably high rates that carriers with market dominance could demand.

The court said the ICC had exceeded its powers, and repeatedly cited a dissent by the ICC's chairman at the time, Reese H. Taylor, Jr. He had suggested a zone of freedom similar to that just proposed by NS and CSX.

The profoundly depressed world coal market, though, may have made the railroads wary of the costs of the political battle of heading off the reregulators at this time.

As oil prices continue to fall, and coal prices and shipments remain down, a London-based consultant, Drewry Shipping Consultants, Ltd., has predicted that the dry bulk trades could suffer the loss of more than 50% of their current steam coal shipment levels if the price of oil drops lower than that of competing raw energy sources.

Drewry assumes that continued downward oil prices could reduce seaborne coal trade worldwide to 55 million tons by the end of this decade. The 1985 trade level stood at 118 million tons for steam coal, and would rise, Drewry predicted, only if oil prices leap above $18 per barrel, giving coal its price-competitive edge.

Drewry forecast world coal shipments would go to about 180 million tons a year under that positive scenario. Crude oil was hovering around $13 a barrel as of late April, recovering from a sub basement $10 level set earlier in the spring. ■

Barge Line Paying Off For CSX

Railroad holding company's new unit enjoys long-term contracts to keep ACL ahead of the depressed barge market. Trimming back on boat building, ACL still has high intermodal hopes. *By David Field*

American Commercial Lines didn't disappoint its new owner, CSX Corp., in its first full year of operation.

The Richmond, Va.-based railroad and energy holding company enjoyed a $663,629 net on the barge line's 1985 operations, it reported to the Interstate Commerce Commission as part of the agency's oversight of the controversial merger.

The first report covered calendar year 1985, during which the barge line carried 34 million tons of revenue freight for $194.53 million in revenues. Operating revenues reached an overall level of $242.9 million, though.

That falls below the 1984 American Commercial Lines operating income of $32 million, although it is close to the 1983 figure of $22 million.

"The barge line isn't doing as well as it was back in the early 1980s," said a CSX Corp. financial officer. "But it's definitely quite profitable, and is doing better than just about any other barge line out there. Most of its traffic moves under long-term contracts, so it wasn't hit as hard as the guys who were depending on the spot market," he explained.

Although tonnage rose by six percent, prices on non-contract shipments were down, as they were in the rest of the industry. Spot rates on grain pulled down rates on coal, steel and bulk commodities. For the year, the line carried 25.9 billion revenue tons for an average haul of 824 miles.

Coal, at 20.2 million tons, was the major load. Farm products were, of course, a major commodity, followed by chemicals and metals. The 1,735-towboat fleet has a total capacity of 2.7 million net tons, though, and was below its total capacity—like every other barge operator.

CSX was able to use some of that excess capacity in joint movements with its Seaboard System Railroad, which delivered Florida phosphates intermodally.

At the time of the ICC decision allowing the CSX takeover of the barge line, Edwin Edel, a public affairs vice president at the other CSX rail line, Chessie System Railroads, said, "We believe we can extend the market for Appalachian coal to the west," as far as Texas and Louisiana. The coal market has been so


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depressed since then that such movements haven't yet reached great levels, though.

The two CSX railroads still compete against American Commercial at 163 points in 12 states.

CSX said the barge line's operating expenses reached $225.9 million, of which $65.6 million was labor and fringes—and $133 million was "other."

That gives the barge line operating income of $17 million (after depreciating $21.7 million on the barge line), but interest income, including that paid to ACL by its parent, reached $5.2 million.

Against that total of $22.3 million coming in, CSX said American Commercial Lines had $22 million in other expenses, including interest, amortization and other.

To reach the absolute bottom line of a $663,000 net, the carrier took a federal tax credit of nearly $500,000, which more than offset state taxes for the reported net.

American Commercial's results were reported differently in CSX Corp. annual reports since the holding company used a purchase accounting method.

Jeffboats. The American Commercial Line boat-building affilate, Jeffboat, did not do well, having lost money on three special projects. Although it won contracts on the projects, Jeffboat's variable costs exceeded its estimates enough to push it into the red on the contracts.

ACL has announced that it would shut down most Jeffboat operations by the middle of this year.

ACL holdings also include Watercom, an advanced telecommunications system for inland waterway operators. That service is still in its early stages.

Oversight. When CSX gained permission to buy the barge line in a 1984 decision (one that's still in the courts), the ICC required the conglomerate to file detailed reports of the barge line's operations and traffic.

Those finding potentially illegal activities in the report may then ask the ICC to reopen the case. An administrative law judge will review this first stage of the oversight process and report on it to the commission later this summer.

But the oversight will continue through 1991 since the ICC undertook to guard against predatory pricing or cross-subsidization when it approved the merger.

Opponents fought the merger on those very grounds, charging that subsidization of the barge line by the CSX railroads was inevitable and would drive other bargers out of business. It remains uncertain whether or not the case will go to the Supreme Court. ■

Lakers Seen Deeply Vulnerable

Consultant predicts one-fourth of all bulkers will be gone by end of decade. Ministry refuses to identify carriers with problems. Halco claims financing arranged for 1986. *By David Field*

Canadian-flag bulk operators on the Great Lakes-St. Lawrence system may lose one-fourth of their capacity over the next five years, a confidential consultant's report has told the Ontario provincial government.

The Ontario Ministry of Transport and Communications was told that at least 25 ships of the 110-vessel fleet will be gone by 1991, a sharp drop from the 1980 level of 126 bulkers on the Lakes.

Employment could drop by 600 more members of the Seafarers International Union of Canada, whose ranks are already down by 3,000 since the beginning of this decade.

The study, reportedly performed by Acres Consulting Services Ltd., also identified certain carriers as highly vulnerable. Halco Inc. of Montreal was seen as the weakest, with Misener Shipping Ltd. of St. Catherines, Ont., also identified as vulnerable.

Algoma Central Railway of Sault Ste. Marie, Ont., was seen as the strongest marine operator. The railroad, itself owned by a steel company, has an 18-vessel fleet to complement its rail operations. Of those 18, 10 are self-unloaders, four are bulk carriers and four are bulkers that Algoma recently bought from M.A. Hanna of Cleveland.

Frank Hammond, coordinator for marketing and information of the provincial ministry's Marine and Pipeline Office, said of the report: "Yes, we have had the report done. But it is internal, or confidential as you would say in the States, and we will not comment on any specifics within the report or specifics alleged or reported by others to be in the study.

"All we did was set up a number of scenarios, from worst case on up to best case, and it pretty much confirmed what we thought. But we will not speak about individual carriers."

Hammond agreed, though, that "things on the Lakes are not great."

Lakers Turning to Deepwater Trades. Some evidence of that can be seen in the lengths Lakers have had to go to keep themselves in business.

Of the healthy Canadian carriers, two major Lakers—CSL Group of Montreal and ULS International Inc. of Toronto—have had to go into salt water trades to protect themselves against fluctuations in Lake traffic.

CSL's Canada Steamship Line has major contracts to carry coal for European and Asian delivery. ULS, which will scrap three Lakers this year, is using other vessels in its fleet on the U.S. and Canadian East Coast.

One CSL officer said of the report, "Why did they have to go out and get a consultant? Everyone knows how bad things are on the Lakes."

Halco announced after the report became public that it had put its finances in order for 1986 but may sell off some of its 14-vessel fleet to satisfy its major creditor, the Royal Bank of Canada.

Halco has no long-term grain contracts with the Canadian Wheat Board, and so could fill only one of its eight relatively new dry bulkers over the last season.

The line has six liquid bulk tankers, four of which were busy this season.

Richard Carson, Halco's senior vice president, stated the line's finances are in place for this year. He claimed that Halco's troubles had been exaggerated by other carriers, since the line's competitors could buy up its fleet at bargain basement prices and so lower the overcapacity plaguing the Lakes.

The depressed market for older vessels, though, will determine the timing of any sales.

Halco continues to hold ship repair yards on Nova Scotia and in Prescott, Ont. The company has already sold much of its offshore operation.

Ironically, Misener, listed as also in danger, once studied buying parts of the Halco fleet.

Misener's grain-hauling contracts should keep it afloat while it attempts to build up its deep-sea trade.

Wheat Board Turning to Spot Rates? Canadian grain shipments, though, remain depressed, and the Canadian Wheat Board, which lets the contracts, is said to plan to return to spot-market prices next year. That would keep grain-dependent Lakers right on the margin.

Reform of the laws capping railroad rates on grain (the "Crow's Nest Law") has not helped the Lakes trade. Much of the grain carried by the two nationwide railroads goes to West Coast ports for export, and Canadian grain shipment levels suffer the same cycles as those in the States.

Coal and coke shipments from Canada remain deeply depressed as the United States steel industry remains dormant.

These factors led the Dominion Marine Association to conclude that freshwater shipping companies last year had an average return on investment of only one percent. ■


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Frank G. Turpin

Turpin Lifts Alaska Railroad Out of the Red

By Bruce Johnson

When Frank G. Turpin took the throttle early last year as president and chief executive officer of the Alaska Railroad Corp., it was "a little like having an opportunity of running the post office," as the former oil industry executive put it.

The railroad, with 650 miles of track and 38,000 acres of land, had just been purchased by the State of Alaska from the federal government. Although the railroad managed to make $1.8 million during its last year of federal ownership, it had been traditional in recent years for the railroad to run in the red at an annual rate of about $5 million.

Like the U.S. Postal Service, the state's newly formed Alaska Railroad Corp. was organized to be operated as a business. Quickly, Turpin set in motion a number of programs aimed at making the line profitable on a long-term basis.

These cost-saving efforts included doing away with needless bureaucratic procedures, streamlining operations and undertaking a major modernization of rolling equipment and track. Besides cuttings costs, the objective was to improve service and attract more traffic.

$7.1 Million Profit. Last year's operating results dramatize that Turpin is on the right track. During the railroad's first year of state ownership, the corporation earned a record profit of $7.1 million—the largest single-year profit in the railroad's 63-year history.

Not bad considering that the state paid only $22.3 million for the railroad. At the time the purchase was negotiated, some of the railroad's plant was in such poor shape that $38 million of needed repairs were identified. During last year alone, so many improvements were made to the plant and operation that the railroad now is worth $58 million, according to Turpin, a former Exxon Corp. executive who was president of Alyeska Pipeline Service Co. before he took over at the Alaska Railroad. Alyeska operates the trans-Alaska oil pipeline.

In establishing the Alaska Railroad Corp., state politicians set up the publicly owned carrier as a private enterprise type of operation. No state subsidies are involved; the railroad is expected to survive and improve itself on the basis of revenues. The seven board members, selected by the governor to staggered, five-year terms, are empowered to set policy and appoint the president and CEO—without legislative confirmation.

Leveraging itself through lease-purchase arrangements, the railroad acquired $20 million worth of equipment last year, including five new locomotives valued at $1 million a copy.

The corporation placed into service 15 more new-generation, articulated intermodal rail cars, adding to 30 such cars the railroad acquired in 1984. The three-platforms cars, capable of carrying three intermodal units up to 50 feet long, are dedicated to highway trailers and containers on chassis. They were constructed in Seattle by Pacific Car & Foundry.

Intermodal Service. In direct competition with highway movements, the railroad in May 1985 inaugurated an innovative, intermodal service between Anchorage and Fairbanks, the state's two most populated areas, which are 356 miles apart by rail.

Launched was the Arctic Fox (Freight Overnight Express), which offers service six nights a week from Anchorage to Fairbanks. The Arctic Fox leaves Anchorage at 8:30 p.m. and arrives at Fairbanks about 7 a.m. All of the trailers are unloaded by 8 a.m.

"This has been a very popular service, as the truckers will attest," Turpin remarked in a recent talk at the annual meeting of the Seattle and Tacoma transportation clubs.

In addition to the overnight intermodal service between Anchorage and Fairbanks, there are Alaska Railroad intermodal trailer movements between Whittier and Anchorage and Seward and Anchorage. Making use of the railroad are Crowley Maritime's Alaska Hydro-Train out of Seattle via Whittier and SeaWay Express out of Seattle via Seward. Crowley carries highway trailers on three of its six rail barges and SeaWay operates two triple-deck trailer-barges.

Two-Way Oil Train. Another new service launched last year by the railroad was a daily petroleum train, dubbed the OWL (Oil Worker Limited).

Up to 500,000 gallons of jet fuel and other petroleum products are transported daily from a recently expanded refinery at North Pole, near Fairbanks, to the Anchorage area. In the opposite direction, the train carries gasoline and other petroleum products from Anchorage to Fairbanks. The latter products are refined on the Kenai Peninsula and transported by pipeline to Anchorage.

Like the Arctic Fox, the OWL is an express, nonstop train. The petroleum trains average about 35 cars per day and depart from each city at noon and arrive at about midnight. At each end of the service, the cars are quickly unloaded and returned on the next train.

Mini-Trains For Passengers. Another major change in the Alaska Railroad's operation under state ownership occurred late last year when two self-propelled Rail Diesel Cars (RDCs) were placed into winter passenger service between Anchorage and Fairbanks.

During non-tourist times of the year, passenger operations have been a big money loser for the railroad. Because the railroad is the only reliable transportation link to the "outside" for remote communities in the "bush," the railroad has an obligation to continue offering passenger service during non-peak as well as peak periods of the year.

Introduction of the RDCs during winter months has significantly reduced operating costs, compared with a conventional locomotive and passenger cars.


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Coal export loading terminal at Seward. (Photo by C.B. Green)

Placed into operation were 48-passenger units that were built in 1953 for the New York, New Haven and Hartford Railroad. Each car, powered by two new 340-horsepower diesel engines, was refurbished and received extra auxiliary power for greater interior heat supply before going into Alaska service.

Conventional passenger trains will continue to be operated during the profitable summer months when tourists flock to Denali National Park between Anchorage and Fairbanks. The RDCs will be transferred to local services lacking heavy tourist volumes.

Under state ownership, the Alaska Railroad has become a trimmer as well as more modern carrier. Each cabooseless Arctic Fox, for example, is a two-man operation. The self-propelled passenger units also involve two crewmembers.

Today, no Alaska Railroad freight train has more than three crewmembers, Turpin said. He indicated that the corporation has received a great deal of cooperation from its seven unions, which represent all but 110 of the some 600 year-round company employees.

1986 Traffic Off. The financial outlook for the Alaska Railroad during 1986 is not quite as rosy as the results achieved last year. Because of the downturn in Alaska's oil-dependent economy, a decline in freight volumes is beginning to occur. Turpin said the projection is that the corporation will have a profit this year of about $5 million.

"We've seen quite a dramatic effect already," he said concerning the traffic volume decline. "A lot of retailers are pulling down their inventories."

In addition, there are fewer movements of pipe, gravel and construction materials, a reflection that drilling companies have curtailed a significant amount of exploration because of low oil prices. Also adversely affected by the economic downturn is the Anchorage area construction market, for which the railroad supplies gravel and sand from Palmer, about 40 miles away.

Coal For Korea. The railroad's revenues from coal shipments, though, received a big boost at the beginning of last year when Alaska coal exporting got under way out of Seward.

Operators of the Usibelli mine near Healy, on the rail mainline 112 miles south of Fairbanks, have an export contract with South Korea that calls for the movement of 800,000 tons of coal yearly.

This level of activity is nearly a third larger than the railroad's movement of Usibelli coal to markets within Alaska.

Now that the state owns the Alaska Railroad and the corporation is a profitable venture, it is not uncommon to hear suggestions from politicians that the railroad should use those profits to expand its trackage to areas of mineral resources having export potential.

But Turpin is determined not to expand into areas that would have no or too little return on investment.

He said he is prepared to have the railroad operate an expanded network with no subsidy from the state, but he said the plant expansion itself would have to be funded by the state.

Unfortunately, with oil revenues plummeting, it does not appear now that the state will be able to undertake such improvements during the forseeable future.

Turpin said it is a "sad thing" that the state, while oil revenues were at record levels, spent some of these proceeds on less essential programs rather than financing development of rail lines to mineral resources having export potential. ■

OKs Intermodal Substitutions For Alaska

The Interstate Commerce Commission is going to keep out of the Alaska trades question.

The agency said that when it announced indicated that it intended to allow Sea-Land to substitute ocean for truck service between Washington State and Alaska.

The agency said it would back off from an "open-ended study of the Alaskan trade," as some carriers had requested.

The agency is looking at substitutions of modes in an ongoing case on motor-water rates which carriers file independently.

That case, though, deals with all areas of the country, and does not address the question of the legislation that would be needed to equalize competitive opportunities in the Alaska trades.

Sea-Land had made its request since no specific federal rules govern this kind of mode substitution, and an Interstate Commerce Commission order allowing substitution would give the service a firm legal footing.

TOTE (Totem Ocean Trailer Express, Inc.) opposed the permission, arguing that Sea-Land was attempting to avoid filing tariffs for Alaskan trade and would possibly engage in unlawful activities such as illegal rebating.

The agency rejected the TOTE position, instead inviting it to make formal complaints of specific violations. TOTE has itself obtained similar authority for Alaskan trade motor-contract operations, the agency noted.

TOTE had wanted the ICC to delay permission until the agency completed the full-scale inquiry TOTE wanted. TOTE had also asked the agency to conduct a formal open meeting with oral argument.

That could have delayed the Sea-Land plan indefinitely.

The Interstate Commerce Commission called the Sea-Land substitution bid "a reasonable effort to optimize operating efficiency," while TOTE had called the bid "subterfuge."

The ICC said it would issue a declaratory order allowing the substitution after a round of comments to conclude at the end of May, unless those comments raise substantial arguments against the simple grant of permission. ■

BN and General Motors Put RoadRailer to the Test

As Duchossois Industries pumps in new capital, Bi-Modal veterans see self-convertible equipment developing feeder system for double-stack trains while still competing with traditional intermodal. *By David Field*

RoadRailer—the self-contained intermodal box with easy conversion from road to highway and back—is not a trailer, since it doesn't need a flat car. But it's not a double-stackable container, either, since it has its own way of riding the rails.

The self-contained self-wheeled trailer, though, is a factor that carriers will have to contend with if they look at the area where intermodal fights the hardest for its traffic: the short- to medium-haul market.

The best-known proponent of RoadRailer, Robert S. Reebie, has made the equipment a one-man crusade over the past two decades, since starting with the New York Central Railway's early experiments in intermodal.

He has preached his philosophy tirelessly, and now that RoadRailer's maker, Bi-Modal Corp., has a new corporate parent, he may be about to see it gain wide acceptance while serving the new owner.

The RoadRailer equipment consists of a trailer (of 45 feet or, in newer models, longer) with a single-axle rail bogey as well as retractable highway wheels. Rail couplers and brake lines are also built in, and the RoadRailer easily converts to highway use once its rubber tires are lowered.

The RoadRailers now in service weigh about nine tons, and so can save about 40 percent of the fuel a traditional trailer uses.

But it weighs more than the garden variety highway trailer, and so suffers a payload penalty of about 3,800 pounds compared to a conventional 45-footer, and has a penalty of about 2,800 pounds more than that of a lightweight 48-foot trailer.

That has been one of its drawbacks. Both Reebie and a former associate, William Burt, are working on lighter weight RoadRailer-type equipment, and they believe it can equal any truck that's now riding the highways.

The RoadRailer-type concept had its origins in an experiment run on the Chesapeake & Ohio Railway, which ran containers for post office use on the rear of some of its fast passenger trains during the 1950s.

An Operational Reality. More recent experiments with the RoadRailer have demonstrated that it is a reality and can function operationally.

For example, Conrail ran dedicated RoadRailer service in the New York City-Buffalo corridor during 1983, and experienced only one minor operational problem during the 18 months of the trial.

Conrail officials called the RoadRailer "a superb piece of equipment" and Reebie boasts "not once—not once—did we have a piece of equipment set out in bad order."

Because the RoadRailers ride flush next to each other, there's minimal slack and so limited damage to lading. The cars also run very quietly and smoothly—so long as they are loaded properly. Some found that the RoadRailers, with their weight concentrated on the rear axle, had to be loaded carefully, but the kinds of commodities intermodal carries deserve careful loading anyway.

But the Empire State Xpress, as Conrail called its RoadRailer trial, never became a regular run.

Placing Blame. Railroad officials like to blame the failure on labor, which refused to grant the work-rule concessions needed to make the service profit-

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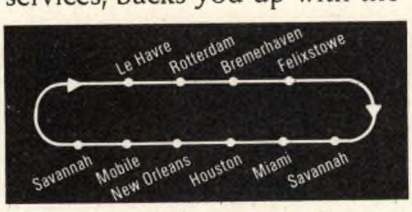

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able. Others note that the RoadRailer had limited backhauls, which some blame on Conrail's refusal to market the RoadRailer service as aggressively as the railroad can sell its own intermodal service.

Others attribute the Empire State Xpress failure to the New York State Thruway, which parallels the old New York Central mainline over which RoadRailer ran. Even with minimal labor costs, it would have been difficult to compete with a first-class highway built within a baseball throw of the right-of-way, and RoadRailers point out that the experiment was supported by Bi-Modal, which had to pay for an entire sales organization on five-day-a-week, two-train-a-day service "and still made money for Conrail," they say.)

Illinois Central Gulf Railroad had used RoadRailer back in 1981 on the Louisville-to-Memphis run, a revenue trial hyped both by the carrier and RoadRailer's manufacturer, the Bi-Modal Corp.

But ICG dropped the service quietly within a year, saying only that the market wasn't right. The railroad sold its east-west line across Kentucky in February of this year, evidence, say RoadRailer backers, that the corridor just wasn't right anyway.

ICG, though, didn't argue that RoadRailer had any operational flaws.

BN's Current Effort. Burlington Northern is now running RoadRailer between Chicago and Kansas City for General Motors auto parts service. The Chicago/St. Louis trip is made over the rails; St. Louis/Kansas City over the highways. The railroad tested the equipment extensively before beginning the trial in January. Both hope to run the equipment over rails from Detroit, from which it reaches Chicago by highway, and they also hope to run the trains directly into the GM plant near St. Louis.

During tests, BN experienced only one equipment failure.

Bi-Modal officials attribute that mishap to an improperly manufactured axle, a component that, they say, came from the factory with an inherent and latent flaw. They point out that after the axle failed at 55 miles per hour, the individual RoadRailer involved derailed but the rest of the train remained on the tracks. With traditional equipment, the train would have been "scattered all over the countryside."

In earlier tests, a RoadRailer derailed at speed but later rerailed itself, note the Bi-Modal officials. They say that the train crew was unaware of the derailment for almost 35 miles.

Some critics say that RoadRailer takes up too much labor, but its new trailer-without-car types, involving wheelsets that must be attached and need not be retracted, are in the offing, and many think the Mark V RoadRailer (as this type is called) can be run profitably.

Railroads may try to find a single customer for the entire train in a city-pair run that the customer wants. Hence the attractiveness of the Chicago-to-Kansas City run for RoadRailer, where the carrier (BN) is guaranteed it can fill the trainset.

Marketing Philosophy. If nothing's wrong with RoadRailer, and if its new manufacturer (Thrall Car Co. of Chicago bought Bi-Modal last year) promises new and great things, and if one of its designers (Mr. Burt) will also offer a new light-weight type of RoadRailer concept, why hasn't it caught on yet?

The RoadRailer must be run as a unit train, its critics say.

Well, there's nothing new in that. Railroads like unit trains, or they say they do.

Part of it is that RoadRailer or the trailer-without-car concept inherently implies a certain type of marketing. Reebie has always said as much, using the RoadRailer concept as part of his theology of "intermodal profit centers."

The marketing suggested by RoadRailer is a dedicated marketing concept. You're selling transportation between certain city pairs at certain times, and that means the railroad must be able to identify the traffic that will accept the timings and routings of the equipment.

Since RoadRailer doesn't yet offer vast cubic capacity of the biggest double-stack giants, third parties (shippers' agents and so on) may find their job more difficult and concentrate on the ocean company challenge.

So railroads may be tempted to do what companies like to do in any case: take the easy way and try to find a single customer for the entire train in a city-pair run that the customer wants.

Hence the attractiveness of the Chicago-to-Kansas City run for RoadRailer, where the carrier (BN) is guaranteed it can fill the trainset.

Costs: They Vary. Once the train is filled, then you start to justify the costs of the equipment (there is no surplus, as with older trailers) and there are costs of the yards that RoadRailer requires. The yards aren't all that special, but you need the room to maneuver and, with the newer detachable wheelset-type cars, you need the storage room. Chassis for domestic containers, though, are competing for the same room.

The non-linehaul costs of the trailer-without-car genre can vary widely, the Association of American Railroads has estimated in an analysis. Because of uncertainty over the cost of highway equipment ownership, the unibody trailer-without-car can cost anywhere between $90.33 and $145.18 per load for a balanced movement between origin and destination.

That includes the costs of transfer, facilities and ownership and maintenance of rail equipment and of the trailers, containers or chassis being compared, reported Temple, Barker & Sloane, the consulting firm, in a review of the AAR data.

With a rail wheelset, as opposed to the unibody or original RoadRailer-type equipment, the cost can vary from $85.17 to $128.32—assuming the movement is balanced.

The non-linehaul costs of an unbalanced movement have an even greater variation: for the unibody type, the bottom line $106.22, ranging up to $159.20, while for the rail wheelset-type car, the range is from $109.20 to $152.53.

Even where the bottom line is lower than with double stacks, the railroad has to deal with a cost that cannot be predicted precisely and which can vary widely according to political climate of highway regulation. Railroads like low-cost ideas, and the RoadRailer is that, but they don't like uncertainty.

Duchossois Takes Over. The man who's now making the RoadRailer, Craig Duchossois, owner of Thrall Car Manufacturing, believes he can overcome many of the perceived drawbacks to RoadRailer.

Thrall (itself a unit of Duchossois Industries) was awarded control of the RoadRailer maker, Bi-Modal after Bi-Modal's corporate parent, North American Car, went through bankruptcy proceedings. That filing came after North American's corporate parent, Tiger International (of Flying Tiger Lines fame), spun off the unit along with other intermodal holdings aimed at making Tigers an omnimodal transportation company.

Duchossois will design and test two new RoadRailer models to overcome weight restrictions, and is also operating terminals for the BN. Thrall is also campaigning to identify new markets and customers for railroads.

New Models. Lawrence J. Gross, Bi-Modal's vice president for marketing, has high hopes for the next few months. "We have our entire fleet on lease to Burlington Northern, but we're working

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intensively on two new models of RoadRailer. They involve a rail wheelset that can be taken off and put on, so we avoid some of the objections people had in the past. We've also achieved the full length of the new 48-foot by 102-inch body without gaining much weight, and have at prototype stage a dry van that can operate on the roads of 31 states."

Thrall has the resources to support CADCAM (computer-assisted design, computer-assisted manufacturing), and Gross says that's crucial.

"There are so many variables in this kind of design that you really need a computer to sort them out. With the system Thrall has, you can put all the numbers in the machine and it works out the results of any variables you want to test. It saves the time of building models and prototypes and lets you build the unit you think will actually work."

The Mark V. "The Mark V RoadRailer we're now testing is up to speed. We've run off more than 18 million road miles with RoadRailers so far, and the new Mark V is holding up."

Gross maintains that RoadRailer can overcome the perceived unit-train limitations since it can now be combined with other intermodal equipment.

"Go ahead, put RoadRailer in a train behind double-stack cars. The kind of service you have to give to attract cargoes for RoadRailer-type corridors is high-level service, so you're not going to want to couple RoadRailers in with hoppers or box cars," says the Bi-Modal veteran.

Gross returns to the central question of marketing, and that is why he sees RoadRailer becoming the inland or interior alternative to the double-stack service that steamship companies offer.

"Eighty-nine percent of the freight moving in this country moves less than 800 miles. The big volumes in big trains that you need to enjoy double-stack economies just aren't there in those markets.

"We think the double-stack depends on the size of the train more than it does on the length of the haul, even though the stackers are obviously going to make their money hauling big boxes in big numbers over long distances," he explains.

Gross studied RoadRailer while a graduate student at Harvard Business School and sees its future in terms of the case study he wrote there: "These shorter corridors are where RoadRailer comes in. We see it developing corridors as short as 300 miles, and we see it possibly serving as a feeder for the double-stack trains. They'll be in the big hubs like Atlanta or Chicago. We'll be able to offer economical service along the spokes that are truck-distance away from those hubs. We're talking with some steamship companies, and we are confident that we can arrange a feeder service to them. It's not a matter of equipment. We've proven that."

The automobile industry is a time- and service-sensitive shipper, and RoadRailer, Gross argues, is the time-sensitive intermodal service. Double-stack service is not inherently that, since it is basically a means of lowering railroad costs by increasing volume, which itself can offer time-sensitive service only to the big market endpoints.

"Thrall has an old and established name and gives RoadRailer an imprimatur. The only question is one of time. The trucks are getting bigger, but they're also getting better. The trucking industry has been totally deregulated in that there are few if any barriers to market entry. Railroading maintains high market-entry costs and will until the railroads adopt a toll-road or trackage rights approach."

"I see the window of opportunity for RoadRailer and for all railroad intermodal as one that won't be open all that much longer. We've got to be there before the trucks capture the traffic, and with feeding the steamships, we can establish ourselves and be there, ready and waiting." ■

Labor Strikes Against RoadRailers

An early May strike against the Santa Fe shows the labor barriers to RoadRailer. The ATSF planned demonstration service for General Motors from Chicago to Los Angeles, and began service May 3. The carrier had reached a general agreement with its brotherhoods on crew reductions on certain divisions, but the unions claimed the RoadRailer was not covered by the pact.

The unions charged the carrier had run the RoadRailer through division points without changing crews and without using union employees. Charles McDaniel of the Locomotive Engineers Union charged the railroad had "precipitated the work stoppage," while Santa Fe spokesman Robert Gehrt said "it's hard for us to understand why labor leaders would call a strike over something with potential to create new jobs. And that's exactly what's going on here. Nobody would have lost a penny."

RoadRailer achieves its economies with smaller crews and is intended to be operated without a caboose (although it can be run with one). Even though rail unions have agreed to cabooseless trains, those agreements are for specific runs, and management's nationwide campaign to get cabooses off the railroads could find RoadRailer a symbolic battleground.

Although Santa Fe continued running freights with supervisory personnel, its operations were affected and some Amtrak service was interrupted. And Gehrt, implying that a May 5 derailment near Amarillo may have been the result of vandalism, said the railroad had asked the FBI to investigate that incident. Which may be the only way RoadRailer will get into the general news, although this probably isn't what its designers had in mind.

Sea-Land is no stranger to railroading. Its new terminal in Tacoma (above) was built with the idea of virtually direct loading to double-stack rail cars in dedicated unit trains.

CSX/Sea-Land: *The Inevitable Happens*

CSX takeover of Sea-Land will change railroad diversification strategies, intermodal ability. Autonomy is seen for steamship line. CSX becomes a truly 'one-stop shipping' company. By David Field

Sooner or later, a railroad was going to buy a containership company (or vice versa), and when CSX put down its money for Sea-Land, it changed the transportation map of the Eastern Seaboard.

It also puts CSX ahead in the strategy of railroad conglomeration.

CSX is no longer a railroad centered company. It is a diversified asset concern and transportation is just part of the set up. The Richmond, Va.-based holding company started in that direction last December with a major restructuring that divided its transport and natural resources into four strategic areas (transportation, energy, technology and properties) while reorganizing its rail properties into strategic groups defined by asset and by customer: distribution services, rail transport and equipment.

Plugging Sea-Land into the new setup is logical and almost inevitable. "This is the next step in the radical CSX departure from the old transportation company approach," said Henry Livingstone, the noted railroad analyst for Kidder, Peabody & Co.

"They've bought themselves both a major asset and a major customer for themselves," he explained of the Sea-Land purchase. CSX presumably will make the ocean carrier a prime user of its rail transport and distribution services while allowing the ocean carrier to increase the assets of its equipment sector.

Steps in the Purchase. CSX purchase of Sea-Land was not scheduled to take place before May 28, the deadline by which CSX said it must receive a valid tender offer of at least 10,250,000 shares, subject to increase to 13,500,000 shares in certain limited circumstances. It appeared the deadline would be met with no complications.

Another condition was informal approval by the Interstate Commerce Commission to an interim voting trust arrangement. ICC quickly approved the voting trust.

Sea-Land deferred its scheduled May 19 annual meeting pending conclusion of the CSX acquisition. It was reported that directors previously nominated by Dallas investor Harold Simmons and accepted by the present Sea-Land board have submitted letters stepping aside.

Where Will It Fit In? While no decisions have been announced (as of May 13) just where Sea-Land may ultimately fit into the CSX corporate structure, it is assumed by many that it will be allowed to function independently in the same manner as Texgas, American Commercial Line and other subsidiaries.

In keeping with CSX chairman Hays T. Watkins' "one-stop shipping" concept, however, marketing may be placed within CSX Distribution Services Group whose CEO, Richard D. Sanborn, negotiated service contracts with Sea-Land Service president R. Kenneth Johns several years ago.

Sanborn's group, to be headquartered in Baltimore, "includes all activities dealing directly with the customer," according to a CSX Transportation report.

James A. Hagen, who was executive vice president of the combined sales and marketing department for Chessie and Seaboard, remains executive vice presi-

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Under the new sales structure, CSX has established 96 large multi-location accounts, each headed by a national account manager. Each account manager will handle all sales services with that customer.

Additional national accounts will be established as they are developed.

Medium-sized accounts will be handled by account executives and a telemarketing group is being set up to handle other customers.

Heading up the new sales group and reporting to Hagen will be Donald P. Connor, vice president-sales.

Conner's group will sell all CSX transportation services and will be directly responsible for all accounts except utility and export coal customers, major third-party intermodal traffic and some major steel companies whose traffic is predominantly coal.

The new CSX Distribution Services organization "truly supports our 'one-stop shipping' concept," Hagen said, "by presenting one coordinated sales and marketing effort for all CSX transportation and distribution services."

Terminals. CSX presently serves Sea-Land-managed terminals located at Portsmouth, Va., and Jacksonville, Fla. The network of managed terminals Sea-Land has in strategic locations around the world, including Europe, the Mideast, Japan and Hong Kong, is considered among the most valuable assets CSX will be acquiring.

Longer Hauls, Higher Value. The combination gives CSX a new strength to use in bargaining with the longer haul railroads of the west and gives the railroad a new orientation—literally. The CSX roads had become as much a north-south system as they had with the east-west axis of original B & O/C & O, and those two older coal haulers were having to fight for movements beyond their own territory.

The B & O could still rely on its coal and grain moves; the C & O had its coal. Now they are poised to enjoy longer hauls of high-value merchandise on the northern flank of the Sunbelt while the Seaboard System lines continue to serve the southern Sunbelt.

With Sea-Land, though, the CSX railroads have leverage for western connections through Chicago, St. Louis, Memphis and New Orleans. Within that range of options, CSX will have a big chip in bargaining over rates and divisions.

More importantly, it is poised to be the prime originator and receiver of high-value intermodal traffic: it has the containerships.

CSX will repaint Chessie and Seaboard System engines to show the new logo. The first engine in the new colors was shown in Jacksonville at the first of May.

When Sea-Land calls at Tacoma, Wash., a port from which 70% of its incoming cargo moves eastward, the boxes will go to Chicago. From there, it can be CSX all the way.

Right now, CSX handles a Sea-Land double-stack train from Chicago only as far as Buffalo, where it goes onto Guilford's Delaware & Hudson and later over the Delaware Otsego for New York Harbor destinations.

But CSX doesn't have to do that anymore. CSX has its own neutral terminal railroad in Chicago, and can take the trains directly from Burlington Northern and as far as Baltimore, Wilmington or Philadelphia. From there, it will be as cheap to go over the road to New York as it would to develop rail connections.

Part of the CSX network is the motor subsidiary, CMX. Even long-haul drayage is cheap when it's done in-house. Sea-Land still has the lease on its new terminal on the Delaware Otsego at Little Ferry, and that yard has easy highway access to the entire New York metropolitan area.

CSX will also be able to enjoy longer hauls, if it chooses, on double-stack service run for other steamship lines. CSX now delivers a NYK train to a motor plant at Marysville, Ohio, near Cincinnati, from St. Louis connections. It also now runs stack-train service for United States Lines from Savannah to New Orleans (for Houston connections).

When CSX gets Sea-Land, it also gets more than 100,000 containers, more, it says, than the fleet of any other ocean carrier.

Cheap At Any Price? The combinations are endless, and it's inviting to speculate. Does the transaction have a downside?

For one thing, it's going to cost CSX money: $742 million, once all outstanding shares are bought from Harold Simmons and others at $28 per share. That price includes a $5 premium CSX will pay Simmons and his parties for call options they hold. For shares that were selling as low as $14⅝ after Sea-Land's 1984 entry to the stock market and didn't go above $21½ that year, that's top dollar.

Moody's Investors Services, Inc., said after the acquisition was announced that it would consider lowering the CSX credit rating on its commercial paper. The rating service planned to announce its decision after a review of the debt service that CSX will buy along with Sea-Land.

The ocean carrier had $581 million in long-term debt at the end of calendar 1985, with just over $7 million due in 1987.

CSX stock didn't go down even after the Moody's announcement. The company also set up a plan to protect itself against takeovers, a poison pill that would enable CSX stockholders to buy shares in the overtaking company for half price. Such plans tend to lower the value the market puts on stock.

Getting Ready to Take Over. The company is not buying Sea-Land as an investment. They're buying an asset that with proper management could be invaluable.

After the April 25 announcement that Sea-Land would accept the offer, Watkins made a surprise announcement: A. Paul Funkhouser (63) was to retire May 1 as president of CSX. Watkins would assume his title and duties, and CSX would give $50,000 to Hollins College in recognition of Funkhouser's achievements and contributions.

"This is not going to be an overnight bonanza," Watkins said as CSX sent out its tender offer for the midnight May 27 deadline—almost 30 years to the day after Malcom McLean's *Ideal X* made its first voyage on the premise that people would actually pay someone to move containers on ships, trucks or trains. ■

Ups Conrail Bid to $2.275 Billion

Norfolk Southern agrees to request from Secretary Dole, but Congressman Dingell re-asserts his determination to block sale in the House.

By David Field

Reacting to a request from Secretary of Transportation Elizabeth Dole, Norfolk Southern on May 9 raised its bid for Conrail to a total of $2.275 billion.

It placed the NS bid above competing offers but failed to assuage the opposition of Rep. John D. Dingell (D-Mich.), who chairs the House Energy and Commerce Committee which has virtual life-or-death control over the proposed sale of Conrail.

So long as he remains opposed, passage of legislation permitting sale of Conrail to Norfolk Southern seems unlikely this year.

The NS chairman and chief executive officer, Robert B. Claytor, told the secretary NS would raise its $1.2 billion bid for Conrail to $1.9 billion, payable to the government and an additional $375 million for employee interests because of generally favorable economic conditions.

But Rep. Dingell, chairman of the House Energy and Commerce Committee that would have to approve any Conrail sale, is still unsatisfied. Even with the increased price, "I do not believe that I could have brought a Norfolk Southern package before the committee and the House in good conscience," he told Mrs. Dole after she revealed the revised plan.

Dingell Scores ICC Role. Mrs. Dole told Rep. Dingell she would withdraw her opposition to a review of the railroad takeover by the Interstate Commerce Commission. The DOT would limit that review to six months.

Calling this notion "unsettling," Rep. Dingell charged that the ICC's "incompetence, inability or unwillingness to protect shippers' interests" made it "the worst agency in the federal government." Even if the ICC should review the NS plan for Conrail, the six-month time period "would virtually ensure that its decision will be no more than a rubber stamp for whatever plan is laid before it by the administration and Norfolk Southern," said Chairman Dingell.

The ICC was explicitly forbidden to control any Conrail sale under terms of 1981 legislation to restore Conrail to profitability for an eventual return to the private sector.

One former ICC official has confided that an informal look at the original NS offer led commission officials to conclude in private they would not pass the plan.

Rep. Dingell based his opposition on competitive concerns. NS had offered to sell, rent or give lines and trackage rights to two small railroad companies to maintain rail competition in certain markets identified by the antitrust agency.

Both those railroads, though, face mounting troubles.

Guilford Transportation Industries, which owns three railroads connecting New England with New York State points, has been struck since early March over work conditions, and has lost traffic to trucks and to other carriers.

The other carrier that would gain new lines to preserve competition is the Pittsburgh & Lake Erie Railroad, now in the throes of a takeover by a corporation that does not wish to keep the railroad.

The antitrust agency, Rep. Dingell has charged, has all along limited the scope of the independent review to be performed by its outside consultant, and the congressman still maintains that the strictures imposed by DOJ would make the study "worthless in the final analysis."

Conrail By Itself. Accepting that the divestitures are unlikely to succeed, Chairman Dingell continues to maintain that Conrail does not need to be taken over to survive. The DOT, he charges, "has not come forward with persuasive evidence that an independent Conrail is doomed to fail and therefore must be sold to one of its principal competitors."

Now Rep. Dingell believes Conrail should be sold as is. "You have prevailed in persuading me that Conrail ought to be privatized—a view of which I was highly skeptical one year ago," he told Mrs. Dole.

He also continues to demand that Treasury give a satisfactory analysis of the tax results of any Norfolk Southern takeover of Conrail, which many charge would give NS windfall tax advantages.

Rep. Dingell believes Conrail should be sold as is. "You have prevailed in persuading me that Conrail ought to be privatized—a view of which I was highly skeptical one year ago," he told Mrs. Dole.

In its most recent offer, NS agreed to certain limits on possible tax gains.

Rep. Dingell did praise Norfolk Southern and its management for their cooperation. "They have earned my lasting respect and admiration," he said.

Were Claytor's Doubts Growing? The head of that management team, Robert B. Claytor, had told his stockholders that NS would not renew its pursuit of Conrail in the next Congress.

"I doubt very much that we would be willing to start again. I certainly would not recommend it to my board," he said then. Claytor earlier denied that members of the NS board had tried to pull out of the deal but could not carry a majority vote.

"To devote two years to (Conrail) is reasonable," Claytor said. "To devote two years after that is unreasonable. We're not that big a company."

But "the Conrail deal is just too rich for Norfolk Southern to walk away," as one Washington railroad consultant said.

Other Offers. Claytor always said that NS would not raise its offering price, instead arguing that the offer's bottom line is worth more than the $1.9 billion that a Wall Street acquisition concern says it would pay.

That sum, offered by Allen & Company to be underwritten by First Boston, is based on a public sale of Conrail stock. Allen's Conrail Acquisition Corporation raised its price from an earlier $1.8 billion offer after Mrs. Dole asked for a higher NS bid. Allen had already raised its offer once before.

Another New York City investment consortium, headed by Morgan Stanley and Company, has offered $1.4 billion for the government's 85 percent share of Conrail.

The Morgan offer, which is itself an increase over the firm's original $1.2 billion bid, would give the government a lump sum of cash already raised by 41 private investors, including CSX.

The latest Norfolk Southern offer includes an estimated $140 million in excess cash in the Conrail account at closing as well as $360 million from Conrail's pension funds. That amount is an overfunding, Norfolk says, promising to protect employee rights.

A group representing the 15% employee stock in Conrail said it would fight such a payout.

Dingell said he'd work with the DOT on a new plan "to preserve Conrail as an independent entity and afford the public a fair opportunity to participate in ownership of the railroad." ■

APC to Invest More on Land-Side

American President Cos. plans to spend $500 million "over the next two or three years" to expand and upgrade its ocean- and land-based freight-moving systems. *By Richard Knee*

There's an old maxim that you have to spend money to make money. And American President Companies, Ltd., apparently subscribes enthusiastically to it.

Having completed a $500 million capital-expansion program early in this decade, the company wants to start another one that would cost the same amount.

At press time for this magazine, APC had yet to submit the plan for approval by its board of directors. In addition, the Oakland-based transportation and real estate development firm was to submit to the federal Securities & Exchange Commission "early" during the week of May 11-17 a preliminary prospectus on a preferred-stock offering that would generate between $75 million and $100 million.

The rest of the money would come from "internally generated cash flow and borrowings," according to a statement released as APC was holding its annual meeting May 2 in Oakland.

Announcement of the capital-expansion plans came just four days after APC had reported a $10.1 million loss for the calendar year's first quarter.

Overcapacity. Company chairman Bruce Seaton blamed the red ink on rate deterioration resulting from the overcapacity plaguing the ocean-shipping industry.

A company spokesman told *American Shipper* that APC believes it can implement its capital-expansion program without exacerbating the overtonnaging.

"We are not trying, as some of our competitors have done, to increase our (ocean-fleet) size by 100% or 200%," said Mark C. Thompson, APC's investor-relations director. "We are really sensitive about not wanting to add to the supply-demand problem."

Details Are Sketchy. While details of the capital-expansion plans were extremely sketchy, especially pending filing of the stock prospectus, Thompson said "less than half of the program is made up of ships, because we are an intermodal company now."

He noted, however, that a number of APC's ships are "some 20 years old or older, and some have capacities of less than 1,500 TEUs and therefore have difficulty being economically competitive." The older vessels are also steam driven and not very fuel-efficient, he said.

Consequently, he said, APC needs to replace those ships with larger-capacity ships that run on relatively thrifty diesel fuel and require smaller crews than do the older vessels.

The net result, he said, will be fewer ships with an aggregate capacity "equal to or greater than" that of APC's current fleet.

(The newer ships would probably boost annual capacity as well, because they would sail faster than the older vessels.)

Not all of the older ships will end up on the scrap heap, however, Thompson acknowledged. "Most of them end up going into feeder services," he said.

Land-Side Plans. On the land side, APC's plans call for terminal modernization, and purchases of new containers, rail cars and "other components of its intermodal transportation system."

Thompson speculated that the containers would be of the 45- and 48-foot-long variety on which APC is increasingly relying.

Thompson said "less than half of the program is made up of ships, because we are an intermodal company now."

"We will focus more on real high-cube-capacity equipment," he said.

In addition, "we're really emphasizing double-stack rail cars," he said.

APC's double-stack business has mushroomed since the company began offering the service in April 1984, Thompson said.

At that time, APC unit trains carried 200 containers a week on its twin-stack cars; a year later the number was past 1,000; and last May the figure had topped 3,000, he said.

At the same time, he said, the double-stack service constitutes "a small portion of our business. It obviously didn't outweigh the international part of our business during the (1986) first quarter."

Thompson said it was likely that APC would launch additional double-stack services and/or add capacity on existing services "within the next few months," although APC has not announced any specific plans along those lines.

More Cargo, Smaller Share. While APC pulled in record-first quarter volumes of containerized cargo in the U.S. import and export and intra-Asia markets, its transpacific market share declined, Thompson said.

While the market grew, APC's capacity did not, while a number of competitors—notably United States Lines and Evergreen Marine Corporation—added substantially to their capacity and were able to boost their market shares, he explained.

"Average growth in the import market was 7% last year, which was rather robust," he said. Even so, steamship operators continued to have their problems on the bottom line, he said. He described their difficulty as "a self-inflicted wound of too much capacity. There was an 18% to 20% increase in capacity during the year."

Optimism Prevails. Nevertheless, APC officials are optimistic about the future, Thompson said.

"In the first quarter—just about January/February—the industry skirted along the bottom in rates," he said.

But the "very difficult operating environment" caused a number of carriers to delay or cancel their plans to raise their fleet capacities, which "helped improve the relationship between supply and demand, and will help support some of the rate increases (of last) April," he said.

Some new vessels "still could be coming on late this year or early next year," but at the moment "it appears that the incremental growth in (cargo space) supply will be closer to 12% or perhaps less, depending on where the Lykes ships end up."

(Lykes Bros. Steamship Company is having six ships built in Japan, but the carrier has announced it will pull out of the transpacific trades this month and is seeking buyers for at least some of the newbuildings.)

Also in defense of APC, Thompson noted his company's new vessels would not be coming on line until "1988 or 1989."

Optimism toward APC's plans seemed to pervade the stock market as well, at least in the early going.

"Usually in a preferred-stock offering, the stocks go down," Thompson observed, but APC's stock was apparently holding its own on the New York Stock Exchange. It dipped ⅛, to 24 ⅛, the day APC announced the capital-expansion program, and closed a week later at 24½.

First-Quarter Results. APC's first-quarter loss amounted to 49 cents a share. Revenues were $348.3 million, of which $322.2 million were from transportation operations.

A year earlier, the company posted a net gain of $9.2 million, or 45 cents a share, on revenues of $231.9 million, of which $224.4 million were from the transportation side. ■

Domestic Container Options

Domestic containerization is a fact of life and it carries some far-reaching implications for the transportation industries, attendees at the ITA convention in Seattle are told. Types of equipment used could vary. *By Richard Knee*

Domestic containerization was a topic of heated debate when the Intermodal Transportation Association met in San Francisco a year and a half ago (December 1984 *American Shipper*, page 18). Most speakers on the subject agreed it was coming, but Robert Reebie, president of now-defunct Bi-Modal Corporation, branded it a "high-cost plague."

There is no longer any question; domestic containerization is here and no one doubts its use is going to grow. So when the ITA held its latest conference, in the waning days of April in Seattle, the focus was on how best to make it work.

These were some of the major messages that emerged from the three-day affair, which drew about 400 participants:

— It is time for the intermodal operators—ocean, rail and highway—to stop competing and start cooperating.

— Domestic containerization will necessitate some changes in the way ocean, rail and truck lines operate. Those that can adapt stand the best chance of survival. The implications are perhaps heaviest for truckers.

— Domestic containerization holds out a number of options in terms of equipment type, from double-stacking to RoadRailer that Bi-Modal pioneered.

Trucking Markets to Change. Perhaps most heavily affected by domestic containerization are the motor carriers. Midwestern truckers are already being knocked out of some short-haul corridors by ocean/rail twin-stack operations, though long-haul truckers stand to be hurt even more severely, a trucking executive told *American Shipper*.

However, he added, long-haul truckers—those operating between the West Coast and the Midwest—stand to lose even more because of the economics that double-stacking affords.

Another trucking executive, whose company specializes in moving tanks, said his firm could be hurt if tank-type containers come into heavy use. Some equipment manufacturers have, in fact, come out with a cylindrical tank within a cubic frame that could be compatible with container operations.

Not All Bad. Gloomy as this scenario seems, some others who spoke with *American Shipper* had more sanguine views. One was Cynthia E. Sher, senior policy analyst in the American Trucking Associations' highway policy department, who foresees "cooperation ... instead of competition" between the railroad and trucking industries. A number of Midwest truckers have formed an intermodal transportation group to share their concerns with one another and to seek cooperation with the other modes, she noted.

While the fears of trucking executives such as Schousen are justified, double-stacking will also create opportunities, she remarked.

"It's a mix of the two," she said.

Emile J. Garlepied, a transportation broker and consultant based in Jefferson, La., agreed that double-stacking will spawn markets for truckers. For instance, the containers carried on twin-stack trains to Ohio will require drayage to their destinations, he pointed out.

Moreover, he said, domestic containerization enables truckers to save on equipment costs by getting rail and ocean lines to move cargo.

This would put the truckers much in the role of shippers' agents, Garlepied said, except for one big difference: Truckers are liable for lost or damaged freight, whereas shippers' agents are not.

Double-Stacks Sting Trucker

Double-stack trains moving from the West Coast to Cincinnati and Columbus, Ohio, have cut a chunk out of the truckers' business on what were only recently lucrative routes between those cities and Chicago, according to Hank Schousen, president of the marketing arm of the Chicago-based Willett Companies, a "small" motor carrier with "250 to 300" tractors and about 500 trailers.

Schousen

Truckers' business in those corridors plunged about 25% the first week when double-stack trains started running into Ohio, Schousen lamented, "and it's been eroding from there every day."

Equipment Obsolescence. While domestic containerization stands to hasten the obsolescing of trailers, this process will perhaps be slower than some people might expect, some speakers at the conference observed.

Raymond C. Burton, president and CEO of Trailer Train Company, declared that "conventional trailer operations will have a market niche." Burton, whose company is a consortium of most of the major U.S. railroads, led off a panel discussion on "The Impact of Obsolescence" the first afternoon of the conference.

During the luncheon speech earlier, A. Daniel O'Neal, president of Greenbrier Intermodal and former chairman of the Interstate Commerce Commission, touched on that theme when he pointed to "the understandable concern of (railroad) management to protect equipment and facility investment decisions of the past."

Even so, O'Neal remarked, "the favorable underlying economics will

"We're already noting reduced acquisitions of conventional TOFC trailers and COFC flatcar equipment," O'Neal said.

continue to drive the growth" of domestic containerization.

"Even with the reduction in fuel prices, it does not appear that the economics relative to other modes will change significantly," he said.

Growth in stack-car traffic, he added, "will be at a rate compatible with near full utilization of the remaining economic life of existing TOFC- and COFC-related equipment. We're already noting reduced acquisitions of conventional TOFC trailers and COFC flatcar equipment."

Burton noted that physical wear also will take its toll on equipment; the railroads expect to retire some 10,000 cars, or 20,000 platforms—one-quarter of their intermodal fleet—over the next five years. By 1990, he said, the industry expects to operate 11,000 double-stack wells while TOFC capacity will have shrunk 35% from current levels, and by 1994, the respective figures are forecast at 16,000 and 45%.

The obsolescence factor was again underscored by Charles F. Kaye, chairman and CEO of XTRA, Inc., who noted that TOFC loadings grew by nearly 50% between 1975 and 1984, then began tapering off last year, while COFC traffic has grown steadily and twin-stack cargo volume has been soaring since its inception.

Even so, he said, projections through 1990 show a smaller reduction in trailer demand than in trailer availability, so "it does not appear that significant numbers of trailers will obsolesce prematurely."

Greenbrier Intermodal vice president David J. DeBoer agreed. Absent any new trailer purchases between now and 1990, he said, the fleet will diminish to 70,000, which will be "inadequate for our intermodal system."

Kaye stressed the "need to make judicious equipment and pricing decisions so all participants in the intermodal industry can maximize the benefit of each dollar invested and improve profits."

And, he admonished, bigger is not necessarily better.

Noting that Eastern Airlines carries the most passengers of any airline in the free world, he asked the audience, "Have any of you looked at Eastern's balance sheet and Eastern's rates? Those things do not happen in a vacuum. And if we're not careful, it'll happen to us."

Intermodal participants "cannot afford to choose the wrong equipment," he declared. "We don't have that much fat."

Opportunities. When a new system or new technology is brought into an existing market, it creates "absolute turmoil" and this is exactly what is happening in intermodalism, commented David R. Wright, vice president of Transamerica Distribution Services and chairman of a panel that discussed "Business Opportunities in Domestic Containerization."

That turmoil is, in turn, creating profit opportunities as well as loss opportunities.

Gordon H. Kuhn, assistant vice president in Conrail's boxcar/intermodal business group, agreed: "The intermodal market is not homogenous; there are different customer markets which require different intermodal products. .... Carriers cannot offer the same product and meet the needs of all segments."

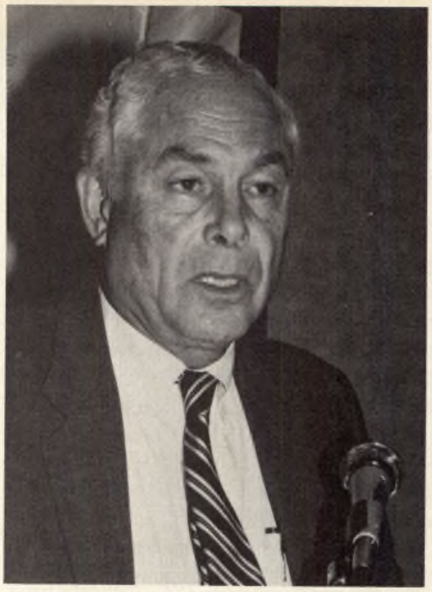
But, he admonished, the success of double-stack operations will depend on how well the industry can meet certain challenges.

"Service must be consistent, six or seven days per week. The current sporadic steamship schedules only operate several days per week and are highly unreliable due to the vagaries of ocean transportation.

"Also," Kuhn continued, "the capital investment requirements and consequent risks for a single carrier are staggering. To justify such a project, the returns must be considerable, being generated from increased margins on existing traffic and growth from new business."

Capital-investment needs are, in fact, the "greatest hurdle" to the growth of domestic containerization, he said, and

Bigger is not necessarily better. "Have any of you looked at Eastern's balance sheet and Eastern's rates?"



Charles F. Kaye, chairman and CEO of XTRA, Inc., noted that TOFC loadings grew by nearly 50% between 1975 and 1984, then began tapering off last year, while COFC traffic has grown steadily and twin-stack cargo volume has been soaring.

"the most likely result is a slow expansion, primarily to fill existing empty steamship capacity. ... This slow expansion will occur primarily west of Chicago, since the (tunnel and overpass) clearance investments are far smaller, the haul is longer and the volume of existing double-stack operations already is far more frequent. "As a result of the gradual expansion west of Chicago, there will be greater conventional COFC east of Chicago," he added.

CF Forwarding, Inc., has found ample opportunity in the double-stack market, according to general manager James M. Balestra.

"We do participate in the stack-train business ... with APL," he said, "and we manage a stack-train for NYK (Nippon Yusen Kaisha) Line."

For American President Lines, nearly two-thirds of its inbound freight is headed east of the West Coast and two-thirds of its westbound cargo originates on the West Coast, creating "3,000 miles of empty space," according to Michael E. Uremovich, who recently left as APL's marketing vice president to take a similar post with sibling American President Domestic Transportation Company.

Consequently, he said, APL began moving domestic containers back in 1976, with the establishment of its Linertrain service.

For draymen, the perception of

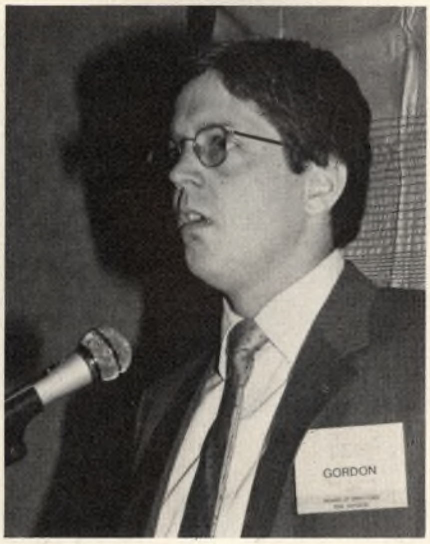
ITA Meet: *Matters of Opinion*

Go for the maximum cube. If you build (a trailer) one generation behind, you ought to have your head examined.

Gary Towell, vice president, Sea Containers intermodal group.

(The investment tax credit) can't disappear fast enough. If it does, we will drive out of business those people who are not in the leasing business to lease equipment to people in transportation purposes (but rather those in it for tax-shelter purposes).

Charles F. Kaye, chairman/CEO, XTRA, Inc.



Domestic containerization requires investment in freight cars, containers and chassis. We have estimated that for just the New York-Chicago corridor, the costs for this new equipment exceed $18 million. The risk for this investment is greater for domestic traffic than for international. The steamship lines can guarantee the traffic base to support the investment. The domestic market, on the other hand, is highly fragmented and, therefore, almost impossible to provide a guaranteed traffic base. Without such a base, an investing carrier may have to discount the price, thereby destroying the profits needed to support the investments.

Gordon H. Kuhn, assistant vice president, Conrail boxcar/intermodal business group.

If the present confusion regarding the operations of domestic containers continues, then the economic consequences of domestic containerization are going to be relatively insignificant. The containers will be heavy, complicated and short of cube, much like TOFC trailers ... but they'll work with every existing piece of railroad and handling equipment. The truckers will go along having an easy time competing in hauling most of the domestic cargo.

Adrian F. Hulverson, vice president, product planning, Fruehauf Corporation.

Right now in the United States ... there is no manufacturer who is capable of turning out large quantities of domestic containers; most of that is done traditionally in Europe or in the Far East. And, indeed, based on the imbalance of trade and the imbalance of equipment, (there is a question of) whether or not we do need a domestic manufacturing capability.

Gordon R. Fuller, intermodal development director, Sea-Land Service, Inc.

Domestic transportation was born of a regulatory structure designed to isolate the modes from one another. ... We must reduce the complexities (of intermodalism) and eliminate the conflicting interests of the participants.

Philip C. Kantz, president, Transamerica Transportation Services.

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opportunities or the lack thereof "rests with the individual drayage operations which are involved," commented Michael L. Walker, president of Eagle Transfer Company, Inc.

His company's drayage division "operates terminals in a variety of market areas," Walker said, "and while domestic containerization offers increased opportunities in some of these areas, it poses problems to others."

On the negative side, he said, there has been a steep rise in the number of third-party-owned trailers, especially for hauling perishables.

"In the long term, perhaps the third-party trailer owners will convert their fleet to refrigerated containers to take advantage of the stack-train rates and service schedules," he said, "however, in the immediate future, they have equipment leases to deal with and some are finding that competing for westbound tonnage is tough and producing unsatisfactory margins.

"Conversely, we have other terminals which welcome the additional volume provided by domestic containerization. We anticipate increased activity at Seattle and Tacoma as the respective ports in these areas continue their aggressive marketing efforts.

"As more steamship lines service the Pacific Northwest traffic," Walker said, "domestic containerization could grow and prosper, providing more drayage opportunities for firms such as ours."

Equipment leasing companies can find their niche in "design and manufacture of equipment, depot and repair services, depot and terminal design, chassis management and chassis utilization," said Gary Towell, vice president of Sea Containers' intermodal group.

Customer demand for product will not make any major shift on a price differential which would average less than $300 between a rail trailer and a steamship container.

Leasing firms have "experiences globally that we can (apply) domestically," he said.

Freight traffic consultant Fred H. Tolan said the business opportunities spawned by domestic containerization are "here now" and "growing with every passing day."

Tolan, whose firm has a third-party arm called Trailer Express, pointed to what he termed "little elasticity in the demand for freight service."

"The marketplace for commodities sets the volume—not freight cost," he declared. "It's true a difference of $100 to $300 can make some increase in the volume of freight moving but not very much. Customer demand for product will not make any major shift on a price differential which would average less than $300 between a rail trailer and a steamship container. Trailer Express and other third-party middlemen will shift their income from trailers to containers but the gross account per month will not be greatly increased."

Types of Equipment. Also remaining to be seen in the scenario is whether any type(s) of equipment grow to predominance.

Double-stacking has proven its economic advantages on the operating side but, as Kuhn and other speakers pointed out, it will require heavy capital expenditures, particularly for expanding railway tunnel and overpass clearances.

Some discussion also zeroed in on the RoadRailer, which remains in the picture despite the demise of Bi-Modal. Development of the RoadRailer has been taken over by Thrall and the vehicle may well have an application in domestic containerization, according to officials at not only Thrall but also rival Greenbrier.

Thrall, according to McNally, is "convinced that the future of rail intermodal transportation will include not only a refinement of double-stack technology but a number of other considerations, including but not limited to double-stack 45- and 48-foot container cars; new suspension systems; new management systems for chassis and terminals; reefer containers; and bimodal rail/highway vehicles."

RoadRailer, he said, "can compete in the 300- to 800-mile market; (can bring) lower terminal cost, reduced linehaul cost and less (required) manpower; (uses) lightweight, flexible and efficient equipment; (and offers) excellent ride quality, fast and dependable service, and large potential return on investment."

"The RoadRailer system provides total flexibility in having trailers either equipped with wheelsets or having a separate suspension system that detaches from the trailer," he said. "Containers can also be handled on a container frame which includes a rail wheelset."

O'Neal, too, believes the RoadRailer's prospects are potentially bright.

"While the stack car has huge potential and ... is now working in the marketplace, there are other methods of moving boxes that are being perfected," he observed. "The most promising development appears to be the revitalization of the RoadRailer concept, if it can be produced economically and if its over-the-road weight can be substantially reduced.

"I do not see it replacing the stack car," he added, "but I see it as an important adjunct that with the right configuration could provide another significant advance in the use of intermodal transportation."

Real domestic containerization will come when the railroads themselves build and control their own large domestic containers and operate them as they do railroad trailers today, providing chassis at both ends rather than hauling wheels all over the country.

Fred H. Tolan, freight traffic consultant.

Greenbrier is not working on its own rail-highway combination vehicle but that does not mean the company sees no future in it.

As one well-placed company source told *American Shipper*, Greenbrier is waiting for its competitors to do the initial research and development, and to work out the bugs.

While development cost is important, one thing not mentioned by the speakers is operating cost.

"Labor is the key," commented Barry A. Miller, logistics vice president for American President Intermodal, during a brief interview with *American Shipper*.

The RoadRailer's success depends on its users' ability to "work out a contract to make it cost-effective."

Miller also noted that the weight problem apparently has been solved, through the shedding of the rail wheelsets in container yards.

Unified System Needed. It is time, declared a number of speakers and other participants, for the various transportation modes to stop competing against one another and to work toward an intermodal system that will move cargo efficiently, cheaply and safely.

O'Neal believes this is already happening, at least to a degree.

"The president of the Burlington Northern (Railroad) recently stated the BN's position as being totally in favor of working with any mode to advance the fortunes of the railroad," he noted. "BN's positive approach to contracts with third parties, steamship lines and truckers is well-known. ... The old shibboleths are disappearing."

Garlepied, sitting in the audience, harped on the theme during a question-and-answer period following a panel talk.

"We need to look at it as transportation," he declared. "Forget about it as trucking (or another mode)." He reiterated the point later when he talked with *American Shipper*.

Major Impediments. "What is the one major impediment to (domestic containerization) from each (mode's) standpoint?"

The question came from Philip C. Kantz, president of Transamerica Transportation Services, at the end of the "Business Opportunities" panel talk. The responses:

"Critical mass," said Uremovich. "The system has to be big enough (to afford) efficiency and competitiveness."

"Clearance investment," responded Kuhn.

"Totally transform" the equipment being used for intermodal transportation, declared Balestra. But this will require "an extremely long-term investment and a change in (operating) philosophy," he added, "and I don't see that happening." ■

James Z. Peepas

ITA Elects Peepas; Barry, Nelms, Dimmling

James Z. Peepas, of Selecto-Flash, Inc., East Orange, N.J., has been elected 1986-87 president of the International Transportation Association.

Other officers are Bill Barry, Burlington Northern Railroad, first vice president; Phil Nelms, A&R Freight Systems, vice president, motor division; Arno Dimmling, Crowley/TMT, vice president, water carrier division; Bob Forbes, Fruehauf International Lease Group, vice president, leasing division; David Wright, Transamerica Distribution Services, Inc., vice president, transportation services division; and Fred Grane, Central States Trucking, vice president, drayage division. ■

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Intermodalism in Europe

TOFC and COFC and the advent of the twin-stack railroad car are undoubtedly impressive. But don't expect anything similar in Europe, now or in the future. Tunnels and flyovers are built too low to accommodate piggyback loads. *By C.J.P. van Dijk*

European intermodalism, and particularly in northern Europe where the highest traffic flows are encountered, is developing in a different manner than its U.S. counterpart. This is partly due to the infrastructural limitations already mentioned. But it is also a result of Europe's fragmented transportation scene, reflecting the patchwork of different countries and the differing political pressures applied to transportation.

Western Europe, with a total population of 320 million, is a huge market, but unlike the United States, it is not politically homogenous, despite many formal efforts to make it so.

And in Europe, competition between the various modes—rail, road and inland waterways—not only takes place at a domestic level but at an "international" level—between the participants from various countries.

Intermodal Mix. By looking at the individual modes in Europe and their characteristic features, we will be able to identify a trend for each in the new intermodal mix of the late 1980s and early 1990s.

First railroads: In Europe, every country has its own government-owned-and-operated railroad. There are no major private companies. The German, Belgium, Dutch and French national railroads, to mention a few, are financed by tax revenue and are consequently subjected to government protection with the aim of monopolizing rail freight traffic.

In the 1960s, all the national railroads in Europe—with the exception of Switzerland—incurred heavy losses and saw their market share of total freight shipments slip away to competing road transportation. With the advent of containerization in 1965, the individual European railroads were forced to find solutions to prevent losing all container traffic to road transport. The problem was no longer national.

'Intercontainer.' The answer was "Intercontainer," an organization founded in 1967 in Basel, Switzerland, and consisting of representatives from each national railroad. Intercontainer, today with 25 railroad members, coordinates cross-border container traffic and quotes prices, totaling the segment costs charged between borders and adding a margin. Intercontainer also divides the revenues for the members.

Despite this measure of cooperation, Europe's national railroads apply their own separate policies—often government dictated—within their own country's boundaries. A typical example is the "exceptional traffic" rate offered by the German national railroad for traffic moving from interior German points to the German ports of Hamburg, Bremen and Bremerhaven. Remember, these ports are also competing with such gateways as Antwerp in Belgium, and the world's largest port, Rotterdam in Holland. Both Benelux ports handle considerable amounts of German cargo.

All in all, however, the European railroads offer an excellent container service. Intercontainer operates hundreds of container terminals in Europe, where switches can be made from road to rail or vice versa. Intercontainer also offers 66 weekly scheduled container trains—the Trans-Europe-Container-Express (TECE) Trains—which criss-cross Europe at high speeds. In addition, special container trains are available when required and movement of even one or a few containers is no problem.

Physical Limitations. One specific difficulty facing the European railroads is carrying containers over eight feet six inches high. With the exception of the U.K. and Scandinavia, such containers cannot travel everywhere in Europe due to low bridge and tunnel clearances. Special railcars are available but are very costly. This problem affects both rail and road transport of boxes over eight feet six inches high.

Road Transport. Intermodalism, by definition, was only made possible with

Cees J.P. van Dijk is General Manager-Logistics for Incotrans in Rotterdam. Incotrans is the marketing name for Intercontinental Transport B.V., an international liner shipping group based in Rotterdam, Holland. Known as Holland America Line until 1975, Incotrans has specialized in ocean transportation between Europe and North America since 1873. Today Incotrans is a partner in five ocean shipping services linking nine European ports with 20 North and Central American ports through 50 sailings per month by modern container vessels.

the advent of the container.

When containers were introduced by the U.S. Army in the 1940s and commercialized in the mid-1960s, 35-ft. boxes were initially carried on conventional ships, fixed to trailers; road was generally favored for inland transportation. And today, too, this mode dominates when looking at such ports as Rotterdam and Antwerp.

Germany's Bremerhaven is an exception and is primarily served by rail due to Germany's size and to the German railroad's special rates.

Interestingly, despite overall government protection of railroads, soaring fuel costs, environmental requirements, and tight restrictions on trucking, road transportation still plays a major role.

Some of the restrictions European road transportation has to live with are differing national regulations on permissible axle weights, gross weight limits, and allowable dimensions for trucks and trailers.

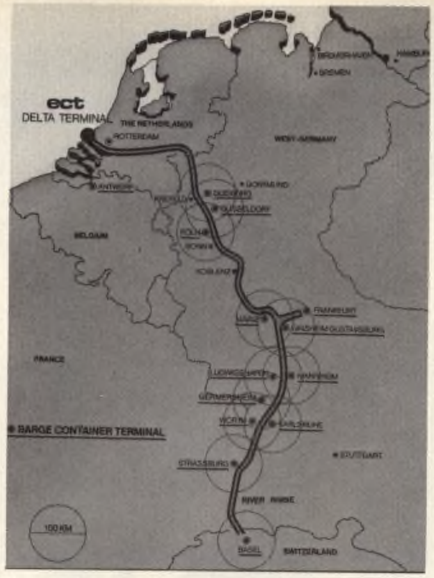
European transport policies are also marked by varying administrative and fiscal formalities designed to hinder foreign operators. Examples of this are the border tolls levied by Switzerland, and the bilateral arrangements between Germany and Holland. Austria, a key transit destination to the Middle East, is aiming at introducing road tolls.

Every year, a certain number of licenses are issued in each country, entitling one country's trucking companies to cross the other country's border a specific number of times.

Declining Roll For Trucks. Surprisingly, Dutch trucking companies, with a fleet of approximately 50,000 rigs, control 70% of the road cargo between Holland and other European community members. They also handle 20 to 25% of the community's total transport requirements.

Another explanation for the traditionally strong role of trucking in such countries as Belgium, Germany, Holland and Italy is the long-standing density of these countries' highway networks. France is an exception; although boasting a dense secondary and main road network, its super-highway system is still relatively sparse. The main French ports were only recently connected to the highway system.

A number of factors are likely to weaken the truck's role in the coming decade—at least in certain European countries, such as the Benelux, Scandinavia and Germany. More stringent environmental requirements, stricter driving time rules, further government intervention to favor railroads and inland waterways and also to decongest highways (particularly in Germany), will contribute to a decrease in road traffic. As concerns such ports as Antwerp and Rotterdam, their share of road traffic will likely drop from 70-75% to 50% and rail's share is likely to rise from 15-25% to 25-35%.

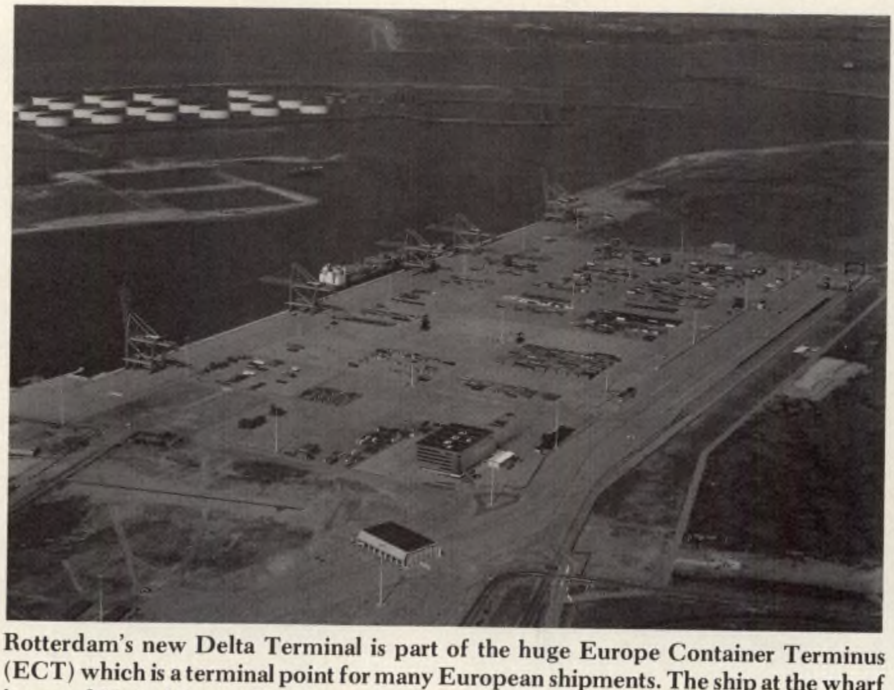


The Rhine was slow in attracting container transportation until 1980. Since then, however, demand has increased dramatically, with the opening of 12 modern container terminals along the river. In 1984, 150,000 boxes were carried by water from Rotterdam.

Heavy Use of Waterways. But inland waterways will also benefit from this trend. Already today, Europe's inland waterways, particularly the Rhine River, have become an attractive alternative to road or rail for container movements to and from Europe's key port, Rotterdam, and also to Antwerp. Not only is the service cheap, it is also available seven days a week, and allows circumvention of Germany's weekend prohibition of trucks on highways.

Although there are many canal linkups between rivers in Europe (and other rivers also play a role in transportation), the Rhine dominates Europe's inland waterway network. It is also a vital transport artery for several countries, especially Holland, Belgium, Germany, France and Switzerland. Navigable from Rotterdam to Basel, a distance of 900 km (circa 540 miles), the Rhine was slow in attracting container transportation until 1980. Since then, however, demand has increased dramatically, with the opening of 12 modern container terminals along the river and the introduction of increasing numbers of barges equipped for containers. In 1984, 150,000 boxes were carried by water from Rotterdam alone to the European hinterland and 35,000 from Antwerp.

Significantly, in inland waterway tonnage, the Dutch again play the leading role within Europe. Approximately 6,000 Dutch vessels add up to 4.5 million tons, about half of Europe's entire inland waterway fleet tonnage. In recent years, the average vessel size has increased to over 800 tons, but 1,000-ton "Dortmunders" and 1,500-ton "Europe ships" are on the rise. The largest vessels on the Rhine can carry over 3,000 tons.



Rotterdam's new Delta Terminal is part of the huge Europe Container Terminus (ECT) which is a terminal point for many European shipments. The ship at the wharf is one of United States Lines' new Econships.

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Barge Transit Times. Inland waterway transportation of containers necessarily has some drawbacks. Low cost and seven-days-a-week service go hand in hand with relatively low speed, long turnaround times and extra handling. But these disadvantages are minor for most types of containerized cargo. And, it must be recalled, on inland waterways there are no restrictions on operating time. Most vessels are radar-equipped and can travel 24 hours a day. Transit time for a barge from Rotterdam to Mannheim in central Germany, 500 km (300 miles) away, is 50 hours. Rail takes 24 hours and road seven hours.

Outlook. Road remains one of the most flexible solutions, with distances of up to 400 km (240 miles) and even more easily covered by truck. Rail is more economical for greater distances, for example, from Switzerland and Italy to the European north continent ports.

Rail can be expected to become increasingly competitive with road on shorter distances, as governments continue to protect their national railroads and also implement stricter regulations on long-haul trucking.

But rail can be expected to become increasingly competitive with road on shorter distances, as governments continue to protect their national railroads and also implement stricter regulations on long-haul trucking in the future.

Europe's inland waterways will also have a greater stake in intermodal movements in the future. They, too, will benefit from trucking restrictions. As Europe's inland waterways become increasingly interconnected, with new links such as the Rhine-Danube and Rhine-Rhone canals, they will also gain further prominence as a key intermodal factor.

Although there are some problems in the area of European intermodalism, there is no doubt about the basic positive trend: Europe's intermodalism is developing rapidly albeit in different ways than in the U.S.

The European Common Market is trying to formulate one transport policy. It is probably only a matter of time before the political hurdles involved are overcome.

Europe Still Favors the 20 Ft. Box; Canada Likes 48 Ft.

"We are," summed up Bryan A. Stone, market research manager for Intercontainer, of Basel, Switzerland, "tightly packed in."

And with fuel prices high—about twice those in the United States—and haul distances relatively short, "competition is intense to serve hinterlands never very far away" from the ports, Stone told the Intermodal Transportation Association at its spring conference in Seattle.

He and other panelists opened the conference by discussing the European and Canadian experiences in intermodalism.

Predictably, Europe's intermodal system differs far more from that of the United States than does Canada's.

European Rails Compete. Europe's rail systems compete fiercely not only with one another but also with the motor carriers.

In the United States, rail is primarily a long-haul mode, with fuel costs rendering trucks non-competitive at 500 to 800 miles.

In Europe, according to Stone, "the average length of rail haul is 514 miles. For the maritime sector alone it is 428 miles and for inner-European business (it is) 489 miles."

But, he added, "competition from trucking, feeder vessels and in some cases barges is fierce and international transport is virtually deregulated. Add to this the fact that inland hauls are fairly short compared with American practice and it will be clear that the railways have to run very efficient intermodal services to be in the business."

While 40-foot containers are predominant in U.S. intermodal practices, 20-footers account for "some 70%" of the

The railroads sell dedicated trains, mostly to piggyback companies, which in turn sell space to truckers, Stone said.

intermodal traffic in Europe, Stone said.

"However, in European continental traffic, gross weight for 20-foot units is often beyond the ISO norms," he said. "We carry, for instance, many 20-foot tanks of up to 30 tons gross."

No Double-Stacks. Stone termed double-stacking of containers a "dramatic development" which "I can only envy and admire"—and which "can't be done in Europe."

"Is this a major handicap? We think not," he remarked, "and the reason lies in (Europe's) railroad network and its market demands.

"Inland freight flows in Europe usually are more dispersed and cover much shorter distances than in America," he explained. "Emphasis is on speed and service frequency, rather than on 'bulk haulage' of containers. This reflects the geographic distribution of the major industrial and trading regions. Rail, road and terminal facilities are geared to fast, direct services.

"Only a few inland terminals would have sufficient space, track and storage capacity to handle United States-style trainloads and, also, very few clients would be prepared to ship or to receive bulk quantities of containers at inland depots."

Canada: 'New Ballgame.' The "omnipresent" 48-foot trailer has created a "new ballgame" in Canada, Ralph A. Teoli, assistant vice president, intermodal, for Canadian Pacific Railway, told the gathering.

Teoli

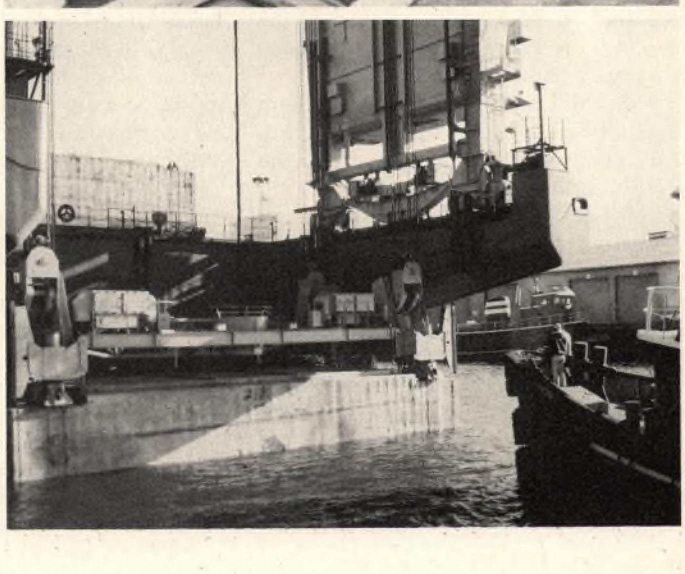
And it's not necessarily a happy scenario.

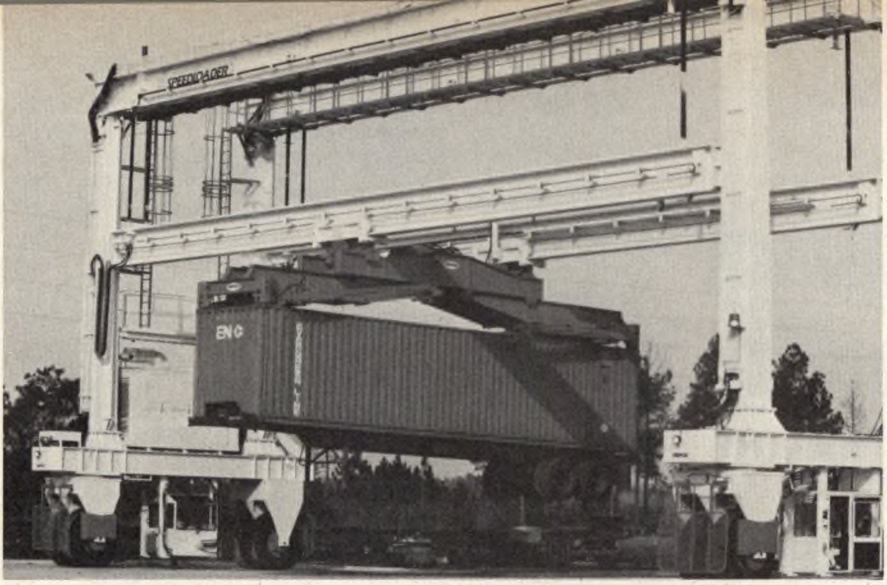
"It is," he remarked, "very frustrating to see the government ... change the length and weight limitations without taking into consideration obsolescence (of existing equipment)."

CP Rail brought in ISO containers—20 feet by eight feet by eight and one-half feet—back in 1967, but eventually "abandoned" them because transferring them between modes "was too expensive" and, perhaps more important, they "were not large enough to compete with trailers," he said.

Teoli also urged an integrated approach to transportation around the world. "We should look at world transportation as a system, instead of as a series of individual parts," he asserted.

And, he added, "we should take the word 'domestic' out of domestic containerization." ■





This ROPCO Speedloader which can transfer marine containers (as outfitted above) or trailers (when fitted with TOFC bottom pick-up arms) is being installed this month at Seaboard System's intermodal yard for domestic and international shipments at Jacksonville. Representing an investment of about $18,000,000, the yard is due to open in late May or June.

Inland Intermodal Hubs:
A Steamship Idea on Rails

By David Field

Sometimes the customer doesn't care, and that may be a good thing for intermodalism.

The customer doesn't care how his shipment gets there so long as it gets there, and the railroads are learning a trick from the ocean shipping companies as they develop inland intermodal hubs that use significant highway journeys as the spokes emanating from a rail hub.

Burlington Northern's Hubs. Burlington Northern has nearly completed a planned system of satellite hub centers, consolidating 140 rail ramps into 20 hub centers and 21 satellites. Some of the satellites are railroad-served, but many are purely highway-dependent.

BN's chief intermodal officer, William E. (Bill) Greenwood, explained the system last year to a Transportation Research Board meeting.

Starting in October 1982, with a pilot program at two hubs (Midway, near the Twin Cities, and Portland), BN enjoyed a six-month growth rate of 40% at the Minnesota facility and posted a 60% gain at the Oregon yard.

"The hub centers consolidate high-cost, low-volume rail ramps into efficient shipping and receiving depots for intermodal service. Because they are specialized and have new technology, rail and trailer equipment, the BN hub centers generate enough traffic to justify dedicated train service connecting them," Greenwood explained.

The hub centers have an average radius of 250 miles, and are placed to break into the market of the 90% of trailer loads that move over the highways and never ride the rails.

A Canadian Example. Another example: the Alberta Intermodal Services, Ltd., terminals at Calgary and Edmonton.

Established last year by F.H. Howard with provincial backing, the company buys container slots from Canadian Pacific Rail in bulk and then resells them at retail to Alberta shippers for transport to the port of Vancouver. Alberta Intermodal guarantees a certain volume to the carrier in return for lower (by as much as 30%) rates on containers.

Howard says he has made a basic inroad on the market and said in a telephone interview that, although his absolute volume is fairly low, he is handling most of the containers moving from the Alberta points to the Pacific. Canadian National Rail, though, has charged that the province is subsidizing the service to create a monopoly.

Howard says the company has used a $30-million (Canadian) budget to buy land and build terminals, but anticipates profits.

So do ocean carriers, with the Vancouver agent for Orient Overseas Container Line, Fred Atkinson of Manchester Liners Services (Canada), Inc., claiming that this is the first time the ocean carriers could negotiate rail prices down. "We quote an all-inclusive rate and, if we can cut rail costs, we benefit and make the importer more competitive, too," he said.

Expediters on the Frisco. BN has used the system on its easternmost lines, the old Frisco (St. Louis-San Francisco Railway) that it acquired six years ago.

The Frisco forms a large X at Springfield, Mo., reaching as far east and south as Pensacola and Mobile through Memphis and Birmingham.

The Frisco, founded by shippers intent on breaking the Mississippi River deadlock on their traffic, never made it to the West Coast, but reached Tulsa and the Texas Panhandle.

BN began running dedicated short intermodal trains called Expediters in September of 1985, using the Frisco's old operating center at Springfield as a hub almost the way Federal Express uses Memphis as its central sorting point. (BN doesn't run any extra miles off its trains, though, and they don't go through the Missouri city if there's a shorter route.)

The customer doesn't know when his box is on or off the rails or the highway. He doesn't have to. The carrier does.

"The key," said Greenwood, "is to find situations where intermodal transportation simultaneously benefits BN, the motor carrier and the customer. For example, many regional truck lines have 48-state operating authority but no effective way to exercise it. BN can arrange either to pick up the load at the shipper's door or to deliver it to the receiver's door in cooperation with a regional motor carrier who completes one portion of the haul."

To draw an analogy: The trucks are to BN what the railroads themselves can be to the steamship companies.

Inland Hubs and the Load Center. Internal distribution systems such as BN's hubs or the growing inland intermodal ports (Alberta, Reno) have one important role in the battles among ports to become load centers.

As the supply of containers exceeds demand, ocean shipping lines will not be able to force any specific port to become *the* only load center for a given coastal range. As James J. O'Brien, deputy director of the Port of Oakland and chairman of the AAPA's commerce committee, has said, the carriers will have to continue calling at several ports to pick up enough boxes to make their voyages economic. ■

Railroads Analyze The Options

Temple, Barker & Sloane study projects up to 300 mechanized transfer facilities throughout the U.S. Only 48% have been mechanized to date. AAR's Kromberg advises "they have to look at their customers more than at each other." *By David Field*

Look before you box.

That's the bottom line of a major new study on domestic containerization prepared for the railroads by a highly respected consulting firm, a study that concludes railroads will have to determine just what it is each one exactly wants before deciding that domestic containers are indeed the greatest thing since sliced bread or may be great but best for someone else.

Temple, Barker & Sloane of Lexington, Mass., studied the issue for the Association of American Railroads and produced an inch of thoughts on the matter.

James W. Down, the TBS vice president in charge of the study, warned, "domestic containerization itself will not open the short-haul markets for the railroads, and the new technology should not be viewed as a quick fix. It is coming, though, and we see most of the constraints as short term."

Down spoke as many in the industry have accepted as gospel truth that well-worn after-dinner line, "domestic containerization is already here."

The truth may be somewhat less dramatic, and there's still time to make thoughtful decisions, the study suggests.

Domestic containerization (shorthand for the use of the intermodal boxes that steamship lines have stacked two-high on liner trains moving across the country for most internal intermodal uses) has already changed the face of the inland intermodal industry, largely because of the greater cubic capacity that can bring about sharply reduced costs.

The marketing inroads made by steamship companies (and the third parties acting for some of them) have already begun to draw traffic out of traditional trailers-on-flat-cars (which have themselves cannibalized much of the traffic railroads used to carry in box cars), but the carriers will have to look closely at critical operational and marketing issues before making the move to scrap their trailers for boxes.

Big Moves, Long Hauls: Double-Stacks. A lot of carriers will be attracted by the 30%, 40% or greater savings they think they can gain through using containers in double stacks, but that figure is elusive. It rests on the assumption that the carrier will be able to run full trains of 200 or more containers over the distances that make double-stack a cheap way to run trains.

"Domestic containerization itself will not open the short-haul markets for the railroads, and the new technology should not be viewed as a quick fix. It is coming, though."

That kind of volume and that kind of distance are dependent on the circumstances that produced double stacks in the first place: the presence of a large number of containers in one place at one time, usually the port to which the ocean line has brought them. The boxes are all destined to one central distribution point at a time several days down the line.

The only carrier that can create that kind of situation is the ocean carrier, one whose vessels arrive with hundreds of boxes, all destined for K Mart or Sears, New York or Atlanta at the same time.

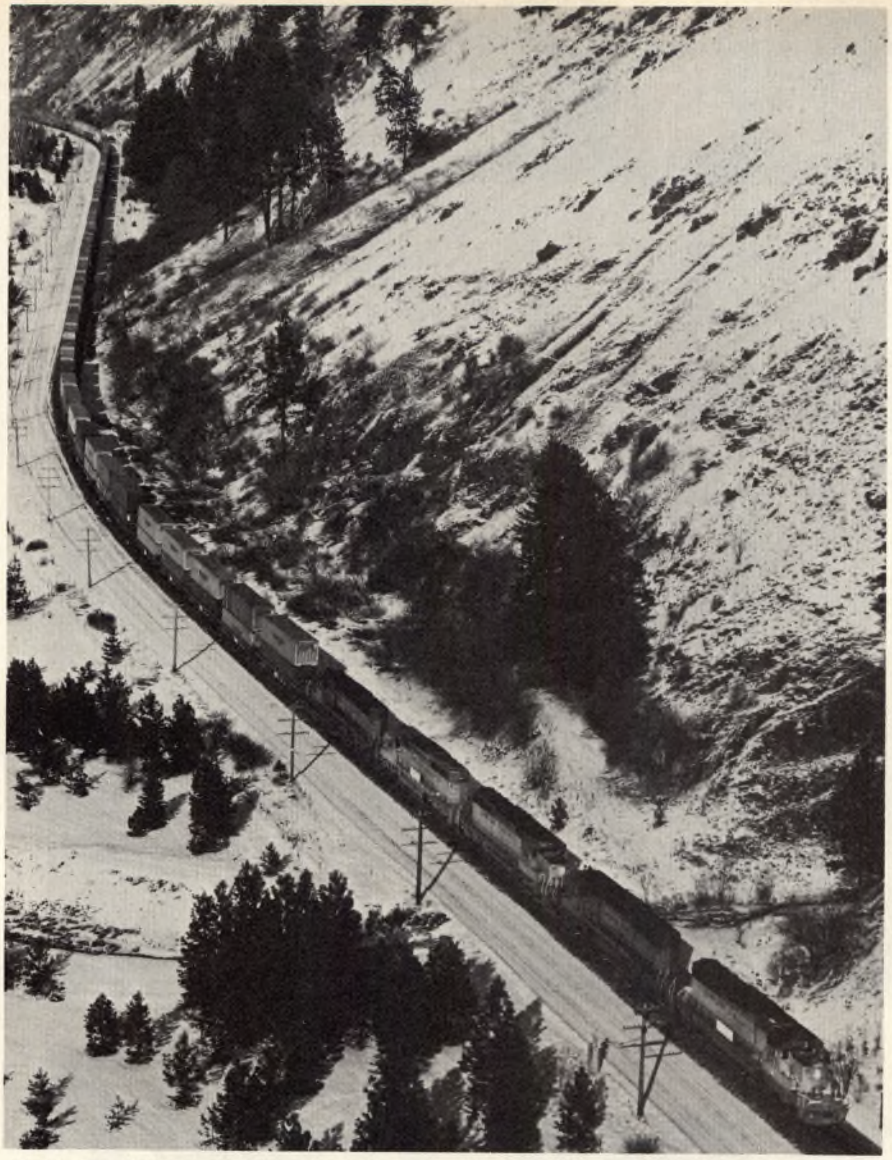
The distribution centers become dependent on the arrival of the containers in one shipment and so adjust themselves to the sea voyage cycles; this insulates steamship companies from some of the pressures of the consumer economy.

Markets within this country don't all act like that, as people have found as they desperately seek the backhauls to fill the double-stack boxes on the return trip to the ports.

Even as aggressive a domestic marketing operation as that of American President has realized that.

Part of the problem is that while the double-stacks are putting pressure on the railroads from one side, the highway truckers are pushing from the other.

As the trucks offer more and more cubic capacity and better and better levels of service, customers (shippers) will



Union Pacific train pulling American President 'Linertrain' through Rocky Mtns.

demand more. But their demands are not as picky as some carriers fear.

Perceptions No Problem. "There are no image or perception problems specifically related to containers," the Temple Barker consultants found after interviewing more than 40 shippers and carriers to determine what kind of boxes customers will accept.

Since the customer wants high cube, "in the short term, container-based systems can provide high-cube 48-foot containers" although "in the long term, trailers without cars may provide more flexible alternatives," TBS said.

"Domestic shippers tendering heavy payloads may prefer trailer-based technologies because of the new weight limitations of containers, particularly those carried on double-stack railcars. The net weight problems with double-stack can be overcome in the longer term," the consultants concluded.

Many of those shippers who have had loss-and-damage problems will probably prefer containers to traditional TOFC, the consultants say.

So one major barrier to domestic containerization has been broken down, if it ever existed: the customer will accept it.

Can the domestic containers compete more effectively than TOFC against motor carriers for *new* traffic?

Some of the Temple, Barker findings:

- It is unlikely that significant volumes of price-sensitive long-haul traffic (e.g., 2,000 miles) will be diverted from motor carriers to container-based intermodal systems because conventional TOFC already has a solid price advantage in many of these markets."
- There may be "significant potential in medium-haul markets (e.g., 1,000 miles) where trailer-based intermodal had a slim historical price advantage."
- That medium-haul market has shown a 9% annual growth rate over the years 1976 through 1983, statistics compiled by Peat, Marwick & Mitchell have shown.
- "It is unlikely that container-based systems, per se, can generate the necessary cost savings to penetrate short-haul corridors (e.g., 500 miles) now dominated by truck. Trailer-based technologies have similar limitations but may have an advantage over container-based systems in addressing potential short-haul markets."

The average annual growth in that short-haul market has been low, with the 500-999 mile corridor experiencing 4-per-cent growth and the less-than-500-mile lanes growing by only 0.6% over the same eight-year period, the accounting firm found in an earlier AAR study.

The Problems Ahead. If that's the growth, what are the problems that TBS sees?

Intermodalism, Down has long noted, has traditionally suffered from a "lack of clear and comprehensive lines of control and responsibility."

The truckload carriers have complete control over their services because of their smaller decentralized operations and so offer a high degree of responsiveness to shippers, he points out.

Intermodal, on the other hand, has to deal with:

- railroads;
- shippers' agents;
- draymen;
- steamship lines;
- car providers;
- and trailer leasing companies.

So, as Down has pointed out, "these participants tend to pursue independent strategies, often focusing on each other as the competition rather than over-the-road truckload carriers."

"The railroads, leasing companies and steamship lines all appear to be pursuing independent and uncoordinated technological strategies as well," Down has said.

"This potpourri of equipment will continue for the forseeable future and will present an even greater management challenge, particularly if highway size and weight limits are further liberalized or if a long-term transition to domestic containerization occurs," he has predicted.

The speed of that transition will be determined by a number of factors. Four of the most important elements will be:

- container specifications
- clearance restrictions
- impact on terminals
- chassis management

Some international trades, most likely the Transpacific, will shift to larger containers, predict TBS, but most international containers will stay under 45 feet. Since domestic shippers will desire 48-footers, railroad container systems will have to accommodate a mixture of container sizes (40-, 45- and 48-feet) to serve both markets.

Clearances: A Box Too Big? Clearance restrictions will not present a major problem if double-stacks keep to just one 9-ft. 6-in. high box per double-stack; if the railroads and steamship companies put one 9-ft. 6-in. on top of another, rather than placing an 8-ft. 6-in. in the upper position, clearances become a problem. But controlling stacking of boxes and the need to pair low-cube with high-cube boxes creates its own set of problems for managing operations.

Temple, Barker sees two possible ways around this conflict. One is to keep boxes to a limit of 9-ft. 3-in. in height, while alternative operating strategies—such as longer highway drayage or using single-stack service as a connector—can substitute for clearance investments.

If a railroad really wants to get around a clearance problem, said Down, it can. It can establish longer-haul drayage to avoid a problem. Or it can invest its resources in information management rather than in rebuilding its infrastructure and use that data management to mix and match the containers to meet the clearances.

Width clearances can also become a problem; there is a "long-term uncertainty" if double-stack platforms must lengthen beyond 48 feet to compete with liberalized highway length limits.

For the railroads, that could be a greater problem than height restrictions. Most railroads find that it's an older tunnel or bridge that sets the overall restrictions for major line segments.

For example, north-south railroad traffic patterns on the East Coast meet one major set of restrictions: the 19th-century Pennsy tunnels at Washington and Baltimore. The alternative involves the extra mileage of a Shenandoah Valley routing.

It's often possible to enlarge those height clearances. With a tunnel, you lower the floor. Sometimes you combine two tunnels into one. But if you have to relay double-track or a lot of non-tangent track, you can run into problems. Most railroads don't own much land to the side of their rights of way, and the kind of work required to widen clearances can shut down a railroad for significant periods of time and cost a lot more than vertical work.

It Comes Soon After Another Heavy Investment

There's another inherent disincentive to domestic containerization, one that is at the heart of the market system: It's too soon for a lot of carriers and shippers to spend new money before they get full value for their old money.

Not only will many be reluctant to choose a premature obsolescence, but shippers and carriers may have reason to continue using their resources. After all, they've been doing a better and better job over the past few years.

Between 1982 and 1984 (years during which no one was plopping down big bucks for capital projects unless they had to), the U.S. intermodal handled 34.5% more volume—but used only 4% more cars and did it with 3.4% fewer trailers. (That figure excludes private trailers and containers.)

Railroad mergers have reduced the number of freight terminals just as they have made hub centers more important and just as those hubs have grown more mechanized.

It's a little bit like the experience of the airline industry: As many carriers join through mergers and acquisitions to become a group of trunk lines, they buy assets they don't need (equipment) but gain markets (and hubs) they desperately do need. So they can get better use out of their combined fleets, which means that any new technology on the market has to have an enormous draw to push carriers into writing off their merged assets too soon.

Unless the cost of fuel starts to go back up, the new technologies will have to have something unique to commend themselves. Just lighter weight and stronger isn't enough. Why buy new when your old isn't really old and is cheaper to operate even if money (capital) is relatively cheap right now?

As a measure of this increased utilization, Temple, Barker offers the TOFC/-COFC car cycle, which has declined from just over 12 days in 1980 to about eight days per revenue load in 1984.

And the AAR statistics on which those calculations are based imply it's still getting better. In 1984's first quarter, the average car cycle stood at 8.3 days, dropping through 8.1 in the third quarter to eight days flat by the last quarter of that year.

Even if you want to argue that factors in the general economy played a role, the numbers show that the average car cycle showed a 35.5% change from the 1980 average to 1984's fourth quarter.

Intermodal Fleet Changing. As dedicated trains become the rule rather than the exception (and the double-stackers encourage this trend), the boxes and trailers they carry become bigger (another trend spurred by the ocean carrier invasion of the railroads.)

The intermodal trailer fleet, TBS concludes, has undergone a swift conversion to 45-ft. vans, shifting from a fleet that was 87% composed of 40-footers in early 1983 to 63% 45-footers by the end of 1985.

At the same time, the free-running intermodal car fleet (mostly Trailer Train's, representing about 80% of the total fleet) improved its capability to handle 45-foot or longer vans, increasing the percentage of 45-foot trailer platforms from 39% of its fleet in early 1983 to 59% 45-foot trailer platforms by the middle of 1985.

The Trailer Train figures do not include COFC-only cars, however.

No Early Obsolescence. When the Temple, Barker guys sat down and talked with people (they spoke to members of the 30-member AAR Task Force on Intermodal Productivity as well as to people throughout the industry), they asked a two-pronged question: Historically, what have been the greatest constraints that have limited domestic containerization? And what are the greatest constraints to domestic containerization for the present and for the future?

The nine task force members who filled out the questionnaire didn't see any one single factor as putting domestic containerization out of the question, but most saw the present state of things ("institutional momentum," TBS calls it) as working well enough. On a scale of one to 10, they placed that consideration at a 7.5 for the nonce and at a 5 for the future.

It came right behind the big bogeyman of chassis management problems, which ranked an 8.4 in present worries, but sank only to a 6.7 for the future.

Which means they see those problems maybe settling down, but they are worried now about the investment required in terminals, in containers and in cars, and the speed between those concerns as historical and as present and future wasn't as wide as the straddle between other factors.

In other words, some of the problems were more of a problem in the past, but would settle down. But look at the task force perception of three investment needs as a constraint:

Historical	Present	Future
Terminals	5.9	5.3
Containers	5.3	4.8
Cars	4.1	4.0

They were a lot more sanguine about shipper acceptance of containers over trailers.

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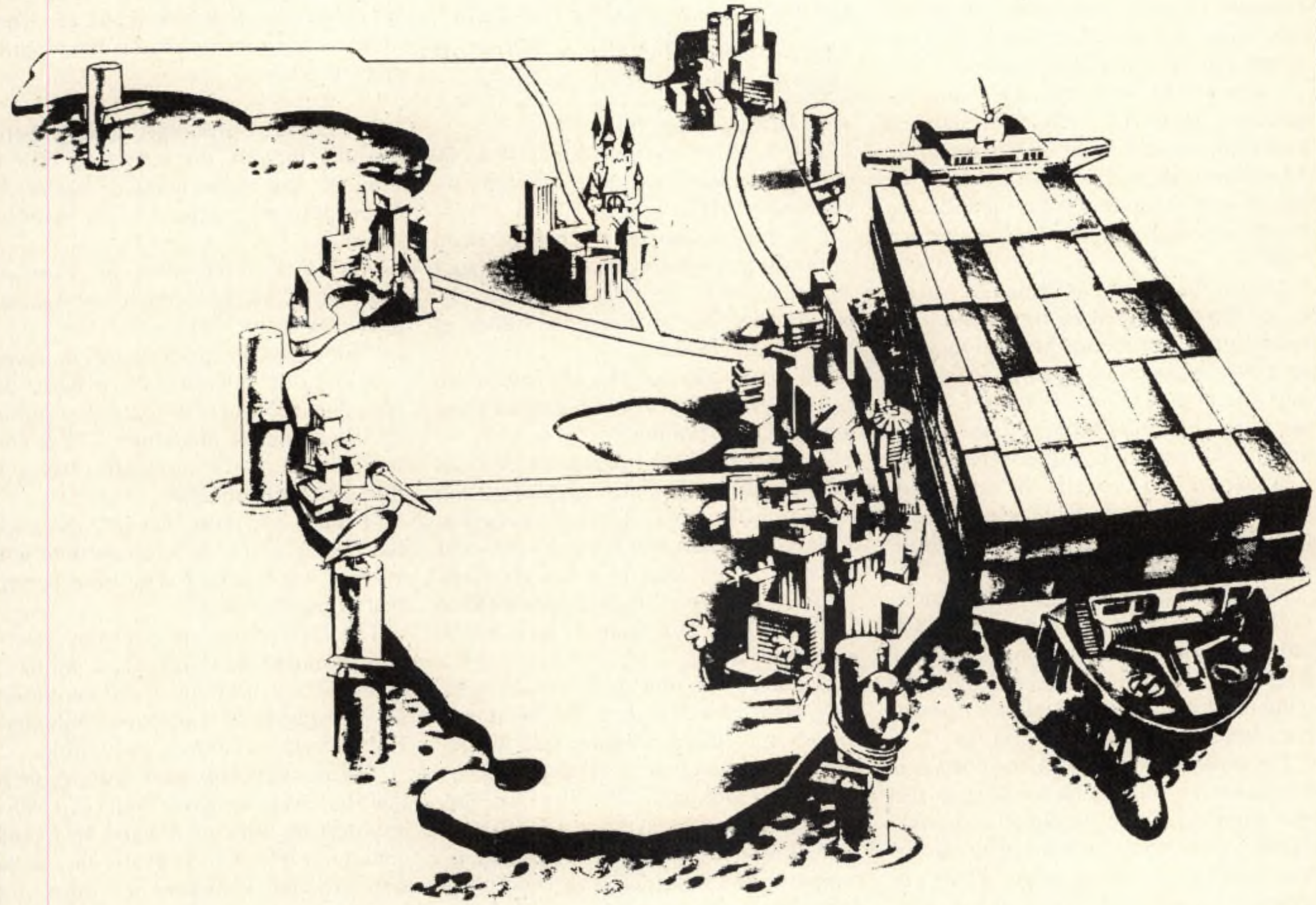

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Theirs of course are perceptions, and the realities are less easy to measure.

Temple, Barker estimated the real costs and real savings (or sacrifices) in using containers as the basic domestic intermodal box. They used an approach that would reflect only those non-linehaul activities that are affected by changes in intermodal technology (to determine the absolute rather than the relative dollar cost differences).

Their calculations are based on data garnered from the AAR, from carriers and shippers and from earlier research. The Association has noted since the report was issued that some calculations could not project the lower fuel costs of 1986.

Measuring terminal transfer operations, fixed terminal facility costs, railroad equipment ownership and maintenance and highway equipment ownership and maintenance costs gives a good measure, the consultants say. That approach does not consider several factors that are substantially the same in all the technologies (drayage, clerical and administrative, gate facility and switching costs).

Per load, origin and destination, *Lightweight* TOFC is from $2 to $10 more costly than conventional TOFC as a result of its slightly higher equipment ownership costs and the higher operating costs of longer working tracks.

For *trailers without cars*, the costs can be higher (by as much as $53) if the movement is balanced, but for unbalanced moves, these technologies can be less costly than conventional TOFC if highway equipment costs are in the lower end of the range. The savings can range from $19 to $22, TBS estimated.

For *single stack* COFC, costs are $21 to $25 higher than conventional TOFC for a balanced move and about $29 to $37 more costly for an unbalanced move. The difference lies mainly in higher transfer costs and higher highway equipment costs.

For *double-stack* COFC, the costs are also higher—about $19-$22 higher for balanced moves and $25 to $31 for unbalanced moves.

So domestic containerization will result in slightly higher non-linehaul operating costs than conventional TOFC.

That doesn't mean the skeptics and the trepidatious are right. The linehaul cost savings of large double-stack trains offset these higher non-linehaul costs, although any savings possible from conventional single-stack trains are "seriously" limited.

TBS calculates the linehaul costs for double-stacks yield a savings of between $290 and $449 for a 2,000-mile haul. That's 20% to 30% better than conventional TOFC for a 200-unit stacker versus a 100-unit piggybacker.

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The basis of comparison is 40 to 60 cents in linehaul costs per mile for conventional COFC.

For short distances, the savings drop to the 10 to 15 percent range. Both savings estimates are premised on the assumption that sufficient volumes of traffic are available.

Double-stacks don't save money when capacities get down to those of conventional TOFC, though.

Assume that the double-stack train isn't all that long, that's a 100-unit train (that's 25 of the five-platform cars that are typical). Compare it with 100-unit unibody train, that is a conventional TOFC train, the savings drop to $186 to $293 (a 10% to 20% savings) on a 2,000-mile line haul.

In fact, a 100-unit double-stack train may save even less than has been estimated since it has a higher tare weight and poorer aerodynamics than a unibody.

On the other hand, 48-foot containers would increase the savings.

(APL is working on a well-car for carrying two 48-footers, Eugene Pentimonti announced at a recent New Orleans meeting. APL, which was first with 48-footers, now places the longer boxes on top of a 45-footer resting in a well within the platform car.)

(Trailer Train has been skeptical of such a development, it told the National Railway Intermodal Association last January. Their pool has a five-platform prototype car that can accommodate two 40-ft. by 102-ft. containers in mid-unit, but says "there are serious questions about the feasibility of operating 48-foot double-stack containers on articulated five-unit cars because of weight limitations." TT is designing single-unit well cars with several truck designs to carry the heavy loads coming with 48-footers. TT also believes "there are also marketing reasons why a single-unit car may be more efficient than articulated equipment.")

One AAR source familiar with the study and the productivity task force said, "Certainly there's no great rush to make your investment obsolete before you have to. When the task force was surveyed, the economy was down compared to now, and double-stacks were still fairly new.

"If you asked the same people the same questions now, I don't think you'd see anyone who was interested in reinvesting in the traditional old equipment, and you wouldn't see too many shippers who wanted to pay money for the old stuff. You probably wouldn't see anyone who was sure what he wanted. The question is one of just which new option they'll choose."

Why Does Confusion Exist? Some people, though, are going to wait to choose, and may make it easier for steamship companies to flex their big muscles.

Adrian F. Hulverson of Fruehauf Corp. indicated as much last January speaking to the NRIA.

"Why does confusion exist?" he asked.

"Domestic containers are here, but eveyone is confused as to the description of the domestic container.... Will containers become a dominant factor in domestic movements?

"I think it is clear that ISO sizes will not. Their size is not competitive with current size trailers for the shorter trips that domestic hauls."

The ISO boxes were developed as a compromise to standardize under a given set of conditions. Those conditions have changed, and so have containers. Hulverson sees this as a good thing.

"Some standardization is desirable so that the users can invest in the expensive long-life equipment needed to handle containers efficiently. However, if the standardized container becomes too heavy, too restrained in size or too difficult to operate, it will not succeed. Highway laws will not remain static. Trailers will get larger and lighter.

"The key to defining a domestic container is defining the uses it will see. Just as in the past, containers were defined by the equipment and laws with which they must be used, so will the successful domestic container."

The Key: The User. Just so. Neither laws nor regulations will define the next generation of domestic container, nor will the railroads or the steamship lines themselves.

The users will.

They are the customers, and they will determine the next generation of debate. One important thing that Temple, Barker settled with its study for the AAR is that the customer is not an aesthete.

"Containers do not appear to have any inherent perception or image problems in terms of general customer unwillingness to consider them as an alternative to trailers."

One railroad (Canadian Pacific) found that "as long as container size is compar-

"Even the biggest constraint—reinvestment—is something we see as relatively short term," Kromberg said.

able to that of a trailer, shippers may not even know they are using containers."

When TBS talked to users, both shippers amd carriers ranging through the alphabet from consultant William Borque through William Leedy of Hapag-Lloyd (America) on to Philip Yaeger of Hub City Terminals, the discusssion forums "did not reveal any image or perception problems specifically related to containers."

If the customer isn't measuring your boxes with tape measure, what criterion does he have?

If carriers can offer their customers service levels that justify the asking price, they can use shoe boxes if they want.

Yeah, But Do They Make Money? So the question is one the carrier has to ask itself; how much does it cost me?

Assuming current volumes, it would take $7.6 billion to replace cars, trailers and locomotives for conventional TOFC. For other technologies, it is more difficult to make an estimate. Lightweight COFC requires about half-a-billion dollars more investment than that for conventional TOFC because of equipment and terminal mechanization requirements.

Double-stack COFC requires about $0.3 billion *less* than that conventional TOFC figure. Its lower cost rail equipment and reduced locomotive requirements offset the costs of clearance and terminal improvements.

In absolute dollar figures, that's big bucks. The nation's Class I railroads spent $1.81 billion in 1983; in 1980, they spent $3.6 billion, a record. That includes track and structures as well as equipment.

One AAR official says he is aware of all these factors but stresses "the railroads can't afford not to spend the money. If they don't, the trucks will take it away from them."

The Association said as much in a cover letter, stating that it "believes further liberalization of highway limits are a possibility that railroads should consider in their planning." The AAR (official who spoke on background) estimated that proposed liberalization of highway rules could cost the railroads millions. Which is why they can't afford not to spend.

"Even the biggest constraint—reinvestment—is something we see as relatively short term," AAR's Paul N. Kromberg said. ■


Kerrigan


Kruse


Elliott


Gaskins


Swartz


Hill

1,150 Register For Atlanta Intermodal

Two weeks prior to its opening, 1,150 transportation executives had pre-registered for the Atlanta International Intermodal Expo which opened March 27 through luncheon May 30.

Now in its third year, the Expo sponsored by Georgia Freight Bureau has gone truly international and its list of maritime sponsors has stretched from the nearby South Atlantic to Los Angeles and Long Beach.

Nat Welch, executive VP of the freight bureau, said five of the nation's major rail systems, plus Canadian National/-Grand Trunk, are sponsors.

Darius W. Gaskins, Jr., president of Burlington Northern Railroad, will keynote the conference following a welcome by Georgia **Gov. Joe Frank Harris** May 28. Other speakers that day include **Robert Logan**, VP of United Parcel Service; **Richard Haupt**, director of transportation and traffic at Ford Motor Co.; **Thomas Steele**, VP-transportation for Nabisco; American Trucking Association president **Thomas J. Donohue**; Association of American Railroads president **William H. Dempsey**; Southern Pacific & Santa Fe president **John Swartz**; Conrail president **Stuart Reed**; and Canadian National/Grand Trunk president **Ron E. Lawless**.

Richard D. Sanborn, CEO of CSX Distribution Services, leads off the Thursday program, followed by Southern Railway president **Edward B. Burwell** and Illinois Central chairman **Harry J. Bruce**; Trailer-Mate president **Denny Lydic**; National Piggyback Service CEO **R.C. Matney**; Interstate Consolidation president **Gary Goldfein** and Interamerican Transport Systems president **Michael McElhone**.

Maritime Group. **Daniel J. Kerrigan**, president of Atlantic Container Line (USA), is luncheon speaker on Thursday.


Welch

James H. McJunkin, executive director of the Port of Long Beach, will moderate a panel comprised of Barber Blue Sea (North America) president **Michael A. Elliott**; Hapag-Lloyd chairman Hans Jakob Kruse and American President Domestic Transportation president **Richard L. Hill.**

Friday speakers include XTRA Corp. chairman **Charles F. Kaye**; Central States Trucking president **Fred Grane**; ITS Trucking president **Tom Nicholson**; Trailer Train president **R.C. Burton, Jr.**; A.T. Kearney VP **Lester K. Kloss**; *Railway Age* editor **Luther Miller** and *Cargo Systems* editorial director **Malcolm Hodd.**

More Shuffling at Customs

United States Customs centralizes inspections in southern California. There are changes at the top on the West Coast. *By Richard Knee*

Centralization of inspections has customhouse brokers in the Los Angeles area hopeful that delays in imports can be pared at least somewhat.

The U.S. Customs Service's Los Angeles district office is abandoning the practice of inspecting incoming cargo on the piers. Now, shipments targeted for scrutiny are to be brought to any of four stations, where Customs inspectors are on duty from 8 a.m. to 5 p.m.

How It Will Work. If a container is targeted for inspection, the broker will select the Customs station and will be responsible for arranging to get the box trucked there, according to Cecilia Castellanos, president of the Los Angeles Customs Brokers & Freight Forwarders Association and executive vice president of Edward S. Zerwekh & Company, of Carson.

Inspection sites are in Wilmington, Carson, Compton and Torrance—all within a 20-minute drive of Los Angeles/-Long Beach harbor under normal traffic conditions.

In the past, Castellanos noted, inspectors would work for only two hours a day at given pier locations, and brokers, truckers and steamship lines had to coordinate their schedules to be in the right place at the right time; otherwise, it meant another day's delay, with resulting demurrage costs.

"If there were 40 or 50 truckers lined up and they (inspectors) didn't get to your shipment by the time it was time for them to leave, you had to return the following day," she added.

"Also," she remarked, "we were dependent on all this paperwork being shuffled between the terminal and Customs, and hoping it wouldn't get lost. Now, the papers move only between the ACCEPT (Automated Customs Clearance and Entry Processing Entry and Technique) location, where the papers originate, and the centralized examination location."

Shifts at the Top. Meantime, there have been high-echelon changes in Customs' West Coast offices and politics has reportedly played a big role in at least one case.

Alice Rigdon has been promoted from Los Angeles district director to Pacific region assistant commissioner, though she is staying on in her old post pending naming of her successor there.

In Seattle, Bob Hardy has been relieved of the district director's post, reportedly because of clashes with Customs Commissioner William von Raab and/or Pacific region commissioner Quentin Villanueva.

At press time, Customs had not named a replacement for Hardy, who was on "temporary duty" in Washington before being sent to the district director's job in Ogdensburg, N.Y.—a post he reportedly vowed to refuse.

Attempts to reach von Raab, Villanueva and Hardy for comments on the matter were unsuccessful.

One well-placed source in the Puget Sound importing community said he understood Hardy was at odds with Villanueva and another said Hardy had clashed with von Raab.

"I understand he got on the wrong side of Villanueva," said the first source. "He was asking for too much for his people, in terms of staffing levels."

The second source said Hardy had differences with von Raab over the latter's emphasis on contraband interception/enforcement.

"We were very, very sorry to see him (Hardy) go," said the second source. "We tried a couple of ways to see if we could get (von Raab) to change his mind. Hardy did an excellent job—he worked very, very well. He brought the common sense of business to a governmental entity, which was a real breath of fresh air." ■

FDA May Close San Francisco Lab

Bay Area importers, brokers, and port and city officials are furious over a proposal to shut down the U.S. Food and Drug Administration's laboratory in San Francisco. *By Richard Knee*

Since Ron Johnson took over as director of the U.S. Food and Drug Administration's San Francisco district slightly more than a year ago, relations between that office and the local importing community have improved immeasurably—so much, in fact, that the local customhouse broker/freight forwarder association accorded him an honorary membership.

Johnson instituted a number of reforms there, not the least significant of which was to order personnel to treat callers more politely.

He drew chuckles at a recent meeting with the brokers when he told them they would no longer be flippantly told to "call the president" with their complaints or to "drop dead." His remarks had obviously hit close to home.

Labs to Close? Again, however, the Bay Area importing community is furious at the FDA—this time the regional and headquarters offices. Focal point of their wrath is a proposal to shut the agency's San Francisco field laboratory in 1988.

The plan called for similar closures in Cincinnati, Kansas City and Minneapolis next year, and San Francisco in 1988, according to Bill Grigg, an FDA spokesman in Washington.

How soon a decision would come was uncertain as this magazine went to press.

"There is the big question mark as to when the labs would actually close," remarked Steve Enderson, chairman of the food and drug committee of the San Francisco Customs Brokers & Freight Forwarders Association. Estimates range from six to 18 months after the FDA reaches a decision, he said.

The Process. The proposal came from Paul Hile, FDA associate commissioner for regulatory affairs, who oversees field office operations and reports to FDA Commissioner Frank Young.

Hile presented the plan at a recent meeting with the 10 regional directors from around the country, who in turn forwarded it to Young.

The Scenario. If the FDA closes the San Francisco laboratories, samples of items brought in through the Bay Area would be sent to laboratories in other cities—presumably, Los Angeles, Seattle and/or Denver—for scrutiny and analysis.

"How we will handle that—the logistics—haven't been worked out yet," said Lloyd Claiborne, FDA western region director, whose jurisdiction covers California, Arizona, Nevada and Hawaii.

He admitted that sending samples out of the local area would cause "some slight delay" to importers but said he believed the problem would be minimized because of the extremely swift transportation services available.

"We know this type of system could work," he declared.

The Food and Drug Administration laboratory in Atlanta, for example, handles sample analysis for the major ports in Florida and the Carolinas.

But Claiborne did not know whether those ports handle an import volume as heavy as the Bay Area, which is a major gateway to a number of food products from the Far East and Latin America.

"I'm not sure what the workload (at the Atlanta laboratory) is now," he said, "but I know it's growing rapidly." ■

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Ruhly: '50-50 Chance For Work Stoppage'

Ted Ruhly, president of Moller Steamship Co., has said recently he believes there is "50-50 chance for a work stoppage" by longshoremen this fall. In remarks to a meeting of the Women's Traffic Club of New York, Ruhly said "if the longshoremen are not willing to give up on some of their strike points, I think there will be a work stoppage of some kind."

Ruhly said several factors combine to strengthen the carrier's ability to survive a strike by the dock union. Minibridge services off the West Coast, the availability of Canadian ports to handle essential East Coast traffic and the existence of non-ILA terminals will allow cargo to move despite any ILA job action, Ruhly said.

In addition, "employers have not been firm (during labor negotiations) in the past but this year is different. We have a stiffer bargaining unit that is in a position to bargain from strength," Ruhly said. "The industry has changed. In the past, labor costs could just be passed on to the shipper. That's not true anymore," according to Ruhly.

West Gulf ILA Accepts Rollbacks

Negotiations for new longshore contracts stalled. South Atlantic employers want many of same concessions given in West Gulf. *By Bruce Vail*

Progress on new longshore contracts for most of East and Gulf Coasts had ground to a halt by mid-May due to continuing uncertainty over some of the most fundamental issues. Two sets of talks, one for the North Atlantic and one for the South Atlantic, had broken off with no significant progress reported.

In the initial talks, in both cases, management has sought concessions in wages, benefits and work rules. Employer groups are hoping to follow the pattern set by a concessionary agreement signed April 21 between the West Gulf Maritime Association and union locals in Texas and west Louisiana. That agreement, if it goes into effect, will cut some wages and eliminate the guaranteed annual income (GAI) program in those ports.

But the status of the West Gulf agreement was somewhat unclear. A management representative said that reductions in gang sizes for the movement of certain cargoes were set to go into effect May 23. In addition, no longshoremen in the West Gulf were to receive any GAI credits after that date. Other concessions, notably wage rollbacks for bulk and breakbulk operations, won't go into effect until Oct. 1. Some major issues, such as gang sizes for container, LASH and Seabee work, remain to be negotiated.

One week after the West Gulf agreement was signed, however, ILA president Thomas W. (Teddy) Gleason signalled clearly his displeasure with some elements of the package. Meeting in New York, the executive board of the Atlantic Coast District (representing ports in the North Atlantic range plus Puerto Rico) called on "each port to maintain its GAI program." The board also passed a resolution calling for the maintenance of the ILA's sixteen paid holidays. That resolution seemed to be a reference to the West Gulf's agreement to eliminate six holidays from the calendar.

Furthermore, according to a formal statement by Gleason, "in accordance with past practices in negotiations, there will be no local negotiations until such time as there is agreement on the seven Master Contract issues and JSP (Job Security Program), i.e.: Wages; Contributions to the Welfare Plan; Contributions to the Pension Plan; Hours; Term of Agreement; Containerization; and LASH."

Gleason also reminded everybody that "no local port agreement shall be acceptable or approved without first receiving written approval of the International." The 85-year-old union leader thus pointed out that he was still in charge.

It's Cold Up North. Gleason's statement threw cold water on management representatives in the North Atlantic.

Management, led by New York Shipping Association president Anthony Tozzoli, understood that Gleason had given the go-ahead for localized port negotiations at an April 2 meeting in Norfolk. Gleason's change of heart, and his cancellation of a May 13 negotiating session, disappointed Tozzoli and his negotiating team.

As of *American Shipper* presstime, Gleason and Tozzoli were attempting to make arrangements for a new round of talks, the ILA leader said.

Warmer in the South. Talks to cover an agreement for South Atlantic ports have made more progress than those covering the North. In a series of meetings in Atlanta, James Newsome, chairman of the South Atlantic Employers Negotiating Committee, and J.H. "Buddy" Raspberry, president of the South Atlantic and Gulf Coast Districts of the ILA, discussed a concessionary agreement.

Newsome asked Raspberry for many of the same concessions the union leader had agreed to in the West Gulf. Prominent among them were elimination of the GAI, a wage rollback to $14 per hour for breakbulk work, and a rollback to $12 per hour for bulk work. Newsome also asked that questions on certain work rules be decided on a port-by-port basis rather than district-wide.

Raspberry is said to have been receptive to some of these ideas but was unavailable for comment. The meeting concluded May 8 without an agreement. Further talks were slated for late May.

Interestingly, Raspberry seems to be suffering from a minor backlash from elements of the union rank and file because of his accommodating posture toward management. Locals in Savannah and Jacksonville (in this case, the traditionally more hard-line checkers) are reported to have withdrawn authorization from Raspberry to speak on their behalf.

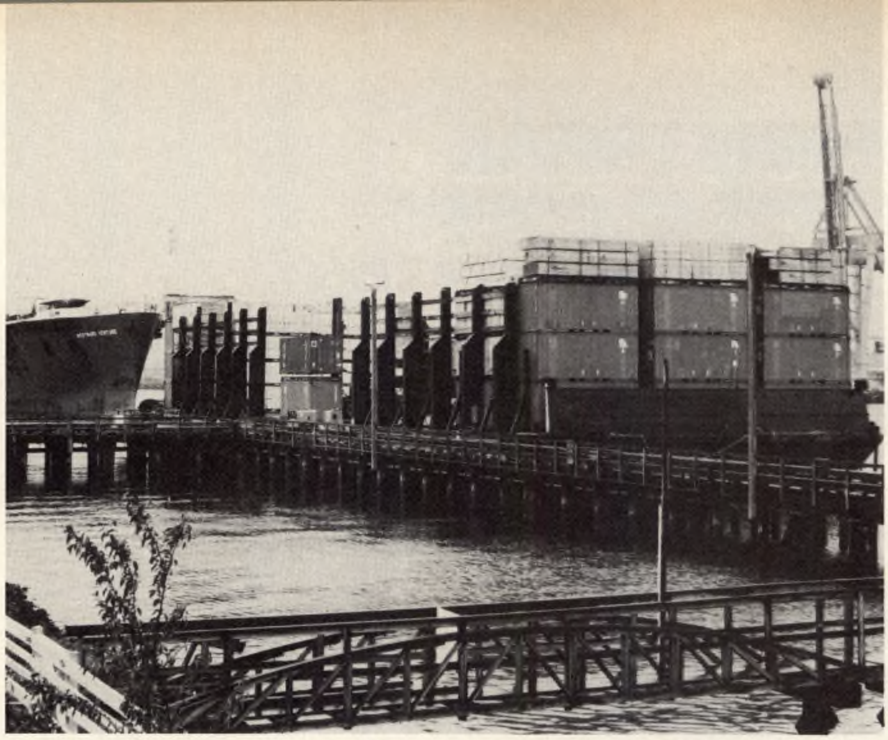
Central Gulf. While contract talks for Atlantic Coast ports proceed bumpily, there has been no movement whatsoever in the Central Gulf. By mid-May, no negotiations had been scheduled for the agreements covering dockworkers in New Orleans or Mobile. ■

Flag of Convenience Issue is Taken To Court by NMU

Escalating a well-entrenched effort to rid the U.S. maritime scene of a huge fleet of vessels owned by American interests but registered under foreign flags of various Third World nations, the National Maritime Union has taken a long-standing battle against "Flag of Convenience" shipping to court.

Indeed, in a legal suit filed against Transportation Secretary Elizabeth Hanford Dole and Maritime Administrator John Gaughan, the NMU is seeking a clear-cut definition from the U.S. District Court in Washington that, in effect, would wipe out the national defense justification for some 378 vessels owned by American interests but registered in tax-haven countries such as Liberia and Panama.

MarAd's interpretation of the law, that it allows the calling up of vessels owned by foreign corporations controlled by U.S. corporations, "is contrary to the intent of Congress and has been rejected by Congress," the NMU said. ■



Crowley-owned barge in service for new Alaska Barge Lines took on containerized and other cargo for maiden voyage from TOTE terminal at Tacoma. TOTE's Ro/Ro trailership 'Westward Venture' is in background.

Tacoma Dockers OK Wage Cut

With an eye to ILA problems in the Gulf, 61% of ILWU Local members approve concessions. TOTE affiliate Alaska Barge Line is the first beneficiary. *By Bruce Johnson*

Alaska Barge Lines (ABL), a new subsidiary of Alaska trailership operator Totem Ocean Trailer Express (TOTE), has become the first beneficiary of a landmark set of concessions approved by a majority of registered longshoremen in the Puget Sound area of Washington state.

With a wage package cut reportedly exceeding 50 percent and practically an elimination of usual fringe benefits, Tacoma Local 23 members of the International Longshoremen's & Warehousemen's Union (ILWU) are working ABL barge cargo within a portion of TOTE's trailership terminal, owned by the Port of Tacoma.

Longshoremen continue to receive regular pay and benefits in the working of TOTE's two trailerships, each of which makes a weekly round trip between Tacoma and Anchorage. But inside the same terminal and at a "T"-shaped pier next to the Ro/Ro ship facility, reduced-pay longshoremen are loading and unloading barge cargoes for ABL, which April 28 launched a fortnightly service between Tacoma and Anchorage.

From its inception, TOTE's ABL served as the busiest, most frequent tug-and-barge carrier directly between Puget Sound and Anchorage. Tug-and-barge operator Northland Service out of Seattle also serves that market directly but does so on a monthly basis. The biggest tug-and-barge competitors in the Anchorage-Fairbanks area market are Crowley Maritime Corp. and SeaWay Express Corp., both operating between Seattle and Anchorage via Alaska Railroad heads at Whittier and Seward, respectively.

ABL was formed not to go into competition with the premier steamship carriers of TOTE and Sea-Land Service, both in operation between Tacoma and Anchorage, but to scramble for low-revenue, less-time-sensitive building materials and other goods dominated by nonunion barge operators, such as SeaWay and smaller firms.

It is in that context that the new longshore agreement is significant. By reducing cargo handling labor costs, the agreement is making ABL competitive with nonunion operators—even though ILWU labor is used on the Tacoma dock and ABL has a towing contract with unionized Crowley Maritime Corp.

"We needed all of the help we could get to be competitive in the marketplace," said Gordon D. McMillan, ABL president and part owner. "The rates are still low," he said in reference to rock-bottom freight rates between Puget Sound and Alaska.

In terms of shipment volume, ABL was an immediate success. The 250-by-76-foot Crowley barge was filled to capacity with lumber, plywood, wallboard and other building materials unitized on shipping platforms and with fishboats and other top-stowed equipment.

"We were a little bit overbooked," McMillan said. "We're very pleased" with customer acceptance of the new service, he indicated.

McMillan

The longshore agreement, negotiated between the ILWU and Seattle-based Stevedoring Services of America, a Pacific Maritime Association member serving as labor provider for ABL, was made possible by an unprecedented (for the West Coast, anyway) rank-and-file ratification of major concessions for loading and unloading Alaska barge cargo.

In order for the pact to go into effect, a majority of longshoremen throughout the Puget Sound area had to approve of the arrangement, which reportedly was personally advocated by ILWU president James Herman as a means of winning back Alaska barge work from nonunion stevedores.

According to the PMA, 61 percent of voting longshoremen ratified the agreement. However, a majority of Seattle Local 19 members voted against the proposal. The agreement went into effect because of overwhelming support among Tacoma Local 23 members and approval of a majority of longshoremen in other Puget Sound area ports, including Everett.

Under the agreement, basic wages reportedly dropped by several dollars per hour to \$13.50 for foremen, \$13 for most equipment operators and \$11 for regular longshoremen. But the overall drop exceeded 50 percent because of the almost complete loss of fringe benefits and a change to an eight-hour straight-time shift as opposed to six hours of straight time and two hours of mandatory overtime to make up an eight-hour shift.

ABL also benefitted from the elimination of minimum manning provisions, which makes it possible for the firm's stevedore employer to hire persons based on actual projected work volumes any given day.

Dick Marzano, Local 23 business agent, said the number of longshoremen and casuals varies from day to day up to a peak of about 25 persons just before sailing.

Although support for the concessions was strong when it came to Local 23 ratification, apprehension remains among many of the local's members as to what the long-term results are consequences are likely to be, he observed.

"When concessions like that are made, nobody is happy about them," he said. "But when they (the longshoremen) are working instead of sitting at home, they realize it appears to be a pretty good thing.

"We don't know what the full ramifications of this thing will be until we get one or two years down the road," Marzano told *American shipper*. "But right now, it looks like it was the right thing to do."

The landmark agreement, which is to remain in effect for two years, was prompted by the loss in recent years of longshore Alaska barge business to private operators employing nonunion dock labor. The situation started with the development of a number of small barge lines and was dramatized two years ago by the formation of a major, nonunion operator—SeaWay Express—which has two huge, triple-deck trailer-barges.

Eyeing the Gulf. Also having some bearing on the issue, at least in the eyes of some longshoremen, was the erosion of International Longshoremen's Association (ILA) work on the Gulf Coast.

> *The agreement was prompted by the loss in recent years of longshore Alaska barge business to operators employing non-union labor.*

"We recognized that as a threat here," said one Tacoma longshoreman who did not want to be identified. He said he views the agreement as being a "signal" that organized longshore labor on the West Coast is "willing to be competitive."

Whether the Alaska barge agreement on Puget Sound helps open a pandora's box of West Coast give-backs remains to be seen. One Tacoma longshore source said that was an obvious concern of many ILWU members, including some who voted to accept the barge business rollback.

Alaska Barge Lines also has the financial benefit of sharing terminal space with its parent company, TOTE. The availability of a portion of TOTE's terminal was the key reason ABL decided to operate out of Tacoma rather than out of the Seattle area, from where other Alaska barge lines operate.

ABL is the Port of Tacoma's first regularly scheduled barge line. The new firm is paying the port a user fee of $1,000 per barge loadout.

It is anticipated that ABL will have 25 barge sailings this year. The twice-monthly service is scheduled to end in November when winter ice in Cook Inlet outside Anchorage makes barge navigation there impossible. ABL plans to start up again next spring.

Inauguration of ABL's service coincides with a record tug-and-barge sealift this summer to Alaska's North Slope oil fields—a situation that begets cargo for liner operators, both ship and barge, to the state's population centers, such as Anchorage.

However, the outlook is for a rapid economic downturn in Alaska following this summer's peak transportation season, a result of the plunge in world oil prices and oil revenue support of the state's budget.

McMillan, who has been in the Alaska barge business for 15 years, said he is well aware that Alaska's economic slowdown will produce a difficult operating environment for ABL.

But he said shippers needed a frequent, reliable, low-cost barge service directly into Anchorage and he expressed confidence that ABL will be a survivor because of its experienced executives and its ties to a financially viable carrier, TOTE. ■

New York City Seeks Exporters

The principal waterfront agency in the City of New York will take a broader outlook. Mayor Koch installs a fresh face to lead the way. *By Bruce Vail*

At a time when most of the government of the City of New York lays mired in an ever-mounting scandal, one element of the municipal machinery is trying to move ahead in a new direction. The agency in charge of managing the city's marine terminals will now make an effort to promote the international commerce that is the *raison d'etre* for the docks that line New York's waterfront.

Appointed to effect this movement is Michael Huerta, a young economic development specialist with no visible connection to the system of political patronage which would normally claim a commissioner's seat. He will oversee a reorganized department with jurisdiction over the marine terminals within the city of New York. But his job will go far beyond that and he faces some truly formidable challenges.

As a prelude to Huerta's appointment, the Department of Ports and Terminals underwent a major reorganization. The agency was stripped of its jurisdiction over commercial and residential development on the waterfront. And, under the direction of Alair Townsend, Deputy Mayor for Finance and Economic Development, the department was redesigned as the city's principal agency for the promotion of international trade and investment. As a symbol of this change, the organization was renamed the Department of Ports, International Trade and Commerce (PITAC).

Under direction of Alair Townsend, the department was redesigned as the city's principal agency for the promotion of international trade and investment.

The Task Ahead. Huerta, aged 29, will need all his youthful vigor for the tasks that lay ahead.

On the level of the promotion of the city's marine facilities, Huerta faces daunting obstacles. The management of New York harbor's principal containerports has long been the province of the bi-state Port Authority of New York/-New Jersey, and most of New York City's docks are out-of-date. "The port of New York City is an older facility, it was built around the idea of breakbulk cargo. It is very difficult for us to compete with Port Elizabeth (N.J.) because that was designed as a container facility," Huerta said.

The city's infrastructure for oceanborne commerce—not only its piers but its marshalling yards, roads, highways, and bridges—put it at a considerable competitive disadvantage to the Jersey waterfront. The city's infamous traffic congestion, poorly maintained highways and high tolls have contributed to the diversion of containers to New Jersey. Some 70% of the harbor's box traffic is currently moving through Port Elizabeth/Port Newark.

Nonetheless "it makes sense for some cargoes to come through the city rather than through Port Elizabeth," he said. These would include imports destined for consumption within the city and on Long Island, according to Huerta. Also included would be new export traffic that Huerta will have a hand in developing.

Exporters Need Help. One of the principal missions Huerta is undertaking will be the promotion of export traffic out of the city. Again, Huerta is tackling a problem that offers no easy solution.

New York, like the rest of the country, has a trade deficit problem, only more severe. In 1985, less than 20% of the cargoes crossing the docks in the metropolitan region were exports. "Our problem with generating exports is not a local problem; our problems here are a manifestation of a nationwide problem," Huerta said.

The strategy for attacking this problem on a local level is the encouragement of foreign investment that will produce both jobs and exports. Recognizing that the day of New York City as an industrial powerhouse is long gone, Huerta's efforts will be directed to the encouragement of small-to-medium-sized export operations.

"Part of our role will be to facilitate an export outlook. New York is still the center of the world but we have a tendency here to rest on our laurels. Other municipalities are very active in promoting themselves and we have got to do the same thing," Huerta said.

"It is very difficult for us to compete with Port Elizabeth (N.J.) because that was designed as a container facility," Huerta said.

Huerta's tools for this job consist of a rather impressive array of programs designed to assist small businessmen. Various low cost loans, energy cost reduction programs, employment subsidies and tax breaks are currently provided by the city government. Huerta's agency will be the contact point for investors, both foreign and domestic, interested in taking advantage of these, he said.

"New York can be a little bewildering sometimes and it is our job to make sense of it for potential investors and to cut through the red tape," he said.

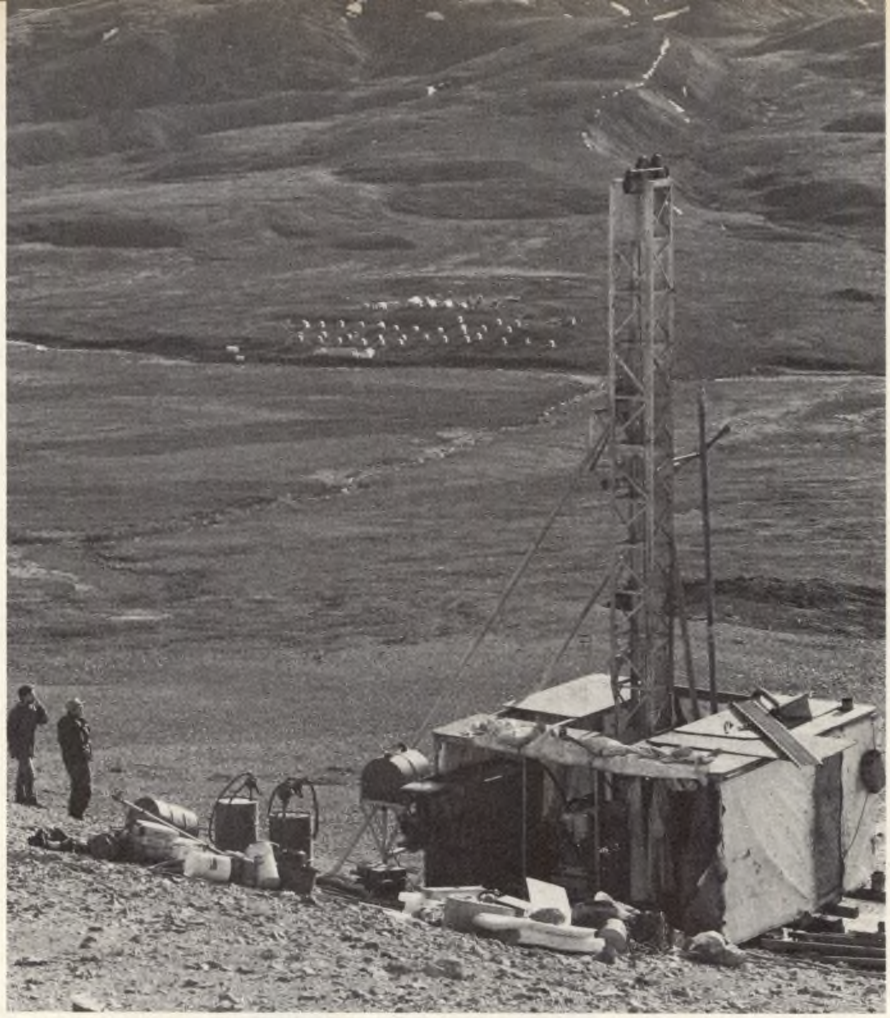
The Criminal Element. A complicating factor in Huerta's mission is a crime wave inside the city government. More precisely, there is now a wave of investigations into longstanding corruption inside the government. Several city officials have been indicted.

Also of immediate concern to Huerta are several probes currently underway into union corruption. In the wake of a report by the President's Commission on Organized Crime that waterfront labor in New York is rife with corruption (See *American Shipper*, April 1986, page 28), at least two government agencies have opened investigations.

On the question of waterfront crime, Huerta said "there is no question there is a problem." But Huerta qualified that statement by saying "doing business here is not as bad as people think. To some degree it is even an image problem."

Alaska Digs In

By Bruce Johnson



Red Dog zinc deposits (above) 85 miles north of Kotzebue on the Arctic Circle will be linked to the Chukcho Sea coastal area by a 55-mile access road. Ore will be barged from the shallow area. Below, logging operation on Prince of Wales Island.

Barring some sort of catastrophe that causes crude oil prices to soar again, the oil-dependent state of Alaska appears to be headed for a major recession (some would say a depression), following the completion this year of oil industry projects that were set in motion when world oil prices were nearly triple those of today's spot-market quotes.

How Alaska hopes to cope with its sudden decline in oil industry revenues and what other forms of economic wealth possibly are on the horizon were the primary topics of discussion recently at a fourth annual Alaska Resources conference, jointly sponsored in Seattle by the Alaska State and the Greater Seattle chambers of commerce.

Some of the speakers pulled no punches concerning the presently dismal outlook for Alaska's economy and the adverse impact that falloff will have on Washington state's Puget Sound area, the primary waterborne and airborne gateway to Alaska.

About 85 percent of the state government's revenue is derived from oil industry earnings, royalties and taxes. It has been said that the state loses \$150 million for every dollar-per-barrel drop in world oil prices. Since the latest plunge in oil prices began, the state has lost about a billion dollars in projected oil industry revenues.

50,000 Jobs in Jeopardy. A few weeks prior to the conference, some dire economic forecasts were emerging from Alaska. One economist, in a study presented to the governor, projected that more than 50,000 Alaskans (in a state with about 540,000 residents) would lose their jobs and at least 75,000 persons would leave the state if oil prices remain at about $13 a barrel beyond fiscal year 1987. (That estimate was said by others to be too harsh because of the potential for growth in some non-oil sectors of the state's economy.) At about the same time these economic projections were being made, oil industry officials warned that some 5,000 craft jobs in Washington and Oregon would come to an end by the middle of this summer when prefabricated equipment modules are barged to Alaska's North Slope oil production fields. The oil industry already has cut in half the amount of exploration activity it is conducting in Alaska.

Federal Spending. Although there is no doubt that most equipment module fabrication activity is at least temporarily coming to a halt in the "Lower 48," a number of Alaska state government and business people feel that dire predictions concerning the state's economic outlook are inaccurate because they do not take into account increased economic activity in such industries as tourism and commercial fishing and prospects for development of such industries as open-pit mining.

Another strong segment of the state's economy is federal spending, particularly in defense installation expansions and improvements. The Fairbanks area currently is the federal dollars construction hotspot because of a major expansion at nearby Fort Wainwright. Alaska Gov. Bill Sheffield, a Democrat who is running for reelection this fall to a second term, was kickoff speaker at the Seattle conference and was one person who put some things into perspective for Washington state and other non-Alaskan attendees.

"Alaska is coming to grips with the sudden downturn in oil prices," he asserted. For the past three years, "we have been preparing" for a downturn in oil industry revenues by cutting state government costs and fostering non-oil business growth, he said.

He noted that the state agreed to construct an export facility and a 55-mile haul road, at a total estimated cost of $150 million, for proposed development of a major zinc mine in northwestern Alaska. The Red Dog Mine project, itself a $250 million development, is planned by Cominco Ltd. of Canada, which will pay the state about $12 million per year for use of the state-developed infrastructure. Construction of port facilities near Kotzebue is expected to get under way this summer.

Alaska Railroad. The Alaska Railroad, which the state acquired from the federal government early last year, has played an important role in the movement of coal from the Usibelli mine in the Fairbanks area to Seward for export. This contract movement of coal to South Korea, which began early last year, is Alaska's first coal export business.

$8 Billion Reserve Fund. In coping with the oil revenue downturn, the governor said his objective is to "keep expenses down, save money for the future and help the private sector grow."

He noted that the Alaska Permanent Fund, established to help underwrite economy enhancing projects in the future, now contains $8 billion in oil revenue savings, including $1 billion in interest income.

One of the program's panel discussions focused on Alaska's petroleum industry. Harold Heinze, president of ARCO Alaska Inc., termed the present price situation as being "serious" but said "we're not going to be shutting down" in Alaska as some people have feared.

Prudhoe Fields. "At current price levels, it's very difficult to justify any money for new investments" on Alaska's North Slope, he said. But "warranted at the prices we're seeing" is continued operation of North Slope fields, notably the immense Prudhoe Bay field.

"We can handle a world oil price so low that the economics is not the main concern," he said in response to a question regarding how low the world crude price would have to plunge before the oil industry shut down the trans-Alaska pipeline leading from the Prudhoe vicinity to the ice-free port of Valdez. While avoiding a North Slope shutdown, the oil industry is drastically curtailing most North Slope field improvements that were planned in the near future.

Summer Tows to North Slope. Only four oceangoing barges are scheduled to participate in the summer 1987 tug-and-barge sealift to Alaska's North Slope, reported Brent Stienecker, senior vice president of Crowley Maritime Co., the prime tug-and-barge contractor between the "Lower 48" and Alaska's oil fields.

"For 1988, at this point in time, we have no orders for any barges," Stienecker said.

Ironically, while Alaska is experiencing a severe decline in oil revenues, the transportation industry is gearing up for history's biggest-tonnage, tug-and-barge sealift to the North Slope. This summer, 27 barges will carry equipment modules and other facilities to the Prudhoe Bay, Kuparuk River and Lisburne oil fields. Kuparuk already is in operation and Lisburne is due to enter production late this year. Prudhoe and Kuparuk together account for about 20 percent of all crude oil produced in the country.

The Kuparuk and Lisburne fields are much smaller than the Prudhoe field but they are economically feasible to develop because of the proximity of Prudhoe and the pipeline infrastructure, said George Nelson, president of Standard Alaska Production Co. There are other marginal fields in the area, the development economics of which are in question at current oil prices, he noted.

Natural Gas. Besides containing oil, the North Slope has more than 30 trillion cubic feet of natural gas. But the cost of developing a pipeline and other structures associated with getting the gas to market is estimated at $20 billion to $40 billion, according to Nelson.

"It is my opinion that this gas will be sub-economic throughout the forseeable future," he said.

Cruise Ships. Tourism is one such bright spot in the state's economy. During each of the past 10 years, Alaska has experienced large increases in the number of visitors. Last year, the number of summer visitors jumped nearly 14 percent over 1984, and another big increase is anticipated this year, reported Don Dickey, director of the Alaska State Division of Tourism.

The number of cruise ship visitors soared 33 percent last year. Further significant increases in the state's cruise ship business, primarily benefitting the Southeast Alaska panhandle, are expected this year because of the Expo 86 world's fair in Vancouver, B.C., and terrorism-prompted cancellations of cruise service schedules in the Mediterranean and the movement of several of those ships into the Alaska market. This summer, 15 cruise lines are scheduled to have 23 ships in service to Alaska.

Just the cruise ship portion of the state's tourism industry has become a major factor in the state's economy and, particularly, the economies of Southeast Alaska communities. Dickey noted, for example, that Alaska's capital city of Juneau, with a population of 29,000 persons, last summer had more than 141,000 cruise ship visitors.

Fisheries. Another major improvement occurring in the state's economy is resulting from the so-called "Americanization" of the 200-mile fisheries conservation zone off the state's shores.

Because of federal government zone

management policies, American fishermen—including Alaskans—are increasing their share of bottomfish harvesting within the 200-mile zone, and additional shore plants are being developed. Three plants for producing surimi—bottomfish-based products flavored like crab and other species—are under development at Kodiak and Dutch Harbor.

Although crab and shrimp stocks remain depressed, salmon and halibut fishermen are continuing to experience larger harvests and higher prices.

The decline in value of the American dollar has aided another Alaska industry, that of forest products. With American goods now more competitively priced overseas, log and lumber exports from Southeast Alaska are on the increase.

One-Third of U.S. Coal. Exports of another nature—mineral resources—were among other prime topics of discussion at the Seattle conference. Alaska, which reportedly possesses a third of the nation's coal reserves, last year had its first shipments of coal to an overseas market. About 550,000 tons of coal were exported to South Korea from the Usibelli mine in the Healy area, south of Fairbanks.

The coal is transported by the state-owned Alaska Railroad to Seward, where the coal is loaded aboard ship. The Korean contract envisions an annual movement of 800,000 tons of coal from Usibelli.

Another coal field, the Beluga, is located in the Anchorage vicinity. However, the cost of developing the infrastructure and the current coal pricing situation are among factors that preclude exporting some of that coal in the forseeable future.

Red Dog Zinc. Possibly one of the brightest spots on Alaska's mineral resources horizon is the planned development of Cominco's Red Dog zinc mine. At this time, development of the mine itself is not moving ahead until world prices improve.

Hank Giegerich, president of Cominco Alaska, noted that real-term prices for base metals are at their lowest level in more than 50 years. But in another year or two, he said, zinc production in the western world could come more in line with consumption, leading to market stabilization.

He said Cominco sees "a definite market opportunity by the end of this decade, and that is the period which we are targeting for the startup of Red Dog."

Giegerich observed that Red Dog, at full production, will be the largest zinc mine in the western world. Anticipated is a mining rate of two million tons of ore per year to produce 700,000 tons of concentrates. The Red Dog reserve is conservatively estimated at 85 million tons, at a grade of 17.1 percent zinc, 5 percent lead and 2.4 ounces per ton of silver, he reported.

"It is a unique combination of large size, high grade and low waste-to-ore ratio, which will make it one of the world's largest and lowest-cost zinc producers when at full production," Giegerich said.

The Red Dog deposit, located in northwestern Alaska about 90 miles north of Kotzebue, is owned by the NANA Regional Corportation, which has agreed to lease the deposit to Cominco—the largest producer of lead and zinc in the western world.

Zinc Terminal. In order to hold down up-front infrastructure expenses so that the Red Dog production can find markets overseas as well as in Canada, state legislators last year created the Alaska Industrial Development Authority (AIDA), which will construct the dock facility near Kotzebue and the 55-mile access road.

Cominco will pay an infrastructure user fee to AIDA of about $12 million per year, which Giegerich said will give the state a 6.5 percent return on its investment over a 50-year period.

Construction of an export facility is scheduled to begin this summer and haul road development is due to start next year. The export facility will include a storage area capable of accommodating nine months of concentrate production because transportation planning is based on a 100-day, ice-free shipping season.

Because the Chukchi Sea coastal area is shallow, self-unloading barges will lighter the concentrates to ships anchored offshore. Seattle-based Foss Launch & Tug Co. tentatively has received the nod to perform the lightering service.

As is the case with oil field developments on Alaska's remote North Slope, barges will be used to transport prefabricated mine equipment modules to Red Dog. In addition to the Red Dog project, several other mine developments are being contemplated in Alaska—but with world prices presently depressed, none of these projects are likely to materialize soon.

Proposed Projects. Proposed projects falling in this category include the Greens Creek lead/zinc reserve near Juneau in Southeast Alaska and the Quartz Hill molybdenum deposit near Ketchikan, also in Southeast Alaska. The U.S. Borax-planned mine at Quartz Hill would be the world's largest molybdenum mine. ■

Maritime Bill Moves Quickly

Despite differences among U.S. flag liner operators, maritime promotional reform legislation is moving quickly through legislative process in House of Representatives. *By Tony Beargie*

Acting with unusual speed, key maritime legislators in the House of Representatives are determined to move some form of maritime promotional reform legislation quickly through the chamber with hopes of having a bill before the full House in early summer.

The House Merchant Marine Subcommittee was set to mark up legislation on May 21, most likely to give subsidized U.S. flag operators the long sought after right to build new tonnage in foreign shipyards and still receive some form of operating subsidy from the government.

Other initiatives sought by the Reagan Administration, including the right of operators building abroad to be immediately eligible for the carriage of government-impelled preference cargo, are expected to be covered by the bill which will emerge from six pieces of legislation (four from the industry) that were considered by the House Merchant Marine Subcommittee.

The Committee's determination to move the bill as quickly as possible was underscored by a source who indicated that both House Merchant Marine Subcommittee chairman Mario Biaggi (D-NY) and House Merchant Marine & Fisheries Committee chairman Walter B. Jones (D-NC) would like to see the legislation come to a vote in the House before that chamber becomes bogged down in a number of appropriations bills this summer.

The full House Merchant Marine & Fisheries Committee is expected to act on the legislation "on the earliest available date" after Congress returns from a short recess in early June. "Time is running out and the feeling is that we don't want to get the bill sidetracked," *American Shipper* was told.

Help For Small Lines. It is almost a certain bet that "special treatment" provisions contained in three bills aimed at helping the smaller operators—companies having a fleet of 10 or less vessels—through cash grants will be dropped from the legislation by the time it reaches the House floor. "I wouldn't bet any money on a cash grant program," a congressional source who is on top of the legislation said.

In the meantime, before the Subcommittee marks up the bill on May 21, Rep. Biaggi planned to meet with the Maritime Administrator John Gaughan and industry officials to attempt to come up with an acceptable piece of legislation. The big question hanging over the meeting was "just how far do we have to cut back expenditures envisioned in the various bills," *American Shipper* was told.

For example, the source continued, "how many years should be permitted for operating differential subsidy?" Legislation introduced by Biaggi calls for companies building foreign tonnage to be given subsidy for only five years, while the industry bills call for 15 years. A 15-year period is viewed by congressional legislators as unrealistic in today's political environment. (For coverage of views on the various legislation, see the "Washington Circles" column in the May 1986 issue of this magazine, page 3.)

In any event, Biaggi's planned meeting with Gaughan and the industry is viewed as important. "We want to have the best bill possible," a legislative source said. "We don't want to be looking at something clear out of the blue on the day of mark-up."

Biaggi's Warning. As hearings opened May 1 on the various pieces of legislation, Subcommittee chairman Biaggi issued a stern warning to industry officials to end their "fratricidal battles" or otherwise "it will be impossible to pass legislation to assist you."

Operators will also have to change positions on the subsidy and trade route protection issues, while the Administration will have to accept the fact that the U.S. fleet will need operating subsidy in some form "if our fleet is to compete," Biaggi said.

Biaggi, whose legislation limits subsidy only to crewmembers deemed by the U.S. Coast Guard to be necessary, said he supports subsidy to offset "a reasonable wage differential between U.S. and foreign-flag vessels" but that wage differentials between subsidized and unsubsidized operators "is a thing of the past."

Also, trade route reform is required, Biaggi said, and under his bill "operators will no longer have the right to veto a U.S. competitor's entry on the operator's trade route."

Biaggi issued a stern warning to industry officials to end their "fratricidal battles" or otherwise "it will be impossible to pass legislation to assist you."

Here, it should be noted that while the Maritime Administration last year unveiled its own trade route reform proposal, the agency has decided to wait for Congress to act on this issue before going forward administratively.

Gaughan Hopeful on Concensus. While differences continued to divide the industry, Maritime Administrator John Gaughan, the lead-off witness at hearings on the various pieces of legislation, indicated that the Administration, Congress and the industry are coming closer to a concensus.

"As in your bill, Mr. Chairman, there are many features of the four bills drafted by the industry that we could endorse," Gaughan said. "Overall, however, it would be very difficult to justify any new ODS system which would require the Secretary (of Transportation) to enter into new and amended ODS contracts without regard for the substantial increases in costs to the government. We are, however, continuing to assess what system will maximize free market operations, permit U.S.-flag carriers a reasonable opportunity to compete with foreign carriers, be fair to all U.S.-flag operators, and strike a fair return for the national interest."

Content of Bills. Gaughan gave a summary of the four bills, describing their contents as follows:

"Each ... would abolish the essential trade route concept in favor of complete operating flexibility, limit subsidy to wage differentials, compel 15-year subsidy contracts, permit worldwide vessel acquisition with operating subsidy flexibility, establish a cap on subsidized shipyears but allow (the) sale of subsidized shipyears, and change subsidy payments to a monthly basis instead of upon terminated voyages."

Then, in an obvious reference to proposals introduced on behalf of the smaller operators—Farrell Lines, Prudential Lines and Waterman Steamship Corporation—Gaughan said these contain "special features which in most instances result in additional government expenditures."

Legislation put forth on behalf of Farrell calls for a Federal cash grant of $18 million over a three-year period which would go to the smaller operators. A bill backed by Prudential calls for each small operator to receive lump sum payments of $25 million, while a Waterman-supported proposal would permit small operators to apply for subsidy on twice as many vessels as they operated during 1983-1985. None of these proposals is expected to survive since they are viewed as too costly. ■

PL 480 Cargo Compromise Appears Safe

Should the Reagan Administration carry out its announced intention to repeal last year's cargo preference compromise legislation, it appears the Administration would be easily defeated in the endeavor. *By Tony Beargie*

Garnering an early show of strength, the agricultural-maritime coalition which last year forged the passage of compromise cargo preference legislation and avoided an all-out battle between the often hostile industries, has the support of 54 United States senators to fight any attempts by the Reagan Administration to undo the new law.

Contained in the 1985 Farm Bill, the new statute—which the Reagan Administration clearly wants to repeal on the claim of being too costly—ups the U.S. merchant marine's share of traditional cargo preference freight from 50 to 75 percent over a three-year period.

Support for the compromise statute was voiced by the 54 senators—including a number of headline grabbers like Sen. Barry Goldwater (R-Arizona), Sen. Ted Kennedy (D-Massachusetts), Sen. Daniel Patrick Moynihan, and Senate Finance Committee chairman Bob Packwood (R-Oregon)—in a letter sent directly to President Reagan urging the Administration to "reconsider" its announced plans to seek repeal of the compromise statute.

"The compromise was carefully crafted over many months, and supported by an overwhelming 70-30 majority in the Senate," the President was told. "It serves the interests of American farmers and the Department of Agriculture by freeing commercial export enhancement programs, present and future, from the imposition of cargo preference. It also provides increased Public Law 480 cargoes for the American merchant marine, whose fleet badly needs this business in the midst of a worldwide shipping depression."

Soon after it became known that the Administration wanted to repeal the new cargo preference law, the maritime-agriculture coalition went to work on gathering support on Capitol Hill.

The purpose of the letter to the White House is "to put the President on notice" that the new law enjoys strong support on Capitol Hill, a maritime industry lobbyist told *American Shipper*.

The Administration's bill "is still in the planning stages at OMB (the Office of Management & Budget) as far as we know," an industry source said.

The 54 senators constitute a clear majority in the Senate. They took issue with Administration claims that the new statute is too costly. While admitting that the new system "may increase federal expenditures slightly in fiscal year 1987," much of this revenue will be recovered in taxes, the Senate lawmakers told the President. "Additionally, our balance of trade will be improved, and we will avoid the possibility of guaranteed ship loan defaults that could cost the government much more than the program's expenditures."

And, if the new law is repealed, this would mean a return to the old law which would mandate all commercial agricultural export promotional freight to cargo preference requirements, the Senators noted. Such a development "would dwarf the $20 million your fiscal year 1987 budget is trying to save," the President was told.

Finally, a repeal fight on Capitol Hill would again pit "two important American industries against each other," the senators said. "The compromise ... laid this issue to rest in a constructive fashion that meets the interests of both sides and, we believe, the interests of this nation. It would be really unfortunate to raise this issue again this year." ■

MarAd in Turf Battle With Navy

Estimated 30 percent of agency's work will be lost if Navy succeeds in taking back Ready Reserve Fleet procurement functions. DOT offers mild resistance. *By Tony Beargie*

The Navy has set itself up to take over the major vessel procurement functions associated with MarAd's Ready Reserve Fleet program.

Viewed by government and private sector officials as "nothing more than a naked power grab" on the part of the Navy, the move could effect over 30 percent of MarAd's work force, according to a high government official.

The Navy's proposal would significantly weaken the justification of maintaining MarAd in its current form within the Department of Transportation.

Indeed, the agency for the past few years has been the target of criticism which hit a peak last year during major Title XI program defaults and the subsequent resignation of then Maritime Administrator Harold E. Shear. (For coverage, see the July 1985 issue of *American Shipper*.)

Like many other agencies, MarAd has had its share of program slashes, as evidenced by the doing away with its construction differential subsidy program; closing the lid on new operating differential subsidy contracts; "privatizing" research and development projects in 1987; and barring any new Title XI loan guarantees beginning October 1, which marks the beginning of the 1987 fiscal year.

In view of these program slashes, the taking away of the RRF procurement functions would appear to make it extremely hard to justify MarAd's existence, at least in its current form.

During April, there was general confusion in government circles over whether the transfer of the RRF program had actually been carried out. Capitol Hill sources were of the opinion that the matter was "still being debated," while the official word from the Military Sealift Command's public information office was, in effect, that "we're waiting to see what the Secretary of Navy wants."

On the other hand, a MarAd official close to the situation maintained that the transfer had been carried out by the Navy on its own without MarAd approval.

Refuting speculation that the development emanated from the Office of Management & Budget, the agency source said: "OMB had nothing to do with it. This is a Navy grab. This is a very serious incursion into our authority. It's a naked power grab. It is clear that the Navy wants the entire RRF."

The same official also said that the Navy has sent out a request for outside sources to perform the procurement work. He painted a "dismal" picture of the MSC's past procurement history and added that the Navy is out to hire "Beltway Bandits" to do the procurement work.

There also appeared to be doubts over whether Transportation Secretary Elizabeth Hanford Dole would step in to protect MarAd's turf on the RRF issue. Asked if he expected Mrs. Dole to go to bat for MarAd, the official replied: "What do YOU think!"

Navy to Seek Offers. While confusion over the question abounded, a memorandum from Assistant Secretary of Navy for Shipbuilding and Logistics Everett Pyatt to Rear Admiral W.T. Piotti, Jr., Commander of the Military Sealift Command, indicated that the transfer had been effected.

Obtained by *American Shipper*, the memorandum bearing Pyatt's signature simply stated that the MSC "will solicit industry offers of ships for purchase by the government in order to meet Navy requirements for (the) expansion of the RRF." The memo also named Piotti as the "source selection authority." The document carried a March 25, 1986 date.

In a "revised memorandum of agreement," also obtained by *American Shipper*, it was stated that RRF ships "will no longer be considered a jurisdictional element of the National Defense Reserve Fleet and current and future RRF ships will be transferred to Navy custody...." (The National Defense Reserve Fleet comes under MarAd authority.)

"RRF ships, other than those obtained from the National Defense Reserve Fleet, will be procured for the Navy by the Military Sealift Command," the memorandum of agreement stated. In an addendum to the memorandum, the Navy held, "There is no legal impediment to transferring the RRF to MSC for procurement and maintenance."

The RRF program has proven to be of significant value to U.S. flag shipping lines, especially those hard-pressed for cash. Indeed, over the past few years, the program has been responsible for infusing hundreds of millions of dollars into major shipping companies.

Capitol Hill/Gaughan React. The development drew swift responses from the House Merchant Marine & Fisheries Committee and also from Maritime Administrator John Gaughan.

On Capitol Hill, the maritime Committee amended the fiscal year 1987 maritime authorization bill to nail down MarAd's authority (through the Department of Transportation) over the RRF.

The authorization legislation was expected to go before the House of Representatives in May. If the bill succeeds in its amended version, then the RRF program would appear to remain secure within MarAd.

Also, the full Committee recently sent a letter to Secretary of the Navy John Lehman urging him to reconsider the moves afoot to transfer the RRF functions out of MarAd and into the Navy.

Signed by both the Democratic and Republican leadership of the Committee, the authors of the letter gave high marks to MarAd in its management of the RRF.

MarAd's expertise in its RRF functions is "unequaled and probably otherwise unobtainable, except at excessively high costs," the bi-partisan leadership said. "Since the major portion of the Ready Reserve Force is merchant vessels, the agency responsible for the promotion and development of that element of our maritime enterprise should continue to be responsible for vessels obtained by the United States for layup in a usable reserve component."

'Dear Ev.' In a "Dear Ev" letter to Assistant Secretary of the Navy Everett Pyatt, Maritime Administrator John Gaughan admitted that parts of the RRF program need fixing, but in effect warned that the Navy has simply gone too far with its transfer proposal. "Ev, your solution is for (the) Navy to assume total control of the (RRF) procurement process. I would like our staffs to explore ways of improving the PRESENT system first," the Maritime Administrator said.

"I personally will see that MarAd satisfies fully our responsibility under the Merchant Ship Sales Act of 1946 ... to maintain the National Defense Reserve Fleet and its component, the RRF," Gaughan concluded. "This will be done in a manner that will fulfill all of (the) Navy's requirements."

The RRF program has proven to be of significant value to U.S. flag shipping lines, especially those hard-pressed for cash. Indeed, over the past few years, the program has been responsible for infusing hundreds of millions of dollars into major shipping companies. (For coverage of the largest ship purchase in the program's history, see the March 1986 issue of *American Shipper*, page 18.) ■

Almost 100 owners, builders & users from 27 countries turned up in London for Worldfleets 86, a conference called by Lloyd's of London Press to review the problem of worldwide overcapacity in shipbuilding & shipowning. *By David Greenfield*

Ways to Clear the Glut

Bankers Who Forgot The Rules

Boris A. Nachamkin, a senior vice president at Bankers Trust, London, gave his personal diagnosis of the shipping problem as: too much shipbuilding capacity; too much government intervention; too many shipowners ordering too many vessels; and too many banks lending too much money.

The year 1985, he said, had been expected to be the year of turnaround for shipping. Instead it was a disaster.

"Despite record scrapping, shipyards, particularly in the Far East, continued to launch vessels. Whatever small improvement we might have expected was offset by many forced sales. "Professional bankers, with long histories in the industry, forgot all the rules of good banking, and sold ships at low levels, putting added pressure on values.

"Regrettably, the U.S. banking community must stand up and take major responsibility for this ill-conceived action."

But, he said, the future relationship between the shipping industry and the banks will be different. Owners will have to put more equity into any project. The days of 100% financing are gone and the banks will be wary of providing top-up financing; 75% will be the norm, he said, with amounts down to 50%.

Owners will also have to ensure that proper liquidity is made available up front, in order to avoid the guessing game of whether the transfer of funds will be effected from Switzerland in time to meet obligations.

There will have to be better disclosure of financial information. "We no longer accept pencilled figures on foolscap, or 'company' figures. It is amazing how little information was available to banks when they made decisions to lend millions of dollars."

Banks will also require a better mix of "employment." "It is not our intention to snuff out the entrepreneurial spirit, but to have an entire fleet tramping is a recipe for disaster." It may be necessary for owners to enter into joint ventures, either with other owners or with those who control cargo. Perhaps diversification into such avenues as real estate. Whatever, industry and trading should be considered in this respect for we have learned that one cannot live by ships alone."

Role of the Insurers

If insurers were to take a harder line with the owners of sub-standard ships, it would speed up the elimination of that category of surplus tonnage, said Lars Lindfelt, managing director of The Swedish Club, Gothenburg.

Too many underwriters are safely tucked away in their boxes, far removed from the shipping scene, and feel that operational and safety standards is the business of the owners, assisted by the classification societies. But if those underwriters knew more about the technical standards of the vessels they insure, they would be much more selective when providing cover, he said.

"I feel strongly that there are owners or operators who should not be given insurance coverage at all! If stronger action is taken "the result will be that ships will be sent to the scrap yard much earlier if insurance costs rise steeply or not be made available, he said.

Japan's Subsidies For Scrapping

Despite some skepticism by western delegates, Hiroshi Imamura, director general of the Japan Ship Centre, London, insisted his country is doing its share in eliminating shipbuilding overcapacity.

Between the oil crisis of 1973 and 1979, he said, Japan cut its building capacity by 37% to 6.2 million grt, and the number of companies capable of building vessels of 5000 gt and over were reduced from 61 to 44.

This involved retirement payouts to workers, and the writing off of mortgages on the building facilities, all of which was done through the newly formed Designated Shipbuilding Enterprise Stabilization Association.

The purchase of the yards with over 5000 gt building capacity was financed by the banks and the repayment was, and is, being made on the loans by the sale of the land and facilities, a compulsory levy on the surviving yards and some government aid.

"For fiscal 1986," he noted, "the surviving shipbuilders are to pay the Association a levy of equivalent to 0.25% of the contractual price of each ship upon the conclusion of a new contract." This levy, he added, will continue until the bank loans are cleared, thus Japanese shipbuilders are continuing to help reduce overcapacity.

Immamura claimed the formation in 1978 of the Japanese Association for the Promotion of Ship Scrapping has produced an "unprecedented" result in world scrapping. Under this scheme, 220 vessels totaling 3.6 million gt were scrapped between 1978-85. Of these, 41 ships totaling one million gt were eliminated in 1985. As an extra inducement to scrapping, this year should see the introduction of a Debit Guarantee System for Japanese shipowners which will guarantee bank loans for the scrapping of inefficient as well as aged ships. The loans will be used for ship mortgage write-offs and retirement payoffs for seafarers.

The legislation has already been introduced into the National Diet and, for the 1986-88 period, it will aid in scrapping an estimated 1.9 million gt, which will include 1.9 million gt from oil tankers.

International Fund For Scrapping

Derek Kimber, chairman of London & Overseas Freighters PLC, said he is a realist on shipping because he has twice crawled out "from under the bus, bruised but alive," once as a shipbuilder and again as a shipowner.

But one idea that makes him more optimistic is that put forward by the International Maritime Industries Forum (IMIF) about two years ago.

The proposal centers on the provision of a Scrapping Fund, explained Kimber, to offer an attractive incentive for

owners to scrap on better terms than available on the open market.

Kimber said the fund should logically be contributed to by the major beneficiaries of planned scrapping: shipowners who would benefit from increased freight rates, sooner than later; shipbuilders who would also benefit from better prices, sooner; bankers and credit houses who would have the opportunity to offload, at somewhat better prices; the ships which owners' failures have bequeathed to them; and governments who should be able to reduce their present shipping subsidies, perhaps to the point of extinction.

The incentive premium to be paid to the owners would be scaled according to the age of the vessel to be scrapped—the greater the age, the smaller the premium. It would be paid for any type of vessel of 4,000 grt or over, other than naval ships and auxilliaries. To avoid artificial depression of the market, the premium would only be payable if the negotiated market price was at or above a basic price stipulated from time to time for the area concerned, e.g. Pakistan or the Far East. The question of establishing figures for the incentive payments is a difficult one, said Kimber. The original scrapping target of 45m dwt a year with scaled premiums of between 20 and 10 U.S. dollars per ldt might call for an outlay of about 150-175m annually. Raising the target to 50m dwt and increasing the premium by 50% would involve disbursement of about $250m.

Governments Should Pay For Scrapping

Jacques Saverys, director general manager of Compagnie Maritime Belge, echoed the views of many that only subsidized ship scrapping could materially affect the current glut of ships.

"The encouragement to break up," he said, "should come from governments who encourage building or who overprotect their yards (because of social reasons, especially to prevent unemployment). There could even be a correlation between capacity to build and intervention with scrapping subsidies."

The building of subsidized ships to keep yards alive may be understandable, he said, but building at any cost to prevent unemployment—regardless of actual requirements—prompts speculation, overtonnage and, ultimately, loss of revenues elsewhere. The financial world also should have learned the lessons of the past and be more careful in future judgments, offering finance only to projects which are not of a speculative nature.

Let Market Decide

Speaking as a member of that "endangered species, the independent shipowner," John C. Lyras, director of Granicos Shipping Corporation, Piraeus, said the only solution to the current shipping malady "is for market forces to be allowed to operate across the board ... bitter medicine indeed ... but the alternatives are even more distressing—a chronically unprofitable industry, or one that ceases to function as an independent activity."

As well as overcapacity, there is, he said, the spectre of an increasing tendency towards protectionism.

He claimed it is right for the credit institutions to restrict lending for shipping and to tighten their credit evaluation criteria, but it is wrong, "I would say even immoral," for some of those institutions to abandon the industry with the same ease as they were willing to lend to it when the going appeared to be good.

It is also right for the industry to endeavor to weed out substandard vessels. But it is wrong, he said, for that phrase to be made synonymous with "over age." Such a criteria should not be applied to the problem of a ship glut. Rather we should apply safety at sea, pollution and acceptable social conditions at sea as the standards.

Protectionism by governments and trade unions should not be part of their legitimate interests in the shipping industry. They are hopelessly wrong, he said, in intervening in such matters as the owners' ability to flag out, or to employ non-nationals at their local wage rates.

The Irresponsible Money Tap

Only ten days before he was due to step out of the frying pan of being chairman of British Shipbuilders into the fire of a similar task at the nationalized British Leyland Company, J. Graham Day, said he naturally took a detached view of global shipbuilding.

"A bloody mess of our own collective making," he said. For the future, he said, the only vessels which should be built are those genuinely needed for new business which cannot be served by existing tonnage, or for the timely replacement of worn out or obsolete tonnage.

His parting plea to the industry was: Before it is too late, start to make decisions based on sound commercial criteria. Especially to the major players, Japan and Korea, he said, for your own sakes as well as the global shipbuilding industry, start to sell at fully compensatory prices which will produce profits and provide a future.

If, under these circumstances, European or any other shipbuilders cannot measure up, so be it.

He concluded there will still be four or five years of difficulties before a turnaround, but any major infusion of new credit to support unneeded tonnage could set the industry back many more years.

West Germany Cuts Capacity by 60%

Werner Fante, director of the Association of West European Shipbuilders, said West Germany had attained cutbacks of up to 60% since 1975 and that included a 30% reduction in shipyard labor.

Today, there are 38 shipbuilding yards in West Germany compared with 45 a decade ago. The workforce is 40,000 as against 73,000 in 1975, and only two yards have the capacity to build vessels of over 100,000 gt.

He was highly critical of the Japanese and Korean economic policies that had stimulated overbuilding. Noting that Korean policy closely followed that of Japan, with cheap credits, tax concessions and sometimes full cost covering, he quoted the Korea Exchange as saying in 1982: "Since 1973, the government has actively promoted the construction of large shipyards. Within this industrial strategy, the government designated shipbuilding as a strategic industry ... competitiveness on the basis of cheap labor and government support."

On a more optimistic note, Fante said the Koreans have recently issued a significant report which contained an admission that the previous financing (at low nominal interest rates) of the chemical and heavy metal industries, which includes shipbuilding, had resulted in misinvestment and inflation.

Fante said it is too early yet to draw a final conclusion on future Korean building policy as there are conflicting reports.

Expansion of shipbuilding appears to have been stopped and a reduction of the labor force is underway. However, the Korea Export-Import Bank has lowered the interest rate for shipbuilding to 8%, thus apparently continuing a policy of concentrating cheap money on depressed sectors.

But overall, he said, the problem of shipping overcapacity is of a political nature and will only be solved at a high political level. ■

Two Pockets of Piracy Persist

Director of London-based International Maritime Bureau reports increased piracy, but less documentary fraud. Says maritime industry must address itself to the problem of terrorism.

By Bruce Vail

Five years of effort by the International Maritime Bureau, a multinational, non-governmental organization devoted to fighting maritime crime, has produced mixed results. Formed in response to a wave of fraudulent scuttling of vessels, the Bureau has been successful in fighting this form of crime, according to IMB director Eric Ellen. But other forms of maritime iniquity, notably piracy, continue to plague the oceans.

Furthermore, a new criminal threat to the maritime industry comes in the form of terrorism. Most graphically illustrated by last year's *Achille Lauro* incident, the terrorist threat is likely to spread to merchant shipping, Ellen said. A unified response by the maritime industry is called for, he said, in order to avoid government imposition of stringent security measures that will impede ocean-borne commerce.

Overall, Ellen's message to the IMB's May 1 meeting of its board of directors was ambivalent. While "things are improving and we have come to grips with the problem," of traditional maritime crime, the organization needs to expand its efforts, he said.

Pirates. Soon after men first went down to the sea in ships they were followed by pirates. While the heyday of piracy is clearly over, the problem persists on a more modest scale, Ellen said.

There remain two significant nests of pirates directly threatening merchant shipping, according to the IMB director. These are in Lagos, Nigeria and Singapore. At the congested port of Lagos, gangs of cutthroats prey on merchant vessels awaiting berths in the anchorages surrounding the port. And at Singapore, Chinese and Malay pirates use speedboats to overtake and rob vessels as they transit the Strait of Malacca.

Fortunately, these brigands display none of the bloodthirstiness characterizing the Thai pirates who have made themselves infamous through the murder, rape and robbery of helpless refugees from Vietnam. Ellen said these pirates remain the worst offenders although the number of incidents appears to be declining.

West Africa. The situation in West Africa, principally in the areas near Lagos, appears to be getting worse, Ellen said. And there are indications the problem is more serious than random attacks by free-lance criminals.

At the end of 1984 and the beginning of 1985, nine West German vessels were attacked in quick succession, according to Ellen. The pirates appeared to have a thorough knowledge of what cargoes were on board and where the goods were located. Police suspected a conspiracy between the thieves and the owners of the cargo. Although insurance fraud was strongly suggested by these events, Ellen said, the police were unable to prove their suspicions.

The West African style of waterborne larceny stands in contrast to the typical incident in the Strait of Malacca. Ellen said the principal goal of the Malaccan pirates seems to be the robbery of the sailors themselves and the looting of the ship's safe. Although this also occurs in West Africa, the theft of the ship's cargo is rare in the Malaccan Strait, he said.

Documentary Fraud. Less colorful than these acts of piracy, but just as serious in Ellen's eyes, is the incidence of documentary fraud. Some 20% of the IMB's investigations are in this area and this is the single largest category of crime investigated by the group. IMB investigations alone showed over $50 million stolen through this form of crime in 1984, the latest year for which figures are available.

Most often these cases involve a forged bill of lading. Bills of lading are generally easy to forge, he said, and banks tend not to give these documents the scrutiny they should.

It is common, according to Ellen, for an individual seeking to open a letter of credit to have his documents, including the bill of lading, rejected as inadequate by the bank. The complicated nature of the documentation results in rejection of the initial documentation about 90% of the time, he said. It has therefore become routine for banks to merely point out the problems with the documents and ask that they be resubmitted. This allows individuals with criminal intent to re-doctor the papers without attracting any undue attention, Ellen said.

> *It has become routine for banks to point out problems with the documents and ask that they be resubmitted. This allows individuals with criminal intent to re-doctor the papers without attracting undue attention, Ellen said.*

These cases often involve non-existent cargo and are schemes to defraud insurance companies. Insurance companies take a double hit when these non-existent cargoes are "lost" when a ship sinks. It was a wave of such incidents in the South China Sea in the late 1970s that prompted formation of the IMB, Ellen said. Investigations of these cases turned up 28 mysterious sinkings of which 14 were proved to be scuttlings for fraudulent purposes.

The losses to insurers of both the cargoes and the vessels were serious enough to generate a lot of support for the formation of the IMB. The group was established in 1981 under the auspices of the International Chamber of Commerce with insurance companies and P & I clubs forming the base group of supporters.

John C. Morrison, chief underwriting officer for the CIGNA Property and Casualty Group, said the IMB was invaluable to his company when evaluating shipping ventures. The IMB maintains a historical record of criminal enterprises that includes names, dates, and suspect companies or individuals that it makes available to its members. The IMB also conducts its own inquiries at the request of members.

Terrorism. Terrorist incidents, and the potential liabilities that might be incurred by insurance groups as a result, are the newest items on the IMB agenda.

Ellen predicted, based on a Rand Corporation study, that terrorism will double in the next ten years. "And maritime targets will see their share," he said.

This threat calls for a unified response from the maritime industry. A central organization to set security standards for the world's seaports is an appropriate response to the threat, Ellen said.

As a former chief of the Port of London police, Ellen judges "security in seaports to be nowhere near where it should be."

The elaborate security arrangements seen in most airports are unworkable in the world's harbors, he said, but some efforts have to be made. These should come from within the industry. If the maritime industry does not respond, he predicted, governments will impose regulations that could strangle marine commerce.

The problem should not be minimized, Ellen warned. Although the *Achille Lauro* incident seems like an isolated one, groups such as the Irish Republican Army and the Saharan Polisario organization have already carried out attacks on shipping. These attacks will rise if world terrorism continues to grow, Ellen said. ■

Weyerhauser ship with travelling gantries loads dimension lumber and containers at antiquated, wooden facility at North Bend.

Coos Bay: Antiquated and Cheap

Private terminals built to ship forest products are antiquated but attract business because they are cheap and labor is cooperative. But the port lacks funds to build more modern facilities close to the sea. *By Bruce Johnson*

"I don't believe in public agencies—particularly ports—operating anything. The role of public agencies should be to support the private sector, to spin off things to the private sector.

"Too many ports have employees stacked like cord wood. You can't be competitive when you have that much overhead." These thoughts are from Frank G. Martin, Jr., general manager of the Oregon International Port of Coos Bay—whose 35-ft. harbor is the largest center of shipping on the West Coast between the Columbia River and San Francisco Bay, a 540-mile stretch.

Located in the heart of southwest Oregon's timberlands, Coos Bay shipping is dominated by private-dock operators. In fact, the public port district owns only two facilities capable of handling commercial cargoes, and one of them is not being used because it is being held in reserve to support hoped-for oil industry fabrication work. The other one is a dolphins-moorage facility leased to a towboat firm whose log export volume at the site accounted for about 15 percent of the harbor's 3.9 million short tons of business last year, according to the port.

But with a philosophy of 'let the private sector run the show,' Martin seemingly is not bothered by the port district's minimal role in actual shipping activity. The port district, he said, is concentrating on trying to diversify economically depressed Coos County's industrial base through various means that a regional public agency such as a port is capable of coordinating.

The port offers financial incentives to new industrial plants. On April 8, it agreed to issue $2.5 million of industrial development bonds to finance a western red cedar sawmill to be built by a joint venture of Menasha Corporation of Neenah, Wis., and Caffall Brothers Forest Products, Inc. of Wilsonville, Ore., on a sawmill site abandoned by Georgia-Pacific in 1980.

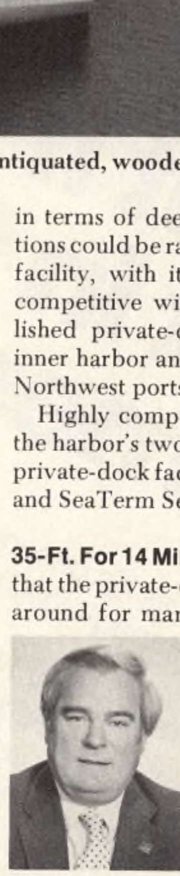
North Spit Project. Currently, a major thrust at the port is to develop, with private sector cooperation, a new shipping and industrial complex with 2,000 feet of wharf and up to 400 acres of backland. The facility, the dock portion of which would be leased to a private operator, is envisioned in the harbor's North Spit area close to the Pacific Ocean.

The State of Oregon is strongly considering a proposal to build a $5 million arterial that would link the North Spit vicinity to north-south Highway 101. The new road also would benefit Weyerhaeuser Co. and Roseburg Lumber Co., each of which has large private-dock operations in the area that are being planned for expansion, given the improved infrastructure.

As Martin sees it, the North Spit area is the "cornerstone" of the harbor's future, in terms of deep-draft shipping. Questions could be raised as to whether a new facility, with its debt load, would be competitive with efficient, long-established private-dock operations in the inner harbor and with facilities at other Northwest ports.

Highly competitive, for example, are the harbor's two most active public-use, private-dock facilities—Coos Bay Docks and SeaTerm Services.

35-Ft. For 14 Miles. But Martin observed that the private-dock facilities have been around for many years and are not as modern as what could be developed on the North Spit. And, perhaps more importantly, the North Spit site is within four to seven miles of the ocean. Other public-use docks are located in the inner harbor, the 35-foot-deep channel for which extends up to 14.2 miles from the ocean.



Martin

Maintenance dredging of the channel costs $2 million annually, and 70 percent of that work is required between miles 10 and 14 in the inner harbor, Martin said.

The outer channel area, where the North Spit vicinity is located, has a more natural flow of water.

Considering that local cost sharing of dredging and improvements will be on the upswing and that the economically depressed Coos Bay area is incapable of underwriting significant costs itself, the outer channel area has a significant

advantage in that its dredging costs are relatively low, he indicated.

Ten Facilities. There are 10 active deep-sea (non-petroleum) shipping outlets in the Coos Bay area. The one active port-owned facility is Dolphin Terminals, a dolphins-berthing facility leased to Knutson Towboat Co. for loading of logs from the water.

The harbor's two most active terminals available for a variety of users on a public basis are two-berth Coos Bay Docks, a division of Coos Head Forest Products Inc., and single-berth SeaTerm, owned and operated by SeaTerm Services, Inc.

Among other significant deep-draft terminal operations in the harbor are those operated for in-house use by Weyerhaeuser Co., which has two general cargo berths and one chip berth for exporting lumber, plywood, linerboard and wood chips, and chip shipper Roseburg Lumber Co., said to have the world's largest and fastest chip exporting facility. The Roseburg site encompasses 230 acres.

Also active as deep-sea outlets are the Oregon Chip Terminal, owned by Japanese trading company Kanematsu Gosho, wood chips; Champion Building Products Dock, owned by Dell Brunell, chips; Central Dock, owned by Dell Brunell, mainly logs, formerly lumber and plywood as well; Portland Dock, owned by Al Pierce Lumber Co., logs and lumber; and Bayshore Dock, owned by Al Pierce Lumber Co., lumber.

For the past 24 years, Coos Bay Docks has been operated as a public-use facility in addition to serving as an outlet for lumber and plywood from the parent company, Coos Head Forest Products.

Forest Product Carriers. Among frequent callers at the two-berth facility are Star Shipping, Inc., with loadings for Northern Europe; Hyundai Merchant Marine (America) Inc., in service to the Far East; and Sause Bros. Ocean Towing Co., with regular barge movements to Hawaii. Among other callers at Coos Bay Docks are Hoegh Lines Australia Service and a variety of spot charter ships. Coos Head, which has a Pacific Lumber Terminal division at the Port of Los Angeles, also has intracoastal shipments by barge from its Coos Bay facility.

The dominance of private dock operators in Coos Bay harbor (which also includes neighboring North Bend, where SeaTerm is situated) can be traced to the early-in-the-century proliferation of waterfront mills. At one time, there were about 20 sawmills along the harbor's shorelines, said Patrick A. Ball, Coos Bay Docks manager.

Gradually, as access from the hinterlands improved and export markets expanded, Coos Bay started drawing significant volumes of lumber and plywood from non-coastal sections of Oregon and northern California and began shipping wood chips and logs.

Hyundai breakbulker loads at two-berth Coos Bay docks, a division of Coos Head Forest Products, Inc. It is the port's largest terminal available for public use.

Neighboring Ports. Other than the small Port of Newport 105 miles to the north and California's Port of Eureka 160 miles to the south, Coos Bay is the only forest products export outlet between hinterland market.

Quite the contrary, dock operators at Coos Bay receive stiff competition from taxpayer supported facilities at the Port of Portland and from other ports, including Washington's Port Longview where warehousing facilities are in abundance, Ball observed.

Because of keen competition in the forest products exporting business, Ball questions whether the port's proposed terminal complex on the North Spit would attract much activity—unless user costs were held down by local taxpayers underwriting the facility's development, something that would seem unlikely given the depressed economy in Coos County.

He said it appears that such a facility would be costly "relative to the scope of volume available to Coos Bay.

"The main reason that (forest products export) business is here in Coos Bay is because it's more economical to truck here than to Portland or elsewhere," Ball said. "We have not raised our rates at Coos Bay Docks in eight years" because of competition from facilities at other ports, he reported.

Compared with the late 1970s (Coos Bay shipped more than 5.5 million tons of forest products in 1979), exporting of lumber and plywood out of Coos Bay has decreased considerably in recent years.

Tonnage overall last year was up by about 10 percent from the year before but these increases came from the log and chip sectors of the business.

Competition From Containers. A key factor in the deterioration of breakbulk forest product export volumes is cheap container freight rates available out of the container handling ports of Portland, Seattle and Tacoma.

Steamship line scrambling for backhaul cargoes has resulted in largescale diversions of lumber and plywood from breakbulk to container modes of shipping.

Another important reason for the decline in Coos Bay finished product shipping is the low value of the Canadian dollar against the American dollar. The enhanced competitiveness of Canadian-produced lumber has hurt mills and communities throughout the U.S. Northwest, including at Coos Bay.

Ball noted that there were 12 forest product plants at Coos Bay when he moved to the community 11 years ago. Now there are four active such facilities.

Low Cost Labor. One thing that Coos Bay Docks has going for it, in terms of

cost competitiveness, is its on-dock International Woodworkers of America labor. Wages and fringe benefits for an IWA union member are said to be about half that for a member of the International Longshoremen's & Warehousemen's Union, which handles ship loading at Coos Bay Docks and other deep-sea harbor facilities.

Coos Bay Docks employs on-dock IWA labor because of the historical use of the dock as an outlet for lumber and plywood produced by the mill that Coos Head acquired from Georgia-Pacific Corp.

Traditionally, the IWA and ILWU have cooperated at the Coos Bay Docks facility, but recently this cooperation was formalized in an agreement signed by both union locals.

"In order for Coos Bay to compete, it takes good cooperation between the two unions and it takes a competitive overhead situation," Ball said. "We don't have a big administration. We basically compete on a shoestring."

SeaTerm. SeaTerm Services, Coos Bay Docks' prime in-port competitor, does not have the advantage of blending IWA labor rates with ILWU ship loading costs. Like other deep-sea docks available on a public-use basis, SeaTerm is obligated to employ longshore labor on the dock as well as for ship loading.

However, SeaTerm manages to be quite competitive because of the firm's operating efficiency, low administrative overhead and active marketing by its president, Arie Hoek, who is well-known in the forest products field.

"We feel we have the best management team in the industry," said Edward A. Meyer, SeaTerm's vice president of operations. "Our emphasis is on providing a professional service."

Most of SeaTerm's business is in the form of lumber and plywood to Europe. In addition to a variety of chartered ships, Star Shipping vessels bound for the Mediterranean are frequent callers at SeaTerm. The terminal also accommodates chartered vessels lifting logs and cants for the Far East.

The key to keeping SeaTerm competitive, Meyer said, has been the cooperative attitude of ILWU members. Longshore productivity has increased to keep the company competitive, he said. But it is difficult to compete with IWA labor costs, Meyer indicated. In the not-too-distant future, "there will have to be some sort of relief" in order for SeaTerm to continue as an economically viable facility, he said.

Also looking to the future, SeaTerm is not shutting the door on possibly getting involved with the port district at the proposed North Spit facility. Port officials have talked to various private-dock operators, including SeaTerm, about prospects on the North Spit.

"Right now, there are enough local facilities to handle the cargo," Meyer said. "But we wouldn't be opposed to working out some sort of relationship with the port for the North Spit. Let's face it, what's good for the port is good for us and for the community.

"If a person is short-sighted and he doesn't want to work with others, he will be out of business," Meyer reflected.

"The big ports are going to survive" because of their heavy taxpayer support for capital improvements, he observed. But with mills closing down and the local economy depressed, the Port of Coos Bay will not have that luxury of having heavy public funds support, he said. Noting that a significant amount of dredging would be needed to develop the North Spit complex, he contended that a certain amount of public-private sector cooperation as well as a yet-to-be-developed market for shipped products will be required if the port's North Spit dream is to be realized.

Taxpayer Support. Presently, a third of the port district's gross income comes from taxpayers. Last year, the port grossed $1.5 million.

After Martin came aboard three years ago after serving as general manager of the Port of Chicago, he undertook a campaign of personally acquainting local civic and other groups with the port and its problems. This port community relations effort eventually paid off in overwhelming voter acceptance of a significant increase in tax support for the port, despite the fact that the local economy was by then in a depressed state.

20% of Homes For Sale. To this date, Coos County remains Oregon's highest unemployment area on a per-capita basis. Coos County, with a population of about 60,000 persons, has an unemployment rate of 19 percent, according to Martin. He said one out of seven adults between the ages of 21 and 60 is out of work. Twenty percent of the homes in the county are vacant or for sale. Not only are fewer people working (the unemployment rate was 2.8 percent in 1978), a number of mill workers still on the job are working for considerably less money. In order to prevent mill closures, unionized workers—including at Weyerhaeuser's installation—have accepted wage and fringe benefit rollbacks.

Adding to the area's economic woes is a depressed commercial fishing industry. A third of the local commercial fishing vessel fleet is in bankruptcy, Martin reported.

Against this backdrop, Martin said he is anxious for the port to reduce its tax take. But right now, the increased level of support is needed for the port's diversification efforts, he said.

Module Fabrication. Late last summer, the port dedicated an oil equipment module barge loadout facility—the only one of its type in Oregon, according to the port. The $1.3 million facility, whose construction was supported with an $800,000 grant from the U.S. Economic Development Administration, was developed to attract module fabrication business to Coos Bay.

Earlier last summer, Coos Bay-fabricated modules were barged to Atlantic Richfield's new Kuparuk River field, adjacent to the Prudhoe Bay field, on Alaska's North Slope.

Unfortunately, the port failed to land another piece of such business when, according to Martin, Standard Oil of Ohio was "scared off" to a Louisiana fabrication site by the threat of Oregon legislation that would have mandated costly extra electrical work inspection of modules fabricated in the state.

Now, use of the idled barge loadout facility and adjacent module fabrication site is being stalled by the collapse of world oil prices. Oil companies are deferring plans for further investments in Alaska's far north until prices improve.

Meanwhile, port officials are hoping that some oil rig module assembly work will be secured in support of planned oil production developments in California's Santa Barbara Channel, where it costs less to recover oil than in Alaska's Prudhoe region.

Needs State Help. The Port of Coos Bay is a member of an Oregon Ports Group, also consisting of the ports of Portland, Astoria and St. Helens, that is making a concerted effort to attract additional oil industry fabrication to the state.

Also as part of the port's effort to diversify its economic base, Martin is serving on Oregon Gov. Victor A. Atiyeh's task force to develop a master plan for maritime ports in the state. The task force has been widely regarded, particularly in Portland, as being an effort designed to bring about a state port authority. However, Martin, a strong advocate of the state planning concept, said the effort is designed to develop a stronger state commitment to ports rather than doing away with port autonomy, which he said would be politically impossible to bring about anyway.

"We must build a strong maritime network in this state," he asserted. "We need to have a strong state commitment and involvement in that process. We don't have the dollars locally to do what needs to be done. ■

Ocean Carrier News Briefs

Barber Blue Sea will concentrate on the management of its import services and has decided to withdraw from the export trades from the U.S. The service will operate from Southeast Asia and the Far East to North America and Panama with a sailing every 15 days. The vessels serving this route will continue to do so as part of the round-the-world service with ScanCarriers and Troll Carriers.

Lykes Bros. Steamship Co., Inc. and Union International de Vapores, S.A. (Univsa) entered into an agreement authorizing Univsa to charter container space on Lykes' vessels for service between Asia, Europe, the Far East, Mediterranean and United Kingdom, and ports in Central America, with cargo being transshipped at Galveston, Texas.

Western Europe & UK:

Global Equipment Management Agreement was filed between East Asiatic Co. Ltd. A/S, Johnson Line AB, Rederiaktiebolaget Transatlantic, Wilh. Wilhelmsen Limited A/S, Barber Blue Sea, EAC-PNSL Service, EAC Lines Trans Pacific Service, Johnson Scanstar, Pacific Australia Direct Line and Rederiaktiebolaget Transocean. The agreement would authorize the parties to be shareholders in an organization incorporated under the name Global Equipment Management Limited for purposes of the worldwide management and control of empty containers, and other equipment used in connection therewith, utilized by the parties.

A proposed agreement would permit Canadian Transport Company (CTCO) to charter space on vessels of Convoy Intercontinental Container Transport GmbH & Co. in the trade between the U.S. West Coast and United Kingdom and North Europe.

Lykes Bros. Steamship Co., Inc. has inaugurated direct container service from Gulf ports to Northern Europe and United Kingdom. The service will have a 13-day transit time. The first sailing will be June 25, with the *Adabelle Lykes*, a 1,100-TEU Express Class vessel. Feeder services in Europe include Norway, Sweden, Finland, Poland and Denmark; Portugal and the west coast of Africa; and the Republic of Ireland and Northern Ireland.

American Transport Line is operating two container/Ro/Ro vessels in its new service between the U.S. East Coast, the Azores, North Europe and the United Kingdom. ATL announced that independent, U.S.-flag service will offer direct calls at Rotterdam, Bremerhaven, Felixstowe and Praia da Vitoria in the Azores. Rice Unruh has been appointed U.S. documentation agent for ATL; Johnson Stevens Agencies in U.K. has been appointed general agent.

Carolina Freight Carriers Corporation (CFCC) has entered into an exclusive agreement with Bleckmann Worldwide for service to Europe. Bleckmann is headquartered in Oldenzaal, Holland. CFCC is increasing its custombet base by initiating service to Greece, Turkey and Yugoslavia. Greg Howard has been named marketing specialist in Europe.

CMB, a Belgian line, has extended its monthly service to the port of Honolulu with a line called NAWEC. Cargo to be carried includes beer, wine, spirits, agricultural equipment, granite, floor coverings and sports equipment. The service is operated in collaboration with Canadian Transport Company (CTCO).

Holland Canada Line, B.V. has appointed as its agents Kuecker Steamship Services, Inc. in Chicago and Midwest Steamship Agency in Berea, Ohio.

U.S. Atlantic-North Europe Conference (ANEC) and North Europe-U.S. Atlantic Conference (NEAC) filed amendments specifying that when a party to the agreement is also a member of the Gulf-European Freight Association and routes cargo via a U.S. Gulf port area to a U.S. South Atlantic port for on-carriage by sea, the tariffs and service contracts of GEFA and not those of ANEC or NEAC will apply.

Polish Ocean Lines has filed an 'inland grid system' tariff with the FMC. Under this system, all costs from the port of discharge to a specific inland point are the same regardless of the port used.

Pacific

Asia North America Eastbound Rate Agreement (ANERA) has announced an increase in U.S. destination delivery charges effective June 1. West Coast delivery will be increased by $3.60 per revenue ton; CY delivery for AQ-rated cargo at West Coast ports by $3.60 per revenue ton; and CY delivery for per container-rated cargo at West Coast ports by $200 per 40-ft. by 8-ft. 6-in. container.

Lykes Bros. Steamship Company is ending its weekly transpacific service from the West Coast. The four Express Class containerships used in this service will be used in its U.S. Gulf/Northern Europe service. W.J. Amoss, Jr., chairman and CEO, said the fall of freight rates in this area is reason for termination of this service.

Maersk Line's new vessel, *Clifford Maersk*, docked at the Port of Tacoma April 8. The vessel replaces the *Maersk Clementine* and will run weekly between the Far East and Tacoma's Husky Terminal.

Orient Overseas Container Line (OOCL) has placed the *Oriental Educator* into its new transpacific service. In collaboration with Neptune Orient Line and Y.S. Line, the arrangement will allow OOCL to service Hong Kong, Kaohsiung, Long Beach and Oakland on a 35-day schedule.

Gearbulk Container Services has signed a slot charter agreement with Hong Kong Islands Line, effective April 11. Gearbulk will lift HKIL cargo from Korea and Japan to the Pacific Northwest on its 10-day service.

A modification has been filed to Asia North America Eastbound Rate Agreement seeking to provide that any party may

request a special conference to consider a rate or service item in an IA notice. The agreement will become effective the latter part of June.

The Japanese-Flag Far East-United States Discussion Agreement has been filed which authorizes Japan Line, Kawasaki Kisen Kaisha, Mitsui, NYK, Showa and Y-S to discuss and exchange information and data.

A proposed modification to the space charter and sailing agreement between Hyundai Merchant Marine Co. and Hanjin Container Lines would substitute the *M/V Pacific Progress* for the *M/V Pacific Express* operating in the Korea/Taiwan/-Hong Kong route. This would increase vessel capacity from 2499 TEUs to 2768 TEUs.

In effect is a connecting carrier agreement which authorizes Island Shipping Lines (ISL) to carry cargo between the West Coast of the U.S. and Guam, Saipan, Tinian and other U.S. Pacific possessions or trust territories on vessels owned or operated by Lykes Bros. Steamship Company.

Zim Israel Navigation Co., Ltd. requested approval of an agreement permitting Zim to charter vessel space to Hong Kong Islands Line America S.A. to carry cargo eastbound from Osaka/Kobe and Yokohama/Tokyo to Long Beach; westbound from Long Beach to Yokohama/Tokyo, Osaka/Kobe, Kaohsiung and Hong Kong.

Australia-United States Discussion Agreement authorizes members to present a common position to the Australian Meat and Livestock Corporation (AMLC) concerning rates, terms and conditions of participation in Australian meat export trade to the U.S.

Effective in June is New Zealand-Pacific Coast Rate Agreement which increases the maximum advance notice period of independent action from seven days to ten.

Trans-Pacific Freight Conference of Japan, Japan-Atlantic and Gulf Freight Conference, and Japan-Puerto Rico and Virgin Islands Freight Conference have filed amendments seeking to permit the member parties to exercise independent action in connection with service contract negotiation which has continued for more than 30 days. The amendment would also define the terms "negotiation", "commencement date" and "termination date".

Mediterranean & Middle East:

The Shipping Corporation of India (SCI) offers a new independent container and breakbulk service between the U.S. East Coast, Italy and Spain which has sailings every 15 days connecting the ports of New York, Baltimore and Savannah with Algericas, Spain and Genoa, Savona, LaSpezia, Livorno and Leghorn, Italy. This service commenced with the voyage of the M.V. *Vishva Pankaj*, which sailed from New York on March 23. Norton, Lilly is general agent for SCI in the U.S.

Hoegh-Ugland Auto Liners will call Charleston twice monthly beginning in May with the vessel *Hual Karinata*. Autoliners, Inc. is North American general agent for HUAL.

April 2 was the effective date for amendment to U.S. Atlantic & Gulf Ports/Italy, France and Spain Freight Conference to redice the inland scope in Europe to points in Italy, France and Spain. The agreement also eliminates the Conference's authority to set rates on bulk cargo not carried in containers.

Nedlloyd/Barber Blue Sea North America-Middle East Space Charter and Coordinated Sailing Agreement amendment authorizes pooling of revenues and agreement on rates and conditions in trades in which neither is a member of a conference. The amendment became effective April 7.

Costa/Nedlloyd Space Charter and Sailing Agreement between Costa Container Lines, S.p.A. and Nedlloyd Lijnen BV became effective April 7. The agreement authorizes the parties to charter Ro/Ro space to each other and negotiate contracts for use of terminal facilities.

Red Sea Rate Agreement filed by A.P. Moller-Maersk Line, Nedlloyd and Barber Blue Sea proposes to eliminate ports in Saudi Arabia.

Caribbean & Latin America

An amendment to Argentina/U.S. Atlantic Coast Agreement, effective upon filing, would add iron and steel articles to the list of commodities not subject to the pool.

A modification to the U.S. Gulf/Colombia Equal Access Agreement, adding OS&L of Louisiana, Inc., as a member, became effective April 25.

Navieras de Puerto Rico began weekly Ro/Ro service to Port of Spain, Trinidad on May 2. Navieras links San Juan with U.S. mainland ports of Elizabeth, Baltimore, Charleston, Jacksonville and New Orleans, and serves Miami, Houston, Mobile, Philadelphia, the West Coast and Canada.

United States Atlantic and Gulf Southeastern Caribbean Conference implemented a $15 per ton increase on port to port movements of refrigerated and temperature controlled cargo to Trinidad, effective June 1.

Lloyd Brasileiro's new 1210 TEU containership, *M/V Lloyd Atlantico*, completed her maiden voyage to the Port of New York/New Jersey. The vessel, which was built in Brazil, will join her sistership, the *M/V Lloyd Pacifico*, in the container service connecting the ports of New York, Philadelphia, Baltimore, Norfolk and Jacksonville with Brazil.

The Florida/Caribbean Liner Association is limiting its scope to exclude the Windward and Leeward Islands, due to the resignation of three members. The five remaining carriers call at Port of Spain, Trinidad, 15 times a month.

Empresa Naviera Santa, S.A. appointed Tagship, Inc. as general agent for U.S. Gulf service to Peru and Chile.

Domestic

Alaska Barge Lines, a venture of Totem Ocean Trailer Express and businessman Gordon D. McMillan, launched twice-monthly service with sailings from Tacoma April 26 and May 17. ABL is moving containerized and breakbulk cargoes between Tacoma and the Alaska rail belt/Anchorage aboard a flat-deck barge.

Puerto Rico Marine Management, Inc. (PRMMI) has made three appointments to its staff. J.D. Plemmons is new sales manager for the Carolinas, which includes Charleston and Charlotte; G. Gregory Pagan is sales representative in the New Orleans office; and Wayne E. Harrington is New England regional sales manager.

Federal Maritime Commission

FMC

RATE HIKE HELD EXCESSIVE. Judge Joseph N. Ingolia ruled that Matson Navigation Company's one percent overall rate increase is "excessive." After Matson's initial proposed rate increase of 2.5 percent was suspended by FMC last December, the company reduced the increase to one percent. The determination contends that Matson's present rate of return "is not unfair or unreasonable."

MOBIL SEEKS REFUND. Mobil Oil Corporation is seeking $12,446.22 from Barber Blue Sea which it alleges are overcharges on a shipment of paint sent from New York to Singapore in 1984. Final decision is due September 1, 1987.

EQUIPMENT INTERCHANGE. Under a ruling by the FMC, if the terms and conditions on which carrier-provided equipment is interchanged with shippers and their agents are set forth in an interchange agreement, the carrier must publish a specimen copy of the agreement in its tariff. Equipment involved would include cargo containers, trailers and chassis. The terms and conditions would also have to be included in service contracts and essential terms publications.

FMC DISTRICT OFFICE CHANGES. FMC chairman Edward V. Hickey, Jr. announced that all FMC field offices are now designated as District Offices. The terms Atlantic, Pacific and Gulf Districts will no longer be used. All district offices will be referred to by the name of the city where the field office is located, with the exception of Puerto Rico, which will still be referred to by that name. The Great Lakes District located in Chicago was abolished on April 1 and that territory is assigned to the New York District Office.

JAPAN IA VIOLATIONS. The Departments of Justice and Transportation in April argued that agreements of three Japanese-trade conferences violate the mandatory independent action provision of the 1984 Shipping Act. DOJ stated that provisions in conference agreements of the Trans-Pacific Freight Conference of Japan, the Japan-Atlantic and Gulf Freight Conference, and the Japan-Puerto Rico and Virgin Islands Freight Conference "prohibit members from taking independent action on any rate or service item in a tariff that is associated with the conference's negotiating or providing a service contract." Certain provisions also withdraw a member's election to adopt another's independent action without the member's consent.

NCBFAA AMENDS RULES. The National Customs Brokers & Forwarders Association of America is seeking amendments to FMC requirements on changes in a licensee's organization; provisions relating to forwarding by ocean common carriers, NVOCCs, or their agents; compensation to freight forwarders; liability of freight forwarders for ocean freight charges; reduced forwarding fees; and disclosure of forwarder charges.

LUMP SUM RULING DENIED. FMC has denied a petition filed by International Transportation Service, Inc., seeking a declaratory order. ITS said it has been requested by ocean common carriers to provide wharfage, dockage and stevedoring services for an all-inclusive charge as a lump sum per container. ITS requested FMC to give its opinion on whether a marine terminal operator located on publicly owned facilities that are leased to the operator and operated under tariffs can enter in separate agreements for all-inclusive per container charges with carriers. FMC denied the petition, stating that "under no circumstances should terminal services be offered for which the charges are not reflected in a tariff or a filed agreement. Wharfage and dockage services must be charged at the tariff rates or pursuant to the terms of a duly filed agreement."

TRANSLOADING COSTS. Distribution Services, Ltd. filed a complaint charging that the Trans-Pacific Freight Conference of Japan and member lines violated the 1916 and 1984 Shipping Acts by denying DSL's absorption charges for transloading of cargo. The company is seeking reparation in the amount of $48,116.81, plus interest.

FOREST PRODUCTS. The U.S. Atlantic & Gulf/Australia-New Zealand Conference has asked the FMC to delineate requirements regarding tariff filing for the carriage of containerized forest products. The 1984 Act exempts "bulk cargo, forest products, recycled metal scrap, waste paper and paper waste" from tariff filing requirements. Forest products are defined as "products in an unfinished or semifinished state that require special handling in lot sizes too large for a container." Some shippers

contend the wording permits the tariff filing exemption for forest products fitting into two or more containers. The conference holds that this would result in one container being subject to the tariff filing requirements but two containers being exempt. Therefore, the tariff-filing exemption for forest products applies only to non-containerized shipments.

FREIGHT OVERCHARGES. Union Carbide Corporation is seeking reparation of $20,923.06 from Waterman Steamship Corporation for alleged freight overcharges on shipments of battery parts. Union Carbide claims Waterman misclassified battery parts for various shipments in 1983 and 1984.

NEUTRAL CONTAINER RULE. A prehearing conference was scheduled May 12 in connection with the neutral container rule of U.S. Atlantic-North European Conferences.

MORGAN APPOINTED ALJ. Charles E. Morgan has been appointed Chief Administrative Law Judge for FMC, replacing Chief Judge John E. Cograve who was reassigned to the position of managing director. Morgan served as Acting Chief ALJ since January of this year.

TRUCK DETENTION FEES. FMC granted a petition by New York Terminal Conference to amend truck detention rules at the Port of New York from $16 to $32 per hour. The Commission noted that the truck detention rules may not be needed at all and requested comments on the desirability of continuation of the rule.

TWRA SETTLEMENT PLAN. FMC instituted an investigation last July to determine whether Transpacific Westbound Rate Agreement and its member lines violated the 1984 Shipping Act regarding minimum tariff and service contract rates, and independent action. The parties have submitted a settlement agreement and urged approval of the FMC. Under the agreement, each respondent carrier would pay FMC $15,789.47 and agree not to enter into any agreement to surrender any member's right to take independent action to depart from multicommodity minimums adopted by the TWRA Agreement, if the rates are required to be subject to independent action. Also, until November 7, 1987, TWRA will not establish a minimum rate program applicable to all types of cargo under the Agreement, where the program would be used for revenue improvement or maintenance rather than improvement of equipment utilization or deployment.

Maritime Administration
MARAD

FARRELL MED SERVICE. Farrell Lines, Inc. has been requested by MarAd to reconcile its position on additional service in the U.S. Atlantic/Mediterranean service. Farrell previously objected to an application filed by Lykes Bros. Steamship Company for subsidized service on Trade Routes 10 and 13. Farrell then filed an application to provide service on the routes.

COLUMBIA PURCHASED. MarAd accepted an offer to purchase the LNG vessel, *Columbia*, from Southway Voyage C.V., a Netherlands, Antilles, corporation, for about $2 million. The vessel was built with assistance of construction-differential-subsidy by Avondale Shipyards, Inc. of New Orleans, La. and delivered in 1980. Since its grounding in December 1981, it has been moored at the MarAd's James River Virginia National Defense Reserve Fleet.

LYKES S. AMERICA SERVICE. The Maritime Subsidy Board approved Lykes Bros. Steamship Co., Inc.'s request for permission to provide subsidized service on U.S. Atlantic/West Coast of South America trade route (TR 2). Action was deferred on its application for service in U.S. Gulf/West Africa.

ODS PAYMENTS. MarAd has proposed to make payment of ODS for bulk cargo vessels in worldwide service as a fixed and final daily amount in order to provide more timely payment. Four subsidized bulk operators oppose the proposed system. Apex Marine Corp., Moore-McCormack, Keystone Shipping and American Maritime Transport commented the proposed regulations "will have a very significant adverse impact resulting upon bulk operators," especially as it relates to maintenance and repair expenses.

PREFERENCE CARGO RATES. Comments on two proposed rules have been extended to May 12 instead of April 11. The rules involve the determination of fair and reasonable rates, and evaluation of bids for carriage of dry bulk preference cargoes on U.S.-flag liners.

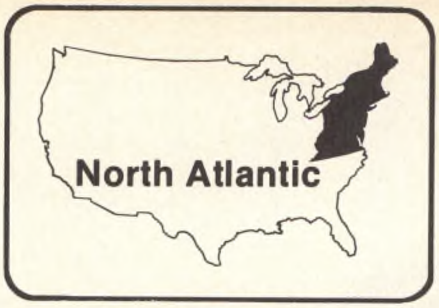
SEA SHEDS PASS TEST. MarAd and the U.S. Navy are seeking a system that would permit container vessels to lift large military equipment and other outsized breakbulk cargo in wartime or other national emergencies. A recent MarAd report has stated that the Sea Shed System is a "practical method of converting a portion of the lifting capacity of containerships to carry heavy and oversized breakbulk cargoes." A sea shed is an insertable between-deck conversion system designed to provide capability for containership to carry large vehicles and other oversize breakbulk cargo that cannot be containerized. Copies of the report may be obtained from the National Technical Information Service, 5285 Port Royal Road, Springfield, Va. 22161.

DEEP-DRAFT FLEET. A total of 474 oceangoing ships and 120 Great Lakes vessels comprised the privately owned, deep-draft fleet of the U.S. merchant marine. As of March 1, nine merchant ships were under construction, reflecting a total decrease of 28 vessels.

USL OPTIONS RETAINED. The requests of Farrell and Lykes Bros. to provide service on the U.S. Atlantic/-South and East Africa trade route have been denied by MarAd. United States Line announced its intention to terminate direct U.S.-flag service to South Africa. In its letters to the companies denying permission for the service, MarAd stated that U.S. Lines indicated it would resume the service again, should the market warrant.

SHEPHEARD AWARD. James B. Robertson, Jr. was awarded the 1985 Halert C. Shepheard Award for Achievement in Merchant Marine Safety. American Bureau of Shipping selects the receipient for the award. Robertson joined the Bureau of Marine Inspection and Navigation in 1938. During the Second World War, the Bureau was incorporated into the U.S. Coast Guard, where he worked until his official retirement in 1967. In 1962, Robertson received the U.S. Treasury Department's Meritorious Civilian Service Award.

NON-ODS CARGO. The Court of Appeals has remanded, in part, a 1984 MSB decision to amend its ODS contracts with 16 bulk operators so that they could carry military cargoes without subsidy. In the opinion filed March 28, the Court said, "We think that the Board's opinion does not adequately assess the impact of the proposed contract amendments on unsubsidized shippers." Sixteen domestic tanker companies requested the MSB to conduct further proceedings in the case.



CHARRIER, GIBSON & ASSOC. The offices of American Automar, Inc. and Charrier, Gibson & Associates, Inc. have been moved to 1025 Thomas Jefferson Street, N.W., Suite 308, Washington, D.C. 20007, (202) 342-2410 or 303-1303, telex ITT 440316.

PRMMI ADDRESS. Puerto Rico Marine Management, Inc. has moved to Raritan Plaza I, Edison, New Jersey 08818, mail-ing address P.O. Box 3170, telephone (201) 225-2121.

NCITD CONFERENCE. National Council on International Trade Documentation will hold a conference on international trade and computerization June 16-18 at Waldorf-Astoria Hotel in New York. For further information, contact NCITD, 350 Broadway, Suite 1200, New York, New York 10013, telephone (212) 925-1400.

HAMPTON ROADS AWARD. Edwin J. Adams, vice president of I.T.O. Corporation of Virginia, has been chosen as recipient of the Hampton Roads Maritime Association Distinguished Service Award. Adams has been instrumental in negotiating labor agreements with the ILA, serving as chairman of the Employers' Negotiating Committee and treasurer of the Council of North Atlantic Shipping Associations.

NCBFAA MOVES. The National Customs Brokers & Forwarders Association of America (NCBFAA) has moved its headquarters to Five World Trade Center, Suite 9273, New York, NY 10048, (212) 432-0050.

IICL ELECTS STEEN. The Institute of International Container Lessors (IICL), at its directors' meeting in Hamburg, West Germany, elected Tore Steen president. Steen is president and chief operating officer of Flexi-Van Leasing, Inc. Other officers elected were: Lewis Rubin, CTI Container Services, first vice president; R. Mark Egan, Jr., Nautilus Leasing, second vice president; Charles E. Tingley, Transamerica ICS, treasurer; and Edward A. Woolley, IICL, secretary.

MORAN SHIPPING PRESIDENT. Joseph A. Cano has been named president and chief operating officer of Moran Shipping Agencies, Inc. Cano has been with Moran since 1980, serving as executive vice president since 1982. Prior to joining Moran, he was a licensed deck officer for United Fruit Company and also served with American Hemisphere, Stockard Shipping Company, Victory Carriers and United States Navigation.

Cano

PANALPINA MANAGEMENT. Gerard W. Fischer has been named to the traffic/sales worldwide department of Panalpina World Transport, Ltd. Fischer has been with the company 22 years in various capacities.

CHINA CONSTRUCT '86. The State of New Jersey is a participant in the China Construct '86 building and equipment exhibition May 16-22 in Shanghai, Peoples Republic of China. Co-sponsors of the exhibition are China Council for the Promotion of International Trade, Shanghai Sub-Council, Chinese Society of Architects, Shanghai Construction Engineering Bureau and Shanghai Building Materials Bureau.

DIRECTORY. Multiport Ship Agencies Network has available its 1986 directory which provides a listing of the 70 ship agent members of the network. For information or a copy of the directory, contact General Secretariat, International Building, 4th Floor, 109/119, Westblaak, 3012 KH Rotterdam, The Netherlands, telephone (010) 411 66 33, telex 26871.

INTERCARGO 86. Intercargo 86, Boston's international cargo services and equipment exhibition and conference will be held May 21-23 at the World Trade Center in Boston. Opening address will be given by Frederick Salvucci, Secretary of Transportation, Commonwealth of Massachusetts.

FREIGHT MANAGEMENT SYSTEM. Freight Controller, a freight management system developed by the Bank of Boston to help distribution managers, traffic managers and cash management officers control costs, was introduced April 28. Companies using the system can choose any three management services—reporting, auditing and payment.

$1.5 MILLION GIFT. The American Seamen's Friend Society awarded assets totaling $1.5 million to Mystic Seaport Museum. Income from the endowment will be allocated for the support of educational activities at the Seaport.

TFL DISTRICT MANAGERS. Four district sales managers were appointed by TFL Sales, Inc. Marc Merdler was named for the Mid-Atlantic area, headquartered in Baltimore. He has been with TFL for three years. James Robinson was appointed in the Cleveland area. He previously served with Diamond Shamrock. Vince Rogers is new sales manager for the Houston area. Rogers has been with TFL since 1982. Eric Posey is sales manager for the Pittsburgh district.

TODD DIVIDEND DECLARED. Todd Shipyards reported sales for the fiscal year ended March 30, 1986, totaled $413.7 million, compared with $506.8 million last year. Sales for the fourth quarter totaled $123.2 million, compared with $112.2 million in the same period last year. The board of directors voted a quarterly dividend of 33 cents per share.

CONTRACT FREIGHTERS. Jerome Bondanza was named regional marketing manager in New Jersey and Pennsylvania for Contract Freighters, Inc., a Joplin, Mo.-based motor carrier. Bondanza was previously employed with Patriot Carriers, Sun Carriers Express, Ryder System and Consolidated Freightways. CFI has expanded its marketing region to include the eastern seaboard.

ELLER RELOCATES. Eller & Company, Inc. has relocated its New York office to 630 Fifth Avenue, Suite 1600, New York, New York 10111, telephone (212) 489-2231.

HAZMAT '86. The Hazardous Materials Management Conference and Exhibition (HazMat '86) is scheduled for June 2-4, in the Atlantic City Convention Center. The conference is designed for industry managers, consultants and government officials who deal with problems of hazardous materials and wastes.

ALBANY AFFILIATION. The Mariner's House of Albany, New York, on May 22, will celebrate its affiliation with the United Seamen's Service. The USS provides centers for merchant and military seafarers throughout Europe, North Africa, Asia and the Indian Ocean.

CONTAINER LASHING. Wolfgang Witt has been named general manager of marketing and sales for Martec International. Witt was formerly with Contrans (USA), Inc. where he served as vice president in the technical department.

CLYDE PORT AUTHORITY. Maritime Consultants, Inc. of New York has been named to head sales activities in the U.S. by Clyde Port Authority of Glasgow, Scotland. Maritime Consultants will search for new sources of traffic for Clyde Port's cargo facilities in the ports of Glasgow, Ardrossan and Hunterston, as well as the Container Terminal at Greenock.

CARIBBEAN BUSINESS. The Second Annual Caribbean American Business Exposition will be held July 25-26 at Long Island University (Brooklyn Campus). The show is co-sponsored by the Brooklyn Chamber of Commerce, Caribbean American Chamber of Commerce and Long Island University, and is designed to promote trade and investment between Brooklyn and the Caribbean. For further information, contact Michael Littmann at the Brooklyn Chamber of Commerce, telephone (718) 875-1000.

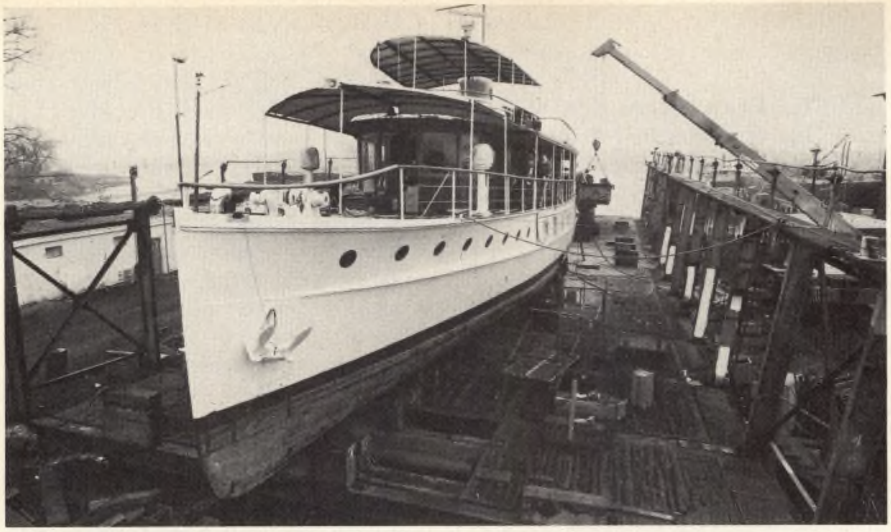
CHEMICAL LEAMAN. Chemical Leaman Corporation has announced its first quarter revenues for 1986 increased eight percent, from $39,681,777 in 1985 to $43,095,025 in 1986. A loss of $412,121, or $.34, per share was recorded compared with a $276,422, or $.23, profit in last year's first quarter.

NEW FORWARDING COMPANY. Anthony J. Patti, president, has formed World Freight Forwarders, Inc., a Wallington, N.J. freight forwarding company with terminals, warehouses and trucking facilities in New Jersey and Florida.

MERIT'S N. ATLANTIC CHIEF.

Darley

Merit Steamship Agency, Inc. has named Mark T. Darley as its vice president and general manager in the Atlantic region. He will be headquartered in New York. Darley has spent more than 25 years in the steamship industry.

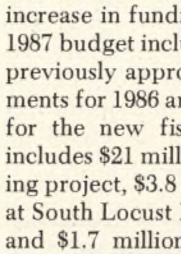


PRESIDENTIAL YACHT RESTORATION. The *Sequoia*, an antique yacht used by eight U.S. presidents, is being prepared to participate in the July 4 Statue of Liberty centennial celebrations in New York City. At its southern plant in Norfolk, Virginia, Norshipco is overhauling the hull and deck and installing new piping and wiring. The 104-foot wooden yacht is complete with a fishing deck, two salons and three staterooms. It was used by Presidents Hoover, Roosevelt, Truman, Eisenhower, Kennedy, Johnson, Nixon and Carter.

LINE MANAGER OF NSCSA. Donald E. Rupert has been named line manager and Veronica Vitale was named assistant line manager of National Shipping Company of Saudi Arabia. Both Rupert and Vitale joined U.S. Navigation, Inc. in 1984 when the NSCSA Agency moved from F.W. Hartmann to U.S. Navigation.

MPA FUNDING. The Maryland Port Administration will receive a 46 percent increase in funding for fiscal 1987. The 1987 budget includes amounts that were previously approved as budget amendments for 1986 and then carried forward for the new fiscal year. The budget includes $21 million for the 50-ft. dredging project, $3.8 million for a new crane at South Locust Point Marine Terminal, and $1.7 million for the expansion of storage areas at Dundalk Marine Terminal.

PORT OF MOBILE. Allen Hayes has joined the sales staff of the Port of Mobile in New York. His previous employment includes the Delaware Port Authority, Barber Steamship Lines, Atlantic Overseas Corporation and Columbus Lines. The New York office is managed by Mike Palumbo.



Hayes

GENERAL MANAGER. Anne Gomez has been named general manager for Gulf and Overseas Shipping Corporation. She previously held the position of traffic manager.

VIRGINIA CONFERENCE. The 38th annual Virginia Conference on World Trade will be held October 1-3, 1986 at the Richmond Marriott Hotel in downtown Richmond. The theme will be "Virginia: Gateway for World Trade" and will feature speakers addressing topics of interest to the international trading and shipping community. For information on exhibit space and reservations contact Virginia Chamber of Commerce, 9 Fifth St. S., Richmond, VA. 23219, or telephone 804-644-1607.

VEXTRAC REPORT. The Virginia Export Trading Company (VEXTRAC) in its first year of operation has moved approximately 1,400 tons of general cargo through the Port of Hampton Roads. A subsidiary of the Virginia Port Authority, VEXTRAC is the first and only federally certified Export Trading Company in the U.S. that is a public, not-for-profit organization. For further information on VEXTRAC contact Barry Owens, director, or Judy McCain, marketing development manager, at 600 World Trade Center, Norfolk, 23510.

FRANCIS J. HARTY. Francis (Frank) J. Harty has been appointed manager of U.S. Navigation's inward service department. He is responsible for all inward activities on behalf of U.S. Navigation's principals: The National Shipping Company of Saudi Arabia, Scindia Steam Navigation, America-Africa Line, Breakbulk Container Line and Maragua Line. Harty was previously with Columbus Line and ELMA.

COSTA LINE CARGO SERVICES. William Adams has been named vice president in charge of Ocean Star Containerline A.G. for Costa Line Cargo Services, Inc. He most recently served with Southern Cross Overseas Agencies.

VPA HONG KONG OFFICE. The Virginia Port Authority will open an office in Hong Kong by early summer, giving the agency two offices in Asia. The other office in Tokyo opened in 1964. Virginia's trade with 16 Asian nations has increased to more than one million tons a year, a 43 percent gain over the 1980 figure of 721,700 tons.

AST&L EXAMINERS. Theodore O. Wallin, EM, has accepted the chairmanship of the Board of Examiners of the American Society of Transportation and Logistics. Dr. Wallin is director of the Franklin Program in Transportation and Distribution Management at Syracuse University in New York.

WAREHOUSE DEPOT MANAGER. Ronald E. Sheer of Liverpool, New York, has been named manager of the mill warehouse depot at Crucible Specialty Metals Division of Crucible Materials Corporation.

FREIGHT MANAGEMENT FACILITY. Bank of Boston has opened a new facility in Burlington, Massachusetts, for its freight management division. The 30,000-sq.-ft. office park structure was designed for exclusive use as a freight management facility. The office employs 250 people.

ABS MANAGERS. The new members of the Board of Managers of American Bureau of Shipping (ABS) are: Edward J. Campbell, president and CEO, Newport News Shipbuilding & Dry Dock Co., Newport News, Va.; Joji Hayashi, EVP & COO, American President Lines, Oakland, Ca.; V.Adm. William H. Rowden, Commander, Naval Sea Systems Command, U.S. Department of the Navy, Washington, D.C.; George H. Walls, director, United Fruit Company, New York, NY; Douglas C. Wolcott, president, Chevron Shipping Co., San Francisco, Ca.; and George S. Zacharkow, chairman, Marine Office of America Corporation, New York, NY.

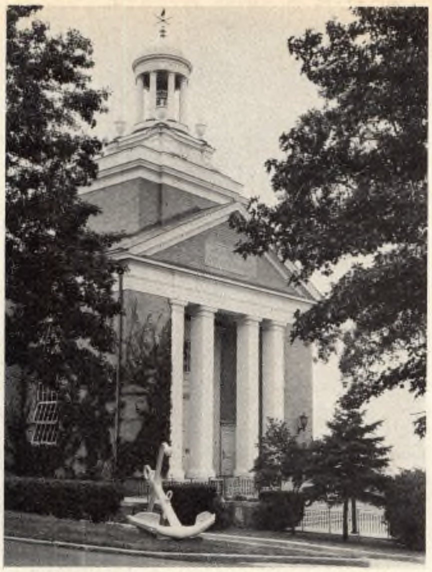
JOHN D. WHEELER. John D. Wheeler, executive vice president of Daniel F. Young, Inc., died April 17. He was active in the expansion of the company during his 46 years of service. He also served as president of Young Sea Cargo Corp. and Young Air Cargo Corp., subsidiaries of Daniel F. Young, Inc.

BDP ACCOUNT MANAGER. Thomas C. McLain has been named account manager of BDP International, Inc., a Philadelphia-headquartered international freight forwarder. He was previously employed with Sea-Land Agencies and United States Lines. McLain will operate from the Lester and Philadelphia offices.

NATIONAL CARGO CHAIRMAN. Robert M. Buckley, a partner in the firm of Simpson, Spence & Young, was elected chairman of the board of directors of National Cargo Bureau at its 35th annual meeting in New York. David C. Beebe, Jr., vice president of Chubb & Son, Inc., was elected deputy chairman. The new treasurer is Robert S. Hospodar, vice president - operations, Alcoa Steamship Company, Inc.

SENIOR SURVEYOR. Captain Robert B. Jones was named senior surveyor in the ports of Norfolk and Newport News, Va. by National Cargo Bureau. He succeeds Capt. Elmer J. Downs, who has retired. Jones previously served with Victory Carriers, Trinidad Corporation and Waterman Steamship.

MARINE INSURANCE CLAIMS. The 15th annual Marine Insurance Course organized by Richards Hogg International will be held in London September 15-26. Lecturers are the partners and staff of Richards Hogg and partners from firms of admiralty solicitors and P&I club managers. Course fee is $950. For further information, contact Richards Hogg International, 40 Exchange Place, New York, New York 10005 (212) 809-8080.



NATIONAL MARITIME SHRINE. The 25th anniversary of the Merchant Marine Memorial Chapel at Kings Point, L.I., was celebrated on May 4. The memorial was erected to honor merchant mariners of the Second World War who gave their lives for their country. In 1948, Congress authorized the building of the Chapel, but appropriated no money for its construction. Vice Adm. Gordon McLintock proceeded to collect the sum of $750,000 needed for the shrine. By 1958, enough money had been collected for the Chapel, but it was short $100,000 for completion of the interior. Congress appropriated the remaining funds. The new chapel was dedicated by President Kennedy in May of 1961. Sitting atop the Chapel is a steeple containing a beacon which emits a signal visible for 17 miles and is listed as a navigational light on all charts of Long Island Sound.

SOUTH JERSEY PORT. Joseph A. Balzano, Jr., deputy executive director of South Jersey Port Corporation, has been selected by the Ports of Philadelphia Maritime Society as recipient of their "Man of the Year" award. The award was presented April 24 at the Union League, Philadelphia.

MARINE CREDIT DATA. ECS Marine, a United Kingdom reporting agency, has introduced a help line for new subscribers to its on-line service which offers access to status reports on over 1,000 companies in the maritime industry. Online users obtain access to ECS reports for a $95 flat fee.

POSIDONIA 86. Visitors from countries as far apart as Hong Kong, Norway and Australia have registered for Posidonia 86, the biennial international shipping exhibition scheduled for June 2-7 in Piraeus, Greece. Posidonia 86 will feature exhibitors from 47 countries, including the U.S. for the first time.

MULTIPORT DIRECTORY. The 1986 Directory of The Multiport Ship Agencies Network covers 700 ports in 68 countries worldwide. The directory gives members' contact details, ports coverage and their areas of specialization. Persons interested in this directory may receive a copy free of charge by contacting the Multiport Ship Agencies Network, International Building, Fourth Floor, 109/110 Westblaak, 3012 KH Rotterdam, The Netherlands, telephone (10) 4116633.

EVERGREEN HEADQUARTERS. Grand opening ceremonies were held April 11 for the new address of Evergreen Marine Corporation's world headquarters in Taipei, Taiwan. The new offices are located at 330 Min Sheng E. Road. The new telephone number is (02) 505-7766.

MATLACK VP-INTERMODAL. John H. Curtis was named vice president-intermodal of Matlack, Inc. Curtis was previously vice president of the intermodal division of Illinois Central Gulf Railroad and the Baltimore and Ohio Railroad. He is also an officer of the National Council of Physical Distribution Management.

Curtis

PLANNING, NEGOTIATING. The World Trade Institute will sponsor a workshop on "International Ocean and Air Transportation: Planning, Negotiating & Managing the Move" May 19-20 at the World Trade Center in New York. For further information, contact Eunice C. Coleman, The World Trade Institute, One World Trade Center, 55th Floor West, New York, New York 10048, (212) 466-3170.

EDP IN CONTAINER HANDLING. International Cargo Handling Coordination Association of London has available "Electronic Data Processing and Computer Involvement in Container Handling Operations. For further information, contact Roy D. Johnson, ICHCA information officer, at telephone 01-828-3611.

TRAFFIC CONSULTING. Transport Systems, Inc., a transportation and traffic consulting company based in Morristown, New Jersey, has been established to aid shippers seeking more efficient and cost-effective ways to move cargo from plant to customer. William J. Hanlon is president and founder of the company.

TRENDS IN MERGERS. Gerald Seifert, general counsel for maritime policy of the House Committee on Merchant Marine and Fisheries, has been named as the third intermodal transportation program executive-in-residence at the College of Charleston. On Friday, May 23, at the College of Charleston, Seifert will deliver a research presentation on "Current Trends in Mergers, Acquisitions and Cooperative Agreements, and Their Effect on the Transportation Industry." For further information, contact Penny McKeever at (803) 792-8112 or 792-5628.

ELLER OPERATIONS. Charles E. Coelho has been promoted to assistant vice president in charge of Eller & Company, Inc. operations in Port Everglades. Coelho joined Eller as general manager in 1985 after serving with John J. Orr & Son in Providence, R.I.

MIAMI SEAPORT. Metropolitan Dade County Seaport Department reports year-to-date revenue is up 4.8% over the same period last year. Outbound container cargo increased to 66,577 tons over 23,326 for the same period last year. Total U.S. flag ships moving through the port increased from 120,471 in 1985 to 198,630. Outbound container tonnage on foreign ships fell from 213,595 to 203,397. Average days outstanding in accounts receivable were 63.

WOMEN'S TRAFFIC CONFERENCE. The 28th Annual Eastern States Women's Traffic Conference, held April 11-13 in Charleston, S.C., was attended by Bobby Elder, Gail Pender and Juanita Woods, representatives of Women in Transportation of South Florida. President Bobby Elder submitted a bid to the conference board to have the 1988 conference held in South Florida.

GEORGETOWN BERTH DEDICATED. The Port of Georgetown's new 700-foot berth was formally dedicated April 17 with Gov. Richard W. Riley delivering the dedicatory address. The Brazilian ship *Atlantic Breeze* was the first vessel to utilize the facility. The concrete and steel, bulkhead-type wharf more than doubles the port's previous public docking space.

SUPERMODALISM. The 13th Annual South Carolina International Trade Conference will be held May 20-22 in Charleston, S.C. Honorary chairman and keynote speaker of the conference is Tsvi Vered-Rosenfeld, managing director of ABC Containerline NV, Antwerp. The conference will include musical entertainment at Gaillard Municipal Auditorium, a tour of two historic houses, a harbor cruise and a golf tournament. For further information, contact David N. Mills, S.C. International Trade Conference, P.O. Box 539, Charleston, SC 29402-0539, (803) 722-2731.

GEORGIA TRADE CONFERENCE. The theme, "Twenty/Twenty: Perspective for Growth," refers to the 20th Georgia Foreign Trade Conference which will be held September 23-25 at the Savannah Sheraton Inn in Savannah, Georgia. For information, contact Cathy Vaughn, Georgia Ports Authority, P.O. Box 2406, Savannah, GA 31402.

CHARLESTON'S BEST MONTH. The best month in history was experienced by the Port of Charleston in March. Total tonnage was reported at 533,647 tons and container tonnage at 332,463 tons, 8.6% better than the previous monthly container high. Total tonnage in the fiscal year-to-date was at 4,076,152 tons, a 16% increase over the same period last year.

APICSZI/JIT SEMINAR. The American Production and Inventory Control Society, Inc. Zero Inventory/Just-In-Time Seminar will be held July 21-23 at Hyatt-on-Hilton Head, Hilton Head, SC. The applications of ZI/JIT principles will be examined through panel discussions conducted by representatives from Hewlett-Packard, Toyota, John Deere, New United Motor Manufacturing, ALCOA, Westinghouse, Harley-Davidson, Apple Macintosh and IBM.

FLORIDA CUSTOMS BROKERS. The Florida Customs Brokers and Forwarders Association, Inc. (FCBF) held its annual installation banquet Saturday, April 19, at the Omni Hotel in Miami. Music was provided by Willie Chirino, a Latin musical group, and door prizes exceeding $25,000 were distributed. The new officers of the FCBF are: Al Marino, Almar International, president; John Gazitua, Florida International Forwarders, first vice president; Eddy Fandino, Pronto Cargo, second vice president; Jose Aguirre, Miami International Forwarders, treasurer; and Angelo A. Annunziato, Universal Transcontinental, secretary. John Gazitua was named "Man of the Year" based on his dedication to the FCBF and his contribution in bringing a medical insurance plan to fruition for the members. The next general membership meeting will be held May 17 at the Port of Palm Beach. The meeting will be sponsored by the Port of Palm Beach, Seaboard Marine, Ltd., and Tropical Shipping Company, and will be held on the vessel *Empress*.

TNT PILOT PRESIDENT. Colin Eggleston has been appointed president and chief operating officer for TNT Pilot, an affiliate of TNT Limited. He has been employed with TNT Limited for more than 20 years in its worldwide operating divisions. Rick Toburen was named senior vice president of operations.


Eggleston

ALL-TIME MONTHLY HIGH. The containerized tonnage crossing the docks of the Port of Savannah in March was 356,304 tons, beating the all-time monthly high set in October 1985 of (337,162 tons. Georgia Ports Authority reports 2.8 million tons of containerized cargo crossed their docks between July 1, 1985 and March 31, 1986, a 32 percent increase over FY '85.

INAUGURAL FROM CANAVERAL. Premier Cruise Lines' Star/Ship *Oceanic* sailed on its inaugural voyage April 25 from Port Canaveral. The 40,000-ton vessel was berthed on the port's north side for three and one-half months as it underwent a $10 million refurbishment. The *Oceanic* joined its sister ship, the S/S *Royale*, in offering three- and four-day cruises to the Bahamas.

BREAKBULK MANAGER. Michael Regenovich, Jr. has been named general manager of breakbulk operations with the South Carolina State Ports Authority. He was previously production manager for Hughes Aircraft in Orangeburg, SC. and held operational, sales and managerial posts with Matson Navigation, Palmetto Shipping & Stevedoring, and American President Lines.


Regenovich

MIAMI TRADE CONFERENCE. The first annual Miami Foreign Trade Conference will be held May 22 at the Playhouse at Miami Springs Villas/Viscount Hotel, Miami, Florida. The conference will focus on various aspects of South Florida's future in world trade. For information, contact Wayne Reiter at (305) 374-8944.

MARKET ANALYST. The South Carolina State Ports Authority has named Donna Duvigneaud-Lemm market analyst. She previously served as sales representative and marketing analyst for Lykes Bros. Steamship Co.

TRADE EXPO. Jacksonville International Trade Association will present Trade Expo '86 May 18, designed to give companies registered at the Governor's Conference on World Trade the opportunity to display brochures, catalogs and exhibits. For further information, contact Melinda Chatham at (904) 354-6641.

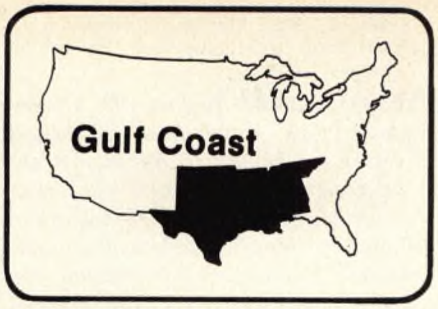
BONDED WAREHOUSE SEMINAR. The National Bonded Warehouse Association will present a seminar for bonded carriers and cartmen at the Miami Airport Marriott Hotel in Miami on June 11. Guest panelists from U.S. Customs and representatives from surety bonding companies will answer questions from participants. For further information on the seminar, contact Jackie Roth at (305) 374-1252.

MSAS MIAMI. John F. Jankowski, Jr. has joined McGregor Sea & Air Services, Ltd. (MSAS) as sales manager in Miami. He was previously vice president-sales with Pandair Florida. Kathy Owen was named air export manager in Miami. She previously worked as gateway manager at Steevens-Diz Air Freight.

JOINS SEA-BARGE. Bill Lauderdale has been appointed director of operations for Sea-Barge Group, Inc. He was previously employed by Zapata Gulf Marine, one of the three owners of Sea-Barge. He also has six years of experience with Crowley Maritime.

$9.3 MILLION PURCHASE. Georgia Ports Authority will purchase two plantation properties to prepare for future growth. The 2,200-acre tract is located 2.5 miles upriver of GPA's Garden City Containerport, where the old Coastal Highway 17 bridge crosses the Front River. Purchase price is $9.3 million and finalization will take place in July.

NISSAN STEVEDORE. Nissan Motor Corporation held a luncheon on March 24 in Jacksonville to honor ILA Local 1408 and Strachan Shipping Company. Damage frequency for the port was the best in the import industry, according to E.D. Quinn, Nissan's director of port operations.



RESTRUCTURES TRADE ZONE. Port of Houston Authority will transfer responsibility for managing Houston's Foreign Trade Zone from the Foreign Trade Zone Corporation to Port Authority staff in August. Transfer was made because a report confirmed that direct management of the zone by the Port Authority could save money.

NEW TERMINAL IN GALVESTON. Texas International Terminals has opened a 43-ft. deep-draft terminal west of the public Galveston Wharves. Westport Terminal has an 840-ft. dock capable of berthing Panamax size vessels.

INCENTIVE RATE FOR GRAIN. Port of Houston Authority is utilizing new wharfage fees for U.S. Department of Agriculture grain and grain products. All USDA grain and grain products PL-480 Title II shipments, with the exception of rice and rice products, will be assessed wharfage at 20 cents per ton.

WEST GULF MARITIME. West Gulf Maritime Association has moved to Portway Plaza, 1717 E. Loop, Suite 200, Houston, Texas 77029, (713) 678-7655.

ACT/PACE MANAGER. Jerry J. Granacki was named Houston district sales manager for Associated Container Transportation/PACE Line's container service to Australia/New Zealand. Granacki has 13 years' experience in steamship sales.

NON-UNION STEVEDORES. Six non-union employees of Houston Stevedores, Inc. recently loaded 17,500 metric tons of wheat aboard the *Producer*, an ocean-going barge bound for Port-au-Prince, Haiti. Hank Milam, owner of Houston Stevedores, went to state district court on two occasions in an effort to break the monopoly of the ILA at the Port of Houston's public docks. In January, he obtained an injunction limiting the ILA's behavior at both public and private facilities.

TRANSPORTATION WEEK. Assistant U.S. Transportation Secretary Matthew V. Scocozza spoke at the National Transportation Week (NTW) luncheon on May 13 at Houston's Shamrock Hilton Hotel. He also participated in a seminar sponsored by the University of Houston and Houston Community College which focused on intermodal transportation.

TRINITY IND. TRANSPORTATION. Patrick A. Turner has been named president of Trinity Industries Transportation, Inc. of Dallas. Turner was formerly employed by Whiteford Truck Lines of South Bend, Ind. as general manager. He is a member of the ATA Private Carrier Conference, the ATA Sales and Marketing Council and the Dallas Traffic Club.

STATISTICS CONFIRM TONNAGE. Figures released by the Galveston District of U.S. Army Corps of Engineers show more cargo moved through facilities at the Port of Houston in 1984 than previously indicated. New figures show 96.7 million tons of cargo moved through the facilities instead of the 84.6 million estimated earlier. This is a nine percent increase over 1983. More than 68 million tons of liquid cargo and 28.5 million tons of dry cargo moved through the port in 1984.

INGALLS PROPERTY AVAILABLE. The Ingalls Iron Works, Marine Division, located in Decatur, Alabama, is for sale or lease. The property consists of 70 acres and has been used primarily for construction, repair and maintenance of river and ocean going barges and small self-contained ocean going vessels. For information, contact Eldridge H. Cockrell, 1316 Stratford Road, S.E., Decatur, Alabama 35601, (205) 355-6115.

TMT AGENCIES, INC. Harry J. Chaisson, Jr. has been named vice president and general manager of TMT Agencies, Inc. of New Orleans. Chaisson has more than 21 years' experience in the shipping industry. He joined TMT in 1977. Rick G. Williams has joined TMT as vice president-sales and marketing in New Orleans. He will be responsible for sales activities in the southeastern U.S. Williams was most recently employed with Southern Cross Overseas Agency, Inc. Texas Caribbean Consolidators, Inc. of Houston has appointed TMT Agencies, Inc. as its agent in New Orleans for Caribbean service.

NCBFAA DIRECTOR. James F. Mooring, president of Smith Air, Inc. of Houston, has been named director of the National Customs Brokers & Forwarders Association of America, Inc., succeeding Paul F. Wegener who was named vice president.

HANDLING RATES REDUCED. Port of Houston Authority has reduced handling rates for non-fat dried milk in bags by 64 percent, while wharfage fees for rice and rice products have been cut by one-third. Handling and wharfage fees for most bagged agricultural goods at PHA facilities were reduced earlier this year.

STEPHEN C. NIEMAN. Burlington Northern Railroad has named Stephen C. Nieman vice president of intermodal marketing. Nieman has previously been chief executive or general manager for three common carriers, manager for Consolidated Freightways and Spector Freight, and director of transportation development for IU International.

AGENTS FOR AMERICA-AFRICA. Biehl & Company, Inc. has been named U.S. Gulf agents for the West German flag ship line, America-Africa Line, for service from Houston to West African ports. The service includes four vessels sailing from Houston on a regular monthly basis with East Coast stops at Baltimore and New York before departure for West African ports.

National Maritime Council OVERVIEW

A monthly feature from the National Maritime Council, a unique Washington, D.C.-based association of shippers, maritime labor, and American-flag shipping lines. The Council seeks to broaden public awareness of our country's valuable and technologically advanced liner shipping fleet and to foster its expansion to a level consistent with America's importance in world commerce.

National Maritime Council • 1748 N Street N.W., Washington, D.C. 20036 • (202) 785-3754

Welcome Aboard

O'Dowd

Michael E. Wilson is Traffic Manager for Reed Tool Company, Houston, a manufacturer of rock bits used in oil and gas exploration. Reed Tool distributes raw materials to rock bit manufacturing facilities in Argentina and Singapore, as well as finished products worldwide.

Appointed to the Midwest Region's Advisor group is **Thomas A. O'Dowd**, Manager of Export Distribution for Quaker Oats' International Grocery Products Division, Chicago. Mr. O'Dowd has been with the Quaker Oats Company for some 20 years in various distribution and export positions.

Pair

Central Region Shipper Advisors welcome **Roy V. Pair**, Manager of Traffic and Distribution for the Sunbeam Appliance Company in Memphis. Mr. Pair, who has over 20 years of experience in management, traffic, physical distribution and international trade, is looking forward to advising American-flag liner companies on the pricing and service needs of companies such as Sunbeam. "I certainly support our country maintaining a healthy maritime fleet," he commented.

Daniel Rubio, Managing Director of Transportation for Crest Industries, Inc., Miami, has been appointed an Advisor to the NMC Southeast Region. Crest, a sales and marketing company that imports ceiling fans, ceiling fan lights, humidifiers, track lights, and air conditions from the Far East, caters to home centers, department stores, mass merchandisers, and catalog showrooms throughout the United States.

Rubio

Recently appointed as a Shipper Advisor to the Western Region is **Abner Brantley**, Manager of Business Development-Asia Pacific, for Star-Kist Foods, Inc. Mr. Brantley is responsible for Star-Kist's development in that region, and handles export sales to the Middle East as well. Headquartered in Long Beach, California, Star-Kist Foods, a subsidiary of H.J. Heinz, has been a world leader in seafood and pet food products for nearly 75 years.

Also appointed as Western Region Advisor is **Morris H. Schneider**, General Manager of Inter-Pacific Corporation, Los Angeles. Mr. Schneider brings over 30 years of importing experience to the region's advisory group, the last 14 of which have been at Inter-Pacific. The company is an importer/distributor of footwear and ladies' knitwear from the Far East and Italy.

Ms. Bettye Brown, Transportation Manager for the Tawn Company, joins the Western Region Advisors. Ms. Brown has a degree in Domestic and International Transportation, and has been with the Walnut, California Company since 1975. The Tawn Company is the import arm of the McKesson Corporation, which brings in specialty items for sister companies and imports seasonal and sundry items for national supermarket and home improvement chains.

Brantley

Peter J. Wang, Executive Vice President of Jefferson Trading Company, Los Angeles, also has been appointed to the Western Region's advisory group. Jefferson Trading Company imports apparel, textiles, sporting goods, health care products and computer software from the Far East. Mr. Wang's career in international banking and trade has spanned some 26 years.

New England Region Elect Officers

Schneider

Our newest region, headquartered in Boston, has chosen officers for its charter year. Serving as the region's Chairman and Membership Chairman will be **Joel P. Brebbia**, New England Sales Manager for Sea-Land Service, Inc.

Susan E. Hall, United States Lines' District Sales Manager, Transatlantic Exports, will be Vice Chair and Program Chair. **Ronald J. Bodziony**, Manager of Administration and Operations-Northeast District for American President Lines, will serve as the region's Treasurer. The Shipper officers will be appointed in the near future.

September 25 is the date of New England's inaugural program, to be held in Boston.

Wang

NMC Annual Meeting Set For June 18-19 in the Nation's Capital

When NMC members from across the country convene in Washington, D.C. for the Council's annual meeting, they will have the opportunity to hear Maritime Administrator John A. Gaughan speak about MarAd's promotional efforts on behalf of the American maritime industry, as well as the Administration's positions on the various maritime legislative proposals that recently have been floated on Capitol Hill.

In addition, NMC Shipper Advisors will continue the ongoing dialogue with American-flag liner companies' chief executives on issues affecting the conduct of their interntional oceanborne trade. Also during the two-day program:

- Seminars on various aspects of U.S.-Japan trade will be conducted;
- NMC President William B. Kelly will lead workshop sessions for the steering committee leadership to launch ZAPP: and
- NMC Shipper Advisors will enjoy a backyard barbeque at the Council the evening of June 18.

Hall

May NMC Programs . . . In San Francisco on the 27th, Pacific Central Region members will host trade expert **Clyde V. Prestowitz, Jr.**, Counselor to the Secretary of Commerce for Japan; **ILWU President James Herman** will address NMC members in Seattle on the 28th; and a panel of Shipper Advisors will discuss ocean carrier selection with their colleagues on May 29, as the NMC Central Region holds its second quarter program in Memphis.

Bodziony

TACOMA PORT REP. Gary Nillissen has joined the Port of Tacoma, Wash., as Midwest sales manager, replacing the late Karl Kuetzing. The Netherlands native previously spent 33 years with a steamship agency involved with Gulf and West Coast trade. He is based in the port's Chicago area office, 2021 Midwest Road, Suite 330, Oakbrook, IL 60521, (312) 953-8646.

Nillissen

UNIT DISTRIBUTION, INC. Kenneth J. Battista has been named vice president-sales for Unit Distribution, Inc. in Chicago. Battista will join Ken Smallwood, vice president-sales, Jacksonville, Florida, in marketing distribution services throughout the United States.

STEAMSHIP NIGHT. The Midwest Foreign Commerce Club will present "Steamship Night" May 19 at Fountain Blue Restaurant, Des Plaines, Illinois.

LOWER HANDLING RATES. ILA Local 1366 and North Central Terminal Operators, Inc., which manages the public marine terminal for Seaway Port Authority of Duluth, have agreed to an hourly wage reduction of more than 30 percent for unloading bagged Food for Peace cargoes from railroad cars. As a result, North Central has dropped its car-unloading rates for Food for Peace by one-third.

NEW ORLEANS MIDWEST OFFICE. Port of New Orleans Midwest sales office in Chicago has relocated to 455 Frontage Road, Suite 214, Burr Ridge, IL 60521, telephone (312) 323-9071 or 9070. Paul A. Kreis is manager of Midwest sales and Thomas Hyland is assistant manager.

THOMAS W. ASHDOWN. Glidden Coatings & Resins, Division of SCM Corporation, has named Thomas W. Ashdown manager of physical distribution. Ashdown joined Glidden in 1974. His duties include planning and controlling inventory investment.

MIDWEST FOREIGN COMMERCE CLUB OFFICERS. New officers were elected to the Midwest Foreign Commerce Club of Oakbrook Terrace, IL. as follows: top row, from left: Don Pollard, Sea-Land, secretary; Harm Brandt, U.S. Lines, director; Kenneth Zalga, Port of New York/New Jersey, vice president; Jim Kauffman, Trans Ocean, Ltd., treasurer; bottom row, from left: George Seaman, Santa Fe Railroad, director; Gene Osowski, Nettles and Company, chairman; Don Duffy, Port of Oakland, president; and Lloyd Lucas, Greene Companies International, director.

ACT/PACE MOVES. Associated Container Transportation/PACE Line has moved its Chicago office to 455 Frontage Road, Suite 216, Burr Ridge, IL 60521, (312) 655-0800, outside Illinois, 1-800-222-9906.

DOW BUSINESS UNIT. Dow Chemical U.S.A. has formed a business unit to focus on the company's resilient plastic foam products. The new team includes Ben Brooks, manager; Ken Koza, marketing manager; George Mackey, technical service and development manager; Barry Bors-Koefoed, research manager; and Joe Hegyesi, manufacturing manager. District sales managers are Dave Clark, Chicago; Mike Bahnaman, Charlotte; Jack Nagy, San Francisco; and John Somerville, Philadelphia.

TRANSPORTATION IN KENTUCKY. The Kentucky Department of Economic Development has issued a publication entitled *Transportation in Kentucky*, which provides data on highway, rail, water and air systems and services in the state. Copies are available for $4 each from Maps and Publications, 133 Holmes Street, Frankfort, Kentucky 40601.

PROMOTE WATERWAYS. In order to take better advantage of Kentucky's river transportation system, Gov. Martha Layne Collins consolidated all state functions pertaining to ports in the Commerce Cabinet. Gov. Collins noted that the Commerce Cabinet has been involved with riverports since 1966.

MIDWEST SUB-AGENT. Tagship, Inc., general agent for Empresa Naviera Santa's East and Gulf Coast liner service to Peru and Chile, has appointed Atlantic, Gulf and Pacific Shipping, Inc. as sub-agents in the Midwest.

TRAILMOBILE VP. Raymond M. Lyons has been appointed vice president, sales and marketing, for Trailmobile, Inc. of Chicago. Lyons joins Trailmobile after 20 years with Fruehauf Corporation. He will coordinate corporate sales and marketing activities for over 170 branch and dealer locations nationwide.

LEASEWAY EARNINGS. Leaseway Transportation Corporation based in Cleveland experienced increased earnings of $1.4 million for the quarter ended March 31, 1986, compared with $0.3 million for the same quarter in 1985. Revenues for the quarter totaled $345.7 million, compared with $344.4 million in the first quarter of 1985.

RED BALL SUBSIDIARY. Two Red Ball Corporation subsidiaries elected new corporate officers during the annual meeting held on April 15 in Indianapolis. David E. Miller is vice president-finance/assistant treasurer for American Red Ball Transit Company, Inc., headquartered in Indianapolis. He was previously controller of the company. David W. Hope, former controller for American Red Ball International, Inc. of Seattle, was named vice president-finance/assistant secretary.

ITOFCA CONFERENCE. At its 23rd annual transportation conference, ITOFCA, Inc. featured a panel discussion on the operation of stack trains. Keynote speaker for the conference was J.C. Rooney, Deputy Administrator, Federal Railroad Administration.

AMERICAN CRANE DIVISION. Jerry A. Morgan has been named president of the American Crane Division of Amhoist, American Hoist & Derrick Company, replacing William B.R. Hobbs. Morgan joined Amhoist in 1979. Floyd D. Tuominen was also appointed executive vice president and chief operating officer of the Harris Division. He joined Amhoist in 1976.

MERIT PICKS SUBAGENT. Merit Steamship Agency, Inc. has named Midwest Steamship Agency of Berea, Ohio, to represent Japan Line in Ohio, Kentucky, West Virginia, western Pennsylvania and western New York state.

HAPAG-LLOYD, CLEVELAND. Donald R. Seese joined Hapag-Lloyd as sales manager for the Cleveland office. He has 10 years' experience in sales and sales manager in the international transportation field. A native of the Cleveland area, Seese earned an associate degree in business administration from Cuyahoga Community College.

Seese

FIRST TO TRAVERSE SEAWAY. The *M/V Jalatapi* opened the 1986 St. Lawrence Seaway world shipping season in the Port of Duluth-Superior on April 14. Piloting the vessel across Lake Superior was Capt. Robert W. O'Brien of New Port Richey, Florida, and formerly of Superior, Wisconsin.

PORT INSURANCE. In an effort to help its members cope with the problem of obtaining insurance coverages that are adequate and affordable, the American Association of Port Authorities has created a special committee on port industry insurance considerations. The group will consider the possibilities c "grouping" and "pooling" initiative Gary L. Failor, Seaport director of th Toledo-Lucas County Port Authority, chairman of the committee. Specifi proposals will be discussed and cons dered during American Association c Port Authority's 1986 membership mee ing in Miami, Florida, September 2 October 2.

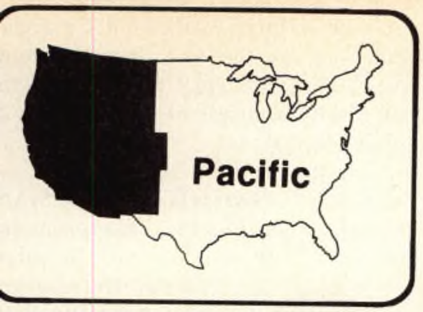
HAZMAT/CANADA SEPT. 9-11. Ha Mat/Canada, a combined conferenc and exhibition covering the equipmen systems and services required in th handling, disposal and treatment c hazardous materials and wastes, will b held September 9-11 at the Metr Toronto Convention Center in Toront Ontario. For more information, conta Bob Myhelic, Tower Conference Ma agement Company, 331 W. Wesle Street, Wheaton, Illinois 60187, (31 668-8100.

STEEL COILS. A Japanese registere bulk carrier, the *High Peak*, opened th overseas shipping season at the Port c Toledo. The vessel docked at th Toledo-Lucas County Port Authority overseas cargo center on April 11, carr ing 3,000 metric tons of steel coils f discharge at Toledo World Termina Capt. Kimio Takeuchi and his 22-ma crew were honored at a ceremon aboard the vessel.

WORLD SHIPPING OFFICE. Worl Shipping, Inc. in Detroit has relocated i sales and marketing office to Hollida Park Plaza, Suite 259, 8623 Wayne Roa Westland, Michigan 48185, telephon (313) 421-4500.

C&H MANAGERS. Jerry Brown an Dewayne McRay have joined C& Transportation as terminal managers Joliet, Illinois, and Lexington, Kentuck respectively. Brown has 23 years' exp rience in operations and sales. McRa has nine years in owner-operator manag ment.

WORLD TRADE INSTITUTE. Th World Trade Institute will sponsor seminar on documentation preparatio for export and import July 9-11, to b held at the Holiday Inn-Wheeling/Nort brook, Northbrook, Illinois. A worksho will be presented at the Westin Hotel i Chicago June 18-20 discussing the su ject of export/import letters of cred and achieving maximum savings throug cost-effective procedures. For furthe information on these workshops, conta Eunice C. Coleman at the World Trad Institute, One World Trade Center, 55t Floor West, New York, NY 10048, tele phone (212) 466-3170.



JREMOVICH MOVES. Michael E. Jremovich has joined American President Companies' domestic arm, American President Domestic Transportation Company, as marketing vice president. He moves over from a similar post with APC's maritime subsidiary, American President Lines. Based at company headquarters in Oakland, he is to coordinate marketing strategy for APDT and its omestic freight brokerage units, development of new transportation and distribution packages, and integration of hese packages within the APC group.


Uremovich

IATSON PROMOTES DONOHUE. Iatson Navigation Company has promoted Raymond J. Donohue to senior ice president from vice president, nance. He continues as the firm's chief nancial officer.

LYMPIA PORT FINANCE CHIEF. ric Burkhead has joined the Port of lympia, Wash., as finance and administration director. Burkhead has 12 years' experience in finance, his previous post being budget and internal audit director at the Port of Tacoma. He is responsible for managing the Port of Olympia's finance, accounting, data-processing and ersonnel administration activities. He is University of Colorado graduate and olds an MBA in finance from Duke niversity.


Burkhead

ANALYTICS ASSOCIATE. Veteran ansportation analyst Julie Bennett has ined Manalytics, Inc., the San Francisco-ased consulting firm, as an associate, to andle assignments in world trade and ipping. Bennett has worked as an dependent consultant in Greece and ngland. She has a bachelor of science egree in public administration from the niversity of California, Davis, and a aster of science degree in transport anning and management from Polytechnic of London.

CARGO OPERATIONS COMBINED. Star Shipping A.S. has consolidated its container and breakbulk services in Southern California. The Norway-based carrier had had its container-handling operations at Long Beach, but expansion of Indies Terminal Company's Los Angeles facility enabled Star to shift to the latter port, eliminating the need to shuttle its combination vessels between the two ports. Kicking off the consolidation was the recent arrival of the *Star Denver* at Los Angeles. On hand for the occasion were, from left, Henry Jacobson, district manager, Star Shipping (U.S.W.C.), Inc.; John Craft, general manager, Stevedoring Services of America; Capt. F.J. Amundsen; Steven Paul Resnick, port marketing director; and Capt. M.K. Aschemeyer, SSA vice president.

APC CAPITAL EXPANSION. Four days after reporting a first-quarter loss of $10.1 million, or 49 cents per share, American President Companies chairman Bruce Seaton announced May 2 to shareholders that the firm plans to spend $500 million over the next two to three years on a capital expansion program. The package, subject to board of directors approval, calls for replacement of some ships with more modern vessels, and upgrading or expanding APC's container and railcar fleets, terminals and other components of its intermodal transportation system. The program would be financed through internally generated revenues and borrowings, and the offering of $75 million to $100 million in convertible preferred stock, subject to market conditions. APC is to file a registration statement with the Securities & Exchange Commission on the stock offering. The quarterly earnings figures represent a sharp drop from the profit of $9.2 million, or 45 cents per share, posted a year earlier. Seaton laid the last quarter's net loss to a steep decline in international freight rates. Even so, first-quarter revenues improved to $348.3 million this year from $231.9 million last year. The net loss was offset somewhat by a jump in real estate earnings, to $11.2 million from $2 million, and the domestic transportation marketing operations that APC acquired in March 1985 from Brae Corporaton generated $99.6 million last quarter.

SF ICTF PREPARATION. Subgrade preparation and grading has begun on the first phase of the Port of San Francisco's permanent intermodal container transfer facility. The work is scheduled for completion in mid-July, in time for the start of construction. Phase one of the ICTF is ticketed for completion in November.

MANALYTICS/WHARTON STUDY. Non-U.S. liner trade among OECD nations this year will exceed 1.532 billion metric tons, of which more than 14% will be containerized, according to a new report by Manalytics, Inc., of San Francisco and Wharton Econometric Forecasting Associates, of Philadelphia. Containerized volume will be 2.5 million TEUs above 1983 levels, the report says.

SUZUKIS THROUGH TACOMA. Suzuki will import its new Samurai model through the Port of Tacoma's Pierce County Terminal, port officials announced. Importer Suzuki of America Automotive Corporation, of Brea, Calif., will initially bring 400 Samurais a month through Tacoma. The car was introduced in California last year.

MITSUI TERMINAL COMPLEX. John H. Maddox has been appointed vice president and general manager of Trans Pacific Container Service Corporation, the new container terminal complex of Mitsui OSK Lines at the Port of Los Angeles to be completed in 1987. Maddox was previously general manager, Pacific Division, for Sea-Land Services.

WILLIAMS, DIMOND. The executive sales office of Williams, Dimond & Co. and Mitsui O.S.K. Lines, Los Angeles, was moved to Long Beach where it merged with their general office at 100 Oceangate Blvd. Work has commenced in preparation for construction by the Port of Los Angeles of MOL's new container terminal scheduled for completion by June of 1987.

PACIFIC RIM SHIPPING. Robert C. McQuigg has been named vice president of Pacific Rim Shipping. His primary responsibility will be the expansion of the company's Aedler-Pacific Rim Shipping NVOCC service with the Far East. McQuigg has more than 25 years of marketing experience in international trade.

TRADE WEEK SPEAKERS. During the month-long observance of the 60th anniversary of World Trade Week, May 18-24, 18 scheduled events include five seminars, 10 speaker presentations, panels and free harbor tours. Speakers include Ambassador Clayton Yeutter, senior U.S. trade representative; Lt. Gov. Leo McCarthy; Adm. James Watkins; American Honda president Tetsuo Chino; Maritime Administrator John Gaughan; Charles Nevil, president of Meridian Co.; Alex Good, U.S. Dept. of Commerce; Canadian astronaut Marc Garneau; Australian executive F.W. Miller; Barbara Jacob, EEC; and J.D. Alan Jones, Ferranti.

Yeutter

AUSTRALIAN MATERIAL DEPOTS. McGregor Sea & Air Services, Ltd. has extended its contract with the Australian government to operate the Australian Material Depots in the U.S. The depots, located in San Francisco and Jersey City, N.J., handle over 4,000 individual shipments per month, consisting of Australian government goods purchased in the U.S. and personel effects of Australian military personnel stationed in the U.S.

EXECUTIVE APPOINTMENTS. Merit Steamship Agency, Inc. appointed Frank Vanduyn executive vice president in Los Angeles. Vanduyn has been with Merit since 1970, holding positions in sales and management in Los Angeles, Portland, Chicago and New York. Mark T. Darley has been named vice prsident and Atlantic regional general manager in New York. Darley has more than 25 years' experience in the maritime industry.

PORT HUENEME AGENCY. Merit Steamship Agency, Inc. has opened an office at Port Hueneme, California, located at 345 "A" Panoma Street; telephone (805) 986-3159.

TRADE COUNCIL. Richard King, president of Richard King International, will address the International Trade Council at its monthly dinner meeting on May 29, to be held at the Pasand Restaurant, 1875 Union Street, San Francisco. For further information, contact Judith Conrad at 686-5550.

GREENE COMPANIES. Greene Companies International, Inc., Oak Brook, Ill.-based international transportation company, has moved its San Francisco offices to 185 Berry Street, Suite 4819, 94107, (415) 974-6994.

AUTOMATED EXPORT. Airborne Express, a Seattle-based air express company, has received approval from the United States Bureau of Census for participation in the Automated Export Declaration Program. The program allows Airborne Express to capture Export Declaration Information on-line in FOCUS (Airborne's computerized communication system) and send that information directly to the U.S. Bureau of Census via computer tape. Exceptions to the program are goods valued over $999 going to Canada and shipments traveling under a U.S. State Department license.

DEMONSTRATION CONTAINER. By the end of May, customers of Pacific Europe Express will have an opportunity to spend an hour inside a 40-ft. seafreight container. The Demonstration Container (DEMCO), designed and operated by Incotrans, is outfitted with a slide projector, a viewing area, a kitchen and a bar. The unit just completed a tour of Germany, Italy and Switzerland. Persons interested in visiting should contact William Diggs at Kerr Steamship Company, One Market Plaza, Spear Street Tower, 24th Floor, San Francisco, CA 94105, 800-621-0851, ext. 345.

FIRST FEMALE CHIEF ENGINEER. Jean Thacher Arnold is the first female in the history of the U.S. Merchant Marines to be licensed by the U.S. Coast Guard as a Chief Engineer of Unlimited Horsepower Steam Vessels. In 1976, Arnold was one of three women in the graduat ing class of the California Maritim Academy in Vallejo, Ca., the first of th six maritime academies in the U.S. t graduate women.

MATSON PROMOTES BOWMAN Matson Agencies, Inc., has promote Edward P. Bowman to vice presider from general manage sales and traffic. Bow man joined parent Ma son Navigation Com pany in 1980 afte working with The Kir Company, a worl wide Christmas tre shipping firm. He b came northern Cal fornia sales manag for Matson Agencies in 1982. He is graduate of the University of Pug Sound.

Bowman

MERIT EXECUTIVE VP. Merit Stean ship Agency, Inc., has promoted Fran Vanduyn to executive vice presiden The new job bring Vanduyn to compan headquarters in Lo Angeles from Ne York, where he wa senior vice preside and Atlantic regio general manager. Me it also announced th opening of an office 345 "A" Panoma St Port Hueneme, CA 93041; (805) 98 3159; telefax (805) 986-3076; TW 910-341-7261.

Vanduyn

TACOMA PORT PR. Judy Gish ha joined the Port of Tacoma as commun cations manager, replacing Rod Koo who was promoted t port relations dire tor. Gish was tran portation and mar time editor for th *Seattle Daily Journ of Commerce* for th past six years. In he new post, she is respor sible for port publica tions and media.

Gish

LA ICTF MARKET MANAGER. Sou thern Pacific Transportation Compan has named Ronald Paul market develop ment manager for th intermodal containe transfer facility (ICTF that the company developing with th Los Angeles and Lon Beach port adminis trations.

Paul

MINING GEAR TO CHINA. Part of a 4.8 million-pound shipment of mining ·quipment bound for Tianjing, China, is loaded onto the *M/V Feiteng* at Long 3each. The oversize cargo required 95 trucks for draying from Riverton, Wyo. American Nuclear Corporation arranged the sale of the 16 large dump trucks, bulldozers, and a heavy-duty steam shovel and skiploader.

EXPORT TRADE COMPANIES. Washngton Gov. Booth Gardner has signed egislation authorizing "most" of the tate's ports to form public export tradng companies, the Port of Bellingham eported. The bill, drafted by the port nd guided through the legislature by tate Rep. Pete Kremen, is to become ffective June 11. While the port's major ETC thrust" will be "the 'Whatom County opportunity'," officials here will also focus on "the possibility to lend U.S. and Canadian commodities, erhaps in mutual usage of the port's oreign trade zones," a port statement aid. Potential exporters and importers nterested in the port's ETC may contact ob Hilpert, trade development direcor, or Rebecca Pulst, assistant to the xecutive director, at (206) 676-2500 or elex 882806.

ORTLAND PORT BUDGET. Portnd port administrators have proposed 1986-87 budget of $290 million, which ey said "reflects a conservative projecon of financial activity ... to improve, xpand and market facilities and properes." The figure is down $27 million om the 1985-86 spending package ecause of "cautiousness stemming from e port's experiences this year in the hanging marketplace." The budget proects revenues of $91.5 million, and ajor expenses of $73.5 million for opertions and $18 million for reinvesting in rojects and paying off debts. Another 57 million is ticketed for capital conruction, maintenance and new equipent purchases. In other developments, e port commission approved the ppointment of Swan Wooster Engieering, Inc. to design a bulk facility at erminal 4, for $250,000 maximum. The ommission also awarded a $9,445,800 construction contract to Emerick Construction Company for expansion of the terminal building at the Portland International Airport.

THE QUINTESSENTIAL MANAGER. Today's maritime-industry managers "must have a thorough understanding of the workings of the entire business organization," Robert J. Pfeiffer, chairman and chief executive officer of Matson Navigation Company and parent Alexander & Baldwin, told the graduating class at the Maine Maritime Academy, where he received an honorary doctor of science degree April 13. "In addition to having technical skills, they must be attuned to cost control, and they must be equipped to deal with matters of finance, law, the environment and human relations. Managers also need greater political sophistication, to balance government's pervasive role in private business. ... Above all, the managers of today and tomorrow have to be able to anticipate change and, even better, to inspire it." Pfeiffer also lamented what he termed "a disappointing lack of government support of the United States merchant marine." He commented, "We sorely need a coördinated government shipping policy to reconcile legislative differences on subjects such as cargo preference; tax reform involving tax credit, depreciation and capital construction funds; Title XI; ship construction and operating subsidies; and, most important, the role of the merchant marine and shipbuilding in national defense planning."

Pfeiffer

Port Authorities

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

NORTH ATLANTIC	
Eastport	(207) 853-4614
Portland	(207) 773-5608
Portsmouth	(603) 436-8500
Boston	(617) 973-5500
Fall River	(617) 674-5707
Providence	(401) 781-4717
New York/NJ	(212) 466-8337
Albany	(518) 445-2599
Philadelphia	(215) 928-9100
Camden	(609) 541-8500
Wilmington	(302) 571-4600
CHESAPEAKE AREA	
Baltimore	(800) 638-7519
Norfolk	(804) 623-8000
GREAT LAKES	
Buffalo	(716) 855-7411
Cleveland	(216) 241-8004
Toledo	(419) 243-8251
Detroit	(313) 259-8077
Green Bay	(414) 497-3265
Burns Harbor	(219) 787-8636
Chicago	(312) 646-4400
Milwaukee	(414) 278-3511
Duluth	(218) 727-8525
Kenosha	(414) 652-3125
SOUTH ATLANTIC	
Morehead City	(919) 726-3158
Wilmington	(919) 763-1621
Georgetown	(803) 527-4476
Charleston	(803) 723-8651
Savannah	(912) 964-3811
Brunswick	(912) 264-7295
Jacksonville	(904) 633-5240
Canaveral	(305) 783-7831
Palm Beach	(305) 842-4201
Port Everglades	(305) 523-3404
Miami	(305) 371-7678
GULF COAST	
Manatee	(813) 722-6621
Tampa	(813) 248-1924
Panama City	(904) 763-8471
Pensacola	(904) 438-8537
Mobile	(205) 690-6020
Pascagoula	(601) 762-4041
Gulfport	(601) 865-4300
New Orleans	(504) 522-2551
Baton Rouge	(504) 387-4207
Lake Charles	(318) 439-3661
Beaumont	(409) 835-5367
Port Arthur	(713) 983-2011
Houston	(713) 226-2100
Galveston	(713) 765-9321
Corpus Christi	(512) 882-5633
Brownsville	(512) 831-4592
PACIFIC COAST	
San Diego	(800) 854-2757
Los Angeles	(213) 519-3840
Long Beach	(213) 437-0041
Hueneme	(805) 488-3677
Richmond	(415) 620-6784
San Francisco	(415) 391-8000
Oakland	(800) 227-2726
Sacramento	(916) 371-8000
Stockton	(209) 946-0246
Coos Bay	(503) 267-7678
Portland	(503) 231-5000
Longview	(206) 425-3305
Tacoma	(206) 383-5841
Seattle	(206) 382-3000
Bellingham	(206) 676-2500

Advice From an Outsider

Huge investments in the container industry appear to be threatened by "outsiders." It seems that every issue of this magazine carries reports involving neo-bulk carriers chartering out deck space for carriage of containers. Almost always, the carriers are independents.

Recently, I asked one of those independents just what the conferences should do with respect to this type competition. I have known the individual for many years and believed he would give a straight-forward answer—which he did:

"From what I have seen, what the conferences should do with respect to their non-conference competition really depends on the trade served. In the Pacific, for example, neo-bulk/container carriers are probably not carrying more than 2 to 3 percent of the business, and that, for all intents and purposes, could probably be disregarded. The typical carrier serves a single, contracted destination and thus is at a disadvantage when competing for cargo from shippers who need service to other ports.

"The real competition there seems to lay with Evergreen and lines similarly situated, who duck in and out of conferences as it suits them best. This is something they can do under U.S. legislation—something which probably would not be permitted by conferences serving other countries than ours.

"In the Continent/West Coast trade, the neo-bulk/container ships likely carry a larger percentage of the boxes, but then there are not that many carriers in the trade, at least not when compared to the Pacific.

"I think one should bear in mind that while the neo-bulk/container operators do furnish a quality service, it is, in some respects, perhaps not as good as that given by the conferences, who really run their vessels by the clock. Schedules of forest product carriers, as an example, will not necessarily be adhered to as rigidly as those of the all-container lines.

"Personally, I don't think the conferences should mee the Stars, Westwoods, Gearbulks, etc. head on. Thos lines can live with a bit lower rates as the hardware the operate is somewhat more economical, and because while the container revenue certainly does play a important part in the results, it is not the main source o profits, or of minimizing losses.

"The rate increases announced by the conferences wi not change the situation to any great extent. The non conference carriers certainly are suffering equally badl in the present market, and my guess is that they will jus sit back for a while to make sure the higher rates stick and then raise their own in about the same proportion.

"I would think the conference lines will have to be th leaders in any effort to get rates back to a sensible level.

My friend gave permission for his views to be share provided I did not reveal the identity of himself or hi company. I pass them along, with two thoughts of m own:

- His reasoning is sound.
- There's something wrong with the U.S. law whic enables independents to "duck in and out of conference as it suits them best." Considerable evidence exists o manipulation within the present system. While the FM is trying to tighten the rules for service contracts, the might also consider setting two and/or three year mir imum periods for membership within the conference and rate agreements and require members to live b conference rules. Anyone who dislikes the rules can joll well remain independent.

David A. Howard, Publisher